



Ghar Ki Baat

27th Annual Report 2014-15

**GROWING HIGHER  
BY  
GOING DEEPER**





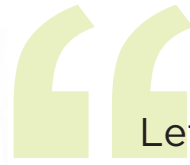
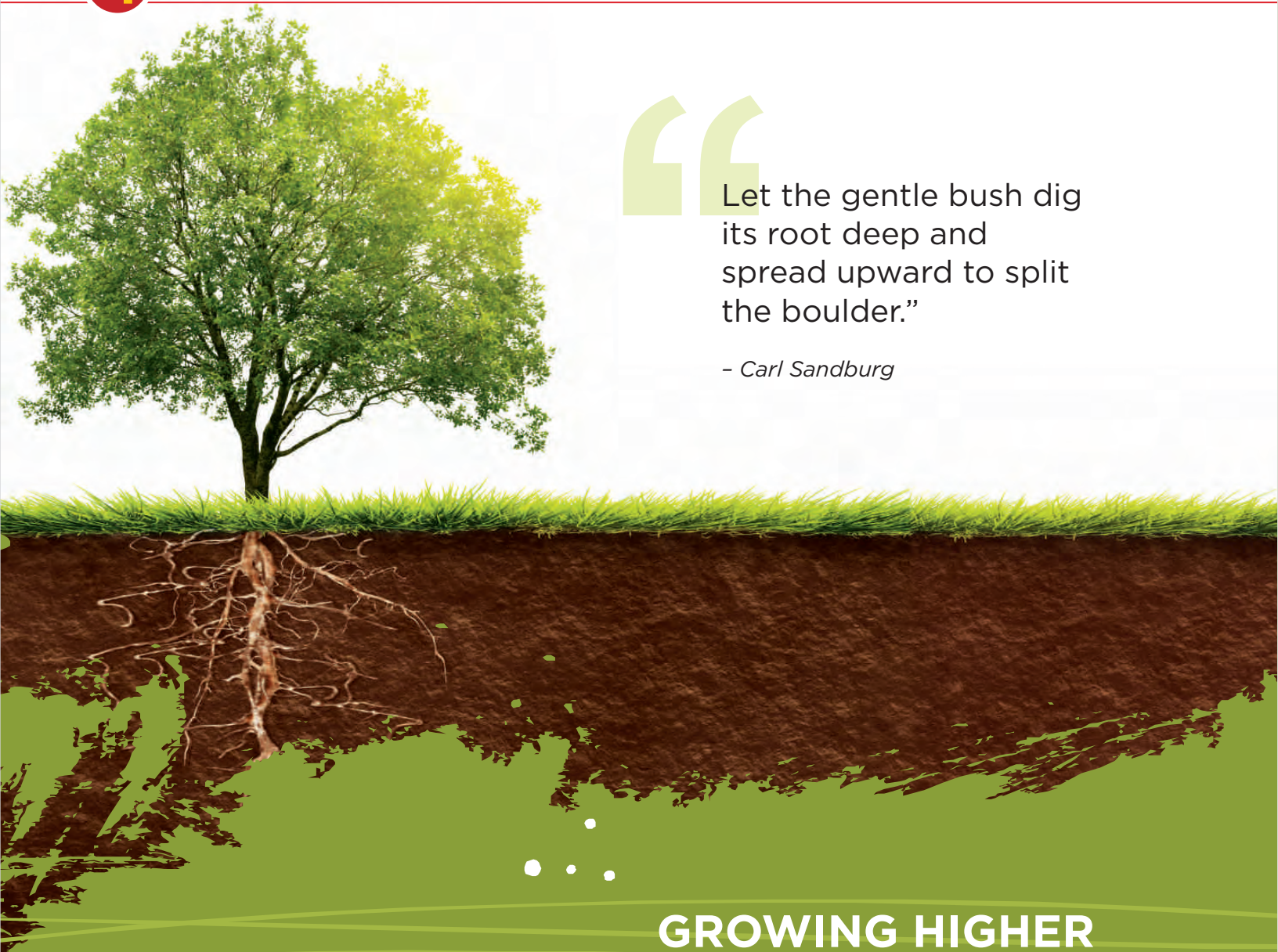
Some principles in life are eternal; deeper the effort, higher is the level of outcome.

At PNB HFL, we have consciously imbibed this strategy into all our activities, which has enabled us to gain better control over the macro and micro aspects of our sustenance. The result is as natural as the transformation of a seed into a tree, one that is primed to reach for the skies, while its roots develop a firm grip of the ground realities.

With these thoughts, we invite you to explore the pages of this 27th Annual Report.

# Contents

- 34 Corporate Information
- 35 Profile of the Board of Directors
- 40 Growth Story of PNB HFL
- 42 From the Chairman's Desk
- 44 From the Managing Director's Desk
- 50 Management Discussion and Analysis
- 64 Director's Report
- 73 Annexure to Director's Report
- 83 C & AG Report
- 85 Auditors' Report
- 92 Balance Sheet
- 93 Profit and Loss Statement
- 94 Cash Flow Statement
- 96 Notes to Financial Statement
- 126 Glimpses



Let the gentle bush dig  
its root deep and  
spread upward to split  
the boulder.”

- Carl Sandburg

## GROWING HIGHER BY GOING DEEPER

The key takeout from the above quote is ‘going deeper’. For a tree to bear healthier branches, prettier leaves and sweeter fruits, it must be enriched by stronger and deeper roots.

It is this tenet that has sketched the success story of PNB HFL. The simile makes us nod our heads in affirmation to the fact that indeed we draw our inspiration from a tree, which keeps growing higher and wider, humbly offering fruits, shade and shelter, yet holding firmly to its roots, never forgetting who it really is.

We at PNB HFL, look at every ounce of growth as a direct outcome of our effort in going deeper into our internal processes, exploring, refining and polishing them at every step. Our aim is to reach a state where, 'what', 'how' and 'why' of each granular element in the system attains an enormous level of clarity. With such focus, our fundamentals get strengthened and what emerges is an undeniably refreshing upshot in our business results. This approach stems from our belief that our crest should be an emanation of the depths gained by our roots.

Five years ago, when we launched 'Kshitij', our signature business process re-engineering, we 'switched' our focus inwards and sprouted the seed of an endless growth journey. This led to the genesis of our epic transformation. The redesigned business framework nourished our 'roots' and turned our performance curve skywards. Our 'branches' are now getting stronger, creating opportunities for home aspirants to

realise their dreams. Our team members work together, like the 'green leaves'; they give life to the organisation and live our motto of being 'Customer-Centric'. Our brand new robust technology framework gushes through our 'arteries', enlivening our internal processes to deliver a smooth end-to-end workflow. The central support office is like the 'trellis' holding the entire structure together amidst an ever changing industry scenario.

The 'fruits' of our efforts have turned out to be sweeter than our expectations. We are now amongst the top five housing finance companies in the Country.

Yet, India is a vast and a diverse nation with its own sets of challenges. Even today, millions of people are struggling to own a shelter for their family. We recognise this fact, with humility, and keep reminding ourselves that we still have a long way to go in our pursuit to be **the most admired housing finance company in the Country.**



...

...

DEEPER  
**ROOTS**  
BEAR **SWEETER**  
FRUITS

FY 2014-15 HAS PROVED TO BE ANOTHER YEAR OF SUCCESS AND GROWTH FOR PNB HFL. WE AIMED FOR AND HAVE ACHIEVED TARGETS SIGNIFICANTLY HIGHER THAN INDUSTRY AVERAGES.

AUM grew by 63% compared to the previous year

---

Achieved above average growth in loan disbursement, 72% higher than FY 2013-14

---

Deposits grew by 186% in comparison to the previous year

---

Profit after tax improved by 54% vis-a-vis last year

---

High credit ratings - CRISIL FAAA with stable outlook and CARE AAA for fixed deposits, CARE AAA for bank borrowings, CARE AAA and IND AAA with stable outlook by India Ratings (Fitch Group) for Bonds/NCDs and CARE A1+ for commercial papers

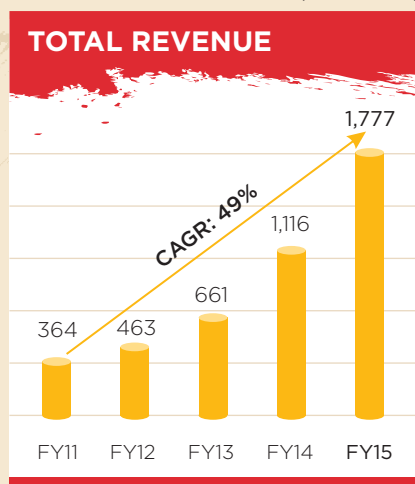


## 5 Years Performance at a Glance

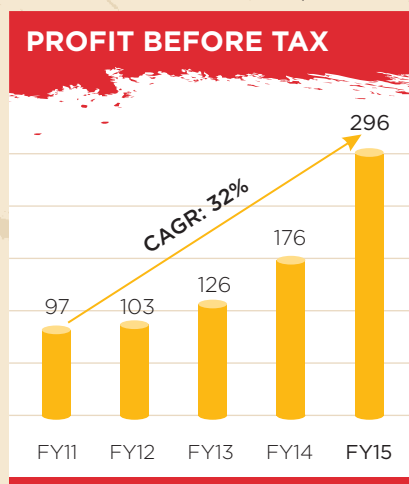
(₹ in crores )

	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15
Total Revenue	364	463	661	1116	1777
Profit Before Tax	97	103	126	176	296
Profit After Tax	69	75	91	127	196
Deposits Outstanding	220	363	1051	1712	4897
Net Worth	326	392	609	920	1581
Dividend (%)	22	22	25	30	30
Loan Approvals	1391	1668	6091	8840	15076
Loan Disbursements	1267	1508	3682	5500	9440
Loan Outstanding	3167	3970	6620	10591	16819
Gross NPA	41.50	41.27	37.09	33.72	34.14
Net NPA	29.44	26.61	23.40	16.40	11.37

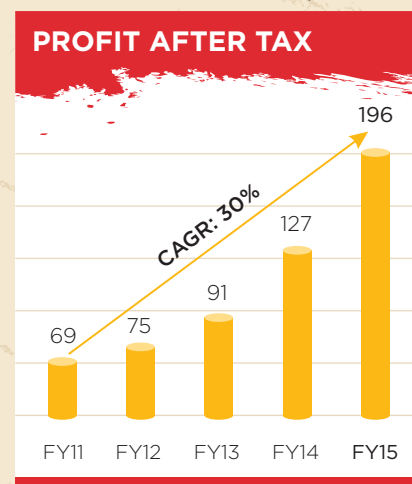
(₹ in crores )



(₹ in crores )

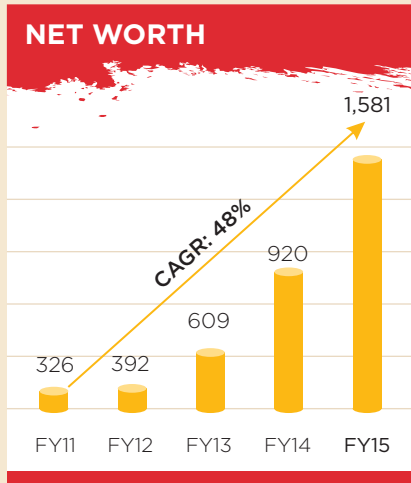


(₹ in crores )

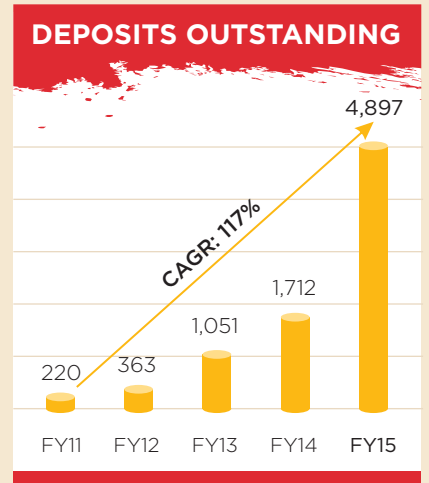
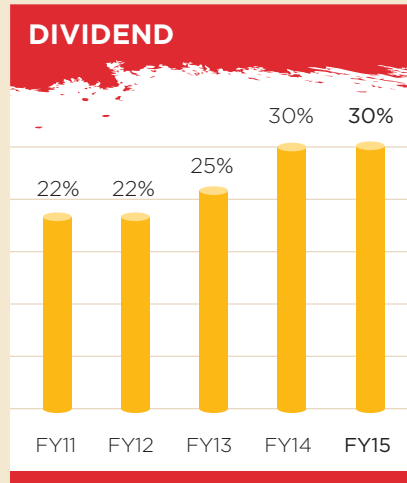




(₹ in crores)



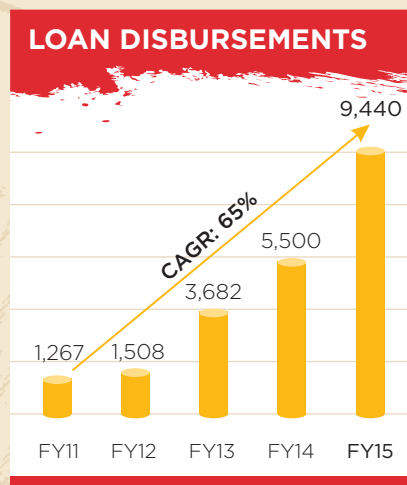
(₹ in crores)



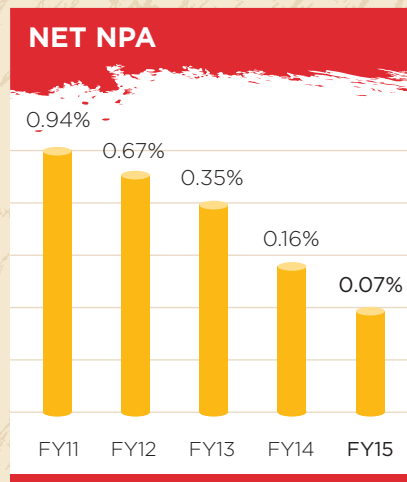
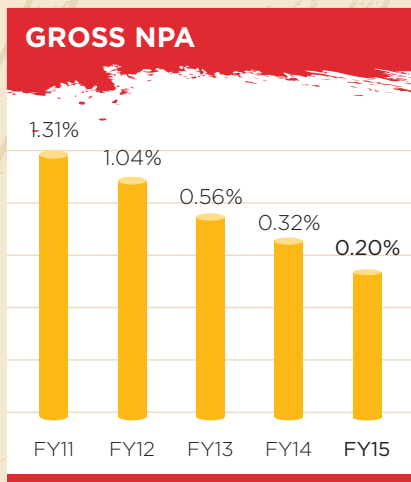
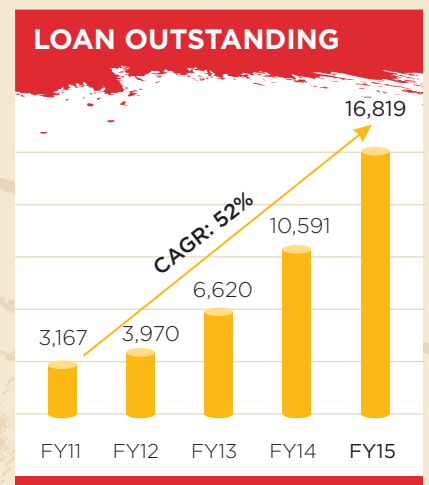
(₹ in crores)



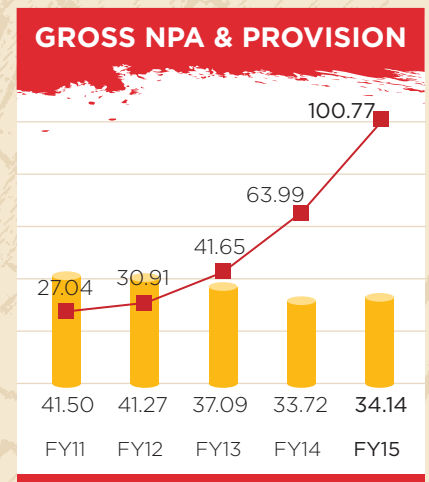
(₹ in crores)



(₹ in crores)



(₹ in crores)





# AWARDS AND RECOGNITIONS

## PNB HFL WAS THE PROUD RECIPIENT OF THE FOLLOWING AWARDS AND RECOGNITIONS DURING FY 2014-15



### Recognition for 25 Years of Service

PNB HFL was felicitated on 'Successful Completion of 25 Years of Service' during the event 'India's Top PSUs - Transforming India, 2014' organised by Dun & Bradstreet. The award was presented by former finance minister, Mr. Yashwant Sinha.

### Best Practices in Talent Management

PNB HFL was recognised with national award for 'Best Practices in Talent Management' for the year 2014 by Delhi Management Association (DMA) & Thomas International.

### Recognition by Microsoft for early adoption of Cloud Services

Microsoft recognised PNB HFL amongst the pioneer institutions and the first public financial institution to adopt email and unified communication on cloud, i.e. Office 365. This shift to Office 365 has given PNB HFL a 100% uptime and 70% savings on cost.



•  
•  
•  
•  
•

# A TREE THAT IS HOME TO MANY

•  
•  
•



JUST AS A TREE OFFERS COMFORT TO SEVERAL LIVING BEINGS AROUND IT, PNB HFL IS HOME TO ITS CUSTOMERS, EMPLOYEES, INVESTORS AND MORE.

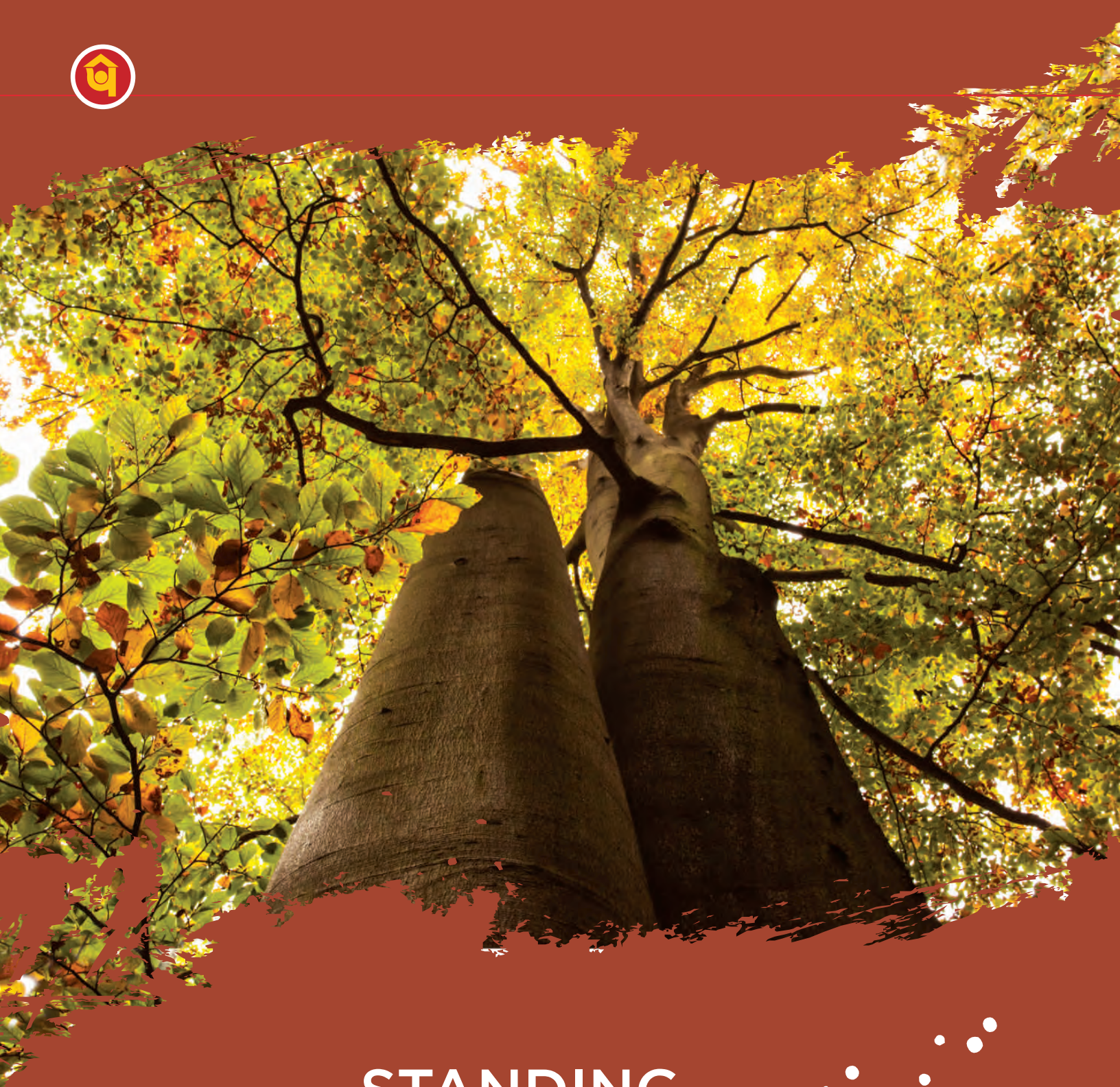
Giving life to dream homes of citizens across the Country

---

The Company serves as a second home to its employees

---

Family growing bigger with new associates, investors and business partners joining in



STANDING  
**TALL** IN AN  
EVERGREEN **INDUSTRY**

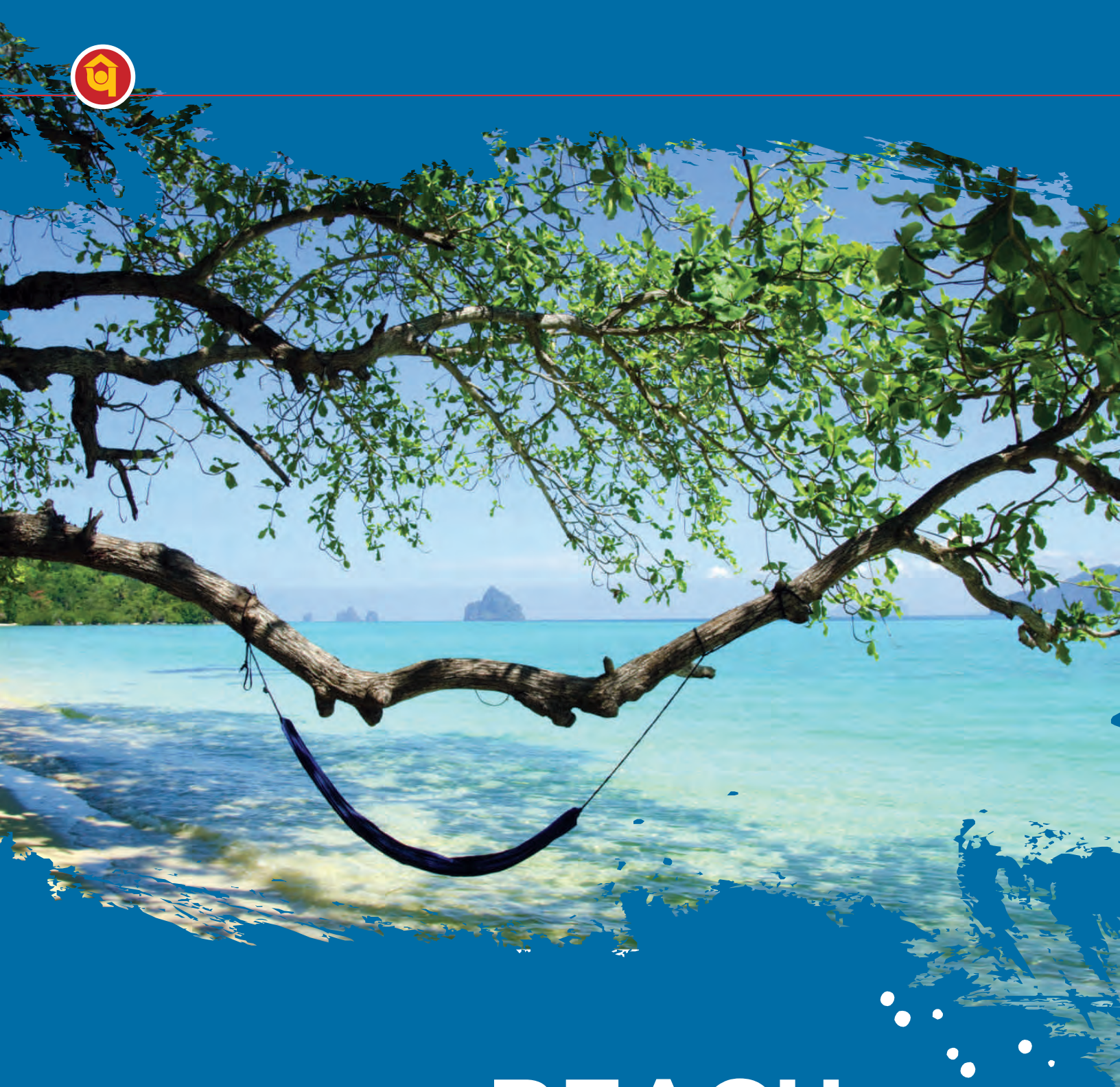
PNB HFL IS PROUD TO BE AN INTEGRAL PART OF THE HOUSING FINANCE INDUSTRY. THE SECTOR CONTINUES TO POSE A POSITIVE OUTLOOK WITH TREMENDOUS POTENTIAL FOR GROWTH.

Significant growth potential, with millions of housing dreams yet to be fructified

PNB HFL is committed to play a significant role in the overall development of the housing finance industry in India

PNB HFL's growth rate of 59% in FY 2014-15 as against industry's growth rate of 18%, reflects its resolve

Currently positioned amongst the top 5 HFCs in the Country



ENHANCING **REACH**  
BY EXTENDING  
**BRANCHES**



## PNB HFL CONTINUES TO WIDEN ITS REACH ACROSS INDIA BY OPENING NEW BRANCHES IN VARIOUS PARTS OF THE COUNTRY.

Presence in 38 prominent locations, supported by 16 processing hubs

Strengthening operations in Southern and Western regions of the Country for well balanced geographical distribution

Ventured into new territories with branches in Coimbatore & Ahmedabad

Deepening presence in Delhi, Bangalore, Pune, Chennai and Mumbai Metropolitan Region with launch of 6 intra-city branches

Widespread distribution network serviced by over 5,000 members including in-house sales channel, business partners and fixed deposit agents



CONNECTING THE  
**FARTHEST LEAF**  
TO THE DEEPEST  
**ROOT**



## STATE-OF-THE-ART TECHNOLOGY AND INFRASTRUCTURE FLOWS THROUGH THE ARTERIES OF THE ORGANISATION, AUGMENTING SERVICE EFFICIENCY AND CUSTOMER EXPERIENCE.

Enriching customer experience with implementation of the enterprise system solution, a bouquet of applications encompassing all business activities on a single platform

End to end business automation furthering business growth, operational efficiency and minimisation of wastage

Revamping of all offices and branches to ensure maximum efficiency, security and customer convenience

Scalable, flexible, secured and compliant IT facility enabling single point of truth across the organisation

Improved processes, turn around time and flow of information ensure better control across all levels of business

Enhancing reliability with well established disaster recovery and business continuity plan



CREATING  
**SYNERGY** WITHIN  
THE **STRUCTURE**

## OPERATIONS AT PNB HFL HAVE BEEN DESIGNED TO ESTABLISH OPTIMUM SYNERGY BETWEEN BUSINESS DEVELOPMENT AND BACK-END SUPPORT.

Three level service oriented operations structure consisting of centralised operations (COPS), central processing centre (CPC) and branch operations makes the organisation robust

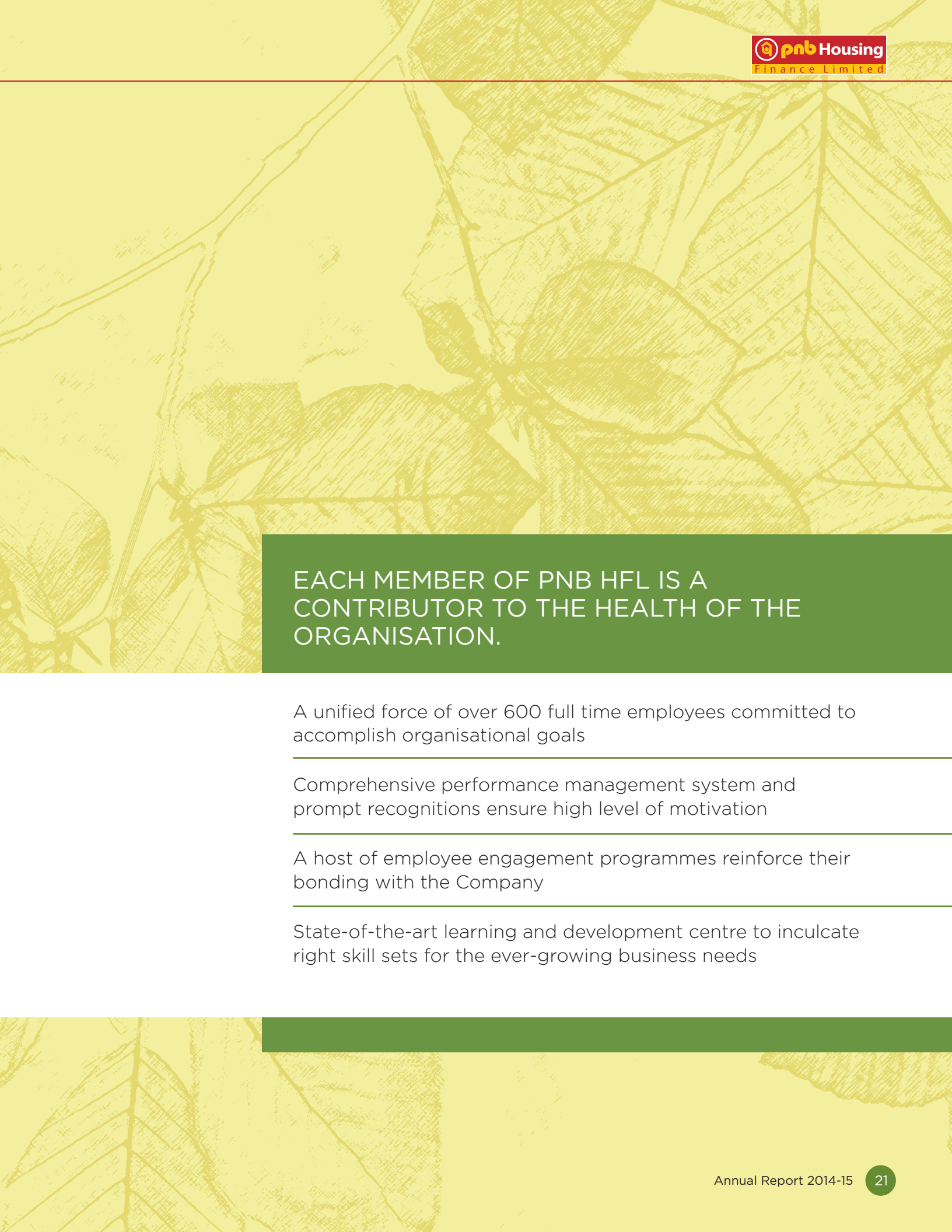
COPS and CPC provide the essential back-end support enabling branch operations to focus on top of the line customer service and sales

Successful centralisation of banking, management of repayment instruments and a professionally managed file storage secures business operations

Implementation of centralised electronic payment to depositors enhances accuracy and efficiency



EVERY  
... **LEAF** HAS A  
... **ROLE** TO **PLAY**



EACH MEMBER OF PNB HFL IS A  
CONTRIBUTOR TO THE HEALTH OF THE  
ORGANISATION.

A unified force of over 600 full time employees committed to accomplish organisational goals

---

Comprehensive performance management system and prompt recognitions ensure high level of motivation

---

A host of employee engagement programmes reinforce their bonding with the Company

---

State-of-the-art learning and development centre to inculcate right skill sets for the ever-growing business needs



PRETTY  
**FLOWERS**  
ATTRACT BEES  
FROM AFAR





A WELL LAID OUT BRANDING PLAN HAS BEEN INITIATED BY THE COMPANY WHICH AIMS TO MAKE PNB HFL A HOUSEHOLD NAME IN THE HOUSING FINANCE SECTOR.

Improved visibility as a specialised housing finance brand achieved through redesigning of logo and standardisation of brand guidelines

Brand positioning designed around the theme 'Ghar Ki Baat', signifying the level of comfort that customers experience at PNB HFL

Customer engagement exercises resulting in candid service feedback to strengthen customer relations

Consistent communication across off-line and on-line media to establish superior brand recall



ENHANCING  
**RELIABILITY** BY  
MANAGING **RISKS**

## PNB HFL IS WELL PREPARED TO FACE CHALLENGES AND TAKES PRUDENT MEASURES TO MITIGATE PROBABLE RISKS.

Service standards primed to achieve industry benchmarked turn around time

Efficient risk management infrastructure to support growth of quality portfolio

16 functional hubs, which are fountains of subject matter experts spread across geographies, conducting financial underwriting, fraud control, legal and technical evaluation of securities and recoveries ensure collateral perfection

Non performing assets (NPAs) reaching all time low and industry best levels indicating rational and balanced risk buying



# BUILDING A BROADER PERSPECTIVE

## PNB HFL'S EXISTENCE IS PURPOSEFUL TO CONTRIBUTE POSITIVELY TOWARDS THE SOCIO-ECONOMIC PROFILE OF INDIA ON GLOBAL HORIZONS.

Proudly building a healthy ecosystem for the growth of housing finance sector in the Country

---

Giving strength to supply side through construction finance to real estate developers, enabling them to construct more homes for the citizens

---

Objectives designed to benefit not only customers, shareholders and employees, but also every other participant directly or indirectly related to our business

---

Young yet focused CSR initiatives, determined to fulfil responsibilities towards the society

---

Building a stronger nation by empowering citizens with a home of their own



**ENERGISED BY  
SUNSHINE OF  
VALUES AND ETHICS**

THE TEAM'S BELIEF IN THE ORGANISATION'S VALUE SYSTEM AND BUSINESS ETHOS ENABLES IT TO SEAMLESSLY EMBRACE THE IDEOLOGY AND PHILOSOPHY OF PNB HFL.

PNB HFL prides in being a 'People First' organisation where potential is respected, nurtured and given fair opportunities to deliver quality performance

'Customer-Centricity' drives the team's determination to ensure that clients cruise through the entire home loan process comfortably

'Ethical Standards' weave the character of the Company as it abides by sound business practices to maintain its stature as a reliable service provider



NOURISHED BY  
THE **FERTILE SOIL**  
OF **CAPITAL** RESOURCES



THE TREASURY AT PNB HFL HAS ENSURED THAT THE COMPANY HAS A HEALTHY STOCK OF RAW MATERIAL FOR ITS LENDING ACTIVITIES DESPITE CHALLENGING MARKET CONDITIONS.

Sensible and sophisticated funds mobilisation gives PNB HFL a competitive edge in the housing finance sector

International funds garnered by bringing on board International Finance Corporation, through the ECB route

High quality assets leveraged to raise ₹500 crores through securitisation

Prudent management of borrowing composition has resulted in comfortable asset liability management



**GROWING IN  
UNISON ON A STURDY  
SUPPORT SYSTEM**

## THE CENTRAL SUPPORT OFFICE AT PNB HFL ACTS LIKE A TRELIS THAT BUILDS FRAMEWORK FOR A UNIFORM GROWTH OF THE ORGANISATION.

The CSO is the nerve centre that holds together the entire team and ensures optimum coordination & timely communication between every element of the business network

It facilitates stability and resilience to stand strong against adversities

The management team leverages its experience and expertise to augment the competitive edge of the organisation

The legacy of the parent - Punjab National Bank and the global expertise brought in by Carlyle group adds trust and dynamism to the organisation



# CORPORATE INFORMATION :

## Directors on Board

Mr. Gauri Shankar  
Chairman

Dr. Ram S. Sangapure

Mr. Sunil Kaul

Mr. Devinjit Singh

Mr. Tejinder Singh Laschar

Mr. S. K. Jain

Mr. P. K. Gupta

Ms. Kalpana Gupta

Mr. Sanjaya Gupta  
Managing Director

## Directors retired during the year

Mr. K. R. Kamath  
Chairman

Mr. G. N. Bajpai

Mr. Vivek Vig

Mr. Anand Dorairaj

Mr. S. S. Bhatia

## Auditors

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

## Legal Advisors

Vaish Associates, Advocates

## Chief Financial Officer

Mr. Jayesh Jain

## Company Secretary

Mr. Sanjay Jain

## Registered and Central Support Office

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

## Bankers & Financial Institutions

Australia and New Zealand  
Banking Group Limited

Bank of Baroda

Barclays Bank PLC

Deutsche Bank

HDFC Bank Limited

ICICI Bank Limited

International Finance  
Corporation

National Housing Bank  
(Refinance)

Punjab National Bank

State Bank of India

Union Bank of India

United Bank of India

Vijaya Bank

Profile of

## DIRECTORS ON THE BOARD OF PNB HFL



**Mr. Gauri Shankar**

DIN No. 06764026

He is the Chairman of the Board of Directors of PNB HFL. He is also the MD and CEO of Punjab National Bank.

His association with PNB began in 2013 as the Executive Director. Prior to this, he has served with Bank of India under various capacities such as Branch Manager, Zonal Head, CFO, Head of Strategy & Economic Intelligence and Head of Change Management Office. He has also held office as the General Manager, National Business Group (North), Asset Recovery Department. He has worked in Singapore and headed Jakarta representative office of Bank of India.



**Dr. Ram S. Sangapore**

DIN No. 03297417

He is the Chairman of Nomination & Remuneration Committee and CSR Committee of the Board of PNB HFL. He is also the Executive Director in Punjab National Bank.

He started his career in banking industry with IDBI bank. Later he joined Central Bank of India as an Assistant General Manager (Chief Economist). He headed Mumbai Zone - the largest zone of the bank. He was the Chairman of Uttar Bihar Gramin Bank, the largest regional rural bank of India. His last stint with Central Bank of India was that of a General Manager.



**Mr. Sunil Kaul**

DIN No. 05102910

He is a member of Audit Committee, Nomination & Remuneration Committee and CSR Committee of the Board of PNB HFL. He is the Managing Director of Carlyle Group, providing oversight for its investments across Asia and other emerging markets.

He has served as the President of Citibank Japan, overseeing bank's corporate and retail operations. He has held senior positions in Business Development for Citibank's Global Transaction Services, New York and has headed its Transaction Services in Japan. He has also served as the Head of Global Cash Business Management for ABN AMRO, based out of Holland.



### **Mr. Devinjit Singh**

DIN No. 02275778

He is a member of Business Process Committee, Credit Committee and Marketing Committee of the Board of PNB HFL. He is the Managing Director of Carlyle India Advisers Pvt. Ltd., focusing on significant sized growth capital and buyout opportunities across sectors in India.

Earlier, he was the Managing Director, heading Citigroup's Mergers & Acquisitions business in India. At Citigroup, Mr. Devinjit Singh led several capital raisings for India's leading corporate houses. He has worked across various functional areas including corporate banking, risk management, cash management and operations.



### **Mr. Tejinder Singh Laschar**

DIN No. 00226860

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

He joined the Indian Economic Services in 1973 and superannuated as a Senior Economic Advisor. He has held prestigious positions such as the Economic Advisor to the Ministry of Chemicals and Fertilizers, Member Secretary of the Working Group on Fertilizers and Additional Economic Advisor, Ministry of Finance. He has served as the Director, Ministry of Home Affairs and the Director, Banking Division of the Ministry of Finance.



### **Mr. P. K. Gupta**

DIN No. 00603676

He is a member of Audit Committee and Nomination & Remuneration Committee of the Board of PNB HFL.

He started his career with Punjab National Bank in 1971 and grew within the organisation to become the General Manager. In PNB, he was deputed as the Managing Director of PNB Capital Services Ltd. He was elevated as the Executive Director of Corporation Bank in 2001. He became the CMD of National Housing Bank in 2004 and the CMD of United Bank of India in 2005.



**Mr. S. K. Jain**

DIN No. 00047474

He is the Chairman of Credit Committee and a member of Nomination & Remuneration Committee of the Board of PNB HFL.

Earlier, he has worked at Citibank in various capacities in India and abroad. He has also served as a Senior Credit Officer in Hong Kong, Taiwan, Philippines, Thailand and Canada for Citibank before retiring in 2001.



**Ms. Kalpana Gupta**

DIN No. 03554334

She is the Divisional Head at Retail Assets Division, Head Office of Punjab National Bank.

She had joined Punjab National Bank as Management Trainee in 1983. Over the last three decades she has had extensive experience in banking and finance. She has worked in different capacities in all areas of banking in Punjab National Bank. She has worked as the Circle Head, Chandigarh and as the Divisional Head at Transaction Banking Division, Head Office of Punjab National Bank.



**Mr. Sanjaya Gupta**

DIN No. 02939128

He is the Managing Director of PNB HFL. He is also 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.

Throughout his career, he has significantly contributed to mortgage industry 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 policymakers on key changes in the sector. He has worked for large corporate houses like HDFC Ltd., ABN AMRO Bank-N. V. and AIG United Guaranty.



## SENIOR MANAGEMENT TEAM



**Mr. Shaji Varghese**  
Business Head



**Mr. Ajay Gupta**  
Chief Risk Officer



**Mr. Nitant Desai**  
Chief Operations &  
Technology Officer



**Mr. Anshul Bhargava**  
Chief People Officer



**Mr. Jayesh Jain**  
Chief Financial Officer



**Mr. Sanjay Jain**  
Company Secretary &  
Head Compliance



# CORPORATE PROFILE

## Deeper in Purpose | Higher in Performance

PNB Housing Finance Limited, is co-owned by banking giant Punjab National Bank and the Carlyle group. With over 27 years of experience, the Company finds its purpose in effectuating one of the most desired needs of the human race—shelter. It strives to make the entire gamut of home loans a 'Ghar Ki Baat' for its customers.

The phrase 'Ghar Ki Baat' is more than a tagline for PNB HFL. It signifies the fundamental purpose and the substratum on which the Company has designed its business model. PNB HFL is determined to build 'a connect so strong' with its customer, that procuring a home loan and repaying it thereafter, becomes a gratifying experience for them.

The Company continues to innovate new product and service offerings and

ensures that it remains in sync with the changing needs of the market. It has built a complete suite of loan and deposit products. Presently, its offerings on the lending side include retail home loans, commercial space loans, loans against property, and loans to real estate developers. For retail investors, the Company offers fixed deposit products that are rated 'FAAA' by CRISIL indicating 'Stable Outlook.'

PNB HFL has established itself as one of the fastest growing housing finance companies in the Country. The Company continues its pursuit for excellence and is committed to function with a broader perspective in building a healthy ecosystem for the housing finance industry.

Loan book stood at **₹16,819** crores in FY 2014-15 as compared to **₹10,591** crores in FY 2013-14

PAT during FY 2014-15 rose to **₹196.11** crores from **₹127.44** crores in FY 2013-14

Gross non performing assets have dropped to **0.20%** in FY 2014-15 and net NPA stood at **0.07%** of loans outstanding in FY 2014-15 as against **0.32%** and **0.16%** respectively in FY 2013-14



## PNB HFL's Growth Story

### 1988

- Obtained NHB license for home loans and retail deposits
- Company commenced operations

### 1994

- Crossed ₹100 crores loan portfolio

### 1997

- Crossed ₹100 crores retail deposit

### 2003

- Notified under SARFAESI Act

### 2006

- Crossed ₹1,000 crores loan portfolio

### 2009

- Entered into a strategic financial partnership with Destimoney Enterprises Private Limited (DEPL), fully owned by New Silk Route, PE fund

### 2010

- Launched business process re-engineering project - 'Kshitij'





## 2011

- New brand positioning with completely refurbished offices
- Contemporary look and feel introduced across all branches and hubs
- Robust and friendly target operating model (TOM) implemented

## 2012

- DEPL raises stake from 26% to 49% on conversion of compulsory convertible debentures
- Gross and net NPAs brought lower than 0.5% of the asset portfolio

## 2013

- Crossed ₹1,000 crores retail deposits
- 'CRISIL AA+' rating (for NCDs and bank terms loans) and 'FAAA' (for deposits) accorded to PNB HFL

## 2014

- PAT crossed ₹100 crores
- Portfolio crossed ₹10,000 crores

## 2015

- Securitised through 'True Sale' loan portfolio of ₹500 crores to Punjab National Bank
- Implemented end-to-end 'Enterprise System Solution'
- Quality Investments Holdings, owned by the Carlyle group, a global investment firm bought Destimoney Enterprises Limited, Mauritius



“

The future looks full of promises. I have immense trust in PNB HFL team and, therefore, am confident that the coming years would see the Company cruising through its growth path, in a stable and steady manner, delivering to the expectations.



Message from the

## CHAIRMAN'S DESK

Dear Stakeholders,

As I present the 27th Annual Report of PNB HFL, I am reminded of a quote by Peter F. Drucker - the founder of modern management - "The best way to predict the future is to create it". I am confident that PNB HFL is on the precise trajectory to actualise this thought.

The new government has created an aura of optimism and growth. With respect to housing finance and real estate, steps have been taken by the government towards relaxation of tax benefits, cheaper credit to urban poor and furtherance of the real estate bill. All these steps have the potential to help the housing finance sector. The real effectiveness of these steps and overall impact on the housing finance sector will be seen over the next few years. The business environment would surely remain dynamic and PNB HFL is geared well to respond to the emerging scenarios.

In the last five years, PNB HFL has rigorously implemented the planned initiatives advocated by its business process re-engineering (BPR) program. During this period, the Company has cruised through uncharted territories,

laying down strong and deeper foundations to actualise its dream of becoming the most admired housing finance Company in the Country. PNB HFL has significantly grown in its relevance to the opportunity in the housing finance sector today. Going by its performance in the recent years, I have no doubt in my mind that the Company will achieve its goals, sooner than later.

It is gratifying to note that the Company has exhibited an appreciable performance across all aspects of business. The assets under management (AUM) have grown nearly 7 times and deposits have increased over 16 times since March 2010. The loan approvals have increased 18 times and fresh loan disbursements have grown nearly 12 times since March 2010. The Company has maintained high quality of loan assets with gross NPAs at 0.20% and net NPAs at 0.07%. The Company has increased its profitability nearly 3 times over March 2010. I am happy to share with you that PNB HFL ranks as the largest subsidiary of the parent PNB within the group.

A large part of the credit for this performance goes to the team of PNB HFL employees who have put in their sincere efforts to achieve the goals of the Company. I express my hearty congratulations to each and every member of the senior management for having led the team from the front to reach these milestones.

PNB HFL has moved ahead to scale up the technology platform which empowers it with the much needed flexibility to adapt to various emerging scenarios in this dynamic industry. The endeavour is two pronged to make the service experience of PNB HFL customers as also the working experience of PNB HFL employees, contemporary and seamless. I am sure the Company will establish new standards in every aspect in the industry and others will emulate PNB HFL.

During the year there was a change of partnership as the Carlyle group acquired

ownership of Destimoney Enterprises Limited, Mauritius, which is parent company of Destimoney Enterprises Private Limited, India. I welcome Carlyle group's association with the Company and I am sure their global experience will be helpful in the Company's growth and stability.

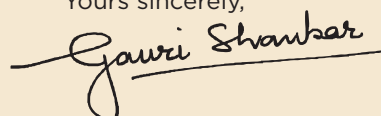
During the year, Mr. K. R. Kamath resigned as the Chairman on completion of his tenure as the CMD of PNB. For five years, he guided the Company to its present position. Erstwhile members of the Board, Mr. Anand Dorairaj and Mr. Vivek Vig, nominees of Destimoney Enterprises Private Limited have been replaced by Mr. Sunil Kaul and Mr. Devinjit Singh, representing the Carlyle group. Mr. S. S. Bhatia, General Manager, PNB resigned from the Board on attaining superannuation.

I take this opportunity to place on record my sincere thanks and appreciation for the contribution made by the outgoing Directors. At the same time, I welcome the new members to the Board to be a part of this wonderful journey that PNB HFL has set itself on.

I also wish to thank our Regulator - National Housing Bank, for being a continuous source of support and guidance to us, throughout the year.

The future looks full of promises. I have immense trust in PNB HFL team and, therefore, am confident that the coming years would see the Company cruising through its growth path, in a stable and steady manner, delivering to the expectations of all stakeholders and upholding the core values of 'People First', 'Customer-Centricity' and 'Ethical Standards.'

Yours sincerely,



**Gauri Shankar**



Message from the

## MANAGING DIRECTOR'S DESK

Dear Stakeholders,

Five years ago, we embarked on a journey to transform your Company into a new age, vibrant and forward looking enterprise focused around customer requirements, empowered with robust and efficient processes based on an agile system solution and manned by skilled and motivated human capital – I am happy to report that with the close of the FY 2014-15 the objective has largely been attained.

These years have been full of challenges which have been overcome with a fair amount of satisfaction – with innocent humility, we coasted through the right path rather than taking short cuts – the approach is now bearing fruits.

Our journey has been guided by the objective of becoming 'a solid solution provider' to the needs of the housing finance sector. Inspired by this focus, we strive to deepen our understanding of the customers' requirements, grip over our processes and controls and our engagement with the employees.



Your Company is now the fifth largest housing finance company (HFC) by loan assets and the second largest HFC by retail deposits in the Country.

Backed by the parentage of Punjab National Bank, a top league bank in India, our concerted efforts, have effectuated a noteworthy performance which stands deep rooted on our fundamental values. PNB HFL, today, is a name to reckon with in the Indian housing finance sector.

Your Company is now the fifth largest housing finance company (HFC) by loan assets and the second largest HFC by retail deposits in the Country. This achievement is remarkable, considering the fact that only few years ago, PNB HFL was positioned in the 'others' category!

The year gone by had its own bag of opportunities and challenges. Starting on a positive note, it gave rise to a stable Central Government in the 2014 general elections. The investment climate in India drew the attention of domestic as well as foreign investors. The year witnessed reduction in fuel and other commodity prices which helped the Country rein its trade and current account deficit. The consumer price index also dropped significantly during the year. However, the benchmark interest rates remained at a static-high of 8% for the first three quarters of FY 2014-15.

In spite of several positives for the Country, the overall economic environment remained dreary, affecting the performance of business houses, big and small alike. The trickle-down effect had a deleterious impact on the demand for real estate and in turn home loans.

Two years ago, the National Housing Bank, initiated the pre-payment regulations to protect customer interest. The abolition of pre-payment charges on all 'floating rate' loan products for individual customers has led to high incidence of balance transfer loans. The same loan assets keep rotating in the industry and lenders keep incurring more costs doing the same loans again and again - due to this phenomenon, an adverse impact is visible on top and bottom lines of HFCs.

This regulatory change, has not only

perpetuated the menace of 'take over' loans but has also inflicted a possibility of the asset class getting deteriorated. The 'Top-Up' loans may change the behaviour pattern of a typical Indian home loan customer to be more consumptive and spendthrift. There is also a risk of collateral documents getting misplaced between lenders - this may further complicate the nuances of the industry.

In another intervention during the year, the regulator made it compulsory for HFCs to provide for deferred tax liability (DTL). This has reduced the profitability for the year and also the available Tier-I capital, since DTL has to be provided on the total amount transferred to special reserves including those in the previous years. There is a breather that the DTL on amount transferred to special reserves in the past will be spread over a period of three years. This has further compressed the return on equity as the effective tax rates for HFCs have suddenly gone up from approximately 27% to 33%.

Due to collective impact of the economic and regulatory environment, the overall excitement in the home loan industry remained muted. Though the industry grew by approximately 18% during the year, I am convinced to say that the upside potential is significantly higher.

At the current growth rate, it is estimated that HFCs over the next five years will require Tier I capital to the tune of ₹25 to ₹30 thousand crores at an average internal accrual rate of 17%-18% p.a. However if the regulatory guidelines keep muting this rate of return, will Indian HFCs be able to attract the capital infusion in the near future? It is a moot question to be pondered upon.

On the contrary, given the potential demand for housing in our Country (with GDP penetration of mortgages of just over 9%), if the housing finance ecosystem (consisting of the regulators, HFCs, real estate developers and customers) is established in a collaborative manner, the time is not far when one would see much higher level of



growth in the sector. Housing for all, may indeed become a dream come true in the mid-term future.

#### **WHAT WE DID IN FY 2014-15?**

Geographically, we deepened our presence at existing locations, instead of spreading branches in new markets. This strategy, facilitated consolidation of PNB HFL brand in existing cities through enhanced productivity. With the same fixed costs, the Company was able to generate more business and revenue from these cities.

Sustained and cost-effective marketing initiatives, have improved brand visibility, widened reach and increased business volumes for the Company. PNB HFL has aligned its product extensions with the industry enabling us to support the level of growth and to cater to the needs of a larger target audience.

On the service front, PNB HFL's motto of Customer-Centricity was driven with single mindedness, i.e. a customer in true sense, should feel, it is 'Ghar Ki Baat' to avail services from PNB HFL. Customer service standards remain the corner stone of our rapid growth – we never compromise on customer delivery standards. The collective efforts by our team members fetch the necessary results leading to sterling quality growth of the portfolio and a large base of satisfied customers.

You would be pleased to know that your Company's AUM, has grown by seven times in the last five years, crossing over ₹17,000 crores as on 31st March, 2015. Loan approvals witnessed a growth of 71% in FY 2014-15 reaching ₹15,076 crores. Loan disbursements at ₹9,440 crores have shown an impressive growth of 72%. PNB HFL added close to 19,000 new loans in FY 2014-15, which is almost double to that of the previous year. All this could not have been achieved, but for the committed involvement of team PNB HFL across all levels. It gives us great satisfaction to see that all the hard work is bearing fruits.

I wish to make a special mention about our

deposits program, which is a true manifestation of trust that the public has on your Company. Sincere emphasis on customer service, training of employees and various awareness campaigns amongst aggregators and end customers resulted in more than 20,000 new deposit customers during the year. Deposits contribute to 28% of the loan assets, which indicates that the Company is self-generating a significant portion of its raw material required for lending operations. From business point of view, we have been successful in backward integration and in de-risking our dependence on external sources.

On the risk management front, one of the key initiatives was to fully operationalise the target operating model (TOM), which we refer to as the 'Hub and Spoke' model. The Company has fully implemented its desired TOM with necessary functional rigor and strength across India. There are sixteen hubs which are fully functional and are fountain heads of subject matter experts (SME), catering to the business aggregated through thirty eight branches or spokes. These hubs are scalable installations; capacity in each hub can be enhanced to service up to 5 to 6 branches. With a nimble TOM, the road ahead is paved well for growth and its sustainability.

Another key area of focus has been management of collections. Diligent portfolio monitoring for any unusual triggers has helped your Company in timely identification of warning indicators. Use of SARFAESI Act, 2002 in certain cases, has helped the Company to significantly reduce its non-performing asset (NPA) percentages and inventory levels. You will be proud to know that your Company has the lowest gross NPAs in the housing finance industry.

In FY 2014-15, the Company has further improved the brick & mortar infrastructure. All the workplaces have been given a contemporary look and feel, making it comfortable for employees, customers and business partners. The construct and design accounts well for safe custody of documents & data storage and swift data



transfer network with two levels of fail over support. This has enhanced operational efficiency, employee motivation and has garnered commendable appreciation from our customers.

The game changer of FY 2014-15 was implementation of the new enterprise system solution, which we refer to as 'Project Sapphire' - this marks the last leg of our transformation journey. With 'Project Sapphire' going live, the Company is operationally ready to take larger strides. The system solution is an enabler for growth and delivers higher level of customer service in a robust and user friendly manner.

The process implementation and business initiative (PIBI) unit of PNB HFL comprising of fifty five highly skilled and motivated employees chosen from all user groups, led the project from the front - they conceptualized and successfully implemented, with controlled disruption of business as usual (BAU), 'Project Sapphire'.

PIBI members committed themselves to designing a system that optimises the rigor of processes and enhances output of all the functions in a simple manner. The new system offers an enterprise system solution that automates the functioning of PNB HFL across all verticals encompassing lead management, loan origination, loan management, loan collections, deposits, general accounting, MIS, balance sheet generation, collateral management and customer relationship management. The system has a built-in capability to support functioning in a paper-free environment and enable credit decisions online on a real-time basis.

The work culture environment has seen a sea change within PNB HFL - the Company today runs on a contemporary single platform which cuts across, wing to wing on real time on line basis. This increases accuracy and currency of data and improves efficiency in back-end processes thereby enabling us to concentrate far more on our customer requirements and augmenting our service delivery standards.

Besides adding delivery agility, the new system solution also enhances our ability to audit any activity on a concurrent basis.

I am certain that the enterprise system solution will herald a new era of delightful customer experience and ease of doing business for our business associates. Phase II of the project is expected to be delivered by December 2015 and that would mark the completion of the project.

The operations unit of PNB HFL is a three level structure consisting of central processing centre (CPC), central operations (COPS) and branch operations. COPS and CPC provide the required back-end support, rendering branches the capacity to ensure a top of the order customer experience. This model has now stabilized and is scalable to manage increase in number of branches and volume of business. COPS and CPC form the backbone of our TOM.

During the year, the Company adopted a dynamic approach towards financial resource mobilization. For the first time, the Company raised external commercial borrowing (ECB) of USD 100 million through IFC Washington (DC) and ANZ Bank. Another first; the Company raised ₹500 crores by securitization of home loan portfolio.

The Company garnered funds through issuance of commercial paper to match the liquidity requirements and to moderate the blended cost of borrowings. Retail deposits helped in de-risking the Company from heavy reliance and exposure to bank lines of credit. The Company reduced reliance on high cost term loans from banks. The multi-pronged strategy in treasury helped in efficient management of cost of funds (CoF).

With respect to human resource management, our strategic focus has been to enable the Company optimize its business performance through effective people and organization management. Over the last five years, we have worked assiduously towards building superior



human capital. Being a quality and growth oriented employer, we are able to attract the best talent in the industry. PNB HFL gives equal importance to retain good talent through effective talent development framework and establish an enabling culture. The human resource unit ensures employee motivation through a balanced compensation program, focus on retention and development of talent, and a contemporary 'Rewards & Recognition' framework. A culture of learning while working is well-established in the Company.

The relentless practice of the core value - 'People First' has earned PNB HFL the Indian Management Association award for Excellent Talent Management Practices. There is no gain saying the fact that our people are our greatest assets.

Your Company continues to be an employment generator in a slow macro economy - in our own modest manner we are helping the nation grow.

#### **LOOKING AHEAD**

Over the next two years, PNB HFL will harbour an agenda where the focus areas would be managing growth, customer retention and stabilising new technology. This will act as an enabler to achieve more exacting standards of routine business, enhancing customer experience, reaching out to a larger audience and monitoring growth with accuracy and ease. We are confident that these initiatives will poise us in a stronger position to exploit economies of scale and improve profitability.

Sustaining the momentum of growth, without compromising on quality will continue to be the DNA of your Company. PNB HFL's methods to retain customers would be built around service differentiators, enabled through extensive use of full blown enterprise system solution which will be fully equipped by latter part of calendar year 2015.

We have several learnings from the past and

team PNB HFL is committed to internalize those learnings in its journey towards all round excellence.

PNB HFL has today grown to be a mature and a stable organisation. We have a much better perspective of our existence, vis-à-vis the ecosystem we operate in. A better society, a prosperous nation, gives us a stronger purpose. We are intensifying our CSR activities and have planned to undertake various steps, not only as a mandatory corporate social responsibility (CSR) but also as an earnest effort to give back to the society. We will be industrious in exploring ways through which we could add to the national wealth and well-being of the citizens of the Country.

I would like to take this opportunity to mention that given its strong fundamentals and the growth trajectory, PNB HFL is well poised to look at an Initial Public Offer in the foreseeable future.

#### **CHANGE IS CONSTANT**

Internally, we witnessed a few changes in the Board of Directors. Our erstwhile Chairman, Mr. K. R. Kamath, under whose patronage the entire business process re-engineering was successfully expedited, demitted his office as the Chairman and Managing Director of Punjab National Bank - hence his tenure as our Chairman of the Board of Directors came to an end. On behalf of the entire PNB HFL family I convey my heartfelt gratitude to him for his support and high quality of professional guidance. We sincerely wish him a very healthy and happy superannuation period.

The void left behind by Mr. Kamath was swiftly filled by an equally eloquent and sharp professional Mr. Gauri Shankar, who is also the CEO and Managing Director of Punjab National Bank.

Destimoney Enterprises Private Limited (DEPL), which is the private partner in the public private partnership (PPP) saw a change of its ownership - Quality Investment Holding (QIH) which in turn is owned by the Carlyle group bought over

DEPL. Hence Mr. Anand Dorairaj and Mr. Vivek Vig were replaced by Mr. Sunil Kaul and Mr. Devijit Singh on the Board of the Company. Mr. G.N. Bajpai, who was the Chairman of the Marketing Committee of the Board of PNB HFL also resigned during the year. We sincerely thank our past Directors for their unrelenting guidance and support to our change management initiative.

We wish our new Chairman and Directors a very satisfying experience on the Board of this new age HFC and look forward to their profound guidance and support for our forward growth journey.

I wish to express my sincere thanks to our customers, for believing in and trusting PNB HFL to be their preferred solution provider for home finance and retail deposit products.

I also wish to thank our regulator, the National Housing Bank (NHB), our lenders, our rating agencies, our lawyers and our business partners whose continuous trust makes us who we are today.

The Board of Directors has continued its relentless guidance and support to the development of the Company. The Independent Directors have played a pivotal role in bringing about very high standards

of corporate governance, especially with the enactment of the Companies Act of 2013. We sincerely thank them for their continued guidance and support.

We thank our CAG, statutory and internal auditors who have kept a very keen vigil on all aspects of our operations while maintaining a pragmatic view on business growth.

Team PNB HFL has emerged as a true winner in testing times, both external and internal, their tenacity, self-belief, self-motivation, collaborative team spirit and swift manoeuvres have insulated the Company from external hardships. Their undaunting efforts augur a sincere vote of thanks from the entire stakeholders' community - on your behalf I take the opportunity to thank them for their stupendous work.

We have compiled an interesting annual report which covers most of the business aspects of the FY 2014-15. I hope you will enjoy reading the extracts.

Yours Sincerely,



**Sanjaya Gupta**  
Managing Director



## Management Discussion & Analysis

### Testing Times Continue for the Global Economy

The global economy struggled in FY 2014-15 and remained subdued with a sub-optimal growth of 2.6% over the previous year. The recovery has been weaker than anticipated with a string of disappointing growth outturns in the Euro Zone, Japan, parts of emerging Europe and Latin America which accounted for more than half the downward revisions of global growth in 2014.

Major forces that influenced the global outlook included soft commodity prices, tenaciously low interest rates and a weak international trade. Yet, one can anticipate a moderate change in the coming year with growth rising up to 3.0%. High income countries are likely to see a growth of 2.2% in FY 2015-16 as against 1.8% in the previous year, on the back of recovering labour markets, fiscal consolidation and low financing costs. In developing countries, as the domestic headwinds that held back growth in 2014 ease, growth is projected to gradually accelerate, rising from 4.4% in 2014 to 4.8% in 2015.

### Promising Future for Indian Economy

The Indian economy seems to carry an air of buoyancy. A stable political environment, government's focus on administrative and governance reforms, and other such internal factors are promising a positive outlook. Initiatives such as 'Make in India', 'Housing for all by 2022', 'Jandhan Yojana', GST and higher FDI in insurance can give considerable thrust to India's economic stature. External factors, such as drop in prices of commodities, significantly altered the fiscal position and inflation in India. It released the Nation's capital for other productive uses such as investment in infrastructure and public services. The 10 year G-Sec yield has softened almost by 100 basis points in the last one year.

A combination of these factors has increased India's economic growth rate to about 7.5% and forecasts suggest that it would continue to remain at these

levels in the near future. Inflation has dropped to 5.5% and it too is likely to hover around the same level.

As for the fiscal consolidation, the current account deficit dropped sharply to 1.6% as compared to 4.3% in FY 2012-13. According to forecasts, it should remain in the range of 1.6% to 1.8% in FY 2015-16. Consumption has received a boost, leading to a consecutive year of revival for the economy. RBI has been indicating further softening of rates of interest if the disinflationary trend continues. Foreign investment inflows and stronger macro-economic fundamentals for the Country are likely to give India an edge over other emerging markets for investors to remain interested in.

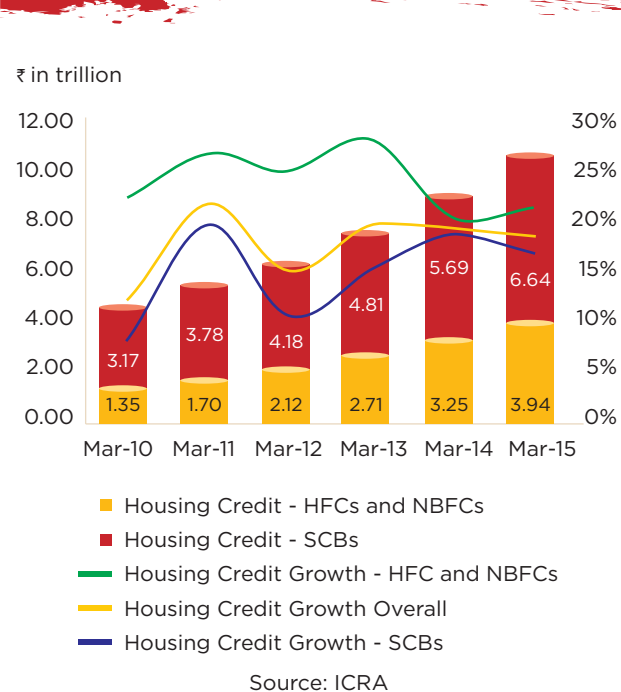
The key test for the government is the successful implementation of reforms, particularly in the manufacturing sector. Issues relating to rigidity of labour laws, state laws and infrastructural bottlenecks have been posing major challenges to the government. The extent of activism and result oriented positivity shown by the government in the area of reforms, will determine whether all these statistics would stand the test of time.

However, there seems to be a lot of promise built into FY 2015-16 and PNB HFL is looking forward to capitalise on the same.

### Significant Headroom for Growth in the Indian Housing Finance Industry

India's organised housing finance industry, has a portfolio of approximately ₹10,60,000 crores. The figure though attractive, still accounts for only 8.4% of our Country's GDP, significantly lesser in comparison to a 20%-30% range in countries like China and Malaysia. This scenario indicates the efforts that still need to be made in this sector. With such potential waiting to be tapped, the housing finance industry can look forward to a brighter future.

## GROWTH TREND IN HOUSING CREDIT IN INDIA



### Resurgence Awaited in Real Estate

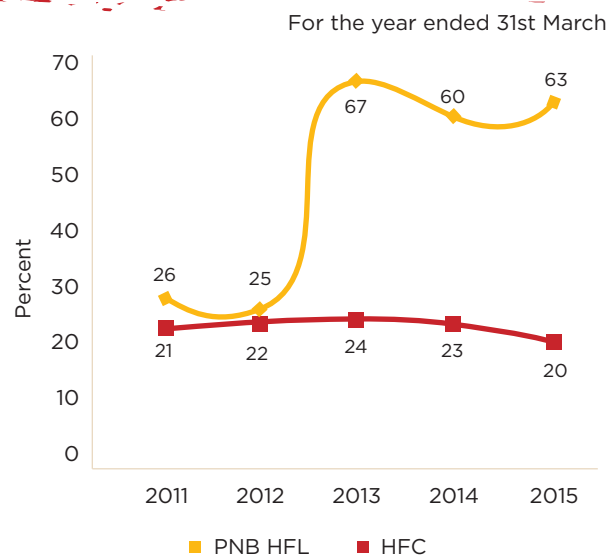
The real estate market has again remained a low contributor to India's GDP at 6.3%. The construction sector needs to grow as it is capable of supporting over 200 other ancillary industries like cement, iron and steel. While there have been encouraging signs of support for this sector in terms of 100% FDI, approval of 577 SEZs and the 'Housing for all by 2022' programme, a lot remains to be done to make developers accountable for their commitments. The real estate bill that has been put through the parliament includes several pointers for making the life of a home buyer easier, which is a welcome development for the industry.

### Stiff Competition in Interest Rates

The interest rates have always remained competitive in housing finance. HFCs are faced with the formidable challenge of competing against attractive rates offered by the banks. This has led to somewhat unhealthy price wars amongst HFCs, where instead of fixing price against measured risks, heavy discounts are being offered to new customers. Women customers are being offered even larger

discounts from some lenders. Home loan top-ups, which are pure cash-out loans, are also offered at similar rates as home loans, making balance transfers an attractive proposition. All these continue to maintain the pressure on the interest margins for HFCs.

## TREND IN PORTFOLIO GROWTH RATE



### Strengthening Market Reach and Business Development

At the beginning of FY 2014-15, the Company was operating from 32 branch offices. During the year it deepened its distribution in the market by adding six new intra-city branches - two in Bangalore, and one each in Delhi, Pune, Chennai and Mumbai. PNB HFL has also started Bhiwadi (Haryana) outreach centre. Encouragingly, these new branches have begun contributing to incremental disbursements within the very first year of their establishment. PNB HFL now has 38 branches that are supported by 16 underwriting hubs.

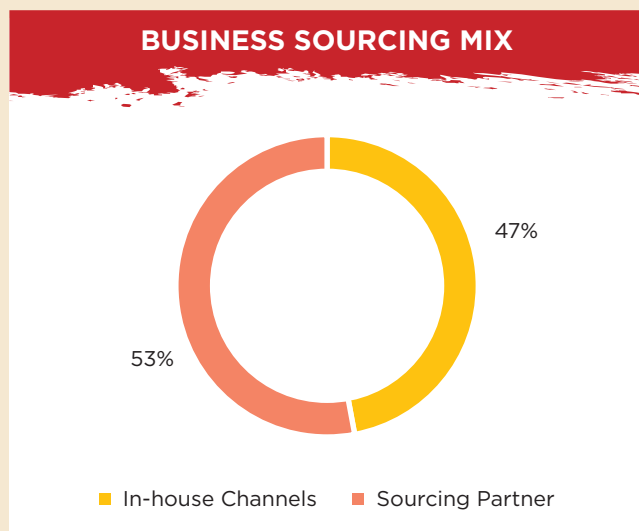
The Company's strategy is to deepen and strengthen its foothold by maximising the productivity of its existing capacities rather than spreading thinly into new markets. This strategy has helped the Company in gaining a strong control over its portfolio.

In the last three years, the Company has expanded into western and southern parts of India thus de-risking its portfolio across geographies besides



northern region. Currently, 58% of its incremental retail disbursements come from West and South zones. The diligent efforts of the business development team enabled PNB HFL to build a large network of distributors for its loan and deposit products.

Currently, PNB HFL has a distribution network of over 5,000 members including in-house sales team, direct selling associates, deposit brokers etc. spread across the Country.

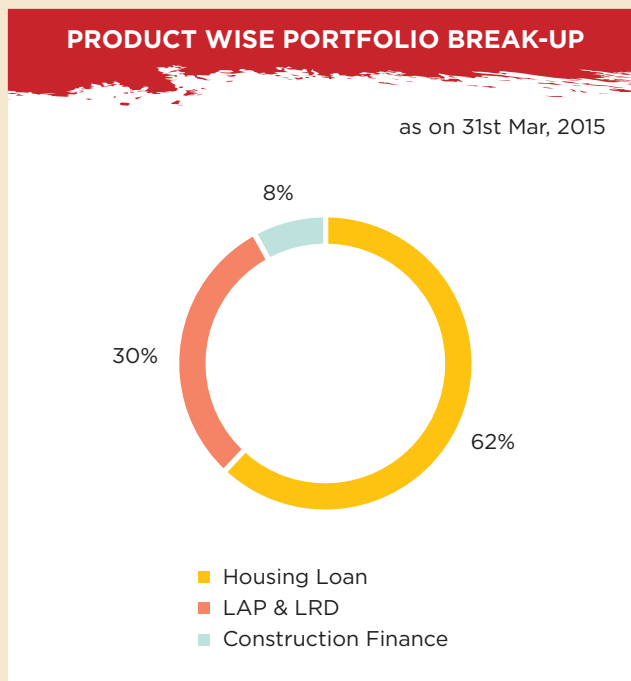


The business contribution from in-house channels is gradually increasing year by year.

### Products and Policy

PNB HFL offers a well-balanced basket of products including loans for purchase of home, self construction, home extension and residential plot. Non housing loans include loan against property (LAP), loan for purchase of non residential premises (NRP) and lease rental discounting (LRD). The Company also offers construction finance to real estate developers, thus enabling them to build homes for citizens.

PNB HFL has also introduced new loan eligibility programmes and mark-to-market products to expand its product portfolio and meet customers' needs.



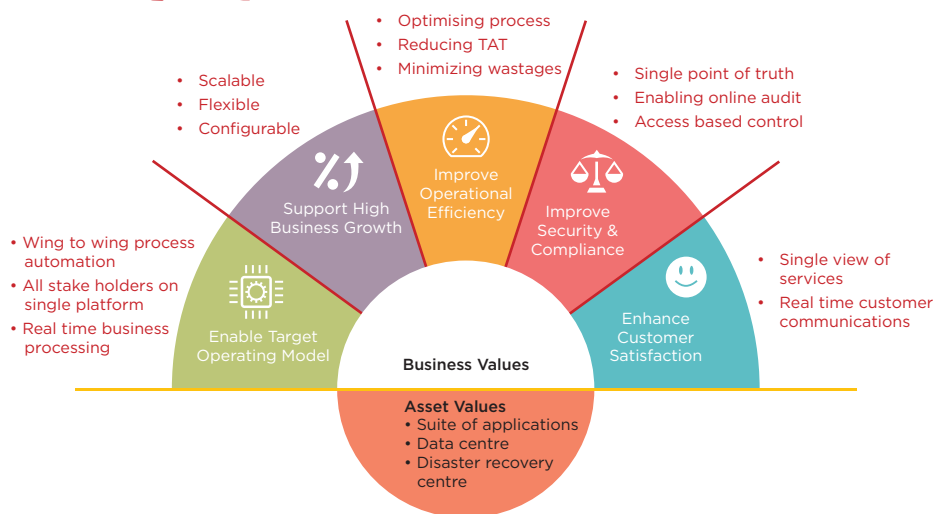
### Advancing on Information Technology

In an endeavour to provide its customers a service experience that is modern and delightful, PNB HFL has implemented the 'Enterprise System Solution' which seamlessly integrates all the activities of the organisation including lead management, loan origination, loan management, collections & collateral management, deposits, customer service, integrated accounting and peripheral applications such as human resource management, document management, business intelligence reports and customer & business partner portal.

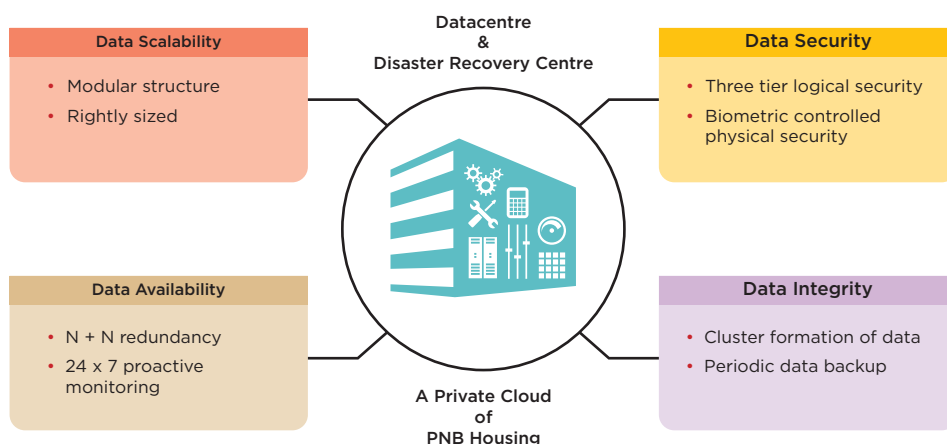
The system is designed to derive the following business values:

- End-to-end business automation, eradicating manual efforts
- Configurable and parameterised system, scalable enough to support high business growth
- A workflow based model, improving operational efficiency
- Secured and compliant system, bringing all stakeholders to a single point of truth
- Cumulatively, enhanced customer service

## BUSINESS VALUE STREAMS OF ENTERPRISE SYSTEM SOLUTION



## DC & DR ARCHITECTURE FRAMEWORK



The complete enterprise system solution has been hosted on a robust infrastructure of data centre (DC) and disaster recovery centre (DR). The architecture of DC and DR has been designed on four fundamental principles, data security, data integrity, data availability and data scalability.

Comprehensive system manuals have been prepared incorporating the process work flow and the system work flow. PNB HFL has conducted extensive training programmes for all employees preparing them for both work and environment changes.

In FY 2014-15, the system went live on a pilot basis at

few locations and would be live across the Country in the first quarter of FY 2015-16. The performance of the system is closely being monitored by the IT team which is also addressing the teething issues as they come up. The aim is to completely stabilise the working of this system across the organisation by the end of FY 2015-16.

The enterprise system solution will support operational readiness and sustainable business growth by automating the processes. This will improve efficiency and quality, thereby making the overall business model more secure, scalable and agile. PNB HFL will soon install an online portal that



would enable its customers to login and access information on their loans and deposits on a real time basis.

In its endeavour to enhance the information technology environment, PNB HFL is associated with organisations of immense vintage and repute in the IT industry, such as Microsoft, CISCO and Oracle.

### **Well-established Human Resources Unit**

A good intent, a great vision, financial resources and brilliant technology cannot provide the necessary result unless there are people who can intelligently pool them together to produce the desired outcome. This is where the role of human resources unit comes to light.

### **People First**

In a service oriented industry, the importance of human element remains paramount. The Company leaves no stone unturned to make working at PNB HFL an enjoyable experience. With a definitive approach, the unit works towards keeping engagement levels high amongst the staff members. The Company nurtures a strong belief that an engaged and motivated work force will always live up to the core value of 'Customer-Centricity' by delivering high standards of service.

### **Talent Acquisition**

Being a progressive organisation PNB HFL has an ever growing need for the 'right' talent. With an efficient recruitment process in place, PNB HFL has been able to identify individuals with the appropriate skill sets and attitude, to enrich its talent pool.

The Company's human resource unit has garnered the best fit talent across functions in-line with business requirements. The Company has driven a successful campus recruitment programme and has brought on-board a young, bright and vibrant 'Management Trainee' cadre. This cadre is being groomed to assume future leadership positions in the Company.

### **Performance Management**

PNB HFL's contemporary performance management system and total rewards programme have consistently helped in achieving organisational goals.

Structured cascading of the annual business plan and alignment of individual, functional and organisational goals have succeeded in fostering a high performance work culture. The entire rewards model at PNB HFL emanates from the context of an overall business strategy, organisational culture and HR strategy. It encompasses a strategic mix of compensation, benefits, work-life balance, recognition, development and career opportunities. Through the 'Nine Box' talent management framework, the Company ensures identification of right talent in the context of performance versus potential. This has laid a solid foundation for progressive succession planning in the organisation. The HR policies ensure an unbiased work culture, guided by a detailed code of conduct. The Company offers equal opportunities to all its employees.

### **Training and Development**

The ever changing industry dynamics demand interventions for bridging the skill gaps at individual, functional and organisational levels. In FY 2014-15, PNB HFL customised its training programmes, based on a detailed training need analysis (TNA). These trainings were conducted with a focus on enhancing functional competencies and achieving optimum efficiencies. The Company follows a holistic 70:20:10 capability building approach, based on the belief that 70% of all capability is built on the job, 20% through coaching and 10% through classroom learning.

### **Rewards and Recognition (R&R)**

To encourage excellence in performance, PNB HFL has institutionalised several innovative mechanisms for rewards and recognitions. Formal R&R





programmes have been instituted across functions, locations and teams to bring about cross functional synergy and alignment with organisational goals. The R&R programmes run on monthly, quarterly and annual basis.



### Robust Marketing and Branding Plan

PNB HFL follows a result oriented marketing strategy. The marketing team analyses various marketing opportunities, carefully selects alternatives and ensures consistent communication to build a superior brand recall.

The key messages that the Company reinforces through its marketing initiatives are:

- **High level of Trust and Transparency:**  
Delivering what is committed, being transparent and fair in its dealings
- **Contemporary and Customer-Centric in its outlook:**  
Superior quality of service delivery to meet the expectations of the new age customer

As a result of various marketing initiatives, PNB HFL has emerged as a 'reliable brand' in housing finance industry.

### The New PNB HFL Logo

The Company introduced its new logo in August 2014. This change has paved way for improved visibility of brand 'PNB Housing' as a specialised housing finance company. The tag line 'Ghar Ki Baat' has been retained, as it exhibits the purpose of making home loan a pleasurable experience for the customers.



### Customer Engagement

The Company engages its customers through structured and balanced feedback initiatives. This interaction gives the brand an opportunity to build stronger relationship with the client. PNB HFL continues to uphold 'customer delight' as the key to an effective marketing strategy.



### Above The Line Activities

PNB HFL undertook several above the line (ATL) marketing initiatives during the year. Advertisements were featured consistently across radio and print media including newspapers, trade magazines and in-flight publications. Three Delhi Metro train sets were wrapped in PNB HFL colours across selected



routes. Such initiatives have helped the brand enhance its image as a customer-centric and contemporary organisation.

### **Below The Line Activities**

PNB HFL participated in trade shows and property exhibitions that gave a significant lift to its brand visibility across potential home loan buyers and real estate developers. The Company initiated cross selling of loans and deposits by sending direct mailers to its deposit and loan customers. Hoardings were also placed at developers' project sites. Presence at such point of sales helped PNB HFL gain the mindshare of home buyers.

### **Digital Media**

It was vital for PNB HFL to have a strong presence on the digital media as the target group (TG) is highly active on the internet.

Various digital marketing initiatives such as search engine marketing, search engine optimisation, email marketing, tie-ups with online business partners, internet banners and video display advertising have resulted in elevated business volumes. Online loan enquiries have reached an average of over 15,000 per month as compared to 9,000 per month during the previous year.

### **Managing Risks**

The risk management function provides stability and balance to ensure that the Company's growth is built on a quality portfolio.

### **Target Operating Model**

PNB HFL's target operating model is built on hub and spoke concept, where a 'hub' is attached to a set of branches (or spokes) and provides expertise to enable the branches in serving the customers seamlessly. These hubs are manned by professionals from underwriting, technical services, legal services, fraud control and recovery services.

### **Expertise in Underwriting**

The Company has developed expertise to underwrite all kinds of customer segments, be it self-employed, professionals or salaried. Industry and subject matter experts regularly train the underwriters. The Company's underwriting guidelines are benchmarked to the market and compliment PNB HFL's product basket. The Company has put in place adequate internal controls to maintain the quality of loans being approved.

### **Technical Service Group**

PNB HFL has developed its own technical service group (TSG), consisting mostly of civil engineers, which supports underwriters in the technical appraisal of a property, drives the advance processing facility (APF) and undertakes developer ratings. It assesses the risks associated with projects and real estate developers by conducting regular monitoring of delivery standards. The technical subject matter expert at each hub is supported by a team of regional supervisors to manage geographical diversity.

### **Legal Services**

The Company's legal team manages property title verification of collaterals. This team is also involved in setting up of legal policies and processes, drafting of loan agreements and related documents as well as getting title due diligence of APF projects. The team has a regional presence to ensure that local legal nuances are taken care off in legal evaluation of all collaterals.

### **Fraud Control**

The Company's fraud control unit (FCU) educates business verticals about effective checks required to

identify various types of frauds in the industry. The team screens the files and verifies the documents for genuineness. FCU is present at each hub, supported by external vendors to screen and examine the documents for any potential fraud.

### Turn Around Time

Each function at the hub operates within a defined turn around time, ensuring timely and accurate delivery of services to internal and external customers.

### Wholesale Business

As on 31st March, 2015, the wholesale portfolio stood at ₹2,186 crores comprising of 57% construction finance (CF) and 43% non CF loans. The Company is associated with top law firms in the Country for expert legal assistance and evaluation of collaterals. With extensive evaluations and monitoring of loan processes, PNB HFL has achieved zero NPA in the wholesale segment.

### Recoveries

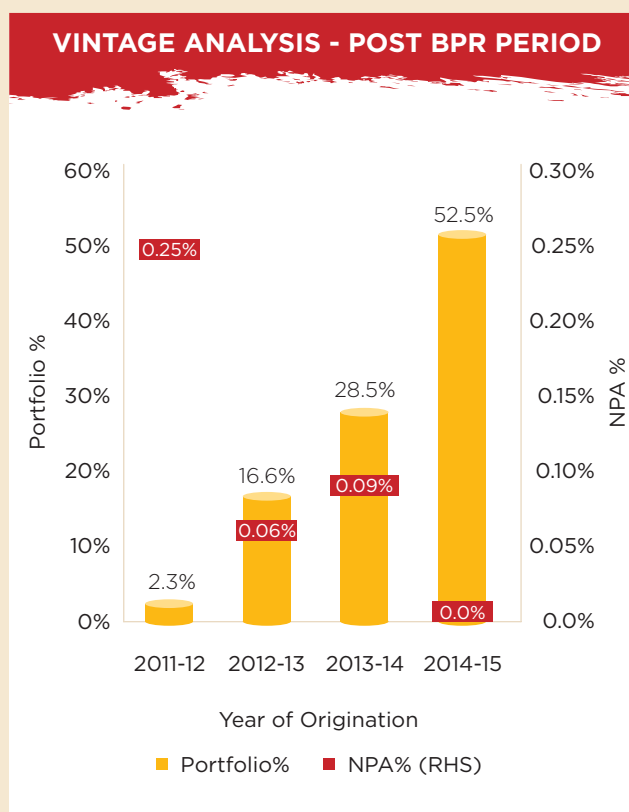
FY 2014-15 was a benchmark year, where PNB HFL reduced its gross NPAs from 0.32% last year to 0.20%. With the use of a creative approach, rigorous follow up and co-ordination with judiciary, the Company was able to resolve chronic default cases. The SARFAESI effectiveness has improved from 39% to 43% in the last 12 months. As per ICRA industry report for FY 2014-15, PNB HFL has registered highest portfolio growth and lowest NPA amongst its peers. As per CRISIL, two year lagged industry level gross NPAs for the year FY 2014-15 were 1% whereas PNB HFL's two year lagged gross NPAs was 0.5%.

### Portfolio Performance

Post BPR period, PNB HFL growth has surpassed the industry's growth rate, while keeping the NPAs at the minimum. This is a result of initiatives like hiring of mortgage professionals, re-organizing of departments, delegation of authorities, introduction of mark to market policy and processes, de-risking of geographical concentration, expansion in new geographies, multi-pronged control mechanism

coupled with regular portfolio review.

Retail portfolio created under post BPR period stood at 89% of the total retail book with average loan amount of ₹33 lacs. As on 31st March, 2015, gross NPA percentage from post BPR portfolio was 0.05% only.

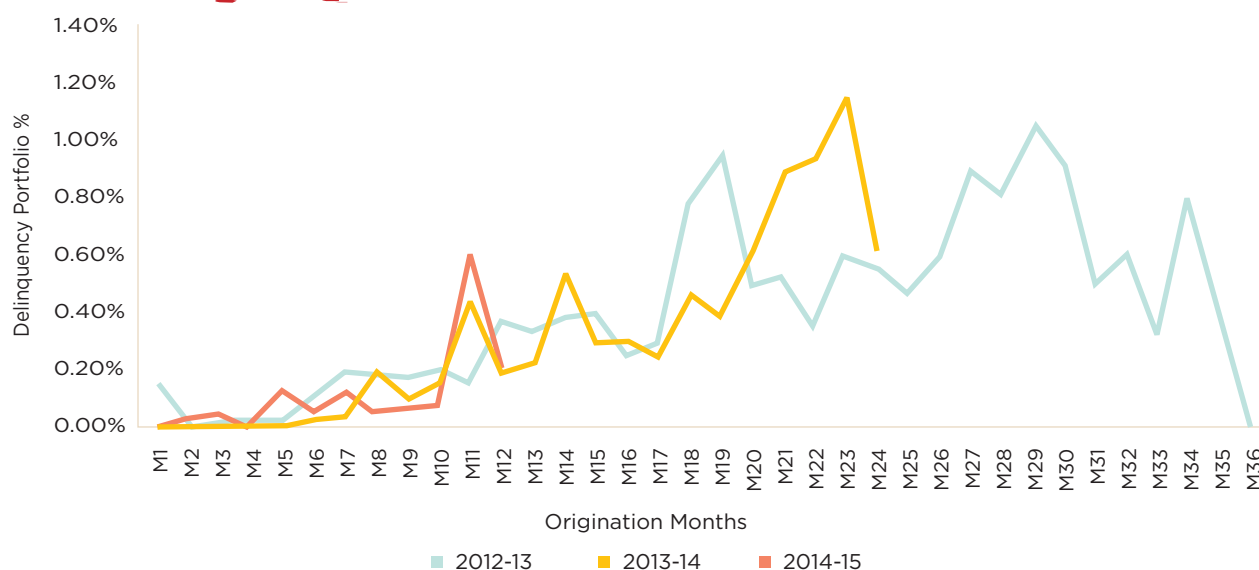


The vintage wise trend of post BPR retail pool showing consistency in the sourcing strategy, product allocation and policy framework. The Company's 30 days plus average delinquency percentage trend is around 1% to 1.2%.

Overall portfolio growth and quality has got accolades amongst its peers and rating agencies. As per ICRA report for FY 2014-15, PNB HFL has registered highest portfolio growth and lowest NPA percentage in the industry. As per CRISIL data, two year lagged industry level gross NPAs for the year FY 2014-15 were 1% whereas PNB HFL's two year lagged gross NPAs were 0.5%. (Refer to the graph on next page)

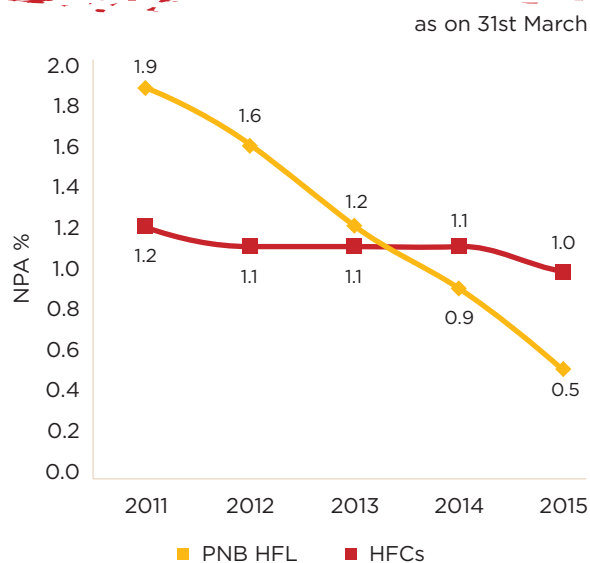


## STATIC POOL ANALYSIS - 30 DAYS PLUS DELINQUENCIES



(Graph above depicts vintage wise 30 days plus average delinquency percentage trend of Post BPR Retail Portfolio: X axis represents months since disbursement and Y axis represents 30 days plus average delinquency percentage as per vintage)

## TREND IN GROSS NPAs (2 YEAR LAGGED)



### Strengthening Infrastructure

During the year, new workspace of about 52,000 sq.ft was added taking the total to more than 154,000 sq.ft. Several infrastructural changes in terms of relocation or refurbishment of existing

offices were done in order to make the work atmosphere comfortable for the employees and to provide a pleasant and safe experience to the customers.

### Optimising Operational Efficiencies

The business of retail finance is competitive and volume intensive. The pressure exposes it to various financial and operational risks. Given these risks, the Company has evolved to achieve optimum efficiencies by way of centralised control over certain important activities.

PNB HFL's operations have three main verticals - branch operations, the central operations (COPs) and central processing centre (CPC). This structure has facilitated the hubs and branches to focus on customer service and sales, as most of the back-end operations are now centralised and are supported by the new enterprise system solution.

### Centralised Banking and Loan Repayment

In FY 2014-15, loan repayment instruments, i.e. ECS and PDCs, for all loan accounts were transferred from branches to CPC. With this, pre-EMI interest/EMI amount for all loan accounts is being collected and processed centrally. The centralisation of

banking has enabled timely collection of funds, better fund management, stronger control and early alarms to the recovery department in a proactive manner.

### Professionally Managed Centralised File Storage

With implementation of the enterprise system solution, loan files and security documents are being moved from branch offices to a professionally managed repository at CPC where they are appropriately logged using barcodes. Internal audit checks and continuous tracking of movement of files and documents is maintained as a standard procedure. Deposit application forms and related documents get dispatched to CPC after creation of a deposit receipt from centralised operations. This cost effective model has improved customer service standards and reduced the turn around time, while exploiting economies of scale.

### Investments

The Board of Directors has approved the Company's investment policy and has set limits for investments. The power to invest funds has been delegated to the Managing Director who is assisted by two senior executives. The investment function is carried out to maintain sufficient liquidity for day-to-day operations of the Company. Surplus funds generated out of borrowings and operations are invested in various securities with an objective to maximise return on liquid funds at a reasonable risk and expense.

Considering the time lag between raising of resources and its deployment, the surplus funds are generally parked with liquid fund schemes of mutual funds and PSU/corporate bonds. During the year, the Company has parked/redeemed ₹12,091 crores with liquid fund schemes of mutual funds and earned ₹19.89 crores as surplus from cash management schemes of mutual funds. During the year, the Company has also made short-term investments of ₹4,187.80 crores in PSU/corporate bonds and sold PSU/corporate bonds of ₹3,348.02 crores. The Company has earned interest of ₹44.74 crores on these bonds and made profit of ₹15.68 crores.

As per NHB directions, HFCs are required to maintain a statutory liquid ratio (SLR) in respect to public deposits raised. Currently, the SLR requirement is

12.50% of the public deposits. During the year, the Company has made fresh investments in SLR securities of ₹251.32 crores and securities amounting to ₹25.00 crores were redeemed upon maturity. As on 31st March, 2015 the Company has invested ₹465.34 crores in approved securities comprising of government securities, government guaranteed bonds, NHB bonds and deposits with scheduled banks, which is higher than the limit prescribed by NHB.

### Funding Sources

FY 2014-15 was a year of transformation for the Indian economy, as it shed concerns of high current account deficit, political uncertainty and elevated inflation. The Country started showing signs of revival in growth as the CPI fell from 8.59% in April, 2014 to 5.5% in March 2015. Improvement in economic indicators reflected in softening of interest rates. Also the 10 year G-Sec yield declined from 8.80% p.a. as on 31st March, 2014 to 7.74% p.a as on 31st March, 2015. A similar impact was witnessed on other fixed income securities and the yields calibrated.

The Company has been raising funds for its lending activities from banks by way of term loans, NHB refinance, private placement of non convertible debentures (NCDs), issuance of commercial paper and mobilisation of public deposits from the retail market.

The Company has managed to contain its borrowing cost through prudent asset-liability management. Some of these measures were diversification of funding sources, tenure optimisation, structured interest rates and prudent borrowing timing. The Company has diversified its funding sources with an objective to reduce borrowing cost, earn an adequate net interest margin and improve liquidity. As on 31st March, 2015, the Company's funding sources comprised 24% from banks and financial institutions, 11% from NHB refinancing, 29% from public deposits, 27% from NCDs and 9% through commercial paper. The borrowings that are maturing within twelve months from the end of the year, constitute 32.42% (previous year 21.36%) of the total borrowings of ₹16,752 crores (previous year ₹10,241 crores). The outstanding borrowings at fixed interest rates were ₹7,558 crores (previous year ₹4,170



crores), which was 45% (previous year 41%) of the total outstanding borrowings. The average cost of total borrowings during the year was 9.42% p.a. vis-a-vis 9.67% p.a. in the previous year.

### Subordinated Debt

During the year, the Company raised ₹200 crores of long-term unsecured redeemable non convertible subordinated debentures. The debt is subordinated to present and future senior indebtedness of the Company. It is rated 'CRISIL AA+' and 'ICRA AA+', indicating high safety with regard to timely payment of interest and principal, with stable outlook. The outstanding subordinated debt as on 31st March, 2015 was ₹500 crores. Based on the balance term to maturity as on 31st March, 2015, ₹400 crores of the book value of subordinated debt is considered as Tier II capital under the guidelines issued by NHB for the purpose of computation of CRAR.

### External Commercial Borrowing (ECB)

During the year, the Company has raised \$100 million of ECB in the form of a syndicated loan facility for a duration of 5 years. The ECB raised was under the low cost affordable housing scheme of the RBI. PNB HFL is one of the four housing finance companies to draw an ECB under this window during FY 2014-15. The proceeds have to be utilised for financing prospective owners of low cost affordable housing units. As per the RBI norms, low cost affordable housing units have been defined as units where the property cost is up to ₹30 lacs, where the carpet area of the unit does not exceed 60 square metres and the loan amount is capped at ₹25 lacs. The principal and spread has been fully hedged as per the guidelines of RBI.

### Fixed Deposits

During the year, the Company received incremental deposits of ₹3,185 crores (net of maturities). The outstanding deposits have increased from ₹1,712 crores at the beginning of the year to ₹4,897 crores by the end of the year, registering a growth of 186%. The outstanding balance of public deposits now constitutes 29% of the total outstanding borrowings as on 31st March, 2015.

PNB HFL's deposit programme is rated 'FAAA' by CRISIL. This rating indicates highest safety with regard to the repayment of principal and interest.

PNB HFL has been offering brokerage to its deposit referral associates. The brokerage structure is linked to the term of deposits mobilised. PNB HFL has been amortising the brokerage paid over the tenure of deposits mobilised.

### Term Loans from Banks, Institutions and Refinance from NHB

The Company has borrowed funds for both long and short term maturities from the banking sector at competitive rates. The Company has raised fresh loans from banks aggregating to ₹1,611 crores during the year and repaid loans aggregating to ₹2,289 crores. Term loans from banks have been secured by a negative lien on all assets of the Company excluding specific immovable properties mortgaged in favour of the debenture trustees for issuance of NCDs and the statutory liquid assets having floating charge in favour of the public deposit trustees against public deposits. The outstanding balance of bank loans was ₹3,404 crores as on 31st March, 2015.

During the year, Company has availed refinance of ₹1,010 crores from NHB. The outstanding refinance from NHB as on 31st March, 2015 was ₹1,774 crores and secured by hypothecation of specific loans/books debt against which refinance has been availed.

### Secured Non Convertible Debenture (NCD)

During the year, the Company raised ₹900 crores through secured non-convertible debentures via private placement. The Company's NCD issues have been listed on the wholesale debt market segment of the NSE. The NCDs are secured by mortgage of specific immovable property and by hypothecation of book debt to the extent of 1.10 - 1.25 times of outstanding amount. The Company's NCDs are rated 'CARE AAA', 'CRISIL AA+/stable' and 'ICRA AA+/positive' indicating high safety with respect to timely payment of interest and principal. The outstanding balance of secured NCDs as on 31st March, 2015 was ₹3,965 crores.

### Commercial Paper

The Company uses commercial paper as a source of funding its working capital needs and to bridge financing till such time longer term securities are placed. During the year, the Company has raised ₹3,975 crores via issuance of commercial paper and

repaid ₹2,375 crores. Company's short-term borrowings including commercial paper, are rated 'CARE A1+'. These ratings indicate highest safety with respect to timely repayment. The outstanding balance of commercial paper as on 31st March, 2015 was ₹1,600 crores.

#### Judicious Mix of Borrowings

₹ in crores

	Mar-14	%Share	Mar-15	%Share
Banks	4,083	39.86	3,405	20.33
NCDs	3,450	33.69	4,465	26.65
Refinance (NHB)	996	9.73	1,774	10.59
Deposits	1,712	16.72	4,897	29.23
ECB	-	-	611	3.65
Commercial Paper	-	-	1,600	9.55
Total	10,241	100.00	16,752	100.00

#### Sale/Assignment of Loans

During the year, the Company has raised ₹500 crores through securitisation of loan assets under direct assignment route to Punjab National Bank.

#### Provision for Standard Assets, NPAs & Contingencies

As per the prudential norms prescribed by NHB for standard loan assets, HFCs are required to carry a provision of 0.40% on individual loans, 1% on individual non residential property loans, 0.75% on developer loans for residential projects and 1% on developer loans for commercial projects.

During the year, a further provision of ₹31.22 crores was made on standard assets. As on 31st March, 2015 the Company carried a provision of ₹78 crores on standard assets, which is 0.46% of standard assets of ₹16,785 crores (previous year ₹46.78 crores provision on standard assets of ₹10,557 crores).

During the year, PNB HFL made a provision of ₹5.46 crores for non performing assets (NPA). As on 31st March, 2015 the Company carried a provision of ₹22.77 crores (previous year ₹17.32 crores) towards non performing assets of ₹34.14 crores (previous year ₹33.72 crores).

As on 31st March, 2015 the Company carried a total provision of ₹100.77 crores under non performing assets and standard assets, against gross non performing assets of ₹34.14 crores. Accordingly, the

provision coverage ratio stood at 295% (previous year 190%).

#### Overview of PNB HFL Performance in FY 2014-15

##### Business highlights:

- The Company's assets under management (AUM) stood at ₹17,297 crores at the close of FY 2014-15. This marks a 63% increase over the last year closing portfolio size of ₹10,591 crores.
- The loan portfolio outstanding was at ₹16,819 crores, a 59% rise over FY 2013-14. These growth rates are way ahead of the comparative industry growth rate of 18% CAGR during FY 2014-15.
- Loan approvals in FY 2014-15 were at ₹15,076 crores, indicating a growth of 71% over FY 2013-14. The Company has disbursed loans amounting to ₹9,440 crores, growing by 72% over last year. PNB HFL added close to 19,000 new loans to its portfolio in FY 2014-15 as against 10,000 new loans in FY 2013-14, indicating greater acceptance of the brand.

##### Financial Highlights:

During the year, the Company earned a profit before tax of ₹295.46 crores, and a profit after tax of ₹196.11 crores.

- Profit before tax grew by 68% as against 39% in the previous year.
- Profit after tax grew by 54% as against 39% in the previous year.
- Current year income tax provision (including provision for deferred tax) amounted to ₹99.67 crores as compared to ₹48.30 crores in the previous year. The effective income tax rate for the year is 33.70% as against 27.48% in the previous year.
- Return on average net worth for the year was 16.09% as against 17.09% in the previous year.
- Ratio of net interest margin to average assets was 3.21% for the current year as against 3.17% in the previous year.
- Cost-to-income ratio for the year was 30.94% as against 32.70% in the previous year.
- The earnings per share (basic) for the current year were ₹24.41 as against ₹25.42 for the previous year.



### Spread on Loans

The average yield on loan assets during the year was 11.73% p.a. as compared to 11.75% p.a. in the previous year. The average all inclusive cost of borrowings was 9.42% p.a. as compared to 9.66% p.a. in the previous year. The spread on loans over the cost of borrowings for the year was 2.31% p.a. as against 2.09% p.a. in FY 2013-14.

### Capital Adequacy Ratio

As per the regulatory norms, the minimum requirement for capital to risk asset ratio (CRAR) is 12% and for Tier I capital, it is 6% on the risk weighted assets. The Company's capital adequacy ratio as on 31st March, 2015 was 13.76%. The capital adequacy on account of Tier I capital was 10.41% and for Tier II capital it was 3.35%.

### NHB Guidelines and Prudential Norms

The Company has complied with the guidelines issued by NHB regarding accounting standards, prudential norms for asset classification, income recognition, provisioning, capital adequacy, concentration of credit, credit rating, 'Know Your Customer' (KYC), fair practices code and grievance redressal mechanism, recovery of dues, channel partners and real estate and capital market exposures.

The Company had no investment in excess of the limits prescribed by NHB with any one company or any single group of companies. Also, the Company has not made investment in any of the promoter group companies or in the stock markets.

The Company's total borrowings as on 31st March, 2015 were ₹16,751 crores which was within the permissible limit of 16 times of the net owned funds. Out of this, public deposits of ₹4,897 crores were within the limit of 5 times of the net owned funds, as prescribed by NHB. The Company has complied with the guidelines issued by NHB regarding the ceiling on interest rates offered on deposits and brokerage paid to the deposit referral associates.

### Inspection by National Housing Bank (NHB)

The NHB, under section 34 of the NHB Act, 1987 undertakes its inspection of HFCs every year. The NHB conducts comprehensive inspection of select few branches and also inspects lending, resource

raising, fixed deposit mobilisation and accounting activities apart from the compliances with the prudential guidelines issued by NHB.

For FY 2012-13, NHB had carried out such inspection of PNB HFL for the financial position as on 31st March, 2013. It had made certain observations and as per the advice, a disclosure has been made by way of a separate note 24(a) in the notes to financial statements of the current year.

### Asset Liability Management

The Company has formulated an asset liability management (ALM) policy which lays down the mechanism for assessment of various types of risks and altering the asset-liability portfolio in a dynamic manner to mitigate such risks. There is ongoing monitoring of the maturity profile of assets and liabilities by Asset Liability Management Committee (ALCO) - a strategic decision making body constituted by the Board, to mitigate the risks arising from cash flow mismatches. It comprises of the Managing Director, Business Head, Chief Financial Officer, Chief Operations and Technology Officer, Chief Risk Officer, Company Secretary & Head Compliance.

### Internal Audit

The Company has a well-equipped internal audit department which carries out regular independent evaluation of various activities undertaken by the Company through its branches, zonal offices and central support office. The internal audit department is headed by senior management personnel with reporting line to the Audit Committee of the Board and dotted line reporting to the Managing Director.

The audit function maintains its independence and objectivity while carrying out assignments. It evaluates on a continuous basis, the adequacy and effectiveness of internal control mechanism, adherence to policies, procedures as well as regulatory and legal requirements. The function also proactively recommends improvement in operational processes and suggests streamlining of controls against various risks. The Audit Committee of the Board reviews the performance of the internal audit on a continuous basis, gives direction to its functionaries and reviews effectiveness of internal control systems.



### Corporate Social Responsibility

In line with the new Companies Act, PNB HFL has formalised its CSR policy, which will guide the Company in serving the society through meaningfully aligned CSR activities. A dedicated CSR committee has been formed, which has planned the way forward for PNB HFL's social initiatives.

#### Day Care Centre for Children

PNB HFL has joined hands with Mobile Crèches India and has established a day care centre for the children of labour at construction site. The centre focuses on areas such as education, nutrition, health and parental guidance. Future plans include replicating this initiative at other construction sites as well.



#### Donation Drive for J&K Flood Relief - Sahayata Sankalp

Employees of PNB HFL participated in 'Sahayata Sankalp', a donation drive to help people of Jammu & Kashmir, who had lost their homes, livelihood and loved ones in the flood disaster. The spirit of volunteerism observed during this initiative was truly inspiring.

#### Prime Minister's Relief Fund

PNB HFL contributes to the PM relief fund as well, in order to support the relief initiatives by the government.

#### Future Outlook

PNB HFL will continue to strengthen its partnerships with its business associates and explore new avenues for strategic tie-ups which complement its business

model. The Company will explore different CSR initiatives and participate actively wherever it can play a meaningful role in contributing to the society. Through its various constituents in terms of network of associates across different sourcing and processing verticals, the Company is in a position to create employment opportunities for hundreds of deserving candidates. By virtue of its experience in the housing finance industry, PNB HFL will be able to add value towards the formulation of policies and practices that impact this important and vibrant industry. As and when opportunities arise in these areas, PNB HFL will play its role responsibly and in the process add its humble contribution towards nation building.

The Company's key agenda for FY 2015-16 includes managing growth, stabilisation of enterprise system solution and retention of customers and employees. Stabilisation of the enterprise system solution, the employee productivity and ease of closing business will see a sea change, which will bring forth unique service differentiators in the industry.

#### Cautionary Note

*This Annual Report contains forward-looking statements and information identified by words 'plans', 'intends', 'will', 'anticipate', 'estimates', 'expects' and so on. Such statements are based on our current expectations and certain assumptions, which are subject to certain risks and uncertainties. Should one or more of these risks or uncertainties materialise, or should underlying assumptions prove incorrect, actual results could vary. PNB HFL does not intend to assume any obligation or update or revise these forward-looking statements in light of developments, which may differ from those anticipated.*

#### Data Source

*The industry data, wherever mentioned in the annual report has been sourced from various published reports:*

- ICRA Industry Update
- CRISIL
- Global Economic Prospects
- Economic Survey



## Directors' Report to the Members

Your Directors have the pleasure in presenting the 27th Annual Report together with the Audited Accounts of the company for the year ended 31st March, 2015.

### 1. FINANCIAL PERFORMANCE

₹ in crores

	As on March 31st, 2015	As on March 31st, 2014
Profit/Loss before tax	295.77	175.74
<b>Less: Provision for Tax</b>		
- Current year	89.80	50.00
- Earlier years	-	0.65
- Deferred Tax	9.87	(2.35)
<b>Profit/Loss After Tax</b>	<b>196.11</b>	<b>127.44</b>
<b>Add: Balance brought for-ward from the previous year</b>	<b>11.50</b>	<b>12.21</b>
	<b>207.61</b>	<b>139.65</b>
<b>Appropriation of Profits</b>		
Transfer to Special Reserve (including u/s 29C of NHB Act, 1987)	39.25	25.55
Transfer to General Reserve	25.00	85.00
Proposed Dividend	24.10	15.04
Dividend distribution Tax	4.91	2.56
CSR Activities	2.69	-
Balance carried to Balance Sheet	111.66	11.50
	<b>207.61</b>	<b>139.65</b>

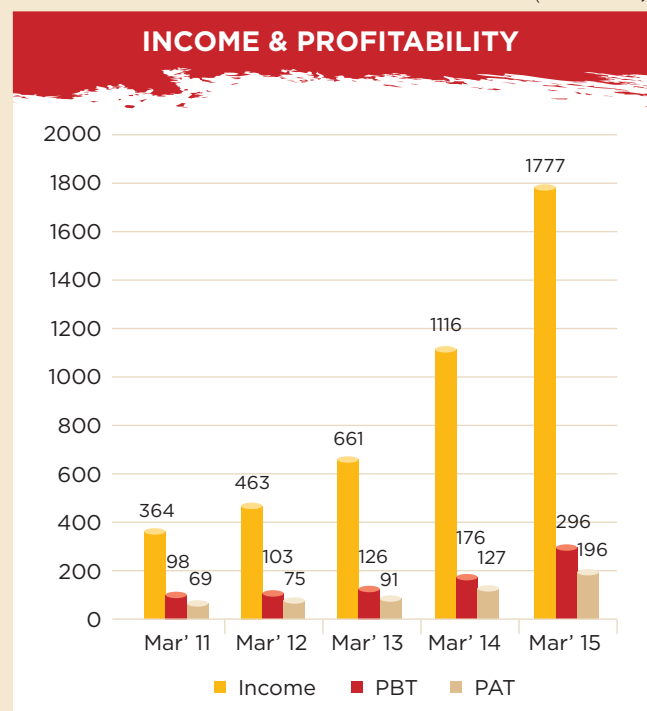
#### Income

During the year, the Company's revenue from operations was ₹1,776.73 crores as compared to ₹1,116.02 crores in the previous year, recording a growth of 59%. Out of the total revenue, interest income on loans was ₹1,597.64 crores, a growth of 60%, investment income was ₹108.50 crores, a growth of 43% and other income was ₹70.59 crores, a growth of 80%.

#### Expenses

Total expenses (except provisions and write offs) during the year were ₹1,442.85 crores as compared to ₹909.84 crores in the previous year, a growth of 59%. Out of total expenses for the year, interest expenditure was ₹1,264.84 crores (₹801.15 crores) and operating expenditure was ₹178.01 crores (₹108.69 crores).

(₹ in crores)



## 2. DIVIDEND

Your Directors are pleased to recommend a dividend of 30% (last year 30%) on enhanced equity share capital, post Rights Issue. Total dividend, including dividend distribution tax is ₹29.01 crores which will be paid pro-rate on enhanced equity capital.

## 3. LOANS PERFORMANCE

During the year, the Company has sanctioned loans to more than 27,000 customers amounting to ₹15,076 crores as compared to over 13,000 customers amounting to ₹8,840 crores in the previous year, recording a growth of 107% in sanction number and 71% in sanction amount.

During the year, the Company has disbursed loans of ₹9,440 crores as compared to ₹5,500 crores in the previous year, recording a growth of 72%.

Out of total disbursements, ₹6,510 crores loans were disbursed for housing and ₹2,930 crores were disbursed for non-housing purposes. Cumulative sanctions and disbursements as on 31st March, 2015 were ₹38,533 crores and ₹26,216 crores respectively.

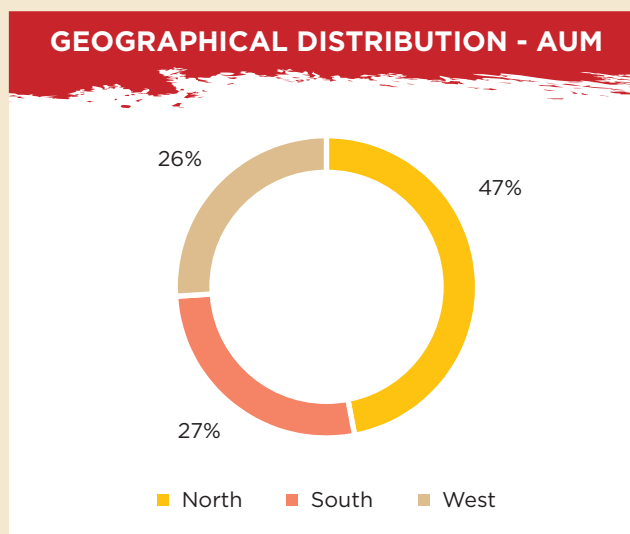
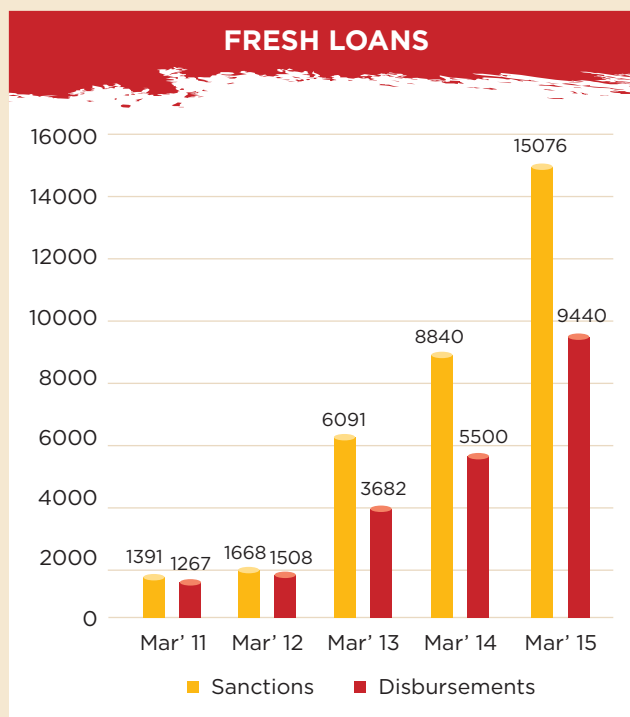
Out of total loan sanctioned during the year, loans of ₹228 crores are eligible under Golden Jubilee Rural Housing Scheme of Government of India, in respect to 574 units.

### Loans Outstanding

Total loans outstanding as at 31st March, 2015 were ₹16,819 crores, recording a growth of 59% over the last year. Loan outstanding comprises ₹10,357 crores for individual housing loan, ₹1,279 crores for construction finance and ₹5,183 crores for non-housing loans.

During the year, the Company has securitized housing loan portfolio of ₹500 crores. The total Assets Under Management (AUM) as on 31st March, 2015 were ₹17,297 crores.

(₹ in crores)



During the year under review, an amount of ₹3,213 crores was received by way of scheduled re-payment and pre-payment of loan amount.

The average loan outstanding per individual customer as on 31st March, 2015 was ₹25 lac. The average ticket size for fresh loans sanctioned during the year was ₹56 lac.



### Branch Network

During the year, the Company has opened six intra city branch offices; two in Bengaluru, one each at Chennai, Delhi, Pune and Thane. The Company has a network of 38 branches.

During the year, the Company opened 10 more Regional Hubs at Ahmedabad, Chennai, Dehradun, Hyderabad, Kolkatta, Kochi, Lucknow, New Delhi, Pune and Thane. The Company has three zonal hubs; North (at NOIDA), West (at Mumbai) and South (at Bengaluru). The zonal hubs are supported by thirteen regional hubs; 6 in North, 4 in West and 3 in South.

### Recoveries and Non-Performing Loans

The Company has further brought down gross non-performing assets from 0.32% to 0.20% and net non-performing assets from 0.16% to 0.07%. In terms of absolute amount, gross non-performing assets as on 31st March, 2015 were ₹34.14 crores and net non-performing assets (after provision as per NHB Directions) were ₹11.37 crores.

The total delinquencies (one day past due) were 1.19%, which is lowest ever for the Company.

During the year, recovery proceedings under Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI) was initiated for 467 loan accounts amounting to ₹84.67 crores. The Company re-possessed properties in 57 accounts amounting to ₹28.33 crores.

### Provisions and Write Off

During the year, the Company has made a provision of ₹37.08 crores towards non-performing and standard loans as per NHB Directions, 2010. The Company has written off bad loans of ₹1.02 crores during the year.

As on 31st March, 2015, the Company is carrying total provision of ₹78 crores on standard loans. The Company is also carrying a provision of ₹22.77 crores on non-performing loans. The Company is thus carrying a total provision of ₹100.77 crores on loan assets.

## 4. RIGHTS ISSUE

The Board of Directors had approved Rights

Issue of 7,69,23,000 equity shares of ₹10/- each at a premium of ₹120/- per share aggregating to ₹1,000 crore on 8th August, 2013. The shares were allotted to existing shareholders; Punjab National Bank (PNB) and Destimoney Enterprises Private Limited (DEPL) in the ratio of 51:49 respectively.

The Company had allotted 3,92,30,700 equity shares to PNB in FY 2013-14 and 3,76,92,300 equity shares to DEPL in FY 2014-15.

The Company has so far called ₹7/- per share in the Rights Issue along with proportionate premium of ₹84/- per share aggregating to ₹700 crores.

## 5. RESOURCES

Some of the major highlights for the year are-

- Company raised funds through External Commercial Borrowing (ECB) of USD 100 million under affordable housing route.
- Company securitized Home Loan Assets of ₹500 crores to PNB.
- Company raised short term funds through Commercial Paper to meet disbursement requirements.
- There was special focus on retail deposits of the Company which helped in replacing costly credit lines.
- Company has retired high cost Bank Borrowings during the year.
- Company has raised Tier-II bonds of ₹200 crores.

During the year, the Company borrowed ₹12,016 crores from various sources as under;

### Deposits

During the year, the Company has raised deposits of ₹3,769 crores including renewals. The total outstanding deposits (including unclaimed deposits) as at 31st March, 2015 were ₹4,897 crores as against ₹1,712 crores outstanding last year.

The Company has accepted deposits as per NHB Directions, 2010 and as per the provisions of the Companies Act, 2013. The Company has paid/accrued interest on all the outstanding deposits on due dates. There has been no default on repayment of deposits or payment of interest thereon during the year.

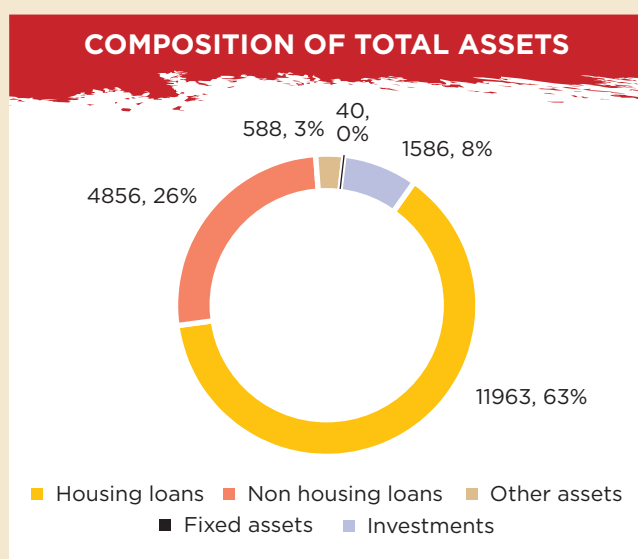
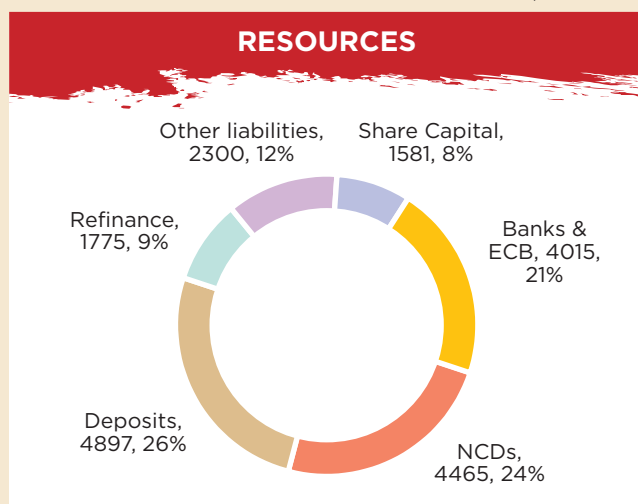
### Unclaimed Deposits

Out of the deposits, which became due for repayment up to 31st March, 2015, deposits of ₹8.79 crores, including interest accrued and due relating to 921 depositors had not been claimed or renewed.

Depositors have been intimated regarding the maturity of their deposits with request to either renew or claim the deposits and subsequent reminders have been sent.

During the year, the Company has transferred an amount of ₹3.37 lacs to Investor Education and Protection Fund (IEPF) established by the Central Government under section 125 of the Companies Act, 2013. In terms of the said section, no claim would lie against the Company after transfer to IEPF.

(₹ in crores)



### Non-Convertible Debentures (NCDs)

The Company raised ₹900 crores of secured NCDs and ₹200 crores of unsecured subordinated NCDs through private placement as under;

- 9.05% Series XVIII of ₹600 crores with 3 years maturity, issued on 21st October, 2014.
- 8.60% Series XIX of ₹300 crores with 3 years 2 months maturity, issued on 24th November, 2014.
- 8.70% unsecured subordinated NCDs of ₹200 crores with 10 years maturity, issued on 24th November, 2014.

The Company also redeemed on maturity, secured NCDs Series IX A of ₹75 crores on maturity on 9th November, 2014.

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

The outstanding balance of NCDs as on 31st March, 2015 was ₹4,465 crores as against ₹3,450 crores in the previous year.

### Bank Borrowings

During the year, the Company has raised term loans of ₹1,611 crores from commercial banks for onward lending operations.

### External Commercial Borrowings (ECB)

During the year, the Company has raised ECB of USD 100 million (equivalent to ₹611 crores) from IFC Washington and ANZ Bank.

### NHB Refinance

During the year, the Company has availed refinance of ₹1,010 crores under various schemes of NHB.

### Commercial Paper

During the year, the Company has raised short term funds of ₹3,975 crores through Commercial paper. After repayments on maturity, the net amount outstanding as on 31st March, 2015 was ₹1,600 crores.



## 6. CREDIT RATING

### Deposits

CRISIL has maintained credit rating on fixed deposit programme at FAAA/stable, which means highest safety.

### NCDs

CARE has upgraded rating of NCDs programme at CARE AAA. CRISIL has maintained credit rating of NCDs programme to CRISIL AA+/stable outlook. ICRA has rated NCDs at ICRA AA+/positive outlook.

### Commercial Paper

CRISIL has reaffirmed rating on commercial paper programme at CRISIL A1+.

All the above ratings indicate very high to highest safety for the various instruments issued by the Company to the investors.

## 7. BUSINESS OUTLOOK

The year gone by was the year of stabilization for the country's economy. The wholesale and retail inflation has started to settle down, globally the crude oil price has come down significantly and country's GDP has grown by over 7.4% (as per revised base). The Indian rupee was stable throughout the year as compared to huge volatility seen in FY 2013-14. The stability of crude oil prices and INR has enabled the government to manage its current account deficit much better.

The Reserve Bank of India has reduced the repo rate on two occasions. Due to cumulative impact of reduced inflation and reduction in repo rates by RBI, the interest rates have started to come down. The overall outlook is optimistic and there are signs of growing investments.

With the economy starting to perform better, the real estate sector is also expected to come out of slow growth. The Government is pushing for infrastructure growth and housing for all by the year 2022. There are optimistic signs for the economy and financial sector. The Company expects to maintain high growth trajectory in the current year as well.

## 8. 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.

The Know Your Customer (KYC) guidelines, Fair Practice 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.

During the year, NHB has advised HFCs to create Deferred Tax Liability (DTL) on the Special Reserves created and maintained under section 36 (1) (viii) of the Income Tax Act, 1961. Accordingly, the Company has created DTL on the amount transferred to Special Reserves during FY 2014-15. Further, as permitted by NHB, the Company has created DTL equivalent to 25% of Special Reserves created up to 31st March, 2014 directly from the General Reserves.

During the year, the NHB has issued fresh clarifications on pre-payment charges on floating rate housing and non-housing loans. The Company has complied with these directions from the date of its issuance.

## 9. CAPITAL ADEQUACY RATIO

The Capital Adequacy Ratio (CRAR) as on 31st March, 2015 was 13.76% (comprising Tier I capital of 10.41% and Tier II capital of 3.35%). The NHB has prescribed minimum CRAR of 12% of total risk weighted assets.

## 10. INVESTMENT IN SLR

The Company has maintained its Statutory Liquid Ratio (SLR) as stipulated by the NHB. The Company is having total SLR investments of ₹465.34 crores as on 31st March, 2015. The Company has classified its SLR investments as per NHB Directions, 2010.

## 11. RISK MANAGEMENT FRAMEWORK

The Company has broad risk management framework for risk assessment associated with its business and risk management. The formal risk management policy of the Company will be implemented in FY 2015-16 after approval by the Board.

The Board has approved Company's asset liability management (ALM) policy, which lays down mechanisms for assessment of various types of risks and altering the asset-liability portfolio in a dynamic way to manage such risks. There is an on-going monitoring of the maturity profile of assets and liabilities by Asset Liability Management Committee (ALCO) - a strategic decision making body constituted by the Board, to mitigate the risks arising from cash flow mismatches, comprising of the Managing Director and other senior functionaries.

## 12. HUMAN RESOURCES

'People First' is Company's motto. The Company is in a service oriented industry where human element is most important. In order to meet growing manpower needs, the Company has employed talent through its efficient recruitment program with individuals having the right skill sets and attitude.

Company has a contemporary Performance Management and Total Rewards program, which has consistently helped in achievement of organizational goals. The structured alignment of individual, functional and organizational goals has succeeded in fostering a high performance work culture.

In order to meet business requirement, fresh hiring were made across functions. As on 31st March, 2015, the company had a total of 631 full time employees on its rolls.

## 13. PARTICULARS OF EMPLOYEES

Company had only one employee as at 31st March, 2015 employed throughout the year who was in receipt of remuneration of ₹60 lacs or more per annum.

## 14. CHANGES IN KEY MANAGEMENT PERSONNEL (KMP)

During the year, Mr. Jayesh Jain has joined the Company as Chief Financial Officer (CFO) with effect from 22nd August, 2014.

## 15. AWARDS AND RECOGNITION

During FY 2014-15, the Company was the proud recipient of the following two recognitions.

"Best Practices in Talent Management":

PNB HFL was recognised and awarded with National award for 'Best Practices in Talent Management' for the year 2014 by Delhi Management Associations (DMA) & Thomas International.

"Microsoft recognising PNB HFL for early adoption of Cloud Services"

Microsoft recognised PNB HFL amongst the pioneer institutions and the first Public Financial Institution to adopt email and unified communication on cloud, i.e. Office 365. This shift to Office 365 has given PNB HFL a 100% uptime and 70% savings on cost in comparison with an in-house set up.

## 16. CORPORATE SOCIAL RESPONSIBILITY (CSR)

In accordance with the provisions of section 135 of the Companies Act, 2013 and rules framed thereunder the Company has constituted a CSR Committee of four directors; The Board has approved CSR policy which has been uploaded on Company's website.

The CSR Committee reviews the CSR policy, indicate activities to be undertaken by the Company towards CSR activities, and formulate a monitoring mechanism to ensure implementation of projects and activities undertaken by the Company.

During the year, the Company has spent a sum of ₹0.27 crores on various CSR activities. The Company has set aside balance amount of ₹2.43 crores out of the profits of the Company for CSR activities to be undertaken in future.

The annual report on CSR activities undertaken during the year forms part of Annexure "A" to the Board's Report.



## 17. PARTICULARS REGARDING CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND EXPENDITURE

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 the Company incurred foreign exchange expenditure of ₹42.30 crores during the year.

## 18. CORPORATE GOVERNANCE

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.

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. The Board has approved a Charter for the Audit Committee as required under the Companies Act.

In addition, there are five Operational Matters Committees such as Nomination and Remuneration Committee, Credit Committee, Business Process Committee, CSR Committee and Marketing Committee of the Board.

The Company has entrusted the Audit Committee to oversee Vigil Mechanism and Business Process Committee to also act as Stakeholders' Relationship Committee.

In addition, the Company has Asset Liability Management Committee (ALCO) to oversee movement of assets and liabilities, liquidity requirement, movement of interest rates and determine interest rate structure on assets and liabilities.

During the year, the Board of the Company had met six times and the Audit Committee met

four times. There were twenty four meetings of other Operational Matters Committees as per the business requirements of the Company.

The independent directors have evaluated the performance of the Board during last year and they have appreciated overall performance of the Board.

## 19. BOARD OF DIRECTORS

Mr. K. R. Kamath, who was Chairman of the Board resigned on 27th October, 2014 upon completion of his tenure as Chairman and Managing Director of Punjab National Bank. Your Board wish to place on record significant growth achieved by the Company in the last five years under his guidance and leadership.

During the year, the parent Company of Destimoney Enterprises Private Limited (DEPL) sold its entire shareholding to Quality Investment Holdings, which is owned by Carlyle Asia Partners IV, LP, which is the flagship Asia buyout fund of the Carlyle Group. As a result, Mr. Vivek Vig and Mr. Anand Dorairaj resigned from the Board on 5th March, 2015.

Mr. G. N. Bajpai resigned from the Board on 8th August, 2014 due to personal reasons.

Mr. S. S. Bhatia has resigned from the Board on 31st March, 2015 upon attaining the age of superannuation in Punjab National Bank.

Your directors wish to place on record contributions made by these directors on the Board and its various Committees.

### New Directors

Mr. Gauri Shankar, MD & CEO of Punjab National Bank has joined the Board on 5th March, 2015 as Chairman of the Board. Mr. Sunil Kaul, who is the Managing Director, Carlyle Group and Mr. Devinjit Singh who is Managing Director of Carlyle India Advisors Private Limited were nominated by the DEPL on the Board of the Company with effect from 5th March, 2015. Mrs. Kalpana Gupta, Divisional Head, Retail Banking Division, Punjab National Bank has joined as Director on 16th July, 2015.

Your Board recommends their appointment in



the forthcoming Annual General Meeting of the Company.

### Managing Director

The five years term of Mr. Sanjaya Gupta is coming to an end on 24th June, 2015. In accordance with the provisions of the Companies Act, 2013, the Board has re-appointed Mr. Sanjaya Gupta as Managing Director of the Company for a five years term on 5th May, 2015.

### Re-appointment of Directors

Necessary resolutions for appointment/re-appointment of directors have been included in the notice convening the ensuing Annual General Meeting and details of appointment/re-appointment of directors have been mentioned in the explanatory statement of the notice.

Your directors recommend their re-appointment in the forthcoming Annual General Meeting of the Company. All the directors have confirmed that they are not disqualified from being appointed/re-appointed as directors in terms of Section 164 of Companies Act, 2013.

## 20. DISCLOSURE ON MANAGERIAL REMUNERATION

Details of Managerial remuneration as required under Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is given as per Annexure B to this report.

## 21. STATUTORY AUDITORS

During the year, the Comptroller and Auditor General of India has appointed Messrs B. R. Maheswari & Co having registration no. 001035N as statutory auditors for the financial year ended 31st March, 2015. The statutory auditors have not made any adverse comments on the working of the Company. The report of statutory auditors on annual accounts is enclosed along with Directors' Report.

## 22. REVIEW OF ACCOUNTS BY C & AG

The annual accounts for the year ended 31st March, 2015 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 year 2014-15.

## 23. DIRECTORS' RESPONSIBILITY STATEMENT

In terms of the provisions of section 134 (5) of the Companies Act, 2013 the Board of Directors Report that;

- i. In preparation of annual accounts, the applicable accounting standards has been followed.
- ii. Company has selected such accounting policies and applied them consistently and made judgements 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 31st March, 2015 and the profit and loss account for the year ended 31st March, 2015.
- iii. Company has 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 has prepared the accounts on a going concern basis.
- v. Company has laid down internal controls which are adequate and are operating effectively.
- vi. Company has devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and are operating effectively.

## 24. EXTRACTS OF ANNUAL RETURN (FORM NO. MGT 9)

The details forming part of the extracts of the Annual Return in Form MGT-9 is given in Annexure "B" to this Report.



## 25. SECRETARIAL AUDIT REPORT

Pursuant to the provisions of section 204 of the Companies Act, 2013 the Company has appointed M/s Preeti Pahwa & Associates a firm of Company Secretaries in practice to undertake the Secretarial Audit of the Company. The Report of the Secretarial Audit is annexed herewith as Annexure "C".

## 26. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS MADE

Since the Company is a housing finance company, the disclosure regarding particulars of loans given, guarantees given and security provided is exempt under the provisions of section 186(11) of the Companies Act, 2013.

The details of investments made by the Company are provided under note 12 and note 15 forming part of Annual Accounts of the Company for the year ended 31st March, 2015.

## 27. PARTICULARS OF CONTRACT OR ARRANGEMENTS ENTERED INTO WITH RELATED PARTIES

During the year, the Company availed fresh term loans of ₹500 crores and overdraft facility from time to time from Punjab National Bank. The Company securitized by sale a housing loan portfolio of ₹500 crores to Punjab National Bank. All the transactions with Punjab National Bank were entered into by the Company in the ordinary course of business, at arm's length and after approval by the Board.

During the year, the Company renewed its agreement for sourcing loans business with Destimoney Enterprises Private Limited (DEPL). The agreement with DEPL was at arm's length and as per Board approved commission structure. The Company paid a commission of ₹3.39 crores to DEPL for the business sourced.

## 28. MATERIAL CHANGES, DETAILS OF SUBSIDIARIES AND LITIGATIONS

There has been no material changes and commitment, affecting the financial position of the Company which has occurred between the

close of the financial year to which the financial statement relates and the date of the Report.

There has been no change in the nature of business of the Company. No material or significant order has been passed by the Regulator or Courts or Tribunals impacting the going concern status of the Company.

The Company does not have any subsidiary.

## 29. ACKNOWLEDGEMENTS

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

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.

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.

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 Board

**Gauri Shankar**  
Chairman

Dated: 3rd August, 2015  
Place: New Delhi

## ANNEXURE A TO DIRECTORS' REPORT – ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES

1. A brief outline of Company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs.

### Company's CSR Policy

The Company has an obligation to the society and is committed towards social responsibilities in a meaningful manner. PNB HFL shall be responsive, imaginative and sensitive to the social needs in the same manner in which it treats its customers, business associates, shareholders and employees.

### Objective

The CSR policy of the Company will ensure an effective and sustained CSR programme which will manifest in the form of a progressive, socially responsible and enlightened attitude. CSR activities will be environment friendly and conducive to growth.

### Guiding Principles

CSR policy of the Company will create social and environmental value and enhancing relationships with key stakeholders and customers. The guiding principles for undertaking CSR framework by the Company are as under:

- (a) **Sustainability:** CSR projects will be closely linked with the principles of sustainable development.
- (b) **Accountability:** CSR initiatives of the Company will be guided by section 135 of the Companies Act, 2013, rules made thereunder and National CSR Guidelines issued by the Government of India from time to time.
- (c) **Transparency:** Company will undertake ethical business practices building on existing systems for maintaining transparency and accountability.

### Focus Areas for CSR initiatives

The broad frame work for CSR initiatives recommended to be undertaken by the Company would be as per section 135 and schedule VII of Companies Act, 2013.

- i) **Hunger, Malnutrition and Health:** Contribute towards eradicating extreme hunger, malnutrition, promoting healthcare and sanitation, and make available safe drinking water and general hygiene for the target segment. Establishing day care centres for underprivileged and differentially abled children.
- ii) **Education:** Promoting education for economically weaker section, migratory construction site workers and their children, women, differently abled and livelihood enhancement projects; monetary and material contributions to academic institutions promoting education for the underprivileged, with an aim of assisting students in their studies.
- iii) **Gender Equality, Empowerment of Women and Care for Senior Citizens:** Promoting gender equality and empowering women; setting up homes and day care centres for women and orphans; assist/co-partner in setting up of old age homes for senior citizens.
- iv) **Environmental Sustainability:** Ensuring and encouraging environmental sustainability projects; encourage usage of environmental friendly alternate sources of energy and power. Protection of flora and fauna and animal welfare.
- v) **National Heritage, Art and Culture:** Protecting national heritage, art and culture including restoration of buildings and sites of historical importance and work of art. Participate and contribute towards activities promoting and developing traditional art and handicrafts.
- vi) **Others:** In case of any natural calamity / disaster contribute towards Prime minister relief fund or any specific fund maintained by Central/state Government of India; measures for welfare and benefit of armed forces veterans, war widows and their dependents. For further details please refer to the link shared below-

<http://pnbhousing.com/pdf/CSR-policy-final.pdf>



During FY 2014-15, Company has undertaken various activities in the sectors of;

- (i) Promoting preventive health, providing nutrition, addressing issues of malnutrition,
- (ii) Proper immunization through regular doctor's visit, health cards are maintained and linkages are built between community and PHC.
- (iii) Promoting education.
- (iv) Communicating with the parents on issues affecting the children's and their own lives and building their capacities to respond sensitively and appropriately to their children's needs becomes necessary.
- (v) Saathi Sammooh, a new initiative was undertaken to identify 3-4 community members at every site and build their leadership skills.
- (vi) PNB HFL has also made direct Contribution to PM National Relief Fund.

## 2. The Composition of the CSR Committee

The CSR Committee is comprised of Dr. Ram S Sangapure, Mr. Sunil Kaul, Mr. Tejinder Singh Laschar and Mr. Sanjaya Gupta.

## 3. Average Net Profit of the Company for Last Three Financial Years: ₹134.79 crores.

## 4. Prescribed CSR Expenditure: The Company was required to spend ₹2.69 crores towards CSR.

## 5. Details of CSR spend for the Financial Year

- a. Total CSR Expense Incurred During FY 2014-15: ₹0.27 crores.
- b. Amount unspent, if any: ₹2.42 crores.
- c. Manner in which the amount spent during the financial year is detailed below-

## 6. Reasons for Not Spending the Full Amount

The Company has framed its CSR policy in January 2015 and since then, the Committee has on a priority basis articulated the amount to be spent as per CSR policy of the company. The CSR committee has considered various proposals for funding and looked at the sustainability and scalability of the project the funds were released. The Company has deployed a dedicated resource for identifying CSR activities, strategy and planning has been finalized by the CSR executive committee. The Company has set aside the unspent amount of ₹2.42 crores and in the FY 2015-16 the CSR activities will be timely rolled out.

## 7. We State the Implementation and Monitoring of the CSR Policy is in Accordance with CSR Objectives and Policy of the Company.

Managing Director

Chairman of CSR Committee

Sr. No.	CSR Project or activity identified	Sector in which the project is covered	Projects or Programs	Amount outlay (budget) project or program wise	Amount spent on the project or programs Sub-heads: (1) Direct Expenditure on projects or programs. (2) overheads	Cumulative expenditure up to the reporting period.	Amount spent: direct or through implementing agency
1.	Eradicating Malnutrition and promoting education	Education Nutrition Health Community communication	Adopt a day care centre at a construction site	₹0.07 Cr.	₹0.07 Cr.	₹0.07 Cr.	Implementing Agency
2.	Contribution to PM National Relief Fund	Contribution to PM National Relief Fund	Contribution to PM National Relief Fund	₹0.20 Cr.	₹0.20 Cr.	₹0.20 Cr.	Direct
<b>Total Amount</b>				<b>₹0.27 Cr.</b>	<b>₹0.27 Cr.</b>	<b>₹0.27 Cr.</b>	<b>NA</b>

## Implementing Agency

### Mobile Creches for Working Mothers' Children (MC)

Over four decades ago Mobile Crèches (MC) came into being with the first crèche, at a construction site, for the children of migrant construction workers.

Since 1969 MC has been providing health and childcare services to children at construction sites and urban slums in Delhi (NCR). MC has focused its energies into working closely with the urban slum communities in Delhi NCR, expanding its training initiatives through the entire Hindi speaking belt and building facilitative partnerships with real estate developers for creches at their sites.

Mobile Crèches has its dual focus on the young child under-6 years in both urban slums and construction sites. In a backdrop of uncertain wages, lack of family support systems for childcare and poor provisions of potable water, sanitation and health care, MC intervenes to ensure the holistic development of the young children with a special focus on 0-3 years.

## PM National Relief Fund

In pursuance of an appeal by the then Prime Minister, Pt. Jawaharlal Nehru in January, 1948, the Prime Minister's National Relief Fund (PMNRF) was established with public contributions to assist displaced persons from Pakistan. The resources of the PMNRF are now utilized primarily to render immediate relief to families of those affected in natural calamities like floods, cyclones, earthquakes, etc. and to the victims of major accidents and riots. Assistance from PMNRF is also rendered, to partially defray the expenses for medical treatment like heart surgeries, kidney transplantation, cancer treatment, etc. The fund consists entirely of public contributions and does not get any budgetary support. The corpus of the fund is invested with banks in fixed deposits. Disbursements are made with the approval of the Prime Minister. PMNRF has not been constituted by the Parliament.

## ANNEXURE B

### FORM MGT 9

#### Extracts of Annual return As on 31st March, 2015

(Pursuant to section 92 (3) of the Companies Act, 2013 and rule 12 (1) of the Companies Management and Administration Rules, 2014)

#### 1. Registration and other details

CIN	U65922DL1988PLC033856
Registration Date	11th November, 1988
Name of the Company	PNB Housing Finance Limited
Category/Sub Category of the Company	Housing Finance
Address of the registered office and contact details	9th Floor, Antriksh Bhawan, 22, K G Marg, New Delhi-110001, Tel: 011-23357172, Fax: 011-23357173
Whether Listed Company	No (Only NCDs are listed on NSE)
Name and Contact details of Registrar and Transfer Agent	Not applicable



## 2. Principal Business Activities of the Company

Sr. No.	Name and description of main products / services	NIC code of the product/service	% of the total turnover of the Company
1.	Housing Finance	65923	100%

## 3. Particulars of Holding, Subsidiary and Associate Companies

Sr. No.	Name and address of the Company	CIN/GLN	Holding/Subsidiary /Associate	% of shares held	Applicable section
1.	Punjab National Bank 7, Bhikaiji Cama Place, New Delhi-110607	Bank	Holding Company	51%	2 (46)

## 4. Shareholding Pattern (Equity Share Capital Break Up as Percentage of Total Equity)

Category of Shareholder	No. of shares held at the beginning of the year (De-mat.)		No. of shares held at the end of the year (D. mat.)		% change of the during the year
	Number	% age of shares	Number	% age of shares	
A. Promoters					
1) Indian	-	-	-	-	-
k) Banks	64730700	72.54%	64730700	51%	-21.54%
j) Bodies Corp.	-	-	-	-	-
<b>Total</b>	<b>64730700</b>	<b>72.54%</b>	<b>64730700</b>	<b>51%</b>	<b>-21.54%</b>
2) Foreign	Nil	Nil	Nil	Nil	Nil
Total shareholding of promoters	64730700	72.54%	64730700	51%	-21.54%
B. Public shareholding	Nil	Nil	Nil	Nil	Nil
C. Shares held by custodian for GDRs and ADRs	Nil	Nil	Nil	Nil	Nil
D. Bodies Corporate	24500000	27.46%	62192300	49%	+21.54%
<b>E. Grand Total</b>	<b>89230700</b>	<b>100%</b>	<b>126923000</b>	<b>100%</b>	

### ii. Shareholding of Promoters

Category of Shareholder	No. of shares held at the beginning of the year (De-mat.)			No. of shares held at the end of the year (D. mat.)			% change during the year	
	Name	No. of shares	% of total shares of the Co.	% of total shares encumbered / pledged	No. of shares	% of total shares of the Co.	% of total shares encumbered / pledged	% change in holding during the year
	Punjab National Bank	64730700	72.54%	Nil	64730700	51%	Nil	-21.54%

### iii. Change in Promoters' Shareholding

Sr. No.		Shareholding at the beginning of the year		Cumulative shareholding during the year	
		No. of shares of the Company	% of the total shares	No. of shares of the Company	% of the total shares
1.	At the beginning of the year	64730700	72.54%	64730700	51%
2.	At the end of the year	64730700	51%		

### iv. Shareholding Pattern of Top 10 Shareholders:

Category of Shareholder	No. of shares held at the beginning of the year (De-mat.)			No. of shares held at the end of the year (D. mat.)			% change during the year
	Shareholder Name	No. of shares	% of total shares of the Co.	% of total shares encumbered / pledged	No. of shares	% of total shares of the Co.	% of total shares encumbered / pledged
Punjab National Bank	64730700	72.54%	Nil	64730700	51%	Nil	-21.54%
Destimoney Enterprises Private Limited (DEPL)	24500000	27.46%	Nil	62192300	49%	Nil	+21.54%

### v. Shareholding of Directors and Key Management Personnel:

Nil

## 5. Indebtedness

### Indebtedness of the Company Including Interest Outstanding/Accrued but Not Due for Payment (₹ in crores)

	Secured loans excluding deposits	Unsecured loans	Deposits	Total indebtedness
<b>At the beginning of the financial year</b>				
1. Principal amount	8228.17	300.00	1582.29	10110.46
2. Interest due but not paid	-	-	-	-
3. Interest accrued but not due	15.38	-	129.97	145.35
<b>Total</b>	<b>8243.55</b>	<b>300.00</b>	<b>1712.26</b>	<b>10255.81</b>
Change in indebtedness during the financial year	1525.04	1800.00	3185.16	6510.21
<b>At the end of the financial year</b>				
1. Principal amount	9754.15	2100.00	4626.61	16480.76
2. Interest due but not paid	-	-	-	-
3. Interest accrued but not due	14.45	-	270.81	285.26
<b>Total</b>	<b>9768.59</b>	<b>2100.00</b>	<b>4897.43</b>	<b>16766.02</b>



## 6. Remuneration of Directors and Key Managerial Personnel

### A. Remuneration to Managing Director

Sr. No.	Particulars of remuneration	Name of the Managing Director	Total Amount in ₹
1	Gross Salary	Mr. Sanjaya Gupta	
	a) Salary (as per provisions contained in section 17(1) of the Income tax Act, 1961)		80,25,028/-
	b) Value of perquisites under section 17(2) of the Income tax Act, 1961		Nil
	c) Profits in lieu of salary under section 17(3) of the Income tax Act, 1961	-	Nil
2	Stock Option	-	Nil
3	Sweat Equity	-	Nil
4	Commission as % of profit	-	Nil
5	Performance Bonus	-	25,00,000/-
	<b>Total A</b>		<b>1,05,25,028/-</b>
	<b>Ceiling as per Act</b>		<b>14,86,00,000/-</b>

### B. Remuneration to Other Directors

Particulars of remuneration	Name of Directors				Total amount
	Mr. G N Bajpai	Mr. Tejinder Singh Laschar	Mr. P K Gupta	Mr. S K Jain	
<b>Independent Directors</b>					
Fee for attending Board/Committee Meetings	10,000/-	2,22,000/-	1,67,000/-	3,60,000/-	7,59,000/-
Commission	0	0	0	0	0
Others	0	0	0	0	0
<b>Other Non-executive directors</b>	<b>Paid to PNB for its nominee directors</b>				
Fee for attending Board / Committee Meetings	5,50,000/-	-	-	-	5,50,000/-
Commission	0	0	0	0	0
Others	0	0	0	0	0
<b>Total B</b>					<b>13,09,000/-</b>
<b>Total Managerial Remuneration</b>					<b>1,18,34,028/-</b>
<b>Overall Ceiling as per Act</b>					<b>32,69,00,000/-</b>



### C. Remuneration to Key Managerial Personnel Other than MD

Sr. No.	Particulars of remuneration	Key Managerial Personnel		
		Company Secretary	CFO	Total
1	Gross Salary			
	a) Salary (as per provisions contained in section 17(1) of the Income tax Act, 1961)	30,99,647/-	*27,45,196/-	58,44,843/-
	b) Value of perquisites under section 17(2) of the Income tax Act, 1961	-	-	-
	c) Profits in lieu of salary under section 17(3) of the Income tax Act, 1961	-	-	-
2	Stock Option	Nil	Nil	Nil
3	Sweat Equity	Nil	Nil	Nil
4	Commission as % of profit	Nil	Nil	Nil
5	Performance Bonus	4,00,000/-	-	4,00,000/-
	<b>Total</b>	<b>34,99,647/-</b>	<b>27,45,196/-</b>	<b>62,44,843/-</b>

\*For part of the year with effect from 22nd August 2014

### 7. Penalties / Punishment /Compounding of Offences

During the year the Company or any of its directors were not liable for any penalty, punishment etc. under the Companies Act, 2013.

No. of Meetings of Board and Committees held during the year	34
Board of Directors	6
Audit Committee	4
Credit Committee	19
Nomination and Remuneration Committee	2
CSR Committee	2
Business Process Committee	1

### Declaration by the Independent Directors

Company has received declaration under section 149 (3) of the Companies Act, 2013 from the three independent directors, which was placed before the Board on 5th May, 2015 i.e. the first meeting of the Board held for FY 2015-16.



## Secretarial Audit Report For the Financial Year Ended 31st March, 2015

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule no. 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,  
The Members,  
PNB Housing Finance Limited,  
9th Floor, Antriksh Bhawan,  
22, KG Marg,  
New Delhi

We have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by PNB Housing Finance Limited ("the Company"). The Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts or statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of the Secretarial Audit, I hereby report that in our opinion, the Company has, during the audit period covering the financial year commencing from 1st April, 2014 till 31st March, 2015, complied with the statutory provisions listed hereunder, wherever and to the extent applicable, and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter.

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the above said financial year ended on 31st March, 2015, according to the provisions of:

### Corporate Laws

- (i) The Companies Act, 2013 (the Act) and the rules made there under
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made there under
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed there under
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made hereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') : **(Not Applicable to the Company during the Audit Period)**
  - a. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011
  - b. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992
  - c. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009
  - d. The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999
  - e. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008

- f. The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993
- g. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 and
- h. The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998

We have also examined the applicable compliances with the applicable clauses of the following:

- (i) The Listing Agreement entered into by the Company with the National Stock Exchange (“Stock Exchange”) with respect to Non Convertible Debentures listed on the Stock Exchange.
- (ii) The Reserve Bank of India Master Circular – Guidelines for Issue of Commercial Paper.
- (iii) The Memorandum and Articles of Association of the Company.

The Secretarial Standards issued by the Institute of Company Secretaries of India have not been covered since the same were not notified and hence not applicable during the period under review.

During the period under review the Company has complied with all the applicable provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above except to the extent as mentioned below:

## Corporate Laws

### I) Companies Act 2013

1. The Company has appointed a Woman Director on its Board as per the requirement of the proviso to Section 149(1)(b) of the Act on 16th July 2015.
2. The Company has not taken deposit of ₹1 Lac with respect to appointment of Directors in General Meeting as required under Section 160 of the Act. The Company has informed that it has only two shareholders i.e Punjab National Bank and Destimoney Enterprise Private Limited and the directors can be nominated only by these shareholders in accordance with the terms of the Articles of Association of the Company read with Shareholder’s Agreement. No other person can stand for directorship on the Board of the Company and therefore the requirement of taking the said deposit was waived off by the Board of Directors of the Company.
3. The Company is in the process of applying for condonation of delay under Section 460 of the Act for late filing of Form MGT-14 for resolutions for appointment of Internal Auditor and approval of Director’s Report, passed by the Board of Directors in its meeting held on 8th August, 2014

We further report that we have also examined the requisite compliances of the following laws as specifically applicable on the Company:

- i. National Housing Bank Act, 1987
- ii. The Housing Finance Companies (NHB) Directions, 2010.
- iii. National Housing Bank Policy Circulars, including miscellaneous circulars.
- iv. NHB Notifications & Guidelines.

We further report that the Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review, were carried out in compliance with the provisions of the Act, except to the extent as mentioned above.

We further report that adequate notices were given to all Directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least 7 days in advance (except for one Board Meeting where shorter notice was duly approved) and the system exists for seeking and obtaining further information and



clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

We further report that the resolutions were passed at all the meetings by the requisite majority and there were no instances of the dissent which were required to be captured and recorded as part of the minutes.

We further report that the systems and processes in the Company are commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines except to the extent mentioned above.

### **Other Key Corporate Actions**

We further report that the following key corporate actions were held during the period under review:

- (i) Issuance of Secured or Unsecured Non Convertible Debentures on private placement basis worth ₹1100 crores in 3 tranches.
- (ii) Issue of Commercial Papers aggregating to ₹1600 crores.
- (iii) External Commercial Borrowings of USD 100 million under “approval route” for financing Low cost affordable housing units as per Reserve Bank of India Guidelines.

### **For Preeti Pahwa & Associates**

#### **Preeti Pahwa**

Practicing Company Secretary  
Certificate of Practice No. 8263  
Membership No. F-5846

Place: Gurgaon

Date: July 18, 2015



संख्या/No. स्मरु.बी.प्र/सीएडी.टी/१८-१/आ.एस-प.न.भ/२०१५-१६/१८

**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 12.6.2015

सेवा में,

अध्यक्ष

पी.एन.बी. हाउसिंग फाईनेन्स लि.

९वीं मंजिल, अंतरिक्ष भवन,

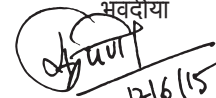
२२, कस्तूरबा गाँधी मार्ग,

नई दिल्ली - 110002.

**विषय:** कंपनी अधिनियम २०१३ की धारा १४३ (६)(ब) के अधीन ३१ मार्च २०१५ को समाप्त वर्ष के लिए पी.एन.बी. हाउसिंग फाईनेन्स लि. के वार्षिक लेखों पर भारत के नियंत्रक एवं महालेखापरीक्षक की टिप्पणियाँ ।

महोदय,

मैं कम्पनी अधिनियम २०१३ की धारा १४३ (६)(ब) के अधीन ३१ मार्च २०१५ को समाप्त हुए वर्ष के लिए पी.एन.बी. हाउसिंग फाईनेन्स लि. के वार्षिक लेखों पर भारत के नियंत्रक एवं महालेखापरीक्षक की टिप्पणियाँ अग्रेषित करती हूँ । इन टिप्पणियों को कम्पनी की वार्षिक रिपोर्ट में प्रकाशित किया जाए ।

भवदीया  
  
21/6/15  
(सुपर्णा देब)

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

संलग्नक: यथोपरि

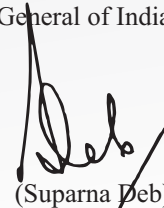


**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA  
UNDER SECTION 143(6) (b) OF THE COMPANIES ACT, 2013 ON THE  
FINANCIAL STATEMENTS OF PNB HOUSING FINANCE LIMITED FOR THE  
YEAR ENDED 31 MARCH 2015.**

The preparation of financial statements of PNB Housing Finance Limited for the year ended 31 March 2015 in accordance with the financial reporting framework prescribed under the Companies Act, 2013 is the responsibility of the management of the company. The statutory auditor appointed by the Comptroller and Auditor General of India under section 139(5) of the Act is responsible for expressing opinion on the financial statements under section 143 of the Act based on independent audit in accordance with the standards on auditing prescribed under section 143(10) of the Act. This is stated to have been done by them vide their Audit Report dated 05.05.2015.

I, on behalf of the Comptroller and Auditor General of India have decided not to conduct the supplementary audit of the financial statements of PNB Housing Finance Limited for the year ended 31 March 2015 and as such have no comments to make under section 143(6) (b) of the Act.

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



(Suparna Deb)

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

Place: Delhi

Date : 12.06.2015

# Independent Auditors' Report

TO THE MEMBERS OF PNB HOUSING FINANCE LIMITED

## Report on the Financial Statements

We have audited the accompanying financial statements of PNB Housing Finance Limited (“the Company”), which comprise the Balance Sheet as at 31st March, 2015, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

## Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 (“the Act”) with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.

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

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the 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 financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

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

## Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March, 2015, and its profit and its 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, 2015 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Companies Act, 2015, we give in the Annexure I a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by Section 143 (3) of the Act, we report that:
  - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from the branches not visited by us.
  - c) The Company does not have any branch which is separately audited and hence this clause is not applicable.
  - d) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account and with the returns received from the branches not visited by us.
  - e) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
  - f) On the basis of the written representations received from the directors as on 31st March, 2015 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2015 from being appointed as a director in terms of Section 164 (2) of the Act.
  - g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
    - i) The Company has disclosed the impact of pending litigations on its financial position in its financial statements - Refer Note 29 to the financial statements.
    - ii) The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
    - iii) There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.
3. As required by the Directions and sub-directions under section 143 (5) of the Companies Act, 2013, we give in the Annexure II and III statement on the matters specified.

### For B. R. Maheswari & Co.

#### Chartered Accountants

FRN: 001035N

#### Akshay Maheshwari

Partner

Membership No. 504704

Place: New Delhi

Date: 5th May 2015



## ANNEXURE I TO INDEPENDENT AUDITOR'S REPORT

### Re: PNB Housing Finance Limited

Referred to in paragraph 1 under "Report on Other Legal and Regulatory Requirements" of our report of even date.

We report that:

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) As informed, fixed assets were physically verified by the management during the year and no material discrepancies were noticed on such verification.
- (ii) 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.
- (iii) As informed, the Company has not granted any loans, secured or unsecured, to Companies, firms or other parties covered in the register maintained under section 189 of the Act for the financial year 2014-15, and accordingly clauses (a) and (b) of para (iii) of the order are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there exists an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to acquisition of properties, fixed assets, and with regard to sale of properties and services. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal control system.
- (v) In our opinion and according to the information and explanations given to us, the Company has complied with the directives issued by the Reserve Bank of India, provisions of section 73 to 76 and other relevant provisions of the Act, the Companies (Acceptance of Deposit) Rules, 2014 to the extent applicable, and The Housing Finance Companies (NHB) Directions, 2010, with regard to acceptance of deposits from the public. No order has been passed by the Company Law Board or the National Company Law Tribunal or Reserve Bank of India or by any other court or tribunal with regard to such deposits.
- (vi) Since the Company is engaged in the financial services sector, provisions of sub-section (1) of section 148 of the Companies Act, 2013 are not applicable to the Company.
- (vii) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Income Tax, Wealth Tax, Service Tax, Cess and other material statutory dues applicable to it. According to the information and explanations given to us, no undisputed amounts payable in respect of outstanding statutory dues were in arrears as at 31st March, 2015 for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us, following amounts have not been deposited as on 31st March, 2015 on account of any dispute:

Statute	Financial Year	Amount (in ₹)	Forum where dispute is pending
Income Tax	2010-11	32,02,112	Commissioner of Income Tax (Appeals)
Income Tax	2011-12	4,15,16,470	Commissioner of Income Tax (Appeals)
<b>Total</b>		<b>4,47,18,582</b>	



- (c) According to the information given to us the amount required to be transferred to Investor Education and Protection Fund in accordance with the relevant provisions of the Companies Act, 1956 (1 of 1956) and rules made thereunder has been transferred to such fund within time.
- (viii) The Company neither has accumulated losses nor has incurred any cash losses during the financial year covered by our audit and the immediately preceding financial year.
- (ix) According to the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institutions, banks or debenture holders.
- (x) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xi) To the best of our knowledge and belief and according to the information and explanations given to us, in our opinion, the term loans obtained during the year were, prima facie, applied by the Company for the purpose for which they were obtained, other than temporary deployment pending application.
- (xii) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year, although there have been few instances of loans becoming doubtful of recovery consequent upon fraudulent misrepresentation by borrowers, the amounts whereof are not material in the context and size of the Company and the nature of its business and which have been provided for.

**For B. R. Maheswari & Co.**

**Chartered Accountants**

FRN: 001035N

**Akshay Maheshwari**

Partner

Membership No. 504704

Place: New Delhi

Date: 5th May 2015

## ANNEXURE II TO INDEPENDENT AUDITOR'S REPORT

### Re: Directions for PNB HOUSING FINANCE LIMITED

Referred to in paragraph 3 under "Report on Other Legal and Regulatory Requirements" of our report of even date.

1. If the Company has been selected for disinvestment, a complete status report in terms of valuation of Assets (including intangible assets and land) and Liabilities (including Committed & General Reserves) may be examined including the mode and present stage of disinvestment process."

To the best of our knowledge, during the period under review, the Company has not been selected for disinvestment.

2. Please report whether there are any cases of waiver/write off of debts/loans/interest etc., if yes, the reasons thereof and the amount involved.

The Company has written off an amount of ₹102.29 lacs as bad debts during the year due to non recoverability.

3. Whether proper records are maintained for inventories lying with third parties & assets received as gift from Govt. or other authorities.

The Company being a Housing Finance Company does not hold any inventory.

4. A report on age-wise analysis of pending legal / arbitration cases including the reasons of pendency and existence/effectiveness of a monitoring mechanism for expenditure on all legal cases (foreign and local) may be given.

Age-wise breakup of pending cases are given as under:

Particulars (Ageing of live cases)	₹ in lacs
Up to one year	144.06
One to Three years	66.88
Three to Five years	119.01
More Than Five years	103.24
<b>Total Amount Involved</b>	<b>433.19</b>

These cases have been filed against borrowers for recovery of loans given, where there has been default in repayment of the same.

A structure for legal fees has been framed by the Company for all legal cases, based on the amounts involved in the particular case. Fees are paid as per this structure.



## ANNEXURE III TO INDEPENDENT AUDITOR'S REPORT

### Re: Sub-Directions for PNB HOUSING FINANCE LIMITED

Referred to in paragraph 3 under "Report on Other Legal and Regulatory Requirements" of our report of even date.

#### 1. Investments

Whether the titles of ownership in respect of CGS/SGS/Bonds/Debentures etc. are available in physical/demat form and these, in aggregate, agree with the respective amounts shown in the Company's books of accounts? If not, details may be stated.

The title of CGS/SGS/Bonds/Debentures etc held is in the name of the Company. The amounts in aggregate agree with the books of accounts of the Company.

#### 2. Land

Whether the Company has clear title/lease deeds for freehold and leasehold land respectively? If not, please state the area of freehold and leasehold for which the title/lease deeds are not available.

The Company does not own any land.

#### 3. Confirmation of balances

Whether amount of (a) bank balances (b) trade receivables (c) trade payables (d) loans and advances for which third party confirmation was not made available has been reported?

Where such balance has been confirmed by respective parties, whether it varies widely from the amounts reflected under respective heads in the financial statements, and if so, difference to be disclosed

- (a) Confirmations of all Bank Balances have been received and reconciled with the books of account.
- (b) There are no trade receivables with the Company.
- (c) Trade Payables are also fully reconciled since bill wise payments are being made as per terms & conditions decided.
- (d) Loans and Advances have been given to more than 55,000 borrowers and are backed by a written agreement in each case. Since payments are being regularly received as per EMI fixed in the agreements, hence it was not considered practical and prudent to call for a written confirmation once again. In disputed cases where EMI are not being received, Company has activated recovery proceedings.

#### 4. Reconciliation of deposits

Whether the deposits/advances made by the Company to the Income tax, Service tax and other authorities have been verified and reconciled with the respective authorities?

The advances/deposits with service tax and income tax authorities' have been verified through service tax returns and Form 26AS respectively. There is no deposit/advance to any other authority.

#### 5. Employee Benefits

Independent verification may be made of information/inputs furnished to Actuary, viz number of employees, average salary, retirement age and assumptions made by the actuary regarding the discount rate, future cost increase, mortality rate, etc for arriving at the provision for liability of retirement benefits, viz gratuity, leave encashment, post retirement medical benefits etc. (if accounting treatment of retirement benefits is done on the basis of actuarial valuation)

The accounting treatment of retirement benefits like Gratuity and Leave encashment is done on the basis of Actuarial valuation. The Gratuity fund of the Company is being managed by LIC of India. The provision for gratuity is made on the basis of actuarial valuation provided by LIC. Leave encashment liability is estimated by a valuation conducted by an independent actuary.

We have independently verified the information provided to the Actuary.

**For B. R. Maheswari & Co.**

**Chartered Accountants**

FRN: 001035N

**Akshay Maheshwari**

**Partner**

Membership No. 504704

Place: New Delhi

Date: 5th May 2015



## Balance Sheet as at March 31st, 2015

₹ In Lacs

	Notes	As at March 31st, 2015	As at March 31st, 2014
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholder's Funds</b>			
Share Capital	2	10,384.61	6,569.22
Reserves and Surplus	3	147,742.52	86,895.13
		<b>158,127.13</b>	<b>93,464.35</b>
<b>Non-Current Liabilities</b>			
Long-Term Borrowings	4	1,110,513.89	794,718.06
Deferred Tax Liabilities (Net)	5	795.32	-
Other Long-Term Liabilities	6	25,876.46	13,427.40
Long-Term Provisions	7	8,157.57	4,866.92
		<b>1,145,343.24</b>	<b>813,012.38</b>
<b>Current Liabilities</b>			
Short-Term Borrowings	8	344,726.54	45,207.86
Short-Term Provisions	7	7,188.01	3,559.24
Trade Payables	9	3,843.93	2,161.35
Other Current Liabilities	10	244,097.35	195,611.84
		<b>599,855.83</b>	<b>246,540.29</b>
<b>TOTAL</b>		<b>1,903,326.20</b>	<b>1,153,017.02</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Fixed Assets			
Tangible Assets	11	3,957.48	2,276.61
Capital Work-in-Progress		1,810.32	302.09
Non-Current Investments	12	21,912.49	11,873.73
Deferred Tax Assets (Net)	5	-	1,468.01
Loans and Advances	13	1,438,217.24	864,064.79
Other Non-Current Assets	14	12,319.11	6,818.43
		<b>1,478,216.64</b>	<b>886,803.66</b>
<b>Current Assets</b>			
Current Investments	15	136,685.03	52,673.60
Cash and Cash Equivalents	16	29,314.20	13,842.25
Short-Term Loans and Advances	17	5,006.44	901.35
Other Current Assets	18	254,103.89	198,796.16
		<b>425,109.56</b>	<b>266,213.36</b>
<b>TOTAL</b>		<b>1,903,326.20</b>	<b>1,153,017.02</b>

Significant Accounting Policies 1  
The accompanying notes are an integral part of the financial statements.

In terms of our report of even date

For and on Behalf of Board

**B.R. Maheswari & Co.**  
Chartered Accountants

**Akshay Maheshwari**  
Partner  
Membership No.: 504704  
FR No: 001035N

**Sanjaya Gupta**  
Managing Director

**Gauri Shankar**  
Chairman

**Sunil Kaul**  
Director

New Delhi  
May 5, 2015

**Krishan Gopal**  
Chief Manager (F & A)

**Jayesh Jain**  
Chief Financial Officer

**Sanjay Jain**  
Company Secretary

## Statement of Profit & Loss for the year ended March 31st, 2015

₹ In Lacs

	Notes	Current Year	Previous Year
<b>INCOME</b>			
Revenue from Operations	19	177,672.61	111,601.59
<b>TOTAL REVENUE</b>		<b>177,672.61</b>	<b>111,601.59</b>
<b>EXPENSES</b>			
Finance Cost	20	126,484.30	80,115.16
Employee Benefit Expense	21	6,706.26	4,040.08
Office Operating Expenses	22	4,480.71	2,546.81
Other Expenses	23	6,090.44	3,792.95
Depreciation & Amortisation	11	522.75	489.25
Provision for Doubtful Debts & Contingencies		3,708.37	2,244.41
Bad Debts Written Off/Business Loss		102.29	798.69
<b>TOTAL EXPENSES</b>		<b>148,095.12</b>	<b>94,027.35</b>
<b>PROFIT BEFORE TAX FOR THE YEAR</b>		<b>29,577.49</b>	<b>17,574.24</b>
Less: Provision for Taxation-Current Tax		8,980.00	5,000.00
- Earlier years (Net)		-	65.00
- Deferred Tax (Net)		986.52	(235.01)
<b>PROFIT AFTER TAX FOR THE YEAR</b>		<b>19,610.97</b>	<b>12,744.25</b>
Earnings Per Share:	28		
- Basic (in ₹)		24.41	25.42
- Diluted (in ₹)		24.41	25.42

Significant Accounting Policies  
The accompanying notes are an integral part of the financial statements. 1

In terms of our report of even date

For and on Behalf of Board

**B.R. Maheswari & Co.**  
Chartered Accountants

**Akshay Maheshwari**  
Partner  
Membership No.: 504704  
FR No: 001035N

New Delhi  
May 5, 2015

**Sanjaya Gupta**  
Managing Director

**Krishan Gopal**  
Chief Manager (F & A)

**Gauri Shankar**  
Chairman

**Jayesh Jain**  
Chief Financial Officer

**Sunil Kaul**  
Director

**Sanjay Jain**  
Company Secretary



## Cash Flow Statement for the year ended March 31st, 2015 (Indirect Method)

₹ In Lacs

		Current Year	Previous Year
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit before tax		29,577.49	17,574.24
Adjustment for non-cash item/items, to be disclosed separately			
Add: Depreciation	522.75		489.25
Loss/(Profit) on sale of fixed assets	22.08		14.45
Provision for Doubtful Debts & Contingencies	3,708.37		2,244.41
Bad debts written off/ Business Loss	102.29		798.69
		4,355.49	3,546.80
Operating Profits before Changes in Working Capital		33,932.98	21,121.04
Adjustment for Changes in working capital and provisions			
Increase/ (Decrease) in Trade Payables	1,682.58		1,009.26
Increase/ (Decrease) in Long-Term Provision	168.28		41.94
Increase/ (Decrease) in Short-Term Provision	1,941.39		281.95
Increase/ (Decrease) in Other Current Liabilities	22,819.83		2,386.00
Increase/ (Decrease) in Other Long-Term Liabilities	16,399.06		1,772.06
(Increase)/ Decrease in Long-Term Loans & advances	(574,254.74)		(326,047.34)
(Increase)/ Decrease in Short-Term Loans & advances	(4,147.84)		70.51
(Increase)/ Decrease in Other Non-Current Assets	(5,500.68)		(4,139.38)
(Increase)/ Decrease in Other Current Assets	(55,348.01)		(70,442.40)
Investments (Net)	(94,050.19)		13,142.00
(Increase)/ Decrease in Other Bank Balances	(13,254.50)		(9,795.12)
		(703,544.82)	(391,720.52)
<b>Cash Generated from Operations</b>		<b>(669,611.84)</b>	<b>(370,599.48)</b>
Taxes Paid (net of refunds)		(8,937.25)	(4,875.56)
CSR expenses		(269.58)	-
<b>A. NET CASH FROM OPERATING ACTIVITIES</b>		<b>(678,818.67)</b>	<b>(375,475.04)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of Fixed Assets	(3,747.63)		(1,476.55)
Sale of Fixed Assets	13.69		10.10
		(3,733.94)	(1,466.45)
<b>B. NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(3,733.94)</b>	<b>(1,466.45)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings - Bonds	110,000.00		150,000.00
- Banks	307,069.50		264,240.00
- Unsecured Loans (net)	464,432.34		59,406.36
Repayment of borrowings - Bonds	(8,500.00)		(15,000.00)
- Banks	(235,971.65)		(117,278.22)
Proceeds from issue of Share Capital	3,815.39		1,569.23
Share Premium Received	45,784.58		18,830.74
Share Premium Utilised	(100.65)		-
Dividend paid (including dividend distribution tax)	(1,759.45)		(1,200.50)



₹ In Lacs

	Current Year	Previous Year
<b>C. NET CASH USED IN FINANCING ACTIVITIES</b>	<b>684,770.06</b>	<b>360,567.61</b>
<b>NET CHANGES IN CASH &amp; CASH EQUIVALENTS</b>		
(A+B+C)	<b>2,217.45</b>	<b>(16,373.88)</b>
Cash or Cash equivalents (Opening Balance)	2,474.99	18,848.87
Cash or Cash equivalents (Closing Balance)	4,692.44	2,474.99
<b>NET INCREASE OF CASH OR CASH EQUIVALENTS DURING THE YEAR</b>	<b>2,217.45</b>	<b>(16,373.88)</b>

**NOTE : Minus (-) denotes applications of cash**

In terms of our report of even date

For and on Behalf of Board

**B. R. Maheswari & Co.**  
Chartered Accountants

**Akshay Maheshwari**  
Partner  
Membership No.: 504704  
FR No: 001035N

New Delhi  
May 5, 2015

**Sanjaya Gupta**  
Managing Director

**Krishan Gopal**  
Chief Manager (F & A)

**Gauri Shankar**  
Chairman

**Jayesh Jain**  
Chief Financial Officer

**Sunil Kaul**  
Director

**Sanjay Jain**  
Company Secretary



# Notes to Financial Statements for the year ended March 31st, 2015

## NOTE: 1

### SIGNIFICANT ACCOUNTING POLICIES

#### 1.1 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, 2013, 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.

#### 1.2 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.

#### 1.3 REVENUE RECOGNITION

##### i) 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 recognised on receipt basis. Income on loan processing/management fees is recognised over the average tenure of the loan being the consideration received for continuing obligation over the life of loan.

##### ii) 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.

##### iii) OTHER INCOME

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

##### iv) INTEREST ON LOANS

Interest Income is recognised on accrual basis except in case of non-performing assets where interest is accounted on realisation. In loans, the repayment is received by way of Equated Monthly Instalments (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 recognised on accrual basis.

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

#### 1.4 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.

#### 1.5 INTANGIBLE ASSETS

Intangibles are recognised 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 amortisation.

#### 1.6 DEPRECIATION/AMORTISATION

- i) Depreciation on Fixed Assets is provided on the Straight Line Method at the lives prescribed in Part C of Schedule II of the Companies Act, 2013 on pro-rata basis, except the following items on which different useful lives for depreciation have been charged:
  - Intangible Assets are amortised over a period of five years except website development costs which are amortised over a period of three years.
  - Networking Equipment's and Mobile phone instruments are depreciated over a period of five and three years respectively.
  - Leasehold Improvements are depreciated over a period of five years.
- ii) Assets costing up to ₹5,000/- are charged to revenue.

#### 1.7 INVESTMENTS

Investments are capitalised 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 recognised 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 amortisation 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 recognise the decline. Current investments are valued at lower of cost or market value determined on individual investment basis.

#### 1.8 EMPLOYEE BENEFITS

- i) The company has taken LIC Policy to cover the accumulated gratuity liability of its employees as Defined Contribution Plan. 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.
- 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 Government 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.



## 1.9 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 recognised 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 recognised 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.

## 1.10 BORROWING COSTS

Borrowing costs are recognised 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 amortised over the period of borrowing. Ancillary cost in connection with long term external borrowing are amortised to the Statement of Profit and Loss Account over the tenure of the loan. Issue expenses of certain securities are charged to Securities Premium account.

## 1.11 OPERATING LEASES

Lease payments for assets taken on operating lease are recognised as an expense in the Statement of Profit and Loss as per terms of lease agreement.

## 1.12 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.

## 1.13 TAXES ON INCOME

Taxes on Income are accounted for in accordance with Accounting Standard (AS)-22- "Accounting for taxes on income", issued by The 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 recognised, only if there is virtual certainty of its realisation, supported by convincing evidence. Deferred tax assets on account of other timing differences are recognised only to the extent there is a reasonable certainty of its realisation.

#### **1.14 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

Provisions are recognised 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 recognised nor disclosed.

#### **1.15 PROVISION FOR STANDARD ASSETS**

Provisions are established on a collective basis against loan assets classified as “Standard” to absorb credit losses on the aggregate exposures in each of the Company’s loan portfolios based on the NHB Directions. A higher standard asset provision may be made based upon statistical analysis of past performance, level of allowance already in place and Management’s judgement. This estimate includes consideration of economic and business conditions. The amount of the collective allowance for credit losses is the amount that is required to establish a balance in the Provision for Standard Assets Account that the Company’s management considers adequate, after consideration of the prescribed minimum under the NHB Directions, to absorb credit related losses in its portfolio of loan items after individual allowances or write offs.

#### **1.16 STOCK OF ACQUIRED PROPERTIES**

- 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 off 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.

#### **1.17 LOAN ORIGATION / ACQUISITION COST**

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

#### **1.18 SERVICE TAX INPUT CREDIT**

Service tax input credit is accounted for in the books in the period in which the underlying service received is accounted and when there is no uncertainty in availing / utilising the credits.



### 1.19 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.

### 1.20 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 recognised 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.

### 1.21 SECURITISATION OF LOANS

The Company transfers pool of loan assets. Such Assets are derecognised, if and only if, Company loses control over the contractual rights that comprises pool of loan assets transferred.

Transfer of pool of loan assets under the current RBI guidelines involve transfer of proportionate shares in the pool of loan assets. Such transfers result in de - recognition only of that proportion of the loan assets which meets the de-recognition criteria. The portion retained by the Company continue to be accounted for as loan assets as described above.

On de-recognition, the difference between the book value of the securitised loan assets and consideration received is recognised as gain arising on securitisation in the Statement of Profit and Loss over the balance maturity period of the pool transferred. Losses, if any, arising from such transactions, are recognised immediately in the Statement of Profit and Loss.

## NOTE: 2

### SHARE CAPITAL

₹ In Lacs

	As at March 31st, 2015	As at March 31st, 2014
<b>Authorized Share Capital</b>		
15,00,00,000 Equity Shares of ₹10/- each (Previous year 15,00,00,000 Equity Shares)	15,000.00	15,000.00
<b>Equity Share Capital</b>		
<b>Issued, Subscribed and Paid-up Capital</b>		
5,00,00,000 Equity Shares of ₹10/- each fully Paid up (Previous year 5,00,00,000 )	5,000.00	5,000.00
7,69,23,000 Partly Paid-Up Equity Shares of ₹10/- each		
Amount Called and Paid up ₹7/- per Share (Previous year ₹4/- Paid up on 3,92,30,700 Equity Shares)	5,384.61	1,569.22
<b>Total Issued, Subscribed and Paid-Up Share Capital</b>	<b>10,384.61</b>	<b>6,569.22</b>

	As at March 31st, 2015		As at March 31st, 2014	
	Number	₹ in Lacs	Number	₹ in Lacs
<b>2.1 Reconciliation of Number of Shares</b>				
<b>Equity Shares</b>				
At the beginning of the year	89,230,700	6,569.22	50,000,000	5,000.00
Issued during the year *	37,692,300	3,815.39	39,230,700	1,569.22
Outstanding at the end of the year	<b>126,923,000</b>	<b>10,384.61</b>	<b>89,230,700</b>	<b>6,569.22</b>
*Equity Shares of ₹10/- each. ₹7/- Called and Paid up.				

	As at March 31st, 2015		As at March 31st, 2014	
	No. of Shares	% of Holding	No. of Shares	% of Holding
<b>2.2 Details of Shareholders holding more than 5% Shares in the Company</b>				
<b>Name of Shareholder</b>				
Punjab National Bank (PNB) (Holding Company)	64,730,700	51.00%	64,730,700	72.54%
Destimoney Enterprises Pvt. Ltd. (DEPL)	62,192,300	49.00%	24,500,000	27.46%

### 2.3 Terms/Rights attached to Equity Shares

The Company has only one class of Equity Shares having a par value of ₹10/- per Share. Each Shareholder is entitled to one Vote per Share held.

### 2.4 Rights Issue of Equity Shares

The Company has allotted 3,76,92,300 Equity Shares of ₹10/- each (amount called and paid up ₹4/- per share on allotment) along with premium of ₹120/- per share (proportionate share premium called and paid up ₹48/- per share on allotment) aggregating to ₹19,600.00 lacs to DEPL on 8th August, 2014.

In the previous year, the Company had allotted 3,92,30,700 equity shares of ₹10/- each (amount called and paid ₹4/- per share along with proportionate premium of ₹48/- per share) aggregating to ₹20,399.96 Lacs to PNB on 29th March, 2014.

### 2.5 Second Call on Rights Issue of equity shares

- (i) The Company has called ₹3/- along with proportionate premium of ₹36/- per share on 7,69,23,000 equity shares allotted to PNB and DEPL.
- (ii) The second call on 3,92,30,700 equity shares along with proportionate premium aggregating to ₹15299.97 lacs was paid on 15th December 2014.
- (iii) The second call on 3,76,92,300 equity shares along with proportionate premium aggregating to ₹14700.00 lacs was paid on 13th February 2015.

### 2.6 Issue of Bonus Shares

The Company had issued 64,70,589 equity shares of ₹10/- each as fully paid up Bonus shares after capitalisation of General Reserves of ₹6,47,05,890 on 30th March 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, 2015	As at March 31st, 2014
<b>Special Reserve</b>		
Created under Section 36(1) (viii) of the Income Tax Act, 1961 Opening Balance	15,025.81	13,150.81
Add: Transferred from the Statement of Profit and Loss	3,110.00	1,875.00
	<b>18,135.81</b>	<b>15,025.81</b>
<b>Statutory Reserve</b>		
As per Section 29C of National Housing Bank Act, 1987 Opening Balance	1,519.00	839.00
Add: Transferred from the Statement of Profit and Loss	815.00	680.00
	<b>2,334.00</b>	<b>1,519.00</b>
<b>General Reserve</b>		
Opening Balance	37,989.66	29,489.66
Add: Transferred from the Statement of Profit and Loss	2,500.00	8,500.00
Less: Utilised for creating Deferred Tax Liability on Special Reserve	1,276.82	-
	<b>39,212.84</b>	<b>37,989.66</b>
<b>Securities Premium Reserve</b>		
Opening Balance	31,210.15	12,379.41
Add: Premium on issue of equity shares (Refer note 2)	45,784.58	18,830.74
Less: Share Issue Expenses	100.65	-
	<b>76,894.08</b>	<b>31,210.15</b>
<b>Surplus in the Statement of Profit and Loss</b>		
Opening Balance	1,150.51	1,220.71
Profit for the year	19,610.97	12,744.25
<b>Amount Available for Appropriation</b>	<b>20,761.48</b>	<b>13,964.96</b>
<b>Appropriations</b>		
- Special Reserve	3,110.00	1,875.00
- Statutory Reserve (U/s. 29C of the NHB Act)	815.00	680.00
- General Reserve	2,500.00	8,500.00
- Proposed Dividend	2,410.41	1,503.87
- Dividend Distribution Tax	490.70	255.58
- Corporate Social Responsibility Activities (refer note 31)	269.58	-
<b>Net Surplus in the Statement of Profit and Loss</b>	<b>11,165.79</b>	<b>1,150.51</b>
	<b>147,742.52</b>	<b>86,895.13</b>

**3.1** As per Section 29C(i) of the National Housing Bank Act, 1987, the Company is required to transfer at least 20% of its net profit every year to a reserve before any dividend is declared. For this purpose any Special Reserve created by the Company under Section 36(1) (viii) of the Income Tax Act, 1961 is considered to be an eligible transfer. The Company has transferred an amount of ₹3,110.00 Lacs (Previous year ₹1,875.00 Lacs to Special Reserve in terms of Section 36 (1)(viii) of the Income Tax Act, 1961.

**3.2** Vide circular NHB (ND)/DRS/Policy Circular 65 / 2014-15 dated August 22, 2014, the National Housing Bank ("NHB") has directed Housing Finance Companies (HFCs) to provide for a deferred tax liability in respect of amount transferred to "Special Reserve" created under section 36(1) (viii) of the Income Tax Act, 1961. As per the above circular, NHB has advised HFCs to create deferred tax liability in respect of accumulated balance of Special Reserve as on April 1, 2014 from the free reserves over a period of 3 years starting with current financial year, in a phased manner in the ratio of 25:25:50. Accordingly, the company has created 25% of deferred tax liability of ₹1,276.82 Lacs on accumulated Special Reserve as on April 1, 2014 out of free reserves as on April 1, 2014.



Company has charged its Statement of Profit & Loss for the year ended March 31, 2015 with the deferred tax liability on an additional amount appropriated towards Special Reserve out of current year's profits. An amount of ₹1057.09 Lacs towards deferred tax liability for the year ended March 31, 2015 has been charged to the Statement of Profit and Loss and the same has been shown separately.

**3.3** The Company has transferred an amount of ₹815.00 Lacs (Previous year ₹680.00 lacs) to Statutory Reserve u/s 29C of the National Housing Bank Act, 1987.

**3.4** In terms of requirement of NHB's Circular No. NHB(ND)/DRS/Pol.Circular.61/2013-14 dated April 7, 2014 following information on Reserve Fund under section 29C of NHB Act, 1987 is provided :

Particulars	₹ In Lacs	
	As at March 31st, 2015	As at March 31st, 2014
<b>Balance at the beginning of the year</b>		
a) Statutory Reserve u/s 29C of NHB 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 purposes of Statutory Reserve u/s 29C of NHB Act, 1987	15,025.81	13,150.81
c) Total	16,544.81	13,989.81
<b>Addition / Appropriation / Withdrawal during the year</b>		
Add :		
a) Amount transferred u/s 29C of the NHB Act, 1987	815.00	680.00
b) Amount of Special Reserve u/s 36 (1)(viii) of Income Tax Act, 1961 taken into account for the purpose of Statutory Reserve u/s 29C of NHB Act, 1987	3,110.00	1,875.00
Less :		
a) Amount appropriated from 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 which has been taken into account for the purpose of provision u/s 29C of NHB Act, 1987	-	-
	20,469.81	16,544.81
<b>Balance at the end of the year</b>		
a) Statutory Reserve u/s 29C of NHB Act, 1987	2,334.00	1,519.00
b) Amount of Special Reserve u/s 36 (1)(viii) of Income Tax Act, 1961 taken into for the purposes of Statutory Reserve u/s 29C of the NHB Act, 1987	18,135.81	15,025.81
c) Total	20,469.81	16,544.81



**NOTE: 4**

**LONG-TERM BORROWINGS**

₹ In Lacs

	Non-Current Maturities		Current Maturities	
	As at March 31st, 2015	As at March 31st, 2014	As at March 31st, 2015	As at March 31st, 2014
<b>Secured Borrowings</b>				
Term Loans				
National Housing Bank	158,254.21	87,749.27	19,163.42	11,807.20
Banks	195,962.67	274,205.63	118,369.13	134,054.71
External Commercial Borrowing	61,069.50	-	-	-
	415,286.38	361,954.90	137,532.55	145,861.91
Redeemable Non-Convertible Debentures	396,500.00	307,500.00	-	7,500.00
	<b>811,786.38</b>	<b>669,454.90</b>	<b>137,532.55</b>	<b>153,361.91</b>
<b>Unsecured Borrowings</b>				
Redeemable Non-Convertible				
Subordinated Debentures	40,000.00	30,000.00	10,000.00	-
Public Deposits	258,727.51	95,263.16	45,303.01	17,757.97
	<b>298,727.51</b>	<b>125,263.16</b>	<b>55,303.01</b>	<b>17,757.97</b>
Current Maturity of Long-Term Borrowings disclosed under the head "Other Current Liabilities" (Refer Note 10)	-	-	(192,835.56)	(171,119.88)
	<b>1,110,513.89</b>	<b>794,718.06</b>	<b>-</b>	<b>-</b>

**4.1 Refinance from National Housing Bank (NHB) and Term Loans from Banks**

**Nature of Security**

- Refinance from National Housing Bank (NHB) and Term Loans from Banks other than Punjab National Bank are secured by hypothecation of specific loans/ book debts against which Refinance/ Term Loan has been availed.
- Term Loan from Punjab National Bank are secured by hypothecation of book debts and negative lien on properties charged to/guarantees obtained by the company against Loans disbursed.

**Maturity Profile of Term Loans from National Housing Bank**

Previous year figures are in (bracket)

₹ In Lacs

Maturities	≤ 1 year	1 - 3 years	3 - 5 years	5 - 10 years	Total
<b>Rate of interest</b>					
6.00% - 8.00%	1,380.81	2,657.94	845.89	-	4,884.64
	(1,381.39)	(3,170.24)	(2,051.68)	(123.18)	(6,726.49)
8.01% - 10.00%	17,767.91	41,228.51	38,772.76	74,602.21	172,371.39
	(10,026.21)	(23,875.79)	(19,055.72)	(34,947.68)	(87,905.40)
10.01% - 12.00%	14.70	39.20	39.20	68.50	161.60
	(399.60)	(1,065.60)	(1,065.60)	(2,393.80)	(4,924.60)

### Maturity Profile of Term Loans from Banks:

₹ In Lacs

Maturities	≤ 1 year	1 - 3 years	3 - 5 years	5 - 10 years	Total
<b>Rate of interest</b>					
10.00% - 11.00%	118,369.13	164,672.54	31,290.13	-	314,331.80
	(134,054.71)	(167,961.29)	(89,620.99)	(16,623.35)	(408,260.34)

#### 4.2 External Commercial Borrowing

During the year, the Company has availed External Commercial Borrowing of USD 100 million for financing prospective owners of low cost affordable housing units under “approval route” in terms of Reserve Bank of India guidelines dated December 17, 2012. The borrowing has a maturity of five years. In terms of the RBI guidelines, these borrowings have been swapped into rupees for the entire maturity by way of principal only swaps and interest payable (fixed coupon) have been swapped into Rupees for the entire maturity by way of interest only swaps.

As on March 31, 2015, the Company has foreign currency borrowings of USD 100 million equivalent (Previous year USD Nil million). The Company has undertaken currency swaps, options and forward contracts on a notional amount of USD 100 million equivalent (Previous year USD Nil million equivalent) to hedge the foreign currency risk. Further, interest rate swaps (fixed coupon only) on a notional amount of USD 100 million equivalent (Previous year Nil) are outstanding, which have been undertaken to hedge the foreign currency risk arising out of interest payment on the foreign currency borrowings.

#### 4.3 Redeemable Non-Convertible Debentures

##### Nature of Security

Redeemable Non-Convertible Debentures are secured by hypothecation of book debts to the extent of 1.10 to 1.25 times of outstanding amount by hypothecation of book debts of outstanding amount. In addition, all the Redeemable Non-Convertible Debentures are also secured by mortgage of buildings of ₹77.23 Lacs (Refer Note 11)

##### Terms of Repayment

₹ In Lacs

Maturities	≤ 1 year	1 - 3 years	3 - 5 years	5 - 10 years	Total
<b>Rate of interest</b>					
8.00% - 9.00%	-	40,000.00	12,500.00	80,000.00	132,500.00
	(7,500.00)	(10,000.00)	(-)	(92,500.00)	(110,000.00)
9.01% - 10.00%	-	99,000.00	36,000.00	129,000.00	264,000.00
	(-)	(10,000.00)	(63,000.00)	(132,000.00)	(205,000.00)

#### 4.4 Unsecured Redeemable Non-Convertible Debentures

Redeemable Non-Convertible Subordinated Debentures, for value aggregating to ₹ 50,000.00 Lacs are subordinated debt to present and future senior indebtedness of the Company and qualify as Tier II Capital under National Housing Bank's (NHB) guidelines for assessing capital adequacy.

##### Terms of Repayment

₹ In Lacs

Maturities	≤ 1 year	1 - 3 years	3 - 5 years	5 - 10 years	Total
<b>Rate of interest</b>					
8.00% - 9.00%	-	-	-	20,000.00	20,000.00
	(-)	(-)	(-)	(-)	(-)
9.01% - 10.00%	10,000.00	-	-	20,000.00	30,000.00
	(-)	(10,000.00)	(-)	(20,000.00)	(30,000.00)



#### 4.5 Public Deposits

- i) Public deposits as defined in Paragraph 2(1)(y) of the Housing Finance Companies (NHB) Directions, 2010, are secured by floating charge on the Statutory Liquid Assets maintained in terms of sub-sections (1) & (2) of Section 29B of the National Housing Bank Act, 1987.
- ii) The Company is carrying Statutory Liquid Assets amounting to ₹46,534.25 Lacs (Previous year ₹23,240.99 Lacs) comprising of Investment of ₹21,912.49 Lacs (Previous year ₹11,873.73 Lacs) and Fixed Deposits of ₹24,621.76 Lacs (Previous year ₹11,367.26 Lacs).

#### NOTE: 5

##### DEFERRED TAX LIABILITIES (NET)

In accordance with Accounting Standard on 'Accounting for Taxes on Income' (AS 22), the Company is accounting for Deferred Tax.

₹ In Lacs

	As at March 31st, 2015		As at March 31st, 2014	
<b>Deferred Tax Liabilities</b>				
Expenses paid in advance				
(Net of Income received in Advance)	2,147.65		1,016.39	
Depreciation on Fixed Assets	37.91		-	
Special Reserve	2,333.91		-	
<b>Total Deferred Tax Liabilities- (A)</b>		<b>4,519.47</b>		<b>1,016.39</b>
<b>Deferred Tax Assets</b>				
Depreciation on Fixed Assets	-		10.74	
Provision for leave encashment	146.99		86.14	
Provision for doubtful debts and contingencies	3,464.02		2,203.54	
Others	113.14		183.98	
<b>Total Deferred Tax Assets - (B)</b>		<b>3,724.15</b>		<b>2,484.40</b>
<b>Net Deferred Tax Liabilities/ (Assets) (Net A-B)</b>		<b>795.32</b>		<b>(1,468.01)</b>

#### NOTE: 6

##### OTHER LONG-TERM LIABILITIES

₹ In Lacs

	Non-Current Maturities		Current Maturities	
	As at March 31st, 2015	As at March 31st, 2014	As at March 31st, 2015	As at March 31st, 2014
Interest Accrued but not Due on Borrowings	21,497.21	10,626.75	5,584.10	2,370.57
Income Received in Advance	4,379.25	2,800.65	1,493.06	756.59
(Refer Note 1.3 & Note 10)				
Amount disclosed under the head			(7,077.16)	(3,127.16)
"Other Current Liabilities" (Note 10)				
	<b>25,876.46</b>	<b>13,427.40</b>	<b>-</b>	<b>-</b>

**NOTE: 7**  
**PROVISIONS**

₹ In Lacs

	Long-Term		Short-Term	
	As at March 31st, 2015	As at March 31st, 2014	As at March 31st, 2015	As at March 31st, 2014
Provision for Employees Benefits	357.57	189.29	1,763.36	64.15
Provision for Standard Assets as per NHB norms	7,800.00	4,677.63	-	-
Provision for NPAs as per NHB norms	-	-	2,281.36	1,735.64
Proposed Dividend	-	-	2,410.41	1,503.87
Tax on Proposed Dividend	-	-	490.70	255.58
Other Provisions	-	-	242.18	-
	<b>8,157.57</b>	<b>4,866.92</b>	<b>7,188.01</b>	<b>3,559.24</b>

**7.1** The movement in provision for Standard Assets and NPAs during the year is as under:

₹ In Lacs

	Current Year	Previous Year
Opening Balance	6,409.34	4,164.93
Addition during the year	3,668.09	2,244.41
Closing Balance	<b>10,077.43</b>	<b>6,409.34</b>

**NOTE: 8**  
**SHORT-TERM BORROWINGS**

₹ In Lacs

	As at March 31st, 2015	As at March 31st, 2014
<b>Secured Borrowings:</b>		
Term Loans Banks	10,000.00	-
Bank Overdraft	16,095.73	-
<b>Unsecured Borrowings:</b>		
Public Deposits	158,630.81	45,207.86
Commercial Paper	160,000.00	-
	318,630.81	45,207.86
	<b>344,726.54</b>	<b>45,207.86</b>

**8.1 Nature of Security**

- Term Loans from Banks are secured by hypothecation of specific loans/ book debts against which Term Loan has been availed.
- Bank Overdraft is secured by hypothecation of book debts and negative lien on properties charged to/guarantees obtained by the company against Loans disbursed
- Public deposits as defined in Paragraph 2(1)(y) of the Housing Finance Companies (NHB) Directions, 2010, are secured by floating charge on the Statutory Liquid Assets maintained in terms of sub-sections (1) & (2) of Section 29B of the National Housing Bank Act, 1987.



**NOTE: 9**  
**TRADE PAYABLES**

₹ In Lacs

	As at March 31st, 2015	As at March 31st, 2014
Sundry Creditors for Expenses	3,843.93	2,161.35
	<b>3,843.93</b>	<b>2,161.35</b>

Trade Payables ₹ Nil (Previous Year ₹ Nil) payable to “Suppliers” registered under the Micro, Small and Medium Enterprises Development Act, 2006. No interest has been paid / payable by the Company during the year to the “Suppliers” covered under the Micro, Small and Medium Enterprise Development Act, 2006.

**NOTE: 10**  
**OTHER CURRENT LIABILITIES**

₹ In Lacs

	As at March 31st, 2015	As at March 31st, 2014
Current Maturity of Long - Term Borrowings (Refer note 4)	192,835.56	171,119.88
Current Portion of Other Long - Term Liabilities (Refer note 6)	7,077.16	3,127.16
Interest Accrued but not Due	1,444.62	1,538.08
Book Overdraft	31,372.95	18,096.91
Statutory Dues Payable	1,108.06	577.96
Security Deposit	839.58	-
Other Liabilities	9,419.42	1,151.85
	<b>244,097.35</b>	<b>195,611.84</b>

**NOTE: 11**  
**TANGIBLE ASSETS**

₹ In Lacs

	Buildings*	Furniture & Fixtures	Vehicles	Computers	Office Equipments others	Intangibles	Leasehold Improvements	Total
<b>Cost or Valuation</b>								
At 01 April 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
<b>At 31 March 2014</b>	<b>108.88</b>	<b>609.94</b>	<b>6.59</b>	<b>517.01</b>	<b>741.24</b>	<b>107.90</b>	<b>987.36</b>	<b>3,078.92</b>
Additions	-	413.16	-	212.95	546.43	62.57	1,004.28	2,239.39
Disposals/ Adjustments	-	57.63	-	(4.31)	45.21	-	-	98.53
<b>At 31 March 2015</b>	<b>108.88</b>	<b>965.47</b>	<b>6.59</b>	<b>734.27</b>	<b>1,242.46</b>	<b>170.47</b>	<b>1,991.64</b>	<b>5,219.78</b>
<b>Depreciation</b>								
At 01 April 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
<b>At 31 March 2014</b>	<b>52.69</b>	<b>196.72</b>	<b>4.93</b>	<b>205.40</b>	<b>141.87</b>	<b>11.85</b>	<b>188.85</b>	<b>802.31</b>
Charge for the year	(33.48)	(8.52)	(1.06)	96.79	169.75	31.07	268.20	522.75
Disposals	-	51.75	-	1.54	9.47	-	-	62.76
<b>At 31 March 2015</b>	<b>19.21</b>	<b>136.45</b>	<b>3.87</b>	<b>300.65</b>	<b>302.15</b>	<b>42.92</b>	<b>457.05</b>	<b>1,262.30</b>
<b>Net Block</b>								
At 31 March 2014	56.19	413.22	1.66	311.61	599.37	96.05	798.51	2,276.61
At 31 March 2015	89.67	829.02	2.72	433.62	940.31	127.55	1,534.59	3,957.48

\*Includes Buildings of ₹77.23 Lacs (Previous year ₹77.23 Lacs) mortgaged for securing Secured Redeemable Non-Convertible Debentures (Refer Note 4.3).

**11.1** During the Year ended March 31, 2015, the Company has reviewed its policy of providing for depreciation on its fixed assets and has also reassessed their useful lives. On and from April 1, 2014, the straight line method is being used to depreciate all class of fixed assets, Previously, fixed assets were being depreciated using reducing balance method except leasehold improvements, intangibles etc. The revised useful lives, as assessed match those specified in Part C of Schedule II of the Companies Act, 2013, for all classes of assets other than leasehold improvements, intangible assets etc. As a result of the change, the charge on account of Depreciation for the year ended March 31, 2015 is lower by ₹280.16 Lacs.



**NOTE: 12**  
**NON-CURRENT INVESTMENTS**

	Number of Bonds	Face Value per Bond Amount in ₹	As at March 31st, 2015 ₹ in Lacs	Number of Bonds	Face Value per Bond Amount in ₹	As at March 31st, 2014 ₹ in Lacs
<b>OTHER INVESTMENTS (NON TRADE)</b>						
<b>QUOTED - (FULLY PAID)</b>						
<b>Investments in Government Securities</b>						
<b>Government of India Stock</b>						
10.71% Government of India Stock 2016	8,000	100	8.57	8,000	100	8.57
10.25% Government of India Stock 2021	1,005,000	100	1,261.19	1,005,000	100	1,261.19
10.03% Government of India Stock 2019	7,000	100	7.72	7,000	100	7.72
8.97% Government of India Stock 2030	50,000	100	56.79	50,000	100	56.79
8.33% Government of India Stock 2036	26,000	100	28.20	26,000	100	28.20
8.32% Government of India Stock 2032	25,000	100	26.93	25,000	100	26.93
8.30% Government of India Stock 2023	30,000	100	30.74	30,000	100	30.74
8.28% Government of India Stock 2032	19,000	100	20.24	19,000	100	20.24
8.26% Government of India Stock 2027	10,000	100	10.66	10,000	100	10.66
8.15% Government of India Stock 2022	14,000	100	14.66	14,000	100	14.66
8.13% Government of India Stock 2022	10,000	100	10.15	10,000	100	10.15
8.08% Government of India Stock 2022	15,000	100	15.52	15,000	100	15.52
8.07% Government of India Stock 2017	3,005,000	100	3,171.59	3,005,000	100	3,171.59
7.94% Government of India Stock 2021	7,900	100	8.11	7,900	100	8.11
7.50% Government of India Stock 2034	18,000	100	17.92	18,000	100	17.92
5.69% Government of India Stock 2018	10,000	100	9.05	10,000	100	9.05
<b>State Development Loans</b>						
9.79% Maharashtra SDL 2023	1,500,000	100	1,550.65	1,500,000	100	1,550.65
9.72% Kerala SDL 2023	4,000,000	100	4,153.60	4,000,000	100	4,153.60
9.60% Maharashtra SDL 2023	1,400,000	100	1,401.82	1,400,000	100	1,401.82
8.93% Haryana SDL 2022	22,200	100	23.90	22,200	100	23.90
8.89% West Bengal SDL 2022	25,000	100	26.88	25,000	100	26.88
8.73% Madhya Pradesh SDL 2022	12,000	100	12.73	12,000	100	12.73
8.66% Andhra Pradesh SDL 2021	10,000	100	10.54	10,000	100	10.54
8.55% Uttar Pradesh SDL 2017	10,000	100	10.30	10,000	100	10.30
8.53% Maharashtra SDL 2020	25,000	100	26.08	25,000	100	26.08
8.40% Madhya Pradesh SDL 2019	10,000	100	10.30	10,000	100	10.30
8.39% Uttar Pradesh SDL 2020	20,000	100	20.65	20,000	100	20.65
8.30% Gujarat SDL 2017	10,000	100	10.18	10,000	100	10.18
8.25% Rajasthan SDL 2020	30,000	100	30.77	30,000	100	30.77
7.91% Maharashtra SDL 2016	5,000	100	5.02	5,000	100	5.02
7.85% Uttar Pradesh SDL 2016	8,000	100	8.02	8,000	100	8.02
7.79% Tamil Nadu SDL 2016	1,200	100	1.20	1,200	100	1.20
7.79% Punjab SDL 2016	16,800	100	16.81	16,800	100	16.81



	Number of Bonds	Face Value per Bond Amount in ₹	As at March 31st, 2015 ₹ in Lacs	Number of Bonds	Face Value per Bond Amount in ₹	As at March 31st, 2014 ₹ in Lacs
7.77% Gujarat SDL 2015	9,800	100	9.80	9,800	100	9.80
7.77% Andhra Pradesh SDL 2015	9,000	100	9.00	9,000	100	9.00
7.53% Uttar Pradesh SDL 2015	10,200	100	10.15	10,200	100	10.15
10.03% Rajasthan SDL 2028	3,391,000	100	3,497.82	-	-	-
9.49% Tamil Nadu SDL 2023	3,000,000	100	3,087.32	-	-	-
9.37% Gujarat SDL 2023	2,500,000	100	2,541.97	-	-	-
9.19% Kerela SDL 2024	1,000,000	100	1,005.83	-	-	-
			22,179.38			12,046.44
Less: Provision for loss to arise on Redemption of Investments			266.89			172.71
Aggregate value of investments			<b>21,912.49</b>			<b>11,873.73</b>
Cost of Quoted investments			22,179.38			12,046.44
Market Value			23,130.50			11,635.08

**NOTE: 13**  
**LOANS AND ADVANCES**

₹ In Lacs

	Non-Current		Current Portion	
	As at March 31st, 2015	As at March 31st, 2014	As at March 31st, 2015	As at March 31st, 2014
<b>Loans - Secured (Refer note 22.03)</b>				
Housing Loans	1,023,161.65	598,611.45	171,359.83	135,760.37
Non-Housing Loans	415,055.59	265,453.34	69,551.50	56,658.41
Current portion of Long-Term Loans & Advances disclosed under the head Current "Loans & Advances" (Refer Note 18)	-	-	(240,911.33)	(192,418.78)
	<b>1,438,217.24</b>	<b>864,064.79</b>	-	-

**13.1** Loans and instalments due from borrowers shown under Loans and Advances and Other Current Assets respectively are secured wholly or partly by any one or all of the below as applicable:

- Equitable Mortgage of Property
- Pledge of shares, units, NSCs, other securities, assignment of life insurance policies.
- Bank guarantee, corporate guarantee, government guarantee or personal guarantee.
- Undertaking to create a security.

**13.2** The Company has complied with the norms prescribed under Housing Finance Companies (NHB) Directions, 2010 for recognising Non-Performing Assets (NPA) in preparation of Accounts. As per the norms, NPAs are recognised on the basis of 90 days overdue. NPAs are to be treated as Bad & Doubtful, if they remain outstanding for more than 15 months. The Company has made adequate provisions on Non-Performing Assets and Standard Assets in respect of Housing and Non-Housing Loans as prescribed under Housing Finance Companies (NHB) Directions, 2010.



Classification of loans made for Non-Performing Loan Assets are given below :

As at March 31st, 2015

₹ In Lacs

Loans	Standard	Sub-Standard	Doubtful	Loss	Total
<b>Housing Loans</b>	1,194,036.21	677.10	1,391.86	250.04	1,196,355.21
Provisions made	5,341.27	117.08	1,391.86	250.04	7,100.25
<b>Non-Housing Loans</b>	484,481.95	681.89	412.63	-	485,576.47
Provisions made	2,458.73	105.83	412.63	-	2,977.19
<b>Total Loans</b>	<b>1,678,518.16</b>	<b>1,358.99</b>	<b>1,804.49</b>	<b>250.04</b>	<b>1,681,931.68</b>
<b>Total Provisions</b>	<b>7,800.00</b>	<b>222.91</b>	<b>1,804.49</b>	<b>250.04</b>	<b>10,077.44</b>

As at March 31st, 2014

₹ In Lacs

Loans	Standard	Sub-Standard	Doubtful	Loss	Total
<b>Housing Loans</b>	743,870.61	376.49	1,564.75	300.40	746,112.25
Provisions made	3,189.01	56.47	923.13	300.40	4,469.01
<b>Non-Housing Loans</b>	311,878.14	268.14	862.28	-	313,008.56
Provisions made	1,488.62	40.22	411.49	-	1,940.33
<b>Total Loans</b>	<b>1,055,748.75</b>	<b>644.63</b>	<b>2,427.03</b>	<b>300.40</b>	<b>1,059,120.81</b>
<b>Total Provisions</b>	<b>4,677.63</b>	<b>96.69</b>	<b>1,334.62</b>	<b>300.40</b>	<b>6,409.34</b>

**13.3** Interest on non-performing assets is recognised on realisation basis as per the NHB Directions. Accordingly total interest de-recognised as at the Balance Sheet date is summarised as under:-

₹ In Lacs

	As at March 31st, 2015	As at March 31st, 2014
Cumulative interest B/F from last Balance Sheet	263.37	278.33
Less: Recovered/Write Off during the year	243.28	150.17
Add: Interest de-recognised for the year on		
- Sub-Standard Assets (Net)	146.03	8.41
- Doubtful/ Loss Assets	210.93	126.80
<b>Total</b>	<b>377.05</b>	<b>263.37</b>

**NOTE: 14**

**OTHER NON-CURRENT ASSETS**

₹ In Lacs

	Non-Current		Current Portion	
	As at March 31st, 2015	As at March 31st, 2014	As at March 31st, 2015	As at March 31st, 2014
Security Deposits (Unsecured, Considered Good)	522.54	281.26	-	-
Prepaid Expenses (Refer note 1.17)	11,796.57	6,537.17	3,845.28	898.22
	<b>12,319.11</b>	<b>6,818.43</b>	<b>3,845.28</b>	<b>898.22</b>

**NOTE: 15**  
**CURRENT INVESTMENTS**

₹ In Lacs

	Number of Bonds	Face Value per Bond Amount in ₹	As at March 31st, 2015 ₹ in Lacs	Number of Bonds	Face Value per Bond Amount in ₹	As at March 31st, 2014 ₹ in Lacs
<b>QUOTED - OTHER THAN TRADE (FULLY PAID)</b>						
<b>Bonds and Debentures</b>						
11.25% Power Finance Corporation Limited 2018	5	1,000,000	54.28	-	-	-
11.00% Bank of India Perpetual Bonds (Tier 1- Basel III)	650	1,000,000	7,021.95	-	-	-
10.45% Gujarat State Petroleum Corporation Limited 2072 with call option on 28/09/2022	500	1,000,000	5,400.00	-	-	-
9.95% Food Corporation of India Limited 2022	9	1,000,000	98.69	-	-	-
9.48% Bank of Baroda Perpetual Bonds	550	1,000,000	5,508.50	-	-	-
8.90% Syndicate Bank Perpetual Bonds	96	1,000,000	992.79	-	-	-
8.83% Indian Railway Finance Corporation Bonds 2023	1,000	1,000	1,349.53	103	1,000,000	1,052.45
8.78% National Hydroelectric Power Corporation Limited 2023	500	100,000	507.30	-	-	-
8.78% National Hydroelectric Power Corporation Limited 2021	500	100,000	508.40	-	-	-
8.78% National Hydroelectric Power Corporation Limited 2020	500	100,000	510.50	-	-	-
8.69% Damodar Valley Corporation 2028	938	1,000,000	10,026.53	456	1,000,000	4,764.60
8.55% Indian Infrastructure Finance Company Ltd Bonds 2024	9	1,000,000	90.52	-	-	-
8.36% Power Finance Corporation Limited 2020	250	1,000,000	2,490.43	-	-	-
8.10% Indian Infrastructure Finance Company Ltd Bonds 2024	5	1,000,000	48.92	-	-	-
7.98% Infrastructure Development Finance Company Limited 2023	849	1,000,000	8,816.70	716	1,000,000	7,181.34
7.93% Power Grid Corporation of India Limited 2028	70	1,000,000	711.17	100	1,000,000	988.35
7.93% Power Grid Corporation of India Limited 2021	50	1,000,000	512.85	100	1,000,000	997.30
7.93% Power Grid Corporation of India Limited 2018	50	1,000,000	512.80	100	1,000,000	997.13
7.93% Power Grid Corporation of India Limited 2020	50	1,000,000	512.55	90	1,000,000	897.20
7.93% Power Grid Corporation of India Limited 2019	50	1,000,000	510.85	100	1,000,000	997.56



**NOTE: 15**  
**CURRENT INVESTMENTS**

₹ In Lacs

	Number of Bonds	Face Value per Bond Amount in ₹	As at March 31st, 2015 ₹ in Lacs	Number of Bonds	Face Value per Bond Amount in ₹	As at March 31st, 2014 ₹ in Lacs
7.93% Power Grid Corporation of India Limited 2022	50	1,000,000	510.15	50	1,000,000	502.55
7.93% Power Grid Corporation of India Limited 2017	50	1,000,000	508.75	50	1,000,000	501.40
7.93% Power Grid Corporation of India Limited 2024	50	1,000,000	507.85	50	1,000,000	495.00
7.93% Power Grid Corporation of India Limited 2025	50	1,000,000	505.10	50	1,000,000	495.00
7.93% Power Grid Corporation of India Limited 2026	50	1,000,000	505.10	50	1,000,000	495.00
7.93% Power Grid Corporation of India Limited 2027	50	1,000,000	503.75	100	1,000,000	987.75
7.34% Indian Railway Finance Corporation Bonds 2028	130	1,000,000	10.24	-	-	-
9.45% State Bank of India Bonds 2021	-	-	-	4,000	10,000	401.96
9.24% Rural Electrification Corporation Limited 2018	-	-	-	100	1,000,000	1,003.60
9.41% Indian Infrastructure Finance Company Limited Bonds 2037	-	-	-	10	1,000,000	108.59
8.94% Power Finance Corporation Limited 2028	-	-	-	100	1,000,000	1,027.20
8.82% Rural Electrification Corporation Limited 2023	-	-	-	8	1,000,000	81.42
8.80% Food Corporation of India Limited 2028	-	-	-	778	1,000,000	8,422.16
8.70% National Hydroelectric Power Corporation Limited 2015	-	-	-	100	100,000	100.17
7.93% Power Grid Corporation of India Limited 2023	-	-	-	50	1,000,000	502.95
<b>UNQUOTED - OTHER THAN TRADE (FULLY PAID)</b>						
Certificate of Deposit of IDBI Bank Ltd.	20,000	100,000	19,658.79	10,000	100,000	9,835.17
Certificate of Deposit of Punjab & Sind Bank	20,000	100,000	19,594.30	-	-	-
Certificate of Deposit of Canara Bank	17,500	100,000	17,092.49	-	-	-
Certificate of Deposit of Andhra Bank	17,500	100,000	16,370.11	-	-	-
Certificate of Deposit of Oriental Bank of Commerce	10,000	100,000	9,804.57	-	-	-
Certificate of Deposit of Allahabad Bank	5,000	100,000	4,928.57	10,000	100,000	9,837.75
<b>Total</b>			<b>136,685.03</b>			<b>52,673.60</b>

₹ In Lacs

	Number of Bonds	Face Value per Bond Amount in ₹	As at March 31st, 2015 ₹ in Lacs	Number of Bonds	Face Value per Bond Amount in ₹	As at March 31st, 2014 ₹ in Lacs
Aggregate value of quoted investments			49,236.20			33,000.68
Market Value of quoted investments			49,448.09			33,341.06
Aggregate value of unquoted investments			87,448.83			19,672.92

**NOTE: 16**

**CASH AND CASH EQUIVALENTS**

₹ In Lacs

	As at March 31st, 2015	As at March 31st, 2014
<b>16.1 Cash and Bank Balances</b>		
Cash on Hand	116.18	113.35
Balances with Banks in Current Accounts	4,576.26	2,361.64
	4,692.44	2,474.99
<b>16.2 Other Bank Balances</b>		
Fixed Deposits with original maturity of more than three months upto twelve months	15,214.18	2,689.13
Fixed Deposits with original maturity of more twelve months	9,407.58	8,678.13
	<b>29,314.20</b>	<b>13,842.25</b>

**NOTE: 17**

**SHORT-TERM LOANS AND ADVANCES**

₹ In Lacs

	As at March 31st, 2015	As at March 31st, 2014
Loan Against Deposits (Secured)	936.17	117.56
Advances Recoverable in Cash or Kind (Unsecured, Considered Good)	3,435.74	106.51
Advance Income Tax [Net of Provision for Taxation ₹28,626.75 Lacs (Previous year ₹19,676.75 Lacs)]	634.53	677.28
	<b>5,006.44</b>	<b>901.35</b>



**NOTE: 18**  
**OTHER CURRENT ASSETS**

₹ In Lacs

	As at March 31st, 2015	As at March 31st, 2014
Current Maturities of Long-Term Loans & Advances (Secured, Refer Note 13 )	240,911.33	192,418.78
Installments Due from Borrowers (Secured)	2,803.10	2,637.23
Stock of Acquired Properties (Held for sale or disposal) [Net of Provision for Diminution in Value of ₹109.93 Lacs (Previous year ₹69.65 Lacs)]	3,484.66	1,376.56
Interest Accrued on Investments	2,531.11	1,465.37
Interest Accrued but not Due on Loans	528.41	-
Prepaid Expenses (Refer Note 14 )	3,845.28	898.22
	<b>254,103.89</b>	<b>198,796.16</b>

**18.1** The installment due from borrowers is net of interest de-recognised ₹377.05 Lacs  
(Previous year ₹263.37 Lacs) (Refer note 13.3)

**NOTE: 19**  
**REVENUE FROM OPERATIONS**

₹ In Lacs

	Current Year	Previous Year
<b>INTEREST INCOME</b>		
i) Interest on Loans [TDS ₹3,036.94 Lacs (Previous year ₹619.95 Lacs)]	159,763.56	100,111.37
ii) Interest on Investments [TDS ₹108.19 Lacs (Previous year ₹94.85 Lacs)]	7,292.53	5,474.99
iii) Other Interest	28.06	4.43
	167,084.15	105,590.79
Fees & Other Charges (Refer Note 1.3 and Note 6 )	4,550.47	2,254.44
Surplus from deployment of funds in Cash Management Schemes of Mutual Funds	1,989.31	1,154.08
Profit / (Loss) on Sale of Investment	1,568.07	949.55
Other Operating Income [TDS ₹47.95 Lacs (Previous year ₹58.64 Lacs)]	2,480.61	1,652.73
	<b>177,672.61</b>	<b>111,601.59</b>

**19.1** Surplus from deployment in Cash Management Schemes of Mutual Funds amounting to ₹1,989.31 lacs  
(Previous year ₹1,154.08 Lacs) is in respect of Investments held as Current Investments.

**NOTE: 20**  
**FINANCE COST**

₹ In Lacs

	Current Year	Previous Year
<b>Interest on</b>		
Term Loans	51,310.06	40,148.21
Non-Convertible Debentures	35,275.29	24,840.95
Commercial Paper	5,790.84	1,080.12
Deposits	29,662.37	13,238.44
	122,038.56	79,307.72
<b>Other Charges</b>		
Brokerage on Deposits (Refer Note 1.10 )	1,460.56	528.50
Fee and other expenses (Refer note 1.17)	2,915.08	259.96
Bank Charges	70.10	18.98
	4,445.74	807.44
	<b>126,484.30</b>	<b>80,115.16</b>

**NOTE: 21**  
**EMPLOYEE BENEFIT EXPENSE**

₹ In Lacs

	Current Year	Previous Year
Salaries and Allowances	6,290.16	3,736.52
Contribution to Provident Fund & Other Funds (Refer Note 31)	281.66	202.58
Staff Welfare Expenses	134.44	100.98
	<b>6,706.26</b>	<b>4,040.08</b>

**NOTE: 22**  
**OFFICE OPERATING EXPENSES**

₹ In Lacs

	Current Year	Previous Year
Rent	1,145.24	704.09
Rates & Taxes	5.16	10.45
Repairs & Maintenance - Building	72.89	71.38
Office Maintenance	77.06	52.54
Registration and Filing Fees	38.50	78.98
Electricity and Water Charges	299.14	196.13
General Office Expenses	1,704.71	749.83
Insurance Charges	12.73	2.51
Travelling & Conveyance	478.53	300.18
Printing & Stationery	220.89	108.48
Postage & Telephone	425.86	272.24
	<b>4,480.71</b>	<b>2,546.81</b>



**NOTE: 23**  
**OTHER EXPENSES**

₹ In Lacs

	Current Year	Previous Year
Legal Expenses	662.12	241.10
Professional Charges	1,158.94	1,178.60
Advertisement & Publicity	1,177.22	545.98
Cost of Loan Acquisition (Refer Note 1.17 )	2,890.86	1,687.51
Director's Sitting Fee	13.05	6.69
Auditors Remuneration		
- Audit Fees	11.15	11.15
- Tax Audit Fees	4.25	4.25
- Other Certifications work	11.68	5.84
- Reimbursement of Expenses	0.37	4.78
Loss on sale of Fixed Assets	22.08	14.45
Miscellaneous Expenses	138.72	92.60
	<b>6,090.44</b>	<b>3,792.95</b>

**NOTE: 24**  
**DISCLOSURE REQUIRED BY NATIONAL HOUSING BANK**

The following additional disclosures have been given in terms of the circular no. NHB/ND/DRS/PoI- No.35/2010-11 dated October 11, 2010 issued by the National Housing Bank.

**a) Capital to Risk Assets Ratio (CRAR)**

	As at March 31st, 2015	As at March 31st, 2014	As at March 31st, 2013
i) CRAR (%)	13.76	12.95	13.81
ii) CRAR - Tier I Capital (%)	10.41	9.94	9.51
iii) CRAR - Tier II Capital (%)	3.35	3.01	4.30

On Inspection for FY 2012-13, NHB has observed that NOF & CAR as on 31st March 2013 was over stated on account of deferred revenue expenditure, short provisioning due to negative amortisation and incorrect application of discount on subordinate debts. The Company has made necessary rectifications and accordingly the CRAR as at March 31, 2014 & March 31, 2013 has been restated.



**b) Exposure to Real Estate Sector**

₹ In Lacs

Sr. No.		As at March 31st, 2015	As at March 31st, 2014
<b>i)</b>	<b>Direct Exposure</b>		
	A. 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 – ₹1,06,755.00 Lacs Previous year ₹1,05,253.00 Lacs)	14,34,045.00	9,57,929.00
	B. Commercial Real Estate: Lending secured by mortgages on commercial real estates. Exposure would also include non-fund based (NFB) limits	2,47,887.00	1,01,191.00
	C. Investments in Mortgage Backed Securities (MBS) and other securitised exposures – i) Residential ii) Commercial Real Estate	Nil	Nil
<b>ii)</b>	<b>Indirect Exposure</b>		
	Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	Nil	Nil

In computing the above information, certain estimates, assumptions and adjustments have been made by the Management which have been relied upon by the auditors.

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

- i) Not been imposed any penalty by National Housing Bank; and
- ii) During the course of Inspection FY 2012-13, NHB has made certain observations. Most of the observations were routine in nature except with reference to the calculation of CRAR as explained above



#### d) Asset Liability Management

The residual maturity profile of Assets and Liabilities is carried out based on the estimates and assumptions regarding prepayments and renewals as prescribed by the National Housing Bank (NHB). Maturity pattern of certain items of assets and liabilities is as follows:

As at March 31st, 2015

₹ In Lacs

Maturity Buckets	Liabilities		Assets	
	Bank Borrowings	Market Borrowings	Net Advances	Investments
1 day to 30-31 days (one month)	36,429.06	22,804.33	21,528.73	1,36,685.03
Over 1 month to 2 months	2,000.00	58,921.98	21,253.16	18.80
Over 2 months to 3 months	8,000.00	88,831.10	20,981.12	-
Over 3 months to 6 months	49,535.67	68,339.34	61,345.71	1,864.30
Over 6 months to 1 year	67,663.55	1,39,420.38	1,15,802.63	15,240.19
Over 1 year to 3 years	2,08,598.19	3,00,535.97	3,83,244.53	10,643.57
Over 3 years to 5 years	1,32,017.48	1,45,076.96	2,81,319.27	78.12
Over 5 years to 7 years	38,535.36	50,151.01	2,06,501.40	1,217.38
Over 7 years to 10 years	36,135.35	2,22,161.57	2,11,507.31	17,471.88
Over 10 years	-	-	3,58,447.83	-
<b>Total</b>	<b>5,78,914.66</b>	<b>10,96,242.65</b>	<b>16,81,931.66</b>	<b>1,83,219.27</b>

As at March 31st, 2014

₹ In Lacs

Maturity Buckets	Liabilities		Assets	
	Bank Borrowings	Market Borrowings	Net Advances	Investments
1 day to 30-31 days (one month)	20,475.40	7,502.03	18,210.31	21,320.57
Over 1 month to 2 months	2,143.08	1,540.58	17,187.15	2,689.13
Over 2 months to 3 months	15,144.31	1,686.79	16,903.56	16,500.33
Over 3 months to 6 months	51,626.18	9,470.74	49,055.56	16,500.33
Over 6 months to 1 year	56,472.93	49,054.99	91,062.19	-
Over 1 year to 3 years	1,96,072.92	1,04,576.97	2,85,571.35	10,184.26
Over 3 years to 5 years	1,11,794.00	92,715.15	1,91,557.59	39.84
Over 5 years to 7 years	25,243.80	20,134.91	1,28,494.37	84.82
Over 7 years to 10 years	28,844.20	2,29,529.64	1,17,977.00	8,595.30
Over 10 years	-	14.50	1,43,101.71	-
<b>Total</b>	<b>5,07,816.82</b>	<b>5,16,226.30</b>	<b>10,59,120.79</b>	<b>75,914.58</b>

## NOTE: 25

### RELATED PARTY TRANSACTION

As per the Accounting Standard on 'Related Party Disclosures' (AS 18), notified by the Companies (Accounting Standards) Rules, 2006, the related parties of the Company are as follows:

Name of the Related Party	Nature of Relationship
Punjab National Bank *	Holding Company
PNB Gilts Limited *	Fellow Subsidiary
Punjab National Bank (International) Ltd., UK *	Fellow Subsidiary
PNB Investment Services Limited *	Fellow Subsidiary
Druk PNB Bank Ltd, Bhutan *	Fellow Subsidiary
PNB Insurance Broking Private Limited *	Fellow Subsidiary
JSC SB PNB Kazakhstan *	Fellow Subsidiary
Destimoney Enterprises Private Limited	Enterprise having Significant Control
Mr. Sanjaya Gupta (Managing Director)	Key Managerial Personnel
Mr. Sanjay Jain (Company Secretary)	Key Managerial Personnel
Mr. Jayesh Jain (Chief Financial Officer)	Key Managerial Personnel

\* State Controlled Enterprises

### 25.1. Transactions with Related Parties

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:

₹ In Lacs

Nature of Transaction	Enterprise Having Significant Control		Key Managerial Personnel	
	Current Year	Previous Year	Current Year	Previous Year
Commission	339.39	526.10	-	-
Dividend on Equity Shares	735.00	470.66	-	-
Issues of Equity Shares under Rights Issue and payment of Call Money	34,299.99	-	-	-
Remuneration to Key Managerial Personnel			167.70	111.61

## NOTE: 26

### OPERATING LEASE

In accordance with the Accounting Standard on 'Leases' (AS 19), notified by the Companies (Accounting Standards) Rules, 2006, the following disclosures in respect of Operating Leases are made. The Company has acquired properties under non-cancellable operating leases for periods ranging from 12 months to 60 months. The total minimum lease payments for the current year, in respect thereof, included under Rent, amounts to



₹1145.00 Lacs (Previous year ₹704.00 Lacs). The future minimum lease payments in respect of properties taken under non-cancellable operating lease are as follows:

₹ In Lacs

Period	As at March 31st, 2015	As at March 31st, 2014
Not later than one year	938.85	520.27
Later than one year but not later than 5 years	1337.98	618.77
More than five years	Nil	Nil

**NOTE: 27**

In accordance with the Accounting Standard on 'Earnings Per Share' (AS 20), the Earnings Per Share is as follows:

i) The Earnings Per Share (EPS) is calculated as follows:

₹ In Lacs

Particulars	Unit	Current Year	Previous Year
a. Amount used as the numerator for Basic EPS Profit after tax	(₹ in Lacs)	19,610.97	12,744.25
b. Weighted average number of equity shares for Basic EPS	Number	8,03,46,855	5,01,28,978
c. Weighted average number of equity shares for Diluted EPS	Number	8,03,46,855	5,01,28,978
d. Nominal value per share	(in ₹)	10	10
e. Earnings per share			
- Basic (a/b)	(in ₹)	24.41	25.42
- Diluted (a/c)	(in ₹)	24.41	25.42

ii) The Basic Earnings Per Share have been computed by dividing the Profit After Tax by the weighted average number of equity shares for the respective periods. The weighted average number of shares have been derived as follows :

(a) For the year 2014-15

Particulars	Pro-Rata No. of Shares	Days
(i) 5,00,00,000 Equity Shares of ₹10 each (Fully Paid-up) and 3,92,30,700 of ₹10 each (Partly Paid-up ₹4 per each) at the beginning of the year	6,56,92,280	365
(ii) Allotment of 37,692,300 equity shares under rights issue (first call of ₹4 having nominal value of ₹10 per share)	1,50,76,920	236
(iii) Second call of ₹3 on 39,230,700 equity shares having nominal value of ₹10 per share	1,17,69,210	107
(iv) Second call of ₹3 on 37,692,300 equity shares having nominal value of ₹10 per share	1,13,07,690	47
<b>(v) Weighted Average number of shares for computation of Basic Earnings Per Share</b>	<b>8,03,46,855</b>	<b>-</b>

(b) For the year 2013-2014

Particulars	Pro-Rata No. of Shares	Days
(i) Equity Shares of ₹10 each at the beginning of the year	5,00,00,000	365
(ii) Allotment of 37,692,300 equity shares under rights issue (first call of ₹4 having nominal value of ₹10 per share)	1,56,92,280	3
<b>(iii) Weighted Average number of shares for computation of Basic Earnings Per Share</b>	<b>5,01,28,978</b>	

iii) The Diluted Earnings Per Share is same as Basic Earnings Per Share, as there are no dilutive potential equity shares outstanding as on March 31, 2015 and March 31, 2014.

#### NOTE: 28

#### SEGMENT REPORTING

Company's main business is to provide loans against/for purchase, construction, repairs & renovations of Houses/ Flats/Commercial Properties etc. All other activities of the Corporation revolve around the main business. 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.

#### NOTE: 29

#### CONTINGENT LIABILITIES AND COMMITMENTS

- i) Contingent liability in respect of Income-tax and Interest-tax demands of ₹447.18 Lacs (Previous year ₹312.49 Lacs) is disputed by the Company and are under appeal. The Company expects to succeed in these matters before appellate authority and hence no additional provision is considered necessary. Against the said demand, ₹524.15 Lacs has been paid / adjusted and will be received as refund if the matters are decided in favour of the Company.
- ii) Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) is ₹2107.72 Lacs (Previous year ₹3217.99 Lacs).
- iii) Claims against the Company not acknowledged as debt is ₹ Nil (Previous year ₹ Nil)

#### NOTE: 30

#### DISCLOSURE IN RESPECT OF LEAVE ENCASHMENT LIABILITY

Changes in the benefit obligation	₹ In Lacs	
	As at March 31st, 2015	As at March 31st, 2014
Liability at the beginning of year	218.42	169.16
Interest cost	18.56	13.53
Current service cost	150.21	72.89
Benefits paid	(39.70)	(31.57)
Actuarial (gain)/loss on obligation	63.21	(5.59)
Liability at the end of year	410.71	218.42



₹ In Lacs

**Amounts recognised in balance sheet**

	As at March 31st, 2015	As at March 31st, 2014
Present value of obligation as at the end of the period	410.71	218.42
Net asset / (liability) recognized in balance sheet	(410.71)	(218.42)

₹ In Lacs

**Expense recognized in the statement of profit and loss**

	As at March 31st, 2015	As at March 31st, 2014
Current service cost	150.21	72.89
Interest cost	15.56	13.53
Net actuarial (gain)/ loss recognized in the period	63.21	(5.59)
Expenses recognized in the statement of profit & loss	231.99	80.83

₹ In Lacs

**Movement in the liability recognized in the balance sheet**

	As at March 31st, 2015	As at March 31st, 2014
Liability at the beginning of year	218.42	169.16
Expense as above	231.99	80.83
Benefits paid	(39.70)	(31.57)
Liability at the end of year	410.71	218.42

**Assumptions**

	As at March 31st, 2015	As at March 31st, 2014
Discounting Rate	7.75%	8.50%
Future salary Increase	7.75%	8.50%
Retirement Age (Years)	60	60
Mortality Table	IALM (2006-08)	IALM (2006-08)

**NOTE: 31**

**CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES**

During the year, The Company has spent / provisioned ₹269.58 Lacs towards Corporate Social Responsibility (CSR) under section 135 of Companies Act, 2013 and rules thereon. As per clarification issued by the Institute of Chartered Accountants of India, CSR expenses have been appropriated from current year's profits.

**NOTE: 32**

There are no indications which reflects that any of the assets of the Company had got impaired from its potential use and therefore no impairment loss was required to be accounted in the current year as per Accounting Standard on 'Impairment of Assets' (AS 28) notified by the Companies (Accounting Standards) Rules, 2006.

**NOTE: 33**

Previous year figures have been rearranged / regrouped wherever necessary to correspond with Current year's classification disclosure.

In terms of our report of even date

For and on Behalf of Board

**B. R. Maheswari & Co.**  
Chartered Accountants

**Akshay Maheshwari**  
Partner  
Membership No.: 504704  
FR No: 001035N

New Delhi  
May 5, 2015

**Sanjaya Gupta**  
Managing Director

**Krishan Gopal**  
Chief Manager (F & A)

**Gauri Shankar**  
Chairman

**Jayesh Jain**  
Chief Financial Officer

**Sunil Kaul**  
Director

**Sanjay Jain**  
Company Secretary



# GLIMPSES FY 2014-15

## New & Renovated Branches





# GLIMPSES FY 2014-15

## Events & Exhibitions





# GLIMPSES FY 2014-15

Farewell to Outgoing CMD Mr. K.R. Kamath & Outgoing Directors  
Welcoming New CMD Mr. Gauri Shankar & Incoming Directors





Ghar Ki Baat

---

[www.pnbhousing.com](http://www.pnbhousing.com)