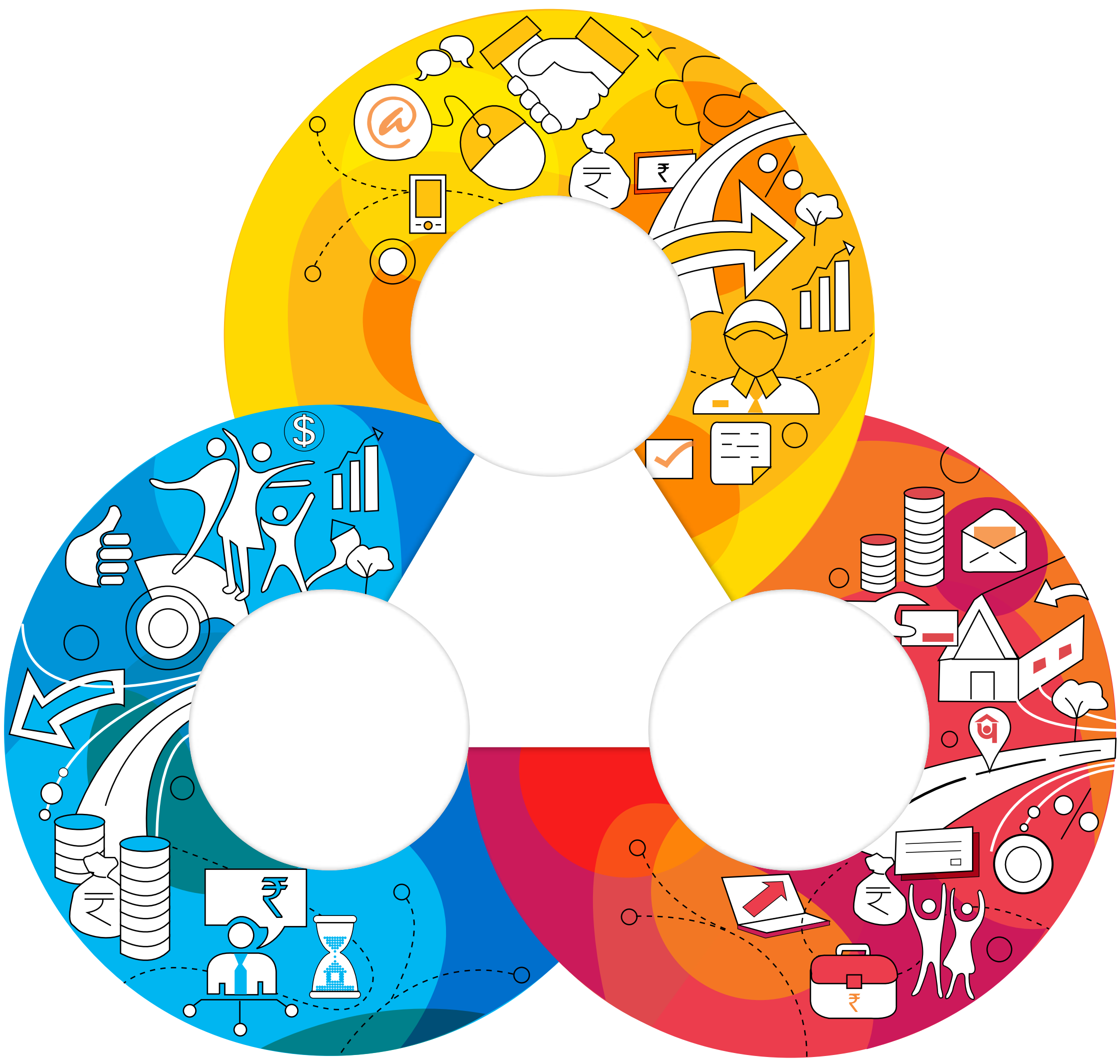
pnb Housing
Finance Limited
Ghar Ki Baat

Fueled by Ambition
Driven to Transform

26th Annual Report 2013-14



PNB Housing Finance Limited

Now taking a home loan is
Ghar Ki Baat

Contents

Corporate **Information**

DIRECTORS

K R Kamath
Chairman

Tejinder Singh Laschar

G N Bajpai

P K Gupta

S K Jain

S S Bhatia

Vivek Vig

Anand Dorairaj

Sanjaya Gupta
Managing Director

AUDITORS

B R Maheshwari & Co.
M-118 Connaught Circus,
New Delhi - 110 001

LEGAL ADVISORS

Vaish Associates, Advocates

COMPANY SECRETARY

Sanjay Jain

BANKERS & FINANCIAL INSTITUTIONS

Bank of Baroda

Central Bank of India

Dena Bank

HDFC Bank Limited

HUDCO

ICICI Bank Limited

Punjab National Bank

State Bank of India

Union Bank of India

United Bank of India

Vijaya Bank

REGISTERED AND CENTRAL SUPPORT OFFICE

9th Floor, Antriksh Bhawan,
22, K G Marg
New Delhi - 110 001

PNB Housing Finance Limited logic behind new logo

Old Logo

pnb Housing Finance Limited

Ghar Ki Baat

New Logo

pnb Housing Finance Limited

Ghar Ki Baat

The old logo of PNB Housing Finance Limited (PNB HFL) faced the unique challenge of having too much in too little a space. PNB Housing Finance Limited, written out in one straight line, was not easy to read. A challenge that became particularly severe when one looked at the logo from a distance. As a direct consequence, the brand message of it being a housing finance company was getting lost at first glance. This caused a problem as the Company was poised to make its presence felt in the market and every opportunity had to be taken to popularize the name – PNB Housing Finance Limited; logo being a vital element in every marketing communication.

To provide a solution to this communication challenge, minor changes were incorporated into the framework of the existing logo. These changes ensured better visibility and message delivery without a total overhaul of the original design.

Maroon and yellow color band at the bottom, emphatically flag off the parentage, which is PNB. This alone ensures a positive rub-off on our emerging brand; after all the logo announces the pedigree loud and clear – a pedigree that has come to be trusted across all spheres of banking and financial services.

PNB Housing is written across the maroon band to the right of the emblem. The available space allows PNB Housing to be seen clearly, immediately registering the name as a housing finance company.

The new logo, hence, is ready to enhance this message and visibility in every marketing communication.

Board of Directors

Shri K R Kamath

Chairman of the Board

Currently, CMD of Punjab National Bank

He is a brilliant academician and a banker of repute. He started his career with Corporation Bank in 1977. At Corporation Bank, he had held various senior level positions.

He was appointed as Executive Director of Bank of India on May 19th, 2006. He became the Chairman and Managing Director of Allahabad Bank on August 2nd, 2008. He was appointed as the Chairman and Managing Director of Punjab National Bank in November 2009.

He is the Chairman of the Board of PNB HFL.

Shri Tejinder Singh Laschar

He joined the Indian Economic Services in 1973 and superannuated as Senior Economic Advisor.

He has also held prestigious positions such as Economic Advisor to the Ministry of Chemicals and Fertilizers; Member Secretary of the Working Group on Fertilizers, 10th Five Year Plan; Additional Economic Advisor, Ministry of Finance and Director, Ministry of Home Affairs and Banking Division of the Ministry of Finance.

He is the Chairman of the Audit Committee and member of Business Process Committee of the Board of PNB HFL.

Shri P K Gupta

He started his career with PNB in 1971 and became General Manager. He was elevated as the Executive Director of Corporation Bank in 2001. He became the Chairman & Managing Director of National Housing Bank in 2004 and the Chairman & Managing Director of United Bank of India in 2005. He has also held the position of Managing Director of PNB Capital Services Ltd.

He is member of Audit Committee and Appointments Committee of the Board of PNB HFL.

Shri Ghyanendra Nath Bajpai

He was the Chairman of Life Insurance Corporation of India (LIC) and the Chairman of Securities and Exchange Board of India (SEBI).

Currently, he is on the Board of many prominent companies in the capacity of Chairman/ Non-Executive Independent Director. He is also the Chairman of the National Pension Trust and has written three books. He received "Outstanding contribution to the development of finance" award from Prime Minister of India.

He is the Chairman of the Marketing Committee of the Board of PNB HFL.

Shri S K Jain

He is an MBA from Indiana University, USA (Dean's List) and a Fulbright scholar. He worked at Citibank for 30 years in various capacities in India and abroad. He was Senior Credit Officer in Hong Kong, Taiwan, Philippines, Thailand and Canada with Citibank before retiring in 2001.

He is currently the Chairman of the Credit Committee of the Board of PNB HFL.

Shri Vivek Vig

He is a post graduate from Indian Institute of Management (Bangalore). He joined Citibank in 1986 and has performed several roles at Citibank, including Country Head (Consumer) of Turkey and Saudi Arabia. After Citibank, he joined Centurion Bank of Punjab in 2004, as Country Head (Retail Bank). He is now associated with Destimoney Group of Companies in the capacity of Managing Director & Group CEO.

He is a member of the Credit Committee and Business Process Committee of the Board of PNB HFL.

Shri Anand Dorairaj

He is a Chartered Accountant from the Institute of Chartered Accountants of India (ICAI). He has worked with Citigroup International in New York. After gaining experience as a senior emerging markets specialist with extensive hands on exposure in mergers and acquisitions, he joined New Silk Route Advisors in February 2007 and focused on private equity opportunities in the Indian sub-continent.

He is a member of the Audit Committee and Appointments Committee of the Board of PNB HFL.

Shri S S Bhatia

He joined PNB as a Management Trainee in 1977. During his 37-year career with PNB, he has handled many important assignments. He has headed large branches, been SRM and later on DGM, Amritsar, DGM (Stressed Assets Management Division), Circle Head (Meerut), Field General Manager (Ludhiana) and now General Manager, RAD and MSME, HO.

He is a member of the Credit Committee and Marketing Committee of the Board of PNB HFL.

Shri Sanjaya Gupta, MD

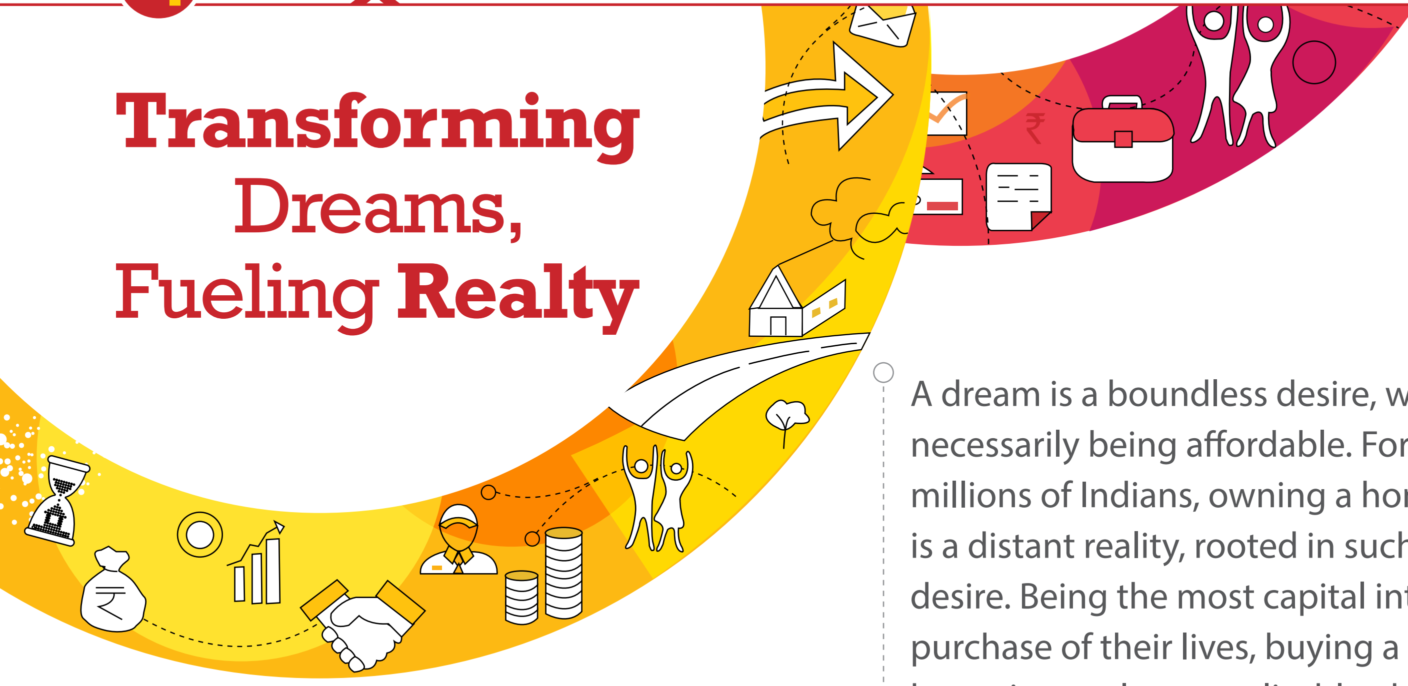
He holds a post graduate degree in Business Management. He is also a Fellow of the Royal Institution of Chartered Surveyors.

Throughout his career, which spans over 27 years, he has significantly contributed to mortgages and allied risk management products across geographies. He holds the distinction of establishing Indian mortgage industry's first international housing finance branch operations for HDFC Ltd. He is often consulted by policy makers on key changes in the sector.

He is an ADB nominated Director on the Board of HDFC Plc., Maldives and an independent Director of India Shelter Finance Corporation Ltd., where he also heads the Audit Committee of the Board.

He was appointed Managing Director of the Company in June 2010.

Transforming Dreams, Fueling Realty



A dream is a boundless desire, without necessarily being affordable. For millions of Indians, owning a home is a distant reality, rooted in such a desire. Being the most capital intensive purchase of their lives, buying a home is not always realizable, thus easy access to funding is essential to transform this dream into reality.

PNB Housing Finance Limited enables people to realize their dream of owning a home by providing competitive and easily accessible home loans.

PNB HFL provides home loans (for home purchase, extension, construction, buying a residential plot of land or home improvement) and non-home loans (loans for commercial property, loan against property, lease rental discounting and loans to real estate developers).

PNB HFL also offers Public Deposits of different maturities and various interest payment options for those who have surplus savings to invest in highly rated instruments.

Amongst India's top five lenders in the housing finance segment, PNB Housing Finance Limited is driven by its ethos of putting people first, being customer-centric and operating to the highest ethical standards.

PNB Housing Finance Limited - A Self Portrait

- We are a subsidiary of one of India's largest banks - Punjab National Bank, which owns 72.6% of the Company's equity. The remaining equity capital is held by Destimoney Enterprises Private Limited.
- We enjoy high credit ratings - CRISIL FAAA with stable outlook for fixed deposits, CRISIL AA+ with stable outlook for bank borrowings, CRISIL AA+, CARE AA+ and ICRA AA+ for non convertible debentures (NCDs) and CRISIL A1+ for commercial papers.

Loan book has expanded to **₹10,591** crores during FY 2014, from **₹6,619** crores in the previous year.

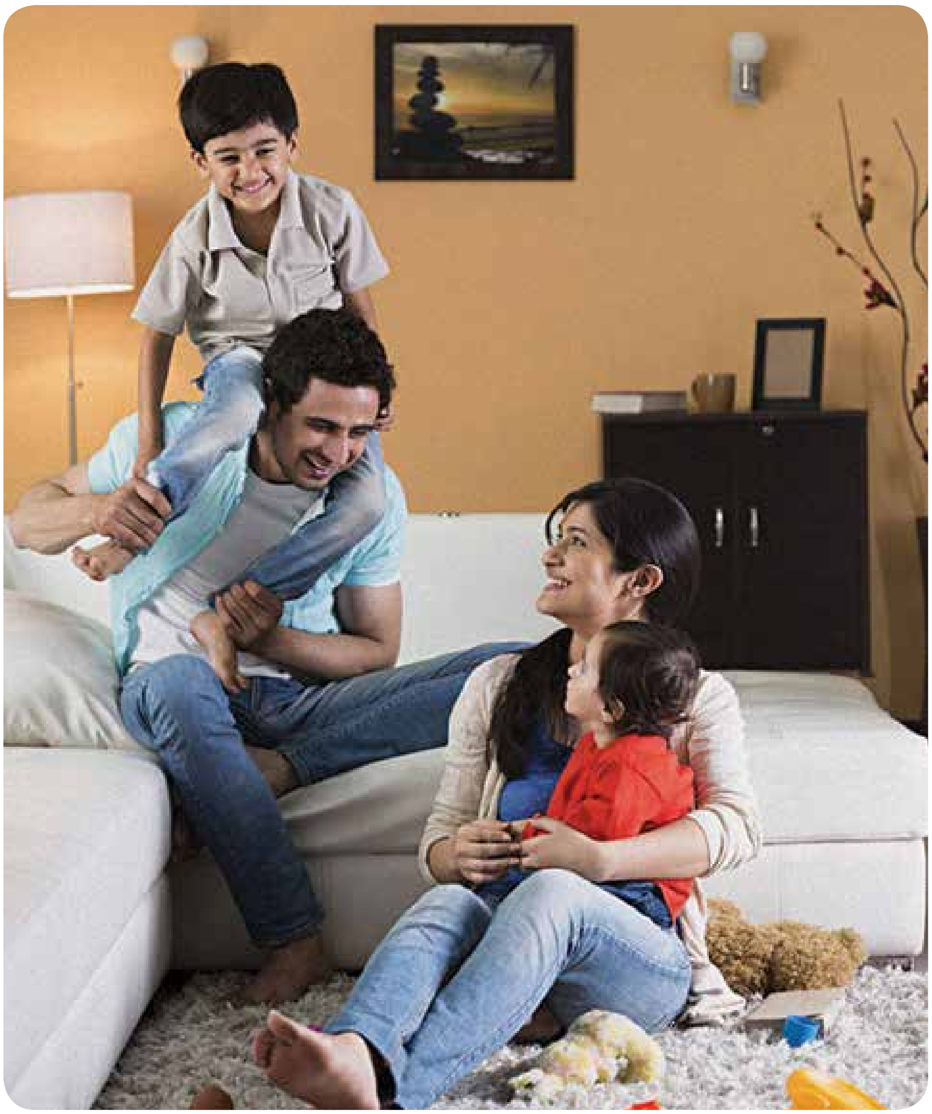
Profit After Tax stands at **₹127.44** crores during FY 2014, from **₹91.5** crores in the previous year.

Gross non-performing assets (NPAs) are at a low of **0.32**% and Net NPAs stand at **0.16**% of loans outstanding as on March 31st, 2014.

Fueled by Ambition, Driven to Transform

PNB HFL is driven by an ambition to be the most admired housing finance company in the country, not merely in terms of numbers but also for its quality of service and strong relationships. We are in midst of a comprehensive business transformation, which will have a long-term bearing on our business model. The technology we use and the systems that drive our business accessibility will be made easier for prospective customers. The transformation journey is steered thoroughly by a well designed business process re-engineering (BPR) program, which is aimed at amalgamating solidity, stability and transparency of the traditional public sector with nimble responsiveness of the contemporary private sector, delivering a robust and agile corporate entity.

It is a transformation rooted in excellence and driven by our ambition to reach the highest rank in the housing finance sector.



Awards are the Rewards of a Process of Transformation

In the journey of excellence, the only entity we compete against is ourselves. Our best performance becomes the benchmark that we try to better every day. Being incrementally superior becomes a way of life, a way to transform oneself, and we believe that if something is worth doing, it is worth doing well. This way of looking at business, as an endeavor to excel in all that we do, has been rewarding in more ways than one. We are the proud recipient of many awards from the industry, and each of these encourages us to do better every time.

AWARDS DURING FY 2014

- Organization change story awarded in the category of ***'Special Commendation Award'*** by Best Change Interventions from Asia Seminar and Study Awards 2013 - organizations successfully designing, executing and managing change.
- Acknowledged by HUDCO for ***'Significant Contribution to Housing for the FY 2013-14'.***
- Change management story got published in ***'Switch'***, amongst twelve best change management stories of India.
- Awarded by Franchisee India as the ***'Fastest Growing HFC'.***

While the transformation is still ongoing, these awards are milestones that underline our steadfast progress towards our ultimate goal of excellence - *'The most admired housing finance company in the country'*.

From the Chairman's Desk

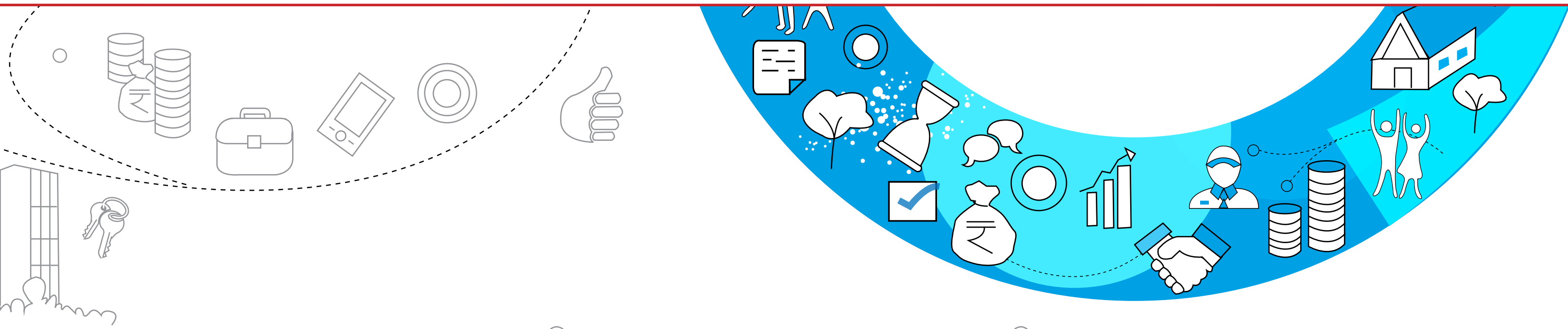
"Our objective is to take this Company amongst the top 3 HFCs in a few years' time. The Company has drawn up an ambitious business plan for itself for the next 4 years"

Dear Stakeholders,

I am happy to present to you the 26th Annual Report of your Company. I hope you will enjoy going through the contents.

I congratulate all the stakeholders on the momentous occasion of the Company successfully completing 25 years of its purposeful existence on November 11th, 2013. This is an opportune time to look back at PNB HFL, which is one of the fastest growing subsidiaries of Punjab National Bank (PNB).

PNB incorporated PNB HFL in 1988, like many other public sector banks and insurance companies, when the Indian Parliament notified the National Housing Bank Act. Our main objective was that the Company should efficiently deliver housing loans to the Indian public at large and



create a niche place for itself in the housing finance company (HFC) domain. As we went along, it was felt that in order to take optimum advantage of a growing market for home loans, the Company needs to be professionally driven and given operational independence. Moreover, in order to attain leadership position, the Company should have its own cadre of contemporary and sound human capital, robust operating model, market aligned products & policies and an effective delivery model.

Hence, in September 2008, PNB floated a global tender for disinvestment of its stake in the Company and brought in a private equity partner in December 2009. The disinvestment was followed by a detailed business process re-engineering (BPR) program, christened as 'Project Kshitij', which was operationalized in July 2010. It gives me immense satisfaction that the thought process behind restructuring and re-defining our strategies for the Company's future is on course to achieve all the specific objectives with which we had started this journey of BPR. The same has also been corroborated by business growth, one of the industry best asset quality and healthy profitability figures. In a short span of four years, the Company has now edged up to 5th position amongst HFCs with a loan book of over ₹ 10,000 crores and profit of over ₹ 125 crores, while maintaining excellent asset quality with just 0.32% gross NPAs and 1.10% total delinquencies.

Last year was an eventful and challenging year in terms of slow macro-economic growth, persistent high inflation and high rate of interest, particularly from July 2013 onwards. The country recorded moderate GDP growth of 4.7% for the year, which provided limited growth opportunities. During these testing times, the Company recorded a growth of 60% in loans outstanding, 69% in deposits and 39% in profit after tax. While the industry struggled to contain NPAs, the Company continued to maintain very high quality of loan portfolio. The Company has also delivered benchmark standards of customer service and a door-step delivery model for customer ease and convenience.

Our objective is to take this Company amongst the top 3 HFCs in a few years' time. The Company has drawn up an ambitious business plan for itself for the next 4 years. Complementing the growth plans of the Company, the Board of Directors has approved infusion of ₹ 1,000 crores by way of equity capital during the coming two to three years. This will allow the management of the Company to focus on quality growth and improving profitability indicators. I am sure in the coming years the Company will not only grow in size but will also be one of the most admired HFCs in the country.

The Company has customized its lending products and is offering wide range of fixed and floating rate of interest products, which suit prospective home buyers and insulate them from macro-economic volatilities. The Company is now developing state-of-the-art enterprise system solution, which will not only support the Company's loan origination and underwriting but would also enhance customer service and customer interface. Being in the service industry, our objective is to provide best-in-class service to the existing 83,000 loan and deposit customers and simultaneously grow the customer base many times more.

The Company has professional and experienced manpower drawn from the industry, robust policies, seamless system solution, secure and convenient sales and service branches across the country, solid and trustworthy brand image of the parent PNB, gives us the confidence that PNB HFL is certainly poised to reach greater heights in the times to come.

The year ahead has many challenges and opportunities. The Company is operationally ready to meet these challenges and seize the opportunities. I am sure that FY 2015 will be another year of excellent growth and the Company will be able to once again surpass your expectations.

In the end, I take this opportunity to thank our shareholders, my colleagues on the Board who have been valuable guide in steering PNB HFL to new heights and the customers who have patronized the brand PNB HFL to make it the fastest growing HFC in the country. A word of appreciation for the members of the staff of PNB HFL who have wholeheartedly participated in this journey of Business Process Re-engineering – without their selfless, dedicated and smart working we would not have attained these heights of excellence. I also thank our regulator, the National Housing Bank, for their continuous and timely guidance.

Yours sincerely,

K R Kamath

From the Managing Director's Desk

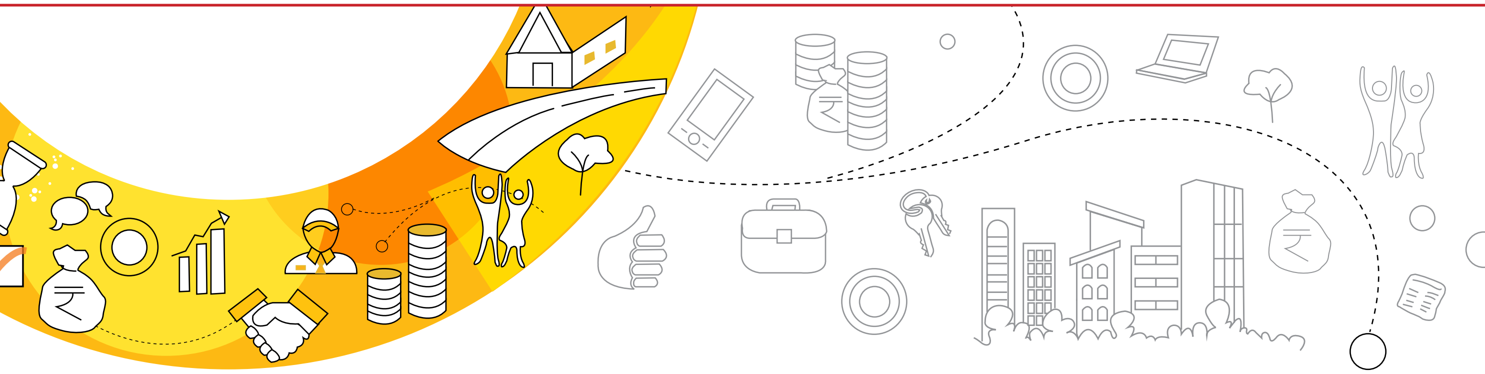
"We stride forward with tangible and high level of operational readiness, which is steered by passionate and committed people and is rooted in a new set of system solutions and best industry practices"

Dear Stakeholders,

Your Company, PNB HFL, after two and a half decades of its existence, is now at a significant point of inflection. And that is why the theme of this year's Annual Report is 'Transformation'.

As we move into the next phase of our business transformation journey, we do so as a more vibrant, dynamic, people-first, customer-centric and forward-looking organization which is entrenched in strong and deep-rooted values. We stride forward with tangible and high level of operational readiness, which is steered by passionate and committed people and is rooted in a new set of system solutions and best industry practices.

As we prepare to take the next big leap towards becoming a larger and more significant player in the housing finance sector, we are cognizant of the need to align our operations to the constantly evolving desires of our customers.



Expanding our portfolio with personalized and unique solutions, we are consistently driving our efforts to provide best-in-class products and service experience to our customers. It is our focused commitment to ensure customer delight across all our product lines, through customized solutions and door-step service.

FY 2014 saw us take many steps forward in fructifying our customer-focused agenda. When we look back at the year gone by, with a sense of satisfaction, it was a period of successful culmination of our plans –without a doubt it has been a year of exciting developments that have transformed your Company into a more contemporary, dynamic and energetic entity.

What makes this journey even more gratifying is the way we grew in contrast to the prevailing macro business environment, which was not favorable to the growth of the sector.

SOFTENING ECONOMY, HARDENING RATE OF INTEREST

Amid a continuing slowdown of the economy, India recorded the decade's lowest annual GDP growth rate of 4.7% during the fiscal gone by. From mid July, the industry faced a steep rise in rates of interest, resulting in some large lenders increasing rate of interest on home loans by 20-35 bps. This mainly impacted the existing customers, most of the lenders offered discounts in the range of 15-25 bps for new customers through special schemes. Hence, rates of interest for new customers were back to the pre-July 2013 levels.

National Housing Bank (NHB) relaxed some measures in the second half of FY 2014 - reduction in risk weights for home loans in the ₹ 0.30 crore to ₹ 0.75 crore category. This resulted in easing of pressure on capital adequacy, thereby enabling better portfolio growth for housing finance companies (HFCs).

GROWTH ACTUATORS WERE IN PLACE FOR FY 2014

Despite slowing down of the economy, HFCs displayed healthy growth momentum in the home loan segment. The overall growth in housing credit was 20% in FY 2014, which is higher than the growth rate for FY 2013. Real estate prices, however, remained subdued, with only a few cities reporting a marginal increase.

FUELED BY AMBITION, DRIVEN TO TRANSFORM

Let me share with you the panoramic insight to our business process re-engineering program (BPR), launched under the banner 'Project Kshitij', and how the initiatives have been successfully executed to bring about dramatic changes to the brand image.

This exercise was planned to span over four years starting from FY 2011 – the year was absorbed in discovering our own selves and determining our value proposition and where 'we want to be' in medium and long term time frame. Primarily we designed our own destiny.

The second year (FY 2012) was spent at strengthening our business and financial risk profiles by creating a robust, growth-oriented business model.

It included revamping of business processes, organizational restructuring, revisiting policies, creating and implementing a strong and scalable target operating model (TOM) and formulation of a detailed five year business plan to steer us through the journey of transformation.

From FY 2013 we started testing our new machinery, which included people, processes, systems, new branch lay-outs, new ways of sourcing business, centralized underwriting, handling recalcitrant customers, augmenting our networks, system solutions, human capital saw a sea change as contemporary practices were implemented – this was a very energy absorbing phase, we had to be continuously alert and tenacious; as we were changing all four wheels of a fast moving car!

FY 2014 (year under review) was the first year when we could test, over-load and trust, wing to wing, all elements of change which were brought in under Kshitij.

I am happy to report that most of the initiatives are in the final stages of implementation and their results are already evident. The BPR exercise has transformed the face of PNB HFL and has resulted in significant improvements in our competitive position and scale of operations.

With the agenda of using technology extensively, we have remarkably improved our internal and external delivery model, human resource (HR) and customer relationship management (CRM), thereby enabling us to emerge as a customer-centric organization, across products and services.

> "The results of our efforts are palpable and evident in our performance. Notwithstanding uncertainties in the rate of interest regime and a slowing economy, your Company has more than doubled its loan asset size to ₹10,591 crores over the past two years"

What is emerging as a result of these initiatives is an entity that is technology savvy, customer-friendly, competitive in borrowing and lending, as well as proactive in communicating its value proposition while maintaining its relevance to its target market segments. Our ambition is to strive for excellence and not merely growth in numbers. We aspire for nothing less than being the best-in-class HFC in the country.

A first for the Company, PNB HFL has gone live on radio, newspaper, television and Internet to generate better brand recall, gain consumer mind share and communicate our new and improved value add to the brand and services. This is a step which, I believe, shall go a long way in strengthening your Company's brand power and reputation.

Only after the final quality checks were satisfactory, your Company dared to go all out in the market to seize opportunities to grow faster than its peers - which was from FY 2013.

To share with you the key factors which brought about this change in culture and way of life within PNB HFL – the elements are:

PEOPLE LEADING THE CHANGE

This transformation would not have been possible but for the dedicated involvement of our people, who have moved in harmony with our journey of positive change. They have been active participants in this process; firstly, by changing their own beliefs and philosophy, aligning these with the Company's ethos, and secondly, by becoming agents of change to percolate the upgraded agenda across the organization, including the new family members.

FOCUS ON INTERNAL OPERATIONAL READINESS

The weak external environment did not distract us, we focused our energies on getting various aspects of our organizational transformation in place. While the human capital continued to play a vital role in taking our agenda forward, we also successfully enhanced our operational readiness through revamped business strategy, processes, infrastructure and systems.

SUSTAINED INCREASE IN ASSET SIZE

The results of our efforts are palpable and evident in our performance. Notwithstanding uncertainties in the rate of interest regime and a slowing economy, your Company has more than doubled its loan asset size to ₹10,591 crores over the past two years. Adhering to the strategy to strengthen our competitive position, I am confident that your Company will continue to maintain above average industry growth rate for quite a few years to come.

CHANGING PROFILE OF CUSTOMERS

As we move towards evolving into a more resurgent and dynamic entity, we are geared to leverage the immense potential of future growth. This growth comes with a renewed focus on customer centricity.

Customers have always been at the core of our growth philosophy and our business model is built around customer needs and desires. We have re-defined our target customer segment with focus on young, ambitious and upwardly mobile customers in existing and emerging urban centers.

CORPORATE WITH A HEART

We strongly believe in fostering meaningful relations with all those who fall within

our periphery of activity, especially the underprivileged, so that development becomes a universal phenomenon.

As a responsible corporate citizen, we see a role for ourselves in promoting development of the society in a holistic manner and act towards this end. We have collaborated with NGOs that promote child-care, general wellness and health care for the underprivileged.

SETTING THE AGENDA FOR THE FUTURE

As we move forward, I see a huge potential for growth in the relatively under penetrated housing finance sector in India. Your Company is well poised to leverage the opportunities that are before us. This transformation augurs well for our future and going forward it paves the way for a more ambitious growth agenda.

Transparency, integrity and care are key drivers of our growth strategy. We are committed to becoming a truly customer-oriented organization rooted in the ethos of our 'Ghar Ki Baat' positioning.

In the following pages a detailed commentary on this heart transplant has been compiled, to show case to you how much micro planning and execution prowess has been utilized to make this journey a successful model; may be worth replicating.

I thank the Board of Directors for their continued support and guidance, who have inspired us to build new roads.

I am thankful to our parent body PNB and the co-investor Destimoney Enterprises Pvt. Ltd. for their continued support and guidance.

The PNB brand makes our journey smooth; it inspires us to whole-heartedly contribute to the national wealth and be a good corporate citizen.

I thank our regulator National Housing Bank, our customers, our lenders, our rating agencies, our lawyers and several business partners whose continued trust in the Company keeps us going and achieving new milestones. They are our reason of existence – I thank them all to have associated with us and am sure we will cement our relationships in the years to come.

Finally, I take this opportunity to thank our management team and express my gratitude to all our employees, without whose relentless support we could not have steered this journey to new milestones within a limited time frame. I also welcome aboard the new team members who have recently joined PNB HFL to carry forward our agenda.

Thanking you,

Yours sincerely,

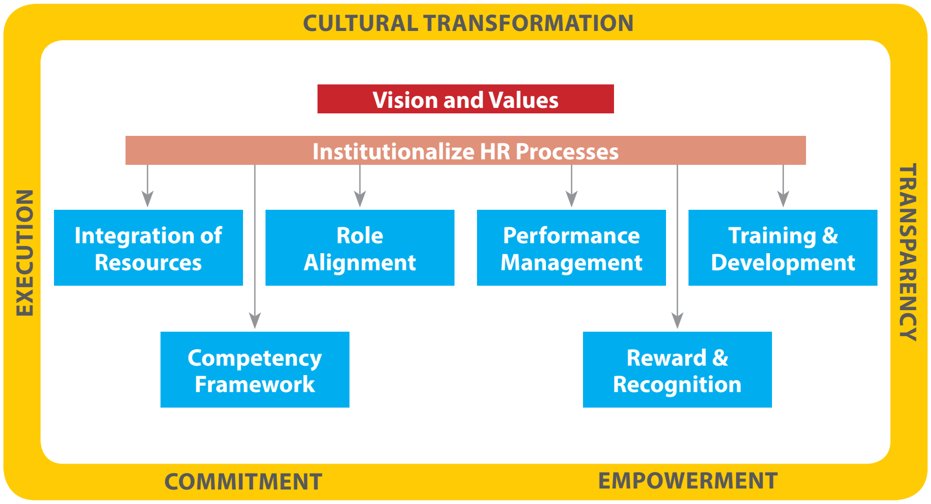
Sanjaya Gupta

Doing More, **Doing it Differently**

Transformation or business process re-engineering is an energy intensive task. Undertaking a massive and comprehensive process of change, while conducting routine work of a growing organization, makes it enormously energy consuming. Yet, that was the agenda on the operations side of our business. The task at hand was to do more - generate and transact more business in both loans and deposits - while doing it differently. It involved extensive training while working, learning and competing.

And we did it with the support of an energized team which worked in tandem with the Company's ambitious goals. Various initiatives that have given a thrust to transforming the organization have happened at several levels – people, information technology, infrastructure, customers, capital, risk management, business strategy and processes.

Transforming people, Value driven growth



The success of our journey is hinged on bringing about a cultural transformation of our people, driven by our vision and values. It was important to align our people's beliefs with our value system and business ethos, enabling them to seamlessly embrace the ideology and philosophy underpinning this process.

Sustainable and profitable growth can only be achieved with the right people working in an organization that is fit to win, with trust and transparency being the foundation of organizational culture. We are increasingly becoming an agile and diverse but cohesive business enterprise, with our people empowered and motivated to do things right. We are building capability and leadership quality among our people and attracting some of the best talent in the industry.

As a part of this journey, we focused on the vertical and horizontal integration of our people and processes through their alignment with organization's medium and long-term strategic objectives. This ensured our self-driven commitment to walk that extra mile.

Our inclusive and value-led people strategy outlined our commitment in creating a work environment which respects and values people, while recognizing changing dynamics of the industry. By fostering a sense of inclusiveness, the HR process successfully saw employees appreciate how their work could contribute meaningfully to the overall enterprise strategy.

We focused on ingraining our beliefs within our employees and energizing them to become change agents by effectively

understanding the needs of our customers and delivering on the promises made to them. Speed and accuracy of execution has become the hallmark and major differentiator of the Company's culture.

Efforts were successfully geared towards creating a strong sense of belonging among employees and ensuring that they became integral to the change process.

CHANGING THE PHYSICAL INFRASTRUCTURE

Refurbishment and standardization of brick and mortar infrastructure is an integral part of our change journey. Welcoming look and feel of all branches was necessary to ensure consistency in customer experience. More than 80% of the offices have already been renovated and rest are underway.

Our revamped offices ensure friendliness and comfort and highlight the values of our brand.

From a minuscule 48,000 sq.ft. in FY 2012, we will increase our office space to 1,42,000 sq.ft. by end of FY 2015. We are gearing ourselves to handle large volumes of business.

CHANGING OUR TARGET CUSTOMER SEGMENT, TRANSFORMING OUR POSSIBILITIES

Along with our own people, customer service and customer delight was on top of our minds. Moving into the implementation phase, we are taking a close look at our customer segments and have identified groups that we could serve in the long run. In the last two decades, we have seen the emergence of a resurgent middle and upper middle class, with high aspirations and wherewithal to fulfill their aspirations. These two segments have shown sustained demand, with adequate repayment capacity, and have thus emerged as key target groups for our business focus.

It is a strategic shift that is already showing benefits across our business and has unfolded immense possibilities for future growth.

INFUSING CUSTOMER CENTRICITY, TRANSFORMING THE ORGANIZATION

Today, customers have more options to choose from than ever before. We have

augmented our capability to fulfill growing aspirations and demands of our customers and provide them with a lasting good experience throughout their journey with us.

We are developing an organization wherein every team member is a member of the customer service team. We believe the job of each one of us is to meet customer expectations, to improve our relationship and foster customer delight. The organization-wide focus on ensuring highest levels of service competency is fueled by our ambition to be the most admired housing finance company.

The thought that we imbibe and subscribe to in our customer interactions is – "I care, and I do." So what we pursue in our service suite is personalized delivery engagement – from the first interaction till completion of the loan cycle.

In our belief, any technology-based innovation can stand only second to one-on-one interaction, and while we use technology to better our service delivery standards, we never neglect the human element.

COMMUNICATING EFFECTIVELY WITH OUR POTENTIAL CUSTOMERS

An important aspect of our customer engagement process is to redesign our communication strategy; we have created sales and marketing collaterals in the common man's language. These collaterals demystify the business of borrowing and lay out everything with transparency and without small print. Our communication is aligned with, and supports our positioning of 'Ghar Ki Baat', which aims to make customers feel at home across every part of their relationship with the Company, beginning with the first touch point of sales and marketing.

We have developed our communication collaterals with an aim to capture the customer's mind share by creating a new brand experience through harmonious look and feel of all published communication in line with our corporate image.

THRIVING IN A COMPETITIVE ENVIRONMENT THROUGH EFFICIENT RISK MANAGEMENT

Sourcing and underwriting a high quality portfolio in a competitive environment calls for a responsive and efficient risk

management infrastructure. We have significantly enhanced our risk management capabilities to meet this challenge. We are now in a position to respond to market situations that call for business actions quickly and effectively, while upholding quality of the portfolio.

Our risk management begins with a well documented policy, which is implemented by our team of experienced and empowered industry professionals. Our people who occupy key positions in this function come with professional qualifications such as CA or MBA. Our risk management processes combine the tested templates and procedures for financial analysis in case of retail transactions and use innovative deal based structuring for complex high-value transactions. Extensive personal discussions with the customers are conducted to assess their overall financial health and sustainability of their income.

We have a strong system to capture, store and analyze data related to the customers, supported by quality underwriting. The robustness and effectiveness of our risk management practices can be best understood through our key portfolio performance indicators. As on March 2014, our Gross NPAs were at 0.32% and Net NPAs at 0.16%. These levels are amongst the lowest in the industry - less than half the industry average of 1% for the home loan sector.

We have a trained team to handle recoveries and manage delinquencies supported by well laid-out systems and procedures. This team harnesses data in a timely manner to connect with customers appropriately in case of defaults. Our recoveries philosophy is driven by core principles of integrity, transparency and respect for our customers.

Details of various risk management initiatives undertaken in recent years are carried in the Management Discussion & Analysis section.

ENSURING A STEADY SUPPLY OF RESOURCES AND CAPITAL

Long-term funds at competitive cost are the key to sustained growth. Over the years, treasury has kept pace with loan disbursements for raising funds well in time and at competitive rates from the market. The Company has developed professional capabilities to supply steady flow of resources for business requirements, in the most testing times.

The Company has been raising money through bank loans, NCDs, NHB refinance and deposits, besides short-term funds through commercial paper. Our borrowing mix at the end of the year is well balanced from the point of view of liquidity and when matched with maturity profile of assets.

With overall improvement in business, credit quality, risk management and operations, the credit rating on various financial instruments, such as deposits, bank borrowings and NCDs, has also improved during the year.

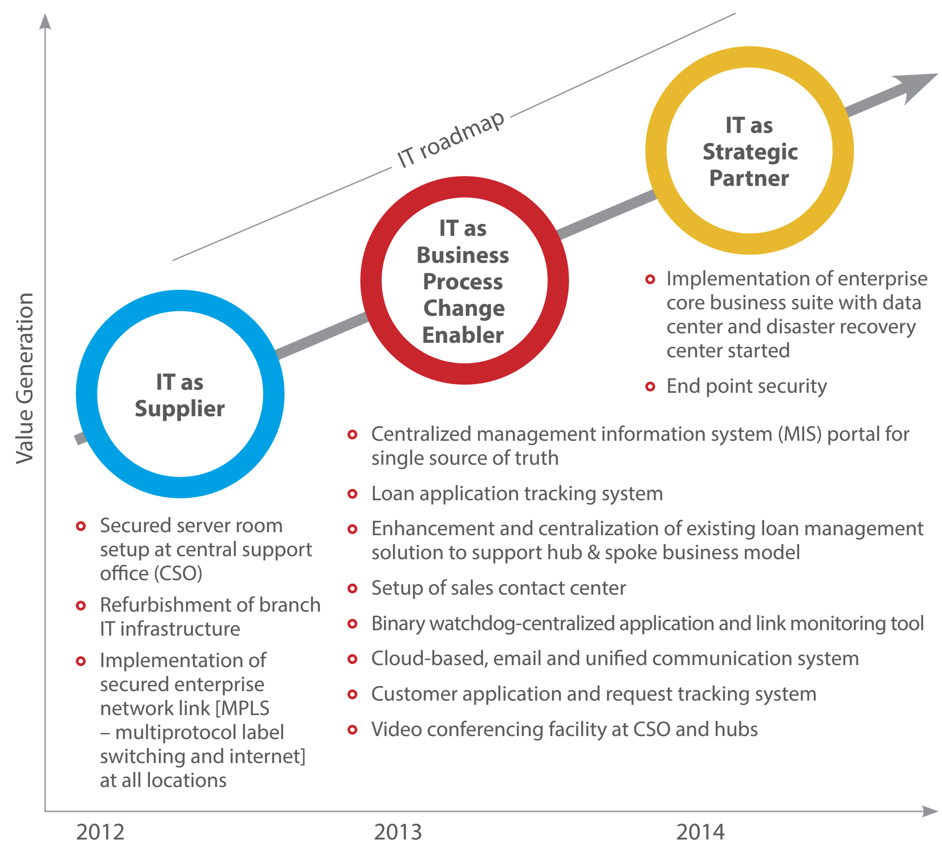
PNB HFL is one of the few select HFCs which has been given approval by Reserve Bank of India (RBI) for raising funds of $100 million through the ECB route. Our focus would continue to maintain a well balanced mix of equity and borrowings. The Company has planned infusion of equity capital at appropriate times in tandem with business requirements.

Transforming with Information Technology

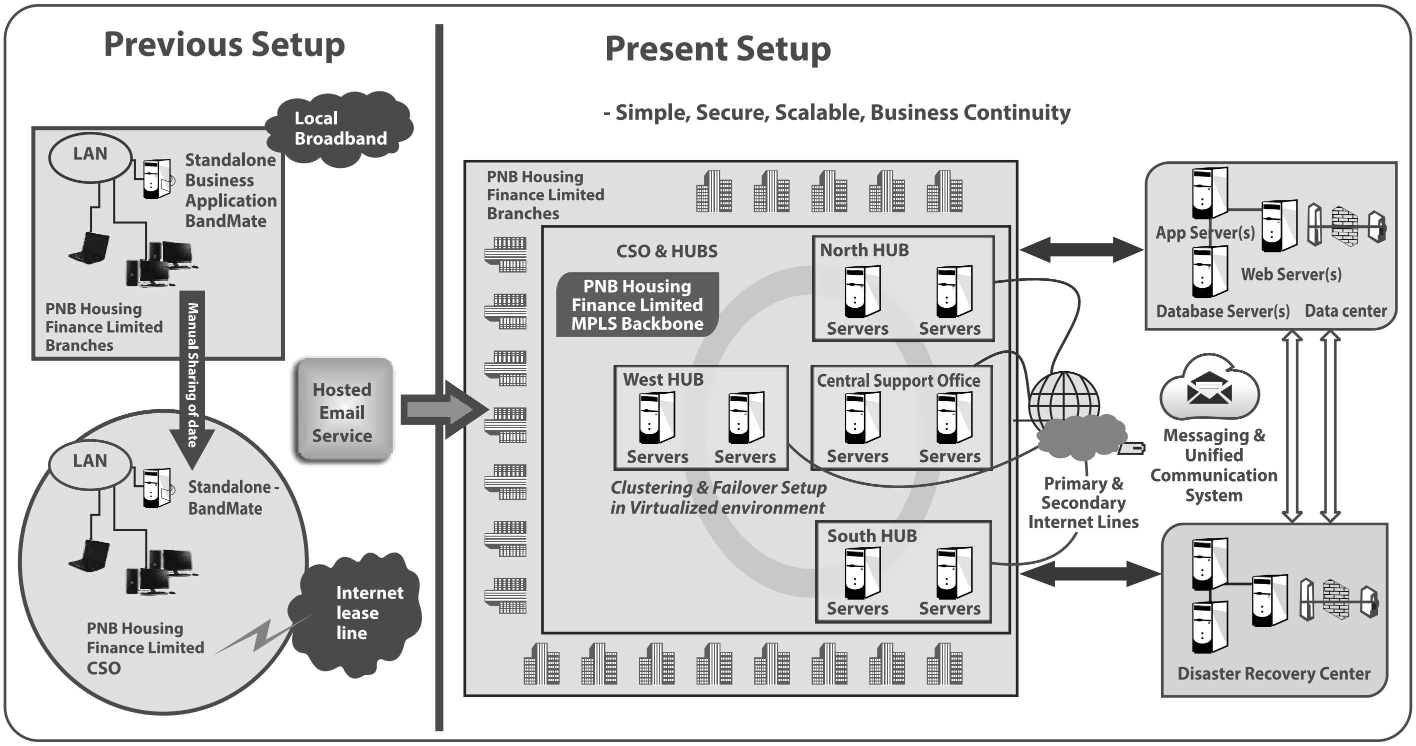
Information technology (IT) will play an important role in modernization of PNB HFL. In order to be an industry leader, there was a need for a paradigm shift as IT could no longer be viewed as an ancillary unit which only assists business processes. It needed to be viewed as an integral component of the machinery, capable of spearheading structural and cultural changes within the organization, thereby driving business growth and innovation.

PNB HFL started IT transformation with BPR - Project Kshitij. The first step of the journey was creation and finalization of the IT transformation roadmap. The roadmap includes business process change enablement, application development and IT infrastructure deployment, monitoring of key performance indicators and behavioral change of management through training.

IT TRANSFORMATION JOURNEY



In the first phase, IT was to act as a supplier by putting basic infrastructure in place, such as server room setups, refurbishment of branch IT infrastructure, end user hardware replacement etc. Earlier, branches operated on local broadband in standalone mode (no captive central network) and there was manual data sharing with the CSO, which did not guarantee authenticity of data. Our present branch infrastructure is designed in such a manner that all offices are interconnected, with redundancy and fail over for critical components. This ensures scalability, assures security and legitimacy of data.



The second phase required IT to play the role of a business enabler; the focus was to build point solutions for automation of processes and bring in efficiencies through various initiatives. These initiatives included inter-networking and enhancement of existing distributed loan management applications to support a Hub and Spoke model; implementation of a centralized MIS portal for single truth across the organization; an application tracking system (ATS) to track file progress right from log-in to sanction stage; a customer application and request tracking system (CARTS) for customer service, and a unified messaging and communication system for secure and effective communication system.

IT has enhanced monitoring and efficiency through centralization and automation in various business processes across all functions, such as issuance of interest warrant, electronic clearing system (ECS) presentation, expense processing, issuance of certificates under Income Tax Act, etc.

Another major change during the second phase was redesigning of the corporate website. It has been made more customer-centric, a change which has received positive reviews.

In the third and current phase, IT is acting as a strategic value partner, contributing towards creation of a cohesive and efficient business ecosystem.

The focus for the coming year is to implement enterprise core business suite (ECBS), an end-to-end solution that will cover all business activities, including lead management, loan origination, loan servicing and collections, along with an integrated accounting and HR management system. Adoption of this suite will lead to automation of all processes, and result in improved efficiency and quality. This will make overall business model more secure, scalable and agile.

Channel Distribution

Customer Service Portal | Branch | Contact Center | Email | Internet | Mobile

Application Landscape

Multi Channel Framework

Lead Management System	Loan Origination System	Loan Management System	Deposit Management System	Loan Collections System
Lead Generation Lead Follow-up Lead Conversion	Origination Appraisal Disbursal	Repayment Re-schedulement Closure	Creation Maintenance Maturity Closure	Follow-up Litigation SARFAESI

Shared Component

Common Services
Master Data • User Definition • Integrated Accounting • Human Resource Management

Infrastructure Services
Data Center and Data Recovery Center • Security • Networking

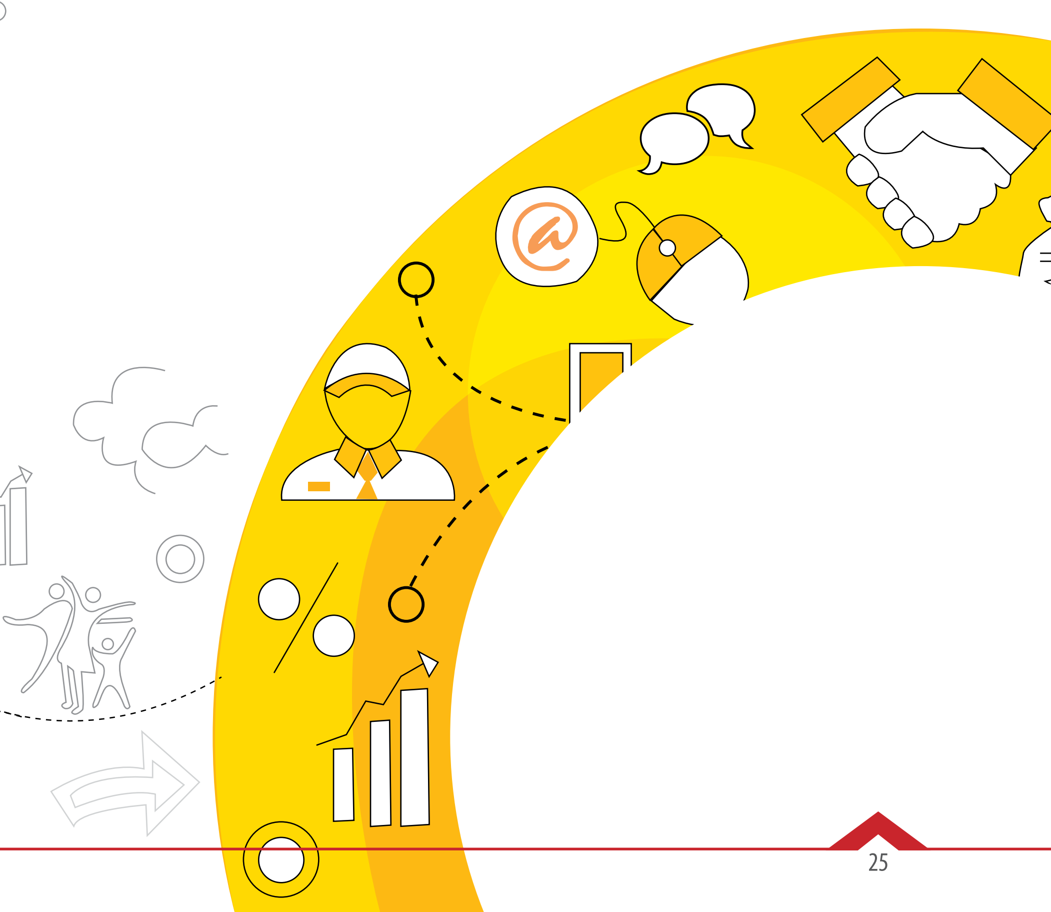
Allied Solutions

- Regulatory Reporting
- MIS and Business Intelligence
- Anti Money Laundering
- Asset Liability Management
- Document Imaging Collaborative Messaging Solution

External World

- Customers
- Credit Bureaus
- Business Partners
- Regulators
- Rating Agencies
- Market Feeds

In the coming years, the current set of changes will ensure improved analytics and decision-making, better time-to-market and customer service, and reduction in cost of operations. Going forward, our IT transformation journey will also consider implementing new technologies, such as CRM mobility and cloud, for process simplification to further enhance operational readiness and propel sustainable business growth.

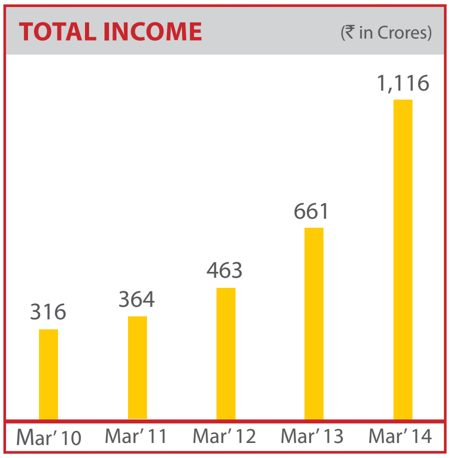


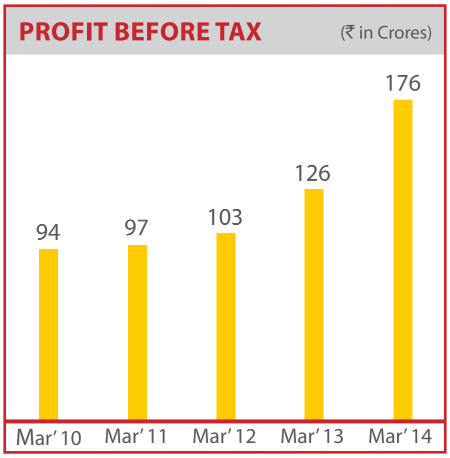
Transforming the Financial Landscape

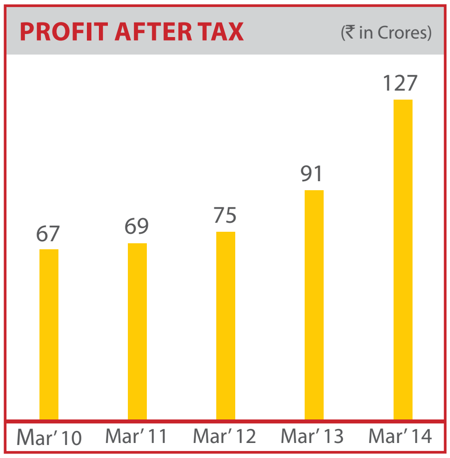
5-YEAR PERFORMANCE AT A GLANCE

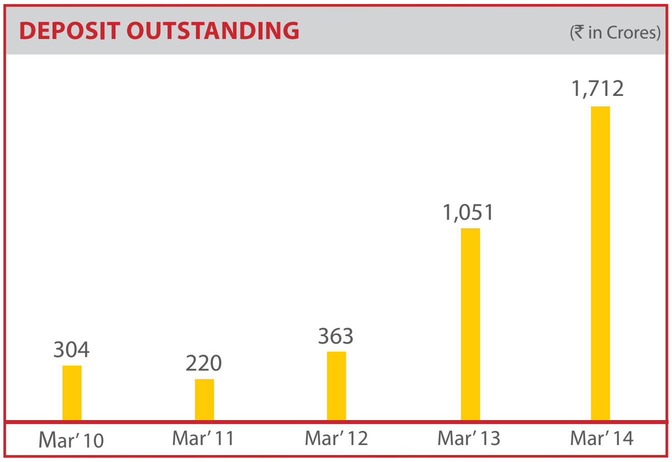
(₹ in Crores)

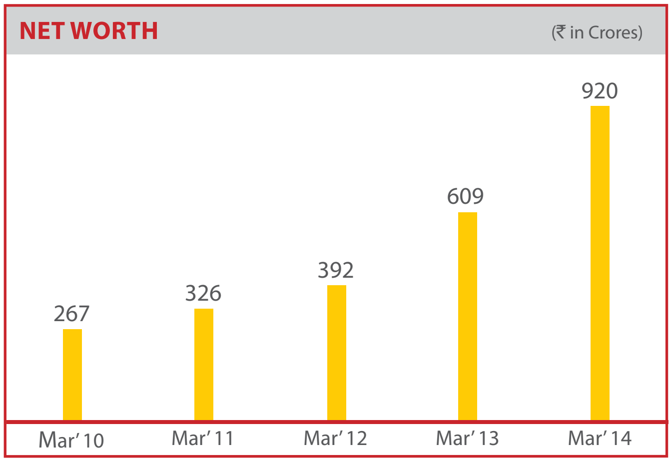
Year	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14
Loan Approvals	850	1,391	1,668	6,091	8,840
Loan Disbursements	805	1,267	1,508	3,682	5,500
Loan Outstanding	2,507	3,167	3,970	6,620	10,591
Deposit Outstanding	304	220	363	1,051	1,712
Total Income	316	364	463	661	1,116
Profit Before Tax	94	97	103	126	176
Profit After Tax	67	69	75	91	127
Dividend (%)	20	22	22	25	30
Earning Per Share (₹)	22	23	25	22	25
Net Worth	267	326	392	609	920
Write off	0.10	5.22	2.77	2.55	7.99
Gross NPAs	31.39	41.50	41.27	37.09	33.72
Net NPAs	24.10	29.44	26.61	23.40	16.40
GNPA to Gross Advances (%)	1.25	1.31	1.04	0.56	0.32
NNPA to Net Advances (%)	0.96	0.94	0.67	0.35	0.16

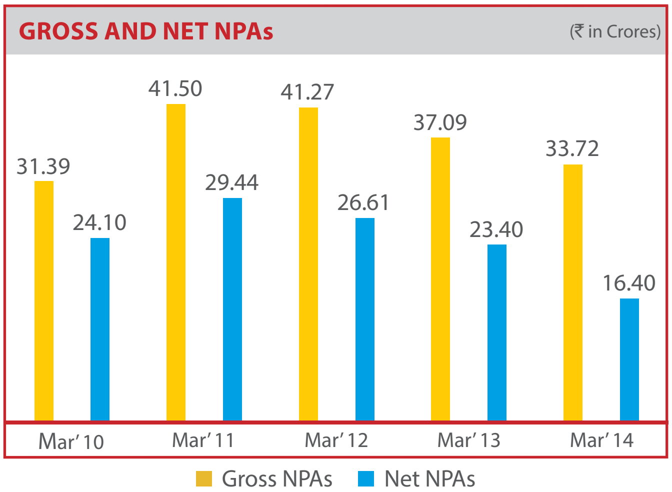


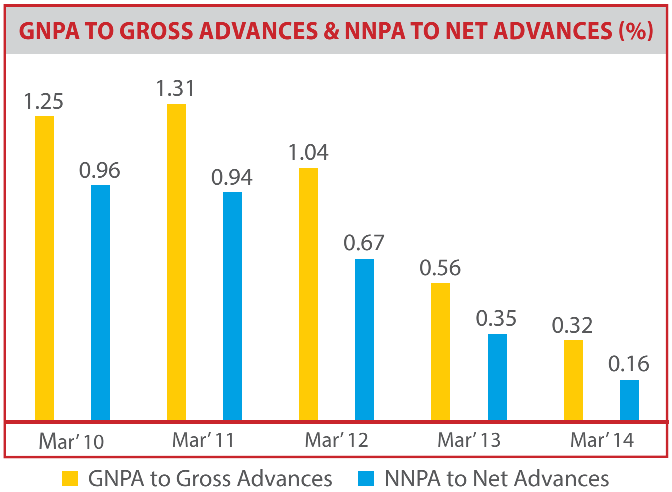


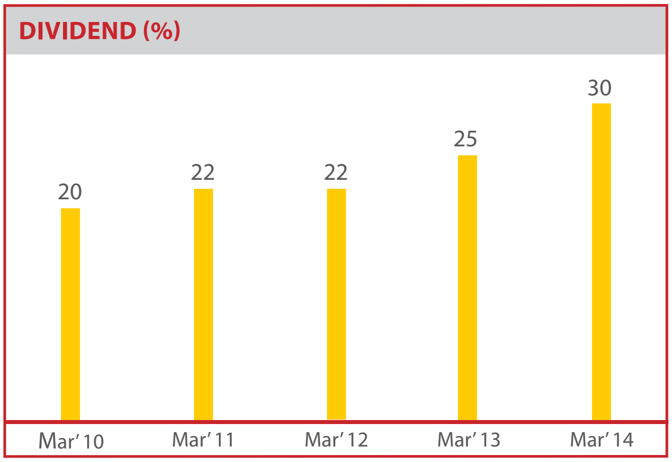



DEPOSIT OUTSTANDING
(₹ in Crores)
304
220
363
1,051
1,712
Mar' 10
Mar' 11
Mar' 12
Mar' 13
Mar' 14


NET WORTH
(₹ in Crores)
267
326
392
609
920
Mar' 10
Mar' 11
Mar' 12
Mar' 13
Mar' 14


GROSS AND NET NPAs
(₹ in Crores)
31.39
24.10
41.50
29.44
41.27
26.61
37.09
23.40
33.72
16.40
Mar' 10
Mar' 11
Mar' 12
Mar' 13
Mar' 14
Gross NPAs
Net NPAs


GNPA TO GROSS ADVANCES & NNPA TO NET ADVANCES (%)
1.25
0.96
1.31
0.94
1.04
0.67
0.56
0.35
0.32
0.16
Mar' 10
Mar' 11
Mar' 12
Mar' 13
Mar' 14
GNPA to Gross Advances
NNPA to Net Advances


DIVIDEND (%)
20
22
22
25
30
Mar' 10
Mar' 11
Mar' 12
Mar' 13
Mar' 14

Leadership Team

Ajay Gupta
Chief Risk Officer

Nitant Desai
Chief Operations & Technology Officer

Shaji Varghese
Business Head

Anshul Bhargava
Chief People Officer

Sanjay Jain
Company Secretary & Chief Finance Officer

Management Discussion & Analysis

Management Discussion & Analysis

ECONOMIC OVERVIEW

Global Economy - at a Threshold

Global economic growth remained sluggish and erratic for the first six months of FY 2013. However, the later months witnessed strengthening of global business, with much of the growth impetus flowing from advanced economies. Global growth averaged at about 3.67% in the second half of FY 2013, a marked uptick from 2.67% recorded during the previous six months. Improved growth in the US was largely due to strong exports and temporary increase in inventory demand. In the EU, growth turned positive in a select few economies; however, stress continued in countries outside the core EU regions as they slowly moved out of the long recessionary phase. In contrast to the advanced economies, many emerging market economies faced an unfavorable external financial environment even as they dealt with domestic challenges such as structural bottlenecks in infrastructure, labor market rigidities and a worsening investment outlook, which derailed growth. Yet, despite lower growth rates, the emerging economies continued to contribute more than two-thirds of the global growth.

Although downside risks have diminished overall, they continue to dominate the global growth outlook, notwithstanding positivity in the US, the UK and Germany. Major concerns include risks from low inflation and possibility of protracted low growth, especially in the EU and Japan. Increased financial volatility in emerging market economies, and increase in the cost of capital is likely to dampen investment prospects and weigh on their growth, moving forward. Growth in emerging market economies too is projected to pick up only modestly. Overall, global growth is projected to be slightly higher in FY 2014 at around 3.6% and rise to 3.9% in FY 2015.[1]

Indian Economy - in need of Transformation

FY 2014 was yet another challenging year for the Indian economy. Internal challenges, inflation, rupee depreciation and consequent hike in interest charges contributed to current account deficit. This, along with threat of a sovereign downgrade by rating agencies and global headwinds, impacted business sentiments and resulted in muted GDP growth. For the second year in a row, annual GDP was sub 5% (4.7%)[2], amongst the lowest in this decade. The sluggishness in the economy and delayed clearance of projects, adversely impacted fresh project investment as well as consumption.

High Inflation Leads to Tight Monetary Stand

Inflation ruled high for most part of FY 2014. Growth in the consumer price index (CPI), one of the risk factors to value of the rupee, averaged around 10% from April 2013 to December 2013. It was only in January 2014 that consumer inflation moved marginally below 10%. However, core inflation, excluding food and fuel, continued to be high. Since taming inflation remained a priority over promoting growth, RBI did not change its tight monetary policy stance. In its latest bid to curb inflation, RBI, in January 2014, increased the policy repo rate by 25 basis points - from 7.75% to 8.0%, a move which increased borrowing cost. It helped reduce the CPI inflation to 8.3% as on end-March 2014[3].

INDIA'S HOUSING FINANCE SECTOR

The fast growing housing finance sector in India is served by multiple institutions, comprising banks, housing finance companies (HFCs) and non-banking finance companies (NBFCs). The volume of housing loans has witnessed sustained multi-fold growth, from ₹ 0.43 lac crores as on March 2000 to ₹ 9.03 lac crores as on March 2014[4].

At present, about 65-66% of total home funding is contributed by banks and the rest comes from HFCs and NBFCs. The number of housing finance institutions registered with National Housing Bank (NHB) has grown at a significant pace and currently stands at 57.

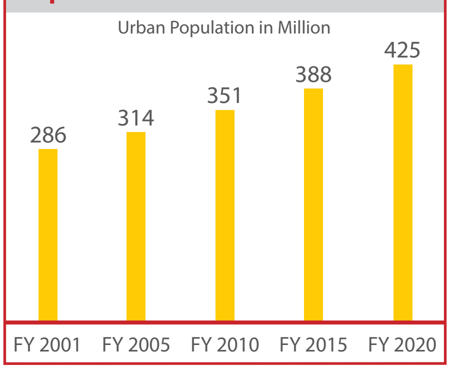
Demand for Housing Finance

Growth of housing finance sector in India can be attributed to multiple factors, some of which are:

- **Burgeoning Population** – India is likely to reach a population of 1.4 billion by FY 2026, with a significant proportion of the populace belonging to young and working category. According to the census of FY 2011, India has more than 50% of its population below the age of 25 and more than 65% below the age of 35. It is expected that, in FY 2020, the average age of an Indian will be 29 years, compared to 37 years for China and 48 years for Japan; and by FY 2030, India's dependency ratio should be just over 0.4. The rising population, accompanied by an increase in the proportion of working population, is likely to precipitate high demand for housing finance[5].

- **Urbanization –** With rapid industrialization and development of Tier II and Tier III cities, growth in urban population is likely to outpace overall growth in population. Growth in urbanization is estimated at a CAGR of 2.1% over the period FY 2012-50.

Rapid Urbanization in India



(Source: Census of India, Housing Microfinance)

- **Improved Affordability** – Over last two decades, average cost of buying a property has reduced to 4-5 times of annual income. This is due to rising disposable income supported by various tax incentives, such as deductions for payment of interest on housing loans and rebate on repayment of principal, under the Income Tax Act. The concept of nuclear family is picking up with young urban population who now avail housing finance to actualize their dream of home ownership.

- **Low Penetration –** Mortgage lending has significantly contributed to the growth of housing and construction. Outstanding mortgage loans contribute only 8% to India's GDP, which is a very low number when compared to the GDP of many other countries. There is an adequate headroom for increasing mortgage lending penetration in Tier II and Tier III cities in India.

Initiatives Proposed in Union Budget 2014-15

- Deduction of interest on housing loans to be raised to ₹ 2 lacs from ₹ 1.5 lacs previously.
- The total deduction allowed for repayment of principal amount has been increased from ₹ 1 lac to ₹ 1.5 lacs.
- Allocation to Rural Housing Fund, run by National Housing Bank (NHB), to be increased to ₹ 8,000 crores this fiscal.
- An additional ₹ 4,000 crores earmarked for NHB to enable it to increase the flow of cheaper credit towards affordable housing for urban poor.
- Government to spend ₹ 7,060 crores on developing 100 smart cities as satellite towns of larger cities and by modernizing existing mid-sized cities.

TRENDS IN THE HOUSING SECTOR

Despite huge potential in housing finance sector, there has been a stagnant growth rate due to high inflation and slower real income growth (real income = nominal income/price level).

Twin Concerns of High Inflation and Slow Income Growth

The high interest rate environment and lower income growth has adversely impacted purchasing power of consumers and lower discretionary spending. The prevailing sentiment has resulted in prospective buyers withholding big ticket purchases, particularly homes, in expectation of some correction in prevalent realty prices. Consequently, property demand has been sluggish, with oversupply situation prevailing in some micro markets.

Mixed Trends in Property Prices

In FY 2014, housing prices continued to rule high, except in a few pockets, probably due to holding power of real estate developers. NHB Residex, an index that tracks movement of residential prices across 26 cities, indicated that for the period October 2013 to December 2013, the prices marked an increase in 16 cities. The increase ranged from 8% in Nagpur to 1.1% in Dehradun. For Delhi, it was 3.2%, Patna 6% and Faridabad 2.5%. Prices declined in only 8 cities, including Lucknow 3.2% and Chandigarh 2%. Prices in Mumbai and Ludhiana have remained stagnant.

Low Demand for Housing Impacts Disbursements

Faced with lower demand and oversupply, the real estate developers delayed launch of new projects during first half of the year. This has checked downward spiral of housing prices, but it has resulted in slower growth in home purchases. HFCs have reported moderate growth in FY 2014.

The total outstanding amount of home loans was ₹ 9.03 lac crores as on March 2014 as compared to ₹ 7.51 lac crores as on March 2013[6]. The growth rate of HFCs and NBFCs has declined from 28% in FY 2013 to 23% for FY 2014. Banks have witnessed growth rate of 18% over the same period.

POLICY INITIATIVES

Major part of FY 2014 has been characterized by high rate of interest and a depreciating rupee. The liquidity across sectors was tight.

In order to check depreciating rupee, the RBI clamped down on foreign exchange outflows. It only allowed banks to undertake gold imports, on consignment basis, specifically to meet genuine needs of exporters of gold jewelry. It also reduced the limit for remittances made by resident individuals under the liberalized remittances scheme (LRS), from $200,000 to $75,000 per year.

NHB gave some relief to HFCs after relaxing provisioning norms and reduced risk weightage for property and housing loans. This has eased requirement of fresh capital to meet capital adequacy norms.
RBI allowed HFCs to raise funds through ECB route for affordable housing segment. HFCs have raised a sum of $600 million through this route during FY 2014. The Government has allowed NHB to raise tax free bonds, which will ease refinance rates.

RESPONSE TO POLICY INITIATIVES

These favorable policy initiatives have resulted in easing fund crunch and enabled HFCs to grow steadily despite difficult macroeconomic conditions.

Besides these positive developments, there were some adverse developments, such as, increase in the number of balance transfer cases in the industry. Some lenders have lured existing customers by offering discounts on processing fee and offering lower rates of interest to them. For HFCs, whose loans are being taken over, this is a big loss as they have to bear high boarding cost besides losing on business.

PRICING AND PROFITABILITY

Expected Movement of Growth Rate

The overhang of slowing economy of last two years will continue in FY 2015 even though marginal recovery is expected. Moderation in growth is expected due to stress in the overall economic environment, high rate of interest, price corrections etc.

However, long-term prospects for business continue to be encouraging. The growth rate is estimated to go up to 24% for HFCs and 14% for banks over the next few years. Large part of growth is expected to emanate from Tier II/III locations and affordable housing segment.

ASSET QUALITY

Asset quality of HFCs has been largely stable with gross NPAs of 0.73% as on March, 2014 as against 0.72% as on March, 2013.

Industry Growth Trends – Quick Facts FY 2014

- Overall Gross NPA% of HFCs: 0.73%
- Marginal decline in NIMs and stable operating expense levels
- RoTA level 2.29%
- RoE level 20.54%

(Source: ICRA's Indian Mortgage Finance Market, FY2014).

EMERGING STRONGER THROUGH TRANSFORMATION

In FY 2011, PNB HFL embarked on a transformation. Accordingly, it designed a multi-faceted business process re-engineering program as a roadmap.

Despite macro economic environment challenges, the implementation of this program has restructured PNB HFL into a contemporary HFC with robust top line growth and sound portfolio quality.
PNB HFL has been able to improve its earlier track record and consolidate its position in the industry through transformation, encompassing its entire business landscape - from people, infrastructure, IT, risk management, and to delivery model.

Restructuring Benefits

Post restructuring, the Company has been transformed from a low volume boutique player to the 5th largest HFC in India. Its organizational change story has been well appreciated and its efforts have been recognized by various prestigious organizations.

Higher Growth and Expansion

In FY 2014, PNB HFL registered a top line growth of 68%, besides sustaining healthy growth momentum of the previous years. The Company has built a solid asset base of over ₹ 10,000 crores which has more than doubled over the last 2 years. The Company is expected to maintain its growth at a level that is significantly higher than the industry average in medium term. In terms of geographical expansion, the Company has expanded across India with new branches being opened in South and West India. In North, where brand PNB is very strong, the Company's operations continue to be on a rapid growth trajectory.

Improved NPAs

PNB HFL has put in place robust tools for credit underwriting, monitoring and collection processes. There has been a steady decline in Gross NPAs from 0.56% as on March 31st, 2013 to 0.32% as on March 31st, 2014. It was driven by strong focus on curbing delinquencies in the erstwhile portfolio. In addition, the Company has focused on improving quality vectors of its portfolio and built a balanced portfolio mix. The pre-BPR portfolio has been cured of its delinquencies and now is at par with the industry.

Diversified Borrowing Profile

PNB HFL has a well-diversified resource profile, comprising bank loans, retail deposits, NCDs and NHB refinance. The Company has also successfully increased its focus on relatively stable retail deposits and has managed to sustain its borrowing at competitive rates of interest and repayment terms that match its inflows.

Financial Edge

PNB HFL is adequately capitalized with a net worth and capital adequacy ratio (CAR) of ₹ 919.96 crores and 13.39%, respectively as on March 31st, 2014. Ample net worth coverage of Net NPAs provides a cushion against asset-side risks. Further, the Company has a comfortable asset liability management (ALM) ratio with manageable negative cumulative mismatches.
PNB HFL also has adequate bank lines and overdraft facilities and a favorable policy of maintaining unutilized bank lines and liquidity. These attributes contribute to the strong financial profile of the Company.

Professional Management

PNB HFL draws strength from extensive domain knowledge and credible insights of its managers. The management's proven track record of excellence has played an invaluable role in the transformation journey and will define the contours of the Company's success in the coming years.

HUMAN RESOURCE

Building a Competency Driven Organization

The Company's growth ambitions are greatly facilitated by its vision to be a credible and preferred employer brand and ability to institutionalize a strong performance culture. Success in future will depend on the Company's ability to proactively adapt to the changing

environment and its being lean and competitive in a resource constrained environment.

The Company's innovative human resource management strategies have supported its business growth in today's competitive business environment. The strategic initiative to recruit, integrate and retain a diverse workforce in "One PNB HFL" culture and build a competency-driven organization has helped it retain its competitive edge.

In line with its core value of 'People First', PNB HFL's focus has been to create an environment where performance is rewarded, individuals are respected and people are given opportunities to realize their potential.

The Company continued to invest in updating and upgrading employee skills through multiple functional and behavioral-trainings, external certifications and on-the-job-training. PNB HFL follows a holistic 70:20:10 learning approach across functions. The Company believes that 70% of all capability is built on the job, 20% through coaching and 10% through classroom learning.

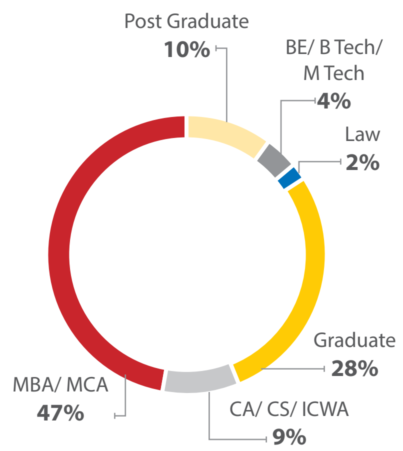
PNB HFL has been successful in building a motivating culture through a systematic performance appraisal process, which impacts compensation. Leadership development programs are conducted across management levels – for middle and senior management; and the Company accesses programs offered by reputed management institutes in India.

Continuous employee engagement through town hall get-togethers, one-on-one meetings, regular communication and other modes have helped the Company foster an open and transparent culture. To ensure a healthy work-life balance, the Company keeps organizing fun events and cultural activities, and provides opportunities to volunteer for social causes. Employees are always encouraged to involve their families in these activities.

The Company draws talent from diverse, reputed organizations, with competency based hiring as the focus. A comprehensive induction and orientation program is in place to enable smooth transformation. The Company's talent acquisition plan includes an optimal mix of fresh and experienced hires with diverse educational, cultural and organizational backgrounds.

As on March 31st, 2014, the total employee strength was 469, majority of whom are post graduates from various faculties including MBA, MCA, M Tech, Law, CA, CS and ICWA.

Education Mix



The diversity broadens the talent pool available to the Company and, at the same time, enriches quality of the workforce with different skill sets and outlooks, which contributes to innovation and improved productivity.

During FY 2014, the Company expanded its team by recruiting a total of 192 new employees. A substantial number of people who have joined the team are professionally qualified with extensive and relevant industry experience.

The Company continued its endeavor to encourage and recognize excellent performance and achievement through rewards that are creative, flexible and meaningful. Formal rewards and recognition (R&R) programs have been instituted across functions, locations and teams.
The R&R programs have been aligned with organizational goals and have brought about cross-functional synergy.

The compliance cell within HR continues to track employment and labor laws.
HR compliance is approached from both reactive and proactive standpoints.

DEVELOPING INTERNAL OPERATIONAL ROBUSTNESS

The operations function is central to any mortgage company, given the complex product structure and long tenure of loans. Operational robustness, a must to enhance efficiencies and effectiveness, is being developed through use of technology and centralization of back-end activities.

Closer to Customer via Technology

Through implementation of an online service request tracking system and customer care window on the website, PNB HFL has increased its proximity to consumers. The customer care window allows customers to put in service requests and register complaints, thus enabling them to perform key activities remotely. The online service request tracking system captures all service requests received through customer walk-ins, e-mails, letters and telephone. Apart from increasing effectiveness of customer services, it also helps measure service delivery turnaround time and productivity of employees.

Centralization of Operations

Retail finance is not only very competitive business but is also prone to errors and is thus exposed to financial risks. Given these risks, the industry has garnered maximum efficiencies by moving towards centralization of many important activities. In order to achieve the objective of making branches the point of sale and service, it is necessary to increase focus on customer service. Accordingly, PNB HFL identified back-end activities such as loan account closure, sourcing channel pay-out processing, handling customer letters and interest warrants for deposit accounts etc., which could be centralized and shifted to Central Operations.

Central Processing Center

In order to align with best practices in the industry relating to control and standardization of operating procedures, a central processing center (CPC) has been set up to store customer loan files, original title documents and loan repayment instruments. After disbursement, loan files are moved to centralized storage. Similarly, centralization of repayment instruments, ECS or post dated cheques has been achieved and the entire process of banking, monitoring and exchange of instruments is done from a central operations shop. These activities have brought in standardization and predictability in the system.

EXPANDING PRODUCT PORTFOLIO

PNB HFL is focusing on retail loans.
The Company's bouquet of products now encompasses loans for purchase of homes, self-construction, home extension and residential plots. The Company has also introduced new loan eligibility programs and mark-to-market products to expand its product portfolio and meet customer's need. The Company has identified urban middle and upper middle class as its target group of customers, within the age group of 30-45 years.

The housing portfolio further includes construction finance to real estate developers, which currently constitutes only a small proportion of total assets. The Company is presently testing response in the prevailing difficult macroeconomic scenario in order to create the necessary robustness and platform for leveraging opportunities in this customer segment. Non housing loans include loan against property (LAP), loan for purchase of office space and lease rental discounting.

PNB HFL continuously enhances its customers' experience by delivering innovative products that are tailored to fit emerging needs of the customers.
The 10-year pure fixed rate scheme was introduced last year across all products, to insulate customers from macroeconomic volatility and sudden rate of interest fluctuations. The range has been widened with the introduction of other fixed rate variants for 3 and 5 years.

The Company has developed processes that fulfill the customer's expectations of speedy approvals and has also introduced doorstep services. All customer communications have been created in simple, lucid language, totally shorn of technicalities and easily understood by all.

PROACTIVELY STRENGTHENING THE DELIVERY MODEL

Customer connect is the new norm and every business thrives on customer delight and satisfaction. There has been a paradigm shift in the new age marketing initiatives, with a slew of new techniques and distribution channels - ranging from digital media marketing, e-medium, SMS, toll free help lines and awareness campaigns. PNB HFL has been forging a greater bond with customers by making the Company's services available in a simple and easily accessible manner.

DISTRIBUTION NETWORK

PNB HFL has a network of branches spread across the country, which helps its customers to avail of financial services (loans and deposits) conveniently. Today, the Company has a strong network of in-house sales people and sourcing channel partners, which enables it to provide doorstep service to its customers. Besides the branch delivery model, the Company has created meaningful channels of distribution like the e-medium, toll free helpline and contact center to make its services easily available.

Strengthening Distribution Channels

The Company has a well networked distribution set-up, with strong in-house distribution channels. During the year, 47% of sourcing was done by in-house channels. As part of the Company's long-term strategy, the in-house channel would play a significant role in future.

Extending Frontiers of Growth

The Company is de-risking its geographical profile by expanding its presence across India. Earlier, the Company's presence was concentrated in the Northern region. In order to ensure well-balanced growth, PNB HFL is fast spreading to the Western and Southern regions as well. The existing network of 32 branches will expand to 38 branches during FY 2015. The expansion would enable PNB HFL to achieve balanced regional growth.

FOCUSED NEW-AGE MARKETING INITIATIVES

Post BPR, the Company has positioned itself as a young, customer-centric and trustworthy partner. The Company's core message to its customers is centered on comfort, ease and convenience of partnering with PNB HFL in pursuit of home ownership.

During the year, the Company, through its marketing plan and advertising campaigns, leveraged a mix of various mediums, including print, radio, television, digital and direct marketing to reach out to the target audience. The Company rolled out various promotional activities to engage with prospective customers. It participated in different trade shows and exhibitions. The new marketing collaterals and campaigns across different medium assertively promoted the Company's core positioning - Ghar Ki Baat, while reinforcing the promise of customer-centricity.

Radio and TV Campaign

A radio campaign enabled the Company to create awareness and generate consumer interest in its 10-year fixed rate product category. The Company also sponsored the CNBC Awaaz property show which enhanced visibility of its brand amongst potential customers, real estate developers and channel partners.

Digital Media Marketing

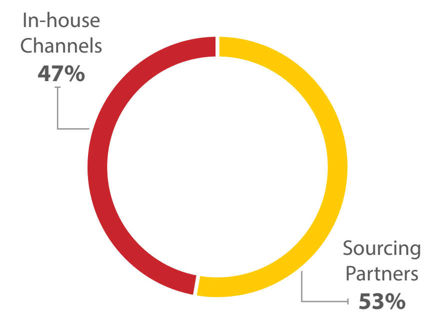
PNB HFL has entered into new age marketing to connect directly with target customers through digital marketing and mobile devices. These initiatives included search engine marketing, search engine optimization, e-mail campaigns, digital advertisements, affiliate marketing and remarketing to optimize the Company's online presence. These activities supported the lead generation process through an integrated lead management system (LMS) to deliver leads on a real time basis and enable monitoring of marketing campaigns across branches.

Enhancing Customer Engagement

PNB HFL is committed to building complete transparency with its customers. The Company's products have no hidden charges. The Company has also introduced various customer-friendly offerings to scale up customer engagement.

The Company also introduced online promotional programs such as 25% discount on processing fees on loans to mark the silver jubilee year of the Company.

Distribution Channel Mix



MANAGING GROWTH - RISK MANAGEMENT

The Company had entered FY 2014 with an important task to sustain good quality of portfolio and also sustain high growth momentum of FY 2013. Despite tough macro environment conditions and competition, the Company was able to achieve its targets set out at the beginning of the year. The risk management unit enabled a balanced growth of business by ensuring constant underwriting support. Risk management team's interventions ascertained good health of the overall portfolio.

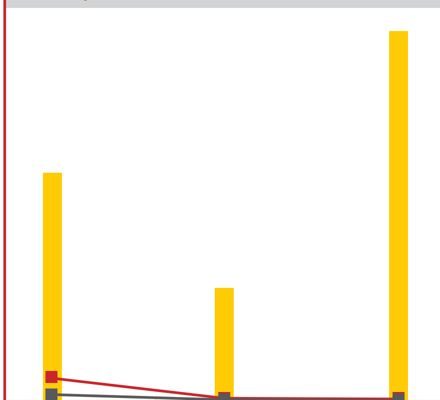
Underwriting and Operating Model

The Company enhanced its risk management capabilities and processing capacity and created a specialized team for underwriting high-value and complex loans. It improved data analytics and embedded operational rigor in work flows and underwriting. The business maintained healthy acceptance rates of approximately 80% in the salaried segment and 57% in the self-employed segment. The Company achieved a turn-around time of 3 days for about 72% of the salaried cases and 7 days for about 85% of the self-employed cases. The Company also hired experienced underwriters and provided them on-the-job training besides recognizing good performance. The Company has an application tracking system (ATS) to provide enhanced monitoring of processes – from data capturing of application, decision making to appraisal module and disbursement initiation. The system can be interfaced with full-fledged enterprise core business suite (ECBS), being implemented in FY 2015.

Portfolio Vintage and Delinquencies

Post execution of new credit policies and processes, there is considerable reduction in delinquencies and NPAs. As on March 31st, 2014, more than half (52%) of the retail portfolio had a weighted average month on board (MoB) of less than or equal to 12 months. This segment had a delinquency rate of merely 0.06% and nil NPAs.

Vintage and Delinquency Analysis – Retail Portfolio

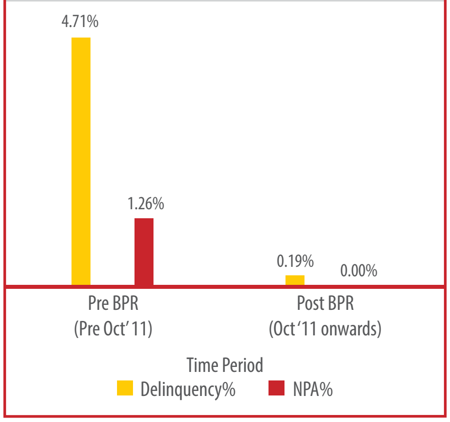


	MoB >= 20	12 < MoB < 20	MoB <= 12
Portfolio %	32%	16%	52%
Delinquency %	3.23%	0.08%	0.06%
NPA %	0.85%	0.00%	0.00%

In comparison, 32% of retail portfolio was greater or equal to 20 MoB and has a delinquency rate of 3.23% and NPAs of 0.85%.

For loan portfolio with MoB greater than or equal to 20 months, the delinquency rate in the pre-BPR period was 4.71% and NPAs were at 1.26%. For the same vintage, in the post-BPR period, the delinquency was 0.19% with nil NPAs - indicating robust underwriting operations.

Portfolio MOB > = 20 months



Better Control on Processes

PNB HFL has developed a Hub and Spoke model for underwriting to ensure better control on processes, standardization and customer selection. Prior to FY 2014, the Company had three Hubs - in Delhi, Mumbai and Bengaluru, headed by experienced underwriters for end-to-end credit processing of all the branches in their zones. They were supported by a team of specialists managing fraud control, legal and technical functions. The model has been very successful, hence, during FY 2013-14, three more extensions of these hubs were added at Jaipur, Chandigarh and Indore to support smaller upcountry branches. Given the diversity of issues across different cities in terms of property norms and local practices, there is a need for local specialists. Developing of risk infrastructure in Tier II and III markets by establishing more Hubs supported by local expertise will remain an area of focus in FY 2015.

Wholesale Finance

PNB HFL has created a new specialized wholesale finance vertical, underwriting of wholesale construction finance applications undergoes intense credit checks and multiple levels of evaluation before sanction and is supported by an experienced technical team. This team is responsible for origination and monitoring of loan portfolio comprising many large real estate developers. The quality of portfolio generated so far has zero delinquency. PNB HFL is planning to geographically expand its reach to new cities and real estate developers.

Approved Project Funding (APF)

PNB HFL has made it easy for its customers to choose properties for purchase and has increased number of approved projects. A project approved by the Company increases customer's confidence. At the same time, the Company's tie-up with the developer helps to access loans originating from that project. Business under APF has increased to a significant level as on March 31st, 2014 and the focus on this initiative will continue to further augment the penetration.

Technical Services Group

This is a newly developed specialized vertical in the Company and is a critical part of risk management function. This team ensures policies for property valuations, management of valuers, approvals of developers' projects and monitoring of processes in the approved projects. The team ensures that the property being funded is appraised completely and comprehensively beforehand. A key initiative for FY 2015 will be to integrate reporting by external valuers with the enterprise system. This would make work flow smooth and improve turn-around time, with regards to submission of valuation reports.

Legal Appraisal

Legal evaluation is an important function of the risk management unit to establish clear titles of the properties being financed. The Company has an internal team of legal experts located at all the hubs. These experts appoint local lawyers in the cities where the Company operates and takes their opinions on the properties being mortgaged. The Company has state-wise procedures and drafts (P&D) checklist to standardize legal practices.

For properties financed in the past, the Company has completed an intense exercise to ensure security perfection; this includes complete collateral legal review of close to 36,000 accounts booked before March 31st, 2013.

The Company organizes regular training by renowned legal experts who provide useful insights to the team on the intricacies in legal appraisals.

Over the last one year, the Company has built in-house capacity and acumen for drafting transaction and security documents for the wholesale business.

Fraud Control

The fraud control unit (FCU) was another new initiative started in FY 2012. The core team of FCU educated other business verticals about effective checks required to identify new trends in the types of frauds and other available market intelligence. The FCU took various measures in terms of conducting root-cause analysis for loan declines on account of frauds and identified fraud perpetuation point. These initiatives ensured strong deterrents against frauds.

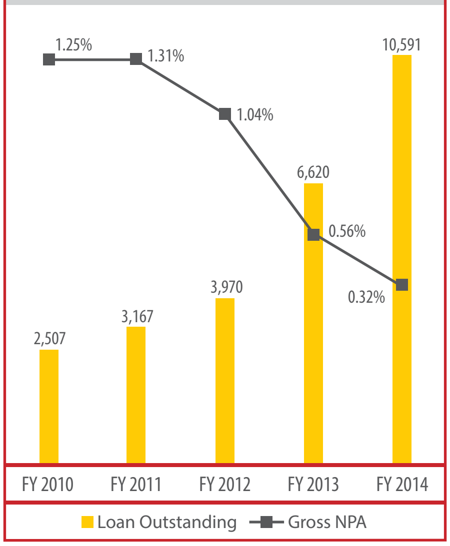
Recoveries

During FY 2014, there was a marked reduction in collection inventories in all delinquent buckets, both in percentage terms and in value. Gross NPAs and total delinquencies were reduced to ₹ 33.72 crores and ₹ 117 crores, respectively from ₹ 55.25 crores and ₹ 185.79 crores, respectively, at the beginning of the year.

Various initiatives were taken during FY 2014 such as rigorous implementation of the collections and foreclosure standard operating procedures (SOPs) and processes, prompt action under SARFAESI Act for improved collection, MIS with early warning trends to enable timely action to restrain delinquent accounts, efficient operational processes to ensure timely and prompt calling to replenish exhausted post-dated cheques (PDCs), replacement of external agencies with in-house collection resources at many locations, active follow-up to convert cases with PDCs to ECS, making the repayment process more customer-friendly, smoother and cost effective. The Company has created specialized cadre to steer the NPAs control process, with strong oversight and qualitative checks to maintain NPAs at industry-best levels. The Company has in place a formal training program and a well-structured system that consists of detailed manuals for training, processes and procedures.

The Company promotes relationship-based lending where initial delinquent customers are counseled and educated on the importance of maintaining a clean track record. These are followed by telephonic conversations and personal visits from employees. The Company has ensured fair standards to deal with delinquent customers. Legal recourse is taken with fair means. During such proceedings, PNB HFL ensures that its interactions with the customers remains professional, transparent and respectful. The team puts in sincere efforts to understand core issues causing delinquencies and explores various solutions within the ambit of law to help customers.

Gross NPA as a %age of Outstanding Loans (₹ Crores)



Trends in Net NPAs (As a % of Net Advances)

Mar 2010	Mar 2011	Mar 2012	Mar 2013	Mar 2014
0.96	0.94	0.67	0.35	0.16

GOOD PERFORMANCE IN CHALLENGING TIMES

Loan Approvals

The Company has achieved sustained growth in loan sanctions over the last 4 years. When compared with the figures at the end of March 2010, the Company has grown at CAGR of 43.37%. Fresh loans approved during FY 2014 increased to ₹ 8,840 crores as against ₹ 6,091 crores in the previous fiscal, a growth of 45%.

Loan Disbursements

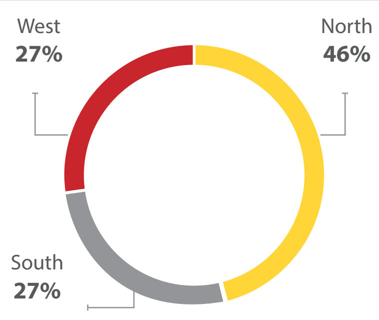
During FY 2014, total disbursements grew by 49% in value terms. Total disbursements in FY 2014 were ₹ 5,500 crores as against ₹ 3,682 crores in FY 2013. When compared with the figures at the end of March 2010, the loan disbursements have grown at a CAGR of 61.67%. Disbursement as a percentage of loans sanctioned during FY 2014 amounts to 62.22%.

Incremental Disbursements	FY 2014 (₹ in Crores)
Housing loans	3,138
Non-housing loans	1,802
Construction finance	560
Total	5,500

Growth in construction finance remained muted in line with the Company's cautious approach towards this segment.

Geographical Mix: The Company has also corrected disbursement skewness towards North and has expanded new business in Southern and Western regions of the country, as under:

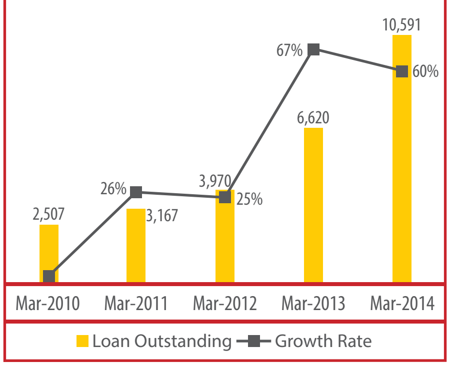
Geographical Mix



Outstanding Loan Book

In the last 4 years, the Company's loan book has grown four times and crossed ₹ 10,000 crores in the silver jubilee year. At the end of FY 2014, the loan book stands at ₹ 10,591 crores, a growth of 60%. When compared with the figures at the end of March 2010, the loan book has grown at a CAGR of 43.36%.

Growth in Outstanding Loans (₹ in Crores)



Loan Book Composition (%)

	%	₹ in Crores
Housing loans	65	6,850
Non-housing loans	28	2,966
Construction finance	6	633
Securitized book	1	142

Disbursement Trends

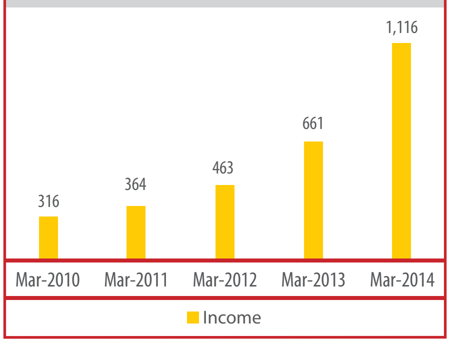
	FY 2010	FY 2011	FY 2012	FY 2013	2014
Loans Sanctioned (₹ in Crores)	850	1,391	1,668	6,091	8,840
Actual Disbursement (₹ in Crores)	805	1,267	1,508	3,682	5,500
Disbursement/Sanction (%)	94.71	91.09	90.41	60.45	62.22

FINANCIAL PERFORMANCE

Income and Profitability

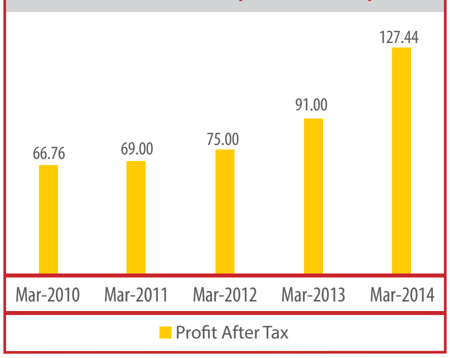
Total income for the year crossed ₹ 1,000 crores for the first time, to reach ₹ 1,116 crores. The Company has achieved a growth of 68% over FY 2013. Over the years, the income has been rising steadily at a CAGR of 36.96% (trend from March 2010).

Income Growth Trend (₹ in Crores)



During FY 2014, the Company crossed ₹ 100 crores of profit after tax (PAT) at ₹ 127.44 crores i.e. 39% over FY 2013. Over the years, the PAT has been rising steadily at a CAGR of 17.54% (trend from March 2010).

PAT Growth Trend (₹ in Crores)



The return on assets (RoA) as on FY 2014 was 1.39%, compared to 1.71% in FY 2013. The decline in RoA was due to high operating expense incurred in setting up brick and mortar and IT infrastructure. The management of the Company is aware of this compulsion and is confident that the future benefits will accrue from these investments to reinstate RoA to healthy levels in 3-4 years. Post fresh equity infusion, the return on average equity (RoE) has declined moderately to17.09%.

The Company continued to offer competitive rates of interest to its customers, with moderate processing fees. In spite of rising rate of interest, the Company did not put fresh burden (except 0.25% increase in reference rate) on its existing customers which is in line with the Company's philosophy of passing minimum macro economic shocks to its customers.

FUNDING AND RESOURCE PROFILE

Managing Financial Risks

FY 2014 was a challenging year for raising resources at competitive rates especially after Q1, when RBI tightened liquidity. However, advance planning ensured sustained inflow of funds at the right price. Despite many challenges, the net interest margin was maintained at above 3% throughout the year aided by judicious resource planning and resource mix.

PNB HFL has established internal capabilities to manage financial risk through diversified borrowings mix. The Company raises financial resources from banks, bond market, NHB refinance and public deposits. It has an adequate proportion of wholesale and retail borrowings. The Company benefits from the strong brand of the parent bank, which provides stable credit pipelines from institutions as well as retail investors.

There is a growing investor confidence in the Company's issuances. Many of the Company's investors are reputed pension funds, provident funds and mutual funds for varying maturity period ranging between 3, 5 and 10 years.

With a prudent pricing policy that combines lending on fixed and floating rates of interest, the Company is able to cater to different customer segments in a manner that maintains overall portfolio yield and spreads.

CREDIT RATING

Over the years, PNB HFL has been perceived by investors as a capable entity to manage its assets and liabilities prudently. This is also endorsed by the high ranking of the Company's borrowings by rating agencies.

The Company's long-term borrowings are CRISIL AA+, CARE AA+ and ICRA AA+ with stable outlook. The Company's commercial paper has been rated CRISIL A1+ and its Fixed Deposit program is CRISIL FAAA with stable outlook.

- Rating agencies have positively looked at extensive revamp of PNB HFL's business model, which has resulted in substantial improvement in its scale and processes across functions, including human resources, back-office operations and most importantly, across the entire credit chain.

Judicious Mix of Borrowings

	March 2013 (₹ in Crores)	% share	March 2014 (₹ in Crores)	% share
Banks	2,916	41.85	4,083	39.87
NCDs	2,100	30.14	3,450	33.69
Refinance (NHB)	900	12.92	996	9.73
Deposits	1,051	15.09	1,712	16.72
Total	6,967	100.00	10,241	100.00

- There is steady improvement in asset quality over the past two years. There is expectation that the asset quality in its recently originated book should remain close to industry average – the monitoring mechanisms are in place and all delinquencies are seriously looked at.

INTERNAL AUDIT

The Company has put in place a strong system of internal control to commensurate with its growth and nature of its operations. It has developed internal controls to provide high degree of assurance regarding effectiveness and efficiency of operations, adequacy of safeguards for assets, reliability of financial controls and compliance with applicable laws and regulations.

The Company conducts risk-based internal audit of all its branches, hubs and central support office on a quarterly basis. Internal audit teams are supported by external chartered accountant firms while conducting transaction audits of its operations.

The Company has a system to bring important observations of audit reports to the notice of the Audit Committee of the Board. In order to ensure quality, audit reports are discussed with zonal functionaries to convey message at ground level. This has ensured improvement in overall quality of business.

CONTRIBUTING THROUGH CSR PROGRAMS

The Company is committed to serve the society's underprivileged. In its commitment to be engaged in a meaningful and business aligned CSR activities, the Company has joined hands with mobile crèches for providing day-care and schooling facilities to the children of construction-site workers. The Company has collaborated with Kids for Kids - an NGO - to help spread smiles among the citizens of tomorrow. The Company's annual calendars have been designed by Kids for Kids, using children's talent and creativity. The Company has also tied up with the Indian Medical Association (IMA) with a view to make meaningful contribution to the society at large. The Company has entered into an MoU with IMA, whereby it ploughs back 25% of the processing fee collected from IMA doctors and invests this amount in health camps organized for the underprivileged. The Company has also contributed to Sanjivni Society of Mental Health, an NGO that addresses mental health needs of the Indian society.

OUTLOOK AND FUTURE OPPORTUNITIES

The Indian economy is on the cusp of change and most economists expect it to expand in the coming quarters. Some of the measures taken by the earlier government to boost growth will start bearing fruit. It is also expected that the new government will take firm decisions to augment growth of the economy. The measures taken by RBI are expected to anchor inflationary expectations and cap inflation. While subsidies on fuel are gradually being trimmed through monthly and bi-monthly increase in diesel price, it is the new subsidy element on the food bill which will impact the economy. General view is that rate of interest will soften; that should improve demand and increase overall investments across segments, including housing sector.

Sustained Demand for Mortgage-based Borrowing in Housing Sector

The demand for housing is unlikely to slowdown in the foreseeable future. As per the 12th Five Year Plan Period (2012-2017) report by the technical group, the urban housing shortage is estimated to touch 18.78 million units over the next few years. Around 95% of this shortage will be in terms of housing for economically weaker section (EWS) and low income groups. The rural housing shortage is estimated at 43.9 million units. This translates into prolific opportunities for housing finance companies.

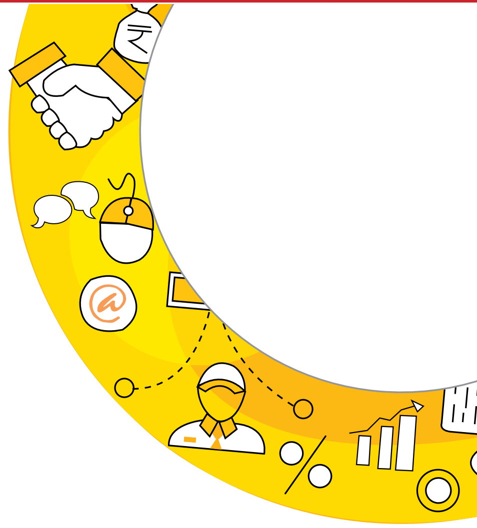
Transforming to Capture the Opportunity

Initiatives undertaken by the Company are geared to ensure that it does not only maintain growth momentum but also manages it well. The management is convinced that secure, efficient, scalable and cost effective infrastructure is required to manage accelerated growth momentum, hence a sizable amount of effort and capital (internal accruals) have been invested in building strong foundation of the Company. An important part of it is the enterprise core business suite which is being tested and will be implemented in FY 2015.

Low Penetration Indicates Great Potential

Given the low penetration level of mortgages at 8% to GDP, there is a huge potential for funding agencies. This can be observed from the growth in mortgage funding since FY 2000.

	Growth in Home Mortgages[7]			
	Year ended March 2000 (₹ in Crores)	Year ended March 2014 (₹ in Crores)	Year ended March 2000 (% to total)	Year ended March 2014 (% to total)
HFC	25,326	3,33,700	58	37
SCB	18,525	5,69,300	42	63
Total	43,851	9,03,000	100	100



The Company's endeavor in the coming years will be to increase retail business in approved real estate developer projects. With a view to deepen its commitment in the existing places of operation, it proposes to open six new intra city branches in FY 2015. With this expansion, the Company will be able to better serve customers in Delhi NCR, Bengaluru, Pune, Chennai and Mumbai.

Leveraging Technology to Boost Growth

Technology will play a pivotal role in shaping the distribution strategy, with greater emphasis on convenience, ease of information flow and building new customer touch points. The Company's marketing strategy is also inclined towards exploiting the potential of new-age digital media platforms. In its commitment to build stronger relationships and ensure client retention, the Company will look at various means to nurture customer relationships.

Casting the Die for the Future

Going forward, the management aims to build a smart, stable and sustainable business that is focused on quality, productivity and optimizing profitable growth opportunities from existing geographies. With well-equipped underwriting hubs to support business origination from branches and in-house subject matter experts to address local nuances and needs, the operating model for the coming years is going to be even more robust and customer-focused.

The thrust will be on better administration of credit processes, development of Tier II and III markets and catering to new/growing geographies, with increased focus on achieving economies of scale.

Strengthening partnerships shall be an important strategic agenda for growth, across retail and wholesale business.

The measures undertaken over the last few years will ensure sustained growth in the coming years. The Company will continue in its endeavor to be a good corporate citizen and will increase its focus on meaningful, sustainable CSR activities, which will provide a better future for the public at large.

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5. *Census of India, Government of India, 2011 & Others*
6. *ICRA - Indian Mortgage finance market update for FY 2014*
7. *NHB Report on trends and progress in housing finance in India 2013 & ICRA - Indian mortgage finance market update for FY 2014*

Directors' Report to the Members

Your Directors have the pleasure in presenting the 26th Annual Report together with the Audited Accounts of the Company for the year ended March 31st, 2014.

The Company celebrated its Silver Jubilee on November 11th, 2013. During this year, the Company crossed many new landmarks.

- The Company's loan book has crossed ₹ 10,000 crores to reach ₹ 10,591 crores and registered a growth rate of 60%.
- The Company's Deposits crossed ₹ 1,700 crores, to reach ₹ 1,712 crores and registered a growth rate of 63%.
- The Company's profit after tax has crossed ₹ 100 crores to reach ₹ 127.44 crores and registered a growth rate of 39%.
- The Company's loan disbursements for FY 2013-14 crossed ₹ 5,000 crores to reach ₹ 5,500 crores and registered a growth rate of 49%.
- Credit rating improved; for deposits to FAAA and for NCDs to AA+ by rating agencies.
- The Company introduced many new products such as 3, 5 and 10 years fixed rate of interest products matching with fixed rate borrowing tenure.
- The Company introduced many new programs for salaried and self-employed customers.
- The Company entered elite group of top five housing finance companies in India.

The Company continued to strive for operational excellence and followed first time right approach. The Company's performance was recognized and was awarded for change management and excellent growth.

AWARDS AND RECOGNITION

The Company has undergone business process re-engineering (BPR) which was started in July 2010. Over the last four years, the Company has completely transformed its business, policies, systems and processes in line with the best in the industry.

The Company has completed the change journey without interrupting business even for a single day. In less than 4 years, the Company has successfully completed major portions of BPR, while the business kept on growing at above industry average growth rate.

In the last 4 years, yearly fresh sanctions have increased more than 6 times, loan book has grown 4 times and deposits have grown 5 times. The Company has successfully managed its loan portfolio and brought down both delinquencies and non-performing assets (NPAs) over the years.

Among the group of few such successful companies, company's organization change story was awarded in the category of "Special Commendation Award" by Best Change Intervention from Asia Study 2013-organizations that have successfully designed, executed and managed change.

The Company was also recognized for rapid growth and was awarded the Fastest Growing HFC by Franchisee India.

The Company was acknowledged by HUDCO for 'Significant Contribution to Housing for the year 2013-14'. The Change Management Story got published in 'Switch' amongst other large companies.

1. LOANS PERFORMANCE

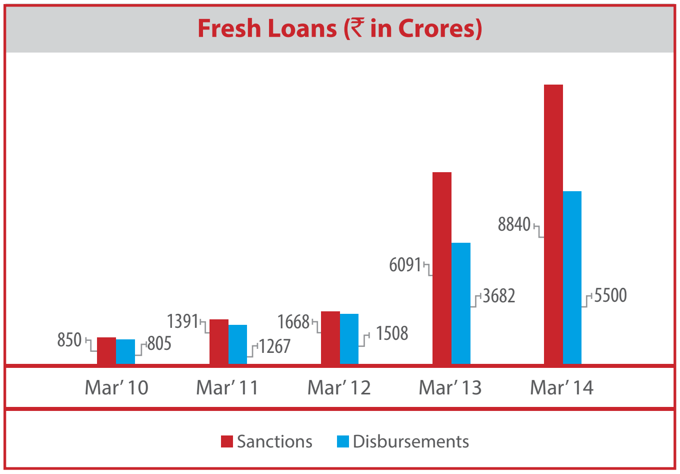
1.1 During the year, the Company has sanctioned loans to over 13,000 customers amounting to ₹ 8,840 crores as compared to 10,976 customers amounting to ₹ 6,091 crores in the previous year, recording a growth of 45%.

During the year, the Company has disbursed loans of ₹ 5,500 crores as compared to ₹ 3,682 crores in the previous year, recording a growth of 49%.

Out of total disbursements, ₹ 3,698 crores loans were disbursed for housing and ₹ 1,802 crores were disbursed for non-housing purposes. Cumulative sanctions and disbursements as at March 31st, 2014 were ₹ 23,457 crores and ₹ 16,776 crores respectively.

The Company has achieved widespread presence in major geographies of the country. The geographical mix of retail portfolio is 52% in North, 26% in West and 22% in South.

Out of total loan sanctioned during the year, loans of ₹ 142 crores are eligible under Golden Jubilee Rural Housing Scheme of Government of India, in respect to 513 units.



1.2 Loans outstanding

Total loans outstanding as at March 31st, 2014 were ₹ 10,591 crores, recording a growth of 60% over last year. Loan outstanding comprises ₹ 7,484 crores for housing and ₹ 3,108 crores for non-housing loans. The average loan outstanding per individual customer as on March 31st, 2014 was ₹ 23 lacs. During the year under review, an amount of ₹ 1,529 crores was received by way of scheduled re-payment and pre-payment of loan amount.

1.3 Asset Quality

The Company continues to maintain high quality of loan assets. In a challenging year, total delinquencies (one day past due) were brought down to 1.10%, which is amongst the lowest in the industry.

The gross and net non-performing assets were 0.32% and 0.16% respectively. In absolute amount, gross non-performing assets as on March 31st, 2014 were ₹ 33.72 crores down from ₹ 37.09 crores and net non-performing assets (after provision as per NHB Directions) were ₹ 16.40 crores down from ₹ 23.40 crores, from the previous year.

In case of persistent default, the Company has taken re-possession of properties under Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI).

2. FINANCIAL PERFORMANCE

(₹ in Lacs)

	March 2014	March 2013
Profit/Loss before tax	17,574.24	12,604.48
Less: Provision for Tax		
-Current year	5,000.00	3,455.00
-Earlier years	65.00	-
-Deferred tax	-235.01	-1.66
Profit/Loss After Tax	**12,744.25**	**9,151.14**
Add: Balance brought forward from the previous year	1,220.71	1,170.06
	13,964.96	**10,321.21**
Appropriation of Profits		
Transfer to Special Reserve (including u/s 29C of NHB Act, 1987)	2,555.00	1,900.00
Transfer to General Reserve	8,500.00	6,000.00
Proposed Dividend	1,503.87	1,026.11
Dividend Distribution Tax	255.58	174.39
Balance carried to Balance Sheet	1,150.51	1,220.71
	13,964.96	**1,0321.21**

2.1 Income

During the year, the Company has earned total income of ₹ 1,115.87 crores as compared to ₹ 661.44 crores in previous year, recording a growth of 69%. Out of total income, interest income on loans was ₹ 1,001.16 crores, a growth of 65%, investment income was ₹ 75.79 crores, a growth of 110% and other income was ₹ 38.92 crores, a growth of 87%.

2.2 Expenditure

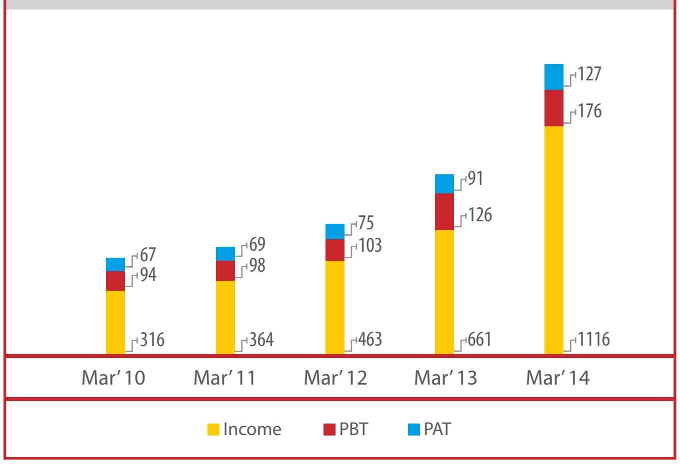
Total expenditure during the year was ₹ 909.70 crores as compared to ₹ 522.93 crores in previous year, a growth of 74%. Out of total expenditure, interest expenditure was ₹ 801.15 crores (₹ 462.27 crores) and operating expenditure was ₹ 108.55 crores (₹ 60.65 crores).

2.3 Provisions and write off

During the year, the Company has written off bad loans of ₹ 7.99 crores and transferred a sum of ₹ 22.44 crores towards provision for non-performing and standard loans as per NHB Directions, 2010.

As on March 31st, 2014, total provision for standard loans was ₹ 46.78 crores and for non-performing loans was ₹ 17.31 crores. The Company has total provision of ₹ 64.09 crores as against gross non-performing loans of ₹ 33.72 crores.

Income & Profitability (₹ in Crores)



3. DIVIDEND

Your Directors are pleased to recommend an enhanced dividend of 30% on equity shares, as against 25% dividend paid in the last year. Total dividend including dividend distribution tax is ₹ 17.60 crores on enhanced equity capital.

4. INCREASE IN AUTHORIZED SHARE CAPITAL

In terms of shareholders' approval obtained in the last annual general meeting, the authorized share capital of the Company has increased to 15 crores equity shares of ₹ 10 each aggregating to ₹ 150 crores.

5. RIGHTS ISSUE OF EQUITY SHARES

In order to meet Tier-I capital requirement of the Company, the Board of Directors on August 8th, 2013 has approved rights issue of 7,69,23,000 equity shares of ₹ 10 each at a premium of ₹ 120 per equity share aggregating to ₹ 1,000 crores.

The Board has called application money of ₹ 4 per share along with proportionate premium of ₹ 48 per share on October 28th, 2013. The Board will call remaining amount as per business needs of the Company.

5.1 Allotment of shares

Pursuant to the rights offer made on October 28th, 2013, the Board has allotted 3,92,30,700 equity shares to Punjab National Bank on March 29th, 2014. The other shareholder, Destimoney Enterprises Private Limited has subscribed to 3,76,92,300 equity shares on July 18th, 2014. The Board had extended last date for subscription to July 20th, 2014.

6. RESOURCES

Rate of interest during 2nd and 3rd quarter of last year moved northwards after liquidity tightening measures of RBI. During these testing times, the Company successfully managed liquidity and did not resort to high cost borrowings.

During the year, the Company raised ₹ 4,804 crores of fresh resources from banks, HUDCO, NCDs, Deposits and refinance from NHB. In addition, the Company also raised and paid back commercial papers worth ₹ 600 crores.

6.1 Non-Convertible Debentures (NCDs)

The Company raised ₹ 1,500 crores of secured NCDs through private placement in three series as under:

- Series XV of ₹ 600 crores with 10 years maturity, issued on May 16th, 2013 at 8.58% p. a.
- Series XVI of ₹ 300 crores with 3.50 years maturity, issued on January 20th, 2014 at 9.59% p. a.
- Series XVII-A of ₹ 300 crores with 5 years maturity, issued on January 31st, 2014 at 9.53% p. a.
- Series XVII-B of ₹ 300 crores with 10 years maturity, issued on January 31st, 2014 at 9.48% p. a.

The Company also redeemed on maturity, secured NCDs Series VIII of ₹ 150 crores on September 30th, 2013, which were at 10.79% p. a.

The outstanding secured borrowings as on March 31st, 2014 from NCDs were ₹ 3,150 crores as against ₹ 1,800 crores in the previous year.

6.2 Subordinated debt

The Company did not raise any subordinate debt during the year. Based upon balance maturity term, the book value of subordinated debt is considered at ₹ 240 crores to be eligible as Tier II capital under the guidelines issued by National Housing Bank.

All NCDs issued by the Company are listed on wholesale debt segment of National Stock Exchange.

6.3 Bank borrowings

During the year, the Company has raised term loans of ₹ 1,950 crores from commercial banks for onward lending operations. In addition, the Company has also raised term loan of ₹ 284 crores from HUDCO.

6.4 NHB Refinance

During the year, the Company has availed refinance of ₹ 408 crores under various schemes of NHB.

6.5 Deposits

During the year, the Company has raised incremental deposits of ₹ 661 crores, a growth of 69% over last year. Total outstanding deposits (including unclaimed deposits) as at March 31st, 2014 were ₹ 1,712 crores.

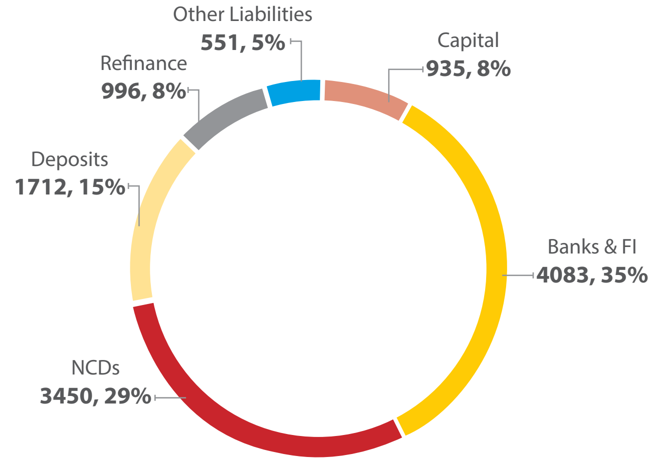
6.6 Unclaimed Deposits

Out of the deposits, which became due for repayment up to March 31st, 2014, deposits of ₹ 12.11 crores, including interest accrued and due relating to 1,852 depositors had not been claimed or renewed.

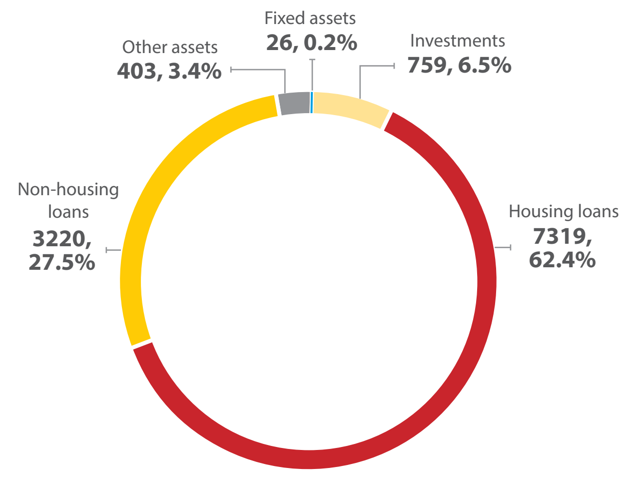
Since then, deposits of ₹ 2.76 crores relating to 477 depositors have been repaid or renewed. Other depositors have been intimated regarding the maturity of their deposits with request to either renew or claim the deposits.

During the year, the Company has transferred an amount of ₹ 6.53 lacs to investor education and protection fund (IEPF) established by the Central Government under section 205 C of the Companies Act, 1956. In terms of the said section, no claim would lie against the Company after transfer to IEPF.

Resources (₹ in Crores)



Composition of total assets (₹ in Crores)



7. CREDIT RATING

During the year, CRISIL has upgraded credit rating of fixed deposit program to FAAA/stable, which means highest safety. CRISIL has also upgraded credit rating of NCDs program to CRISIL AA+/stable, which means very high safety. CARE has confirmed rating of NCDs program at CARE AA+. ICRA has rated fresh issuance of NCDs of ₹ 900 crores at ICRA AA+ stable outlook which reconfirm very high safety. CRISIL has reaffirmed rating on commercial paper program at CRISIL A1+, which is highest rating.

8. CAPITAL ADEQUACY RATIO

The net owned funds of the Company as on March 31st, 2014 were ₹ 920 crores. Adjusted value of subordinate debts and other components of Tier II capital were ₹ 267 crores. The capital adequacy ratio (CRAR) was 13.39% (comprising Tier I capital of 10.38% and Tier II capital of 3.01%). NHB has prescribed minimum CRAR of 12% of total risk weighted assets.

9. REGULATORY COMPLIANCE

The Company has been complying with the guidelines and directions issued by the NHB on asset classification, accounting standards, income recognition, provisioning, capital adequacy, concentration of credit/ investments, credit rating etc. as amended from time to time.

9.1 NHB has advised housing finance companies to ensure that lending practices adopted by them are simple, non-discriminatory, transparent and fair. NHB has also prescribed that pre-payment charges are not to be levied in case of housing loans on floating rates of interest being pre-closed. The Company has complied with these directions from the date of its issuance.

9.2 The know your customer (KYC) guidelines, Fair Practise Code and anti money laundering (AML) standards as notified by the NHB are available on the Company's website. The Company has also adopted the model code of conduct for Direct Selling Agents and Guidelines for Recovery Agents as stipulated by NHB.

9.3 During the year, NHB reduced the provisioning requirements in respect of standard loans for commercial real estate-residential housing (CRE-RH) from 1% to 0.75%. The risk weight on CRE-RH was lowered from 100% to 75%. NHB has also re-adjusted risk weight on individual housing loans based upon loan amount and loan-to-value ratio. These measures have positive impact on capital to risk assets ratios.

10. OPENING OF NEW BRANCHES

During the year, the Company has opened a branch office in Coimbatore in the state of Tamil Nadu. The Company has expanded its operations and now operates through a network of 32 branches. The Company has three zonal hubs; North (at NOIDA), West (at Mumbai) and South (at Bengaluru). Zonal Hubs are supported by three regional hubs at Jaipur, Indore and Chandigarh.

During the current financial year, the Company plans to open six new branches (two in Bengaluru, one each at Chennai, South Delhi, Thane and Pune). The Company also plans to start three regional hubs at Chennai, South Delhi and Pune to ramp-up business from cluster of locations in close vicinity.

11. HUMAN RESOURCES

11.1 Keeping in line with the Company's core value of 'People First', HR processes and initiatives were aligned for building a superior human capital and keeping the workforce across levels engaged and motivated.

11.2 Employee's functional knowledge and skill development was at the centre of learning interventions undertaken in FY 2013-14. Customized training programs based on detailed training need analysis (TNA) were conducted across functions with focus on enabling employees to enhance functional competency and enable them to perform to their optimum potential.

11.3 In order to meet business requirement, fresh hiring were made across functions. As on March 31st, 2014, the Company had a total of 469 full time employees on its rolls.

11.4 In terms of provisions of section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, no employee of the Company whether employed for the full financial year or for a part of the year, was in receipt of remuneration equal to or exceeding the remuneration as prescribed under the said provisions.

12. DIRECTORS' RESPONSIBILITY STATEMENT

In terms of the provisions of section 217 (2AA) of the Companies Act, 1956 the Board of Directors Report that:

i. In preparation of annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures, if any.

ii. The directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on March 31st, 2014 and the profit and loss account for the year ended March 31st, 2014.

iii. That the Company had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of Companies Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

iv. That the Company had prepared the accounts on a going concern basis.

13. CORPORATE GOVERNANCE

13.1 The Company has been complying with the standards of corporate governance required under the Companies Act.

The Board discharges the duties and responsibilities as required under the applicable statute(s) including the Companies Act.

13.2 The Company has a Board of Directors, which has a formal schedule of matters reserved for its consideration and decision, apart from legally required matters. The Audit Committee comprises four directors including two independent directors. It reviews financial statements besides other matters as required under the Companies Act.

In addition, there are four Operational Matters Committees such as Appointments Committee, Credit Committee, Business Process Committee and Marketing Committee of the Board.

During the year, the Board of the Company had met six times and the Audit Committee met four times. The other Operational Matters Committees have met as per business requirements of the Company.

13.3 As required under the provisions of section 178 (1) of the new Companies Act, 2013, the Company will constitute Nomination and Remuneration Committee of Directors. The Committee shall discharge functions as laid down under the new Companies Act.

14. CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Board has constituted a committee of four directors; CSR Committee. The Committee will formulate CSR policy under section 135 of the new Companies Act, 2013 and also CSR procedures for the Company.

15. BUSINESS OUTLOOK

15.1 The year gone by was a challenging year for the economy. The country recorded below 5% growth in gross domestic product (GDP) for the second year in a row. After recording its lowest growth of 4.4% in first quarter, the growth rate gradually moved to 4.7%. Despite measures taken by the Union Government to revive the economy, the growth in 4th quarter failed to see revival in industry and services. The slow growth rate has also impacted domestic savings and investments.

15.2 The rupee witnessed a historic low of ₹ 68.88 per USD. The RBI announced liquidity tightening measures in July 2013 to contain depreciating rupee, which resulted into tight liquidity and rising rate of interest for both short and long-term debt.

15.3 Despite slowdown in overall growth rate, the housing sector recorded an impressive growth of around 18%-19% which is consistent over the years. The demand for housing is coming due to burgeoning middle class and development of tier II and tier III cities. Property prices across India were stable throughout the year, which means lower real cost after accounting for inflation.

15.4 The country has recently elected a new government at the Centre, which has got a clear mandate and majority on its own. It is expected that the new government will expedite infrastructure and housing growth because these sectors are engines for generating employment and for revival of many inter linked industries.

16. BOARD OF DIRECTORS

16.1 Re-appointment of Directors

In accordance with the provisions of section 149 of the new Companies Act, 2013, Shri S K Jain, Shri P K Gupta and Shri Tejinder Singh Laschar are being recommended for re-appointment as independent directors for a maximum tenure of five years. The Company has received declaration from all the independent directors that they meet the criteria as laid down under section 149(6) of the new Companies Act, 2013. Your directors recommend re-appointment of these directors in the forthcoming Annual General Meeting.

Shri Vivek Vig is due to retire by rotation in the forthcoming Annual General Meeting of the Company. Your directors recommend his re-appointment in the forthcoming Annual General Meeting.

16.2 Resignation of Shri Rakesh Sethi

Shri Rakesh Sethi, Executive Director, PNB resigned from the Board after being elevated as Chairman and Managing Director of Allahabad Bank on March 12th, 2014. Your directors wish to place on record significant contribution made by him as member of the Board and as Chairman of Appointment Committee and Business Process Committee of the Board.

16.3 Appointment of Dr. Ram S. Sangapure on the Board

The Board has appointed Dr. Ram S. Sangapure, who is Executive Director, Punjab National Bank, as director of the Company in place of Shri Rakesh Sethi. Your directors recommend his appointment in the forthcoming AGM.

17. STATUTORY AUDITORS

During the year, the Comptroller and Auditor General of India has appointed Messrs B R Maheshwari & Co having registration no. 001035 N as statutory auditors for the financial year ended March 31st, 2014. The report of statutory auditors on annual accounts is enclosed along with Directors' Report.

18. REVIEW OF ACCOUNTS BY C & AG

The annual accounts for the year ended March 31st, 2014 were reviewed by Comptroller and Auditor General of India (C & A G). The C & A G has not made any comment on accounts for the FY 2013-14.

19. COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988.

There is no information to disclose under the head 'Conservation of Energy and Technology Absorption' given in the above rules since the Company is engaged in providing housing loans. There were no foreign exchange earnings and expenditure during the year.

20. THE COMPANIES ACT, 2013

The Ministry of Corporate Affairs (MCA) has notified various sections and rules made under the Companies Act, 2013. The effective date of coming into force of all the notified sections and rules is April 1st, 2014. In terms of clarification issued by MCA on April 4th, 2014 the Company has prepared this balance sheet, statement of profit and loss, the schedules and notes attached thereto and the Directors' Report in accordance with the relevant provisions of the Companies Act, 1956.

21. ACKNOWLEDGEMENTS

21.1 The Board of Directors thank the valued customers, shareholders, business partners and well- wishers for their wholehearted support.

21.2 The Board acknowledge with gratitude the advice, guidance and support of Government of India, Reserve Bank of India, National Housing Bank and other statutory bodies/departments.

21.3 The Directors place on record their appreciation and gratitude to all the Bankers of the Company, Depositors and Debenture holders for their continued confidence and contribution to the growth of the Company.

21.4 Finally, the Directors express their appreciation for the dedication and commitment with which the employees of the Company at all levels have worked during the period.

For and on behalf of the Board

Dated: August 8th, 2014
Place: New Delhi

(K R Kamath)
Chairman

Financial Statements

संख्या / No. : MAB-II/CHD-I/ 98-1/2014-15/73
भारतीय लेखा तथा लेखापरीक्षा विभाग
कार्यालय प्रधान निदेशक वाणिज्यिक लेखापरीक्षा
एवं पदेन सदस्य लेखा परीक्षा बोर्ड-II
नई दिल्ली
INDIAN AUDIT & ACCOUNTS DEPARTMENT
OFFICE OF THE PRINCIPAL DIRECTOR OF
COMMERCIAL AUDIT & EX-OFFICIO MEMBER,
AUDIT BOARD - II, NEW DELHI

दिनांक / DATE 30/5/2014

सेवा में,

अध्यक्ष,
पी.एन.बी. हाउसिंग फाईनेन्स लि0
9वीं मंजिल, अंतरिक्ष भवन,
22, कस्तूरबा गाँधी मार्ग,
नई दिल्ली-110002

विषय- कंपनी अधिनियम 1956 की धारा 619 (4) के अधीन 31 मार्च 2014 को समाप्त वर्ष के लिए पी.एन.बी. हाउसिंग फाईनेन्स लिमिटेड, के लेखों पर भारत के नियंत्रक एंव महालेखापरीक्षक की टिप्पणियाँ।

महोदय,

मैं कम्पनी अधिनियम 1956 की धारा 619 (4) के अधीन 31 मार्च 2014 को समाप्त हुए वर्ष के लिए पी.एन.बी. हाउसिंग फाईनेन्स लिमिटेड के वार्षिक लेखों पर भारत के नियंत्रक एंव महालेखापरीक्षक की टिप्पणियाँ अग्रेषित करती हूँ। इन टिप्पणियों को कम्पनी की वार्षिक रिपोर्ट में प्रकाशित किया जाए।

भवदीया,

न. अ. कुमार 30/5/14.
(नयना अ. कुमार)
प्रधान निदेशक वाणिज्यिक लेखा परीक्षा
एवं पदेन सदस्य, लेखा परीक्षा बोर्ड-।।
नई दिल्ली

संलग्नकः- यथोपरि

4th & 5th Floor, Annexe Building, CAG Office, 10, Bahadur Shah Zafar Marg, New Delhi - 110002.
Tel. : 011-23239438 Fax : 011-23239433 E-mail : mabnewdelhi2@cag.gov.in

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF PNB HOUSING FINANCE LIMITED FOR THE YEAR ENDED 31 MARCH 2014.

The preparation of financial statements of PNB Housing Finance Limited for the year ended 31 March 2014 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the company. The statutory auditor appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 is responsible for expressing opinion on these financial statements under section 227 of the Companies Act, 1956 based on independent audit in accordance with the Standards on Auditing prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 29 April 2014.

I, on behalf of the Comptroller and Auditor General of India, have decided not to review the report of the Statutory Auditor on the accounts of PNB Housing Finance Limited for the year ended 31 March 2014 and as such have no comments to make under section 619(4) of the Companies Act, 1956.

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

30/5/14.

(Naina A. Kumar)
Principal Director of Commercial Audit
& Ex-officio Member, Audit Board-II,
New Delhi

Place: New Delhi
Date: 30.5.2014

B.R. MAHESWARI & CO.
CHARTERED ACCOUNTANTS

PHONES : 43402222
23417659
23418130
FAX : 11-23415796
E-mail : brmc@brmco.com
M-118, CON. CIRCUS
NEW DELHI-110 001

Independent Auditors' Report

To

The Members

PNB Housing Finance Limited

Revised Auditor Report

This audit report is being issued to revise our Audit Report dated March 29th, 2014 for the year ended March 31st, 2014. This report incorporates the amendment announced on February 7th, 2014 to the paragraph on "Auditors' Responsibility". It also corrects the heading from Auditors' Report to "Independent Auditors' Report".

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with Accounting Standards notified under Section 211(3C) of the Companies Act, 1956 ("the 1956 Act") read with General Circular 15/2013 dated September 13th, 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013 and in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal controls relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31st, 2014;

b) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and

c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

2. As required by section 227(3) of the Act, we report that:

   a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.

   b) In our opinion, proper books of account as required by law have been kept.

   c) The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this report are in agreement with the books of account.

   d) In our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with Accounting Standards notified under Section 211(3C) of the Companies Act, 1956 ("the 1956 Act") read with General Circular 15/2013 dated September 13th, 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013.

   e) On the basis of written representations received from the directors as on March 31st, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31st, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For B. R. Maheswari & Co.
Chartered Accountants
FRN: 001035N

Akshay Maheshwari
Partner
Membership No. 504704

Place: New Delhi
Date: 11/06/2014

ANNEXURE REFERRED TO IN OUR REPORT OF EVEN DATE

As required by the Companies (Auditor's Report) Order, 2003 issued by the Company Law Board in terms of section 227(4A) of Companies Act, 1956 on the basis of such checks as we considered appropriate and report that:

1) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets on the basis of available information.

(b) As explained to us, the fixed assets were physically verified by the management in a phased manner during the year which in our opinion is reasonable, having regard to the size of the Company and nature of its assets. The discrepancies noticed were not significant and have been properly dealt with in the accounts.

(c) In our opinion, the Company has not disposed of a substantial part of its fixed assets during the year and the going concern status of the Company is not affected.

2) The provisions of paragraph (ii) (a) to (c) of the order are not applicable to the Company, as the Company is engaged in the financial services sector.

3) In respect of the loans, secured or unsecured, granted or taken by the Company to/from Companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956:

(a) As informed, the Company has not granted any loans, secured or unsecured from Companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956 and accordingly paragraph (iii) (b) to (d) of the order are not applicable for the FY 2013-14.

(b) As informed, the Company has not taken any loans, secured or unsecured from Companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Therefore the clauses (e), (f) & (g) of paragraph (iii) of the order are not applicable.

4) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size and nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal controls system.

5) (a) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.

(b) The service contract for procurement of loan business to DEPL who is holding 27.46% shareholding in the Company was g iven in previous year. The terms of the agreement with the party are prima facie reasonable having regard to the prevailing market price in the view of the fact that the party is not using any facility of the Company for the business development.

6) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of section 58A, section 58AA or any other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposit) Rules, 1975 to the extent applicable and The Housing Finance Companies (NHB) Directions, 2010 with regard to acceptance of deposits from the public.

7) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

8) To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under clause (d) of sub- section (1) of section 209 of the Companies Act, 1956 for the products of the Company.

9) (a) According to the records of the Company, undisputed statutory dues including Provident Fund, income tax, service tax, etc. have generally been regularly deposited with the appropriate authorities during the year. Considering the business of the Company ESI, Excise Laws, etc are not applicable to the Company at present.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Customs Duty, Excise Duty and Cess were in arrears, as at 31.3.2014 for the period of more than six months from the date they become payable except as mentioned below:

Particulars	Nature of dues	Financial Year	Amount (in ₹)	Forum where dispute is pending
Income Tax	Allocation of common expenses for computation of deduction u/s 36(i)(viii) of the Act	2008-09 2009-10 2010-11 2011-12	43,41,393 51,95,570 1,20,72,496 96,39,830	Commissioner of Income Tax (Appeals)
TOTAL			**3,12,49,289**	

10) The Company does not have accumulated losses at the end of the financial year. The Company has not incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.

11) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to a financial institution or banks.

12) (a) The Company grants loans and advances for housing inter alia on the main security of the equitable mortgage of properties, its own deposits, other securities besides other collateral securities/ guarantees as stated in **Note No.22**. Adequate documents and records have been maintained.

(b) The Company does not give any loans/advance against pledge of shares, debentures or the other securities as primary security.

(c) The demand loan granted by the Company under Public Deposit Scheme complies with requirements of the NHB Guidelines & that of section 58A & section 58AA of the Companies Act, 1956.

13) In our opinion, the Company is not a chit fund or a nidhi/ mutual benefit fund/ society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order 2003 are not applicable to this Company.

14) In our opinion, the Company's transactions for sale/purchase of securities and other investments, held as investment proper records of the transactions have been maintained and timely entries have been made therein. We confirm that Company's investments are held in its own name.

15) According to information given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.

16) In our opinion, the term loans have been applied for the purpose for which they were raised.

17) According to the information and explanations given to us , with a view to bring down the overall cost of funds, we observe that funds raised from Overdraft / Term Loans from the Banks etc. have been used to finance Housing/Non- Housing loans, the average repayment of which ranges from 3 to 10 years. Further, we have been explained that generally the short-term funds are not used for long-term investments.

18) According to the information and explanations given to us, the Company has not made any preferential allotment of shares to the parties covered in the register maintained under section 301 of the Act. However, the Company has made a rights issue during the year. (refer note 22.18 for details).

19) According to the information and explanations given to us, during the period covered by our audit report, the Company has issued secured bonds amounting ₹ 1,500 crores. The charge in respect of the bonds has been properly created.

20) During the year under audit, the Company has not raised money by public issue.

21) According to the information and explanations given to us, no material fraud on or by the Company has been noticed or reported during the course of our audit.

For B. R. Maheswari & Co.
Chartered Accountants
FRN: 001035N

Akshay Maheshwari
Partner
Membership No. 504704

Place: New Delhi
Date: 18/06/2014

Balance Sheet as at March 31st, 2014

(₹ in Lacs)

	Notes	As at March 31st, 2014	As at March 31st, 2013
EQUITY AND LIABILITIES			
Shareholder's Funds			
Share Capital	2	6,569.22	5,000.00
Reserves and Surplus	3	86,895.13	57,079.59
		93,464.35	**62,079.59**
Non-Current Liabilities			
Long-term borrowings	4	7,94,718.06	5,32,802.59
Other long-term liabilities	5	2,800.65	1,487.65
Long-term provisions	6	4,866.92	2,830.81
		8,02,385.63	**5,37,121.05**
Current Liabilities			
Short-term provisions	6	23,745.99	17,589.84
Trade payables	7	1,651.35	642.09
Other current liabilities	8	2,51,446.45	1,69,148.71
		2,76,843.79	**1,87,380.64**
TOTAL		**1,172,693.77**	**7,86,581.28**
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	9	2,276.61	1,256.88
Capital work-in-progress		302.09	359.06
Non-current investments	10	23,240.99	7,379.36
Deferred tax assets (net)	11	1,468.02	1,233.01
Loans & advances	12	8,64,064.79	5,38,816.14
Other non-current assets	13	6,089.44	2,855.95
		8,97,441.94	**5,51,900.40**
Current assets			
Current investments	14	52,673.60	71,882.12
Cash and cash equivalents	15	2,475.34	18,848.87
Short-term loans and advances	16	215,643.99	1,38,930.65
Other current assets	17	4,458.90	5,019.24
		2,75,251.83	**2,34,680.88**
TOTAL		**1,172,693.77**	**7,86,581.28**
Significant Accounting Policies	1		
Notes '2' to '17' and '22' annexed hereto form part of the Balance Sheet			

(Krishan Gopal)
Sr. Manager-Finance & Accounts

(Sanjay Jain)
Co. Secretary & Chief Finance

For and on behalf of the Board

(Sanjaya Gupta)
Managing Director

(Vivek Vig)
Director

(K. R. Kamath)
Chairman

In terms of our report of even date
For B.R. Maheswari & Co.
Chartered Accountants

(Akshay Maheshwari)
Partner

M No : 504704
FR No : 001035N

PLACE : NEW DELHI
DATED: 29/04/2014

Profit and Loss Statement for the year ended March 31st, 2014

(₹ in Lacs)

	Notes	For the Year Ended March 31st, 2014	For the Year Ended March 31st, 2013
REVENUE FROM OPERATIONS	18		
Interest and Other Charges		1,07,756.80	64,243.18
Other Income		3,830.68	1,900.81
TOTAL REVENUE		**1,11,587.48**	**66,143.99**
EXPENSES			
Finance Cost	19	80,115.16	46,227.25
Employee Benefit Expense	20	4,040.08	2,597.39
Other Expenses	21	6,325.65	3,302.14
Depreciation Expense	9	489.25	166.00
Provision for Doubtful Debts & Contingencies		2,244.41	991.70
Bad Debts Written Off/Business Loss		798.69	255.02
TOTAL EXPENSES		**94,013.24**	**53,539.50**
Profit Before Tax		**17,574.24**	**12,604.49**
Less: Provision for Tax - Current		5,000.00	3,455.00
- Earlier years (Net)		65.00	-
- Deferred tax (Net)		(235.01)	(1.66)
Profit After Tax		**12,744.25**	**9,151.14**
Earning per equity share: (Refer Note 22.11)			
- Basic (in ₹)		25.42	22.30
- Diluted (in ₹)		25.42	22.30
Significant Accounting Policies	1		
Notes '18' to '21' annexed hereto form part of the Profit & Loss Statement			

(Krishan Gopal)
Sr. Manager-Finance & Accounts

(Sanjay Jain)
Co. Secretary & Chief Finance

For and on behalf of the Board

(Sanjaya Gupta)
Managing Director

(Vivek Vig)
Director

(K. R. Kamath)
Chairman

In terms of our report of even date
For B.R. Maheswari & Co.
Chartered Accountants

(Akshay Maheshwari)
Partner

M No : 504704
FR No : 001035N

PLACE : NEW DELHI
DATED: 29/04/2014

Cash Flow Statement (Indirect Method)

(₹ in Lacs)

		YEAR ENDED ON	
		March 31st, 2014	March 31st, 2013
CASH FLOW FROM OPERATING ACTIVITIES			
Net Profit before tax		17,574.24	12,604.48
Adjustment for non-cash item/items, to be disclosed separately			
Add : Depreciation	489.25		166.00
Loss/(Profit) on sale of Fixed Assets	14.45		0.87
Provision for Doubtful Debts & Contingencies	2,244.41		991.70
Bad Debts written off/ Business Loss	798.69		255.02
		3,546.80	1,413.59
		21,121.04	14,018.08
Less : Interest income	4,360.32		2,556.05
Dividend	1,154.08		369.22
Profit/ (loss) on sale of Investment	949.55		425.08
		6,463.95	3,350.35
Operating Profits before Changes in Working Capital		14,657.09	10,667.72
Adjustment for Changes in Working Capital and Provisions			
Loans	(3,97,955.62)		(2,65,121.61)
Trade and other receivables	(2,242.93)		(4,624.61)
Trade payables	5,167.32		8,270.85
Provisions	323.89		15.25
		(3,94,707.34)	(2,61,460.12)
Cash Generated from Operations		(3,80,050.25)	(2,50,792.40)
(Income/Interest Tax Paid)/ Refunds during the year (Net)	(4,875.57)		(3,710.73)
		(4,875.57)	(3,710.73)
A. NET CASH FROM OPERATING ACTIVITIES		**(3,84,925.82)**	**(2,54,503.13)**
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed Assets:			
Purchase	(1,476.55)		(1,067.19)
Sale/Discarded	10.09		9.96
	(1,466.46)		(1,057.23)
Interest received	4,000.61		2,556.05
Dividend received	1,154.08		369.22
Investments:			
Purchase	(11,68,549.29)		(7,18,851.03)
Sale	11,72,845.73		6,77,843.54
B. NET CASH USED IN INVESTING ACTIVITIES		**7,984.67**	**(39,139.46)**
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from borrowings -Bonds	1,50,000.00		90,000.00
-Banks	2,64,240.00		2,33,169.00
-Unsecured Loans (net)	59,406.37		85,979.38
Repayment of borrowings -Bonds	(15,000.00)		(21,600.00)
-Banks	(1,17,278.22)		(75,432.63)
Proceeds from issue of share capital	1,569.22		
Share premium	18,830.74		
Dividend paid (including dividend distribution tax)	(1,200.49)		(767.07)

(₹ in Lacs)

		YEAR ENDED ON	
		March 31st, 2014	**March 31st, 2013**
C.	**NET CASH USED IN FINANCING ACTIVITIES**	**3,60,567.62**	**3,11,348.68**
	NET CHANGES IN CASH & CASH EQUIVALENTS		
	(A+B+C)	**(16,373.53)**	**17,706.10**
	Cash or Cash equivalents (Opening Balance)	18,848.87	1,142.77
	Cash or Cash equivalents (Closing Balance)	2,475.34	18,848.87
	NET INCREASE OF CASH OR CASH EQUIVALENTS DURING THE YEAR	**(16,373.53)**	**17,706.10**
	NOTE : Minus (-) denotes application of cash		

(Krishan Gopal)
Sr. Manager-Finance & Accounts

(Sanjay Jain)
Co. Secretary & Chief Finance

For and on behalf of the Board

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Managing Director

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In terms of our report of even date
For B.R. Maheswari & Co.
Chartered Accountants

(Akshay Maheshwari)
Partner

PLACE : NEW DELHI
DATED: 29/04/2014

M No : 504704
FR No : 001035N

Notes to Financial Statements for the year ended March 31st, 2014

NOTE: 1
SIGNIFICANT ACCOUNTING POLICIES

1. General Method and System of Accounting

The financial statements are prepared under the historical cost convention on accrual basis of accounting and in accordance with accounting principles generally accepted in India. The Financial Statements comply in all material aspects with the Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006, the relevant provisions of the Companies Act, 1956, the National Housing Bank Act, 1987 and the Housing Finance Companies (NHB) Directions, 2010 as amended from time to time.

Accounting policies not specifically referred to otherwise are consistent with the generally accepted accounting principles followed by the Company.

2. Use of Estimates

The preparation of financial statements require the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses during the reporting period. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates.

3. Revenue Recognition

(a) Fee and other Charges

Income from log in fee, other charges and Penal Interest on Overdues / Additional Interest on Defaults, Pre-payment charges etc. is recognized on receipt basis. Income on loan processing/management fees is recognized over the average tenure of the loan being the consideration received for continuing obligation over the life of loan.

(b) Income from Investment

Interest income on Bonds and Government Securities is recognized on accrual basis. Dividend income is accounted for in the year in which the same is received. The gain / loss on account of long term Investment at discount / premium in Debentures/Bonds and Government Securities, is amortised over the life of the security on a pro-rata basis.

(c) Other Income

Interest on tax refunds and other incomes are accounted for on receipt basis.

(d) Interest on Loans

Interest Income is recognized on accrual basis except in case of non-performing assets where interest is accounted on realization. In loans, the repayment is received by way of Equated Monthly Installments (EMIs) comprising principal and interest. Interest is calculated on the outstanding balance at the beginning of the month. EMIs generally commence once the entire loan is disbursed. Pending commencement of EMIs, Pre-EMI interest is charged every month. Income on loans purchased through direct assignment is recognized on accrual basis.

Recovery in case of Non-Performing Loans is appropriated first towards interest portion of overdue EMIs and their-after towards principal portion of overdue EMIs.

4. Fixed Assets

Fixed Assets are stated at cost of acquisition less accumulated depreciation. Costs include all expenses incidental to the acquisition of the fixed assets.

5. Intangible Assets

Intangibles are recognized where it is possible that the future economic benefit attributable to the asset will flow to the Company and its cost can be reliably measured. Intangibles are stated at cost of acquisition less accumulated amortization.

6. Depreciation/Amortization

(i) Depreciation on Fixed Assets is provided on the Written Down Value Method at the rates prescribed in Schedule XIV of the Companies Act, 1956 on prorata basis, except the following items on which higher rates of depreciation have been charged:

- Intangible Assets are amortized over a period of five years except website development costs which are amortized over a period of three years.
- Networking Equipments and Mobile phone instruments are depreciated over a period of five years.
- Leasehold Improvements are depreciated over a period of five years.

(ii) Assets costing upto ₹ 5,000/- are charged to revenue.

7. Investments

Investments are capitalized at cost inclusive of brokerage and stamp charges excluding interest/dividend accruing till the date of purchase. The difference between the carrying amount and disposal proceeds of investments, net of expenses, is recognized in the Profit & Loss Account. Investments are classified as long-term investments (Non Current Investment) and current investments and are valued in accordance with guidelines of National Housing Bank and Accounting Standard on Accounting for Investments (AS-13), issued by The Institute of Chartered Accountants of India. Long-term investments are valued at cost net of amortization of premium / discount. However, when there is a decline, other than temporary, in the value of long-term investment, the carrying amount is reduced to recognize the decline. Current investments are valued at lower of cost or market value determined on individual investment basis.

8. Employee Benefits

(i) The Company has taken LIC Policy to cover the accumulated gratuity liability till 31.03.2014 of its employees as Defined Contribution Plan. LIC has made actuarial valuation on renewal date i.e. 01-01-2014. The premium on this policy has been accounted for on accrual basis in line with the Accounting Standard on Accounting for Employee Benefits (AS-15)-Revised, issued by the Institute of Chartered Accountants of India.

(ii) Provision for leave encashment is made on the basis of actuarial valuation as on 31.03.2014.

(iii) Retirement benefits of employees on deputation from Punjab National Bank are borne by the Bank and hence no provision is considered necessary by the Company.

(iv) Provident Fund Contribution paid to recognized Provident Fund Trust and Govt. Provident Fund is debited to the Profit and Loss Account on accrual basis.

(v) Incentive paid to employees in terms of performance linked incentive scheme is charged to Profit & Loss Account on accrual basis.

9. Transaction Involving Foreign Exchange

(i) Foreign currency monetary liabilities are translated at the rate which reflects the liability of the Company in Indian Rupee which is likely to be repaid at the balance sheet date.

(ii) Income and expenditure items are accounted for at the exchange rate prevailing on the date of transaction.

(iii) Generally Exchange differences arising on Foreign Currency transactions are recognized as income or expense as the case may be in the period in which they arise. However, in case of forward exchange contracts, the Exchange difference between the forward rate and the exchange rate at the date of transaction is recognized as an income or expense over the life of the forward contract in line with Accounting Standard on Accounting for the Effects of Changes in Foreign Exchange Rates (AS-11) issued by The Institute of Chartered Accountants of India.

10. Borrowing Costs

Borrowing costs are recognized as an expense in the year in which they are incurred. Expenditure incurred on issue of shares/bonds is charged to Statement of Profit and Loss in the year on accrual basis except brokerage costs directly attributable to a borrowing which are amortized over the period of borrowing.

11. Operating Leases

Lease payments for assets taken on operating lease are recognized as an expense in the Statement of Profit and Loss on a straight-line basis over the lease term.

12. Earnings Per Share

The basic earnings per share is computed by dividing the net profit / loss attributable to the equity shareholders for the period by the weighted average number of equity shares outstanding during the reporting period. The number of shares used in computing diluted earnings per share comprises the weighted average number of shares considered for deriving earnings per share, and also the weighted average number of equity shares, which could have been issued on the conversion of all dilutive potential shares. In computing dilutive earnings per share, only potential equity shares that are dilutive and that reduce profit per share are included.

13. Taxes on Income

Taxes on Income are accounted for in accordance with Accounting Standard (AS) –22–"Accounting for taxes on income", issued by the The Institute of Chartered Accountants of India. Income tax comprises both current and deferred tax.

Current tax is measured on the basis of estimated taxable income and tax credits computed in accordance with the provisions of the Income Tax Act, 1961.

The tax effect of timing differences that result between taxable income and accounting income and are capable of reversal in one or more subsequent periods are recorded as a deferred tax asset or deferred tax liability. They are measured using substantially enacted tax rates and tax regulations as of the Balance Sheet date.

Deferred tax assets arising mainly on account of brought forward losses and unabsorbed depreciation under tax laws, are recognized, only if there is virtual certainty of its realisation, supported by convincing evidence. Deferred tax assets on account of other timing differences are recognized only to the extent there is a reasonable certainty of its realization.

14. Provisions, Contingent Liabilities and Contingent Assets (AS-29)

Provisions are recognized when the Company has a legal and constructive obligation as a result of a past event, for which it is probable that cash outflow will be required and a reliable estimate can be made of the amount of the obligation. Contingent liabilities are disclosed when the Company has a possible or present obligation where it is not probable that an outflow of resources will be required to settle it. Contingent Assets are neither recognized nor disclosed.

15. Possession of Secured Assets

(i) As per the National Housing Bank Directions 2010, the land and buildings, including Assets/ Properties acquired from NPA Advances in settlement of Loans, are held as 'Other Current Assets' till their disposal. These assets are required to be disposed of within 3 years from the date of acquisition (if it exceeds 10% of net owned funds of the Company) unless and until extended by the NHB. All the expenses incurred on the upkeep of the property including safeguarding, insurance, rates & taxes etc are charged to Profit & Loss Account in the year of incurrence.

(ii) Where the possession of the secured assets has been taken by the Company under SARFAESI Act, 2002 such assets are classified in 'Current Assets' at cost or market price (as per valuation report), whichever is less till its final disposal. The diminution in value is provided as 'Provision for Doubtful Debts & Contingencies'. The loss, if any, is ascertained and accounted for in the year of its disposal.

16. Loan Origination / Acquisition Cost

All direct costs incurred for the loan origination are amortized over the average tenure of the loan.

17. Unclaimed Deposits

Deposits, which have become due but have not been presented for payment or renewal, are transferred to unclaimed deposits. Interest for the period from last maturity date till the date of renewal of unclaimed deposits is accounted for during the year of its renewal.

18. Impairment of Assets

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset is less than the carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the Statement of Profit and Loss. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost.

NOTE : 2
SHARE CAPITAL

(₹ in Lacs)

		As at March 31st, 2014	As at March 31st, 2013
a.	**Authorized share capital**		
	15,00,00,000 (March 31st, 2013 : 5,00,00,000) Equity Shares of ₹ 10/- each	**15,000.00**	**5,000.00**
b.	**Equity Share Capital**		
	Issued, subscribed and paid-up capital		
	5,00,00,000 Equity Shares of ₹ 10/- each fully paid up (Previous year 5,00,00,000)	5,000.00	5,000.00
	3,92,30,700 partly paid-up Equity Shares of ₹ 10/- each (Refer note no. 22.18)		
	Amount called and paid up ₹ 4 per share (Previous year ₹ Nil)	1,569.22	-
	Total issued, subscribed and paid-up Shares capital	**6,569.22**	**5,000.00**

c. Reconciliation of shares outstanding at the beginning and at the end of the reporting period

(₹ in Lacs)

	As at March 31st, 2014 Numbers	As at March 31st, 2014 ₹ in Lacs	As at March 31st, 2013 Numbers	As at March 31st, 2013 ₹ in Lacs
Equity shares				
At the beginning of the year	50,000,000	5,000.00	30,000,000	3,000.00
Issued during the year*	39,230,700	1,569.22	20,000,000	2,000.00
Outstanding at the end of the year	**89,230,700**	**6,569.22**	**50,000,000**	**5,000.00**

* Equity Shares of ₹ 10 each. ₹ 4 called and paid up. (Refer note no. 22.18)

d. Details of shareholders holding more than 5% shares in the Company

(₹ in Lacs)

Name of Shareholder	As at March 31st, 2014		As at March 31st, 2013	
	No. of Shares	% of Holding	No. of Shares	% of Holding
Punjab National Bank (PNB) (Holding Company)	64,730,700	72.54%	25,500,000	51.00%
Destimoney Enterprises Pvt. Ltd. (DEPL)	24,500,000	27.46%	24,500,000	49.00%

e. Description of the rights, preferences and restrictions attached to each class of shares:

The Company has only one class of equity shares having a par value of ₹ 10/- per share. Each holder of Equity shares is entitled to one vote per share.

f. Rights issue of equity shares during the year:

The Company has allotted 3,92,30,700 equity shares of ₹ 10 each (amount called and paid up ₹ 4 per share) along with premium of ₹ 120 per share (proportionate share premium called and paid up ₹ 48 per share) aggregating to ₹ 20,399.96 lacs to PNB on March 29th, 2014. (Refer note 22.18)

g. Conversion of Compulsory Convertible Debentures (CCDs) in to equity shares during previous year:

The Company had allotted 1,35,29,411 equity shares of ₹ 10 each on conversion of 1,35,29,411 CCDs at a premium of ₹91.50 per share on 08.06.2012 to DEPL.

h. Issue of Bonus Shares during previous year:

The Company had issued 64,70,589 equity shares of ₹ 10 each as fully paid up Bonus shares after capitalization of General Reserves of ₹ 6,47,05,890 on March 30th, 2013 to existing shareholders in proportion of their shareholding (PNB-33,00,000 equity shares and DEPL 31,70,589 equity shares)

NOTE : 3

RESERVES AND SURPLUS

(₹ in Lacs)

		As at March 31st, 2014	As at March 31st, 2013
a.	**Special Reserve/ Statutory Reserve**		
	i) Created under Section 36(1) (viii) of the Income Tax Act,1961 for deduction admissible to HFCs		
	As per the last Balance Sheet	13,150.81	11,600.81
	Add: Additions during the period	1,875.00	1,550.00
		15,025.81	**13,150.81**
	ii) As per Section 29 C of National Housing Bank Act, 1987 (Refer note 22.16)		
	As per the last Balance Sheet	839.00	489.00
	Add: Additions during the period	680.00	350.00
	Less: Appropriation during the year	-	-
		1,519.00	**839.00**
b.	**General Reserve**		
	As per the last Balance Sheet	29,489.66	24,136.72
	Less: Issuance of Bonus Shares	-	647.06
	Add: Amount transferred from the Statement of Profit and Loss	8,500.00	6,000.00
		37,989.66	**29,489.66**
c.	**Securities Premium Reserve**		
	Balance as per the last financial statements	12,379.41	-
	Add: Premium on issue of equity shares (Refer note 2)	18,830.74	12,379.41
		31,210.15	**12,379.41**
d.	**Surplus/(deficit) in the statement of profit and loss**		
	As per the last Balance Sheet	1,220.71	1,170.06
	Profit for the year	12,744.25	9,151.14
	Total	**13,964.96**	**10,321.20**
	Appropriations		
	- Special Reserve-Under Section 36(1)(viii) of the Income Tax Act, 1961	1,875.00	1,550.00
	- Special Reserve-Under Section 29C of NHB Act, 1987	680.00	350.00
	- General Reserve	8,500.00	6,000.00
	- Proposed Dividend	1,503.87	1,026.10
	- Dividend Distribution Tax	255.58	174.39
	Net surplus in the statement of profit and loss	**1,150.51**	**1,220.71**
		13,964.96	10,321.20
	Total Reserves and Surplus (a to d)	**86,895.13**	**57,079.59**

NOTE : 4
LONG-TERM BORROWINGS

(₹ in Lacs)

		Non-Current Maturities		Current Maturities	
		As at March 31st, 2014	As at March 31st, 2013	As at March 31st, 2014	As at March 31st, 2013
A.	**SECURED**				
1.	**Bonds**				
i)	9.48% Secured Redeemable Bonds 2024 (Redeemable at par on 31.01.2024)	30,000.00	-	-	-
ii)	8.58% Secured Redeemable Bonds 2023 (Redeemable at par on 16.05.2023)	60,000.00	-	-	-
iii)	9.20% Secured Redeemable Bonds 2023 (Redeemable at par in five equal annual installments from 16.01.2019 to 16.01.2023)	15,000.00	15,000.00	-	-
iv)	9.00% Secured Redeemable Bonds 2022 (Redeemable at par on 21.12.2022)	20,000.00	20,000.00	-	-
v)	9.15% Secured Redeemable Bonds 2022 (Redeemable at par on 14.09.2022)	20,000.00	20,000.00	-	-
vi)	9.25% Secured Redeemable Bonds 2022 (Redeemable at par on 29.06.2022)	30,000.00	30,000.00	-	-
vii)	9.55% Secured Redeemable Bonds 2021 (Redeemable at par on 12.09.2021)	20,000.00	20,000.00	-	-
viii)	9.50% Secured Redeemable Bonds 2021 (Redeemable at par on 26.07.2021)	20,000.00	20,000.00	-	-
ix)	8.85% Secured Redeemable Bonds 2019 (Redeemable at par on 09.11.2019)	12,500.00	12,500.00	-	-
x)	9.53% Secured Redeemable Bonds 2019 (Redeemable at par on 31.01.2019)	30,000.00	-	-	-
xi)	9.59% Secured Redeemable Bonds 2017 (Redeemable at par on 20.07.2017)	30,000.00	-	-	-
xii)	9.25% Secured Redeemable Bonds 2017 (Redeemable at par on 30.03.2017 with a put & call option exercisable on 30.07.2014)	10,000.00	10,000.00	-	-
xiii)	8.70% Secured Redeemable Bonds 2016 (Redeemable at par on 09.08.2016)	10,000.00	10,000.00	-	-
xiv)	8.55% Secured Redeemable Bonds 2014 (Redeemable at par on 09.11.2014)	-	7,500.00	7,500.00	-
xv)	10.79% Secured Redeemable Bonds 2013 (Fully Redeemed on 30.09.2013)	-	-	-	15,000.00

[Bonds at serial nos. (i),(ii), (iv) to (viii), (x) and (xi) are secured by hypothecation of book debts to the extent of 1.10 times of outstanding amount and rest of the Bonds are secured by hypothecation of book debts to the extent of 1.25 times of outstanding amount. In addition, all the Bonds are also secured by mortgage of buildings of ₹ 77.23 Lacs (Refer Note 9)]

(₹ in Lacs)

	Non-Current Maturities		Current Maturities	
	As at March 31st, 2014	As at March 31st, 2013	As at March 31st, 2014	As at March 31st, 2013
2. INR Term loans (detail terms are given at the end)*				
i) Term Loan from Punjab National Bank (Secured by hypothecation of book debts and negative lien on properties charged to/guarantees obtained by the Company against Loans disbursed)	1,11,000.00	95,999.99	54,999.99	33,666.67
ii) Refinance from National Housing Bank	87,749.27	70,926.74	11,807.20	19,106.30
iii) Term Loan from HDFC Bank	17,916.50	18,750.00	19,166.67	15,833.33
iv) Term Loan from Union Bank of India	30,000.00	34,000.00	12,000.00	20,000.00
v) Term Loan from Vijaya Bank	10,000.00	14,000.00	4,000.22	4,000.00
vi) Term Loan from ICICI Bank	9,614.20	11,657.60	2,185.80	2,914.40
vii) Term Loan from Central Bank of India	14,000.00	18,000.00	4,000.00	2,000.00
viii) Term Loan from United Bank of India	10,000.00	-	26,666.67	-
ix) Term Loan from HUDCO	25,924.93	-	1,785.36	-
x) Term Loan from Dena Bank	32,000.00	-	8,000.00	-
xi) Term Loan from Bank of Baroda	10,000.00	-	-	-
xii) Term Loan from State Bank of India	3,750.00	-	1,250.00	-
Total (Secured borrowings)	**6,69,454.90**	**4,28,334.33**	**1,53,361.91**	**1,12,520.70**
(Loans at serial nos. (ii) to (xii) are secured by hypothecation of specific loans/book debts against which refinance/ term loans has been availed)				
B. UNSECURED				
Fixed Deposit				
Non-cumulative	8,160.84	8,383.72	22,980.25	11,248.91
Cumulative [Non Current & Current Fixed Deposits are secured by floating charge on SLR securities of ₹ 23,240.99 Lacs (Previous year ₹ 7,379.36 Lacs) as per NHB Directions (Refer note 10)]	87,102.32	66,084.54	38,774.88	11,894.75
Tier II Subordinated Bonds				
- 9.10% Unsecured Redeemable Bonds, 2022 (Redeemable at par on 21.12.2022)	20,000.00	20,000.00	-	-
- 9.25% Unsecured Redeemable Bonds, 2016 (Redeemable at par on 22.03.2016)	10,000.00	10,000.00	-	-
Total (Unsecured borrowings)	**1,25,263.16**	**1,04,468.26**	**61,755.13**	**23,143.66**
	7,94,718.06	**5,32,802.59**	**2,15,117.04**	**1,35,664.36**
Current Maturity of Long-term Borrowings disclosed under the head "Other current liabilities" (Refer Note 8)				
- Secured	-	-	(1,53,361.91)	(1,12,520.70)
- Unsecured	-	-	(61,755.13)	(23,143.66)
	7,94,718.06	**5,32,802.59**	**-**	**-**

* Detail of INR Term Loans

(₹ in Lacs)

Nature of Facility	Loan Outstanding March 31st, 2014	Remaining Period	Installment Amount	Installment Frequency
Punjab National Bank				
Term Loan-I	20,000.00	1 Year	10,000.00	Annual
Term Loan-II	12,000.00	1 Year	6,000.00	Annual
Term Loan-III	12,999.99	1 Year	4,333.33	Half Yearly
Term Loan-IV	16,000.00	4 Years	2,000.00	Half Yearly
Term Loan-V	45,000.00	4 Years	5,000.00	Half Yearly
Term Loan-VI	30,000.00	5 Years	3,000.00	Half Yearly
Term Loan-VII	30,000.00	5 Years	3,000.00	Half Yearly
Union Bank of India				
Term Loan-II	18,000.00	3 Years	3,000.00	Half Yearly
Term Loan-III	24,000.00	4 Years	3,000.00	Half Yearly
HDFC Bank				
Term Loan -IV (A)	13,750.00	1 Year	4,583.33	Half Yearly
Term Loan -IV (B)	5,000.00	1 Year	1,666.67	Half Yearly
Term Loan -V (A)	8,334.17	2 Years	1,666.83	Half Yearly
Term Loan -V (B)	9,999.00	3 Years	1,666.50	Half Yearly
Vijaya Bank				
Term Loan	14,000.22	3 Years	2,000.00	Half Yearly
ICICI Bank				
Term Loan	11,800.00	5 Years	2,185.80	Annual
Central Bank of India				
Term Loan	18,000.00	4 Years	2,000.00	Half Yearly
United Bank of India				
Term Loan 1	20,000.00	6 Months	20,000.00	Repayable on Sep. 30th, 2014
Term Loan 2	16,666.67	3 Years	3,333.33	Half Yearly
HUDCO				
Term Loan	27,710.29	10 Years	380.86	EMI
Dena Bank				
Term Loan	40,000.00	5 Years	3,333.33	Half Yearly
Bank of Baroda				
Term Loan	10,000.00	4 Years	1,666.67	Half Yearly
State Bank of India				
Term Loan	5,000.00	4 Years	1,250.00	Yearly
National Housing Bank				
Refinance	2,098.35	4 Years	131.15	Quarterly
Refinance	85.26	4 Years	5.34	Quarterly
Refinance	2.96	4 Years	0.19	Quarterly
Refinance	107.75	4 Years	6.75	Quarterly

(₹ in Lacs)

Nature of Facility	Loan Outstanding March 31st, 2014	Remaining Period	Installment Amount	Installment Frequency
Refinance	920.40	4 Years	57.60	Quarterly
Refinance	426.00	5 Years	22.50	Quarterly
Refinance	413.33	5 Years	20.67	Quarterly
Refinance	1,464.39	5 Years	73.23	Quarterly
Refinance	311.08	5 Years	14.82	Quarterly
Refinance	448.48	2 Years	64.11	Quarterly
Refinance	448.48	2 Years	64.11	Quarterly
Refinance	1,546.00	2 Years	195.00	Quarterly
Refinance	1,198.00	2 Years	152.00	Quarterly
Refinance	870.60	8 Years	26.40	Quarterly
Refinance	1,483.96	8 Years	47.88	Quarterly
Refinance	2,761.00	8 Years	87.00	Quarterly
Refinance	174.26	8 Years	5.29	Quarterly
Refinance	279.80	9 Years	8.24	Quarterly
Refinance	1,615.36	9 Years	46.16	Quarterly
Refinance	181.20	9 Years	4.90	Quarterly
Refinance	1,104.00	2 Years	158.00	Quarterly
Refinance	728.00	2 Years	106.00	Quarterly
Refinance	1,425.30	2 Years	158.37	Quarterly
Refinance	2,556.00	8 Years	82.50	Quarterly
Refinance	3,934.56	8 Years	119.24	Quarterly
Refinance	10,150.40	8 Years	307.60	Quarterly
Refinance	73.56	8 Years	2.24	Quarterly
Refinance	2,792.35	9 Years	82.13	Quarterly
Refinance	2,615.35	9 Years	76.93	Quarterly
Refinance	19,294.80	9 Years	551.30	Quarterly
Refinance	4,487.16	9 Years	128.21	Quarterly
Refinance	1,743.55	9 Years	51.29	Quarterly
Refinance	3,452.60	4 Years	215.80	Quarterly
Refinance	715.78	4 Years	44.74	Quarterly
Refinance	17,020.00	9 Years	460.00	Quarterly
Refinance	4,743.40	9 Years	128.30	Quarterly
Refinance	624.00	2 Years	93.00	Quarterly
Refinance	165.00	10 Years	4.25	Quarterly
Refinance	94.00	7 Years	3.50	Quarterly
Refinance	5,000.00	10 Years	129.00	Quarterly
Grand Total	**5,07,816.81**			

NOTE : 5
OTHER LONG-TERM LIABILITIES

(₹ in Lacs)

	As at March 31st, 2014	As at March 31st, 2013
Unearned Revenue Unamortized Processing Fees: (Refer Note 1.3 (a))		
Processing Fees	1,785.18	2,082.71
Add: Earned during the year	3,329.31	
Less: Amortised during the year	1,557.25	297.53
Closing Balance	**3,557.24**	**1,785.18**
Less: To be amortized during next year (Refer Note 8)	756.59	297.53
Closing balance	**2,800.65**	**1,487.65**

NOTE : 6
PROVISIONS

(₹ in Lacs)

		Long-term		Short-term	
		As at March 31st, 2014	As at March 31st, 2013	As at March 31st, 2014	As at March 31st, 2013
a.	**Provision for employee benefits**				
	Provision for Leave Encashment	189.29	147.35	64.15	30.83
	Provision for Performance Linked Incentive	-	-	510.00	265.30
		189.29	**147.35**	**574.15**	**296.13**
b.	**Other provisions**				
	Provision for				
	- Doubtful Debts & Contingencies	4,677.63	2,683.46	1,735.64	1,481.47
	- Taxation	-	-	19,676.75	14,611.75
	(Includes ₹ 5,065.00 Lacs provision made during current year. Previous year ₹ 3,455.00 Lacs)				
	- Proposed Dividend	-	-	1,503.87	1,026.10
	- Tax on Proposed Dividend	-	-	255.58	174.39
		4,677.63	**2,683.46**	**23,171.84**	**17,293.71**
		4,866.92	**2,830.81**	**23,745.99**	**17,589.84**

NOTE : 7
TRADE PAYABLES

(₹ in Lacs)

	As at March 31st, 2014	As at March 31st, 2013
Sundry Creditors for expenses	1,651.35	642.09
	1,651.35	**642.09**

NOTE : 8
OTHER CURRENT LIABILITIES

(₹ in Lacs)

Other Current Liabilities	As at March 31st, 2014	As at March 31st, 2013
Current Maturity of Long-Term borrowings		
- Secured	1,53,361.91	1,12,520.70
- Un secured	61,755.13	23,143.66
Total (Refer Note 4)	**2,15,117.04**	**1,35,664.36**
Unclaimed Deposits (Including unclaimed interest accrued and due ₹ 279.53 Lacs; Previous Year ₹ 243.95 Lacs)	1,210.70	1,313.81
Interest Accrued & Due on Deposits	2,370.57	1,232.85
Interest Accrued But Not Due:		
- Deposits	10,626.75	4,924.52
- Bonds/Loans	1,538.08	2,794.25
Book overdraft	18,096.91	20,768.77
Statutory dues payable:		
-Service Tax payable	1.05	-
-TDS payable	576.91	367.92
Unamortized Processing Fees	756.59	297.53
(Refer Note 1.3(a) and Note 5)		
Other Liability	1,151.85	1,784.70
	2,51,446.45	**1,69,148.71**

NOTE : 9
TANGIBLE ASSETS

(₹ in Lacs)

	Buildings*	Furniture & Fixtures	Vehicles	Computers	Office Equipments-Others	Intangibles	Leasehold Improvements	Total
Cost or valuation								
At April 1st, 2012	108.88	283.39	7.02	31.19	144.89	-	-	575.37
Additions	-	166.35	-	212.41	304.40	8.93	375.09	1,067.18
Disposals	-	20.10	0.43		12.05	-	-	32.58
At March 31st, 2013	**108.88**	**429.64**	**6.59**	**243.60**	**437.24**	**8.93**	**375.09**	**1,609.97**
Additions	-	219.81	-	275.00	327.47	98.97	612.27	1,533.52
Disposals	-	39.51	-	1.59	23.47	-	-	64.57
As at March 31st, 2014	**108.88**	**609.94**	**6.59**	**517.01**	**741.24**	**107.90**	**987.36**	**3,078.92**
Depreciation								
At April 1st, 2012	46.62	115.65	3.84	18.89	23.85	-	-	208.85
Charge for the year	3.11	50.39	0.82	39.64	37.68	0.32	34.04	166.00
Disposals	-	19.56	0.31	-	1.89	-	-	21.76
At March 31st, 2013	**49.73**	**146.48**	**4.35**	**58.53**	**59.64**	**0.32**	**34.04**	**353.09**
Charge for the year	2.96	79.48	0.58	148.32	91.57	11.53	154.81	489.25
Disposals	-	29.24	-	1.45	9.34	-	-	40.03
As at March 31st, 2014	**52.69**	**196.72**	**4.93**	**205.40**	**141.87**	**11.85**	**188.85**	**802.31**
Net Block								
At March 31st, 2013	**59.15**	**283.16**	**2.24**	**185.07**	**377.60**	**8.61**	**341.05**	**1,256.88**
As at March 31st, 2014	**56.19**	**413.22**	**1.66**	**311.61**	**599.37**	**96.05**	**798.51**	**2,276.61**

*Includes Buildings of ₹ 77.23 Lacs (Previous Year ₹ 77.23 Lacs) mortgaged for securing secured redeemable bonds (Refer Note 4).

NOTE : 10
NON-CURRENT INVESTMENTS

(₹ in Lacs)

	As at March 31st, 2014	As at March 31st, 2013
OTHER INVESTMENTS (NON TRADE) (Refer Note 1.7) **QUOTED-(FULLY PAID)**		
Investments in Government Securities		
8.07% GOI Stock 2017 of Face Value of ₹ 3,005.00 Lacs (Previous Year ₹ 3,000.00 Lacs)	3,085.38	3,109.04
10.25% GOI Stock 2021 of Face Value of ₹ 1,005.00 Lacs (Previous Year ₹ 1,000.00 Lacs)	1,185.73	1,205.25
8.97% GOI Stock 2030 of Face Value of ₹ 50.00 Lacs (Previous Year ₹ Nil)	56.46	-
8.30% GOI Stock 2040 of Face Value of ₹ 30.00 Lacs (Previous Year ₹ Nil)	30.68	-
8.33% GOI Stock 2036 of Face Value of ₹ 26.00 Lacs (Previous Year ₹ Nil)	28.12	-
8.32% GOI Stock 2032 of Face Value of ₹ 25.00 Lacs (Previous Year ₹ Nil)	26.85	-
8.28% GOI Stock 2032 of Face Value of ₹ 19.00 Lacs (Previous Year ₹ Nil)	20.18	-
7.50% GOI Stock 2034 of Face Value of ₹ 18.00 Lacs (Previous Year ₹ Nil)	17.92	-
8.08% GOI Stock 2022 of Face Value of ₹ 15.00 Lacs (Previous Year ₹ Nil)	15.47	-
8.15% GOI Stock 2022 of Face Value of ₹ 14.00 Lacs (Previous Year ₹ Nil)	14.59	-
8.26% GOI Stock 2027 of Face Value of ₹ 10.00 Lacs (Previous Year ₹ Nil)	10.62	-
8.13% GOI Stock 2022 of Face Value of ₹ 10.00 Lacs (Previous Year ₹ Nil)	10.13	-
5.69% GOI Stock 2018 of Face Value of ₹ 10.00 Lacs (Previous Year ₹ Nil)	9.20	-
10.71% GOI Stock 2016 of Face Value of ₹ 8.00 Lacs (Previous Year ₹ Nil)	8.40	-
7.94% GOI Stock 2021 of Face Value of ₹ 7.90 Lacs (Previous Year ₹ Nil)	8.09	-
10.03% GOI Stock 2019 of Face Value of ₹ 7.00 Lacs (Previous Year ₹ Nil)	7.62	-
9.72% Kerala SDL 2023 of Face Value of ₹ 4,000.00 Lacs (Previous Year ₹ Nil)	4,145.39	-
9.79% Maharashtra SDL 2023 of Face Value of ₹ 1,500.00 Lacs (Previous Year ₹ Nil)	1,549.73	-
9.60% Maharashtra SDL 2023 of Face Value of ₹ 1,400.00 Lacs (Previous Year ₹ Nil)	1,401.73	-
8.25% Rajasthan SDL 2020 of Face Value of ₹ 30.00 Lacs (Previous Year ₹ Nil)	30.67	-

(₹ in Lacs)

	As at March 31st, 2014	As at March 31st, 2013
8.89% West Bengal SDL 2022 of Face Value of ₹ 25.00 Lacs (Previous Year ₹ Nil)	26.72	-
8.53% Maharashtra SDL 2020 of Face Value of ₹ 25.00 Lacs (Previous Year ₹ Nil)	25.96	-
8.93% Haryana SDL 2022 of Face Value of ₹ 22.20 Lacs (Previous Year ₹ Nil)	23.75	-
8.39% U.P. SDL 2020 of Face Value of ₹ 20.00 Lacs (Previous Year ₹ Nil)	20.57	-
7.79% Punjab SDL 2016 of Face Value of ₹ 16.80 Lacs (Previous Year ₹ Nil)	16.81	-
8.73% M.P. SDL 2022 of Face Value of ₹ 12.00 Lacs (Previous Year ₹ Nil)	12.66	-
8.66% A.P. SDL 2021 of Face Value of ₹ 10.00 Lacs (Previous Year ₹ Nil)	10.48	-
8.40% M.P. SDL 2019 of Face Value of ₹ 10.00 Lacs (Previous Year ₹ Nil)	10.25	-
8.55% U.P. SDL 2017 of Face Value of ₹ 10.00 Lacs (Previous Year ₹ Nil)	10.24	-
7.53% U.P. SDL 2015 of Face Value of ₹ 10.20 Lacs (Previous Year ₹ Nil)	10.17	-
8.30% Gujarat SDL 2017 of Face Value of ₹ 10.00 Lacs (Previous Year ₹ Nil)	10.14	-
7.77% Gujarat SDL 2015 of Face Value of ₹ 9.80 Lacs (Previous Year ₹ Nil)	9.80	-
7.77% A.P. SDL 2015 of Face Value of ₹ 9.00 Lacs (Previous Year ₹ Nil)	9.00	-
7.85% U.P. SDL 2016 of Face Value of ₹ 8.00 Lacs (Previous Year ₹ Nil)	8.01	-
7.91% Maharashtra SDL 2016 of Face Value of ₹ 5.00 Lacs (Previous Year ₹ Nil)	5.01	-
7.79% Tamilnadu SDL 2016 of Face Value of ₹ 1.20 Lacs (Previous Year ₹ Nil)	1.20	-
Investment in Bonds		
6.85% India Infrastructure Finance Corporation Tax Free Bond 2014 of Face Value of ₹ Nil (Previous Year ₹ 1,500.00 Lacs)	-	1,492.93
OTHERS		
Fixed Deposit- Union Bank of India of Face Value of ₹ 7,994.00 Lacs (Previous Year ₹ 1,500.00 Lacs)	8,678.13	1,572.14
Fixed Deposit- Vijaya Bank of Face Value of ₹ 2,500.00 Lacs (Previous Year ₹ Nil)	2,689.13	-
Aggregate value of investments	**23,240.99**	**7,379.36**
Cost of Quoted investments	11,873.73	5,807.22
Market Value	11,635.08	5,636.13

NOTE : 11
DEFERRED TAX ASSETS (NET)

(₹ in Lacs)

	As at March 31st, 2014	As at March 31st, 2013
Deferred Tax Assets		
Depreciation on Fixed Assets	10.74	18.21
Provision for leave encashment	86.14	60.56
Provision for performance linked incentive	173.35	90.17
Provision for doubtful debts and contingencies	2,203.54	1,415.66
De-recognition of Interest	10.63	41.73
Unearned Revenue	1,209.11	606.78
Total Defered Tax Assets -A	**3,693.51**	**2,233.11**
Deferred Tax Liabilities		
Unamortized Expenditure	2,225.49	1,000.10
Total Defered Tax Liabilities- B	**2,225.49**	**1,000.10**
Deferred Tax Assets (Net A-B)	**1,468.02**	**1,233.01**

NOTE : 12
LOANS AND ADVANCES

(₹ in Lacs)

	Non-Current		Current Portion	
	As at March 31st, 2014	As at March 31st, 2013	As at March 31st, 2014	As at March 31st, 2013
Loans-Secured (Refer note 22.03)				
Housing Loans	5,96,563.35	3,92,646.84	1,35,307.79	88,318.93
Non-Housing Loans	2,65,325.61	1,45,169.17	56,630.17	32,583.75
Loans to Employees	2,175.83	1,000.13	480.81	221.01
Current portion of Long-term Loans & Advances disclosed under the head Current "Loans & Advances" (Refer Note 16)	-	-	(1,92,418.77)	(1,21,123.69)
	8,64,064.79	**5,38,816.14**	**-**	**-**

NOTE : 13
OTHER NON CURRENT ASSETS

(₹ in Lacs)

	As at March 31st, 2014	As at March 31st, 2013
Security Deposits		
Unsecured, Considered Good	**281.26**	**95.61**
Unamortized Expenditures:		
a. Unamortized Loan Acquisition Cost (Refer Note 1.16)	2,942.35	-
Add: Expenses incurred during the year	4,778.13	3,432.74
Less: Amortized during the year	1,172.98	490.39
Closing balance	6,547.50	2,942.35
Less: To be amortised during next year (Current Portion- Refer Note 17)	1,172.98	490.39
	5,374.52	**2,451.96**
b. Unamortized Brokerage on Borrowings (Refer Note 1.10)	529.07	-
Add: Expenses incurred during the year	877.08	743.93
Less: Amortized during the year	528.50	214.86
Closing balance	**877.65**	**529.07**
Less: To be amortized during next year (Current Portion- Refer Note 17)	443.99	220.69
	433.66	**308.38**
	6,089.44	**2,855.95**

NOTE : 14
CURRENT INVESTMENTS

(₹ in Lacs)

	As at March 31st, 2014	As at March 31st, 2013
QUOTED-OTHER THAN TRADE (FULLY PAID)		
Bonds and Debentures		
8.80% Food Corporation of India Limited 2028 of Face Value of ₹ 7,780.00 Lacs (Previous Year ₹ Nil)	8,422.16	-
7.98% Infrastructure Development Finance Company Limited 2023 of Face Value of ₹ 7,160.00 Lacs (Previous Year ₹ Nil)	7,181.34	-
8.69% Damodar Valley Corporation Bonds 2028 of Face Value of ₹ 4,560.00 Lacs (Previous Year ₹ 7,000.00 Lacs)	4,764.59	7,000.00
8.83% Indian Railway Finance Corporation Bonds 2023 of Face Value of ₹ 1,030.00 Lacs (Previous Year ₹ 2,500.00 Lacs)	1,052.45	2,500.00
8.94% Power Finance Corporation Limited 2028 of Face Value of ₹ 1,000.00 Lacs (Previous Year ₹ Nil)	1,027.20	-

(₹ in Lacs)

	As at March 31st, 2014	As at March 31st, 2013
9.24% Rural Electrification Corporation Limited 2018 of Face Value of ₹ 1,000.00 Lacs (Previous Year ₹ Nil)	1,003.60	-
7.93% Power Grid Corporation of India Limited 2019 of Face Value of ₹ 1,000.00 Lacs (Previous Year ₹ Nil)	997.56	-
7.93% Power Grid Corporation of India Limited 2021 of Face Value of ₹ 1,000.00 Lacs (Previous Year ₹ Nil)	997.31	-
7.93% Power Grid Corporation of India Limited 2018 of Face Value of ₹ 1,000.00 Lacs (Previous Year ₹ Nil)	997.13	-
7.93% Power Grid Corporation of India Limited 2028 of Face Value of ₹ 1,000.00 Lacs (Previous Year ₹ Nil)	988.35	-
7.93% Power Grid Corporation of India Limited 2027 of Face Value of ₹ 1,000.00 Lacs (Previous Year ₹ Nil)	987.75	-
7.93% Power Grid Corporation of India Limited 2020 of Face Value of ₹ 900.00 Lacs (Previous Year ₹ Nil)	897.20	-
7.93% Power Grid Corporation of India Limited 2023 of Face Value of ₹ 500.00 Lacs (Previous Year ₹ Nil)	502.95	-
7.93% Power Grid Corporation of India Limited 2022 of Face Value of ₹ 500.00 Lacs (Previous Year ₹ Nil)	502.55	-
7.93% Power Grid Corporation of India Limited 2017 of Face Value of ₹ 500.00 Lacs (Previous Year ₹ Nil)	501.40	-
7.93% Power Grid Corporation of India Limited 2025 of Face Value of ₹ 500.00 Lacs (Previous Year ₹ Nil)	495.00	-
7.93% Power Grid Corporation of India Limited 2024 of Face Value of ₹ 500.00 Lacs (Previous Year ₹ Nil)	495.00	-
7.93% Power Grid Corporation of India Limited 2026 of Face Value of ₹ 500.00 Lacs (Previous Year ₹ Nil)	495.00	-
9.45% State Bank of India 2021 of Face Value of ₹ 400.00 Lacs (Previous Year ₹ Nil)	401.96	-
9.41% Indian Infrastructure Finance Company Limited Bonds 2037 of Face Value of ₹ 100.00 (Previous Year ₹ 2,740.00 Lacs)	108.59	2,959.70
8.70% National Hydroelectric Power Corporation Limited 2015 of Face Value of ₹ 100.00 Lacs (Previous Year ₹ Nil)	100.17	-
8.82% Rural Electrification Corporation Limited 2023 of Face Value of ₹ 80.00 Lacs (Previous Year ₹ Nil)	81.42	-
8.57% Mahanagar Telephone Nigam Limited Bonds 2023 of Face Value of ₹ Nil (Previous Year ₹ 11,500.00 Lacs)	-	11,500.00
9.03% Gujarat State Petroleum Corporation Bonds 2022 of Face Value of ₹ Nil (Previous Year ₹ 5,000.00 Lacs)	-	5,000.00
10.07% Nuclear Power Corporation Bonds 2019 of Face Value of ₹ Nil (Previous Year ₹ 2,850.00 lacs)	-	2,946.90
9.45% Gujarat State Petroleum Corporation Bonds 2022 of Face Value of ₹ Nil (Previous Year ₹ 2,500.00 Lacs)	-	2,584.25
10.00% Reliance Capital Ltd Bonds 2017 of Face Value of ₹ Nil (Previous Year ₹ 2,000.00 Lacs)	-	2,000.00

(₹ in Lacs)

	As at March 31st, 2014	As at March 31st, 2013
9.02% Rural Electrification Corporation Limited 2022 of Face Value of ₹ Nil (Previous Year ₹ 1,000.00 Lacs)	-	1,021.20
8.85% Power Grid Corporation Bonds 2026 of Face Value of ₹ Nil (Previous Year ₹ 1,000.00 Lacs)	-	1,011.07
7.18% Indian Railway Finance Corporation Limited Bonds 2023 of Face Value of ₹ Nil (Previous Year ₹ 800.00 Lacs)	-	801.84
8.70% Rural Electrification Corporation Limited 2018 of Face Value of ₹ Nil (Previous Year ₹ 700.00 Lacs)	-	700.30
8.85% Power Grid Corporation of India Bonds 2025 of Face Value of ₹ Nil (Previous Year ₹ 500.00 Lacs)	-	505.29
8.85% Power Grid Corporation of India Bonds 2024 of Face Value of ₹ Nil (Previous Year ₹ 500.00 Lacs)	-	505.02
8.85% Power Grid Corporation of India Bonds 2023 of Face Value of ₹ Nil (Previous Year ₹ 500.00 Lacs)	-	504.78
8.85% Power Grid Corporation of India Bonds 2022 of Face Value of ₹ Nil (Previous Year ₹ 500.00 Lacs)	-	502.90
8.85% Power Grid Corporation of India Bonds 2020 of Face Value of ₹ Nil (Previous Year ₹ 500.00 Lacs)	-	502.70
7.34% Indian Railway Finance Corporation Bonds 2028 of Face Value of ₹ Nil (Previous Year ₹ 500.00 Lacs)	-	502.10
8.78% Power Finance Corporation of India Bonds 2020 of Face Value of ₹ Nil (Previous Year ₹ 500.00 Lacs)	-	501.90
8.85% Power Grid Corporation of India Bonds 2027 of Face Value of ₹ Nil/- (Previous Year ₹ 500.00 Lacs)	-	501.47
8.90% Power Finance Corporation Bonds 2018 of Face Value of ₹ Nil (Previous Year ₹ 500.00 Lacs)	-	500.15
8.00% Indian Overseas Bank Bonds 2016 of Face Value of ₹ Nil/- (Previous Year ₹ 500.00 Lacs)	-	491.50
7.41% Indian Infrastructure Finance Company Ltd. Bonds 2032 of Face Value of ₹ Nil (Previous Year ₹ 500.00 Lacs)	-	464.51
7.45% Bank of Baroda Tier-II Bonds 2015 of Face Value of ₹ Nil (Previous Year ₹ 180.00 Lacs)	-	175.10
8.00% Indian Railway Finance Corporation Ltd. Bonds 2022 of Face Value of ₹ Nil (Previous Year ₹ 100.00 Lacs)	-	104.20
UNQUOTED-OTHER THAN TRADE (FULLY PAID)		
Certificate of Deposit of Allahabad Bank of Face Value of ₹ 10,000.00 Lacs (Previous Year ₹ Nil)	9,837.75	-
Certificate of Deposit of IDBI Bank Ltd. of Face Value of ₹ 10,000.00 Lacs (Previous Year ₹ Nil)	9,835.17	-
Certificate of Deposit of State Bank of Hyderabad of Face Value of ₹ Nil (Previous Year ₹ 10,000.00 Lacs)	-	9,816.46
Certificate of Deposit of Corporation Bank of Face Value of ₹ Nil (Previous Year ₹ 10,000.00 Lacs)	-	9,234.16
Certificate of Deposit of IDBI Bank Ltd. of Face Value of ₹ Nil (Previous Year ₹ 5,000.00 Lacs)	-	4,606.18

(₹ in Lacs)

	As at March 31st, 2014	As at March 31st, 2013
Certificate of Deposit of Indian Bank of Face Value of ₹ Nil (Previous Year ₹ 2,500.00 Lacs)	-	2,438.44
Total	**52,673.60**	**71,882.12**
Aggregate value of quoted investments	33,000.68	45,786.88
Market value of quoted investments	33,341.06	45,919.17
Aggregate value of unquoted investments	19,672.92	26,095.24

NOTE : 15
CASH AND CASH EQUIVALENTS

(₹ in Lacs)

	As at March 31st, 2014	As at March 31st, 2013
Cash and cash equivalents		
Cash in Hand	113.35	117.97
Balances with banks:		
- in Current Accounts	2,361.64	6,109.68
- in Fixed Deposits	-	5,004.11
Cheques on Hand	-	7,611.98
Stamps in Hand	0.35	5.13
	2,475.34	**18,848.87**

NOTE : 16
SHORT-TERM LOANS AND ADVANCES

(₹ in Lacs)

	As at March 31st, 2014	As at March 31st, 2013
Current Maturities of Long-Term Loans & Advances (Refer Note 12)		
Secured (Refer note 22.03)		
Housing Loans	1,35,307.79	88,318.93
Non-Housing Loans	56,630.17	32,583.75
Loans to Employees	480.81	221.01
	1,92,418.77	**1,21,123.69**
Installments Due from Borrowers *	2,637.23	2,024.03
Demand Loan against Deposits	117.56	163.39
Advances recoverable in cash or kind		
Unsecured, Considered Good	106.16	123.26
Other Short-Term Loans and Advances		

(₹ in Lacs)

	As at March 31st, 2014	As at March 31st, 2013
TDS and Advance Income Tax (Includes ₹ 4,875.57 Lacs for current year; Previous year ₹ 3,710.73 Lacs)	20,342.28	15,466.71
Advance Fringe Benefit Tax	11.75	11.75
Prepaid expenses	10.24	17.82
	2,15,643.99	**1,38,930.65**

* Net of interest de-recognized ₹ 263.37 Lacs (Previous Year ₹ 278.33 Lacs)

NOTE : 17
OTHER CURRENT ASSETS

(₹ in Lacs)

	As at March 31st, 2014	As at March 31st, 2013
Assets acquired in extinguishment of loans (Held for sale or disposal)	1,446.21	3,272.15
Less: Provision for diminution in value	69.65	69.65
	1,376.56	**3,202.50**
Interest Accrued on Investments	1,465.37	1,105.66
Unamortized Loan Acquisition Cost (Refer Note 13)	1,172.98	490.39
Unamortized Brokerage on Borrowings (Refer Note 13)	443.99	220.69
	4,458.90	**5,019.24**

NOTE : 18
REVENUE FROM OPERATIONS

(₹ in Lacs)

	For the year ended March 31st, 2014	For the year ended March 31st, 2013
INTEREST INCOME		
i) on Loans		
- Housing Loans	68,011.67	43,209.71
- Non-Housing Loans	32,099.70	17,422.95
(TDS ₹ 619.95 Lacs Previous Year ₹ 313.00 Lacs)	**1,00,111.37**	**60,632.66**
ii) on Demand Loans	4.43	12.34
	1,00,115.80	**60,645.00**
iii) on Deposits	1,114.67	259.22
(TDS ₹ 91.85 Lacs; Previous Year ₹ 8.02 Lacs)		
iv) on Investments		
(TDS ₹ 3.00 Lacs; Previous Year ₹ 1.69 Lacs)		
- Long Term	694.23	383.42
- Current	3,666.09	2,172.64
	1,05,590.79	**63,460.28**
Fees & Other Charges (Refer Note 1.3(a) and Note 5)	2,166.01	782.90
	1,07,756.80	**64,243.18**

(₹ in Lacs)

	For the year ended March 31st, 2014	For the year ended March 31st, 2013
OTHER INCOME		
Dividend Income	1,154.08	369.22
Profit / (Loss) On Sale of Investment		
- Long Term	-	-
- Current	949.55	425.08
Other Charges Recovered	88.43	92.02
Miscellaneous Income	1,653.07	1,015.36
(TDS ₹ 58.64 Lacs; Previous Year ₹ 17.94 Lacs)		
Profit / (Loss) on sale of Fixed Assets	(14.45)	(0.87)
	1,727.05	**1,106.51**
	3,830.68	**1,900.81**
	1,11,587.48	**66,143.99**

NOTE : 19
FINANCE COST

(₹ in Lacs)

	For the year ended March 31st, 2014	For the year ended March 31st, 2013
Interest on Loans	66,069.28	39,713.74
Interest on Deposits	13,238.44	6,001.70
Bank Charges	18.98	81.61
Fee and other expenses	259.96	215.34
Brokerage and Incentive (Refer Note 1.10)	528.50	214.86
	80,115.16	**46,227.25**

NOTE : 20
EMPLOYEE BENEFIT EXPENSE

(₹ in Lacs)

	For the year ended March 31st, 2014	For the year ended March 31st, 2013
Salaries and Allowances	3,736.52	2,371.37
Contribution towards Group Gratuity	40.77	39.45
Contribution to Provident Fund	161.81	115.54
Staff Welfare Expenses	100.98	71.03
	4,040.08	**2,597.39**

NOTE : 21
OTHER EXPENSES

(₹ in Lacs)

	For the year ended March 31st, 2014	For the year ended March 31st, 2013
Office Running Expenditure		
Rent	704.09	457.83
Repairs & Maintenance-building	71.38	10.19
Repairs & Maintenance-others	52.54	128.46
Rates & Taxes	10.45	11.23
Registration and Filing Fees	78.98	34.45
Electricity and Water Charges	196.13	120.11
General Office Expenses	750.17	431.03
Insurance	2.51	4.64
Travelling	205.03	191.56
Conveyance	95.15	90.41
Printing & Stationery	108.48	81.38
Postage & Telephone	272.24	120.13
	2,547.15	**1,681.42**
Others		
Director's Sitting Fee	6.69	4.73
Legal Expenses	241.10	355.32
Professional Charges	1,178.60	529.55
Auditors Remuneration		
- Audit Fee	11.15	9.03
- Tax Audit Fee	4.25	3.19
- Out of Pocket Expenses	4.78	5.78
- Other Certifications	5.84	4.78
Advertisement & Publicity	545.98	184.21
Cost of Loan Acquisition (Refer Note 1.16)	1,687.51	490.39
Miscellaneous	92.60	33.74
	3,778.50	**1,620.72**
	6,325.65	**3,302.14**

NOTE: 22
OTHER NOTES ON ACCOUNTS

1. The age-wise analysis of loans in respect of which the installments (including interest) have become due are as under:

(₹ in Lacs)

	For the year ended March 31st, 2014	For the year ended March 31st, 2013
Outstanding for over six months	1,659.71	528.65
Outstanding for six months or less	977.52	1,495.38
	2,637.23	**2,024.03**

2. Loans and installments due from borrowers shown under Loans and Advances are secured wholly or partly by any one or all of the below as applicable:
   (a) Equitable Mortgage of Property.
   (b) Pledge of shares, units, NSCs, other securities, assignment of life insurance policies.
   (c) Bank guarantee, corporate guarantee, government guarantee or personal guarantee.
   (d) Undertaking to create a security.

3. Advances are classified as performing and non-performing assets in accordance with directions on prudential norms issued by National Housing Bank (NHB). Provisions on standard assets, sub-standard assets, doubtful assets and loss assets have been made as per NHB Directions, 2010 as amended from time to time. Details are given hereunder:

(₹ in Lacs)

Loans	Standard	Sub Standard	Doubtful	Loss	Total
Housing Loans					
(including installments due from borrowers)	7,43,870.61	376.49	1,564.75	300.40	7,46,112.25
(Previous Year)	(4,80,822.43)	(841.74)	(1,755.54)	(59.28)	(4,83,478.99)
Provisions made	3,189.01	56.47	923.13	300.40	4,469.01
(Previous Year)	(2,037.15)	(126.26)	(804.26)	(59.28)	(3,026.95)
Non-Housing Loans					
(including installments due from borrowers)	3,11,878.14	268.14	862.28	-	3,13,008.56
(Previous Year)	(1,77,411.26)	(266.44)	(786.15)	-	(1,78,463.84)
Provisions made	1,488.62	40.22	411.49	-	1,940.33
(Previous Year)	(758.64)	(39.97)	(339.37)	-	(1,137.98)
Total Loans	**10,55,748.75**	**644.63**	**2,427.03**	**300.40**	**10,59,120.81**
(Previous Year)	(6,58,233.69)	(1,108.18)	(2,541.68)	(59.28)	(6,61,942.83)
Total Provisions	**4,677.63**	**96.69**	**1,334.62**	**300.40**	**6,409.34**
(Previous Year)	(2,795.79)	(166.23)	(1,143.63)	(59.28)	(4,164.93)

Non-Housing loans includes portfolio purchased during the FY 2011-12 (Current year ₹ Nil) through direct assignment by true sale from other institutions amounting to ₹ 34,004 Lacs (Outstanding balance as on 31.03.2014 ₹ 14,192 Lacs (Previous years ₹ 22,962 Lacs).

4. Interest on non-performing assets is recognized on realization basis as per the NHB Directions. Accordingly, total interest de-recognized as at the Balance Sheet date is summarized as under:

(₹ in Lacs)

	For the year ended March 31st, 2014	For the year ended March 31st, 2013
Cumulative interest B/F from last Balance Sheet	278.33	292.50
Less: Recovered/ written back/ written off during the year	150.17	117.13
Add: Interest de-recognized for the year on		
- Sub Standard Assets (Net)	8.41	85.46
- Doubtful/ Loss Assets	126.80	17.49
Total interest de-recognized as on 31.03.2014	**263.37**	**278.33**

5. Capital to Risk Assets Ratio (CRAR)

(₹ in Lacs)

		As at March 31st, 2014	As at March 31st, 2013
i.	CRAR (%)	**13.39**	14.40
ii.	CRAR – Tier I Capital (%)	**10.38**	9.78
iii.	CRAR – Tier II Capital (%)	**3.01**	4.62

6. Exposure to Real Estate Sector

(₹ in Lacs)

Category	For the year ended March 31st, 2014	For the year ended March 31st, 2013
a. Direct Exposure		
i. Residential Mortgages (including loan against residential property) -		
Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented (Out of which Individual Housing Loans up to ₹ 15 lacs – ₹ 1,052.53 crores; Previous Year ₹ 1,208.44 crores)	9,579.29*	6350.10*
ii. Commercial Real Estate -		
Lending secured by mortgages on commercial real estates. Exposure would also include non-fund based (NFB) limits	1,011.91*	269.33*
iii. Investments in Mortgage Backed Securities (MBS) and other securitized exposures -		
A. Residential	Nil	Nil
B. Commercial Real Estate	Nil	Nil
b. Indirect Exposure		
Fund-based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	Nil	Nil

*in addition, there are loans sanctioned but not disbursed of ₹ 903.28 crores (previous year ₹ 406.06 crores)

7. Asset Liability Management

Maturity pattern of certain items of assets and liabilities

(₹ in Crores)

	Liabilities			Assets			
	Bank Borrowings A	Market Borrowings B	Contractual Outflows A+B	*Net Advances C	Investments D	Net Interest Inflow E	Inflows C+D+E
1 day to 30-31 days (one month)	204.75	75.02	279.77	182.10	213.21	57.61	452.92
Over 1 month to 2 months	21.43	15.41	36.84	171.87	26.89	58.16	256.92
Over 2 months to 3 months	151.44	16.87	168.31	169.04	165.00	56.75	390.79
Over 3 months to 6 months	516.26	94.71	610.97	490.56	165.00	158.92	814.48
Over 6 months to 1 year	564.73	490.55	1,055.28	910.62	-	287.55	1,198.17
Over 1 year to 3 years	1,960.73	1,045.77	3,006.50	2,855.71	101.84	1,094.38	4,051.93
Over 3 years to 5 years	1,117.94	927.15	2,045.09	1,915.58	0.40	934.84	2,850.82
Over 5 years to 7 years	252.44	201.35	453.79	1,284.94	0.85	673.88	1,959.67
Over 7 years to 10 years	288.44	2,295.30	2,583.74	1,179.77	85.95	594.84	1,860.56
Over 10 years	-	0.15	0.15	1,431.02	-	-	1,431.02
Total	**5,078.16**	**5,162.28**	**10,240.44**	**10,591.21**	**759.14**	**3,916.93**	**15,267.28**

*Based upon past experience loans gets amortized in 7-8 years

8. Related Party Transactions

In view of the exemption available to the Company under para 9 of Accounting Standard on Related Party Disclosures (AS-18), related party relationships with other state controlled enterprises and transactions with such enterprises are not being disclosed. However, the Company has identified all other related parties having transactions during the year as given below:

a) Key Management Personnel:

(₹ in Lacs)

S. No.	Name of transacting related party		2013-14	2012-13
1.	Sh Sanjaya Gupta & Relatives Managing Director	Salary, Allowances	55.44	55.57
		Cont. to PF	2.60	2.31
		Reimbursements	6.09	6.27
		Variable Pay	20.00	20.26

b) Other Entities:

(₹ in Lacs)

S. No.	Name of transacting related party		2013-14	2012-13
1.	Destimoney Enterprises Pvt Ltd	DMA Commission	526.10	511.83
		Interest on CCDs	-	185.48
		Dividend	470.66	171.60
		Reimbursements	2.00	2.66
		Conversion of CCDs	-	13,732.35
		Issue of Bonus Shares	-	317.05

c) The Company has paid a sum of ₹ 6.69 lacs (Previous ₹ 4.73 lacs) to independent directors for attending Board/ Committee meetings towards sitting fees.

9. The Company has not created any deferred tax liability on Special Reserves created and maintained u/s 36(1)(viii) of the Income Tax Act,1961 in view of the resolution passed by the Board on December 15th, 2011 resolving for non-withdrawal of existing Special Reserve and also any sum that might be transferred to Special Reserve from time to time in future. Moreover, as per prevalent practice amongst Housing Finance Companies, the Company has not created any deferred tax liability on Special Reserves maintained u/s 36(1)(viii) of the Income Tax Act,1961.

10. The Future minimum lease payments in respect of premises taken under non-cancellable operating lease are as follows:

(₹ in Lacs)

Period	As at March 31st, 2014	As at March 31st, 2013
Not later than one year	520.27	257.26
Later than one year but not later than 5 years	618.77	335.48

11. Earning per share (EPS) calculation (basic and diluted)

(₹ in Lacs)

		Unit	2013-14	2012-13
a.	Amount used as the numerator for basic EPS Profit after tax	(₹ in Lacs)	12,744.25	9,151.14
b.	Weighted average number of equity shares for Basic EPS	Number	5,01,28,978	4,10,44,318
c.	Weighted average number of equity shares for Diluted EPS	Number	5,01,28,978	4,10,44,318
d.	Nominal value per share	(in ₹)	10	10
e.	Earning per share			
	-Basic (a/b)	(in ₹)	25.42	22.30
	-Diluted (a/c)	(in ₹)	25.42	22.30

12. Segment Reporting: The Company's prime business is to provide loans against/for purchase, construction, repairs & renovations of Houses/ Flats/Commercial Properties etc. There are no business operations located "Outside India". Hence all the activities are considered as a "Single business/Geographical Segment" for the purposes of Accounting Standard on Segment Reporting (AS-17), issued by The Institute of Chartered Accountants of India.

13. Details of movement in provisions (AS-29)

(₹ in Lacs)

Provision for Doubtful Debts & Contingencies	Opening as on April 1, 2013	Net Addition	Closing as on March 31st, 2014
-On Loans	4,164.93	2,244.41	6,409.34
-Others	69.65	3.93	73.58

Outflow in respect of above provisions would depend on developments/outcome of these events.

14. The provision for Income Tax has been made on the basis of the accounting practices consistently followed by the Company after allowing benefits under section 36(1)(viii) of the Income Tax Act, 1961. The method of bifurcation of income & expenses for long-term housing finance is the same as that of past years.

15. As per the information available with the Company, there are no amounts payable to Micro, Small and Medium Enterprises.

16. Statutory reserves as per Section 29C of National Housing Bank Act, 1987:

(₹ in Lacs)

			As at March 31st, 2014	As at March 31st, 2013
Balance at the beginning of the year				
	a)	Statutory reserve u/s 29C of the National Housing Bank Act, 1987	839.00	489.00
	b)	Amount of Special reserve u/s 36(1)(viii) of Income Tax Act, 1961 taken into account for the purpose of Statutory Reserve under Section 29C of the NHB Act, 1987	13,150.81	11,600.81
	c)	**Total**	**13,989.81**	**12,089.81**
Addition/ Appropriation/ Withdrawal during the year				
Add:	a)	Amount transferred u/s 29C of the NHB Act, 1987	680.00	350.00
	b)	Amount of Special Reserve u/s 36(1)(viii) of Income Tax Act, 1961 taken into account for the purpose of Statutory Reserve under Section 29C of the NHB Act, 1987	1,875.00	1,550.00
Less:	a)	Amount appropriated from the Statutory Reserve u/s 29C of the NHB Act, 1987	-	-
	b)	Amount withdrawn from Special Reserve u/s 36(1)(viii) of Income Tax Act, 1961	-	-
Balance at the end of the year				
	a)	Statutory Reserve u/s 29C of the National Housing Bank Act, 1987	1,519.00	839.00
	b)	Amount of Special Reserve u/s 36(1)(viii) of Income Tax Act, 1961 taken into account for the purpose of Statutory Reserve under Section 29C of the NHB Act, 1987	15,025.81	13,150.81
	c)	**Total**	**16,544.81**	**13,989.81**

17. During the year, the Company has increased its authorized capital from ₹ 50.00 crores to ₹ 150.00 crores divided in to 15.00 crore equity shares of ₹ 10 each. (Refer Note 2)

18. The Company had made Rights Issue of 7,69,23,000 equity shares of ₹ 10 each at a premium of ₹ 120 per equity share on October 28th, 2013 to the existing shareholders PNB and DEPL aggregating to ₹1,000.00 crores. The Board had called a sum of ₹ 4 per share along with proportionate premium of ₹ 48 per share towards application money. Pursuant to the Rights Offer, PNB has subscribed 3,92,30,700 equity shares offered to it. DEPL is seeking statutory approvals to subscribe to 3,76,92,300 equity shares offered to it. Pending statutory approvals to DEPL, the Board has allotted 3,92,30,700 equity shares to PNB on March 29th, 2014. The Board has extended last date for subscription for remaining shares up to July 20th, 2014. (Refer Note 2)

19. Contingent Liabilities and Commitments

(₹ in Lacs)

Contingent Liabilities	As at March 31st, 2014	As at March 31st, 2013
- Income tax matters under dispute and others	312.49	222.05
Capital Commitments		
- Estimated amount of contracts remaining	3,217.99	196.58

Claims against the Company not acknowledged as debt is ₹ Nil (Previous year ₹ Nil)

20. Disclosure in respect of Leave Encashment Liability

(₹ in Lacs)

Changes in the benefit obligation	March 31st, 2014	March 31st, 2013
a) Liability at the beginning of year	169.16	141.03
b) Interest cost	13.53	11.28
c) Current service cost	72.89	67.63
d) Benefits paid	(31.57)	(30.68)
e) Actuarial (gain)/loss on obligation	(5.59)	(20.10)
f) Liability at the end of year	218.42	169.16
Amounts recognized in balance sheet		
a) Present value of obligation as at the end of the period	218.42	169.16
b) Net asset / (liability) recognized in balance sheet	(218.42)	(169.16)
Expense recognized in the statement of profit and loss		
a) Current service cost	72.89	67.63
b) Interest cost	13.53	11.28
c) Net actuarial (gain)/ loss recognized in the period	(5.59)	(20.10)
d) Expenses recognized in the statement of profit & loss	80.83	58.81
Movement in the liability recognized in the balance sheet		
a) Liability at the beginning of year	169.16	141.03
b) Expense as above	80.83	58.81
c) Benefits paid	(31.57)	(30.68)
d) Liability at the end of year	218.42	169.16
Assumptions		
a) Discounting rate	8.50%	8.00%
b) Future salary Increase	8.50%	8.00%
c) Retirement age (years)	60	60
d) Mortality table	IALM (2006-08)	IALM (1994-96)

21. Disclosure regarding penalty or adverse comments as per Housing Finance Companies (NHB) Directions, 2010. During the current year, the Company has:

a) Neither been imposed any penalty by National Housing Bank

b) Nor received any adverse comments from National Housing Bank

22. The Central Government has notified The Companies (Prospectus and Allotment of Securities) Rules 2014, which are applicable from April 1st, 2014. The Company will seek clarification on requirement of creation of Debenture Redemption Reserves under these rules.

23. Previous year figures have been rearranged / regrouped wherever necessary as per the revised Schedule VI. The additional information pursuant to revised Schedule VI to the Companies Act, 1956 are either Nil or Not Applicable.

(Krishan Gopal)
Sr. Manager-Finance & Accounts

(Sanjay Jain)
Co. Secretary & Chief Finance

For and on behalf of the Board

(Sanjaya Gupta)
Managing Director

(Vivek Vig)
Director

(K. R. Kamath)
Chairman

In terms of our report of even date
For B.R. Maheswari & Co.
Chartered Accountants

(Akshay Maheshwari)
Partner

M No : 504704
FR No : 001035N

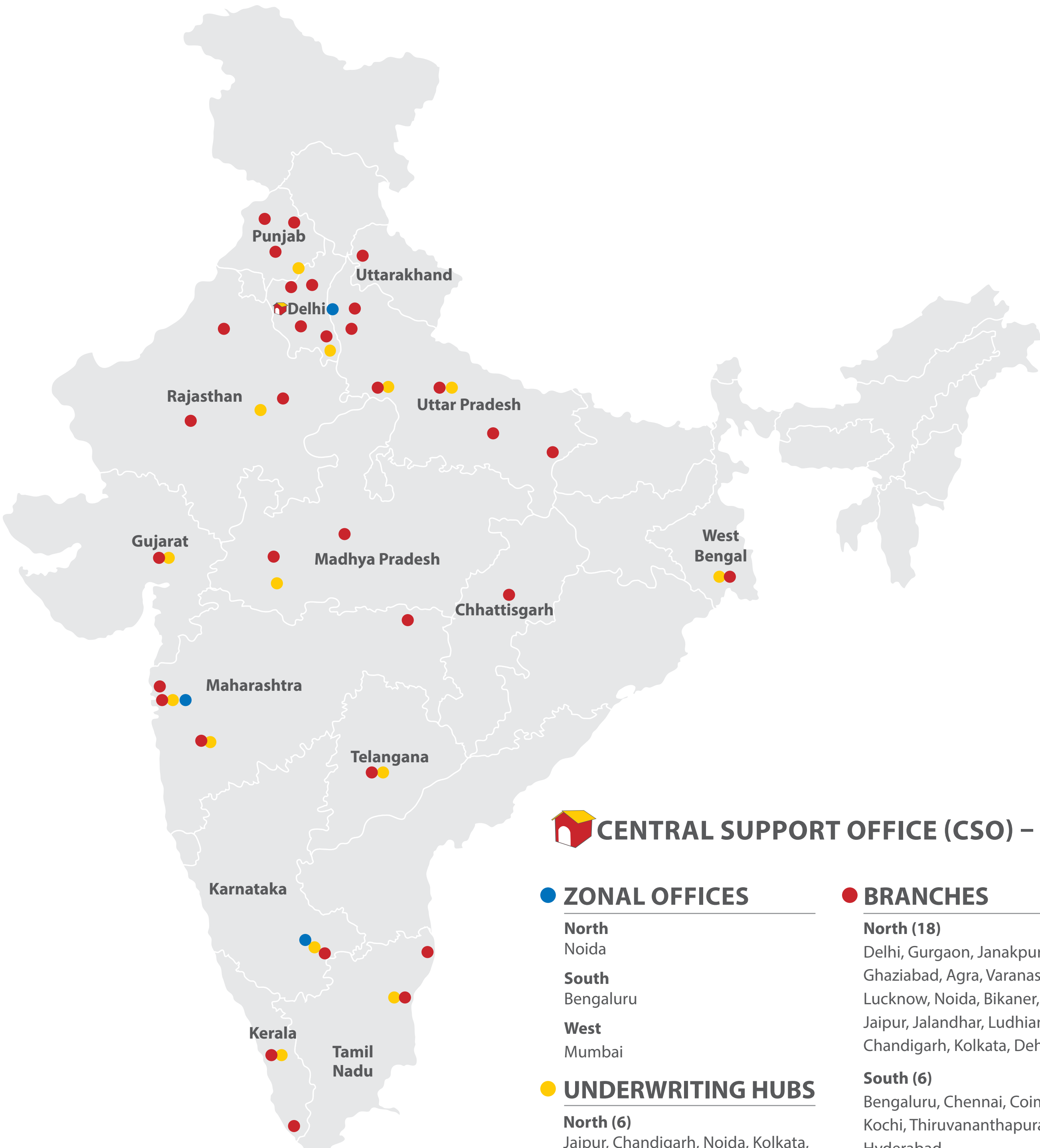
PLACE : NEW DELHI
DATED: 29/04/2014

New & Renovated **Branches FY 2014**

Events & Exhibitions

25th Year Celebrations

Our Network



CENTRAL SUPPORT OFFICE (CSO) – Delhi

ZONAL OFFICES

North
Noida

South
Bengaluru

West
Mumbai

UNDERWRITING HUBS

North (6)
Jaipur, Chandigarh, Noida, Kolkata, Dehradun, Lucknow

South (4)
Bengaluru, Hyderabad, Chennai, Kochi

West (4)
Mumbai, Pune, Indore, Ahmedabad

BRANCHES

North (18)
Delhi, Gurgaon, Janakpuri, Karnal, Ghaziabad, Agra, Varanasi, Meerut, Lucknow, Noida, Bikaner, Jodhpur, Jaipur, Jalandhar, Ludhiana, Chandigarh, Kolkata, Dehradun

South (6)
Bengaluru, Chennai, Coimbatore, Kochi, Thiruvananthapuram, Hyderabad

West (8)
Ahmedabad, Bhopal, Indore, Mumbai, Nagpur, Navi Mumbai, Pune, Raipur

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