DIGITAL INCLUSION

How Aavas Financiers is leveraging technology to delight unbanked and under-banked Indian mortgage customers

Aavas Financiers Limited | Annual report 2017-18

CONTENTS

Forward-looking statement: This document contains statements about expected future events and financial and operating results of Aavas Financiers Limited, which are forward-looking. By their nature, forward-looking statements require the Company to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that the assumptions, predictions and other forward-looking statements will not prove to be accurate. Readers are cautioned not to place undue reliance on forward-looking statements as a number of factors could cause assumptions, actual future results and events to differ materially from those expressed in the forward-looking statements. Accordingly, this document is subject to the disclaimer and qualified in its entirety by the assumptions, qualifications and risk factors referred to in the management's discussion and analysis of the annual report.

- There are two Indias in India today.
- One India is technology-proficient. The other India is technology-ignorant.
- The challenge of the day is to leverage the power of technology for the benefit of the un-banked and under-banked.
- At Aavas Financiers, we have a term for this.

DIGITAL INCLUSION

5 THINGS YOU NEED TO KNOW ABOUT AAVAS FINANCIERS LIMITED

Empowering India's growing vision of affordable housing for all

We are a retail, affordable housing finance company, primarily serving low and middle income self-employed customers in suburban and rural areas in India. A majority of our customers have limited access to formal banking credit.

A large segment of India's rural and suburban population is currently unserved or under-served by formal financial institutions comprising customers without any credit history and we believe that this customer segment offers significant growth opportunities and customer loyalty.

We intend to continue to focus on disbursing loans to under-served low and middle income customers primarily for the purchase and construction of single unit houses.

Building a case for financial industry

Aavas Financiers is not the usual mortgage company that would have found it convenient to finance home ownership across urban India. The Company selected to be contrarian: it selected to commission branches in suburban and rural India, providing housing loans to the unreached and under-served. The result is that the average ticket size of the Company's loan is considerably lower than the national market, strengthening a case for financial inclusion.

Our customer profile comprises salaried and self-employed individuals (grocers, dairy chains and *kirana* store owners, restaurants owners and textile traders, among other service providing individuals like drivers, car painters and electricians). Over the years, we enlarged our customer base by extending housing loans to entrepreneurs with or without documented income proofs.

Our geographic footprint is attractive and contiguous

We have adopted a strategy of contiguous on-ground expansion across regions and as of March 31, 2018, we conducted our operations through 165 branches spread across 92 districts in the states of Rajasthan, Maharashtra, Gujarat, Madhya Pradesh, Haryana, Uttar Pradesh, Chattisgarh and Delhi.

We conducted operations in rural areas and small towns and followed an approach of targeting geographies with low credit penetration. Our branches are predominantly located in rural and suburban areas.

Our understanding of the local characteristics of markets has allowed us to address the unique needs of our customers and enabled us to penetrate deeper into such markets. We believe that we have successfully adopted a strategy of on-ground contiguous expansion across regions.

Our services are just what customers need

We offer customers home loans for the purchase or construction of residential properties, and for the extension and repair of existing housing units. We also offer customers other mortgage loans including loans against property. Loans against property are loans that are used primarily for business financing requirements, such as for the expansion of business, working capital needs, or other approved purposes as set out in the relevant loan documentation.

Our corporate philosophy

Our vision is to enrich the lives of people we touch by providing access to housing finance in the unserved and under-served markets in India. We aspire to provide customised and easy home loan solutions to our customers. We aim to be sympathetic to the needs of our customers. We strive to establish ourselves as a trustworthy, transparent and well-governed housing finance company.

HOW INDIA'S FINANCIAL INCLUSION NEEDS TO BE BUILT AROUND THE FOUNDATION OF DIGITAL INCLUSION.

At Aavas Financiers, we believe that financial inclusion is India's biggest challenge.

A large part of India's population lives outside the banking influence.

There are two ways of getting this large segment – possibly the world's largest under-banked segment in any one country – financially included.

The conventional way in which this has been attempted over the decades, using manual and legacy interventions.

Or the unconventional way of leveraging cutting-edge technologies.

At Aavas Financiers, we invested in Digital Inclusion to accelerate the embrace of technologies for the benefit of India's common millions.

Translating into the question of tomorrow's company today.

At Aavas Financiers, we reinvented our company around Digital Inclusion for three reasons.

Because we believe that however good a customer proposition you present, they would need solutions larger, better and faster.

Because successful companies would make their technology backbones deliver a large portion of customer value while the senior management graduated to strategic thinking.

Because successful companies would address employee work-life balance and transform the prospect of attrition into enhanced retention.

The result of Aavas's Digital Inclusion has been dramatic.

Translating into excellence and outperformance.

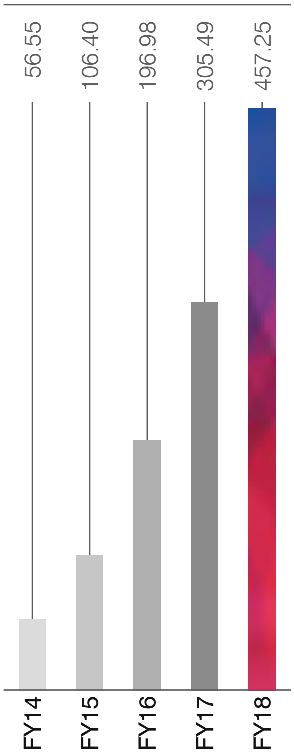
AAVAS HAS SELECTED TO DO BUSINESS IN A DIFFERENT WAY

Most Indian mortgage companies prefer to provide loans to builders and individuals in real estate projects	Aavas provided mortgage loans focusing on the financing of single units and individual end users.
Most Indian mortgage companies selected to appoint marketing intermediaries to attract customers and fresh business.	**Aavas believe** in sourcing customers directly, maintaining on-going contact and relationships.
Most Indian mortgage companies diversified into land loans, gold loans, commercial lending and real estate promoter under construction funding.	**Aavas selected** to specialise in the financing of the home ownership needs of low income customers and restrain funding of loans on land, Gold loan, Commercial loan, and loan on real estate under construction.
Most Indian mortgage companies outsource specialised competencies (legal, civil engineers and information technology).	**Aavas selected** to build deep resident competencies through an in house team of legal (23), technical (39) and risk containment competencies (23).
Most Indian mortgage companies were faced with people attrition challenges that prevented corporate growth.	**Aavas trained** aggressively, strengthened employee engagement, introduced ESOP and launched initiatives that touched employee families.
Most Indian mortgage companies address the needs of the low-income classes with legacy systems on the grounds that the customer group is not demanding.	**Aavas invested** in cutting-edge technologies to deliver a futuristic experience for the benefit of its low-income customers.

Most Indian mortgage companies prefer to provide loans to home owners in government real estate projects.	**Aavas provided** mortgage loans also to prospective home owners of village *panchayat* projects.
Most Indian mortgage financial companies possess a lending institution mindset.	**Aavas approaches** customers with a life transformation focus.
Most Indian mortgage financial companies focus on maximising their loan size and efficiently covering their costs.	**Aavas focuses** on providing low-ticket loans across a large number of customers.
Most Indian mortgage finance companies focus on increasing the number of customers and market share.	**Aavas focused** on solving customer problems and making their dream of home ownership a reality.
Most Indian mortgage finance companies select to extensively widen their market footprint and reach more customers.	**Aavas selected** on deepening its focus across a reasonable footprint.
Most Indian mortgage companies focus on reaching out to new customers.	**Aavas focused** on superior service that generated a high number of customer referrals.
Most Indian mortgage companies believe that low-income customers represent poor risk.	**Aavas backed** its judgment to believe that low income customers represent high integrity.

OUR DIGITAL INCLUSION IS IMPROVING OUR BUSINESS EFFICIENCY AND CORRESPONDING FINANCIALS.

Total Revenue
(₹ crore)

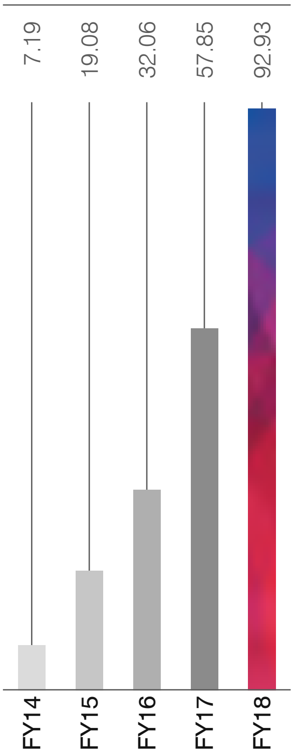


Why is this measured?
It is an index that showcases the Company's ability to optimise business operating costs despite inflationary pressures, which can be easily compared with the retrospective average and sectoral peers.

What this reveals
This indicates the ability of the Company to leverage its distribution network and report high revenues.

Result
Aggregate disbursements increased by 47.40% to ₹2051.16 crore in FY2017-18 due to the widening customer base and expansion of reach.

Profit after Tax
(₹ crore)

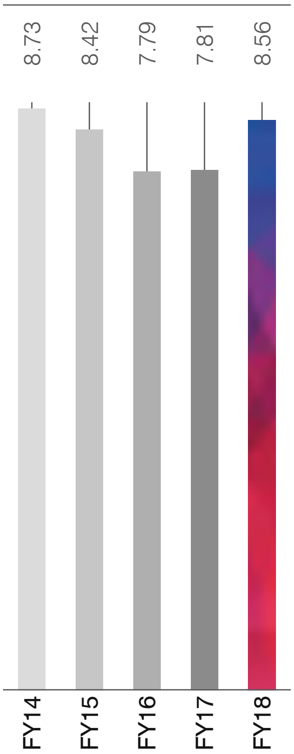


Why is this measured?
It highlights the strength in the business model in generating value for its investors.

What this reveals
Ensures that adequate cash is available for reinvestment and allows the Company's growth engine to sustain.

Result
The Company's net profit registered an increase of 63% over the previous year.

Net Total Income
(%)



Why is this measured?
It is the percentage of net total income to the average of total assets. The spread between the cost of funds and the interest rate charged to borrowers and fee income are the primary sources of profit for financial lending institutions like us.

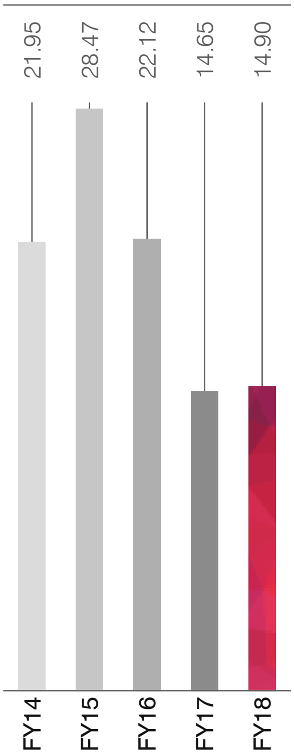
What this reveals
At Aavas, we protect our NTI through superior underwriting and collection capabilities. We negotiate with our lending partners for a lower cost of fund and focus on providing the customer with a risk-adjusted rate.

Result
The Company's net total income grew by 75 bps from 7.81% in 2016-17 to 8.56% in 2017-18.

**It is the percentage of net total income as a part of the average of total assets; net total income is total revenue minus finance cost.*

THIS IMPROVEMENT IS STRENGTHENING OUR FUNDAMENTALS AND OUTLOOK.

Return on equity
(%)

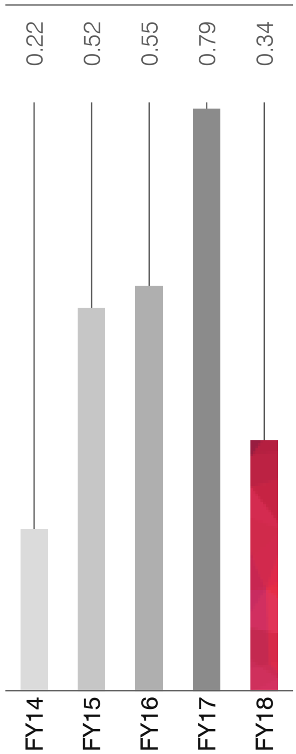


Why is this measured?
This helps to evaluate how efficiently company is able to manage the equity that investors have invested in it.

What this reveals
The Company's RoE validates its ability to reward stake holders. On the back of capital infusion, increasing net interest margin and decline in borrowing cost; the Company's return on equity is likely to revive from here onwards.

Result
The Company's RoE stood at 11.16% in 2017-18.

Gross non-performing assets
(%)

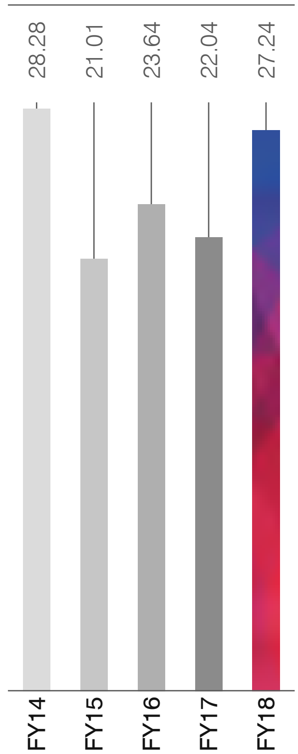


Why is this measured?
This ratio conveys to the Company about the assets which do not bring any return and is susceptible to default.

What this reveals
Despite doubling disbursements, the Company's GNPA dipped and remained considerably lower than the industry average. This was possible due to superior credit appraisal.

Result
The Company's GNPA during FY2017-18 stood at 0.34%, significantly lower than the industry average of 1-3%, indicating robust underwriting skills and efficient collection mechanism.

Operating cost to income ratio
(%)

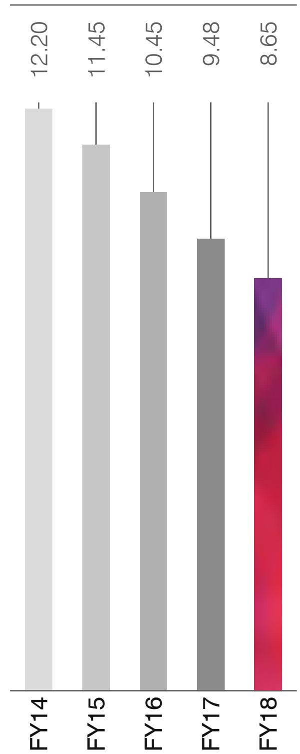


Why is this measured?
This ratio is an indicator of operational efficiency and productivity. To enhance the operating income company focus lies on controlling overheads.

What this reveals
At Aavas, we maintain cost-to-income ratio by leveraging economies-of-scale, increasing manpower productivity with growing disbursements enhancing incorporation of technology in a quicker loan TAT and reducing transaction costs & side by side we made investment in technology and manpower for future growth.

Result
The Company's operating cost to income ratio stood at 27.24%. in FY2018 and it is going to be better in coming years.

Average cost of borrowing
(%)



Why is this measured?
Lower cost funds pool helps to reduce the rate of interest charged from customers, widening the market.

What this reveals
The cost of funds is one of the most important for Aavas, since a lower cost will generate better returns when the funds are used for short-term and long-term loans to borrowers. At Aavas, we have reduced our cost of funds on the back of declining interest rates, diversifying our liability portfolio through increasing securitisation. Besides, the Company negotiated better with lending partners.

Result
The Company's average cost of funds stood at 8.65% during FY2017-18, a decline over the previous year.

FROM THE CEO'S DESK

THE TWO WORDS THAT ENCAPSULATE ALL THAT WE ATTEMPTED DURING THE LAST FINANCIAL YEAR ARE 'DIGITAL INCLUSION'

Sushil Kumar Agarwal, *Whole Time Director and CEO*

AT AAVAS FINANCIERS, THE DECISION TO INVEST AGGRESSIVELY IN DIGITAL TECHNOLOGIES WAS DEBATED: DID WE REALLY NEED TO INVEST AS DECISIVELY IN TECHNOLOGY WHEN IT COULD HAVE BEEN POSSIBLE TO ADDRESS THE CHALLENGES OF THE DAY THROUGH MANUAL INTERVENTIONS?

A number of observers felt that at a time when we were outperforming the market, our focus should have been on maximising our competitive advantage by sweating our operational engine.

There was another school that felt that perhaps the best time to strategise was precisely when we were outperforming the market, marked by low survival issues and when quarter-on-quarter performance pressures were low.

However, the Directors of the Company were equivocal: they believed that with government incentives for low-cost housing falling into place and aspirations among low-income families rising, a tipping point would soon emerge: the demand for low-income-homes-cum-corresponding-mortgage-financing would increase sharply and sectoral growth would outperform the retrospective average. When this transpired, competition would increase, companies would be challenged to address sectoral opportunities and most players would be compelled to play 'catch up'.

We believe that the farsighted adoption of digital service delivery mechanisms has enabled us to become more efficient and customer-friendly leveraging the best of our data analytics capability. This, in turn, has allowed us to profile customers in a targeted manner, offer tailor-made products that suit the diverse requirements of our customers and enhance customer delight and giving the same experience to rural and semi urban customer, what Tier 1 and 2 Customers used to have from large housing finance Companies.

Nothing is sacred

If there is one philosophy that has transformed our organisation then it is that 'Nothing is sacred.' In the past, each of us working with the Company had brought something of the companies that we had worked with into Aavas. The result is that the Aavas personality was largely a hybrid. The principal message that we sent out was: question every reality, challenge every status quo.

The first status quo that we challenged was: shrink the turnaround time in responding to customer loan requests. There was a good reason why we selected this as a prioritised focus: this addressed the core point of our existence (customers); this touched on a point that worried customers the most ('will my loan application be passed?').

Having identified this as something that we needed to do before anything else, the next question was more challenging: since we started with a 30-day turnaround time, what should have been a good target for the year? The 'incrementalists' within the Company felt that reducing the turnaround time to around 25 days would have been a fair target; the Board pushed for a stretch target of 10 days.

Ten days! We believed that was embarrassing that we were taking 30 days to make up our mind and hand over a cheque to our customer who had been waiting expectantly each day for his case to be cleared. The Board of Aavas insisted that if we were not gunning for anything that was a complete break from the past and represented an entirely new of doing things, then there would soon come a time when our proposition would no longer be acceptable to customers, eroding brand and market share.

Shrinking our TAT

This new target required a completely new mindset: every process was questioned and aligned around whether it would help us achieve the ten-day turnaround time (TAT). If it would get us close, then it was entertained; if not, it was rejected.

Interestingly, the critical cog in the ten-day turnaround plan was not processes; it was people. We recognised that the plan would succeed or fail largely influenced by the buy-in of our people. This is where we made a decisive alignment: the year-end bonuses and promotions would be based on how decisively the Company achieved its ten-day turnaround time and how effectively the respective individual contributed towards the corporate objective. There was something else that we enunciated that was daring for a company of our size and scope: we discontinued the practice of announcing annual sales targets partly because we believed that we needed to be first focused on getting our input right; besides, we believed that if we got our input right (10-day turnaround time in servicing customers), virtually every other metric (sales growth etc.) would not only fall into place but be better that one would have normally projected.

I am pleased to report that the stretch target had a positive impact, that our ability to directly control the end-to-end process has helped us reduce average turn-around time from an average 21 days during Fiscal 2014 to an average13 days in fiscal 2018: we were able to achieve a turn-around-time of 10 days in 54.22% of the cases we addressed in fiscal 2018.

Protecting our book

When we announced this stretch 10-day target, there were well-meaning apprehensions: what if, in our quest for speed, we made sub-standard decisions that affected the quality of our loan book? What if haste translated into mediocrity?

Aavas addressed this challenge as well. The Company graduated from a complete dependence on manual intervention to a hybrid approach: systemic automation would screen the first round of intending applicants; thereafter, specialised professional attention would decide whether the loan needed to be cleared or not. The introduction of a digital platform helped delegate decision-making down the line with corresponding responsibility, increasing manpower productivity with growing disbursements through the enhanced use of information technology systems, resulting in quicker loan turnaround time and reducing transaction costs.

Our information technology systems empowered us across several functions:

- **Origination:** We use an app for recording, monitoring and tracking leads and generating credit appraisal memorandums. This resulted in lowered costs and increased productivity. We developed and implemented a business information management system to track and monitor the status of loan turnaround times.

- **Underwriting:** We utilised an enterprise-wide loan management system, OmniFin, to provide an integrated platform for credit processing, credit management, general ledger, debt management and reporting. OmniFin assisted us in the automation of the loan origination system, credit underwriting process, underwriting rule engine, deviation triggers to minimise human errors, branch accounting system and customer history. We also used an app for geo-tagging properties, reducing turnaround times for approving loans and ensuring an accurate determination of loan-to-value ratios.

The result was that the system accelerated without compromising the loan book. This development is reflected in the numbers: in 2017-18, Aavas grew its loan book 51% compared to the previous year and yet non-performing assets declined from 0.79% in 2016-17 to 0.34% in 2017-18 (even as the norms for recognising delinquency became more stringent). This combination – loan book growth and decline in non-performing assets – represents an unambiguous validation of our competence in a challenging sector.

Practice of daily reports

There was another challenge that we addressed head-on during the year under review. As a data-respecting company, Aavas had inculcated the practice of sending daily reports – an estimated 60 in number - across the organisation. While this practice was effective in driving informed decision-making, there was a shortcoming: the reports would consume an approximate 2000 person-hours a day and reach executives only by noon, delaying strategy implementation. Besides, since the system was manual, it carried the corresponding risk of unintended errors.

A reinvented Aavas questioned this practice. The Company could not afford a high daily people effort expenditure. There had to be a better way. The result was that Aavas was compelled to look within. Is there any way the people who created these reports could be dispensed with? This question, asked repeatedly, navigated the Company towards a game-changing answer: get information technology to 'work' with the data coming into the system and generate the reports automatically.

Initially, this proposition was questioned: would it work? Would the system be able to create reports that provided adequate insights? Could they be trusted by managers needing to make critical decisions?

The results speak for themselves. The Aavas system 'speaks' within overnight and generates 600 reports by 7am, delivered to each relevant executive by 8am, liberating executive bandwidth from the routine to the strategic. As an extension, the Company was liberated of the time in sending MS Excel attachments to the extent of 85%, graduating to more productive interventions.

Work-life balance

The third change was perhaps the trickiest. For the last number of years, we had been exposed to the rising skew in our work-life balance. Executives worked longer, carried stress into their homes and often worked from home as well. The inference was that the larger the Company grew, the longer executives would need to work. The result was an extrapolation that the more executives stressed, the greater the likelihood of their leaving the Company to work elsewhere.

At Aavas, we took a decisive stand: we stipulated a cut-off time of 7pm when the Company would stop working every single day. When we first articulated this unprecedented decision, the general reaction was one of disbelief: was such a thing at all possible? How would the Company cease to work at a specific time? What if executives took work home?

Aavas leveraged its response through technology. The Company did not merely ask its employees to leave on time; it compulsorily switched its systems off at 7pm, making it virtually impossible for any employee to work thereafter. This decision had a number of impacts: pre-7pm productivity strengthened; work-life imbalance corrected; employees reported superior workplace engagement; employee retention increased.

This is how we reinvented the Company through Digital Inclusion in the last financial year, strengthening business sustainability.

No month-end pressure

The industry observed that most targets are achieved in the last moment of the month and all departments are pressurised to clear the files till the last movement, resulting in late hours with a corresponding compromise of asset quality. Our company saw in this a potential risk and focused on smoothening the process through the increased use of technology by spreading the business throughout the month rather than clubbing everything in the last week. All our technology initiatives - digital disbursement, leads through mobile app, evaluation, application score card etc. - helped us report seventy five per cent of the business in the first three weeks of the month during the year under review.

Sushil Kumar Agarwal,

Whole Time Director and CEO

Disclaimer on forward-looking statements

Some information in this report may contain forward-looking statements which include statements regarding Company's expected financial position and results of operations, business plans and prospects etc. and are generally identified by forward-looking words such as "believe," "plan," "anticipate," "continue," "estimate," "expect," "may," "will" or other similar words. Forward-looking statements are dependent on assumptions or basis underlying such statements. We have chosen these assumptions or basis in good faith, and we believe that they are reasonable in all material respects. However, we caution that actual results, performances or achievements could differ materially from those expressed or implied in such forward-looking statements. We undertake no obligation to update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

THE VARIOUS WAYS IN WHICH WE TRANSFORMED AND STRENGTHENED AAVAS

Corrected the monthly sales skew

- 75% of Aavas' business in the last 4 days of a month threatened loan quality
- The Company announced a shift to even business spreading
- The Company strengthened its IT system
- The Company provided team support
- Today, ~75% of business is generated in the first 3 weeks of the month

Moderated delinquency

- The Company possessed a delinquency lower than the sectoral average
- It focused on reducing this delinquency number further
- It invested in a systems-driven IT backbone
- It trained employees intensively
- Today, the Company's delinquency (0.34%) is one of the lowest in India's mortgage sector

Generated business intelligence almost in real time

- All daily reports would be generated by noon the following day
- This entailed extensive investment (nearly 2000 person-hour a day)
- Aavas empowered its IT system to generate reports – automatically
- This liberated human investment and intervention
- Today, reports reach executives by 8am – for proactive action

Enhanced business sourcing

- Aavas prioritised enhanced distribution efficiency
- The Company deepened its presence (districts to *tehsils*)
- It recruited from the locations of its presence
- It delegated disbursements to branch level
- Cases appraised increased from ~1,400/ month to 2,100/month within 12 months

Reduced the turnaround time

- Aavas reported an average TAT of 21 days in 2013-14
- The Company focused on TAT reduction in 2017-18
- It enhanced its IT investment, reducing work duplication
- Its processes were overhauled and streamlined
- Today, Aavas enjoys an average TAT of 13 days

STRENGTHENING OUR BUSINESS

Aavas selected to invest in Digital Inclusion ahead of the industry curve.

This required competencies and platforms to be proactively created.

We leverage best-in-class information technology and data analytics for on-boarding customers, underwriting analysis, loan monitoring, risk management and collection. Between fiscals 2014 and 2018, we invested ₹15.05 crore in upgrading our technological platform.

These investments were made with the objective that when the growth curve became sharper, the Company would be at the right place and the right time.

At Aavas, we are optimistic of our prospects due to the extensive penetration of mortgage finance in India.

As India's government encourages home ownership by the country's low-income group through financial incentives and encourages builders to build affordable homes, we believe that India's residential construction sector has arrived at an inflection point. From this point onwards, we believe that the mortgage financing space, addressing affordable homes for the low income families, will grow faster.

This optimism makes it imperative for companies like ours to invest in the moment.

We believe that the robust Aavas foundation comprises the following areas of focus:

Customers

Employees

Data management

Business sourcing

Aavas selected to make prudent investment across the following categories:

Customer

- Invested in analytics to understand customers better
- Moderated costs and passed on benefits
- Negotiated better, reduced loan costs, passed on benefits

People

- Hired fresh and trained
- Introduced ESOPs; enhanced retention
- Strengthened employee engagement
- Enriched workplace culture
- Created positions, hierarchies and responsibilities

Data management

- Proactive IT investment
- Created digital platform
- Created Data Security

Business sourcing

- Created an in-house sourcing team
- Team comprised diverse competencies
- Focused on eight States with growing aspirations
- Will scale to a desired long-term branch network in FY19

Overview

We believe that our proactive investments in each of these spaces will help Aavas build a pipeline of people, capabilities and customers that could translate into future-preparedness.

Our technology backbone

At Aavas, we believe that our technology backbone has made it possible to minimise physical files, generate incisive market data and facilitate informed decision-making.

We have made significant investments in our information technology systems and implemented automated, digitised and other technology-enabled platforms proprietary tools to strengthen offerings and derive operational, cost and management efficiencies.

We believe that due to our proactive IT investment, our various operating platforms – credit control, distribution, collections management and analytics – are not just scalable but also immediately responsive to changes in the operating environment.

We consistently monitor our cost-to-income ratios, leverage economies-of-scale and increase manpower productivity in line with growing disbursements by capitalising on our state-of-the-art IT platform. The result: reduced loan turnaround times and transaction costs.

We believe that the interplay of our various operating platforms has made it possible to achieve that one thing for which we are in existence: provide superior service and delight customers.

We believe we have invested in robust futuristic systems that have helped us moderate business risk in unmapped and undocumented spaces, strengthening sustainability.

We believe that our IT system has been designed with the objective of correcting employee work-life imbalance and enriching family lives.

We believe that increased automation will make it possible to reduce manual intervention (and errors), graduating our people from the routine to the strategic.

Our technology competitive edge

- Our technology backbone
- Minimise physical filing systems
- Generated incisive market data
- Enhanced informed decision-making

OUR STRENGTHS

Aavas' market outperformance has been derived from various intentions, initiatives and investments

Positive ALM: Aavas' average liability of 135 months matches its average asset tenure, resulting in a positive ALM

Hedge: ~29% of Aavas' liability was borrowed at a fixed rate; 45% of Aavas' AUM have been lent at a fixed rate, a natural hedge

Declining funds cost: Aavas mobilised funds at an average cost of 8.6% in 2017-018, among the lowest rates enjoyed by A-rated mortgage finance companies in India

Policy alignment: Aavas moderated its net business risk through focused mortgage financing for low income customers who derived funding benefits from Pradhan Mantri Aawas Yojana, strengthening the Company's alignment with national policy

Marquee investors: Aavas' equity holders comprised marquee names (Partners Group, Kedaara Capital and Au Small Finance Bank) with deep pockets and long-term commitment

Widening footprint: Aavas widened its footprint in eight Indian States, marked by aspirations for a better lifestyle among the low income groups expressed through home ownership

Governance: Aavas comprised a strong Board with diverse industry experiences, enriching the Company's bandwidth

Financial leverage: Aavas' gearing of 2.4 (as on 31 March 2018) left a large room to grow the business without additional borrowings, helping enhance shareholder value

Capitalisation: Aavas was adequately capitalised at 61.55% capital adequacy ratio (as on 31 March 2018) compared with a minimum stipulated 12% as the NHB

INDIAN HOUSING FINANCE SECTOR – NUMBERS THAT MATTER

Population

1.3 billion
India's current population

455 million
India's urban population

918 million
India's rural population

Occupation

~51 %
Self-employed workers in India

54.2 %
Self-employed workers in rural areas

41.4 %
Self-employed workers in urban areas

Housing shortage

Urban

~18.78 million
Shortage of homes in urban India

~10 million
Vacant homes

17.4 %
Population living in slums

Housing shortage

Rural

43.6 million
Home shortage

20.2 million
People residing in thatched-roof houses

65.3 million
People living in houses without permanent roofs

Financial inclusion

Urban

67,500
Bank branches present in metro cities and urban locations

Rural

7
Bank branches per100,000 adults in rural India

Mortgage penetration in India

December 2017

9.7 %
Mortgage penetration

March 2022

14 %
Mortgage penetration (projected)

(Sources: Census 2011, KPMG, World Economic Forum, BBC, Economic survey 2015)

OPERATIONAL REVIEW, 2017-18

Q: What were some of the big Aavas achievements during the year under review?

A: This question needs to be answered at two levels.

One, the Company outperformed the growth of the country's mortgage sector by a handsome margin, validating the fact that it brings to the market a differentiated complement of capabilities. Aavas grew its loan book by 51% to ₹4,073 crore and profit after tax by 63% to ₹93 crore. This performance represented profitable growth; even as revenues increased by 50%, the Company's profit after tax strengthened by 63%, which indicates that the Company is in a robust profit-accretion zone. The result is that the Company has grown its mortgage book from scratch to ₹4,000 crore, growing from nil to 50,000 customers and widened its presence across 165 locations - in the shortest time.

Two, the Company embarked on a cultural reinvention, reflected in a vastly different way of conducting business. The story began in the first half of 2016-17, when the Board of Directors of the Company challenged the management to explore a different way of conducting business. Their rationale was that as the mortgage market grew, competition was bound to increase. Whenever this transpired, a business-as-usual approach would prove ineffective and the Company would be down to competing on price that would inevitably dent precious margins. The Board was unanimous that at a time when the Company's business was healthy, it was time to extend attention from profitability to sustainability, which would have to be derived from conducting the business in a completely different way.

Q: How did the organisation come to believe that it was possible?

A: Here too one must come back to the Board. The Board did not just outline a stretch target and walk away; it hand-held the management, it reached deep within its own experience and it kept assuring that the impossible could be achieved. We must take this opportunity to honour the respective roles played by the various Directors:

- KR Kamath helped in human resource morale management
- Vivek Vig helped outline our vision and mission
- Kalpana Iyer helped in the area of credit appraisal, credit risk scoring and enhancing gender diversity in our recruitment
- Sandeep Tandon facilitated our IT journey
- KK Rathi strengthened the Board's governance framework

We must also credit the role of Lane McDonald which assisted the Board's value-creation projects through an identification of global best practices woven through our marketing, legal, compliance, HR and finance functions.

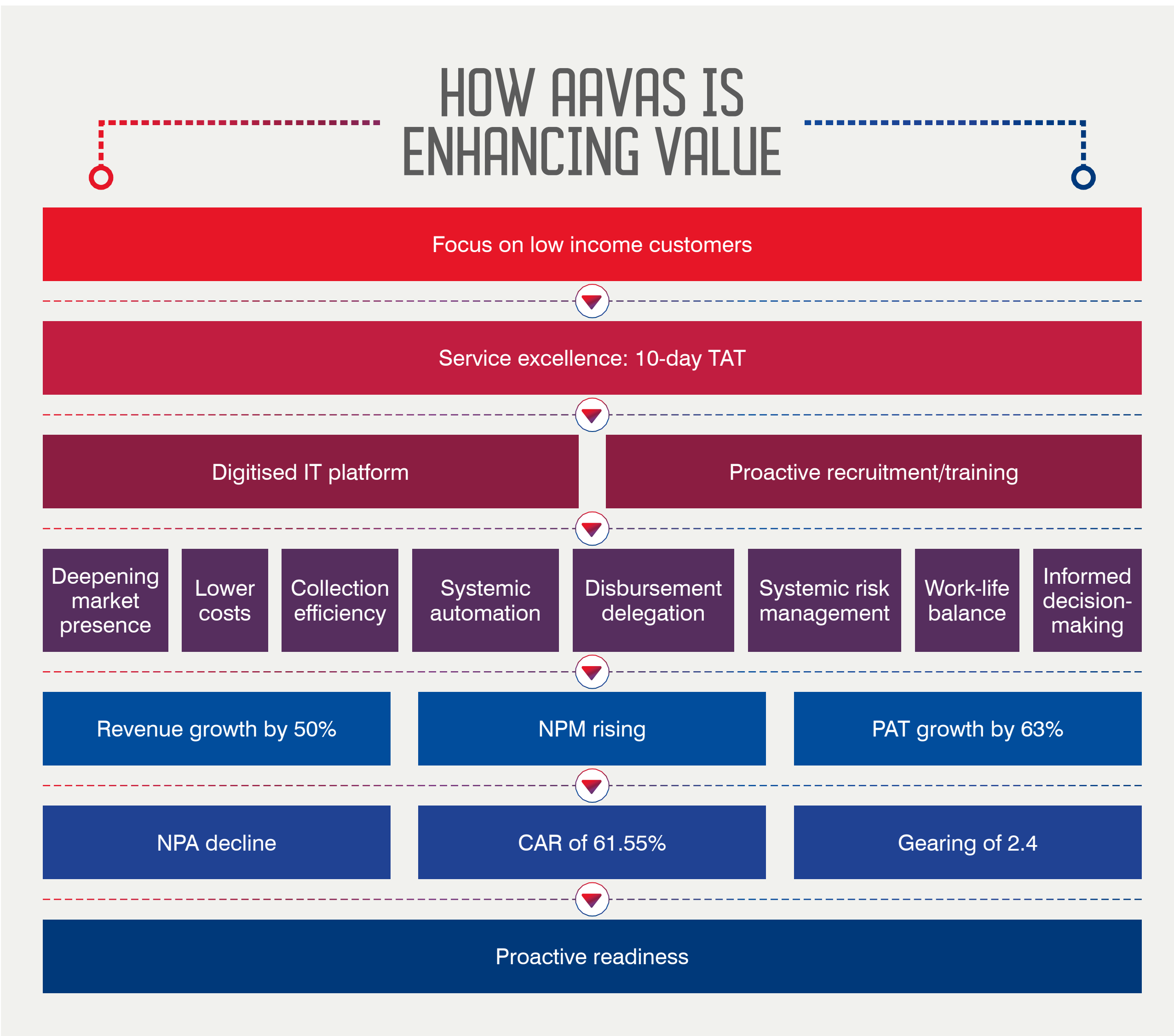
The result was a complete reinvention of the way we conducted our business.

Q: What were some of the ways in which the Company transformed its business approach?

A: The Company transformed its business skew from the month-end to evenly across the four weeks with corresponding improvements in loan book quality and systemic responsiveness. The Company began to generate a real time understanding of its business, almost on a day-to-day basis - with regard to loan size, turnaround time and other related parameters. The result is that the business became increasingly informed, decisions aligned to prevailing realities and outcomes more productive.

Q: How did the Company counter the impact of demonetisation and GST?

A: We were aware that demonetisation and GST would affect our repayment and new business generation. Instead of responding to these as threats, we converted the challenges into opportunities. For instance, when the demonetisation of the specified bank notes was announced, we implemented a contrarian approach: we refused to make demonetisation a part of office conversations. We did not emphasise on probable demonetisation impact, selecting to embrace a 'business as usual' approach. We did not discourage our field staff into believing that demonetisation could stagger market growth; on the contrary, we encouraged customer-centricity instead. When most were worried about disruption, we selected to enhance transaction ease: we helped customers become KYC compliant; we opened bank accounts for our customers; we implemented EMI direct debit/ECS directly from their bank accounts. As a result, despite demonetisation, we disbursed loans of ₹127 crore in December 2016 (during demonetisation) compared to ₹118 crore in October 2016 (pre-demonetisation). GST impacted home developers in that suddenly there was a 12% extra change over the service tax that needed to be paid. Projects near completion were put on hold. Despite the disruption, we reported a growth in our net disbursement by 47% in 2017-18 on account of our presence in the low ticket segment where the government subvention translated into a reduction in cash outgo.



TREASURY

Can we mobilise the largest quantity of funds at the lowest cost?

Can we mobilise debt with the longest tenure?

Can we deploy funds keep our desire delta intact?

Can we collect funds on schedule?

Can we inspire stable long-term equity partners to invest?

In the business of mortgage finance, the challenge is mobilising funds at the lowest cost and deploying around an attractive spread.

Aavas strengthened its funds management, reflected in sectoral outperformance and the Company reporting the highest profits in existence in 2017-18.

The Aavas differentiator

Aavas strengthened its treasury management through engagements with 36 consortium members who provided credit on tap and at lower rates, making it possible to capitalise on market growth. The result is that the Company strengthened its business model on the one hand and continued to outperform the mortgage financing sector on the other.

Overview

The funds management function at Aavas is critical because it protects asset quality and enhances profitability. Our treasury department is responsible for our capital requirements and asset liability management, minimising the cost of our borrowings, liquidity and control, diversifying fund raising sources, managing interest rate risk and investing surplus funds in accordance with the criteria set forth in our investment policy. The Company's treasury team was strengthened through core treasury, banking and securitisation / assignment competencies. The team addressed regulatory and banking compliances, prepared analytical reports/MIS, initiated fresh ratings and renewed debt instrument ratings.

We secured financing from a variety of sources including term loans and working capital facilities; proceeds from loans assigned and securitised; proceeds from the issuance of NCDs; refinancing from the NHB; subordinated debt borrowings from banks, mutual funds, insurance companies and other domestic and foreign financial and multi-lateral institutions to meet our capital requirements. We increased the number of our lender relationships from 13 as of March 31, 2014 to 36 as of March 31, 2018. As of 31st March, 2018, the Company's total borrowings stood at ₹25,957.82 million and the average cost of borrowing was 8.65%. As on 31st March, 2018, total borrowings comprised 65.81% of loans from banks and loans from financial institutions, 15.02% of non-convertible debentures, 14.07% of loans from National Housing Bank, 3.85% of unsecured non-convertible debentures (subordinate debt) and 1.25% of short-term borrowings from banks. The Company's average cost of borrowings reduced from 12.28% in 2013-14 to 8.65% in 2017-18; 29.24% of the total borrowings, securitisation and assignment were at fixed rates of interest, while 70.76% were at floating rates.

Strengths

- **Competence:** The Company graduated its underwriting understanding of the informal sector, transforming into institutionalised excellence through prudent documentation

- **Team:** We have a credit team of 397 personnel, comprising credit managers and disbursement officers who conduct an independent verification of customers, evaluate their business and financing needs. A majority of our credit approvers are Chartered Accountants who also conduct an analysis of the existing cash flows of a customer's business.

- **Legal assessment:** We conduct legal assessments through our in-house team of lawyers and by engaging external vendors who help us perform functions such as the verification of documents and title to properties. As of March 31, 2018, we had an in-house legal team of 23 members, of which 15 were lawyers.

- **Technical assessment:** We conduct technical assessments through our in-house team of engineers and by engaging external vendors who help us perform functions such as conducting technical evaluation of properties and the periodic review of construction projects. As of March 31, 2018, we had a team of 39 technical members, of which 22 were engineers.

- **Capital adequacy:** The Company's financial comfort was reflected in a Capital Adequacy Ratio of 61.55%, which was considerably higher than 12% recommended by NHB.

- **Longer funding:** The Company strengthened the tenure of loans from 123 months in 2013-14 to 169 months in 2017-18.

Our credit rating

Agency	Instrument	Rating
CARE	Long-term	A+/Positive
	Short-term	A1+
ICRA	Long-term	A+/Positive
	Short-term	A1+
CRISIL	Long-term	A+/Stable

Highlights, 2017-18

Inputs

The Company strengthened its viability through the following initiatives:

- The Company enhanced customer experience through the interplay of rate, reach and responsiveness, reflected in a decline in the average turnaround time from 21 days in 2013-14 to 13 days in 2017-18.
- The Company negotiated better with bankers and fund providers, resulting in lower coupon rates. It leveraged asset quality and priority sector lending status of the assets created.
- The Company extended average loan tenure from 165 months in March 2017 to 169 months in March 2018, enhancing funding stability.
- The Company strengthened its liquidity through stronger float management, quicker turnaround time as well as lower RTGS and NEFT costs through superior negotiation with bankers.
- The Company intimated credit appraisal and disbursing team members their respective performance on a day-to-day basis, linked to an objective and transparent incentive system.
- The Company drew data from the Credit Bureau to derive an insight into how the Company's customers performed with other financiers, drawing inferences that translated into proactive protecting decision-making (the first full year of implementation). Besides, the Company strengthened the practice of 'Reject Inferencing', tracking the progress of the prospective customer whose mortgage financing application the Company had earlier rejected, providing the Company with an insight into whether its credit appraisal standards needed to be refined.
- The Company engaged in ongoing analyses of specific informal professional customer segments, which enhanced its understanding of market dynamics.
- The Company strengthened its novel 'Eagle's Eye Certification', recognising individual initiatives beyond the normal call of duty for a wider pan-organisational appreciation

Outcomes

- The Company's net interest margin was 7.25% during the year under review compared with 6.61% in the previous year.
- The Company moderated non-performing assets from 0.79% in 2016-17 to 0.34% in 2017-18 despite a 47% growth in disbursements.

Highlights

12.28 %
Average cost of funds, FY14

8.65 %
Average cost of funds, FY18

7.81 %
Net total income as % of average total assets, FY17

8.56 %
Net total income as % of average total assets, FY18

PRESENCE

Can we reach under-addressed customers where competition is yet to reach?

Can we provide customers a best-in-line service?

Can we finance cases in a considerably lower time than the prevailing standard?

Can we derive locational synergies that translate into lower costs?

Can we inspire stable long-term equity partners to invest?

In the business of mortgage finance that selects to address the needs of the informal sector, the challenge lies in being present at the right place at the right time.

Aavas deepened its footprint across the states of its focus, resulting in brand growth and business accretion, strengthening profitability.

The Aavas differentiator

The Company adopted a strategy of contiguous on-ground expansion and as of March 31, 2018, conducted operations through 165 branches across 92 districts in eight States. Almost all customers were sourced directly and on March 31, 2018, the Company employed 1,862 personnel and generated 52,788 loan accounts (including securitised and assigned cases). As on 31st March, 2018, the Company had a point of presence in 78.69%, 70.67%, 52.38% and 47.95% tehsils in the states of Rajasthan, Gujarat, Maharashtra and Madhya Pradesh, respectively.

Overview

The distribution function at Aavas was critical because it helped the Company reach customers with speed. The Company reinforced its focus on the under-bankable rural population, a large segment marked by under-consumption and first-time home buyers. The Company selected to grow its presence across rural and suburban India. The Aavas team (zonal, state and field), was strengthened through local recruitment, facilitating dependable customer appraisal using financial and social parameters from an understanding of the customer's relevant experience, income patterns and geographic stability.

Strengths

The Company built competitive advantages to address its industry opportunities.

- **Width:** The Company's presence in eight contiguous states helped enhance business sourcing synergy
- **Depth:** The Company reached village clusters down to population levels of 2,000 within 50 kilometres of each branch; the Company reached 52% tehsils in the States of its presence, commissioning branches in tehsils, a rare trend in India's mortgage finance sector
- **Delegation:** The Company delegated the decision to provide mortgage finance to branches, accelerating decision-making closer to marketplace dynamics and enhancing operational flexibility
- **Profitability:** The intensive approach resulted in enhanced revenues per branch and a decline in the respective break-even point

Highlights, 2017-18

- The Company addressed a slowdown in the economy through a number of initiatives that translated into industry outperformance on the one hand and record numbers (profit and profit growth) on the other
- The Company created adequate capacity to source business: from 94 branches in March 2017 to 165 in March 2018; from 900 field force members to 1,550 across the period; business sourcing throughput increased from 5,000 per month to 11,000 cases in March 2018
- The Company created a new vertical (Approved Project Funding) to certify projects and correspondingly fund customers
- The Company launched Samvad, an initiative that attracted building product manufacturers (bricks, steel longs and cement) to work with the Company in collaboratively reaching customers
- The Company developed a scorecard to measure whether a case would pass or not; the automated filtering made it possible to reject non-fundable cases immediately, enhancing systemic productivity
- The Company introduced technology, providing 1,100 employees with a hand-held device for lead generation
- The Company created a pre-approved product, offering a loan top-up for home extension / business space expansion and miscellaneous needs
- The introduction of an internal branch grading system helped categorise branches across four categories on the basis of local

business potential, catalysing decentralisation where every Branch Head was empowered to enforce rules.

- The Company embarked on an instrumental phase in the digitisation of services following the launch of the Aavas Mobile App.
- The digitisation of disbursements was introduced, making it possible for customers to get disbursals through wire transfers within hours of filing requests.
- Following digitisation, collections via POS system and mobile app LOKTRA (geo-tracks collection teams and helps mapping) has helped ease work lives.

Outcomes

- The Company generated a 50% increase in revenues and 63% growth in profit after tax in 2017-18 over the previous financial year.
- The Company reduced infant delinquency from 0.79% in 2016-17 to 0.34% The introduction of the 7 pm systemic shutdown each evening helped moderate the appraisal cycle time. As an extension, the Company measured proposal inventory per branch, inspiring corrective action wherever necessary.
- The Company corrected its revenue skew – from 75% of the business derived on the last four days of a month to around 75% derived in the first three weeks
- The Company informed credit appraisal and disbursing team members of their respective performance on a day-to-day basis, linked to an objective and transparent incentive system.
- The Company developed a scorecard to measure whether a case would pass or not; the automated filtering made it possible to reject non-fundable cases immediately, enhancing systemic productivity
- The Company digitised the disbursements platform centrally, shrinking time between decision and disbursement across locations

CASE STUDY 1

The demonetisation in 2016 affected the informal sector, the single largest share of the Company's customers. The result is that Aavas did not meet the budgeted numbers during the third quarter of 2016-17. The impact on the informal sector extended into 2017-18; besides, the RERA implementation affected small builders who could not launch projects. The implementation of GST affected the entire Indian economy for more than a quarter in 2017-18. At Aavas, these realities should have affected performance. However, the Company extended its reach to geographic pockets where no mortgage finance company was present; it focused on generating increased customer referrals. In short, Aavas selected to extend beyond enhancing market share to creating new markets.

The result: 51% growth in book size in 2017-18 over the previous year

CASE STUDY 2

The mortgage finance business was marked by high attrition. Rather than poach competing players, Aavas selected to change the game: the Company created training modules (physical and online), trained inductees and existing employees.

The result: productivity and retention increased, starting a virtuous cycle

Distribution

42	165	1,862	8
Number of Branches of presence,FY15	Locations as on March 31, 2018	Team size as on March 31, 2018	Number of states of presence, FY18

AT AAVAS, WE IMPLEMENTED A FOUR-PRONGED SYSTEM OF CREDIT ASSESSMENT:

UNDERWRITING: The Aavas credit team of 397 personnel comprised credit managers and disbursement officers who conducted independent verifications of customers, evaluated their business and financing needs and analysed their ability to repay loans. A majority of our credit approvers were Chartered Accountants who also conducted an analysis of existing cash flows of customer businesses.

LEGAL ASSESSMENTS: The Company conducted legal assessments through our in-house team of lawyers and by engaging external vendors who help us perform functions such as the verification of documents and title to properties. Legal reports prepared by external lawyers are reviewed by our legal team. As of March 31, 2018, we had an in-house legal team of 23 members, of which 15 were lawyers and approximately 160 local law firms and lawyers empaneled.

TECHNICAL ASSESSMENTS: We conducted technical assessments through our in-house team of engineers and by engaging external vendors who helped us perform functions like conducting technical evaluation of properties and periodic review of construction projects. As of March 31, 2018, we had a team of 39 technical members, of which 22 were engineers and approximately 110 technical agencies with localised expertise were empaneled.

RISK CONTAINMENT UNIT: Our risk containment unit conducted credit bureau checks, CERSAI checks, scrutinised documents, visited customers and sought to identify nascent fraud. They conducted geography-specific risk assessments, authentication of demand letters and employment certifications. As of March 31, 2018, our risk containment unit comprised 23 personnel.

Customer testimonials

Kailash Kumar Narwal,
Jaipur, Hair salon owner

"I bought land in Jaipur on society *patta* property, which created challenges in getting housing loans to build a home. A relative told me that Aavas provided loans on society *patta* properties. I went to Aavas, applying for a construction loan. The loan was disbursed within 10 days of application. It was unbelievable!"

Priyanka Sahu,
Jaipur, Housewife

"My husband Navratan owns a small stall of *patashi*. As it became difficult to stay with grandparents, we decided to own our house. The challenge: we did not possess any credible document to apply for a housing loan. A neighbour suggested we go to Aavas; they provided a solution and sanctioned the loan within just 10 days without asking for additional documents. This was a dream come true."

Rajesh Kumar Sharma,
Jaipur

"We started home construction with a loan from Aavas but when my father expired, we were worried about how we would repay the mortgage. I explained the crisis to Aavas. They made us aware about insurance that covered our loan amount. The result: a loan wavier. We were saved by Aavas."

DATA SCIENCE

Can we extract insights from the business data available with us?

Can we proactively predict which customers would be most likely to default?

Can we study market patterns to guide us on prospective geographies?

Can we utilise our machine-derived insights to enhance efficiency?

In the business of mortgage finance, the challenge is finding the right customer, the right product, the right cost that the market will bear and the right time to market.

Aavas invested in cutting-edge data science with the objective to decipher a large volume of data quantities, extend interpretation to execution and generate the highest business returns.

The Aavas differentiator

The Company engaged analytics professionals to decode consumer India, possibly the largest such professional deployment among companies of Aavas's size in India's mortgage finance sector.

Overview

There is a growing understanding that analytics represents a new frontier in India's mortgage finance sector. There is a greater need to match products with customers. There is a greater priority to up-sell and cross-sell. There is a premium on the need to understand how customer preferences may evolve once incomes rise. A number of products need to be introduced in line with evolving customer preferences. Customer credit worthiness needs to be scientifically appraised across the loan tenure. The cost of error is becoming larger even as the margin of error is narrowing. Besides, the data science function rides a convergence of enhanced data availability, technology tipping point (low cost of high end computing), growing availability of real time digitised information and growing importance of the Credit Bureau.

Strengths

- Over the last year, Aavas strengthened its data science function through the recruitment of professionals (statisticians and econometricians), armed with new-age tools (SAS, R and Python) for data mining
- The Company possessed a sizeable proprietary base of more than 50,000 customers from across more than 150 branches at the close of FY18, translating into a large throughput from which to derive patterns. Besides, the Company leveraged extensive Credit Bureau archives of more than 200 million records.
- The Company developed models to predict customer behaviour, scientifically price products, protect customer attrition and proactively launch products. The analytics function engaged in millions of simulations, helping reduce turnaround time, enhance customer service and develop customer segments by processing algorithms with speed.
- The data science function strengthened the business across the customer life-cycle (targeting to acquisition to management to cross-sell/up-sell to collection to loss recoveries) even as the book size increased substantially.
- The team developed a hands-on experience of established platforms and analytic solutions, extending from technology to business applications and solutions

Highlights, 2017-18

- The Company strengthened its data science function during the year under review, its first full year of service implementation.
- The team addressed the MIS framework, creating various teams, validating data sources and preparing different reports.
- The team centralised the MIS within one team with the objective to replace the legacy system vulnerable to manual errors by drawing data from the raw back-end (as opposed to the front-end), verifiable across sources.
- The team automated 35 reports generated between 6 am and 7 am every day, issued to 2500 people across the organisation.
- The team provided structured real time data to strengthen informed decision-making; the team extended from text-based to visual elements to enhance readability.
- The team created statistical algorithms, models and machine learning solutions that helped generate deep data insights that were previously invisible
- The team created specialists to 'own' business functions within the Company, emerging as extension of those business functions; in doing so, the team integrated into risk analysis, credit control, collections and recovery, graduating the Company from the reactive to the proactive, using predictive modeling
- The team helped graduate the Company from arbitrary and gut-based decision making to data-driven understanding.

TECHNOLOGY

Can we reduce operational costs through technology?

Can we shrink the loan disbursement process?

Can we reduce work flow duplication?

Can we simplify and accelerate the process flow?

In the business of mortgage finance, the challenge for the Company is to reduce disbursement turnaround time and service customers better.

The Aavas differentiator

During the last few years, Aavas strengthened its IT infrastructure to leapfrog to next-generation technologies. This proactive investment accelerated speed and efficiency in day-to-day operations and generated superior analytics to design products and services in line with demanding needs. This investment is expected to future-proof the Company's technology, enhance productivity, reduce costs and increase customer convenience.

Overview

In the business of mortgage finance where customers are spread across locations, technology will have a growing role to play: in accessing customers with speed, in shrinking the time taken to disburse mortgage finance, in generating a daily understanding of business health that liberates employees from engaging in manual collection and liberates their time for strategic decision-making. The result is that a proactive technology investment has helped create a scalable and flexible foundation. The Company made significant investments in information technology systems and implemented automated, digitised and other technology-enabled platforms and proprietary tools. Between fiscals 2014 and 2018, the Company invested ₹15.05 crore in information technology systems; as of March 31, 2018, our IT and data science teams comprised 28 and 6 personnel, respectively. We consistently monitored our cost-to-income ratio, leveraging economies-of-scale, increasing manpower productivity with growing disbursements through the enhanced use of information technology systems, resulting in a quicker loan turnaround time and reducing transaction costs.

Advantage of Aavas IT systems

- **Origination:** At Aavas, we utilise a mobile application through which almost all our leads are recorded, which assists us in monitoring and tracking leads from an early stage and generating a credit appraisal memorandum, resulting in lower costs and increased productivity. We implemented a business information management system to monitor the status of loan documentation and turnaround time. We developed and implemented an application scorecard to predict the risk profile of borrowers, including first-to-credit customers.

- **Underwriting:** At Aavas Financiers, we utilise an enterprise-wide loan management system, OmniFin, to provide an integrated platform for credit processing, credit management, general ledger and reporting. OmniFin assists us with automation of loan origination system, credit underwriting process, underwriting rule engine, deviation triggers to minimise human errors and maintaining customer history. We use an application for geo-tagging properties, which helped reduce the turnaround time in approving loans, as well as achieve a higher accuracy in determining the loan-to-value ratio. We implemented e-KYC measures whereby a customer's credit score, was automatically retrieved resulting in faster processing.

- **Collections:** At Aavas, we developed a statistical algorithm to predict the probability of default, which helped obtain early signals of potential defaults and mitigate risks. We conducted a real-time tracking of collections and provided personnel with hand-held devices to enable them to issue e-receipts to customers.

- **Customer service and retention:** At Aavas, we implemented an online payment gateway on our website to enable our customers make online payments. We performed predictive analytics to identify cases of balance transfer and proactively retain such clients. We developed products and strategies (Aavas Plus, Aavas Refresh and Aavas Winback) which we used in collaboration with our analytics platform to improve customer satisfaction.

Strengths

- At Aavas, we disburse loans completely around a digital platform, helping shrink process stages and making it possible to disburse a loan within two days compared to longer tenures by peers.
- The Company created a mobile application, empowering employees to track the customer's loan approval.
- The Company's technology investment helped moderate paper work and documentation related to credit approval.

Highlights, 2017-18

- The Company upgraded OmniFin software, a fully-integrated package providing dashboard-based real-time information.
- The Company invested in the analytical platform of SAS to enable data-backed, scientific and intelligent decision-making, coupled with a best-in-class information management ecosystem.
- The Company implemented an online payment gateway its website to make it possible for customers to pay via debit cards, which helped counter the challenging demonetisation impact.
- The Company's ERP investment automated the business and increased throughput.
- The Company's Loan Operating System helped monitor loan processing work flows using digital imaging technology to reduce delays and inefficiencies.
- The Company invested in Loan Management System to shrink turnaround time and enhance service; it enabled banks improve agility, transparency and efficiency of lending solutions and enabled financial institutions to automate processes, resulting in cost savings and superior customer experience.

Outcomes

The Company reduced its turnaround time from 21 days (FY2013-14) to 13 days (FY2017-18).

LOAN MANAGEMENT SYSTEM ADVANTAGES

BUSINESS AGILITY: Faster time-to-time new products launch.

OPERATIONAL EFFICIENCY: Enhanced operations and service levels with optimal cost.

BUSINESS GROWTH: Support for multiple product lines, multiple channels with business analytics.

ENHANCED MANAGEABILITY: Consolidation and automation of lending process.

"We believe that the adoption of digital service delivery mechanisms enables us to be more efficient, customer-friendly and perform reliable data analytics, resulting in target customer profiling, customised and tailor-made products to suit the diverse requirements of our customers and improved customer satisfaction."

Ashutosh Atre,
Chief Credit Officer

HUMAN RESOURCES

Employee engagement

Wife of Mukul Bhattacharya,
AVP Risk

"I came back home from work to a well-wrapped gift box, flowers and a chocolate box with my name was written on it. I was surprised as it was neither my birthday nor my anniversary. My eyes went to a beautiful envelope. I opened to find that these things were sent from my husband's company for acknowledging my support on its success. This gesture was priceless."

Pawan Bansal,
Head of Internal Audit

"When I got home from office, my son came with a wrapped gift. My first reaction after unwrapping was '*Yeh kaisa* device *hai*!' My son recognised it as a digital book called Kindle, presented by the office. He proudly showed this to all his school friends."

Ram Naresh,
Chief Business Officer

"We introduced Genius Kids, a token of our recognition of the children of our employees. Some 58 bright kids were gifted a Kindle pocket reader for their academic achievements."

Growing employee base

2013-14	2014-15	2015-16	2016-17	2017-18
352	623	704	940	1,862

Training modules at Aavas

As part of our human resource initiatives, we implemented several programmes to engage with our employees. Some of our key programmes included **Neev**, a three-day compulsory training and development platform to help new employees develop a basic business understanding, while our '**LEAD**' platform was been designed to assist first and second-line managers develop key leadership skills. We introduced the **Pehla Peg** programme where we sent our employees to the ICICI Skills Academy in Jaipur to develop key finance industry knowledge. In addition, we conducted training programmes on a regular basis for employees in lending operations, underwriting and due diligence, KYC and anti-money laundering norms, risk management, information technology, and grievance redressal. We launched our **Disha** programme to bridge the gap between our sales and credit teams, resulting in faster credit appraisal and disbursement. We believe that such structured programs helped reduce our attrition in an industry which is vulnerable to talent loss.

MANAGEMENT DISCUSSION AND ANALYSIS

Profile

Our Company was incorporated as 'Au Housing Finance Private Limited' on February 23, 2011, as a private limited company. The Company was registered with the National Housing Bank (subsidiary of the Reserve Bank of India) as a housing finance company, formally starting operations in March 2012.

The name was changed to Au Housing Finance Limited following its conversion from a private to a public limited company in January 2013. In March 2017, the name was changed to Aavas Financiers Limited (Aavas). Our Company is retail, affordable housing finance company, primarily serving low and middle income self employed customers in semi-urban and rural areas in the states of Rajasthan, Gujarat, Maharashtra, Madhya Pradesh, Haryana, Delhi, Uttar Pradesh and Chhattisgarh.

Indian economic overview

India remains one of the drivers of world growth, in an improving global economic environment. According to data released by the International Monetary Fund in April 2018, the world economy grew by 3.2% and 3.8% in 2016 and 2017, respectively. Despite a slowdown in the pace of growth, the Indian economy expanded by 7.1% and 6.7% in 2016 and 2017, respectively. This makes India one of the fastest growing large economies in the world, along with China.

Global GDP growth and forecasts:

Country or Group	Fiscals			
	2016	2017	2018F	2019F
China	6.7%	6.9%	6.6%	6.4%
Brazil	-3.5%	1.0%	2.3%	2.5%
Russia	-0.2%	1.5%	1.7%	1.5%
South Africa	0.6%	1.3%	1.5%	1.7%
India	7.1%	6.7%	7.4%	7.8%
Japan	0.9%	1.7%	1.2%	0.9%
Euro Area	1.8%	2.3%	2.4%	2.0%
United Kingdom	1.9%	1.8%	1.6%	1.5%
United States	1.5%	2.3%	2.9%	2.7%
World	3.2%	3.8%	3.9%	3.9%

Note: Figures for 2018 and 2019 are forecasts.
** For India, data and forecasts are presented on a fiscal year basis i.e. 2013 refers to 2013-14 or FY2014. Data for other countries calculated on a calendar year basis.*

India's growth rate is expected to increase due to strong private consumption, the diminishing effects of demonetisation and the transition to GST. India's growth is also expected to rise gradually over the medium-term, with the continued implementation of structural reforms that increase productivity and incentivise private sector investments. A broad-based recovery has occurred over the last two quarters, led by the rural and urban segments for the reasons aforementioned as well as due to near-normal monsoon conditions and staggered pay revisions.

Key government initiatives

World Economic Forum's Global Competitiveness Report 2017 ranked India at an impressive 23 in the Global Competitiveness Index from 39 in 2016. Demonetisation dampened short-term growth, but could prove beneficial across the long-term. Some government initiatives comprised:

Bank recapitalisation scheme: The Central Government announced capital infusion of ₹2.1 lakh crore in public sector banks.

Expanding road network: The Government of India announced a ₹6.9 lakh crore investment to construct 83,677 kilometres of roads across five years.

Improving ecosystem: The country was ranked at the hundredth position, an improvement of 30 places in the World Bank's Ease of Doing Business 2017 report, a result of the Central Government's pro-reform agenda, comprising measures like the passing of Insolvency and Bankruptcy Code, simplifying tax computation and merging applications for PAN and TAN. In addition, Aadhaar-based identification approach could streamline the regulatory regime.

(Source: KPMG)

Goods and Services Tax: The Government of India launched GST in July 2017, with the vision of creating a unified market. Under this regime, various goods and services would be taxed as per five slabs (28%, 18%, 12%, 5% and zero tax).

Foreign Direct Investment: Foreign direct investment increased from approximately USD 24 billion in FY2012 to approximately USD 60 billion in FY2017, an all-time high.

Coal mining opened for private sector: Ending state monopoly, the government opened coal mining to private sector firms for commercial use, the most ambitious sectoral reform since nationalisation in 1973. Coal accounts for around 70% of the country's power generation, and the move for energy security through assured coal supply is expected to attract major players, enhance sectoral efficiency, widen competition, increase competitiveness and induct best technologies.

(Source: The Hindu, Business Today)

Doubling farm incomes: The government initiated a seven-point action plan to double farm incomes by 2022.

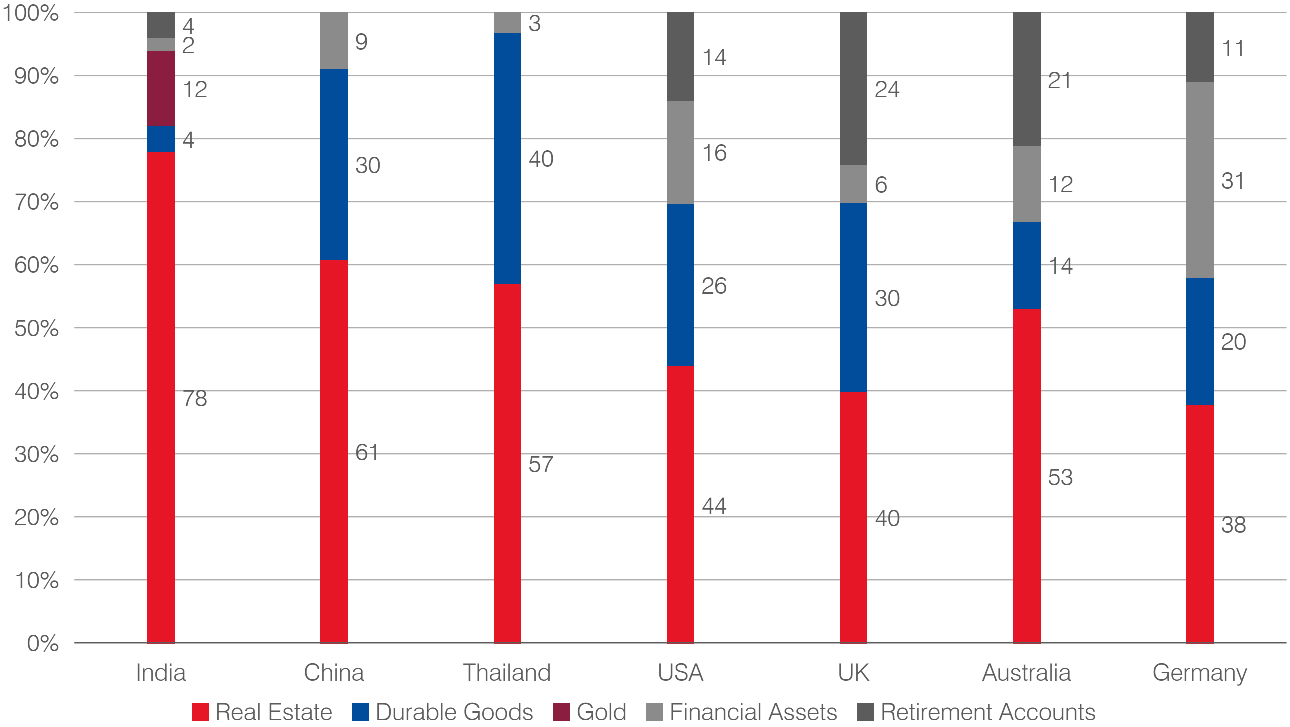
Outlook

India's real GDP growth rate is expected to average approximately 7.0% to 7.5% over the next five years. Strong private consumption and services are expected to continue to support economic activity. Benefits of the GST are likely to become more broad-based in Fiscal 2019, with a shift from informal businesses to formal and organised players. The adequate recapitalisation of the public sectors banks would be critical in supporting lending growth and investment revival in the economy.

Indian housing sector scenario

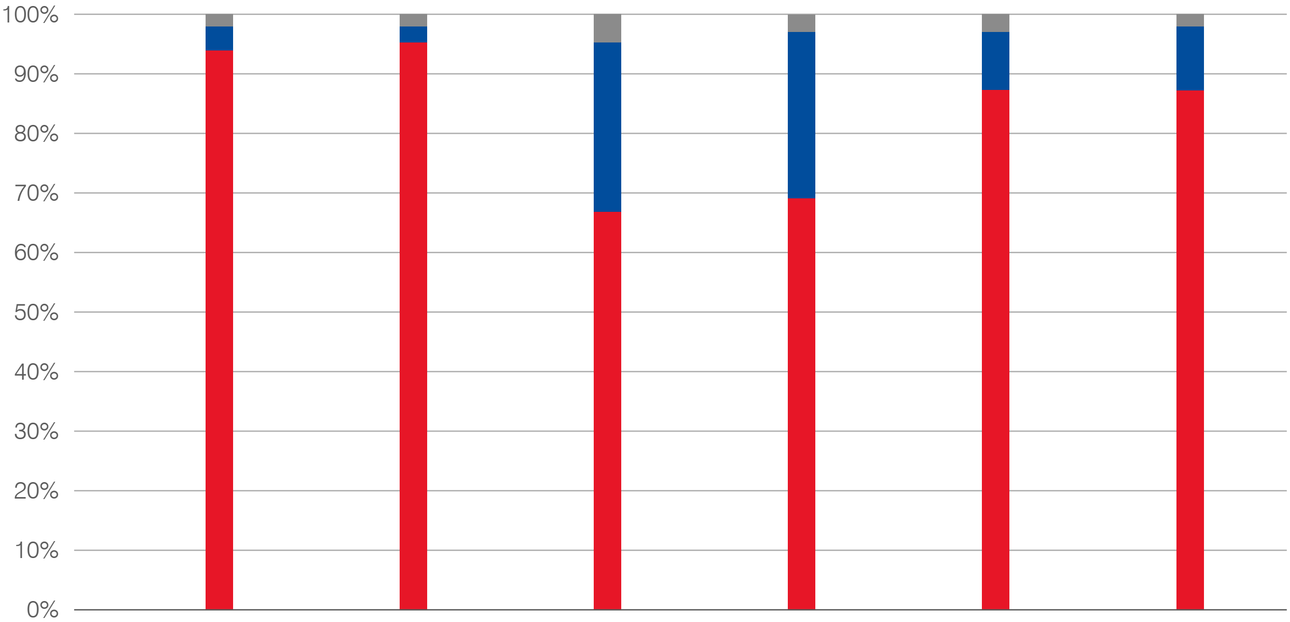
As per the Report of the Household Finance Committee, published by RBI in July 2017, the average Indian household holds 78% of its total assets in real estate which is significantly higher than other countries such as the US (44%) and Germany (37%) where households hold substantially more financial assets than their Indian counterparts, indicating the tendency in India to own houses.

Global comparison of the allocation of household assets



In 2011, on an aggregate basis, 87% of approximately 247 million households in India stayed in owned houses. The ownership status in rural areas was significantly higher at 95%.

Ownership status of Indian households



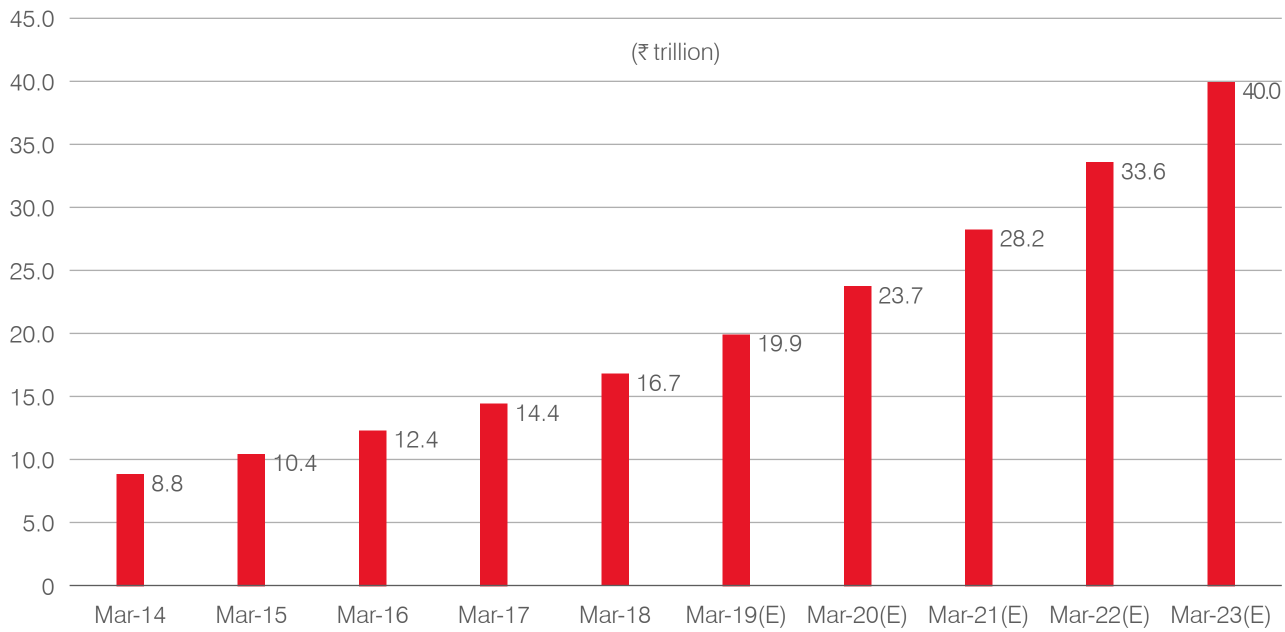
	Rural-2001	Rural-2011	Urban-2001	Urban-2011	India-2001	India-2011
Other	2%	2%	5%	3%	3%	2%
Rented	4%	3%	28%	28%	10%	11%
Owned	94%	95%	67%	69%	87%	87%

Housing finance sector overview

The housing finance sector, one of India's fastest growing in India, is perceived to be the third most impactful industry in contributing to the economy. The housing finance industry holds attractive potential due to urbanisation, growing population, affordable interest rates, increased consumer interest, healthy home demand, government intent and reforms, family nuclearisation and enhanced Tier-II and Tier-III housing penetration.

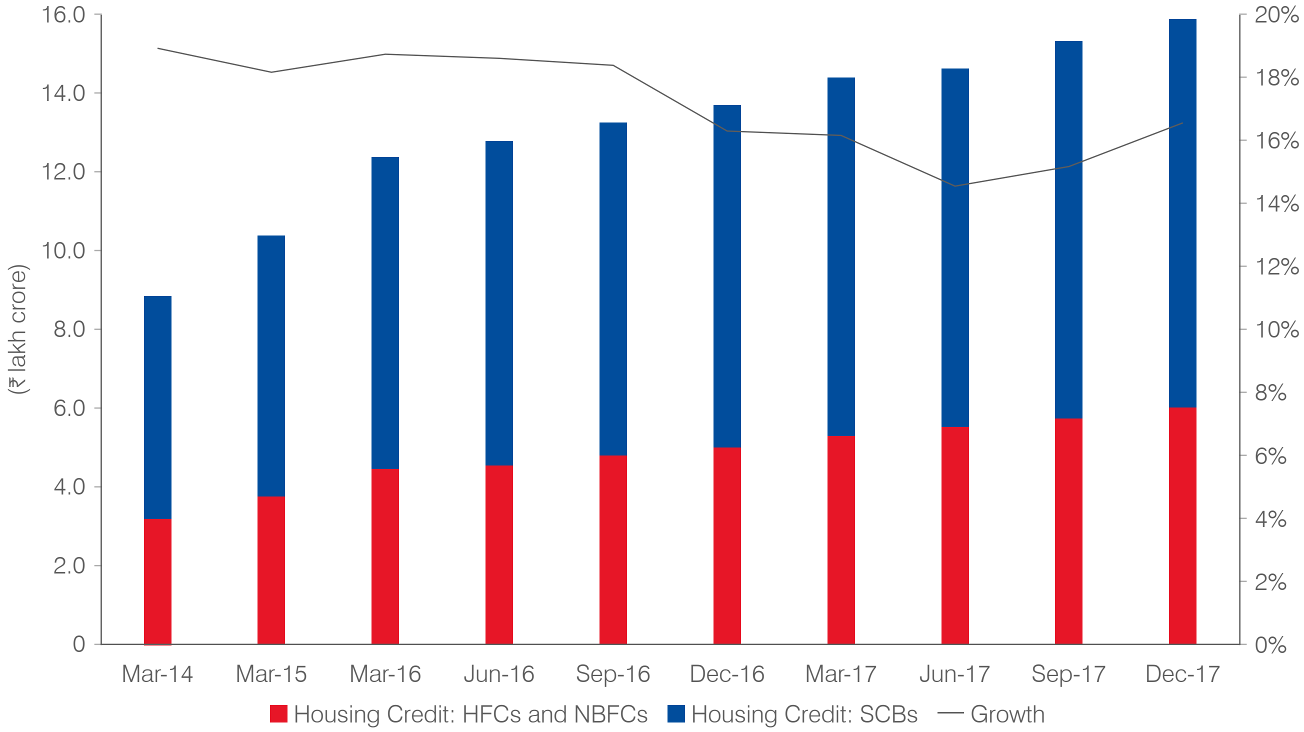
The total housing credit outstanding was approximately ₹16.7 trillion as of March 31, 2018 (₹14.4 trillion as of March 31, 2017). The Indian housing finance market has grown at a five year CAGR of 18% with the pace of growth of HFCs and NBFCs being higher at a five year CAGR of 20% as compared to a five year CAGR of 16% for banks. Over the last five years (Fiscals 2013 to 2018), the housing credit growth has remained steady despite a tough operating environment, subdued real estate demand and low affordability levels.

Growth of the housing finance market over the next five years



Over the last seven years, HFCs have been gaining market share due to their focus on niche segments such as self-employed and affordable housing segments, which have been largely served by HFCs and have a higher growth potential. While housing credit growth was lower than the five year CAGR of 18% in Fiscals 2017 and 2018, due to demonetisation, some disruptions caused by GST implementation and the RERA, long term growth outlook for the housing finance segment remains positive with higher growth expected over the medium term.

Trends in housing credit growth in India



Growth drivers

Affordable housing: The Government launched the 'Housing for All' mission under PMAY in June, 2015. The mission attempts to address the supply and demand constraints that had affected growth of the sector in the past. As a supply side intervention, the Government proposes to encourage public-private partnerships in building homes for the economically weaker sections and the low income groups by offering incentives such as allowing a higher floor space index and through announcing grants and subsidies for slum redevelopment programs. On the demand side, the Government proposed a credit-linked subsidy capital, which could be as high as 44% (₹267,000) for a loan of up to ₹600,000. On December 31, 2016, two new middle income categories were introduced under the scheme, loans of up to ₹900,000 and ₹1,200,000 with subvention of 4% and 3%, respectively. The income eligibility criteria for the two categories are overall household incomes of ₹1,200,000 and ₹1,800,000, respectively.

Budgetary allocation for PMAY-Urban

(₹ billion)

Fiscal	Fiscal 2016	Fiscal 2017	Fiscal 2018
Central assistance approved	88.87	153.76	298.01
Central assistance released	12.59	45.98	50.96
Budgetary support allocation	14.87	48.81	60.43

The Union Budget for Fiscal 2018 has maintained its focus on the agenda for 'Housing for All' by 2022. This would support the continuing supply and demand growth in the affordable housing segment.

Improved Affordability for the End Borrower

First-time home-buyer can claim additional tax deductions of up to ₹50,000 per Fiscal under section 80EE, if the certain conditions are met. Tax incentives on home loans for both principal and interest repayment and the subsidy under CLSS for economically weaker sections, low income groups and middle income groups have improved affordability levels of the borrowers and first-time buyers and are expected to increase demand.

Regulatory changes

Low Risk weights and Standard Assets Provisioning on home loans

Low risk weights and standard asset provisioning for individual home loans incentivises lenders to lend to the segment and reaffirms the regulatory impetus to a segment that has forward and backward linkages to the economy and has stood resilient to asset quality pressures over cycles.

RERA to Improve Transparency and Accountability in the Sector

Implementation of the Real Estate (Regulation and Development) Act ("RERA"), with effect from May 1, 2017 brought about a change in the way the real estate sector operated. It was beset by issues such as delays in possession and completion of projects, skewed builder-buyer agreement terms favouring the developers, prevalence of cash in property transactions and existence of many developers who had limited financial and operational experience in carrying out real estate business. Consequent to many such issues resulting in declining consumer confidence, overall elevated prices and subdued macro environment, the real estate sector witnessed a slowdown in demand. The implementation of RERA is expected to improve transparency and accountability in the sector.

The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act

The Securitisation and Reconstruction of Financial Assets and Enforcement of Securities Interest Act ('SARFAESI'), allows lenders to repossess and sell properties when an account turns into a non-performing asset and borrowers fail to repay their loans. Over time, SARFAESI has proved to be an effective tool in the lender's hands and has acted as a deterrent against willful defaults.

Various amendments were made to SARFAESI in 2015 and 2016 to strengthen the process and include a wider set of lenders. 41 housing finance companies ('HFCs') were included under SARFAESI leading to inclusion of most of the newer HFCs.

Rural housing: The Central Government proposed to construct one crore houses for the homeless by 2019. Moreover, the Central Government proposed to amend Section 80-IBA by relaxing the strictures pertaining to claiming deductions project on the basis of completion periods – from three years to five.

(Source: Indian Express)

Increasing incomes: Per capita incomes during FY2017-18 was estimated at ₹1,11,782, rising by 8.3% compared to FY2016-17. Moreover, rising literacy levels contributed to the evolution of new retail structures and emergence of better standards of living.

(Source: Economic Survey)

Rural impact: The growth in nominal rural wages remained stable at 6-6.5% in FY2016-17 and in the first four months of FY2017-18. Owing to a sharp fall in inflation, real rural wages accelerated over the past year. Growth rates improved to 4.8% during April-July 2017, the fastest in four years.

Subsidy schemes: The Central Government announced a credit-linked subsidy scheme in 2016, thereby making loans available at much affordable rates. Under the scheme, interest subsidies are credited upfront to the beneficiaries through lending institutions. This helps reduce the effective value of the housing loans and the equated monthly installments payable.

(Source: Financial Express)

Self-employed segment: Subdued loan demand from businesses has intensified competition in the home loans segment, leading to a rise in the number of self-employed individuals availing mortgages. Home loans to self-employed accounted for 30% of the mortgages availed during FY2017-18 compared to 20%, earlier.

(Source: Livemint)

Strong growth opportunities given the large under-penetrated market: HFCs operating in the affordable housing space are targeting a segment that is not serviced by traditional financing institutions mostly due to a lack in formal income proofs, which result in a limited visibility of the debt servicing capability of the borrower. New HFCs have developed in-house models to assess these borrowers, including personal discussions with the borrower at their places of residence and work place in order to estimate their income and expenses; and they have then been able to rapidly build their portfolios. Further, with an increase in supply in the affordable housing segment supported by an increase in demand due to tax incentives and subsidy through CLSS, the growth potential for the segment is better than the prime home loan market, which is attractive for lenders.

Key trends

NPA levels: The overall asset quality indicators of HFCs have remained positive, though there was deterioration in Fiscal 2018 due to some slippages in the non-housing loan book. Housing loans are regarded as the safest retail loan asset class in India, with low and stable delinquencies observed in this segment, over the years supported by factors such as prudent underwriting norms, the nature of the underlying collateral (largely self-occupied residential property) and an absence of any steep correction in property prices. Asset quality indicators in the LAP and construction finance segments are weaker than the housing segment for all HFCs.

Post demonetisation, there was a increase in delinquencies in the affordable housing segment due to portfolio seasoning, the impact of demonetisation and GST on their cash flows. However, an improving trend was observed in the fourth quarter of 2018.

The following table sets forth productwise NPA trends:

	March, 2015	March, 2016	March, 2017	March, 2018
Home Loans				
All HFCs	0.5%	0.5%	0.6%	0.6%
Affordable All	0.7%	0.9%	1.3%	1.6%
Affordable New	2.2%	2.4%	3.8%	4.0%
LAP				
All HFCs	0.9%	0.9%	1.1%	1.1%
Affordable All	1.4%	1.4%	1.9%	2.1%
Affordable New	0.1%	0.7%	2.2%	2.8%
Construction Finance				
All HFCs	1.4%	1.7%	1.6%	2.2%
Affordable All	2.1%	2.0%	2.3%	1.8%
Affordable New	0.0%	1.4%	6.1%	16.0%

Portfolio composition: While housing loans continue to lead the HFCs loan book, the share of housing loans in the overall HFCs portfolio reduced to 67% as on March 31, 2018, due to the fast paced growth of non-housing loans. The rising share of non-housing loans has enabled HFCs to maintain their lending spreads, due to the competition in the prime salaried segment. However, new HFCs operating in the affordable housing segment continue to be focused on the home loan segment given the good growth potential and expectations of higher yields from the same.

Loan to value: Overall portfolio LTVs are lower in the affordable segment with approximately 56% of the portfolio at LTV less than 60% as compared to approximately 30% for all HFCs, indicating better conditions to absorb credit loss in case of default.

Improving profitability indicators for affordable new HFCs: Housing finance companies were able to stabilise interest spreads due to the rising share of higher yielding non-housing loans and the rising share of debt market instruments in overall borrowings. Stable interest spreads, stable credit costs and operating costs ratios enabled HFCs to report good profitability indicators in Fiscal 2018. Going forward, compression in incremental spreads due to rising cost of funds can be expected, though the rising share of higher yielding non-housing loans are expected to support the same to an extent. Overall, a 5 to 10 basis points reduction in profitability (profit after tax/ average total assets) is expected for HFCs in Fiscal 2019, translating to return on assets (ROAs) of 2.1 to 2.2% and return on equities (ROEs) of 17% to 19%.

Governmental initiatives

Affordable housing: The Central Government's decision to recognise affordable housing at par with infrastructure will open the floodgates for cheaper domestic and international finance. The abolition of the Foreign Investment Promotion Board will not only enhance ease of doing business but also streamline FDI inflows which touched a record of USD 60.1billion during FY2016-17, compared to USD 55.6 billion during FY2015-16.

Loan penetration: Home loan penetration in the affordable segment continues to be high in Western India, with Maharashtra alone accounting for half the portfolio of all financiers in the 'affordable' segment taken together, and the top-three states (Gujarat and

Rajasthan, apart from Maharashtra) accounting for a 64% share of the total.

(Source: ICRA)

Interest subvention: The Central Government's decision to provide interest subvention of 3% and 4% for loans of up to ₹12 lakhs and ₹9 lakhs, respectively under the Pradhan Mantri Awas Yojana is expected to boost low-income housing in peripheral areas of urban localities across the country. In rural areas a 3% subvention will be given on loans of up to ₹2 lakhs to build and expand existing houses.

Rural impact: Transfer of governmental subsidies and payments directly into the bank accounts of beneficiaries helped plug systemic leakages. The number of schemes covered under DBT increased from 140 in FY2016-17 to 412 in FY2017-18. The Central Government announced a MSP hike of 8.3% for *rabi* crops in October 2017. Although this was lower than the 11.3% hike seen in the previous fiscal, it was far higher than the average hike of 7.1% seen during the past five years. The MSP for wheat, the most-procured rabi crop, was increased by 6.8%, the fastest during the past six years. With the Central Government announcing MSPs to be at least 1.5x of farm cost, farm earnings are expected to strengthen.

(Source: Economic Times)

2018 Budget allocations

In line with Central Government's reformist approach to boost the real estate and housing sectors that hold key to the GDP growth, the Union Budget for 2018 has provided a big push to affordable and low-cost housing. The Pradhan Mantri Awas Yojana has emerged as the biggest beneficiary with ~53% hike in allocation totaling ₹23,000 crore. The hike for the rural housing segment has been an even steeper 44%.

The Affordable Housing Fund was set up under the aegis of the National Housing Bank, funded from priority-sector lending shortfall and fully serviced bonds authorised by the Government of India.

The Central Government laid a keen emphasis on increasing rural incomes through an increase in Minimum support price.

(Source: Financial Express)

Opportunities

The overall corpus of institutional credit to the housing sector was estimated to have grown by ~19% during FY2016-17. Consequently, the total outstanding credit to the housing sector has reached ₹12.5 lakh crore. The mortgage-GDP in India stands at a lowly 10%, far below than what it is in the developed countries, such as the US (68%) and Germany (42%). This indicates that there are still a lot of opportunities for the Indian housing finance sector to capitalise on business in the years that lie ahead.

Challenges

Competitive intensity: There has been an increase in new entrants in the housing finance market. This competitive intensity has also led to a relaxation in lending norms like loan-to-value ratios and fixed-obligation-to-income ratios, heightening of top-up loans and introduction of products.

Emergence of smaller players: Sizeable sourcing of customers from direct sales agents whose commissions are based on incremental disbursements and nil prepayment penalties are encouraging balance transfers. Lenders typically charge lower interest rates to new borrowers and offer incentives like lower processing fees.

Increased costs: Over the last few years, there has been a shift in the borrowing profile of HFCs towards debt market instruments, such as non-convertible debentures and commercial paper, from 46% as on March 31, 2015 to 53% as on March 31, 2018, has been supported by retail debenture issuances, *masala* bonds and an increase in the investment limits of mutual funds. HFCs in the affordable housing segment have a high dependence on banks for meeting their funding requirements. Further, the NHB is also expected to remain an important source of long-term funds for these affordable HFCs, given that the institution mobilises funds at competitive rates.

The rising bond yields and CP rates are expected to increase the cost of funds. Entities which have a higher share of short term borrowings in the overall borrowing mix may get impacted more in a rising interest rate scenario.

High business origination costs, coupled with balance transfers and lower lending yields could adversely impact the profitabilities of HFCs. Furthermore, some large lenders are offering schemes that allow customers to pay only the interest component in the initial few years, or stepped up equated monthly installments, with an assumption that a borrower's income levels will increase over time. While such schemes enable the borrower to take bigger loans, the risk these loans are exposed to are far higher than conventionally underwritten ones.

Outlook

The housing finance market is expected to reach ~₹34 trillion in FY2022 from ~₹16 trillion in FY2018. The growth would be supported by an increased governmental focus on providing housing for all. This will push the mortgage penetration in India from 9.7% in FY2017-18 to ~14% in FY2021-22. During the same period, the affordable segment is projected to grow at a rate of ~30%.

GLIMPSES OF OUR PERFORMANCE, 2017-18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WELCOME TO

GLIMPSES OF OUR PERFORMANCE, 2017-18

PROFILE OF BOARD OF DIRECTORS

Mr. Krishan Kant Rathi

Independent Director and Chairman

(DIN No. 00040094)

He is the chairman of our Board and an independent Director. He holds a Bachelor's degree in commerce from Rajasthan University. He is a qualified Chartered Accountant and a member of the Institute of Chartered Accountants of India. Krishan Kant Rathi is also a qualified company secretary and a member of the Institute of Company Secretaries of India. He was previously associated with the Future Group as Chief Financial Officer, Future Consumer Limited as Chief Investment Officer and Chief Executive Officer, H&R Johnson (I) Limited and KEC International Limited. Krishan Kant Rathi also worked with MOPE Investment Advisors Private Limited (formerly known as Motilal Oswal Private Equity Advisors Private Limited) as Director. Presently, Krishan Kant Rathi is the Managing Director of Indianivesh Fund Managers Private Limited.

Mr. Sushil Kumar Agarwal

Whole Time Director & CEO

(DIN No. 03154532)

He is the whole-time Director and CEO of our Company. He has been associated with our Company since incorporation in 2011. Sushil Kumar Agarwal is a qualified Chartered Accountant who secured the tenth rank in his final examination. Further, he is a qualified Company Secretary. He was previously associated with AuSFB as its Business Head – SME & Mortgages. Sushil Kumar Agarwal has also worked with ICICI Bank Limited as its Chief Manager and with Kotak Mahindra Primus Limited as an Assistant Manager. He has more than 17 years of experience in the field of retail financial services.

Mrs. Kalpana Iyer

Independent Director

(DIN No. 01874130)

She is an independent Director of our Company. She holds a Bachelor's degree in commerce from the Madurai Kamaraj University; she is a qualified Chartered Accountant; and a member of the Institute of Chartered Accountants of India. Kalpana Iyer was previously associated with Citibank N.A., India, as Senior Vice-President, during which period she was responsible for women's banking and the micro-finance business. She has also previously held the position of a Director at IncValue Advisors Private Limited. At present, she is a Director of Svakarma Finance Private Limited.

Mr. Sandeep Tandon

Independent Director

(DIN No. 00054553)

He is an Independent Director of our Company. He holds a Bachelor's degree in science (electrical engineering) from the University of Southern California. Sandeep Tandon completed the Harvard Business School YPO President Program. He previously served as the Managing Director of Tandon Advance Device Private Limited and was a director on the Board of Accelyst Solutions Private Limited. At present, Sandeep Tandon is Managing Director of Infinx Services Private Limited and a Partner at Whiteboard Capital Advisors LLP.

Mr. Ramachandra Kasargod Kamath

Non-executive Nominee Director

(DIN No. 01715073)

He is a Non-Executive Nominee Director appointed on our Board by Lake District and Kedaara AIF-1. He holds a Bachelor's degree in Commerce from the University of Mysore. He has also completed his fellowship with the Indian Institute of Banking and Finance. Ramachandra Kasargod Kamath is a certified associate of the Indian Institute of Bankers. He was previously associated with Corporation Bank as its General Manager and with Punjab National Bank as its Chairman and Managing Director. Ramachandra Kasargod Kamath has also served as the Chairman and Managing Director of Allahabad Bank and as Executive Director of the Bank of India.

Mr. Vivek Vig

Non-executive nominee Director

(DIN No. 01117418)

He is a Non-Executive Nominee Director appointed on our Board by ESCL and Master Fund. He holds a post-graduate diploma in management from Indian Institute of Management at Bangalore. Vivek Vig previously served as the Managing Director and Chief Executive Officer of Destimoney Enterprises Limited. He was previously associated with the Centurion Bank of Punjab (which was subsequently merged with HDFC Bank) as Country Head – Retail Bank and also acted as a Director on the Board of PNB Housing Finance Limited. He has also been associated with Citibank N.A., India, where he held various positions across the consumer bank.

Mr. Nishant Sharma

Non-executive nominee Director

(DIN No. 03117012)

He is a Non-Executive Nominee Director appointed on our Board by Lake District and Kedaara AIF-1. He holds a degree of Master of Technology in Bio-Chemical Engineering and Bio -Technology (five year integrated programme) from the Indian Institute of Technology, Delhi. He also holds a Master's degree in business administration from the Harvard University. Nishant Sharma is a Partner at Nish Capital Advisors LLP, a sponsor entity of Kedaara Capital Fund II LLP. He has previously worked with General Atlantic; Mckinsey & Company Incorporation and Bill and Melinda Gates Foundation.

Mr. Manas Tandon

Non-executive nominee Director

(DIN No. 05254602)

He is a Non-Executive Nominee Director appointed on our Board by ESCL and Master Fund. He holds a Bachelor's degree in Technology (electrical engineering) from the Indian Institute of Technology, Kanpur and a Master's degree in business administration from the Wharton School, University of Pennsylvania. He was awarded the general proficiency medal for the best academic performance in his undergraduate programme and was awarded the title of 'Palmer Scholar' for his outstanding academic performance in his post-graduation programme. Manas Tandon was previously associated with Matrix India Asset Advisors Private Limited as its vice-president and with TPG Capital India Private Limited as Director. He has, in the past, also worked with Cisco Systems, Inc. as a systems engineer. At present, he is associated with Partners Group (India) Private Limited and is a member of the Entrepreneurs' Organization.

PROFILE OF BOARD OF DIRECTORS

Mr. Kartikeya Dhruv Kaji

Non-executive nominee Director

(DIN No. 07641723)

He is a Non-Executive Nominee Director appointed on our Board by Lake District and Kedaara AIF-1. He holds a Bachelor's degree in Arts (economics) from the Dartmouth College, New Hampshire, and a Master's Degree in Business Administration (finance and entrepreneurial management) from Wharton School of the University of Pennsylvania. Kartikeya Dhruv Kaji currently serves as a Principal at Kedaara Capital Advisors LLP. He has previously worked with Perella Weinberg Partners and Merrill Lynch in New York, and with Temasek Holdings Advisors India Private Limited.

PROFILE OF KEY MANAGERIAL PERSONNEL

Mr. Ghanshyam Rawat

Chief Financial Officer

He is the Chief Financial Officer (finance and treasury) of our Company. He is associated with the Company since 2013. He presently heads our finance and treasury, accounts, internal audit, compliance, budget and analytics departments. He holds a Bachelor's degree in Commerce from the Rajasthan University and is a fellow member of the Institute of Chartered Accountants of India. He has been previously associated with First Blue Home Finance Limited, Accenture India Private Limited and Deutsche Postbank Home Finance Limited. Further, he has also worked with Pan Asia Industries Limited and Indo Rama Synthetics (I) Limited.

Mr. Sharad Pathak

Company Secretary and Compliance Officer

He is our Company Secretary and Compliance Officer. He holds a Bachelor's degree in Commerce from the Rajasthan University and is a qualified Company Secretary. He has been associated with Star Agriwarehousing & Collateral Management Limited as Company Secretary. He has been with the Company since inception.

PROFILE OF SENIOR MANAGEMENT PERSONNEL

Mr. Sunku Ram Naresh
Chief Business Officer

He is an MBA and B.Sc. from Sri Krishnadevaraya University, A.P. His last assignment was with Bajaj Finance Ltd. and he has also worked with companies like Bajaj Auto Finance Limited, Future Finmart Limited, GE Countrywide Consumer Financial Services, Future Capital Financial Services Limited, ICICI Bank Limited, GE Money Financial Services Limited, Nestle India Limited and Mala Publicity Services Private Limited.

Mr. Ashutosh Atre
Chief Credit Officer

He is Diploma in Finance from NMIMS and Diploma in Mechanical Engineering from M.P. Board of Technical Education and having experience of around 29 Years with Equitas Housing Finance Private Limited, Equitas Micro Finance India Private Limited, ICICI Bank Limited, ICICI Personal Financial Services Company Limited, Cholamandalam Investment & Finance Company Limited, Apple Industries Limited and Sanghi Brothers (Indore) Limited.

Mr. Surendra Kumar Sihag
Vice President- Collections

Bachelor of Arts from the University of Rajasthan, LLB degree from the University of Rajasthan and Master of Business Administration from Periyar University. He was formerly associated with Cholamandalam Investment & Finance Company Limited and Bajaj Finance Limited.

Mr. Rajeev Sinha
Vice President- Operations

He is a B.Sc. by qualification He was formerly associated with Cointribe Technologies Private Limited and India bulls Housing Finance Limited.

Mr. Anurag Srivastava
Vice President – Data Science

He is M.A. in Economics. He was associated with Deloitte Special Project India Private Limited, First Offshore Technologies Private Limited, American Express and WNS Global Services Private Limited.

Mr. Avinash Kumar
Chief Technology Officer

He has a Post-graduate Diploma in management from the Indian Institute of Management, Lucknow and Bachelor of Technology (civil engineering) from Indian Institute of Technology, New Delhi. He was formerly associated with Vulcan Express Private Limited and Humaralabs Technology Private Limited.

CORPORATE INFORMATION

Board of Directors

Mr. Krishan Kant Rathi, *Independent Director and Chairman*

Mr. Sushil Kumar Agarwal, *Whole Time Director & CEO*

Mrs. Kalpana Iyer, *Independent Director*

Mr. Sandeep Tandon, *Independent Director*

Mr. Ramachandra Kasargod Kamath,
Non- Executive Nominee Director

Mr. Vivek Vig, *Non- Executive Nominee Director*

Mr. Nishant Sharma, *Non- Executive Nominee Director*

Mr. Manas Tandon, *Non- Executive Nominee Director*

Mr. Kartikeya Dhruv Kaji, *Non- Executive Nominee Director*

Chief Financial Officer

Mr. Ghanshyam Rawat

Company Secretary and Compliance Officer

Mr. Sharad Pathak

Senior Management Personnel

Mr. Sunku Ram Naresh, *Chief Business Officer*

Mr. Ashutosh Atre, *Chief Credit Officer*

Mr. Surendra Kumar Sihag, *Vice President- Collections*

Mr. Rajiv Sinha, *Vice President- Operations*

Mr. Anurag Srivastava, *Vice President- Data Science*

Mr. Avinash Kumar, *Chief Technology Officer*

Statutory Auditors

S. R. Batliboi & Associates LLP,

Chartered Accountants

14th Floor, The Ruby
29 Senapati Bapat Marg, Dadar West
Mumbai 400 028, Maharashtra, India
Telephone: +91 22 6192 0000
Fax: +91 22 6192 1000
E-mail: SRBA@srb.in
Firm Registration No.: 101049W/E300004

Secretarial Auditors

M/s V.M & Associates

Company Secretaries

403, Royal World, S.C. Road,
Jaipur-302001, Rajasthan, India
Telephone: 0141-2370954
E-mail:cs.vmanda@gmail.com
Firm Registration No.: P1984RJ039200

Internal Auditors

M/s G.M. Kapadia & Co.

Chartered Accountants

S B – One, Bapu Nagar, Near J.D.A. Circle,
Jaipur 302004, Rajasthan, India
Telephone: 0 41- 2270 6925
E-mail: jaipur@gmkco.com
Firm Registration No.: 104767W

Branch Auditors

M/s S.K. Patodia & Associates

Chartered Accountants

229 Second Floor, Ganpati Plaza, M I Road,
Jaipur- 302001, Rajasthan, India
Telephone: 0 22- 6707 94444
E-mail: info@skpatodia.in
Firm Registration No.: 112723W

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FINANCIAL INSTITUTIONS AND BANKS

Principle Bankers

Allahabad Bank
Andhra Bank
Axis Bank
Bank of Baroda
Bank of India
Canara Bank
Central Bank of India
DCB Bank
Dena Bank
HDFC Bank
ICICI Bank
IDBI Bank
IDFC Bank
Indian Bank
Indian Overseas Bank
Indusind Bank
Karnataka Bank
Kotak Mahindra Bank
OBC Bank
RBL Bank
South Indian Bank
State Bank of India
State Bank of Mauritius (SBM)
UCO Bank
Union Bank
United Bank
Vijaya Bank
Yes Bank Ltd

Financial Institutions /Mutual Funds

DHFL Pramerica Mutual Fund
Franklin Mutual Fund
HDFC Mutual Fund
Hinduja Leyland Finance
International Finance Corporation
Reliance Mutual Fund
Tata Capital Financial Services Ltd
Volkswagen Finance Pvt Ltd

Debenture Trustees

IDBI Trusteeship Services Limited.
Asian Building, Ground Floor,
17, R. Kamani Marg, Ballard Estate,
Mumbai – 400 001.
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Tel: +91 22 4080 7015
Fax: +91 22 6631 1776
Website: www.idbitrustee.co.in

Registrar & Transfer Agent

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DIRECTOR'S REPORT

To,
The Shareholders,
AAVAS FINANCIERS LIMITED ("COMPANY")
(Formerly Known as "Au Housing Finance Limited")

Your Directors are pleased to present the Eighth Annual Report on the operations of the Company together with the Audited Financial Statements (standalone and consolidated)for the year ended March 31, 2018.

FINANCIAL PERFORMANCE

The summarized financial performances for the year ended March 31, 2018 are as under:

(₹ in Crores)

Particulars	For the Year ended March 31, 2018	For the Year ended March 31, 2017
Total Income	457.24	305.49
Less: Total Expenditure before Depreciation & Amortization and provision	307.96	207.39
Less: Provisions & Write offs	1.90	6.68
Less: Depreciation & Amortization	5.63	2.77
Total Expenses	315.49	216.84
Profit Before Tax	141.75	88.65
Less: Provision for Taxations (Net of Deferred Tax)	48.82	30.80
Profit After Tax	92.93	57.85
Transfer to Statutory Reserve	20.17	12.86

Company posted Total Income (Total Interest Income and Other Income) of ₹457.24 Crores and Net Profit of ₹92.93 Crores for the year ended March 31, 2018, as against ₹305.49 Crores and ₹57.85 Crores respectively in the previous year.

DIVIDEND

Your Directors have considered reinvesting the profits into the business of the Company to build a strong reserve base in the long-term interests and to support the growth of the business of the Company. Accordingly, no dividend has been recommended for year ended March 31, 2018.

SHARE CAPITAL

During the year under review, pursuant to the approval of the Members of the Company, the Authorized Share Capital of the Company was increased from ₹650,000,000/-(Rupees Sixty Five Crores) to ₹850,000,000/-(Rupees Eighty Five Crores).

The Paid-up Share Capital of the Company as on 31st March, 2018 stood at ₹691,728,346 (Sixty Nine Crore Seventeen Lakhs Twenty Eight Thousand Three Hundred Forty Six) consisting of 69,950,891 (Six Crore Ninety Nine Lakh Fifty Thousand Eight Hundred Ninety One) Equity Shares of ₹10/- each as compared to ₹581,635,818 (Fifty Eight Crore Sixteen Lakh Thirty Five Thousand Eight Hundred Eighteen) consisting of 58,739,657 (Five Crore Eighty Seven Lakh Thirty Nine Thousand Six Hundred Fifty Seven) Equity Shares of ₹10/- in previous year.

During the year under review, the Paid up equity share Capital of the Company has mainly increased due to the issuance and allotment of equity shares through the preferential basis, Right basis and upon exercise of Stock options to the existing as well as new shareholders of the Company.

During the Reported period, the Company has issued and allotted the fully and partly paid up equity shares and Convertible Share Warrants, the details of which are as below:-

1. **EQUITY SHARES**

   Fully Paid up Equity Shares

   - 264,662 (Two Lakh Sixty Four Thousand Six Hundred Sixty Two) Equity Shares of ₹10/- Per share aggregating to ₹86,809,136/- (Eight Crore Sixty Eight Lakh Nine Thousand one hundred Thirty Six) on Preferential issue Basis.
   - 9,291,521 (Ninety Two Lakh Ninety One Thousand Five Hundred Twenty One) Equity Shares of ₹10/- Per share aggregating to ₹3,999,999,791/- (Three Hundred Ninety Nine Crore Ninety Nine Lakh Ninety Nine Thousand Seven Hundred Ninety one) on Rights Basis.

- 1,222,551 (Twelve Lakh Twenty Two Thousand Five Hundred Fifty One) Equity shares of ₹10/- per share aggregating to ₹263,154,103/- (Twenty Six Crore Thirty One Lakh Fifty Four Thousand One Hundred Three) pursuant to the Exercise of Stock Options.

Partly Paid up Equity Shares

During the Year under Review, Company has issued and allotted 432,500 (Four Lakh Thirty two thousand five Hundred) Equity Shares of ₹10/- per share aggregating to ₹28,372,000/- (Two Crore Eighty Three Lakhs Seventy Two Thousand) on preferential issue basis. Further the Company has received ₹2/- per share as application money.

Receipt of Call Money

During the Year under Review, Company has received ₹2/- per share aggregating to ₹31,000,047/- (Three Crore Ten Lakh Forty Seven) as 1st call Money in respect to the 720,094 (Seven Lakh twenty Thousand Ninety Four) Partly Paid up equity shares of ₹10/- each.

2. CONVERTIBLE SHARE WARRANTS

During the Year under Review, Company has issued and allotted 360,000 (Three Lakh Sixty Thousand) and 440,000 (Four Lakh Forty Thousand) Share warrants convertible into equity shares of ₹328/-and ₹430.50/- per share respectively. Further the Company has received ₹3/- per Convertible share warrant as warrant subscription money.

REVIEW OF OPERATIONS

AAVAS FINANCIERS LIMITED ("Company") is registered with National Housing Bank ("NHB") to carry on housing finance activities in India.

Your Company endeavors towards adopting the benchmark underwriting practices backed up by robust monitoring and recovery mechanisms. The Company's committed in its efforts towards improving efficiency and service level in its operations.

The Company's main thrust continues to be focused on the affordable Housing Segment, catering to the aspirations of low and mid income Indian Families who dreams to own a home.

Your Company would work on the philosophy of Housing Financial Institution enabling credit access to the low and middle income segment for purchasing the affordable housing units.

The operating and financial performance of your Company has been covered in the Management Discussion and Analysis report which forms part of this Annual Report.

During the year, your company has delivered yet another year of resilient performance through achieving the below business figures:-

Sanctions

During the year under review, the Company sanctioned housing loans for ₹2216.98 Cr as compared to ₹1494.00 Cr in the previous year with a growth of 48.39% over the previous year. The cumulative loan sanctions since inception of the Company stood at ₹5901.38 Cr as at March 31, 2018. The Company has granted no loan against the Collateral of Gold Jewellery.

Disbursements

During the year under review, Company disbursed housing loans for ₹2051.16 Cr as compared to ₹1391.60 Cr in the previous year and recorded a growth of 47.40% in disbursements.

The cumulative loan disbursement from inception stood at March 31, 2018 was ₹5495.17 Cr.

Affordable Housing

We have built an exclusive team for the product and trained the ground staff to focus on Low Income Households Customers of EWS and LIG segment. This segment has one prime aspiration of owning their own house and thereby creating an affordable environment for their family members to live in. We thrive to create an environment and provide proper financing schemes to these families of EWS/LIG segment residing across Semi Urban and Urban areas across most of the cities of India.

Your Company has signed the MOU with the Government of India for the Credit Linked Subsidy Scheme (CLSS) under the Pradhan Mantri Awas Yojana for EWS, LIG and MIG segments. Company has been an active contributor to the scheme and has disbursed ₹4.41 Cr during the year in respect of 256 loans and credited the subsidy to the respective customers' loan accounts.

Since inception of the scheme, company has disbursed loans wherein customers are eligible for CLSS subsidy in respect of loan amount of ₹25.32 Cr of which company has received claim of ₹6.36 Cr in respect of 441 loans.

The majority of the claims submitted are in respect of the EWS and LIG customers.

Assets under Management (AUM)

During the year under review, the AUM stood at ₹4073.02 Cr (including assignment of ₹900.65 Cr) as against ₹2693.52 Cr in the previous year, with the growth of 51.22%.

As of 31st March, 2018, the average sanctioned amount of our AUM was ₹8.62 Lakhs and Average tenure was 168.94 Months (on origination basis).

Income & Profits

Total Income grew by 49.67% to ₹457.24 Cr for the year ended 31st March, 2018 as compared to ₹305.49 Cr for the previous year. Profit before Tax (PBT) was 59.90% higher at ₹141.75 Cr as compared to ₹88.65 Cr for the previous year.

The net profit after tax for the year has increased by 60.64% from ₹57.85 Cr in the previous year to ₹92.93 Cr in the current year.

The operating and financial performance of your Company has been covered in the Management Discussion and Analysis Report which forms part of this Annual Report.

Non-Performing Assets and Provisions for Contingency

Your Company adhered to the Prudential guidelines for Non-Performing Assets (NPAs)issued by National Housing Bank under the NHB Directions, 2010, as amended from time to time. The Company did not recognize income on such NPAs and further created provisions for contingencies on standard as well as non- performing housing loans in accordance with the National Housing Bank Directions. The Company has also made additional provisions to meet unforeseen contingencies.

During the year, NHB vide notification No. NHB.HFC. DIR.18/MD&CEO/ 2017 dated August 2, 2017 reduced the provisioning requirement on Standard Individual Housing Loans from 0.40% to 0.25%.

Using a pro-active collection and recovery management system supported by analytical decision making, your company was able to contain its gross Non-Performing Assets at ₹10.69 Cr (0.34% of the portfolio) as at 31st March, 2018. The Company reviews the delinquency and loan portfolio on regular basis.

The Company coupled a defined policy with procedures to address delinquencies and collections. As a result of which Gross NPA and net NPA as at 31st March, 2018 were 0.34% and 0.26% respectively (against 0.79% and 0.60% respectively in the previous year).

Further information on the Business overview and outlook and State of the affairs of the Company is discussed in detail in the Management Discussion & Analysis

CAPITAL ADEQUACY RATIO

As required under Housing Finance Companies (NHB) Directions, 2010, [NHB Directions, 2010] your Company is presently required to maintain a minimum capital adequacy of 12% on a stand-alone basis.

Company's Capital Adequacy Ratio as at 31st March, 2018 was 61.55% (previous year 46.72%) which is well above the minimum required level of 12% as prescribed.

DEPOSITS

During the period under review, your Company has neither invited nor accepted nor renewed any fixed deposits from public within the meaning of Section 73 of the Companies Act, 2013 read with the Companies (Acceptance of Deposits) Rules, 2014.

RESOURCE MOBILIZATION

Your Company's borrowing policy is under the control of the Board. The Company has vide special resolution passed on July 26, 2017, under Section 180 (1) (c) of the Companies Act, 2013, authorized the Board of Directors to borrow money upon such terms and conditions as the Board may think fit in excess of the aggregate of paid up share capital and free reserves of the Company up to an amount of ₹4500 Cr and the total amount so borrowed shall remain within the limits as prescribed by National Housing Bank.

Your Company manages its borrowing structure through prudent Asset-Liability Management and takes the various measures, which includes the diversification of funding sources, tenure optimization, structured interest rates and prudent borrowing timing to maintain its borrowing cost at optimum level.

During the year under review, company continued to diversify its funding sources by exploring the Debt Capital Market through private placement of Secured and Unsecured Non-Convertible Debentures; Securitization/Direct assignment, fully hedged FCNR Loans and banking products like Priority Sector/Non-Priority Sector Term loans, Cash Credit Facilities and Working Capital Demand loans. The company has also further diversified by adding 8 (Eight) new lender/Financial Partners.

The weighted average borrowing cost as at March 31, 2018 was 8.65% as against 9.48% in the previous year. As at March 31, 2018, your Company's sources of funding were primarily from banks and financial institutions (49.87%), followed by securitization/direct assignment (25.63%),Non-convertible debentures (11.17%), Refinancing from NHB (10.46%), and subordinated debts (2.87%).

Term Loans from Banks and Financial Institutions

During the Year, Company received fresh sanctions from banks amounting to ₹910 Cr of which Company has availed loans aggregating to ₹753 Cr. The outstanding bank term loans as at March 31, 2018 were ₹1708 Cr. Average Tenure of Bank term loan raised during the period under review is 9.29 Years

Refinance from National Housing Bank (NHB)

NHB continued its support to your company through refinance and during the year under review, your Company received refinance sanction of ₹300 Cr (previous year ₹200 Cr) under the NHB refinance scheme to Housing Finance Companies. The company availed funds from NHB under the Refinance Scheme for "Special urban Low income Housing", "Urban Housing Fund" and "Regular Refinance Scheme" and outstanding at the end of the current year stood at ₹365.10 Cr (previous year ₹173.04 Cr).

Your company is one of the major participant to run the Pilot under "Special Urban Housing Refinance Scheme for Low Income Households" launched by NHB with assistance from International Development Association (IDA) an Arm of World Bank aimed for extension of credit for housing to lower income segments having informal sources of income secured either by mortgageable title over the land / property or by alternative security.

Non-Convertible Debentures ("NCDs")

During the year under review, your Company has raised ₹130 Cr through the issue of Secured, Redeemable, NCDs and ₹100 Cr through the issue of Unsecured, Sub-ordinated Tier II, Redeemable, NCDs on private placement basis and policy of private placement of NCDs of the Company formulated as per the guidelines issued by National Housing Bank.

As on 31st March, 2018, the Company's outstanding balance of Debentures stood at ₹490 Cr as compared to ₹335 Cr as on 31st March, 2017. The Company's Debentures are listed on Wholesale Debt Market segment of BSE Limited.

In an environment where Market is experiencing an upward trend into cost of fund, we believe that we have been able to access cost-effective debt financing due to our stable credit history, strong financial performance and conservative risk management policies, resulted A+ rating with Stable outlook by ICRA, A+ rating with Positive outlook by CARE and A+ rating with Stable outlook by India Rating & Research.

During the financial year under review, the interest on Non-Convertible Debentures issued on private placement basis were paid by the Company on their respective due dates and there were no instances of any interest amount which were not claimed by the investors or not paid by the Company after the date on which the same became due for payment.

Your Company being Housing Finance Company (HFC) is exempted from the requirement of creating Debenture Redemption Reserve (DRR) on privately placed debentures. Therefore DRR has not been created by your company.

Disclosure under Housing Finance Companies issuance of Non-Convertible Debentures on private placement basis (NHB) directions, 2014:

(i) The total number of non-convertible debentures which have not been claimed by the investors or not paid by the Company after the date on which the non-convertible debentures became due for redemption – **Nil**

(ii) The total amount in respect of such debentures remaining unclaimed or unpaid beyond the date of such debentures become due for redemption : **Nil**

Debenture Trustee

Debenture Trust Agreement(s) were executed in favour of IDBI Trusteeship Services Limited for NCDs issued on private placement basis. Following are details of IDBI TRUSTEESHIP SERVICES LIMITED.

IDBI TRUSTEESHIP SERVICES LIMITED
Regd. Office: Asian Building, Ground Floor,
17, R. Kamani Marg, Ballard Estate, Mumbai – 400 001.
Tel: +91 22 4080 7015 / Fax: +91 22 6631 1776
Website: www.idbitrustee.co.in

Securitization/Assignment of Loan Portfolio

Your company has actively tapped Securitization/Direct Assignment market, which enables it to create liquidity, reduce the cost of funds and minimizing asset liability mismatches.

During the year under review, your Company securitized its loan portfolio of ₹593.51 Cr through pool buyout transactions

The Securitization transaction was carried out in line with RBI guidelines on Securitization of Standard Assets and securitized assets have been de-recognized in the books of the Company.

Commercial Paper (CP)

During the year, your company has issued Commercial Paper amounting to ₹50 Cr. Company's Commercial papers are rated "ICRA A1+" and "CARE A1+" indicating that instrument have very strong degree of safety regarding timely payment of financial obligations. As on 31st March 2018 Commercial Papers o/s is Nil.

ALTERATION IN OBJECT CLAUSE OF MEMORANDUM OF ASSOCIATION ('MOA')

During the year under review, your Company has altered its Object Clause of Memorandum of Association (MOA) as per the suggestions given by the National Housing Bank during its onsite Annual inspection.

Further the altered MOA is available at the registered office of the Company in the Business hours.

BRANCH EXPANSION

Your Company has been continuously successful in establishing its branch network with a view to support its Disbursement growth, enhancing customer base and Services. During the year under review, the Company has expanded its branch network to 165 branches as of 31st March, 2018 and plans to scale up its operation to newer geographies in 2018-19.

The company has nearly doubled the branch network within the short span of time and strengthened its business in the states of Rajasthan, Maharashtra, Gujarat, Madhya Pradesh, Haryana, Delhi, Chhattisgarh and Uttar Pradesh.

The Company has its registered office in Rajasthan and its branch network comparison with the previous year is detailed hereunder:

State	No. of Branches (As on 31st March, 2017)	No. of Branches (As on 31st March, 2018)
Rajasthan	41	72
Maharashtra	18	33
Gujarat	16	27
Madhya Pradesh	16	24
Haryana	01	03
Chhattisgarh	-	03
Delhi	01	02
Uttar Pradesh	01	01
Total number of branches	**94**	**165**

DIRECTORS AND KEY MANAGERIAL PERSONNEL

The Board of Directors of the Company comprises of Nine Directors,consisting of three Independent Directors, five Nominee Directors and One Whole Time Director as on 31st March, 2018 who bring in a wide range of skills and experience to the board.

The Board of Directors of the Company are as follows:-

Name of the Director	Designation	DIN	Category
Mr.Krishan Kant Rathi	Independent Director	00040094	Independent Non-Executive
Mrs. Kalpana Iyer	Independent Director	01874130	Independent Non-Executive
Mr. Sandeep Tandon	Independent Director	00054553	Independent Non-Executive
Mr. K R Kamath	Nominee Director	01715073	Non-Executive
Mr. Vivek Vig	Nominee Director	01117418	Non-Executive
Mr. Nishant Sharma	Nominee Director	03117012	Non-Executive
Mr. Manas Tandon	Nominee Director	05254602	Non-Executive
Mr. Sushil Kumar Agarwal	Whole Time Director & CEO	03154532	Executive
Mr. Kartikeya Dhruv Kaji	Nominee Director	07641723	Non-Executive

The Independent Directors have confirmed that they satisfy the criteria prescribed for an Independent Director as stipulated in the provisions of the Section 149(6) of the Companies Act, 2013. None of the Directors have any pecuniary relationships or transactions with the Company. None of the directors of the Company are related to each other and confirmed that they are not disqualified from being appointed as directors in terms of section 164 of the Companies Act, 2013.

Appointment & Resignation of Directors

During the Year under Review, two Directors have been appointed on the Board of the Company. As required under section 160 of the Companies Act, 2013, a Notice has been received from a member proposing the name of the Directors and all directors are appointed by the members of the Company.

Directors Appointed during the Year under Review are as follows:-

Name of the Director	Date of appointment	DIN	Category
Mr. Sandeep Tandon	27-07-2017	00054553	Independent Director
Mr.Kartikeya Dhruv Kaji*	27-07-2017	07641723	Nominee Director

*Mr.Kartikeya Dhruv Kaji-Nominee Director on Board representing Kedaara Capital Alternative Investment Fund – Kedaara Capital AIF 1 and Lake District Holdings Limited.

During the year, No Director of the Company has resigned from the Board of the Company.

Directors Retiring by Rotation

In terms of Section 152 of the Companies Act, 2013, Mr. Manas Tandon, Nominee Director was retired by rotation and was reappointed by the Members in the Previous Annual General Meeting of the Company held on 26th July, 2017.

Further, Mr. Nishant Sharma, Nominee Director being longest in the office shall retire at the ensuing Annual General Meeting and being eligible for re-appointment, offers himself for re-appointment.

Appointments/Resignations of the Key Managerial Personnel

Mr. Sushil Kumar Agarwal-Whole-Time Director & CEO; Mr. Ghanshyam Rawat- Chief Financial Officer and Mr. Sharad Pathak-Company Secretary are the Key Managerial Personnel in terms of section 2(51) of the Company.

During the year, No Key Managerial Personnel of the Company has been appointed and resigned from the Company.

Number of Board Meetings held during the Financial Year

During the financial year 2017-18, 6 (Six) Board Meetings were convened and held. The intervening gap between the Board Meetings was within the period prescribed under the Companies Act, 2013.The details related to Board Meeting are appended in Corporate Governance Report forming part of this Annual Report.

Performance Evaluation of the Board

Your Company is following the most effective way to ensure Board members to understand their duties and to adopt effective good governance practices. In furtherance to this the directors of a company shall act in good faith to promote the objects of the Company for the benefit of its employees, the shareholders, the community and for the protection of environment.

Your Company has designed a mechanism as per the provisions of the Companies Act, 2013, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('SEBI LODR')and "Housing Finance Companies – Corporate Governance (National Housing Bank) Directions, 2016" for the Evaluations of performance of Board, Committees of Board & Individual Directors.

Further your company is adhered towards the Fit and Proper Criteria which includes Board approved Fit and proper policy for ascertaining the Fit and Proper Criteria of the directors at the time of appointment and on a continuing basis.

The Nomination & Remuneration Committee carried out the evaluation of every Director's performance and the Board additionally carried out a formal evaluation of its own performance, Statutory Board Committees namely Audit Committee, Nomination & Remuneration Committee and Corporate Social Responsibility Committee and all the Individual Directors without the presence of the Director being evaluated.

During the year, Independent Directors of the Company also held separate meetings to review the performance of the Non- Independent Directors and Board as a whole, after assessing the quality, quantity and timeliness of flow of information between the Company management and the Board which is necessary for the Board to effectively and reasonably perform their duties.

Major aspects of board evaluation includes who is to be evaluated, process of evaluation including laying down of objectives and criteria to be adopted for evaluation of different persons, feedback to the persons being evaluated and action plan based on the results. The Corporate Governance Report is annexed to this report as "**Annexure-1**".

Company's Policy on Directors Appointment, Remuneration & Evaluation

The Board on the recommendation of the Nomination & Remuneration Committee of the Board adopted a "Nomination & Remuneration Policy", which, inter-alia, lays down the criteria for identifying the persons who are qualified to be appointed as Directors and/or Senior Management Personnel of the Company, along with the criteria for determination of remuneration of Directors, KMPs and other employees and their evaluation and includes other matters, as prescribed under the provisions of Section 178 of Companies Act, 2013.

The"Nomination & Remuneration Policy"of the Company is placed on the website of the Company. The Remuneration paid to the Directors is in line with the remuneration policy of the Company.

The Nomination & Remuneration Policy can be accessed through the following link www.aavas.in/remuneration-policy.

Details of Remuneration paid to the all Directors during the financial year 2017-18 is more particularly mentioned in extract of annual Return in form "MGT-9".

PRUDENTIAL NORMS FOR THE HOUSING FINANCE COMPANY

Your Company continues to comply with the guidelines issued by NHB regarding accounting guidelines, prudential norms for asset classification, income recognition, provisioning, capital adequacy, concentration of credit/investments, accounting standards credit rating, Know Your Customer(KYC) guidelines, Anti Money Laundering (AML) standards, fair practices code, Most Important Terms & Conditions (MITC), grievance redressal mechanism, recovery of dues real estate and capital market exposures norms

The recognition of income and provision for non-performing asset has been made in the books as per the Guidelines on Prudential Norms applicable as of 31st March, 2018.

Company Capital Adequacy Ratio stood at 61.55% as against the minimum requirement of 12%.

The National Housing Bank Act, 1987, empowers NHB to levy a penalty on Housing Finance Companies for contravention of the Act or any of its provisions. Your company has complied with the said provisions;

National Housing Bank (NHB) has not raised any stricture or direction in their inspection carried out during the year. NHB has not levied any penalty on Company during the year

Regulatory & Statutory Compliances

During the Year under review, the NHB has issued various Notifications, Circulars and Guidelines to Housing Finance Companies.

The Circulars and the Notifications issued by NHB are also placed before the Board of Directors at regular intervals to update the Board members on compliance of the same, and your Company has adhered to all the Circulars, Notifications and Guidelines issued by NHB from time to time.

The Government of India has set up the Central Registry of Securitization Asset Reconstruction and Security Interest of India (CERSAI) under Section 21 of the SARFAESI Act, 2002 to have a central database of all mortgages created by lending institutions. The object of this registry is to compile and maintain data relating to all transactions secured by mortgages. Accordingly, Company is registered with CERSAI and has been submitting data in respect of its loans.

EMPLOYEE STOCK OPTION PLANS-2016 (ESOP-2016)

Your Company has instituted Stock Option Plans to attract and retain the personnel for positions of substantial responsibility and to provide additional incentive to the Management team, Directors and Employees of the Company.

During the year 2016-17 ,the Company has approved the three Stock option plans named as Equity Stock Option Plan for Employees 2016 ("ESOP 2016-I"), Equity Stock Option Plan for Management Team 2016 ("ESOP 2016-II"), and Equity Stock Option Plan for Directors 2016 ("ESOP 2016-III") (hereinafter collectively referred to as "ESOP–2016") Employee Stock Option Plans-2016 (ESOP-2016) at its Extra Ordinary General Meeting held 23rd Feb, 2017,empowering the Board and Nomination & Remuneration Committee of the Board to execute the said ESOP- 2016.

The above referred ESOP-2016 was further amended by the members in their meeting held on 22nd February, 2018,considering to align ESOP-2016 in accordance with the provisions of the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 "SEBI (SBEB) Regulations, 2014", as amended from time to time, in order to support the Company's effort to proactively adopt the best corporate governance practices and transparency.

In addition, during the current year, the Company has granted 4,24,687 options under ESOP 2016-I. The options granted entitle the employees to purchase options at an exercise price of ₹328/- per option as determined by the Nomination and Remuneration Committee.

The Nomination & Remuneration Committee monitors the Plan in compliance with the Companies Act, 2013 and related laws.

The applicable disclosures for stock options ESOP-2016 as stipulated under the Rule 12 of the Companies (Share Capital and Debentures) Rules, 2014 as on March 31, 2018 are given below:

Particulars	ESOP 2016 I (A)	ESOP 2016 I (B)	ESOP 2016 II	ESOP 2016 III
Scheme Name	Equity stock option plan for Employees 2016	Equity stock option plan for Employees 2016	Equity stock option plan for Management Team 2016	Equity stock option plan for Directors 2016
No. of options approved	1,647,901	1,647,901	3,445,610	719,084
Date of grant	23-Feb-17	24-Jan-18	23-Feb-17	23-Feb-17
No. of options granted	980,118	424,687	3,445,610	719,084
Exercise price per option (in ₹)	215.25	328	215.25	215.25
Total No. of Options Vested	154,608	0	3,445,610	71,908
Options Exercised During the Year	0	0	1,222,551	-
Total No. of Shares arising as a Result of Exercise of Option	0	0	1,222,551	-
Options Lapsed*	116,904	-	-	-
Variation of Terms of Options	-	-	The options approved under the equity stock option plan for Management team 2016 (ESOP 2016 II) originally has same fixed and conditional vesting schedule as the equity stock option plan for Directors 2016 (ESOP 2016 III). However, pursuant to the Board approval dated January 25, 2018, all options granted under this plan were vested with immediate effect with no further conditions attached to them.	-
Money Realized by Exercise of Options	0	0	263,154,103	-
Total number of options in force;	863,214	424,687	2,223,059	719,084
Exercise period	Four Years from the date of each Vesting.			

Note:-

1) During the year, Shareholders of the Company at their meeting held on 22nd February, 2018 has accorded their consent to amend the Equity Stock Option Plan For Employees 2016 **("ESOP 2016-I")** in such a manner that share pool stands reduced by 3,60,000 un-granted options.
2) 116,904 options lapsed due to the resignation of the certain employees from the Company.

Employee wise details of options granted to:-

1) Key Managerial Personnel:

i) Mr. Sushil Kumar Agarwal (Whole Time Director & CEO) :- 20,97,328
ii) Mr. Ghanshyam Rawat (Chief Financial Officer) :- 7,49,046
iii) Mr. Sharad Pathak (Company Secretary) :- 15,000

2) Any other employee who receives a grant of options in any one year of option amounting to five percent or more of options granted during that year:

i) Mr. Sushil Kumar Agarwal (Whole Time Director & CEO) :- 20,97,328
ii) Mr. Ghanshyam Rawat (Chief Financial Officer) :- 7,49,046
iii) Mr. Vivek Vig (Nominee Director) :- 5,99,236

3) Identified employees who were granted option, during any one year, equal to or exceeding one percent of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant;

i) Mr. Sushil Kumar Agarwal (Whole Time Director & CEO) :- 20,97,328

ii) Mr. Ghanshyam Rawat (Chief Financial Officer) :- 7,49,046

iii) Mr. Vivek Vig (Nominee Director) :- 5,99,236

SPECIAL RESERVE (U/S 29C OF THE NATIONAL HOUSING BANK ACT, 1987)

Your company has transferred ₹48.21 Crores i.e. 20 % of net profits amounting to Statutory reserves as required under the provisions of section 29C of The National Housing Bank Act, 1987 read with section 36 (1) (viii) of Income Tax Act, 1961.

CREDIT RATING

During the year under review, on account of strong leadership, Experienced management team, Robust Capitalization, Better asset quality & Collections, scaling up business, Improved margins, Strong asset liability management and mobilization of funds at Optimum cost, ratings of the Company has been increased.

CARE has upgraded the outlook of the Company from "ICRA A+" / Stable to "ICRA A+" / Positive

Further during the year under review ICRA has upgraded the long term rating of the Company from "ICRA A" / Positive to "ICRA A+" / Stable

India's renowned rating Agencies have assigned ratings as per below:-

Rating Agency	Rating Type	External Credit Rating
CARE	Long Term Rating	"CARE A+(Positive)"
	Short Term Rating	CARE A1+
ICRA	Long Term Rating	"ICRA A+" / Stable
	Short Term Rating	ICRA A1+
India Ratings & Research (FITCH)	Long Term Rating	IND A+
CRISIL	Long Term Rating	"CRISIL A Stable"

The ratings continue to reflect Company's healthy earning profile, adequate capitalization, and steady improvement in its scale of operations. These rating strengths are partially offset by the susceptibility of the Company's asset quality to risks related to the limited seasoning in its loan portfolio.

The assigned ratings are a positive reflection of Company talented management team, the Company's leadership position in affordable housing segment and strong brand equity in its regional markets. The ratings also derive strength from Company comfortable financial risk profile, growth in scale of operations and efficient operational strengths.

AUDITORS

Statutory Auditors

M/s S. R. BATLIBOI & Associates LLP, Chartered Accountants (Firm Registration No: 101049W/E300004) the Statutory Auditors of the Company were Re-appointed by the members in the seventh Annual General Meeting (AGM) of the Company held on 26th July, 2017 to hold office from conclusion of the seventh AGM to the Conclusion of the 12th AGM of the Company (subject to ratification of the appointment by the Members at every subsequent Annual General Meeting), in accordance with the provisions of the Companies Act, 2013.

As per the provisions of the NHB Notification No. NHB.HFC.CG-DIR.1/MD&CEO/2016, partner of the audit firm needs to be rotated in every three year.

Further Based on the recommendation of the Audit Committee, the Board of Directors, at their meeting held on April 27, 2018, recommended the ratification of appointment of M/s S. R. BATLIBOI & Associates LLP, Chartered Accountants (Firm Registration No: 101049W/E300004) as the Statutory Auditors of the Company and that the necessary resolution in this respect is being included in the notice of the Eighth (08th) Annual General Meeting for the approval of the Members of the Company. M/s S. R. BATLIBOI & Associates LLP, furnished written consent and a confirmation to the effect that they are not disqualified to be appointed as the Statutory Auditors of the Company in terms of the provisions of Companies Act, 2013 and rules framed thereunder.

Auditors Report

The observation of the auditors, in their reports are self-explanatory and therefore, in the opinion of the Directors, do not call for further comments.

Secretarial Auditors and Secretarial Audit Report

In accordance with Section 204 of the Companies Act, 2013 and Rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014, M/s V. M.& Associates, Practicing Company Secretaries were appointed as Secretarial Auditors to conduct the Secretarial Audit of the Company for the 2017-18. Company has provided all assistance and facilities to the Secretarial Auditor for conducting their audit. The Report of Secretarial Auditor for 2017-18 is annexed to this report as "**Annexure-2**".

The Report is self – explanatory there were no major observations or qualifications or adverse remarks in the Auditor's Report except that expenses on CSR activities were below the prescribed limit, Thus in response to this Management has responded that shortfall in CSR funding is on account,that company considers social responsibility as an integral part of its business activities and endeavors to utilize allocable CSR budget for the benefit of society.

Thus the Company is in the process of gradually building and developing the CSR appraisal mechanism, for appraising CSR projects internally, as it intends to contribute towards genuine projects and partner with only reputed implementation agencies with proven track record.

INTERNAL AUDIT & INTERNAL FINANCIAL CONTROL AND ITS ADEQUACY

Your Company has an Internal Audit Department supported by Internal Auditor who conducts comprehensive audit of functional areas and operations of the Company to examine the adequacy of and compliance with policies, procedures, statutory and regulatory requirements.

Significant audit observations and follow up actions thereon are reported to the Audit Committee. The Audit Committee reviews and evaluates adequacy and effectiveness of the Company's internal control environment and monitors the implementation of audit recommendations.

The Internal Audit Department monitors and evaluates the efficacy and adequacy of internal control system in the Company, its compliance with operating systems, accounting procedures and policies at all locations of the Company. Significant audit observations and corrective actions thereon are presented to the Audit Committee of the Board every quarter or at periodic intervals.

The Audit Committee and Board of Directors have approved a documented framework for the internal financial control to be followed by the Company and such policies and procedures adopted by the Company for ensuring the orderly and efficient conduct of its business, including adherence to Company's policies, safeguarding of its assets, prevention and detection of frauds and errors, accuracy and completeness of the accounting records and timely preparation of reliable financial information and disclosures. The Audit Committee periodically reviews and evaluates the effectiveness of internal financial control system.

MATERIAL CHANGES/EVENTS AND COMMITMENTS, IF ANY

There were no material changes and commitments, affecting the financial position of the Company which had occurred between the end of the financial year i.e. 31st March, 2018 and the date of the Director's report i.e. 27th April, 2018.

However, Company has incorporated the Company named "AAVAS FINSERV LIMITED" as wholly owned Subsidiary.

Aavas Finserv Limited was incorporated on 30th November, 2017 under the Companies Act, 2013 as a public limited company with the Registrar of Companies, Jaipur, Rajasthan having Corporate Identification Number U65929RJ2017PLC059623.Registered office is located at 203-205, 2nd Floor, Southend Square Mansarovar Industrial Area, Jaipur 302 020, India.

The authorized share capital of Aavas Finserv Limited is ₹45,000,000 divided into 4,500,000 equity shares of ₹10 each and its paid-up share capital is ₹45,000,000 divided into 4,500,000 equity shares of ₹10 each.

During the year, company has obtained the Certificate of registration dated December 8, 2017, issued to our company by the Insurance Regulatory Development Authority of India (IRDAI) to act as a corporate agent (Registration No.CA0537).

There has been no change in the nature of business of the Company.

No significant or material Orders have been passed by the regulators or Courts or Tribunals impacting the going concern status of the Company and / or the Company's operations in future.

INFORMATION TECHNOLOGY

Your Company has developed a fully equipped "core housing finance solutions Platform" which is a step towards aligning technology to the projected business growth.

All our branches of the Company and the corporate office are linked through a centralized data based platform that enriches data management, strengthens service delivery and serves the customer(s) in an efficient manner, which is an integral part of the control mechanism.

New initiatives taken by your company in Information Technology are as follows:-

a) Document Digitization

b) Device Location Tracking

c) Procurement of Energy Saving Green IT Equipment

d) Refilling Outsourced with High-end Copier Machine in High Print volume Branches to reduce the Carbon Footprint.

Company carries out audit of its IT systems from external agency at regular intervals. The external agency's suggestions and recommendations are reported to Audit Committee and implemented where found necessary.

HUMAN RESOURCE DEVELOPMENT

The Company's success depends largely upon the quality and competence of its management team and key personnel. Attracting and retaining talented professionals is therefore a key element of the Company's strategy and a significant source of competitive advantage.

Across all its business operations, Company had a workforce of 1,862 people as on March 31, 2018.

Human resource development is considered vital for effective implementation of business plans, constant endeavor is being made to offer Professional Growth opportunities and recognitions, apart from imparting training to the Employees, Company has also provided the sales Training to the new recruits to have better understanding towards the Company and make them compatible towards the working culture of the Company.

The Company hired professionals at Senior positions/ Functional Heads representing the various Departments of the Company having relevant industry experience and qualification to strengthen and grow housing finance business. The Company recruited people from prestigious institutes like the Institute of Chartered Accountants of India ('ICAI') and the Institute of Company Secretaries of India ('ICSI')besides recruiting from other reputed Business Schools.

In pursuance of the Company's commitment to develop and retain the best available talent, the Company had been sponsoring in house training programmes on regular basis for its employees on lending operations, Underwriting & Due diligence, KYC & AML norms, Risk Management, Information Technology, recoveries, CLSS, PMAY and Grievance Redressal.

During the period under review, company has nominated their employees to attend the external training programmes conducted by NHB and other institutions on KYC-FPC, Customer Service, Legal Support for Recoveries, NPA Management, Grievance Registration & Information Database (GRIDS), Central Registry of Securitization, Asset Reconstruction & Security Interest of India (CERSAI), PMAY, Credit Linked Subsidy Scheme (CLSS) Loans-Credit Appraisal and Risk Management.

TRADEMARK

During the year under review, the Company has received the Trade Mark Registration certificate for the registration of the Trademark from the Trade Marks Registry,Government of India.

INSURANCE PROTECTION

Company has tied up with Kotak Mahindra Old Mutual Life Insurance Limited, HDFC Standard Life Insurance Company Limited & Bajaj Allianz Life Insurance Co. Ltd. for providing group credit life insurance of the Insured.

Company also tied up with Shriram General Insurance Company Limited and IFFCO Tokyo General Insurance for providing property insurance of the mortgaged property. "Standard Fire & Special Perils Policy" which provide coverage against Fire, Flood, Earthquake and other perils mentioned in the policy on reinstatement basis.

RISK MANAGEMENT FRAMEWORK

The Company has in place a Board Constituted Credit and Risk Management Committee. Details of the Committee and its terms of reference are set out in the Corporate Governance Report forming part of this report.

Company has Board Approved Credit and Risk Management Policies wherein all material risks faced by the Company are identified and assessed. Company has set up a policy framework for ensuring better management of its asset & liability profile. Company has given due importance to prudent lending practices and put in place suitable measures for risk mitigation, which include, verification of credit history from credit information bureaus, personal verification of customer's business and residence, in house technical and legal verification, conservative loan to value, and compulsory term cover for insurance. The Risk management framework of the Company seeks to minimize adverse impact of risks on our key business objectives and enables the Company to leverage market opportunities effectively.

During the year, the committee reviewed the risks associated with the business of the Company, its root causes and the efficacy of the measures taken to mitigate the same.

VIGIL MECHANISM CUM WHISTLE BLOWER POLICY

Your Company believes to conduct its affairs in a fair and transparent manner by adopting highest standards of professionalism, honesty, integrity and ethical behaviour. The Company is committed to developing a culture where it is safe for all directors and employees to raise concerns about any wrongful conduct.

The Board of Directors has approved the vigil mechanism/ whistle blower policy of the Company which provides a framework to promote a responsible and secure whistle blowing. It protects employees wishing to raise a concern about serious irregularities within the Company. It provides for a vigil mechanism to channelize reporting of such instances/ complaints/ grievances to ensure proper governance. The Audit Committee oversees the vigil mechanism. No employee has been denied access to the Audit Committee. The policy is placed on the website of the Company and can be accessed at www.aavas.in/vigil-mechanism-policy

PARTICULARS OF HOLDING/SUBSIDIARY/ASSOCIATE COMPANIES

Your Company is the Direct Subsidiary of Lake District Holdings Limited and Indirect Subsidiary of the Holding Company of Lake District Holdings Limited i.e. Kedaara Capital I Limited.

The Shareholders having the Substantial interest in the Company is Partners Group ESCL Limited.

As on 31st March, 2018 Your Company has incorporated the Company named "AAVAS FINSERV LIMITED" as wholly owned Subsidiary, the Company has not started any operations during the year.

Pursuant to the provisions of Section 129(3) of the Companies Act, 2013, your Company has prepared Consolidated Financial Statements of the Company which forms part of this Annual Report. Further, a Statement containing salient features of financial statements of the Subsidiary, in the prescribed format AOC-1, pursuant to Section 129(3) of the Companies Act, 2013 read with the Companies (Accounts) Rules, 2014, is annexed as **Annexure-3** to this Report.

EMPLOYEE REMUNERATION

The statement containing particulars of employees as required under Section 197(12) of the Companies Act, 2013 read with Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 forms part of this report. In terms of Section 136 of the Companies Act, 2013 the same is open for inspection at the Registered Office of your company.

The ratio of the remuneration of each director to the median employee's remuneration and other details in terms of sub-section 12 of Section 197 of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, are forming part of this report as "**Annexure-4**".

CORPORATE SOCIAL RESPONSIBILITY INITIATIVE

In line with Section 135 of the Companies Act, 2013 read with the Companies (Corporate Social Responsibility Policy) Rules 2014; the Company has undertaken the projects in the area of Health, promoting gender equality, empowering women, Education, promoting Traffic Rules, Regulation and Road Safety, Providing Safe Drinking Water and Promoting Sports which are in accordance with the Schedule VII of the Companies Act, 2013 and CSR Policy of the Company.

The Annual Report on CSR Activities, which forms part of the Directors Report, is annexed as "**Annexure – 5**" to this report.

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

In accordance with the provisions of the Sec 134 (3) (m) of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules 2014 by your company are as under:-

A) Conservation of energy:

(i) The Steps taken / impact on conservation of energy:

The operations of the Company, being financial services doesn't require intensive consumption of electricity. However,the Company is taking every necessary step to reduce its consumption of energy.

(ii) The Steps taken by the Company for utilizing alternate sources of energy:

Company has procured the Energy Saving Green IT Equipment's and power saving lamps, LEDs that have been installed in branches so far as a measure for conservation of energy. Your Company has installed High-end Copier Machine in High Print volume in Branches to reduce the Carbon Footprint.

As a part of Save Green efforts, a lot of paper work at branches and the registered office has been reduced by suitable leveraging of technology and Digitization.

(iii) The Capital investment on energy conservation equipment:

In view of the nature of the activities carried on by the Company, there is no capital investment on energy conservation equipment.

B) Technology absorption:

(i) the efforts made towards technology absorption: Nil

(ii) the benefits derived like product improvement, cost reduction, product development or import substitution: Nil

(iii) in case of imported technology (imported during the last three years reckoned from the beginning of the financial year)

a) the details of technology imported: N.A.

b) the year of import: N.A.

c) whether the technology been fully absorbed: N.A.

d) if not fully absorbed, areas where absorption has not taken place, and the reasons thereof: N.A.

(iv) the expenditure incurred on Research and Development: N.A.

C) Foreign exchange earnings and Outgo:

Further, Company does not have any Foreign Exchange Earnings and there was no outgo during the Financial Year ended 31st March 2018.

EXTRACTS OF ANNUAL RETURN

Pursuant to sub-section 3(a) of Section 134 and sub-section (3) of Section 92 of the Companies Act 2013, read with Rule 12(1) of the Companies (Management and Administration) Rules, 2014 the extracts of the Annual Return in form MGT-9 as at 31st March, 2018 forms part of this report as "**Annexure-6**".

DISCLOSURES UNDER SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION & REDRESSAL) ACT 2013 READ WITH RULES

The Company has zero tolerance towards any action on the part of any of its officials, which may fall under the ambit of 'Sexual Harassment' at workplace. Company promotes and recognizes the right of women to protection from sexual harassment and the right to work with dignity as enshrined under the Constitution of India and the Convention on the Elimination of all Forms of Discrimination against Women (CEDAW).

Pursuant to the requirements of Section 22 of Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act 2013 read with Rules there under, the Internal Complaint committee of the Company has not received any complaint of sexual harassment during the year under review.

The following is a summary of sexual harassment complaints received and disposed of during the year 2017-18:

No of complaints received: Nil

No of complaints disposed of: Nil

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS U/S 186

Since the Company is a Housing Finance Company, the disclosure regarding particulars of loans given, guarantees given and security provided is exempted under the provisions of Section 186 (11) of the Companies Act, 2013.

CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

In accordance with the provisions of section 188 of the Companies Act, 2013 and rules made thereunder, the transactions entered with related parties are in the ordinary course of business and on an arm's length pricing basis, the details of which are included in the notes forming part of the financial statements.

During the year under Review, your Company had not entered into any Related Party Transactions covered within the purview of Section 188(1) of the Companies Act, 2013, accordingly, requirement of disclosure of Related Party Transactions in terms of Section 134(3)(h) of the Companies Act, 2013 in Form AOC – 2 is not applicable to the Company.

Further as required by NHB notification no. NHB.HFC.CG-DIR.1/MD&CEO/2016 dated February 9, 2017,a policy on Transactions with Related Parties is given as "**Annexure-7**" to this report and can accessed on the website of the Company at www.aavas.in/policy-on-transactions-with-related-parties

SECRETARIAL STANDARDS

The Directors have devised proper systems to ensure compliance with the provisions of all applicable Secretarial Standards and that such systems are adequate and operating effectively.

INTERNAL GUIDELINES ON CORPORATE GOVERNANCE

During the year under review, your Company has formulated and adopted the Internal Guidelines on Corporate Governance in accordance with Housing Finance Companies – Corporate Governance (National Housing Bank) Directions, 2016, which inter-alia, defines the legal, contractual and social responsibilities of the Company towards its various stakeholders and lays down the Corporate Governance practices of the Company.

The said policy is available on the website of the Company can be accessed on the website of the Company at www.aavas.in/investor-relations/internal-guidelines-on-corporate-governance.

DIRECTOR'S RESPONSIBILITY STATEMENT

In accordance with the provisions of Section 134(3)(c) read with Section 134(5) of the Companies Act, 2013, and based on the information provided by the Management, the Board of Directors report that:

(a) In the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures.

(b) We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent to give a true and fair view of the state of affairs of the Company at the end of the Financial Year and of the profit and loss of the Company for that period

(c) We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

(d) We have prepared the annual accounts on a going concern basis.

(e) We have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively; and

(f) We have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively.

BUSINESS OVERVIEW

A detailed business review is appended in the Management Discussion and Analysis Section of Annual Report.

ACKNOWLEDGEMENTS

The Directors would like to place on record their gratitude for the valuable guidance and support received from the National Housing Bank.

Your Directors would like to acknowledge the role of all its Stakeholders viz., Shareholder, Debenture holders, Bankers, Lenders, Borrowers, Debenture Trustees and all others for their continued support to the Company and the confidence and faith that they have always reposed in the Company.

Your Directors acknowledge and appreciate the guidance and support extended by all the Regulatory authorities including National Housing Bank (NHB), Securities Exchange Board of India (SEBI), Ministry of Corporate Affairs (MCA), Registrar of Companies, Rajasthan, the Bombay Stock Exchange, NSDL and CDSL.

Your Directors thank the Rating Agencies (ICRA, CARE, CRISIL and India Ratings & Research Ltd., [Fitch group]),local/statutory authorities and all others for their whole-hearted support during the year and look forward to their continued support in the years ahead.

Your Directors also wish to place on record their appreciation for the commitment displayed by all the members of the Audit, Nomination & Remuneration and Corporate Social Responsibility Committees of the Board, executives, officers, staff and the Senior Management team, in performance of the Company during the year.

For and on behalf of the Board of Directors of
AAVAS FINANCIERS LIMITED
(Formerly known as "Au Housing Finance Limited")

sd/-	sd/-
Sushil Kumar Agarwal	**Manas Tandon**
(Whole Time Director & CEO)	*(Nominee Director)*
(DIN:03154532)	(DIN: 05254602)

Date: April 27, 2018
Place: Jaipur

Annexure - I to the Directors' Report

CORPORATE GOVERNANCE REPORT

Company's Philosophy on Code of Governance

Corporate Governance is essentially, a philosophy. It encompasses not only the regulatory and legal requirements, but also the voluntary practices developed by the Company to protect the best interests of all stakeholders. However, in the harsh realities of day to day economic stress and competitive growth, corporate governance can only deliver on an avowed philosophy if there is a strong and sustainable framework.

It is the framework which fosters a high level of business ethics with effective supervision, transparency and accountability at all levels.

A good corporate governance framework incorporates a system of robust checks and balances between Key players; namely, the Board, the management, auditors and various stakeholders. The role and responsibilities of each entity must be clearly understood and transparency must be enforced at each level and at all times.

AAVAS FINANCIERS LIMITED (Hereinafter "AAVAS") is committed to set the highest standards of Corporate Governance right from its inception

The Company's Corporate Governance philosophy is based on the following principles:

- Appropriate Governance Structure with defined roles and responsibilities
- Board Leadership
- Ethics/Governance Policies
- Audits and internal check
- Working towards Planet, People, Product, Processes and Profit.
- Trusteeship
- Fairness and Integrity

We believe that an active, well-informed and independent Board is necessary to ensure the highest standards of Corporate Governance. It is well-recognized that an effective Board is a pre-requisite for strong and effective Corporate Governance.

The Company recognizes and embraces the importance of a diverse board in its success and is endowed with appropriate balance of skills, experience, diversity of perspectives, thereby ensuring effective board Governance. The Board of Directors ("the Board") of our company are at the core of our Corporate Governance practices and oversees how the Management serves and protects the long term interest of our stakeholders. Our Corporate Governance framework ensures that we make timely disclosures and share accurate information leadership and governance of the Company.

BOARD OF DIRECTORS

The Board of Directors represents the interest of the Company's shareholders, in optimizing long-term value by providing the management with guidance and strategic direction on the shareholders' behalf. The board has a formal schedule of matters reserved for its consideration and decision, which includes reviewing corporate performance, ensuring adequate availability of financial resources, regulatory compliance, safeguard interest of shareholders and reporting to shareholders.

Non-Executive Directors, including Independent Directors, play a critical role in imparting balance to the Board processes by bringing an independent judgment on issues of strategy, performance, resources, standards of Company conduct etc.

The Board functions either as a full Board or through various Committees constituted to oversee specific areas. Policy formulation, setting up of goals, evaluation of performance and control functions vest with the Board. The Committees have oversight of operational issues assigned to them by the Board.

The Board of Directors, along with its Committees, provides leadership and guidance to the Company's Management and directs, supervises and controls the activities of the Company.

Appointment and Tenure of Directors

The Directors of the Company are appointed by members at the General Meetings. In accordance with the Articles of Association of the Company, Directors except Independent Directors, retires by rotation at the Annual General Meeting as per the provisions of the companies act, 2013 and, if eligible, offer them for re-election. The Whole Time Director of the Company is appointed for a term of three years. The Executive Director on the Board serve in accordance with the terms of his contract of service with the Company.

Composition of Board

Your Company's Board has a primary role of trusteeship to protect and enhance stakeholders' value through strategic supervision. The Board provides direction and exercises appropriate controls. The Corporate Governance principles of your Company have been formulated to ensure that the Board remains informed, independent and participates actively in the affairs of your Company.

The Board of Directors comprises of Nine Directors, all professionals in their own right who bring in a wide range of skills and experience to the board. All the directors of the Company, except the Whole Time Director are non-executive directors. Out of the Eight non-executive directors, three are Independent Directors. The independent directors have confirmed that they satisfy the criteria prescribed for an independent director as stipulated in the provisions of the Section 149(6) of the Companies Act, 2013. None of the directors of the Company are related to each other. All directors are appointed by the members of the Company.

List of directors with directorships held by them in other Public companies as on 31st March 2018 are given below;-

Name of Director	Category	DIN	Number of Other Directorship held (in Public companies)	Date of Appointment & Reappointment	Qualification/ Experience
Mr. Krishan Kant Rathi	Independent Director	00040094	04	29/08/2014	C.A and C.S (26 Years)
Mrs. Kalpana Iyer	Independent/ Woman Director	01874130	02	23/06/2016	C.A (25 Years)
Mr. Sandeep Tandon	Independent Director	00054553	Nil	27/07/2017	Bachelor's and Master's in Electrical Engineering(More than 20 Years)
Mr. K.R. Kamath	Nominee Director	01715073	03	14/07/2016	B.COM (More than 30 Years)
Mr. Vivek Vig	Nominee Director	01117418	02	14/07/2016	PG IIM (Bangalore) (30 years)
Mr. Nishant Sharma	Nominee Director	03117012	01	23/06/2016	Engineer and MBA (11 Years)
Mr. Manas Tandon	Nominee Director	05254602	01	23/06/2016	MBA in Finance (18 Years)
Mr. Sushil Kumar Agarwal	Whole Time Director & CEO	03154532	01	23/02/2011	C.A and C.S (18 Years)
Mr. Kartikeya Dhruv Kaji	Nominee Director	07641723	01	27/07/2017	MBA (More than 5 years)

Role of Independent directors

Independent directors play an important role in deliberations at the board meetings and bring to the Company their wide experience in the fields of finance, housing, accountancy, law and public policy. This wide knowledge of both, their field of expertise and boardroom practices helps foster varied, unbiased, independent and experienced perspectives. The Audit Committee, Nomination & Remuneration Committee and Corporate Social Responsibility Committee mainly have a majority of Independent Directors.

Selection of Independent Directors

Considering the requirement of skill sets on the Board, eminent people having an independent standing in their respective field/profession, and who can effectively contribute to the Company's business and policy decisions are proposed and considered by the shareholders, for appointment, as Independent Directors on the Board. Every Independent Director, at the first meeting of the Board in which he participates as a Director and thereafter at the first meeting of the Board in every financial year, gives a declaration that he meets the criteria of independence as provided under law.

All the Directors make the necessary annual disclosure regarding their directorships and Committee positions and intimate the changes to the Company as and when they take place. All independent directors possess the requisite qualifications and are very experienced.

Code for Independent Directors

In terms of Section 149 and Schedule IV of the Companies Act, 2013, the Company has adopted a code for Independent

Directors in order to ensure fulfillment of responsibilities of Independent Directors of the Company in a professional manner.

The Code for Independent Directors aims to promote confidence of the investment community, particularly minority shareholders, regulators and companies in the institution of independent directors and sets out the guidelines of professional conduct of Independent Directors, their roles, functions and duties, the process of performance evaluation etc.

Familiarization Programme for the Independent Directors

The familiarization programme for the new and continuing Independent Directors of the Company ensures valuable participation and inputs from them which helps in bringing forth the best practices into the organization and helps in taking informed decision(s) at the Board Level.

The details of familiarization Programme imparted to the Independent Directors of the Company is available on the Company's website at www.aavas.in/investor-relations/familiarization-programme

Board Meetings

Board Meetings mostly took place at Jaipur being head office of the Company. The Board meets at least once a quarter, and more frequently as necessary to consider among other businesses, quarterly performance of the Company and financial results. To enable the Board to discharge its responsibilities effectively and take informed decisions, necessary information is made available to the Board. The Directors are informed of the main items on the agenda for every Board meeting along with the notice. Detailed agenda notes are sent to them in advance of the meetings.

The Board met Six (6) times during the financial year 2017-2018 on 26th May 2017, 27th July, 2017 (2 Times), 26th October 2017, 25th January, 2018 and 08th March 2018 The names and categories of the Directors, their attendance at Board meetings (during the financial year 2017-18) and Annual General Meeting ('AGM') held on Wednesday, 26th July 2017 are given below.

Name of Directors	Category of Director	No. of Meetings Held	No. of Meetings Present	Attendance at the last AGM held on 26th July 2017
Mr. Krishan Kant Rathi	Independent Director (Non-Executive)	6	5	Yes
Mrs. Kalpana Iyer	Independent Director (Non-Executive)	6	6	Yes
Mr. Sandeep Tandon*	Independent Director (Non-Executive)	6	4	N.A.
Mr. K.R. Kamath	Nominee Director(Non-Executive)	6	6	Yes
Mr.Vivek Vig	Nominee Director(Non-Executive)	6	6	Yes
Mr. Nishant Sharma	Nominee Director(Non-Executive)	6	6	Yes
Mr.Manas Tandon	Nominee Director(Non-Executive)	6	6	Yes
Mr. Sushil Kumar Agarwal	WTD & CEO (Executive)	6	6	Yes
Mr. Kartikeya Dhruv Kaji*	Nominee Director(Non-Executive)	6	4	N.A.

*Mr. Sandeep Tandon and Mr. Kartikeya Dhruv Kaji were appointed on Board w.e.f 27th July, 2017.

COMMITTEES OF THE BOARD

The Company has constituted a set of qualified and focused committees of the Board constituting Directors of the Company and expert senior management personnel to support the board in discharging its responsibilities. These Board Committees have specific terms of reference/scope to focus effectively on the issues and ensure expedient resolution of diverse matters. The Committees operate as empowered agents of the Board as per their terms of reference.

The Board of Directors, have constituted committees for delegating powers and assigning responsibilities to take care of operational and other functions of the Company, within the overall framework of the scope of work assigned to such committees. Some of these are either mandated by an applicable law and some are for operational convenience. AAVAS at present has eleven committees of the Board as appended below:

1. Audit Committee
2. Nomination & Remuneration Committee
3. Asset Liability Management Committee (ALCO)
4. Executive Committee
5. Corporate Social Responsibility (CSR) Committee
6. Credit and Risk Management Committee
7. Customer Service & Grievance Redressal (CS&GR) Committee
8. Strategic and Growth Committee
9. Internal complaints Committee
10. Identification Committee
11. Review Committee

Audit Committee

Audit Committee comprises of three members as on 31st March, 2018, viz., Mr. Krishan Kant Rathi (Independent Director), Mrs. Kalpana Iyer (Independent Director) and Mr. Manas Tandon (Nominee Director). The Company Secretary is the Secretary to the Committee. All members of the Committee have wide exposure and possess sound knowledge in the area of accounts, finance, audit, internal controls, etc.

The functions of the Audit committee are:

- The recommendation for appointment, remuneration and terms of appointment of auditors of the Company;
- Review and monitor the auditor's independence and performance, and effectiveness of audit process;
- Examination of the financial statement and the auditors' report thereon;
- Approval or any subsequent modification of transactions of the Company with related parties;
- Scrutiny of inter-corporate loans and investments;
- Valuation of undertakings or assets of the Company, wherever it is necessary;
- Evaluation of internal financial controls and risk management systems;
- Monitoring the end use of funds raised through public offers and related matters.

During the financial year 2017-2018, 4 (Four) Audit Committee meetings were held on 25th May 2017, 27th July, 2017, 25th October 2017, 24th January 2018.

The details of participation of the Members at the Meetings of the Committee during the year were as under:

Members	Category	No. of Meetings Held	No. of Meetings Present
Mr. Krishan Kant Rathi	Member	4	4
Mrs. KalpanaIyer	Member	4	4
Mr. ManasTandon	Member	4	4

Asset and Liability Management Committee (ALCO)

The Asset Liability Management Committee comprised of Five members as on 31st March, 2018, Viz., Mr. Sushil Kumar Agarwal (Whole Time Director & CEO), Mr. Manas Tandon (Nominee Director), Mr. Nishant Sharma (Nominee Director), Mr. Ghanshyam Rawat (Chief Financial Officer) and Mr. Ashutosh Atre (Chief Credit Officer) Functioning under the supervision of the Board of Directors. The Committee is responsible for keeping a watch on the asset liability gaps, if any. ALCO lays down policies and quantitative limits relating to assets and liabilities, based on an assessment of the various risks involved in managing them.

The Scope of the ALCO committee are:

- Liquidity risk management,
- Management of market risks,
- Funding and capital, planning and to review the effectiveness of the Asset Liability Management, control.

The ALCO committee meetings were convened Four times during the year viz. 25th May 2017, 26th July 2017, 25th October 2017 and 24th Jan, 2018.

The details of participation of the Members at the Meetings of the Committee during the year were as below:

Members	Category	No. of Meetings Held	No. of Meetings Present
Mr. Sushil Kumar Agarwal	Member	4	4
Mr. GhanshyamRawat	Member	4	4
Mr. Nishant Sharma*	Member	3	3
Mr. ManasTandon*	Member	3	3
Mr. AshutoshAtre	Member	4	4

*Mr.Manas Tandon and Mr. Nishant Sharma were inducted in ALCO Committee w.e.f. 26th May, 2017.

NOMINATION & REMUNERATION COMMITTEE

The role of the Nomination & Remuneration Committee is to review market practices and to take care of the remuneration structure practices, fit and proper criteria, to layout & implement the policy on remuneration packages, carry out evaluation of every director's performance to recommend the appointment, re-appointment & removal of Directors, KMP etc. and remuneration related matters of the Directors, KMPs and Employees, etc.

Meetings Held During the financial year 2017-18, 4 (Four) Nomination & Remuneration Committee meetings were held on the 25th May 2017, 27th July, 2017, 25th October 2017, 24th January 2018.

The Composition of the Committee and details of participation of the Members at the Meetings of the Committee during the year were as under:

Members	Category	No. of Meetings Held	No. of Meetings Present
Mr. Krishan Kant Rathi	Member	4	4
Mrs. Kalpana Iyer	Member	4	4
Mr. Nishant Sharma	Member	4	4
Mr. ManasTandon	Member	4	4

Evaluation of Directors and the Board

With the objective of enhancing the effectiveness of the board, the Nomination & Remuneration Committee formulated the methodology and criteria to evaluate the performance of the board and each director.

The evaluation of the performance of the board is based on the approved criteria such as the board composition, strategic planning, role of the Chairman, non-executive directors and other senior management, assessment of the timeliness and quality of the flow of information by the Company to the board and adherence to compliance and other regulatory issues.

The manner in which formal annual evaluation of the Board, its Committees and individual Directors is conducted includes:

- The Independent Directors, at their separate Meeting review the performance of Non-Independent Directors and the Board as a whole.
- The Nomination & Remuneration Committee evaluates the performance of the Directors on the Board. A feedback on the overall evaluation conducted by the Nomination & Remuneration Committee is communicated to the Board.
- Then, in light of the criteria prescribed in the Board Performance Evaluation Policy, the Board analyses its own performance, that of its Committees and each Director during the year and suggests changes or improvements, if required.

The performances of the Non Independent Directors, Board of Directors as a whole were evaluated at the Separate meeting of Independent Directors held on 26th May, 2017 and the meeting of the Board of the Directors held on 26th May, 2017.

Remuneration Policy

The Company has a duly formulated Nomination & Remuneration Policy as per the provisions of Companies Act, 2013 which, inter-alia, lays down the approach to diversity of the Board, the criteria for identifying the persons who are qualified to be appointed as Directors and such persons who may be appointed as Senior Management Personnel of the Company and also lays down the criteria for determining the remuneration of the Directors, Key Managerial Personnel (KMP) and other employees and the process of their evaluation. The remuneration policy is placed on the website of the Company. The remuneration paid to the directors is in line with the remuneration policy of the Company. Policy can be accessed at the website of the Company at www.aavas.in/remuneration-policy.

Internal Guidelines on Corporate Governance

During the financial year under review, your Company has formulated and adopted the Internal Guidelines on Corporate Governance in accordance with Housing Finance Companies – Corporate Governance (National Housing Bank) Directions, 2016, which inter-alia, defines the legal, contractual and social responsibilities of the Company towards its various stakeholders and lays down the Corporate Governance practices of the Company.

The said policy is available on the website of the Company at the www.aavas.in/investor-relations/internal-guidelines-on-corporate-governance

Corporate Social Responsibility (CSR) Committee

The Corporate Social Responsibility (CSR) committee was formed as per Section 135 of the Companies Act, 2013 with the following Terms of reference:

- To formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the Company as specified in Schedule VII.
- To recommend the amount of expenditure to be incurred on the CSR activities to be undertaken.
- To monitor the Corporate Social Responsibility Policy of the Company from time to time.

The Corporate Social Responsibility (CSR) committee consisted of Three Members namely Mr. Krishan Kant Rathi (Independent Director), Mrs. Kalpana Iyer (Independent Director) and Mr. Sushil Kumar Agarwal (Whole Time Director & CEO).

The committee met 2(Two) times i.e. on 25th May, 2017 and 24th January, 2018 during the financial year ended 31st March, 2018.

The details of participation of the Members at the Meetings of the Committee during the year were as under:

Members	Category	No. of Meetings Held	No. of Meetings Present
Mr. Krishan Kant Rathi	Member	2	2
Mrs. Kalpana Iyer	Member	2	2
Mr. Sushil Kumar Agarwal	Member	2	2

Credit and Risk Management Committee

The committee was formed to supervise, guide, review and Identify current and emerging risks; developing risk assessment and measurement systems, establishing policies, practices and other control mechanisms to manage risks, developing risk tolerance limits for Senior Management and board approval, monitoring positions against approved risk tolerance limits, reporting results of risk monitoring to senior management and the board.

Meetings Held During the year 2017-18, 4 (Four) Credit and Risk Management Committee meetings were held on 13th April, 2017, 13th July, 2017,19th October, 2017 and 19th January, 2018

The Composition of the Committee and details of participation of the Members at the Meetings of the Committees during the year were as under:

Members	Category	No. of Meetings Held	No. of Meetings Present
Mr. Sushil Kumar Agarwal	Member	4	4
Mr. Nishant Sharma	Member	4	4
Mr. ManasTandon	Member	4	4

Customer Service & Grievance Redressal (CS&GR) Committee

The committee was mainly formed by the Board for protecting the interest of customers of the Company; it ensures constant evaluation of the feedback on quality of Customer Services & Redressal provided to the customers, considering unresolved complaints / grievance referred to it by Functional Heads.

The committee met 4 (Four) time i.e. on 14th April, 2017, 13th July, 2017, 20th October, 2017and 22nd January, 2018 during the financial year ended March 31, 2018.

The Composition of the Committee and details of participation of the Members at the Meetings of the Committees during the year were as under:

Members	Category	No. of Meetings Held	No. of Meetings Present
Mr. Sushil Kumar Agarwal	Member	4	4
Mr. Ghanshyam Rawat	Member	4	4
Mr. Rajiv Sinha*	Member	0	0

*Mr. Rajiv Sinha was appointed as the member of the Committee due to the Reconstitution of the Committee on 25th January, 2018

Strategic and Growth Committee

Board Members formed the Committee with a view to assist and advise the management of the Company in the development of the Company's strategy and making of strategic decisions regarding corporate and management organization; sales, marketing and product development; corporate development with respect to investments, acquisitions and divestitures; and corporate finance.

The committee met 2 (Two) times i.e. on 26th May, 2017 and 25th January, 2018 during the financial year ended March 31, 2018.

The Composition of the Committee and details of participation of the Members at the Meetings of the Committees during the year were as under:

Members	Category	No. of Meetings Held	No. of Meetings Present
Mr. Sushil Kumar Agarwal	Member	2	2
Mr. Nishant Sharma	Member	2	2
Ms. Lane MacDonald	Member	2	2

Executive Committee

The Board of directors has constituted the Executive Committee consisted of Four Members viz., Mr. Sushil Kumar Agarwal (Whole Time Director & CEO), Mr. Nishant Sharma (Nominee Director), Mr. Manas Tandon (Nominee Director) and Mr. Ghanshyam Rawat (Chief Financial Officer).

The Company Secretary serves as the Secretary to the Committee.

The Committee approves loans, borrowings, and investments within limits specified by the Board. Besides, the Committee reviews the conduct of business and operations, considers new products and parameters and suggests business reorientation.

The functions of the Executive committee are:

- The Committee approves loans, borrowings, and investments within limits specified by the Board;
- The Committee reviews the conduct of business and operations, considers new products and parameters and suggests business reorientation.

During Financial Year 2017-18 38 (Thirty Eight) Executive Committee meetings were held on 25th May 2017, 30th May 2017, 17th June 2017, 1st July,2017, 14th July 2017, 26th July 2017, 3rd August 2017, 18th August 2017, 04th September,2017, 20th September 2017, 23rd September 2017, 25th September 2017, 27th September 2017, 3rd October 2017, 12th October 2017, 17th October 2017, 25th October 2017, 27th October 2017, 30th October 2017, 6th November 2017, 08th November 2017, 09th November 2017, 15th November 2017, 20th November 2017, 29th November 2017, 04th December 2017, 12th December 2017, 20th December 2017, 23rd December 2017, 24th December 2017, 28th December 2017, 19th January 2018, 25th January 2018, 29th January 2018, 02nd February 2018, 09th March 2018, 14th March 2018 and 24th March 2018.

The details of participation of the Members at the Meetings of the Committee during the year were as under:

Members	Category	No. of Meetings Held	No. of Meetings Present
Mr. Sushil Kumar Agarwal	Member	38	38
Mr. Nishant Sharma	Member	38	38
Mr. Manas Tandon	Member	38	38
Mr. Ghanshyam Rawat	Member	38	38

Internal Complaints Committee

In terms of the Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013, the Board of Directors of your Company have constituted an Internal Complaints Committee.

The terms of reference of the Committee inter-alia includes: conducting an inquiry into complaints made by any aggrieved women at the workplace and arrive at a conclusion as to whether the allegation for which the complaint has been filed was proved or not and take necessary actions to resolve the complaints, preparing annual report for each calendar year and submitting the same to the District Officer.

During the year under review, the Committee met 10 (Ten) times i.e 03rd April, 2017, 03rd July, 2017, 08th August, 2017, 04th September, 2017, 03rd October, 2017, 06th November, 2017, 04th December, 2017, 01st January, 2018, 05th February, 2018 and 05th March, 2018. No complaints related to sexual harassment were received by the Committee.

The Composition of the Committee and details of participation of the Members at the Meetings of the Committees during the year were as under:

Members	Category	No. of Meetings Held	No. of Meetings Present
Mrs. Charu Gupta	Member	10	10
Mrs. Inderjit Gumber	Member	10	10
Mrs. Ankita Kothari	Member	10	10
HR Representative	Member	10	10

Meeting of Independent Directors

The purpose of the Independent Directors meeting is to oversee the Company's overall interest ensuring fair benefits for each stakeholder, maintaining balance between the Board of Directors and the Management and protect stakeholders' rights by offering recommendations and views on significant matters beneficial to the Company and investors with independence, transparency and freedom from involvement in any interest. The meeting of the Independent Directors was held on held on 26th May, 2017 and 25th January, 2018.

Role of the Company Secretary in governance process

Section 205 of the Companies Act, 2013 lays down the roles and responsibilities of Company secretary in the Corporate World. Company Secretary plays a vital role in conducting all board, committee meetings and General Meetings attend and record minutes of all Board, committee and General meetings ensuring timely execution of the assigned tasks on corporate level and facilitating Board communications with external stakeholders. He advises the Board on its roles, responsibilities and helps in decision making process based on all documents. He is responsible for corporate disclosure and compliance with state corporation laws, stock exchange, listing standards.

The Company Secretary monitors corporate governance developments and assist the Board in tailoring good corporate governance practices to meet the Boards Requirement and investors expectation. He serves as a focal point for investor communication and engagement on corporate governance issues. He interfaces between the management and regulatory authorities for governance matters and the Compliances thereof.

Listing

At present, Equity Shares of the Company are not listed on any Stock Exchange(s).However, the Secured Non-Convertible Debentures(NCDs) issued by the Company are listed on the Wholesale Debt Market (WDM) segment of the BSE Limited in terms of the issue conditions as applicable and the Company has paid the requisite listing fees in full.

GENERAL BODY MEETINGS

i. Details of Past Three Annual General Meetings held by the Company.

Meeting	Day/Date/Time	Location/Time	Details of Special Resolution passed
7th AGM	Wednesday, 26th July, 2017 at 10:00 AM.	"Board Room", 201-202, 2nd Floor, Southend Sqaure, Mansarovar Industrial Area, Jaipur-302020 (Raj)	• To borrow money in excess of paid up capital and free Reserve of the Company u/s 180(1)(c) of the Companies Act, 2013. • To Consider and Approve authorization to sell, lease or otherwise dispose of the assets of the Company for borrowings u/s 180(1)(a) of the Companies Act, 2013. • To consider and approve for raising funds for general corporate purposes and for onward lending business of the Company by way of issuance of rated, listed, redeemable non-convertible debentures, in one or more tranches /issuances. • To Ratify and approve the issuance of Non- Convertible Debentures, by way of Private Placement Basis to IFC.
6th AGM	Monday, 20th June, 2016 at 10:00 AM	19-A, Dhuleshwar Garden, Ajmer Road, Jaipur-302001(Raj)	• To consider and approve for raising funds by way of issuance of rated, listed, redeemable non-convertible debentures, in one or more tranches /issuances. • To borrow money in excess of paid up capital and free Reserve of the Company u/s 180(1)(c) of the Companies Act, 2013. • To Consider and Approve authorization to sell, lease or otherwise dispose of the assets of the Company for borrowings u/s 180(1)(a) of the Companies Act, 2013.
5th AGM	Saturday, 11th July, 2015 at 10:00 AM	19-A, Dhuleshwar Garden, Ajmer Road, Jaipur-302001(Raj)	• To consider and approve for raising funds by way of issuance of rated, listed, redeemable non-convertible debentures, in one or more tranches /issuances. • To consider and approve for keeping and maintaining the statutory registers, records, copies of returns, Minutes book and other statutory records of the Company at Corporate office.(at a place other than registered office). • To Consider and approve for Payment of commission to Non-Executive Directors.

ii. Details of Extra Ordinary General Meetings held by the Company during the Year 2017-18

Day/Date/Time	Location	Business
Thursday, 17th August 2017 at 11:00 AM	"Board Room" Holiday Inn New Delhi International Airport Asset Area 12, Hospitality District Aero City, Delhi International Airport New Delhi – 110037	• Regularization of Appointment of Mr. Kartikeya Dhruv Kaji as Investor Nominee Director. • Appointment of Mr. Sandeep Tandon, as Independent Director on the Board of the Company for Period of 5 Years, with effect from 17th August, 2017
Friday, 24th November 2017 at 11:00 AM	"Board Room", Kedaara Capital Advisors LLP, Sunshine Tower, 38th floor, Senapati Bapat Marg, Parel, Mumbai–400013 (Maharashtra)	• Further Issue of Capital through Issuance of Partly Paid up Equity shares on preferential basis. • Further Issue of Capital through Issuance of fully Paid up Equity shares on Preferential basis.
Thursday, 22nd February, 2018 at 12:00 PM	"Board Room", Kedaara Capital Advisors LLP, Sunshine Tower, 38th floor, Senapati Bapat Marg, Parel, Mumbai–400013 (Maharashtra)	• Increase in Authorized share Capital and Consequent Alteration in Clause V of Memorandum of Association. • Change in object Clause and Consequent Alteration Of Memorandum of Association of the Company. • Approval for Alteration in Articles of Association Of The Company • Amendment of the Employees Stock Option Plans-2016 (Esop-2016) • Issue of 3,60,000 Convertible Share Warrants on Preferential Basis.
Monday, 19th March, 2018 at 12:00 PM	"Board Room", Kedaara Capital Advisors LLP, Sunshine Tower, 38th floor, Senapati Bapat Marg, Parel, Mumbai–400013 (Maharashtra)	• Issue of 4,40,000 Convertible Share Warrants on Preferential Basis

For and on behalf of the Board of Directors of
AAVAS FINANCIERS LIMITED
(Formerly known as "Au Housing Finance Limited")

sd/-
Sushil Kumar Agarwal
(Whole Time Director & CEO)
(DIN:03154532)

sd/-
Manas Tandon
(Nominee Director)
(DIN: 05254602)

Date: April 27, 2018
Place: Jaipur

Annexure -2 to the Director's Report

Form No. MR-3

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31st March, 2018

[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,
Aavas Financiers Limited
[Erstwhile Au Housing Finance Limited]
201-202, 2nd Floor, South End Square
Mansarovar Industrial Area
Jaipur- 302020 (Rajasthan)

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **Aavas Financiers Limited [Erstwhile Au Housing Finance Limited]** (hereinafter called **"the Company"**). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/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 secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on March 31, 2018 ('Audit Period') complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on March 31, 2018 according to the provisions of:

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

(ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;

(iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;

(iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder 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'):-

(a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011; **(Not applicable to the Company during the Audit Period)**

(b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015; **(Not applicable to the Company during the Audit Period)**

(c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009; **(Not applicable to the Company during the Audit Period)**

(d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2011;

(e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 and as amended from time to time;

(f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;

(g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; **(Not applicable to the Company during the Audit Period)**

(h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998; **(Not applicable to the Company during the Audit Period)** and

(i) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

(vi) As confirmed, following other laws are specifically applicable to the Company for which the Management has confirmed that the Company has devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively:

(a) National Housing Bank (NHB) Act, 1987;

(b) Housing Finance Companies (NHB) Directions, 2010;

(c) Housing Finance Companies issuance of Non-convertible Debentures on private placement basis (NHB) Directions, 2014;

(d) Housing Finance Companies – Corporate Governance (NHB) Directions, 2016;

(e) Housing Finance Companies – Auditor's Report (National Housing Bank) Directions, 2016;

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

i. Secretarial Standards issued by The Institute of Company Secretaries of India;

ii. The Listing Agreements entered into by the Company with BSE Ltd.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. as mentioned above ***except expense on CSR activities below the prescribed limit;***

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.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance. Further, independent director(s) were present at Board Meetings or have ratified the decisions made at such Board meetings which were called at shorter notice to transact business which were considered urgent by the management in compliance of Section 173(3) of the Act. A system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Majority decision is carried through while the dissenting members' views, if any, are captured and recorded as part of the minutes.

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

We further report that during the audit period the Company has:

a. Duly passed the resolutions under section 180(1)(a) and 180(1)(c) of the Act, read with its applicable rules, as amended, for borrowing limits to the extent of ₹4,500 Crores (Rupees Four Thousand and Five Hundred Crores Only);

b. Issued and allotted **2,64,662** fully paid-up equity shares at premium aggregating to ₹**8,68,09,136/-** (Rupees Eight Crores Sixty Eight Lakhs Nine Thousand One Hundred and Thirty Six Only) on private placement basis;

c. Issued and allotted **4,32,500** partly paid-up equity shares at premium aggregating to ₹**14,18,60,000/-** (Rupees Fourteen Crores Eighteen Lakhs Sixty Thousand Only) on private placement basis;

d. Incorporated wholly owned subsidiary in the name of Aavas Finserv Limited (Incorporated on November 30, 2017);

e. Initiated the process of Incorporation of wholly owned subsidiary in the name of **Aavas Sales Private Limited;**

f. Increased the Authorized Share Capital of the Company from ₹65,00,00,000/- (Rupees Sixty Five Crores only) to ₹85,00,00,000/- (Rupees Eighty Five Crores only);

g. Altered the provisions of Memorandum and Articles of Association in terms of provisions of the Act;

h. Aligned Employee Stock Option Plans ("ESOP-2016") with The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2011;

i. Issued and allotted **3,60,000** convertible share warrants at premium aggregating to ₹**11,80,80,000/-** (Rupees Eleven Crores Eighty Lakhs Eighty Thousand Only) on preferential basis;

j. Issued and allotted **92,91,521** equity shares at premium aggregating to ₹**399,99,99,790.50 /-** (Rupees Three Hundred and Ninety Nine Crores Ninety Nine Lakhs Ninety Nine Thousand Seven hundred and Ninety and Fifty paisa only) under Rights issue to existing shareholders;

k. Issued and allotted **4,40,000** convertible share warrants at premium aggregating to ₹**18,94,20,000/-** (Rupees Eighteen Crores Ninety Four Lakhs Twenty Thousand Only) on preferential basis;

l. Allotted **12,22,551** (Twelve Lakh Twenty Two Thousand Five hundred and fifty One) equity stock options under Plan II Employee Stock Option Scheme 2016;

m. Issued and allotted **2,300** Redeemable Non-convertible Debentures (Listed) of ₹10,00,000/- each aggregating to ₹**230,00,00,000/-** (Rupees Two Hundred and Thirty Crores only) on private placement basis in multiple tranches;

n. Issued Commercial Papers amounting to ₹**50,00,00,000/-** (Rupees Fifty Crores Only);

o. Board decided to apply for Certificate of Registration as Corporate Agent to IRDAI and the same was received on 08th December, 2017;

For **V. M. & Associates**
Company Secretaries
(ICSI Unique Code P1984RJ039200)

CS Manoj Maheshwari
Partner
FCS 3355
C P No. : 1971

Place: Jaipur
Date: 26th April, 2018

Note: This report is to be read with our letter of even date which is annexed as Annexure A and forms an integral part of this report.

Annexure A

To,
The Members,
Aavas Financiers Limited
[Erstwhile Au Housing Finance Limited]
201-202, 2nd Floor South End Square
Mansarovar Industrial Area
Jaipur- 302 020 (Rajasthan)

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

1. Maintenance of secretarial record is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
4. Where ever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit Report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

For **V. M. & Associates**
Company Secretaries
(ICSI Unique Code P1984RJ039200)

CS Manoj Maheshwari
Partner
FCS 3355
C P No. : 1971

Place: Jaipur
Date: 26th April, 2018

Annexure – 3 to the Directors' Report

Form AOC-1

(Pursuant to first proviso to sub-section (3) of section129 read with rule5 of Companies (Accounts) Rules, 2014)

Statement containing salient features of the financial statement of subsidiaries or associate companies or joint ventures

Part A:- Subsidiaries

1. Sl.No. 1
2. Name of the subsidiary : Aavas Finserv Limited
3. The date since when subsidiary was acquired: 30th November, 2017
4. Reporting period for the subsidiary concerned, if different from the holding company's reporting period: N.A.
5. Reporting currency and Exchange rate as on the last date of the relevant financial year in the case of foreign subsidiaries: N.A.
6. Share capital: ₹450.00 Lakhs
7. Reserves and surplus: ₹(5.77 Lakhs)
8. Total assets: ₹452.66 Lakhs
9. Total Liabilities: ₹8.43 Lakhs
10. Investments: Nil
11. Turnover: ₹2.66 Lakhs
12. Profit before taxation: ₹(5.77 Lakhs)
13. Provision for taxation: Nil
14. Profit after taxation: ₹(5.77 Lakhs)
15. Proposed Dividend: Nil
16. Extent of shareholding (in percentage): 100%

Notes: The following information shall be furnished at the end of the statement:

1. Names of subsidiaries which are yet to commence operations: Aavas Finserv Limited
2. Names of subsidiaries which have been liquidated or sold during the year: NIL

Part B:- Associates and Joint Ventures

Statement pursuant to Section 129(3) of the Companies Act, 2013 related to Associate Companies and Joint Ventures

Not Applicable

For S.R. Batliboi & Associates LLP
ICAI Firm Registration No. 101049W/E300004
Chartered Accountants

per Amit Kabra
Partner
Membership No. 094533

Place: Mumbai
Date: April 27, 2018

For and on behalf of the Board of Directors of
AAVAS FINANCIERS LIMITED
(Formerly known as "Au Housing Finance Limited")

sd/-
Manas Tandon
(Nominee Director)

sd/-
Sushil Kumar Agarwal
(Whole Time Director & CEO)

sd/-
Ghanshyam Rawat
(Chief Financial Officer)

sd/-
Sharad Pathak
(Company Secretary)

Place: Jaipur
Date: April 27, 2018

Annexure – 4 to the Director's Report

The ratio of the remuneration of each director to the median employee's remuneration and other details in terms of sub-section 12 of Section 197 of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014:

Sr. No.	REQUIREMENTS	DISCLOSURE
1.	Ratio of the remuneration of each director to the median remuneration of the employees of the Company for the financial year.	**Executive Directors** Mr. Sushil Kumar Agarwal : 80.82 X **Non- Executive Directors** Mr. Krishan Kant Rathi : 2.39 X Mrs. Kalpana Iyer : 2.19 X Mr. Sandeep Tandon : 0.80 X Mr. K R Kamath : 7.97 X Mr. Vivek Vig : 2.39 X **Note:-** 1) Mr. Manas Tandon, Nominee Director, Mr. Nishant Sharma, Nominee Director and Mr. Kartikeya Dhruv Kaji, Nominee Director have not taken any remuneration during the Financial Year 2017-18. 2) Mr. Sandeep Tandon, Independent Director and Mr. Kartikeya Dhruv Kaji, Nominee Director has been appointed in the Company w.e.f. 27th July, 2017.
2.	The percentage increase in remuneration of each director, Chief Financial Officer, Chief Executive Officer, Company Secretary, if any, in the financial year.	**Directors** Mr. Sushil Kumar Agarwal (Whole Time Director) : 24.70% Mr. Krishan Kant Rathi (Independent Director) : 20.00% Mrs. Kalpana Iyer (Independent Director) : 175.00% Mr. K R Kamath (Nominee Director) : 29.03% Mr. Vivek Vig (Nominee Director) : 1100.00% **KMP's Other than Directors** Mr. Ghanshyam Rawat (Chief Financial Officer) : 25.81% Mr. Sharad Pathak (Company Secretary) : 36.31%
3.	The Percentage Increase in the Median Remuneration of Employees in the Financial Year	(16.02 %)
4.	No. of Permanent Employees on the Rolls of the Company	1862 (as on 31st March, 18)

Sr. No.	REQUIREMENTS	DISCLOSURE
5.	Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration.	There is average percentage decrease in the remuneration of all employees other than Key Managerial Personnel's for 2017-18 stood at 8.60% whereas there is average percentile increase in the remuneration of key Managerial Personnel's accounted at 25.51%. Further there was no exceptional circumstance which warranted an increase in managerial remuneration which was not justified by the overall performance of the Company.
6.	Affirmation that the remuneration is as per the remuneration policy of the Company	Yes, it is confirmed.

Notes

1. Calculations of remuneration have been made on comparable and annualized basis.
2. The remuneration of KMP's was taken from the Audited financial statements for the 2017-18.
3. Sitting fees paid to directors is considered to be the part of the remuneration.
4. Percentile increase in remuneration of Mrs. Kalpana Iyer, Independent Director and Mr. Vivek Vig, Nominee Director accounted relatively higher due to following reason:
   i. Mrs. Kalpana Iyer, Independent Director of the Company was appointed w.e.f. 23rd June 2016 and she was paid sitting fees for attending three Board Meetings and one meeting of Audit and Nomination & remuneration Committee Respectively in 2016-17.
   ii. Mr. Vivek Vig, Nominee Director was appointed w.e.f. 14th July, 2016 and he was paid sitting fees for attending one Board Meeting in 2016-17.
5. The average and median remuneration of the employees were decreased due to significant increase in total strength of permanent employees of the Company to 1862 as on 31st March, 2018 as compared to the 940 as on 31st March, 2017 and major recruitments undertaken at executive levels during 2017-18, however individual remuneration was increased for the employees who are eligible for increment in 2017-18.

Annexure – 5 to the Directors' Report

ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES

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

   Corporate Social Responsibility is a company's sense of responsibility towards the community and environment in which it operates. It is the continuing commitment by business to behave ethically and contribute to economic development of the society at large. Company's CSR Policy is available on the weblink: www.aavas.in/csr-policy

   The Company believes in engaging and giving back to the community in a good way and in line with its commitment to philanthropy. It intends to undertake the CSR activities strategically, systematically and more thoughtfully to move from institutional building to community development through its various CSR programs and projects.

   The Corporate Social Responsibility Policy of the Company encompasses the Company's philosophy for delineating its responsibility as a corporate citizen and lays down the guidelines and mechanism for undertaking socially useful programmes for welfare & sustainable development of the community at large.

   Company aims to ensure that the Company as a socially responsible corporate entity contributes to the society at large.

   Every activity to be undertaken by the Company under the policy shall be approved by the CSR Committee.

2. **COMPOSITION OF THE CSR COMMITTEE:**

   The CSR committee of Board comprises of the following Directors:-

1. Mr. Krishan Kant Rathi	Member (Independent Director)
2. Mrs. Kalpana Iyer	Member (Independent Director)
3. Mr. Sushil Kumar Agarwal	Member (Whole Time Director & CEO)

3. **During Financial Year 2017-18, AAVAS has undertaken various activities in the sectors of:**
   i. Promoting Preventive Health Care and Sanitation facilities for the welfare of marginalized society;
   ii. Promoting employment-enhancing vocational skills among youths;
   iii. Providing financial assistance for grassroots leadership programmes, specifically to promote social, economic and political empowerment of Women, to curb gap of gender inequality;
   iv. Providing assistance for the promotion of Education to eradicate the illiteracy;
   v. Installation of the Water Coolers at the various places with the aim to provide safe and clean drinking water to public at large;
   vi. Providing assistance for eradicating hunger and malnutrition among children of marginalized society;
   vii. Providing education and awareness regarding Road Safety and Traffic Rules;
   viii. Promoting Sports among Young Children for overall development and encourage them to play Nationally Recognized Sports;
   ix. Providing Financial assistance to orphanage for the education and protection of children

4. **AVERAGE NET PROFIT OF THE COMPANY FOR LAST THREE FINANCIAL YEARS:**

   The average net profit for the Company for the last three Financial Years ('FY') calculated as specified by the Companies Act, 2013 is as follows:

Particulars	Amount (In Lakhs)
Net Profit before tax of 2014-15	2442.28
Net Profit before tax of 2015-16	4216.37
Net Profit before tax of 2016-17	8371.48
Total (A)	15030.13

Particulars	Amount (In Lakhs)
Average of annual net profit of the preceding 3 financial years B (A/3)	5010.04
CSR expenditure for 2017-18 (B*2%) (A)	100.20
Unspent amount of CSR of previous years being Carry Forwarded in 2017-18 (B)	55.77
Total CSR Expense required to be Incurred in 2017-18 (A+B)	**155.97**

5. DETAILS OF CSR AMOUNT SPENT/UNSPENT DURING THE FINANCIAL YEAR:

i. Total amount to be spent for 2017-18: ₹155.97 Lakhs (including carry forward of the ₹55.77 Lakhs from financial Year 2016-17)

ii. Amount unspent, if any: ₹35.95 * Lakhs (Out of current year's CSR expenditures)

Manner in which the amount spent during the financial year is detailed below:

(Figures in Rupees)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
S. No.	**CSR Projects or Activities identified**	**Sector in which the project is covered**	**Projects or programs 1) Local Area or other 2) State and District where projects or programs was undertaken**	**Amount outlay (budget) project or program–wise**	**Amount spent programs Sub-heads:**	**Cumulative expenditure up to the 31st March, 2018**	**Amount spent Direct or through implementing agency**
1	Financial Assistance for Promoting Education	Education	Jaipur, Rajasthan	5,00,000	5,00,000	5,00,000	Abhiyaan Bharat Foundation
2	Financial Assistance for Grass-root Leadership development programme for Women Empowerment	Education	Local Areas of Maharashtra and Rajasthan	2,00,000	200,000	200,000	Committee of Resource Organization ("CORO")
3	Financial Assistance for Promoting Education at Rural Level	Education	Local Area of nearby Jaipur	-	91,505	91,505	LNM Institute of Information Technology
4	Providing Safe Drinking Water	Health Care	Rajasthan	15,00,000	1472,508	14,72,508	Direct Contribution
5	Visit and Distribution of Clothes and others items at Girls and Women Hostels	Livelihood Enhancement Program; Promoting Gender Equality	Jaipur, Rajasthan	-	54,802	54,802	Human Educational Cultural Art & Rural Development (HECARDS)
6	Construction and Renovation of Govt. Schools in Rural Areas	Education and Rural Development	Rural Areas of nearby Jaipur, Rajasthan	-	4,00,000	4,00,000	Ashwani Kumar Bagai Memorial Trust
7	Promotion of health care and abolition of hunger	Health Care	Jaipur, Rajasthan	5,00,000	5,00,000	5,00,000	Akshay Patra Foundation
8	Conservation of Cattle Breed and provide Shelter to them	Animal Welfare	Jaipur, Rajasthan	5,00,000	5,00,000	5,00,000	Hare Krishna Foundation
9	Promotion of Sports among young children	Education	Jaipur, Rajasthan	-	81,418	81,418	Sanskriti Sports Club and Abhiyaan Bharat Foundation
10	Providing infrastructural and Medical requirement at SMS Hospital	Healthcare	Jaipur, Rajasthan	-	30,805	30,805	Human Educational Cultural Art & Rural Development (HECARDS)
11	Providing infrastructural and Medical requirement	Healthcare	Rural areas of Uttarakashi, Uttarakhand	-	5,00,000	5,00,000	Swami Shivanand Seva Samiti
12	Developing and Maintaining Public Utility Facilities under Swacch Bharat Abhiyaan	Healthcare	Jaipur, Rajasthan	-	4,50,866	4,50,866	Direct Contribution
13	welfare Activity at orphanage to providing Shelter and Education to Children	Education	Allahabad, UP	-	10,00,000	10,000,00	Children National Institute
14	Awareness Drive with Traffic Police, Jaipur to promoting Safe driving and Road Safety Standards	Education	Jaipur, Rajasthan	-	99,449	99,449	Direct Contribution

(Figures in Rupees)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
S. No.	**CSR Projects or Activities identified**	**Sector in which the project is covered**	**Projects or programs 1) Local Area or other 2) State and District where projects or programs was undertaken**	**Amount outlay (budget) project or program–wise**	**Amount spent programs Sub-heads:**	**Cumulative expenditure up to the 31st March, 2018**	**Amount spent Direct or through implementing agency**
15	Cleanliness and Awareness drive for promoting Swacch Bharat Campaign	Healthcare; Education	Jaipur, Rajasthan	-	43,900	43,900	Contree Foundation
16	Promoting Skill development to enhance and produce livelihood skills among youth	Skill Development	Rajasthan and Delhi-NCR	-	5,00,000	5,00,000	Surbhi Earth Foundation
	Total			**32,00,000**	**6,425,253**	**6,425,253**	

6. REASONS FOR SHORT SPENDING THE AMOUNT ON CSR

Company in 2017-18 was unable to achieve the set mark of 2% of average net profit of last three years to be spent on CSR activities due to following reasons:

1. It is being cited at here that although the CSR spent at ₹64.25 Lakhs towards various CSR activities as stated above has been less than the limit of 2% of prescribed under Companies Act, 2013, the shortfall of ₹91.71 Lakhs in CSR expenditure was mainly due to the following reason:-

   Company considers social responsibility as an integral part of its business activities and endeavors to utilize allocable CSR budget for the benefit of society. The Company in the process of gradually building and developing the CSR appraisal mechanism, for appraising CSR projects, as it intends to contribute towards genuine projects and partner with only reputed implementation agencies with proven track record.

   Company in this regard has also considered establishing a separate legal entity to manage its CSR activity effectively.

2. Furthermore, Company undertook new projects and activities in area of Promoting health care, Education and abolition of hunger, which were relevant for stakeholders but in which the Company had no prior expertise. In ensuring that the projects were implemented as per standard, the Company faced execution challenges that were not anticipated.

   Moving forward the Company will endeavor its best to fulfill the CSR expenditure target along with the unspent amount CSR as stated above in the current Financial Year, 2018-19 by proactively identifying eligible projects and programmes.

7. RESPONSIBILITY STATEMENT FROM CSR COMMITTEE THAT THE IMPLEMENTATION AND MONITORING OF CSR POLICY IS IN COMPLIANCE WITH CSR OBJECTIVES:

The implementation and monitoring of the CSR Policy is in compliance with CSR objects and Policy of the Company and will be reviewed by CSR Committee and Board at periodical intervals.

For AAVAS FINANCIERS LIMITED
(Formerly known as “Au HOUSING FINANCE LIMITED”)

sd/-
Krishan Kant Rathi
Chairman of the Corporate Social Responsibility Committee

sd/-
Sushil Kumar Agarwal
Whole Time Director & CEO

sd/-
Manas Tandon
Nominee Director

Date: April 27, 2018
Place: Jaipur

Annexure -6 to the Director's Report

FORM NO. MGT 9

EXTRACT OF ANNUAL RETURN

As on financial year ended on 31.03.2018

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

I. REGISTRATION & OTHER DETAILS:

1	CIN	U65922RJ2011PLC034297
2	Registration Date	23-Feb-2011
3	Name of the Company	AAVAS FINANCIERS LIMITED (Formerly "Au Housing Finance Limited")
4	Category/Sub-category of the Company	Public Company Limited by Shares/ Indian Non-Government Company (registered with National HousingBank as a Housing Finance Company bearing registration number04.0151.17)
5	Address of the Registered office & contact details	201-202, 2nd Floor, Southend Sqaure, Mansarovar Industrial Area, Jaipur– 302020 (Rajasthan) Telephone: +91 141 6618800 | Fax: +91 141 6618861 **E-mail:** sharad.pathak@aavas.in **website:** www.aavas.in
6	Whether listed company	YES (Debentures are listed)
7	Name, Address & contact details of the Registrar & Transfer Agent, if any.	Link Intime India Pvt. Ltd C 101, 247 Park, L.B.S.Marg, Vikhroli (West), Mumbai - 400083.(Maharashtra) Tel: +91 22 4918 6200

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

(All the business activities contributing 10 % or more of the total turnover of the Company shall be stated)

S. No.	Name and Description of main products / services	NIC Code of the Product/ services	% to total turnover of the Company
1	Financial service activities, except insurance and pension funding	64	100

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES:

SN	Name and address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% ofsharesheld	Applicable
1)	**Lake District Holdings Limited** Suite 11, 1st Floor, Plot 42, Hotel Street,Cybercity 72201, Ebene, Mauritius.	135701	Holding	50.41	2(46)
2)	**Aavas Finserv Limited** 203-205, 2nd Floor, Southend Square,Mansarovar, Industrial Area, Jaipur - 302020 (Rajasthan)	U65929RJ2017PLC059623	Subsidiary	100.00	2 (87)

IV. SHARE HOLDING PATTERN (Equity share capital breakup as percentage of total equity)

(i) Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year [As on 01-04-2017]				No. of Shares held at the end of the year [As on 31-March-2018]				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a) Individual/ HUF	-	-	-	-	-	-	-	-	-
b) Central Govt	-	-	-	-	-	-	-	-	-
c) State Govt(s)	-	-	-	-	-	-	-	-	-
d) Bodies Corp.	814,382	-	814,382	1.39	0	0	0	0	-1.39
e) Banks / FI	-	-	-	-	-	-	-	-	-
f) Any other	-	-	-	-	-	-	-	-	-
Sub Total (A) (1)	-	-	-	-	-	-	-	-	-
(2) Foreign	-	-	-	-	-	-	-	-	-
a) NRI Individuals	-	-	-	-	-	-	-	-	-
b) Other Individuals	-	-	-	-	-	-	-	-	-
c) Bodies Corp.	51,606,235	-	51,606,235	87.85	52,389,383	-	52,389,383	74.89	-12.96
d) Banks/FI	-	-	-	-	-	-	-	-	-
e) Any other	-	-	-	-	-	-	-	-	-
Sub Total (A) (2):	52,420,617	-	52,420,617	89.24	52,389,383	-	52,389,383	74.89	-14.35
TOTAL SHAREHOLDING OF PROMOTER (A)= (A)(1)+(A)(2)	**52,420,617**	**-**	**52,420,617**	**89.24**	**52,389,383**	**-**	**52,389,383**	**74.89**	**-14.35**
B. Public Shareholding									
1. Institutions									
a) Mutual Funds	-	-	-	-	-	-	-	-	-
b) Banks / FI	4,341,049	100	4,341,149	7.39	5,014,646	100	5,014,746	7.17	-0.22
c) Central Govt	-	-	-	-	-	-	-	-	-
d) State Govt(s)	-	-	-	-	-	-	-	-	-
e) Venture Capital Funds	-	-	-	-	-	-	-	-	-
f) Insurance Companies	-	-	-	-	-	-	-	-	-
g) FIIs	-	-	-	-	-	-	-	-	-
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i) Others (Alternative Investment Fund and Foreign body Corporate)	0	0	0	0	8,461,795	-	8,461,795	12.09	12.1
Sub-total (B)(1):-	**4,341,049**	**100**	**4,341,149**	**7.39**	**13,476,441**	**-**	**13,476,541**	**19.27**	**11.88**
2. Non-Institutions									
a) Bodies Corp.	-	-	-	-	-	-	-	-	-
i) Indian	-	-	-	-	-	-	-	-	-
ii) Overseas	-	-	-	-	-	-	-	-	-
b) Individuals	-	-	-	-	-	-	-	-	-
i) Individual shareholders holding nominal share capital upto ₹1 lakh	-	-	-	-	76219	-	76219	0.10	0.10
ii) Individual shareholders holding nominal share capital in excess of ₹1 lakh	1,977,891	-	1,977,891	3.37	4008748	-	4008748	5.73	2.36
c) Others (specify)	-	-	-	-	-	-	-	-	-
Sub-total (B)(2):-	1,977,891		1,977,891	3.37	4,084,967	100	4,085,067	5.84	2.47
TOTAL PUBLIC SHAREHOLDING (B) = (B)(1) + (B)(2)	**6,318,940**	**100**	**6,319,040**	**10.76**	**17,561,408**	**100**	**17,561,508**	**25.11**	**14.35**
C. Shares held by Custodian for GDRs & ADRs	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Grand Total (A+B+C)	**58,739,557**	**100**	**58,739,657**	**100**	**69,950,791**	**100**	**69,950,891**	**100**	

Note:-Above shareholding includes 1,152,594 (Eleven Lakh Fifty Two Thousand Five Hundred Ninety Four)Partly Paid shares held by Directors and Employees of the Company under individual Shareholders Category.

(ii) Shareholding of Promoters

Sr. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in share holding during the Year
		No. of Shares	% of total Shares of the Company	% of Shares Pledged/ encumbered to total shares	No. of Shares	% of total Shares of the Company	% of Shares Pledged/ encumbered to total shares	
1	Lake District Holdings Limited	30,376,454	51.71	-	35,261,756	50.41	-	(1.30)
2	Partners Group ESCL Limited	14,754,698	25.12	-	17,127,627	24.49	-	(0.63)

(iii) Change in Promoters' Shareholding (please specify, if there is no change)

Sl. No.	Particulars	Date	Reason	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
				No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
1	**Lake District Holdings Limited**						
	At the beginning of the year	-	-	30,376,454	51.71	30,376,454	51.71
	Changes During the Year:	28th March, 2018	Rights Issue	4,885,302	6.98	35,261,756	50.41
	At the End of the year	-	-	-	-	**35,261,756**	**50.41**
2	**Partners Group ESCL Limited**						
	At the beginning of the year	-	-	14,754,698	25.12	14,754,698	25.12
	Changes During the Year:	28th March, 2018	Rights Issue	2,372,929	3.39	17,127,627	24.49
	At the End of the year					**17,127,627**	**24.49**

(iv) Shareholding Pattern of top ten Shareholders
(Other than Directors, Promoters and Holders of GDRs and ADRs):

Sl. No.	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding at the end of the Year	
		No. of shares held	% of total shares of the Company	No of Shares	% of total shares of the Company
1	**Partners Group Private Equity Master Fund LLC**				
	At the Beginning of the Year	6,475,083	11.02	-	-
	Shares allotted on 28-03-2018 through Right Issue	1,041,357	-	-	-
	At the end of the Year	**7,516,440**	**10.74**	**7,516,440**	**10.74**
2	**Au Small Finance Bank Limited (Formerly "Au Financiers India Limited")**				
	At the Beginning of the Year	4,341,149	7.39	-	-
	Shares allotted on 28-03-2018 through Right Issue	673,597	-	-	-
	At the end of the Year	**5,014,746**	**7.17**	**5,014,746**	**7.17**
3	**Kedaara Capital Alternative Investment Fund – Kedaara Capital AIF 1**				
	At the Beginning of the Year	814,382	1.39	-	-
	Shares allotted on 28-03-2018 through Right Issue	130,973	-	-	-

Sl. No.	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding at the end of the Year	
		No. of shares held	% of total shares of the Company	No of Shares	% of total shares of the Company
	At the end of the Year	**945,355**	**1.35**	**945,355**	**1.35**
4	**Mr. GhanshyamRawat**				
	At the Beginning of the Year	206,861	0.35	-	-
	₹2 Partly Paid Shares allotted on 12-12-2017 through Preferential Issue	75,000	-	-	-
	Shares allotted on 06-03-2018 through ESOP Exercise	267,517	-	-	-
	At the end of the Year	**549,378**	**0.79**	**549,378**	**0.79**
5	**Mr. Sunku Ram Naresh**			169,873	0.24
	At the Beginning of the Year	139,373	0.24	-	-
	₹2 Partly Paid Shares allotted on 12-12-2017 through Preferential Issue	30,500	-	-	-
	Shares allotted on 06-03-2018 through ESOP Exercise	149,809	-	-	-
	At the end of the Year	**319,682**	**0.46**	**319,682**	**0.46**
6	**Mrs. Veenakumari Tandon (Relative of director- Mr. Sandeep Tandon)**	-	-		
	At the Beginning of the Year	-	-	-	-
	Shares allotted on 19-12-2017 through Preferential Issue	152,439	0.22	-	-
	Shares allotted on 28-03-2018 through Right Issue	23,653		-	-
	At the end of the Year	**176,092**	**0.25**	**176,092**	**0.25**
7	**Mr. AshutoshAtre**				
	At the Beginning of the Year	23,229	0.04	-	-
	Shares alloted on 06-03-2018 through ESOP Exercise	56,179	-	-	-
	At the end of the Year	**79,408**	**0.11**	**79,408**	**0.11**
8	**Mr. Surendra Kumar Sihag**	-	-		
	At the Beginning of the Year	-	-	-	-
	₹2 Partly Paid Shares allotted on 12-12-2017 through Preferential Issue	25,000	-	-	-
	Shares allotted on 28-03-2018 through Right Issue	776	-	-	-
	At the end of the Year	**25,776**	**0.04**	**25,776**	**0.04**
9	**Mr. Mihir Desai**	-	-		
	At the Beginning of the Year	-	-		
	Shares allotted on 19-12-2017 through Preferential Issue	15,250	-		
	Shares allotted on 28-03-2018 through Right Issue	2,366	-		
	At the end of the Year	**17,616**	**0.03**	**17,616**	**0.03**
10	**Mr. Rajeev Sinha**	-	-		
	At the Beginning of the Year	-	-		
	₹2 Partly Paid Shares allotted on 12-12-2017 through Preferential Issue	15000	-	-	-
	Shares allotted on 28-03-2018 through Right Issue	466	-	-	-
	At the end of the Year	**15,466**	**0.02**	**15,466**	**0.02**

(v) **Shareholding of Directors and Key Managerial Personnel:**

Sl. No.	For Each of the Directors and KMP	Shareholding at the beginning of the year		Cumulative Shareholding at the end of the Year	
		No. of shares held	% of total shares of the Company	No of Shares	% of total shares of the Company
1	**Mr. K R Kamath (Nominee Director)**				
	At the Beginning of the Year	-	-	-	-
	Shares allotted on 19-12-2017 through Preferential Issue	15,243	-	-	-
	Shares allotted on 28-03-2018 through Right Issue	19,792	-	-	-
	At the end of the Year	**35,035**	**0.05**	**35,035**	**0.05**
2	**Mr. Krishan Kant Rathi(Independent Director)**				
	At the Beginning of the Year	-	-	-	-
	Shares allotted on 19-12-2017 through Preferential Issue	30,487	-	-	-
	Shares allotted on 28-03-2018 through Right Issue	4,731	-	-	-
	At the end of the Year	**35,218**	**0.05**	**35,218**	**0.05**
3	**Mrs. Kalpana Iyer (Independent Director)**				
	At the Beginning of the Year	-	-	-	-
	Shares allotted on 19-12-2017 through Preferential Issue	15,243	-	-	-
	Shares allotted on 28-03-2018 through Right Issue	2,365			
	At the end of the Year	**17,608**	**0.03**	**17,608**	**0.03**
4	**Mr. Vivek Vig (Nominee Director)**				
	At the Beginning of the Year	232,288	0.40	-	-
	Shares allotted on 28-03-2018 through Right Issue	121,825	-	-	-
	At the end of the Year	**354,113**	**0.51**	**354,113**	**0.51**
5	**Mr. Sushil Kumar Agarwal (Whole Time Director & CEO)**				
	At the Beginning of the Year	1,376,140	2.34	-	-
	₹2 Partly Paid Shares allotted on 12-12-2017 through Preferential Issue	100,000	-	-	-
	Shares allotted on 06-03-2018 through ESOP Exercise	749,046	-	-	-
	At the end of the Year	**2,225,186**	**3.18**	**2,225,186**	**3.18**
6	**Mr. Ghanshyam Rawat**				
	At the Beginning of the Year	206,861	0.35	-	-
	₹2 Partly Paid Shares allotted on 12-12-2017 through Preferential Issue	75,000	-	-	-
	Shares allotted on 06-03-2018 through ESOP Exercise	267,517	-	-	-
	At the end of the Year	**549,378**	**0.79**	**549,378**	**0.79**
7	**Mr. Sharad Pathak**				
	At the Beginning of the Year	-	-	-	-
	₹2 Partly Paid Shares allotted on 12-12-2017 through Preferential Issue	11,000	-	-	-
	Shares allotted on 28-03-2018 through Right Issue	341	-	-	-
	At the end of the Year	**11,341**	**0.02**	**11,341**	**0.02**

Sl. No.	For Each of the Directors and KMP	Shareholding at the beginning of the year		Cumulative Shareholding at the end of the Year	
		No. of shares held	% of total shares of the Company	No of Shares	% of total shares of the Company
8	**Mr. Sandeep Tandon (Independent Director)**				
	At the Beginning of the Year	-	-	-	-
	At the end of the Year	**-**	**-**	**-**	**-**
9	**Mr.Nishant Sharma (Nominee Director)**				
	At the Beginning of the Year	-	-	-	-
	At the end of the Year	**-**	**-**	**-**	**-**
10	**Mr. ManasTandon (Nominee Director)**				
	At the Beginning of the Year	-	-	-	-
	At the end of the Year	**-**	**-**	**-**	**-**
11	**Mr. Kartikeya DhruvKaji (Nominee Director)**				
	At the Beginning of the Year	-	-	-	-
	At the end of the Year	**-**	**-**	**-**	**-**

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment.

(Amt. In Cr)

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	1684.35	30.00	0	1714.35
ii) Interest due but not paid	0	0	0	0
iii) Interest accrued but not due	19.38	0	0	19.38
Total (i+ii+iii)	1703.73	30.00	0.00	1733.73
Change in Indebtedness during the financial year				
* Addition	1076.20	100.00	0.00	1176.2
* Reduction	(297.28)	(30.00)	0.00	(327.28)
Net Change	778.92	70.00	0.00	848.92
Indebtedness at the end of the financial year				
i) Principal Amount	2463.27	100	0.00	2563.27
ii) Interest due but not paid	0	0	0.00	0
iii) Interest accrued but not due	14.82	2.67	0.00	17.49
Total (i+ii+iii)	2478.09	102.67	0.00	2580.76

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

SN	Particulars of Remuneration	Name of MD/WTD/ Manager	Total Amount (In Lakhs)
	Name	Mr.Sushil Kumar Agarwal	
	Designation	Whole Time Director& CEO	
1	Gross salary		
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	202.90	202.90
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	-	-
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	-	-

SN	Particulars of Remuneration	Name of MD/WTD/ Manager	Total Amount (In Lakhs)
2	Stock Option	1,348,282 ESOP	-
3	Sweat Equity	-	-
4	Commission	-	-
	- as % of profit	-	-
	- others, specify	-	-
5	Others, please specify	-	-
	Total (A)	202.90	202.90
	Ceiling as per the Act	In terms of the provisions of the Companies Act, 2013, ("Act') The remuneration payable to any one managing director or whole time director or manager shall not exceed 5% of the net profits of the Company and if there are more than one such director remuneration shall not exceed 10% of the net profits to all such directors and managertaken together. The remuneration paid to Mr.Sushil Kumar Agarwal –Whole Time Director was well within the limits prescribed under the Section 198 of Companies Act, 2013.	

B. Remuneration to other Directors

SN	Particulars of Remuneration	Name of Directors					Total Amount (In Lakhs)
1	Independent Directors	Mrs. Kalpana Iyer	Mr. Krishan Kant Rathi	Mr. Sandeep Tandon	-		-
	Fee for attending board & committee meetings	5.50	5.00	2.00	-		12.50
	Commission	Nil	1.00	Nil	-		1.00
	Others, please specify	-		-	-		-
	Total (1)	**5.50**	**6.00**	**2.00**	**-**		**13.50**
2	Other Non-Executive Directors	Mr. Vivek Vig	Mr. K R Kamath	Mr. Nishant Sharma	Mr. Manas Tandon	Mr. Kartikeya Dhruv Kaji	-
	Fee for attending board committee meetings	3.00	3.00	-	-	-	6.00
	Commission	3.00	17.00	-	-	-	20.00
	Others, please specify	-		-	-	-	-
	Total (2)	**06.00**	**20.00**	**-**	**-**	**-**	**26.00**
	Total (B)=(1+2)						
	Total Managerial Remuneration						**39.50**
	Overall Ceiling as per the Act	1. In terms of the provisions of the Companies Act, 2013, "Act" the remuneration payable to directors (other than Executive Directors) shall not exceed 1% of the net profit of the Company, as calculated as per the Act. The remuneration paid to the Independent Directors as listed above were well within the limits prescribed under the Companies Act, 2013 and approval accorded by the Members of the Company. 2. The remuneration paid to the Directors of the Company were within the overall ceiling as prescribed under the Section 98 of the Companies Act, 2013.					

C. Remuneration to Key Managerial Personnel other than MD/Manager/WTD

S. N	Particulars of Remuneration	Name of Key Managerial Personnel		Total Amount (In Lakhs)
	Name	Mr. Ghanshyam Rawat	Mr. Sharad Pathak	
	Designation	CFO	CS	
1	Gross salary			
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	151.10	12.18	-
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	-	-	-
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	-	-	-
2	Stock Option	481,529 ESOP	15,000 ESOP	-
3	Sweat Equity	-	-	-
4	Commission	-	-	-
	- as % of profit	-	-	-
	- others, specify	-	-	-
5	Others, please specify	-	-	-
	Total	**151.10**	**12.18**	**163.28**

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:NOT APPLICABLE

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment/ Compounding fees imposed	Authority [RD / NCLT/ COURT]	Appeal made, if any (give Details)
A. COMPANY					
Penalty	None				
Punishment	None				
Compounding	None				
B. DIRECTORS					
Penalty	None				
Punishment	None				
Compounding	None				
C. OTHER OFFICERS IN DEFAULT					
Penalty	None				
Punishment	None				
Compounding	None				

For and on behalf of the Board of Directors of
AAVAS FINANCIERS LIMITED
(Formerly known as "Au Housing Finance Limited")

sd/-
Sushil Kumar Agarwal
(Whole Time Director & CEO)
(DIN:03154532)

sd/-
Manas Tandon
(Nominee Director)
(DIN: 05254602)

Date: April 27, 2018
Place: Jaipur

Annexure - 7 to the Director's Report

POLICY ON TRANSACTIONS WITH RELATED PARTIES

1. Policy

As a policy, AAVAS FINANCIERS LIMITED (the "AFL") discourages Transactions with Related Parties unless they are determined to be in the Company's best interests and they have been approved in accordance with the terms and conditions of this Policy. The Board of Directors (the "Board") further recognises that related party transactions could present conflicts of interest and/or improper valuation (or the perception or appearance thereof) and therefore has adopted this Related Party Transaction Policy (this "Policy") to be followed in connection with all related party transactions involving the Company. The Board recognizes that transactions between related parties and the Company may occur in the ordinary course of business and on arm's length basis. All Related Party Transactions, as the term is defined in this policy, shall be subject to review and approval in accordance with the procedures set forth below.

2. Definitions

i) "Applicable Laws" includes (a) the Companies Act, 2013 ('the Act') and rules made thereunder; (b) the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015; (c) Accounting Standards (d) National Housing Bank (NHB) Act, NHB Housing Finance Companies Directions, 2010 and Notifications issued by NHB from time to time and (e) any other statute, law, standards, regulations or other governmental instruction relating to Related Party Transactions.

ii) "Audit Committee" means the committee of Board of Directors of the Company constituted in accordance with the provisions of Companies Act, 2013 and Rules made thereunder

iii) "Related Party Transaction" as per section 188(1) of Companies Act, 2013 related party transaction will include following specific transactions :

i) sale, purchase or supply of any goods or materials;

ii) selling or otherwise disposing of, or buying, property of any kind;

iii) leasing of property of any kind;

iv) availing or rendering of any services;

v) appointment of any agent for purchase or sale of goods, materials services or property;

vi) such related party's appointment to any office or place of profit in the Company, its subsidiary company or associate company; and

vii) Underwriting the subscription of any securities or derivatives thereof, of the Company.

Provided that nothing in section 188(1) shall apply to any transaction entered into by the Company in its ordinary course of business other than transactions which are not at arm's length basis.

iv) "Related Party"

As per the Accounting Standard-18, parties are considered to be related if at any time during the reporting period one party has the ability to control the other party or exercise significant influence over the other party, in making financial and/or operating decisions.

As per section 2(76) of Companies Act, Related Party means:

i. a director or his relative;

ii. a key managerial personnel or his relative;

iii. a firm, in which a director, manager or his relative is a partner;

iv. a private company in which a director or manager or his relative is a member or director;

v. a public company in which a director or manager is a director and holds along with his relatives, more than 2% of its paid-up share capital;

vi. anybody corporate whose Board of Directors, managing director or manager is accustomed to act in accordance with the advice directions or instructions of a director or manager;

vii. any person on whose advice, directions or instructions, a director or manager is accustomed to act;

viii. any company which is –

a) a holding, subsidiary or an associate company of such company; or

b) a subsidiary of a holding company to which it is also a subsidiary;

ix. such other person as may be prescribed.

Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity.

Rule 3 of the Companies (Specification of Definitions Details) Rules, 2014, provides that a director (excluding independent directors) or key managerial personnel of the holding company or his relative with reference to a company shall also be deemed to be a related party.

In terms of AS 18, the following are deemed not to be related parties:

a) two companies simply because they have a director in common, notwithstanding paragraph 3(d) or (e) of AS-18, (unless the director is able to affect the policies of both companies in their mutual dealings);

b) a single customer, supplier, franchiser, distributor, or general agent with whom an enterprise transacts a significant volume of business merely by virtue of the resulting economic dependence; and

c) the parties listed below, in the course of their normal dealings with an enterprise by virtue only of those dealings (although they may circumscribe the freedom of action of the enterprise or participate in its decision-making process) :

i) providers of finance;

ii) trade unions;

iii) public utilities;

iv) government departments and government agencies including government sponsored bodies.

In view of the above definition, AS 18 further defines the terms ‘control’ and ‘significant influence’ as follows –

v) Control

a) ownership, directly or indirectly, of more than one half of voting power of an enterprise, or

b) control of the composition of the board of directors in the case of a company or of the composition of the corresponding governing body in case of any other enterprise, or

c) a substantial interest in voting power and the power to direct, by statute or agreement, the financial and/or operating policies of the enterprise.

vi) Relative

In terms of Section 2(77) of the Companies Act, 2013 read with the Companies (Specification of Definitions Details) Rules, 2014 a person is said to be a relative of another, if –

a. They are members of a Hindu undivided family; b. They are husband and wife; c. Father (including step-father); d. Mother (including step-mother); e. Son (including step-son); f. Son’s wife; g. Daughter; h. Daughter’s husband; i. Brother (including step-brother); or sister (including step-sister).

vii) “Material Related Party Transaction” means a transaction with a Related Party if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds 10% (ten percent) of the annual consolidated Revenue/Turnover of the Company as per the last audited financial statements of the Company .

viii) Arm’s length transaction (Section 188(1)(b) of Companies Act, 2013) Mean transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

ix) Omnibus approval

In case of certain frequent/ repetitive/ regular transactions with Related Parties which are in the ordinary course of business of the Company, the Audit Committee may grant an omnibus approval for such Related Party Transactions proposed to be entered into by AFL, subject to the following conditions, namely -

(a) the audit committee shall lay down the criteria for granting the omnibus approval in line with the policy on related party transactions of the entity and such approval shall be applicable in respect of transactions which are repetitive in nature;

(b) the audit committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the entity;

(c) the omnibus approval shall specify:

  (i) the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transactions that shall be entered into,

  (ii) the indicative base price / current contracted price and the formula for variation in the price if any; and

  (iii) such other conditions as the audit committee may deem fit: Provided that where the need for related party transaction cannot be foreseen and aforesaid details are not available, audit committee may grant omnibus approval for such transactions subject to their value not exceeding rupees one crore per transaction.

  (iv) such other conditions as may be specified by the law from time to time.

(d) Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

(e) Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the Company.

3. Procedures

3.1 Board of Directors

3.1.1. All related parties with whom the Company intends to enter into transaction will require prior approval of the Board of Directors.

3.1.2. All related party transactions, otherwise done at arm's length distance, falling within the limits of section 188(1) will require prior approval of the Board of Directors at its meeting. The Board of Directors shall review and recommend all transactions in terms of section 188(1) requiring shareholders' prior approval.

3.1.3. The Board of Directors shall annually review, the details of all Related Party Transaction, including the terms of the transaction, the business purpose of the transaction, and the benefits to the Company and to the relevant Related Party.

3.1.4. Where any director is interested in any contract or arrangement with a related party, such director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.

3.2. Audit Committee

3.2.1. Each of AFL directors and executive officers are instructed to inform the Company Secretary of any potential Related Party Transactions. All such transactions will be analysed by the Audit Committee in consultation with management to determine whether the transaction or relationship does, in fact, constitute a Related Party Transaction requiring compliance with this Policy. The Committee will be provided with the following details of each new, existing or proposed Related Party Transaction :

i. The Name of the Related Party and nature of relationship;

ii. The nature, duration and particulars of the contract or arrangement;

iii. The material terms of the contract or arrangement including the value, if any;

iv. Any advance paid or received for the contract or arrangement, if any;

v. The manner of determining the pricing and other commercial terms, both included as part of the contract and not considered as part of the contract;

vi. Whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors; and

vii. Any other information relevant or important for the Audit Committee to take a decision on the proposed transaction.

3.2.2. Transactions with approved parties will require a prior approval of the Audit Committee.

3.2.3. The Related Party Transactions which are not in the ordinary course of business and not at arm's length will be reviewed by the Audit Committee and then recommended to the Board of Directors.

3.2.4. If a Related Party Transaction is ongoing, the Committee may establish guidelines for the Company's management to follow in its ongoing dealings with the Related Party. Thereafter, the Committee shall periodically review and assess ongoing relationships with the Related Party.

3.2.5. The Committee will review the material facts of all Related Party Transactions and may approve or disapprove of the entry into the Related Party Transaction.

3.2.6. The Committee may also disapprove of a previously entered Related Party Transaction and may require that management of the Company take all reasonable efforts to terminate, unwind, cancel or annul the Related Party Transaction.

3.2.7. A Related Party Transaction entered into without pre-approval of the Committee shall not be deemed to violate this Policy, or be invalid or unenforceable, so long as the transaction is brought to the Committee as promptly as reasonably practical after it is entered into or after it becomes reasonably apparent that the transaction is covered by this policy.

3.2.8. The Committee may decide to get advice, certification, study report, rely upon certification issued as per the requirement of other laws etc. from a professional (includes statutory / internal Auditors) or technical person including price discovery process, to review transactions with Related Party.

3.2.9. Any member of the Committee who has an interest in the transaction under discussion will abstain from voting on the approval of the Related Party Transaction. However, the Chairperson of the Committee may allow participation of such member in some or all of the Committee's discussions of the Related Party Transaction.

3.2.10. Annually, the Audit Committee shall review any previously approved or ratified Related Party Transaction that is continuing and determine based on then-existing facts and circumstances, including the Company's existing contractual or other obligations, if it is in the best interests of the Company to continue, modify or terminate the transaction.

4. Approval of Shareholders

4.1. The contracts or agreements with any Related Party which are not in the ordinary course of business and not at arm's length in respect of transactions specified in section 188(1) of the Companies Act, 2013, will require prior approval of the shareholders by a resolution.

4.2. For the purposes of first proviso to sub-section (1) of Section 188, except with the prior approval of the Company by a resolution, a company shall not enter into a transaction or transactions, where the transaction or transactions to be entered into,-

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

i) sale, purchase or supply of any goods or material, directly or through appointment of agent, amounting to ten percent or more of the turnover/Revenue of the Company or rupees one hundred crore, whichever is lower, as mentioned in clause (a) and clause (e) respectively of sub-section (1) of section 188.

ii) selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent, amounting to ten percent or more of net worth of the Company or rupees one hundred crore, whichever is lower, as mentioned in clause (b) and clause (e) respectively of sub-section (1) of section 188.

iii) leasing of property any kind amounting to ten percent of turnover or more of the net worth of company or ten per cent or more of turnover of the Company or rupees one hundred crore, whichever is lower, as mentioned in clause (c) of sub-section (1) of section 188;

iv) availing or rendering of any services, directly or through appointment of agent, amounting to ten percent or more of the turnover of the Company or rupees fifity crore, whichever is lower as mentioned in clause (d) and clause (e) respectively of sub-section (1) of section 188.

b) is for appointment to any office or place of profit in the Company, its subsidiary company or associate company at a monthly remuneration exceeding two and a half lakh rupees as mentioned in clause (f) of sub-section (1) of Section 188.

c) is for remuneration for underwriting the subscription of any securities or derivatives thereof, of the Company exceeding one percent of the net worth as as mentioned in clause (g) of sub-section (1) of Section 188.

4.3. All material related party transactions will require shareholders' approval.

4.4. The explanatory statement to be annexed to the notice of general meeting in this regards will contain following particulars:

i. name of the related party;

ii. name of the director or key managerial personnel who is related, if any;

iii. nature of relationship;

iv. nature, material terms, monetary value and particulars of the contract or arrangement;

v. any other information relevant or important for the members to take a decision on the proposed resolution.

5. Disclosure

5.1. Each director who is, directly or indirectly, concerned or interested in any way in any transaction with the Related Party shall disclose all material information and the nature of his interest in the transaction to the Committee or Board of Directors.

5.2. All Related Party Transactions that are required to be disclosed in the Company's filings with the Stock Exchanges, as required by the Listing Regulations.

6. Review of Policy

The Audit Committee will periodically review this Policy and may recommend amendments to this Policy as it deems appropriate.

7. Exceptions-Transactions that need not be reported to the Audit Committee

7.1. Employment of Executive Officers and their compensation as approved by Nomination and Remuneration Committee.

7.2. Managerial remuneration recommended by Nomination and Remuneration Committee and approved by the Board of Directors of the Company.

7.3. Reimbursement or advances of business travel and expenses incurred or to be incurred directly by a director or executive officer of the Company in connection with the performance of his or her duties.

7.4. Transactions where all shareholders receive proportional benefits :

Any transactions, arrangements or relationships where the Related Party's interest arises solely from the ownership of the Company's Shares and all holders of the Company's Shares received the same benefit on a pro-rata basis (e.g., dividends, sub-division or bonus shares).

7.5. Certain Loan related services :

Any transactions, arrangements or relationships with a Related Party involving services such as Home Loan, finance for Home Extension, Finance for Purchase or similar services at a Arm length basis in accordance with the Board approved Policies of the Company.

7.6. Regulated transactions :

Any transactions, arrangements or relationships with a Related Party involving the rendering of services as a common or contract carrier, or public utility, at rates or charges fixed in conformity with law or governmental authority.

7.7. Other Transactions :

Such other transactions as may be determined by the Committee or Board of Directors from time to time.

8. Administrative Measures

Management shall institute appropriate administrative measures to provide that all Related Party Transactions are not in violation of, and are reviewed in accordance with, these Policies and Procedures.

9. Interpretation

In any circumstance where the terms of these Policies and Procedures differ from any existing or newly enacted law, rule, regulation or standard governing the Company, the law, rule, regulation or standard will take precedence over these policies and procedures until such time as these Policies and Procedures are changed to confirm to the law, rule, regulation or standard.

10. Dissemination of Information

AFL shall upload this Policy on its website i.e www.aavas.in AFL shall also make relevant disclosures in its Annual Report and maintain such registers as required under the provisions of the Companies Act, 2013, Rules made thereunder.

11. Implementation

The policy will be implemented by the management of the Company from the date it is approved by the Board. All Related Party Transaction entered prior to the date of approval of this Policy and Procedures shall be subject to review by the Audit Committee.

FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

To
the Members of
Aavas Financiers Limited
(formerly known as Au Housing Finance Limited)

Report on the Standalone Financial Statements

We have audited the accompanying standalone financial statements of Aavas Financiers Limited (formerly known as Au Housing Finance Limited) (the "Company"), which comprise the standalone Balance Sheet as at March 31, 2018, the standalone Statement of Profit and Loss and standalone Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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 standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with accounting principles generally accepted in India, including the Companies (Accounting Standards) Rules, 2006 (as amended) specified under section 133 of the Act, read with 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 the design, implementation and maintenance of adequate internal financial control 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 these standalone 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 thereunder. We conducted our audit in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India, as 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 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 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 standalone financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the standalone 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 March 31, 2018, 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, 2016 (the "Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the **Annexure 1**, 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 purpose of our audit;

   (b) In our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;

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

   (d) In our opinion, the aforesaid standalone financial statements comply with the Companies (Accounting Standards) Rules, 2006 (as amended) specified under section 133 of the Act, read with the Companies (Accounts) Rules, 2014;

   (e) On the basis of written representations received from the directors as on March 31, 2018, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2018, from being appointed as a director in terms of section 164 (2) of the Act;

   (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in **Annexure 2** to this report;

   (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 2.29 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 were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For **S. R. BATLIBOI & ASSOCIATES LLP**
ICAI Firm registration number: 101049W/E300004
Chartered Accountants

per **Amit Kabra**
Partner
Membership No. 094533

Mumbai
April 27, 2018

Annexure 1 referred to in paragraph 1 under the heading "Report on other legal and regulatory requirements" of our report of even date

Re: Aavas Financiers Limited

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) All fixed assets have been physically verified by the management during the year and no material discrepancies were identified on such verification.

(c) According to the information and explanations given by the management, the title deeds of immovable properties included in property, plant and equipment are held in the name of the Company.

(ii) The Company's business does not involve inventories and, accordingly, the requirements under clause 3(ii) of the Order are not applicable to the Company and hence not commented upon.

(iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, limited liability partnerships or other parties covered in the register maintained under section 189 of the Act. Accordingly, the provisions of clause 3(iii) (a), (b) and (c) of the Order are not applicable to the Company and hence not commented upon.

(iv) In our opinion and according to the information and explanations given to us, there are no loans, investments, guarantees, and securities granted in respect of which provisions of section 185 and 186 of the Act are applicable and hence not commented upon.

(v) The Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.

(vi) To the best of our knowledge and as explained, the Central Government has not specified the maintenance of cost records under section 148(1) of the Act, for the services of the Company.

(vii) (a) Undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess and other statutory dues have generally been regularly deposited with the appropriate authorities though there have been slight delays in a few cases.

According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, service tax, sales-tax, duty of custom, duty of excise, value added tax, cess and other statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

(b) According to the information and explanations given to us, there are no dues of income tax, sales-tax, service tax, customs duty, excise duty, value added tax and cess which have not been deposited on account of any dispute.

(viii) In our opinion and according to the information and explanations given by the management, the Company has not defaulted in repayment of loans or borrowings to a financial institution or bank or dues to debenture holders.

(ix) According to the information and explanations given by the management, the Company has not raised any money by way of initial public offer or further public offer.

Further, monies raised by the Company by way of term loans were applied for the purpose for which those were raised, though idle/surplus funds which were not required for immediate utilization were gainfully invested in liquid assets payable on demand.

(x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud by the Company or no fraud on the Company by the officers and employees of the Company has been noticed or reported during the year.

(xi) According to the information and explanations given by the management, the managerial remuneration has been paid and provided in accordance with the requisite approvals mandated by the provisions of section 197, read with Schedule V to the Act.

(xii) In our opinion, the Company is not a nidhi company. Therefore, the provisions of clause 3(xii) of the Order are not applicable to the Company and hence not commented upon.

(xiii) According to the information and explanations given by the management, transactions with the related parties are in compliance with section 177 and 188 of the Act where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards.

(xiv) According to the information and explanations given to us and on an overall examination of the balance sheet, the Company has complied with provisions of section 42 of the Act in respect of the preferential allotment or private placement of shares during the year. According to the information and explanations given by the management, we report that the amounts raised, have been used for the purposes for which the funds were raised. According to the information and explanations given to us and on an overall examination of the balance sheet, the Company has not made any preferential allotment or private placement of fully or partly convertible debentures during the year.

(xv) According to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with him as referred to in section 192 of the Act.

(xvi) According to the information and explanations given to us, the provisions of section 45-IA of the Reserve Bank of India Act, 1934 are not applicable to the Company.

For **S. R. BATLIBOI & ASSOCIATES LLP**
ICAI Firm registration number: 101049W/E300004
Chartered Accountants

per **Amit Kabra**
Partner
Membership No. 094533

Mumbai
April 27, 2018

Annexure 2 referred to in paragraph 2 (f) under the heading "Report on other legal and regulatory requirements" of our report of even date

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

We have audited the internal financial controls over financial reporting of Aavas Financiers Limited (the "Company") as of March 31, 2018 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

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

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2018, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **S. R. BATLIBOI & ASSOCIATES LLP**
ICAI Firm registration number: 101049W/E300004
Chartered Accountants

per **Amit Kabra**
Partner
Membership No. 094533

Mumbai
April 27, 2018

Standalone Balance Sheet as at March 31, 2018

(₹ in lakh)

	Notes	As at March 31, 2018	As at March 31, 2017
I. Equity and liabilities			
1. Shareholders' funds			
a) Share capital	2.1	6,917.28	5,816.36
b) Reserves & surplus	2.2	1,02,905.82	50,816.31
c) Money received against Share Warrants	2.3	24.00	-
		1,09,847.10	**56,632.67**
2. Non-current liabilities			
a) Long term borrowings	2.4	2,23,248.10	1,50,968.50
b) Deferred tax liabilities (net)	2.5	1,175.88	616.78
c) Other long term liabilities	2.6	25.60	11.75
d) Long term provisions	2.7	1,480.76	1,371.72
		2,25,930.34	**1,52,968.75**
3. Current liabilities			
a) Short term borrowings	2.8	3,251.30	7,903.48
b) Other current liabilities	2.9	42,600.47	27,493.52
c) Short term provisions	2.10	115.89	68.12
		45,967.66	**35,465.12**
TOTAL		**3,81,745.10**	**2,45,066.54**
II. Assets			
1. Non-current assets			
a) Fixed assets	2.11		
i) Property, plant and equipment		1,545.45	869.25
ii) Intangible assets		297.07	147.67
iii) Intangible assets under development		3.27	13.53
b) Non current Investment	2.12	1,379.07	75.40
c) Long term loans and advances	2.13		
i) Loans	2.13.1	3,06,795.99	2,05,946.02
ii) Others	2.13.2	149.80	87.89
		3,10,170.65	**2,07,139.76**
2. Current assets			
a) Current Investment	2.12	26.60	2.56
b) Cash & bank balances	2.14	56,496.11	27,576.73
c) Short term loans and advances	2.13		
i) Loans	2.13.1	10,440.41	7,335.47
ii) Others	2.13.2	302.30	100.29
d) Other current assets	2.15	4,309.03	2,911.73
		71,574.45	**37,926.78**
TOTAL		**3,81,745.10**	**2,45,066.54**
Summary of significant accounting policies	1		

The accompanying notes are an integral part of the financial statements

As per our report of even date

For S.R. Batliboi & Associates LLP
ICAI Firm Registration No. 101049W/E300004
Chartered Accountants

Sd/-
per Amit Kabra
Partner
Membership No. 094533

For and on behalf of the Board of Directors of
AAVAS FINANCIERS LIMITED
(Formerly known as "Au Housing Finance Limited")

Sd/-
Manas Tandon
(Nominee Director)

Sd/-
Sushil Kumar Agarwal
(Whole Time Director & CEO)

Sd/-
Ghanshyam Rawat
(Chief Financial Officer)

Sd/-
Sharad Pathak
(Company Secretary)

Place: Mumbai
Date: April 27, 2018

Place: Jaipur
Date: April 27, 2018

Statement of Standalone profit and loss for the year ended March 31, 2018

(₹ in lakh)

	Notes	Year ended March 31, 2018	Year ended March 31, 2017
Revenue			
Revenue from operations	2.16	45,633.89	30,512.85
Other income	2.17	90.55	36.43
Total Revenue (I)		**45,724.44**	**30,549.28**
Expenses			
Employee benefit expenses	2.18	7,335.92	4,305.33
Finance cost	2.19	18,905.33	14,282.03
Depreciation and amortization expenses	2.11	562.65	276.99
Other expenses	2.20	4,554.85	2,151.79
Provisions and write offs	2.21	190.41	667.86
Total expenses (II)		**31,549.16**	**21,684.00**
Profit before tax (III)= (I)-(II)		**14,175.28**	**8,865.28**
Tax expenses:			
Current tax	2.22	4,322.94	2,654.08
Deferred tax	2.22	559.09	426.03
Total tax expenses (IV)		**4,882.03**	**3,080.11**
Profit after tax (III)-(IV)		**9,293.25**	**5,785.17**
Earnings per equity share	2.23		
Basic (₹)		15.87	11.24
Diluted (₹)		15.21	11.24
Nominal value per share (₹)		10.00	10.00
Summary of significant accounting policies	1		

The accompanying notes are an integral part of the financial statements

As per our report of even date

For S.R. Batliboi & Associates LLP
ICAI Firm Registration No. 101049W/E300004
Chartered Accountants

Sd/-
per Amit Kabra
Partner
Membership No. 094533

For and on behalf of the Board of Directors of
AAVAS FINANCIERS LIMITED
(Formerly known as "Au Housing Finance Limited")

Sd/-
Manas Tandon
(Nominee Director)

Sd/-
Sushil Kumar Agarwal
(Whole Time Director & CEO)

Sd/-
Ghanshyam Rawat
(Chief Financial Officer)

Sd/-
Sharad Pathak
(Company Secretary)

Place: Mumbai
Date: April 27, 2018

Place: Jaipur
Date: April 27, 2018

Standalone Cash flow statement for the year ended March 31, 2018

(₹ in lakh)

		Year ended March 31, 2018	Year ended March 31, 2017
A	**Cash flow from operating activities:**		
	Net profit before tax as per statement of profit and loss	**14,175.28**	**8,865.28**
	Adjustments for		
	Depreciation and amortization	562.65	276.99
	Expenses incurred on increase in authorized capital and issue of shares	19.00	23.77
	Provision for standard and NPA assets	12.37	381.67
	Provision for employee benefits	109.31	59.22
	Operating profit before working capital changes	**14,878.61**	**9,606.93**
	Changes in working capital		
	Decrease/(increase) in Long term loans and advances	(1,00,911.88)	(65,818.01)
	Decrease/(increase) in Short term loans and advances	(3,306.96)	(2,019.90)
	Decrease/(increase) in Other current assets	(1,397.29)	(1,519.80)
	(Decrease)/increase in Other long term liabilities	13.85	4.01
	(Decrease)/increase in Other current liabilities	2,494.99	3,148.57
		(1,03,107.29)	**(66,205.13)**
	Direct taxes paid	**(4,184.64)**	**(2,466.67)**
	Net cash flow from / (used in) operating activities (A)	**(92,413.32)**	**(59,064.87)**
B	**Cash flow from investing activities:**		
	Inflow (outflow) on account of :		
	Investment in Subsidiary company	(450.00)	
	Investment in Pass through certificate (PTC)	(547.40)	(77.96)
	Investment in Security receipts	(330.30)	
	Investment in fixed deposits	(19,930.80)	(716.60)
	Purchase of Property, plant and equipment (including capital work-in-progress)/ intangible assets	(1,378.17)	(743.32)
	Sale of Property, plant and equipment (including capital work-in-progress)	0.17	0.09
	Net cash flow from / (used in) investing activities (B)	**(22,636.50)**	**(1,537.79)**
C	**Cash flow from financing activities:**		
	Issue of equity shares (including share premium)	44,117.35	30,863.00
	Share / debenture issue expenses	(318.34)	(520.45)
	Proceeds from long term and short term borrowings	1,27,673.46	70,708.51
	Repayment of long term and short term borrowings	(47,434.07)	(37,078.29)
	Net Cash flow from / (used in) financing activities (C)	**1,24,038.40**	**63,972.77**
	Net increase/(decrease) in cash and cash equivalents (A+B+C)	**8,988.58**	**3,370.11**

Standalone Cash flow statement for the year ended March 31, 2018

(₹ in lakh)

	Year ended March 31, 2018	Year ended March 31, 2017
Cash and cash equivalents as at the beginning of the year	26,860.13	23,490.02
Cash and cash equivalents at the end of the year	**35,848.71**	**26,860.13**
Components of cash and cash equivalents		
Cash on hand	190.75	177.68
Balance with franking machine*	0.94	0.95
Balance with banks		
In current accounts	13,657.02	3,866.28
In cash credit	500.00	2,315.22
In deposit account	21,500.00	20,500.00
Total cash and cash equivalents (notes 2.14)	**35,848.71**	**26,860.13**
Summary of significant accounting policies 1.		

* The Company can utilize the balance towards stamping of loan agreements executed with their borrowers and also for the agreements executed by the Company for its own borrowings.

Note:-

1. Cash flow statement has been prepared under indirect method as set out in the Accounting Standard (AS) 3 “Cash Flow Statements”.
2. Previous year figures have been regrouped/ reclassified wherever applicable.

As per our report of even date

For S.R. Batliboi & Associates LLP
ICAI Firm Registration No. 101049W/E300004
Chartered Accountants

Sd/-
per Amit Kabra
Partner
Membership No. 094533

Place: Mumbai
Date: April 27, 2018

For and on behalf of the Board of Directors of
AAVAS FINANCIERS LIMITED
(Formerly known as “Au Housing Finance Limited”)

Sd/-
Manas Tandon
(Nominee Director)

Sd/-
Sushil Kumar Agarwal
(Whole Time Director & CEO)

Sd/-
Ghanshyam Rawat
(Chief Financial Officer)

Sd/-
Sharad Pathak
(Company Secretary)

Place: Jaipur
Date: April 27, 2018

A. Corporate information

AAVAS FINANCIERS LIMITED (formerly known as "Au HOUSING FINANCE LIMITED")("the Company") is a public limited Company domiciled in India and incorporated under the provisions of the Companies Act, 1956. The Company is registered with National Housing Bank (NHB) vide Registration No. 04.0151.17 and is engaged in the long term financing activity in the domestic markets to provide housing finance.

B. Basis of preparation

The Standalone financial statements of the Company have been prepared in accordance with the generally accepted accounting principles in India (Indian GAAP). The financial statements of the Company have been prepared to comply in all material respects with the accounting standards notified under section 133 of the Companies Act 2013 ("the Act"), read together with paragraph 7 of the Companies (Accounts) Rule 2014; the Companies (Accounting Standards) Amendment Rules, 2016 and the guidelines issued by the National Housing Bank to the extent applicable. The financial statements have been prepared on an accrual basis under the historical cost convention. The accounting polices applied by the Company are consistent with those used in the previous year.

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Act. The Company has ascertained its operating cycle as 12 months for the above purpose.

1 Summary of significant accounting policies

1.1 Use of estimates

The preparation of Standalone financial statements in conformity with Indian GAAP requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

1.2 Cash and cash equivalent

Cash and cash equivalent comprises of cash in hand, demand deposits and time deposits with original maturity of less than three months held with bank, debit balance in cash credit account and stamping/franking balance.

1.3 Revenue recognition

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

a. Interest

(i) Interest on loans:

Interest Income is recognized on a time proportion accrual basis taking into account the amount outstanding and the interest rate implicit in the underlying agreements. Income or any other charges on non performing assets is recognized only when realized and any such income recognized before the assets became non performing and remaining unrealized is reversed.

(ii) Income from assignment/securitization:

Gains arising on securitization of assets is recognized over the tenure of securities issued by SPV as per guidelines on securitization of standard assets issued by RBI. Income from excess interest spread is accounted for net of losses when redeemed in cash. Expenditure in respect of securitization is recognized upfront. Income arising on direct assignment is recognized over the tenure of agreement on accrual basis.

b. Fees, other charges and other interest:

(i) Overdue interest in respect of loans is recognized on receipt basis.

(ii) Administrative fees and processing fees is recognized in the year in which the loan is disbursed.

(iii) Revenue from interest on bank deposits and investments are recognized on accrual basis.

(iv) Income from cheque bouncing charges is recognized on receipt basis.

c. Commision on Insurance Policies:

Commision on insurance policies sold is recognized on accrual basis when the Company under its agency code sells the insurance policies.

d. Income from investments:

Dividend income is accounted for when the right to receive the dividend is established by the date of balance sheet.

1.4 Borrowing cost

Borrowing cost includes interest and ancillary costs incurred in connection with the arrangement of borrowings.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur.

1.5 Translation of Foreign Currency

a. Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

b. Foreign currency monetary items are retranslated using the exchange rate prevailing on the close of the financial year.

c. Exchange differences arises on the settlement of monetary items or on reporting the Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise.

d. "Forward exchange contracts entered into to hedge foreign currency risk of an existing asset/liability The premium or discount arising at the inception of the forward exchange contract is amortized and recognized as an income/expense in the statement of profit and loss over the life of the contract. Exchange difference on such contracts are recognized in the statement of profit and loss in the period in which the exchange rates change."

1.6 Operating Leases

Leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognized as an expense in the statement of profit and loss on a straight-line basis over the lease term.

1.7 Investment

Investments, which are readily realizable and intended to be held for not more than one year from the date on which such investments are made, are classified as current investments. All other investments are classified as long-term investments.

On initial recognition, all investments are measured at cost. The cost comprises of purchase price and directly attributable acquisition charges such as brokerage, fees and duties. If an investment is acquired, or partly acquired, by the issue of shares or other securities, the acquisition cost is the fair value of the securities issued. If an investment is acquired in exchange for another asset, the acquisition is determined by reference to the fair value of the asset given up or by reference to the fair value of the investment acquired, whichever is more clearly evident.

Current investments are carried in the financial statements at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of the investments.

On disposal of an investment, the difference between its carrying amount and net disposal proceeds is charged or credited to the statement of profit and loss.

1.8 Property, plant and equipment/Intangible Fixed Assets, Depreciation/Amortization and Impairment

Property, plant and equipment

Property, plant and equipment are stated at cost net of accumulated depreciation and accumulated impairment losses, if any. Cost comprises of the purchase price and any attributable cost of bringing the assets to its working condition for its intended use.

Depreciation on fixed assets is calculated on a written down value basis using the useful lives those prescribed under the Schedule II to the Act. The Company has used the following useful lives to provide depreciation on its fixed assets.

Fixed assets	Useful Life (WDV) (In Years)
Freehold Land	NIL
Building	60
Furniture and fixtures	10
Office equipment	5
Motor Vehicles	8
Servers	6
Computers and printers	3

All fixed assets individually costing ₹5,000/- or less are fully depreciated in the year of installation/purchase.

Depreciation on assets acquired/sold during the year is recognized on a pro-rata basis to the statement of profit and loss from/upto the date of acquisition/sale.

Gain or loss arising from sale of fixed assets are measured as the difference between the net disposal proceeds and the carrying amount of the assets disposed, and are recognized in the statement of profit and loss In the period when the asset is sold.

Intangible assets

Intangible assets are amortized on a straight line basis over the estimated useful economic life. The Company uses a rebuttable presumption that the useful life of an intangible asset will not exceed four years from the date when the asset is available for use. If the persuasive evidence exists to the affect that useful life of an intangible asset exceeds four years, the Company amortizes the intangible asset over the best estimate of its useful life.

Impairment of assets

The carrying amount of assets is reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets, net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. In determining net selling price, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

1.9 Provision and contingencies

A provision is recognized when the Company has a present obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates.

Notes to the Standalone financial statements for the year ended March 31, 2018

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or nonoccurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflowof resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

1.10 Provision for Standard Assets and Non-Performing Assets (NPAs) / Write off

a. Housing loans and other loans are classified as per the Housing Finance Companies (NHB) Directions, 2010 ("the NHB Directions"), into performing and non-performing assets. Further, non-performing assets are classified into sub-standard, doubtful and loss assets and provision made based on criteria stipulated by the NHB Directions. Additional provisions are made against all non-performing assets over and above the provisions stated in the NHB Directions, if in the opinion of the management higher provision is necessary.

b. The Company maintains standard provision to cover potential credit losses, which are inherent in any loan portfolio but not identified, In accordance with 'the NHB Directions'.

c. The Company reviews the stressed cases periodically and if it considers that recovery in such assets is not probable, then it can classify such assets as "loss assets" and write off the same in Profit and loss account.

1.11 Properties acquired under Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act,2002

Upon a property being acquired under SARFAESI, the outstanding loan is settled and the acquired property is valued at reaslisable value or principal outstanding, whichver is less. Stock of such acquired properties is shown under other current assets.

1.12 Retirement and other employee benefits

Retirement benefit in the form of provident fund is a defined contribution scheme. The Company has no obligation, other than the contribution payable to the provident fund. The Company recognizes contribution payable to the provident fund scheme as an expenditure, when an employee renders the related service. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognized as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognized as an asset to the extent that the pre payment will lead to, for example, a reduction in future payment or a cash refund.

The Company provides gratuity benefits which is a defined benefit scheme. The cost of providing gratuity benefits is determined on the basis of actuarial valuation at each year-end. Separate actuarial valuation is carried out for each plan using the projected unit credit method. Actuarial gains and losses are recognized in full in the period in which they occur in the statement of profit and loss.

Accumulated leave, which is expected to be utilized within the next 12 months, is treated as short-term employee benefit. The Company measures the expected cost of such absence as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date. The Company treats accumulated leave expected to be carried forward beyond twelve months, as long term employee benefit for measurement purposes.

Actuarial gains/losses are immediately taken to the statement of profit and loss and are not deferred.

1.13 Provision for Taxation

Tax expense comprises of current and deferred tax. Current income-tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961 enacted in India. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recongnized directly in equity is recongnized in equity and not in statement of profit and loss.

Deferred income taxes reflect the impact of timing differences between taxable income and accounting income originating during the current year and reversal of timing differences for the earlier years. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted at the reporting date.

Deferred tax liabilities are recognized for all taxable timing differences. Deferred tax assets are recognized for deductible timing differences only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set-off current tax assets against current tax liabilities and the deferred tax assets and deferred taxes relate to the same taxable entity and the same taxation authority.

At each reporting date, the Company re-assesses unrecognized deferred tax assets. It recognizes unrecognized deferred tax asset to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realized.

1.14 Capital Issue Expenses

Share/ Debenture issue expenses incurred are expensed in the year of issue and redemption premium payable on debentures is expensed over the term of debentures. These are adjusted (net of tax) to the securities premium account in accordance with section 52 of the Act to the extent of balance available in such premium account.

1.15 Earning per share

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. Partly paid equity shares are treated as a fraction of an equity share to the extent that they are entitled to participate in dividends relative to a fully paid equity share during the reporting year.

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

1.16 Share based payments

In case of stock option plan, measurement and disclosure of the employee share-based payment plans is done in accordance with the Guidance Note on Accounting for Employee Share-based Payments, issued by the Institute of Chartered Accountants of India as applicable for equity-settled share based payments.

The cost of equity-settled transactions is measured using the intrinsic value method and recognized, together with a corresponding increase in the "Stock options outstanding account" in reserves. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The expense or credit recognized in the statement of profit and loss for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and is recognized in employee benefits expense.

Notes to the Standalone financial statements for the year ended March 31, 2018

2 Notes to accounts for the year ended March 31, 2018

2.1 Share capital

Details of authorized, issued, subscribed and paid up share capital

(₹ in lakh)

	As at March 31, 2018	As at March 31, 2017
Authorized share Capital		
8,50,00,000 (P.Y. 6,50,00,000) Equity Shares of ₹10/- each	8,500.00	6,500.00
	8,500.00	**6,500.00**
Issued, Subscribed & Paid up capital		
Issued and Subscribed Capital		
6,99,50,891 (P.Y. 5,87,39,657) Equity Shares of ₹10/- each	6,995.09	5,873.97
Called-Up and Paid Up Capital		
Fully Paid-Up		
6,87,98,297 (P.Y. 5,80,19,563) Equity Shares of ₹10/- each	6,879.83	5,801.96
Partly Called-Up and Paid Up Capital		
7,20,094 (P.Y. 7,20,094) Equity Shares of ₹10/- each , 4 Paid up	28.81	14.40
4,32,500 (P.Y. NIL) Equity Shares of ₹10/- each , 2 Paid up	8.65	-
Total	**6,917.28**	**5,816.36**

2.1.1 The reconciliation of equity shares outstanding at the beginning and at the end of the reporting period.

Name of the shareholder	As at March 31, 2018		As at March 31, 2017	
	No. of shares	₹ In lakh	No. of shares	₹ In lakh
Equity Share at the beginning of year	5,87,39,657	5,816.36	3,83,83,334	3,838.33
Add:				
Equity Share Allotted during year				
Shares issued during the year	6,97,162	35.11	51,40,652	501.06
Bonus Shares issued during the period	-	-	53,66,658	536.67
Right Shares issued during the period	92,91,521	929.15	98,49,013	940.30
ESOP exercised during the period	12,22,551	122.26	-	-
Call money received on 7,20,094 @ ₹2 per share	-	14.40	-	-
Equity share at the end of period	6,99,50,891	6,917.28	5,87,39,657	5,816.36

2.1.2 Shares held by holding Company

Name of the shareholder	As at March 31, 2018		As at March 31, 2017	
	No. of shares	% of holding	No. of shares	% of holding
Lake District Holdings Limited	3,52,61,756	50.41%	3,03,76,454	51.71%
3,52,61,756 Equity Shares of ₹10/- each fully paid				
Total	**3,52,61,756**	**50.41%**	**3,03,76,454**	**51.71%**

As per records of the Company, including its register of shareholders/ members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownerships of shares.

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

Name of the shareholder	As at March 31, 2018		As at March 31, 2017	
	No. of shares	% of holding	No. of shares	% of holding
Lake District Holdings Limited	3,52,61,756	50.41%	3,03,76,454	51.71%
3,52,61,756 Equity Shares of ₹10/- each fully paid				
Partners Group ESCL Limited	1,71,27,627	24.49%	1,47,54,698	25.12%
1,71,27,627 Equity Shares of ₹10/- each fully paid				
Partners Group Private Equity Master Fund LLC	75,16,440	10.74%	64,75,083	11.02%
75,16,440 Equity Shares of ₹10/- each fully paid				
AU Small Finance Bank Limited (Formerly known as "Au Financiers (INDIA) Limited")	50,14,746	7.17%	43,41,149	7.39%
50,14,746 Equity Shares of ₹10/- each fully paid				
Total	**6,49,20,569**	**92.81%**	**5,59,47,384**	**95.24%**

As per records of the Company, including its register of shareholders/ members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownerships of shares.

2.1.4 Rights, preferences and restrictions attached to shares

Equity shares:

The Company has one class of equity shares having a par value of ₹10 per share. Each shareholder is eligible for one vote per share held. The dividend as and when proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

2.1.5 Aggregate number of bonus shares issued during the period of five years immediately preceding the reporting date

(₹ in lakh)

Particular	As at March 31, 2018	As at March 31, 2017
Equity shares allotted as fully paid bonus shares by capitalization of securities premium	-	53,66,658

On June 03, 2016, the Company has issued bonus shares to its existing equity shareholders in the ratio of 1 share for every 7.17 shares held by them by capitalising its securities premium account

2.1.6 For details of shares reserved for issue under the employee stock option (ESOP) plan of the Company, refer note 2.27

Notes to the Standalone financial statements for the year ended March 31, 2018

2.2 Reserves & surplus

(₹ in lakh)

Particulars	As at March 31, 2018	As at March 31, 2017
a. Special reserve u/s 29C of The National Housing Bank Act, 1987 read with section 36 (1) (viii) of Income Tax Act, 1961 (refer note 2.2.1)		
Balance as per last financial statement	2,803.77	1,517.85
Add: Amount transferred from surplus balance in the statement of profit and loss	2,016.85	1,285.92
Total (a) Closing balance	**4,820.62**	**2,803.77**
b. Surplus / (deficit) in the statement of profit and loss		
Balance as per last financial statement	8,914.92	4,415.66
Add: Net profit after tax transferred from statement of profit and loss	9,293.25	5,785.18
	18,208.17	**10,200.84**
Less: Appropriation		
Transfer to special reserve u/s 36(1)(viii) of Income Tax Act, 1961 taken into account for the purposes of Statutory Reserve under Section 29C of the NHB Act, 1987	2,016.85	1,285.92
Total (b) Net surplus in the statement of profit and loss	**16,191.32**	**8,914.92**
c. Share Premium		
Balance as per last financial statement	39,097.62	10,538.44
Add: Received during the year	42,992.42	29,421.64
Less: Utilized for share issue expense	1.21	2.92
Less: Utilized for issue of fully paid-up bonus shares	-	536.66
Less: Utilized during the year for NCD issue expenses (net of tax)	145.03	27.29
Less: Utilized during the year for premium on redemption of NCD (net of tax)	49.92	295.59
Total (c) Share Premium Reserve	**81,893.88**	**39,097.62**
Total reserve and surplus (a+b+c)	**1,02,905.82**	**50,816.31**

2.2.1 Section 29C (i) of The National Housing Bank Act, 1987 defines that every housing finance institution which is a Company shall create a reserve fund and transfer therein a sum not less than twenty percent of its net profit every year as disclosed in the statement of profit and loss before any dividend is declared. For this purpose any special reserve created by the Company under Section 36(1) (viii) of Income tax Act 1961, is considered to be an eligible transfer. The Company has transferred an amount of ₹2016.85 lakhs (P.Y. ₹1285.92 lakhs) to special reserve in terms of Section 36(1) (viii) of the Income Tax Act 1961 considered eligible for special reserve u/s 29C of NHB Act 1987.

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 the NHB Act, 1987 is provided:

(₹ in lakh)

Particulars	As at March 31, 2018	As at March 31, 2017
Reserve & Surplus		
Statutory Reserve (As per Section 29C of the National Housing Bank Act, 1987)		
Opening Balance	2,803.77	1,517.85
Additional during the year	2,016.85	1,285.92
Appropriation during the year	-	-
Closing Balance	**4,820.62**	**2,803.77**

(₹ in lakh)

Particulars			As at March 31, 2018	As at March 31, 2017
a. Special Reserve u/s 29C of The National Housing Bank Act, 1987 read with section 36 (1) (viii) of Income Tax Act, 1961*				
Balance at the beginning of the year				
	a)	Statutory Reserve u/s 29C of the National Housing Bank Act, 1987	-	-
	b)	Amount of special reserve u/s 36(1)(viii) of Income Tax Act, 1961 taken into account for the purposes of Statutory Reserve under Section 29C of the NHB Act, 1987	2,803.77	1,517.85
	c)	Total	2,803.77	1,517.85
Addition /Appropriation / Withdrawal during the year				
Add:	a)	Amount transferred u/s 29C of the NHB Act, 1987	-	-
	b)	Amount of special reserve u/s 36(1)(viii) of Income Tax Act, 1961 taken into account for the purposes of Statutory Reserve under Section 29C of the NHB Act, 1987	2,016.85	1,285.92
Less:	a)	Amount appropriated from the Statutory Reserve u/s 29C of the NHB Act, 1987	-	-
	b)	Amount withdrawn from the Special Reserve u/s 36(1)(viii) of Income Tax Act, 1961 which has been taken into account for the purpose of provision ul s 29C of the NHB Act, 1987	-	-
Balance at the end of the year				
	a)	Statutory Reserve u/s 29C of the National Housing Bank Act, 1987	-	-
	b)	Amount of special reserve u/s 36(1)(viii) of Income Tax Act, 1961 taken into account for the purposes of Statutory Reserve under Section 29C of the NHB Act, 1987	4,820.62	2,803.77
	c)	**Total**	**4,820.62**	**2,803.77**

2.3 Money received against share warrants

(₹ in lakh)

Particulars	As at March 31, 2018	As at March 31, 2017
Money received against share warrants (refer note 2.3.1)	24.00	-
Total	**24.00**	**-**

2.3.1 During the financial year 2017-18, the Company had issued 360,000 and 440,000 convertible warrants at a Issue Price of ₹328.00 and 430.50 per warrant respectively upon receipt of ₹3 per warrant , with a right exercisable by the warrant holder to convert each warrant with one equity share of the Company of face value ₹10/- each at a premium of ₹318.00 and ₹420.50 as the case may be, any time before the expiry of 5 years from the date of allotment or the filing of red herring prospectus with SEBI in accordance with applicable laws or any other period specified by Board, whichever is earlier, of the said convertible warrants.

Notes to the Standalone financial statements for the year ended March 31, 2018

2.4 Long term borrowings

(₹ in lakh)

Particulars	As at March 31, 2018		As at March 31, 2017	
	Non-current	Current	Non-current	Current
Secured				
Loans from National Housing Bank (refer note 2.4.1)	33,821.15	2,688.69	15,990.77	1,313.52
Loans from banks (refer note 2.4.2)	1,45,476.95	23,590.14	96,727.73	18,353.34
Loans from financial institution (refer note 2.4.3)	950.00	800.00	1,750.00	800.00
Non- convertible debentures (refer note 2.4.4)	33,000.00	6,000.00	33,500.00	-
Unsecured				
Loans from banks	-	-	3,000.00	-
Non- convertible debentures (Subordinate Debt) (refer note 2.4.4)	10,000.00	-	-	-
Amount disclosed under the head "other current liabilities" (refer note 2.9)		(33,078.83)	-	(20,466.86)
Total	**2,23,248.10**	**-**	**1,50,968.50**	**-**

2.4.1 Secured term loans from National Housing Bank carry rate of interest in the range of 4.86% to 9.15% p.a. The loans are having tenure of 10 to 15 years from the date of disbursement and are repayable in quarterly instalments. These loans are secured by hypothecation (exclusive charge) of the loans given by the Company. Loans from bank to the extent of ₹9,994.93 lakhs (P.Y. ₹12,804.29 lakhs) have been guaranteed by corporate guarantee of AU Small Finance Bank Limited (Formerly known as "Au Financiers (INDIA) Limited")

2.4.2 Secured term loans from Banks include loans from various banks and carry rate of interest in the range of 8.30% to 10.10% p.a. The loans are having tenure of 3 to 15 years from the date of disbursement and are repayable in monthly or quarterly or yearly instalments. These loans are secured by hypothecation (exclusive charge) of the loans given by the Company. Secured term loan from banks include auto loans of ₹167.27 lakhs (P.Y. ₹29.27 lakhs) carrying rate of interest in the range of 8.40% to 10.50% p.a. which are secured by hypothecation of Company's vehicles.

2.4.3 Loans from financial institutions carry interest rate 9% p.a. and are for a tenure of 5 years from the date of disbursement. The loans are repayable in equal quarterly installments of ₹200.00 lakhs (P.Y. ₹200.00 lakhs) each respectively.

Notes to the Standalone financial statements for the year ended March 31, 2018

2.4.4 Detail of Redeemable Non-Convertible Debentures

(₹ in lakh)

Sr. No.	ISIN No.	Date of allotment	Date of redemption	Call Option	Put Option	Nominal value per debenture	Total number of debentures	Rate of Interest p.a.	Total amount	As at March 31, 2018		As at March 31, 2017		Secured/ Unsecured	Terms of redemption
										Non-current	Current	Non-current	Current		
1	INE216P07050	08-May-15	29-Dec-17	N.A.	N.A.	10	400	10.80%	4,000	-	-	4,000	-	Secured	Redeemable at par*
2	INE216P07068	26-May-15	29-Dec-17	N.A.	N.A.	10	350	10.80%	3,500	-	-	3,500	-	Secured	Redeemable at par*
3	INE216P07076	15-Jul-15	20-Jun-18	N.A.	N.A.	10	100	10.70%	1,000	-	1,000	1,000	-	Secured	Redeemable at par
4	INE216P07084	15-Jul-15	27-Dec-18	N.A.	N.A.	10	200	10.70%	2,000	-	2,000	2,000	-	Secured	Redeemable at par
5	INE216P07092	31-Jul-15	31-Dec-18	N.A.	N.A.	10	300	10.70%	3,000	-	3,000	3,000	-	Secured	Redeemable at par
6	INE216P07100	02-Sep-16	20-Mar-20	N.A.	N.A.	10	500	10.30%	5,000	5,000	-	5,000	-	Secured	Redeemable at par
7	INE216P07142	10-Oct-16	10-Oct-19	N.A.	N.A.	10	1,000	9.00%	10,000	10,000	-	10,000	-	Secured	Redeemable at par
8	INE216P07126	20-Dec-16	19-Oct-20	N.A.	N.A.	10	500	9.00%	5,000	5,000	-	5,000	-	Secured	Redeemable at par
9	INE216P07134	18-Jul-17	18-May-22	N.A.	N.A.	10	1,300	8.61%	13,000	13,000	-	-	-	Secured	Redeemable at par
10	INE216P08017	22-Dec-17	22-Dec-23	N.A.	N.A.	10	1,000	9.74%	10,000	10,000	-	-	-	Unsecured	Redeemable at par
									Total amount	**43,000**	**6,000**	**33,500**	**-**		

2.4.5 Terms of repayment of of long term borrowings outstanding as at March 31, 2018

(₹ in lakh)

Original maturity of loan	Interest rate	Due within 1 year		Due 1 to 2 years		Due 2 to 3 years		Due 3 to 4 years		Due 4 to 5 years		Due 5 to 10 years		Above 10 years		Total	
		No. of installments	Amount	No. of installments	Amount	No. of installments	Amount	No. of installments	Amount	No. of installments	Amount	No. of installments	Amount	No. of installments	Amount	No. of installments	Amount
Monthy repayment schedule																	
Above 3 years	8%-10%	408	7,370.08	391	6,999.59	341	5,061.81	232	3,648.98	66	3,063.78	152	8,498.14	34	977.01	**1,624**	**35,619.39**
	10%-12%	60	708.70	31	627.69	11	366.67	-	-	-	-	-	-	-	-	**102**	**1,703.06**
Quarterly repayment schedule																	
Above 3 years	4%-6%	3	204.00	4	272.00	4	272.00	4	272.00	4	272.00	19	1,280.00	-	-	**38**	**2,572.00**
	6%-8%	12	925.92	16	1,234.56	16	1,234.56	16	1,234.56	16	1,234.56	80	6,172.80	47	3,043.95	**203**	**15,080.91**
	8%-10%	208	17,370.33	242	22,565.28	225	20,970.38	197	19,067.19	174	17,268.48	532	47,135.99	74	1,985.77	**1,652**	**1,46,363.42**
Yearly repayment schedule Above 3 years	8%-10%	1	500.00	2	988.15	1	500.00	1	500.00	1	500.00	3	3,000.00	-	-	**9**	**5,988.15**
At the end of tenure Above 3 years																	
	8%-10%	-	-	2	15,000.00	1	5,000.00	-	-	1	13,000.00	1	10,000.00	-	-	**5**	**43,000.00**
	10%-12%	3	6,000.00	-	-	-	-	-	-	-	-	-	-	-	-	**3**	**6,000.00**
		695	**33,079.03**	**688**	**47,687.27**	**599**	**33,405.42**	**450**	**24,722.73**	**262**	**35,338.82**	**787**	**76,086.93**	**155**	**6,006.73**	**3,636**	**2,56,326.93**

Notes to the Standalone financial statements for the year ended March 31, 2018

2.5 Deferred tax liabilities (net)

(₹ in lakh)

Particulars	As at March 31, 2018	As at March 31, 2017
Deferred tax liability		
Difference between tax depreciation and depreciation/amortization charged for the financial reporting	-	12.83
Provision for special reserve u/s 29C of NHB Act read with section 36 (1) (viii) of IT Act, 1961	**1,668.32**	**970.33**
Gross deferred tax liability	1,668.32	983.16
Deferred tax asset		
Provision for standard assets	(342.13)	(296.15)
Provisions on non performing assets	(28.50)	(14.22)
Provision for gratuity and leave encashment	(93.84)	(56.01)
Provision for Lease equalization reserve	(14.62)	-
Difference between tax depreciation and depreciation/amortization charged for the financial reporting	(13.35)	-
Gross deferred tax asset	**(492.44)**	**(366.38)**
Net Deferred Tax Liability	**1,175.88**	**616.78**

2.6 Other long term liabilities

(₹ in lakh)

Particulars	As at March 31, 2018	As at March 31, 2017
Other long term liabilities	25.60	11.75
Total	25.60	11.75

2.7 Long term provisions

(₹ in lakh)

Particulars	As at March 31, 2018	As at March 31, 2017
Provision for employee benefits		
Gratuity	180.66	108.34
Leave availment	69.30	40.35
Other provisions		
Provision for non performing asset	243.97	405.74
Provision for Investments	41.29	-
Provision for standard assets as per NHB Directions	945.54	817.29
Total	**1,480.76**	**1,371.72**

2.7.1 Provision in respect of standard, sub standard, doubtful and loss assets are recorded in accordance with the NHB Directions, as follows:-

(₹ in lakh)

Particulars	As at March 31, 2018		As at March 31, 2017	
	Loans	Provision	Loans	Provision
Standard assets				
Housing Loan	2,24,195.53	616.92	1,60,769.72	650.20
Other loans	91,971.72	371.67	50,819.71	205.54
	3,16,167.25	**988.59**	**2,11,589.43**	**855.74**
Sub-Standard Assets				
Housing Loan	870.50	182.81	1,240.44	260.49
Other loans	98.40	20.66	246.38	51.75
	968.90	**203.47**	**1,486.82**	**312.24**
Doubtful Assets - Category - I				
Housing Loan	81.24	30.46	135.96	50.98
Other loans	8.02	3.01	6.86	2.57
	89.26	**33.47**	**142.82**	**53.55**
Doubtful Assets - Category - II				
Housing Loan	10.25	6.56	60.00	38.40
Other loans	0.74	0.47	2.42	1.55
	10.99	**7.03**	**62.42**	**39.95**
Doubtful Assets - Category - III				
Housing Loan	-	-	-	-
Other loans	-	-	-	-
Loss assets				
Housing Loan	-	-	-	-
Other loans	-	-	-	-
Provision for contingencies	-	-	-	-
Total	**3,17,236.40**	**1,232.56**	**2,13,281.49**	**1,261.48**

2.8 Short term borrowings

(₹ in lakh)

Particulars	As at March 31, 2018	As at March 31, 2017
Secured		
From Bank (refer note 2.8.1)	3,251.30	7,903.48
	3,251.30	**7,903.48**

Notes to the Standalone financial statements for the year ended March 31, 2018

2.8.1 Cash credit borrowings from bank are secured against hypothecation of housing loans given by the Company, are repayable on demand and carry interest rates ranging from 9.00% to 11.00%

2.9. Other current liabilities

(₹ in lakh)

Particulars	As at March 31, 2018	As at March 31, 2017
Current maturities of long term debts (refer note 2.4)		
From bank- term loan	26,278.82	19,666.86
From financial institution- term loan	800.00	800.00
From non convertible debentures	6,000.00	-
Interest accrued but not due on borrowings		
From non convertible debentures	1,401.70	1,782.23
From unsecured non convertible debentures	266.85	-
From bank- term loan	68.84	139.61
From financial institution- term loan	11.47	16.05
Other payables		
Due to assignees towards collections in derecognized assets	3,036.45	2,519.95
Statutory liabilities	331.38	103.53
Employee benefits payable	586.24	524.49
Other current liabilities	3,818.72	1,940.80
Book Overdraft	-	-
Total	**42,600.47**	**27,493.52**

2.10. Short term provisions

(₹ in lakh)

Particulars	As at March 31, 2018	As at March 31, 2017
Provision for employee benefits		
Gratuity	7.08	4.10
Leave availment	14.11	9.04
Provision for Tax (Net of Advance Tax)	51.65	16.53
Provision for Standard assets as per NHB Norms	43.05	38.45
Total	**115.89**	**68.12**

2.11 Fixed assets

(₹ in lakh)

Property, plant and equipment	Building and premises	Computers and printers	Furniture and fixtures	Motor vehicles	Office equipment	Land	Total
Cost At April 1, 2016	445.72	165.27	122.31	54.38	43.87	-	831.55
Additions	-	239.48	233.14	12.49	76.81	-	561.92
Disposals	-	-	-	-	(0.14)	-	(0.14)
At March 31, 2017	**445.72**	**404.75**	**355.45**	**66.87**	**120.54**	**-**	**1,393.33**
Additions	28.53	405.06	402.63	177.27	148.92	4.95	1,167.36
Disposals	-	(0.52)	-	-	(0.25)	-	(0.77)
At March 31, 2018	**474.25**	**809.29**	**758.08**	**244.14**	**269.21**	**4.95**	**2,559.92**
Depreciation At April 1, 2016	64.17	100.92	58.31	18.09	28.00	-	269.49
Charge for the year	18.57	119.43	70.91	14.28	31.45	-	254.64
Disposals	-	-	-	-	(0.05)	-	(0.05)
At March 31, 2017	**82.74**	**220.35**	**129.22**	**32.37**	**59.40**	**-**	**524.08**
Charge for the year	18.37	217.80	153.89	33.20	67.48	-	490.74
Disposals	-	(0.35)	-	-	-	-	(0.35)
At March 31, 2018	**101.11**	**437.80**	**283.11**	**65.57**	**126.88**	**-**	**1,014.47**
Net Block							
At March 31, 2017	**362.98**	**184.40**	**226.23**	**34.50**	**61.14**	**-**	**869.25**
At March 31, 2018	**373.14**	**371.49**	**474.97**	**178.57**	**142.33**	**4.95**	**1,545.45**

Intangible assets	Software	Total
Gross block		
At April 1, 2016	10.67	10.67
Purchase	167.87	167.87
Disposals	-	-
At March 31, 2017	178.54	178.54
Purchase	221.31	221.31
Disposals	-	-
At March 31, 2018	**399.85**	**399.85**
Amortization		
At April 1, 2016	8.52	8.52
Charge for the year	22.35	22.35
At March 31, 2017	**30.87**	**30.87**
Charge for the year	71.91	71.91
At March 31, 2018	**102.78**	**102.78**
Net block		
At March 31, 2017	**147.67**	**147.67**
At March 31, 2018	**297.07**	**297.07**

Intangible assets under development	Software	Total
Gross block		
At April 1, 2016	-	-
Additions	13.53	13.53
At March 31, 2017	13.53	13.53
Capitalized during the year	13.53	13.53
Purchase	3.27	3.27
At March 31, 2018	**3.27**	**3.27**

Notes to the Standalone financial statements for the year ended March 31, 2018

2.12 Investments

(₹ in lakh)

Particulars	As at March 31, 2018		As at March 31, 2017	
	Non-current	Current	Non-current	Current
Investment in Subsidiary company				
Aavas Finserv Limited	450.00	-	-	-
Investment in Pass through certificate (PTC)	598.77	26.60	75.40	2.56
Investment in Security receipts	330.30	-	-	-
Total	**1,379.07**	**26.60**	**75.40**	**2.56**

2.13 Loans and advances

(₹ in lakh)

Particulars	As at March 31, 2018		As at March 31, 2017	
	Non-current	Current	Non-current	Current
Secured				
2.13.1 Housing loans				
-Considered good	2,10,453.42	6,732.65	1,50,885.48	5,156.53
-Considered doubtful	937.66	-	1,426.63	-
Other loans				
-Considered good	87,406.24	3,171.22	48,193.52	1,823.16
-Considered doubtful	104.86	-	255.19	-
Loans placed towards minimum retention requirement (MRR) for direct assignment transactions				
-Considered good	7,867.18	536.54	5,174.96	355.78
-Considered doubtful	26.63	-	10.24	-
Total	**3,06,795.99**	**10,440.41**	**2,05,946.02**	**7,335.47**

2.13.1.1 Of the above:

(₹ in lakh)

Particulars	As at March 31, 2018	As at March 31, 2017
Standard	3,16,167.25	2,11,589.43
Sub-Standard	968.90	1,486.82
Doubtful asset - Category - I	89.26	142.82
Doubtful asset - Category - II	10.99	62.42
Doubtful asset - Category - III	-	-
Loss Asset	-	-
Total	**3,17,236.40**	**2,13,281.49**

2.13.1.2 Loans granted by the Company are secured by equitable mortgage/registered mortgage of the property and/or undertaking to create a security and/or personal guarantees and/or hypothecation of assets and/or assignments of life insurance policies. The process of security creation was in progress for loans to the extent of ₹16,985.32 lakhs at March 31, 2018 (P.Y. ₹9,182.25 lakhs)

2.13.1.3 Loans sanctioned but un-disbursed amount is ₹28,725.99 lakhs as on March 31, 2018 (P.Y. ₹15,747.85 lakhs)

2.13.1.4 The Company has assigned a pool of certain loans amounting to ₹48,584.04 lakhs (P.Y. ₹37,789.75 lakhs) by way of a direct assignment transaction. These loan assets have been de-recognized from the loan portfolio of the Company as the sale of loan assets is an absolute assignment and transfer on a 'no-recourse' basis. The Company continues to act as a servicer to the assignment transaction on behalf of assignee. In terms of the assignment agreement, the Company pays to assignee, on a monthly basis, the pro-rata collection amounts.

During the year the Company has securitized assets amounting to ₹10,767.38 Lakhs (P.Y. 7,962.24 Lakhs). These assets have been de-recognized in the books of the Company. The Company is responsible for collection and servicing of this loan portfolio on behalf of buyers/investors. In terms of the said securitization agreements, the Company pays to buyer/investor on monthly basis the prorated collection amount as per individual agreement terms.

During the year the Company has transferred certain assets amounting to ₹2497.05 lakhs to asset reconstruction company. These assets have been de-recognized from the loan portfolio of the Company. The Company continues to act as a servicer for the portfolio of such assets.

2.13.1.5 The company has granted certain loans to staff amounting to ₹407.28 lakhs as on March 31,2018 (P.Y. ₹ 365.99 lakhs)

2.13.2 Other loans and advances (unsecured, considered good)

(₹ in lakh)

Particulars	As at March 31, 2018		As at March 31, 2017	
	Non-current	Current	Non-current	Current
Security deposit	124.45	26.00	82.82	17.66
Advance to staff	5.10	66.34	0.70	24.59
Advances to suppliers/service providers	-	116.28	-	33.51
Prepaid expenses	20.25	45.92	4.37	22.06
Other advances	-	47.76	-	2.47
Total	**149.80**	**302.30**	**87.89**	**100.29**

2.14 Cash and bank balances

(₹ in lakh)

Particulars	As at March 31, 2018	As at March 31, 2017
Cash and cash equivalents		
Cash on hand (refer note 2.14.1)	191.69	178.63
Balance with banks		
In Current accounts	13,657.02	3,866.28
In Cash credit accounts	500.00	2,315.22
In Deposits with original maturity of less than three months	21,500.00	20,500.00
	35,848.71	26,860.13
Other bank balances		
Deposit with original maturity of more than 12 months (refer note 2.14.2)	1,147.30	716.60
Deposit with original maturity of more than 3 months less than 12 months	19,500.10	-
Total	**56,496.11**	**27,576.73**

2.14.1 Cash on hand includes of ₹0.94 Lakh (P.Y. ₹0.95 lakh) balance of franking machine.

2.14.2 Other Bank Balance in deposit accounts include deposits under lien aggregating to ₹1147.30 lakhs (P.Y. ₹716.60 lakhs) towards the first loss guarantee provided by the Company under the securitization agreements.

2.15 Other Current Assets

(₹ in lakh)

Particulars	As at March 31, 2018	As at March 31, 2017
Recoverable from borrowers	365.71	583.84
Interest accrued but not due on loan	3,114.21	1,689.23
Stock of Assets acquired under SARFAESI	693.88	629.58
Interest accrued but not due on deposit with banks and others	51.69	9.08
Other current assets	83.54	-
Total	**4,309.03**	**2,911.73**

Notes to the Standalone financial statements for the year ended March 31, 2018

2.16 Revenue from operations

(₹ in lakh)

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
Interest Income on		
Loan portfolio	38,632.78	26,974.86
Securitization	710.85	53.38
Other operating income		
Fees and other charges from customers (Note 2.16.1)	4,000.63	2,475.73
Insurance commission	20.77	-
Other interest income(Note 2.16.2)	151.61	95.53
Profit on redemption of liquid mutual fund units	2,117.25	912.94
Dividend income from mutual funds	-	0.41
Grand Total	**45,633.89**	**30,512.85**

2.16.1 Loan origination income included in Fees and other charges from customers is disclosed net of the direct incremental costs of ₹1130.61 lakhs for year ended March 31, 2018 associated with the origination of the underlying loans. Accordingly, the expenses of ₹611.73 lakhs for the corresponding previous year ended March 31, 2017 have been reclassified and reduced from the fee income for the previous year to conform to current year presentation.

2.16.2 Other interest income constitutes interest income on (Fixed deposits, Inter corporate deposit & Commercial paper)

2.17 Other income

(₹ in lakh)

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
Other non operating income	90.55	36.43
Total	**90.55**	**36.43**

2.18 Employee benefit expenses

(₹ in lakh)

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
Salaries and other benefits	6,850.62	4,060.45
Contribution to provident and other funds	267.45	133.71
Staff welfare expenses	217.85	111.17
Total	**7,335.92**	**4,305.33**

2.18.1 Gratuity and other post-employment benefit plans

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service is eligible for gratuity on cessation of employment and it is computed at 15 days salary (last drawn salary) for each completed year of service subject to such limit as prescribed by The Payment of Gratuity Act, 1972 as amended from time to time.

The following tables summarize the components of net benefits expense recognized in the statement of profit and loss and the funded status and amounts recognized in the balance sheet for the respective plans.

Statement of profit and loss

Net employee benefit expense recognized in the employee cost

(₹ in lakh)

	March 31, 2018	March 31, 2017
Current service cost	84.91	54.75
Interest cost	8.43	5.52
Expected return on plan assets	-	-
Net actuarial (gain) / loss recognized in the year	(10.82)	(16.81)
Net expense	**82.52**	**43.46**

Balance Sheet

Benefit asset/ liability

(₹ in lakh)

	March 31, 2018	March 31, 2017
Present value of defined benefit obligation	187.74	112.44
Fair value of plan assets	-	-
Plan asset / (liability)	**187.74**	**112.44**

Changes in the present value of the defined benefit obligation are as follows:

(₹ in lakh)

	March 31, 2018	March 31, 2017
Opening defined benefit obligation	112.44	68.98
Current service cost	84.91	54.75
Interest cost	8.43	5.52
Benefits paid during the year	(7.22)	-
Actuarial (gain)/loss on obligation	(10.82)	(16.81)
Closing defined benefit obligation	**187.74**	**112.44**

The principle assumptions used in determining gratuity obligations for the Company are shown below:

	March 31, 2018	March 31, 2017
Discount rate	7.75%	7.50%
Salary escalation rate	7.00%	7.00%
Employee Turnover	age 30 = 5%	age 30 = 5%
	age 31-40 = 3%	age 31-40 = 3%
	age 41-50 = 2%	age 41-50 = 2%
	age 51 & above=1%	age 51 & above=1%

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

Experience adjustment for the reported periods are as below:

(₹ in lakh)

	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2014
Defined benefit obligation	187.74	112.44	68.98	39.34	20.71
Plan assets	-	-	-	-	-
Surplus / (deficit)	187.74	112.44	68.98	39.34	20.71
Experience adjustments on plan liabilities	(10.82)	(16.81)	(7.37)	(3.82)	(0.33)
Experience adjustments on plan assets	-	-	-	-	-

Other Benefits

The Company has provided for compensatory leaves which can be availed and not encashed as per policy of the Company as present value obligation of the benefit at related current service cost measured using the Projected Unit Credit Method on the basis of an actuarial valuation.

Notes to the Standalone financial statements for the year ended March 31, 2018

2.19 Finance cost

(₹ in lakh)

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
Interest expense (Note 2.19.1)	18,442.88	13,973.36
Other borrowing costs (Note 2.19.2)	462.45	308.67
Total	**18,905.33**	**14,282.03**

2.19.1 Interest expense includes interest on:

(₹ in lakh)

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
Unsecured debt	278.81	365.65
Term loans/cash credit facilities/CP/ICD	14,205.60	10,796.51
Non-convertible debentures	3,958.47	2,811.20
	18,442.88	**13,973.36**

2.19.2 Other borrowing costs includes

(₹ in lakh)

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
Resource mobilization expenses	388.20	268.54
Bank charges and commission	74.25	40.13
	462.45	**308.67**

2.20 Other expenses

(₹ in lakh)

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
Advertisement and publicity expenses	448.11	123.41
AMC Charges	44.51	11.60
Communication	178.87	97.09
Commission & brokerage	99.68	22.22
CSR Expenses	64.25	18.59
Directors Sitting Fees	19.45	16.17
Electricity and water	119.32	65.54
Fee & subscription	1.87	24.40
Legal & professional charges	548.85	301.89
Manpower management cost	1,542.75	602.10
Office expenses	119.97	48.63
Postage & courier expenses	85.32	50.28
Printing & stationery	77.73	60.60
Rent (refer note 2.20.1)	534.65	245.97
Rates & Taxes Expenses	32.87	43.07
Repair and maintenance -others	173.28	94.72
Travelling and conveyance	440.88	302.66
Auditor's remuneration (refer note 2.20.2)	22.49	22.85
Total	**4,554.85**	**2,151.79**

2.20.1 The Company has taken various premises under operating lease. The future minimum lease payments are given below:

(₹ in lakh)

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
Within one year	140.47	-
Later than one year but not later than five years	235.53	-
Later than five years	-	-
Total	**376.00**	**-**
The total of minimum lease payments recognized in the Statement of Profit and Loss for the year	**534.65**	**-**
Total of future minimum sub-lease payments expected to be received under non-cancellable sub-leases	-	-
Sub-lease amounts recognized in the Statement of Profit and Loss for the year	-	-
Contingent (usage based) lease payments recognized in the Statement of Profit and Loss for the year	-	-

2.20.2 Auditor's remuneration

(₹ in lakh)

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
- Audit fees	18.50	17.00
- Tax audit fees	1.50	1.50
- Other services	2.49	4.35
	22.49	**22.85**

2.21 Provisions and write offs

(₹ in lakh)

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
a. Provisions as at March 31, 2018		
Provision for Non performing asset	243.97	405.74
Provision for standard assets as per NHB Norms (Refer Note 2.21.1)	988.59	855.74
Provision for contingencies	-	-
Provision for Investments	41.29	-
	1,273.85	**1,261.48**
b. Provisions as at March 31, 2017		
Provision for Non performing asset	405.74	187.08
Provision for standard assets as per NHB Norms	855.74	583.27
Provision for contingencies (Refer Note 2.21.2)	-	109.46
Provision for Investments	-	-
	1,261.48	**879.81**
Net provision made during the year (a-b)	**12.37**	**381.67**
c. Write off during the year	178.04	286.19
Total	**190.41**	**667.86**

Notes to the Standalone financial statements for the year ended March 31, 2018

2.21.1 National Housing Bank (NHB) vide notification no. NHB.HFC.DIR.18/MD&CEO/2017 dated August 2, 2017 reduced the provisioning requirement on standard individual housing loans from 0.40% to 0.25% . In terms of the said notification as of March 31 , 2018, the Company continues to carry the provision of ₹988.59 lakhs which is higher than the revised statutory requirement of minimum 0.25%

2.21.2 During the 2016-17, the Company has reversed the provision for contingencies pursuant to National Housing Bank (NHB) letter dated March 31, 2017 and has considered it as a "prior period item" in accordance with the requirements of Accounting standard 5 " Net profit or loss for the period, prior period items and changes in accounting policies". Further the Company had revised its estimates of provisioning for non-performing loan assets. As a result of such changes, the profit before tax for the 2016-17 was lower by ₹12.58 lakhs.

2.22 Tax

(₹ in lakh)

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
Provision for tax	4,322.94	2,654.08
Deferred tax	559.09	426.03
Total	**4,882.03**	**3,080.11**

2.23 Earning per share

(₹ in lakh)

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
Following reflects the profit and share data used in EPS computations:		
Basic		
Weighted average number of equity shares for computation of Basic EPS (in lakhs)	585.66	514.54
Net profit for calculation of basic EPS (₹ in lakhs)	9,293.25	5,785.17
Basic earning per share (In ₹)	**15.87**	**11.24**
Diluted		
Weighted average number of equity shares for computation of Diluted EPS (in lakhs)	610.96	514.54
Net profit for calculation of Diluted EPS (₹ in lakhs)	9,293.25	5,785.17
Diluted earning per share (In ₹)	**15.21**	**11.24**
Nominal value of equity shares (In ₹)	**10.00**	**10.00**

2.24 The Company operates in a single reportable segment i.e. lending to borrowers, which have similar risks and returns for the purpose of AS 17 on 'Segment Reporting' specified under section 133 of the Companies Act 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014; the Companies (Accounting Standards) Amendment Rules, 2016. The Company operates in a single geographical segment i.e. domestic.

2.25 The Company has been granted Certificate of Registration (No. 08.0095.11) to commence/carry on the business as a housing finance company without accepting public deposits by National Housing Bank on August 04, 2011 and got a revised Certificate of Registration (02.0104.13) after conversion of Company from a private limited company to a public limited company on February 08, 2013. Further, the name of our company was changed to AAVAS FINANCIERS LIMITED, pursuant to a Shareholders resolution passed at the EOGM held on February 23, 2017. A fresh certificate of incorporation consequent to such change of name was issued on March 29, 2017 by the Registrar of companies, Jaipur and subsequently the revised certificate of Registration (No.04.0151.17) was issued on April 19, 2017 by National Housing Bank.

2.26 Disclosure as required by National Housing Bank:

The following disclosures have been given in terms of the National Housing Bank's notification no. NHB.HFC.CG-DIR.1/MD&CEO/201 dated February 9, 2017 and in terms of the circular no. NHB/ND/DRS/Pol-No.35/2010-11 dated October 11, 2010:

2.26.1 Capital

Particulars	As at March 31, 2018	As at March 31, 2017
CRAR (%)	61.55%	46.72%
CRAR - Tier I capital (%)	55.94%	46.02%
CRAR - Tier II capital (%)	5.61%	0.70%
Amount of subordinated debt raised as Tier- II Capital	10,000.00	0.00
Amount raised by issue of perpetual Debt instruments	0.00	0.00

2.26.2 Reserve Fund u/s 29C of NHB Act, 1987

Refer note 2.2.1 for the disclosure relating to Reserve Fund u/s 29C of NHB Act, 1987

2.26.3 Investments

(₹ in lakh)

Particulars	As at March 31, 2018	As at March 31, 2017
Value of Investment		
Gross Value of Investment	**1,405.67**	**77.96**
In India	1,405.67	77.96
Outside India	-	-
Provision for Depreciation	**41.29**	**-**
In India	41.29	-
Outside India	-	-
Net Value of Investment	**1,364.38**	**77.96**
In India	1,364.38	77.96
Outside India	-	-
Movement of Provision held towards depreciation on Investment	**-**	**-**
Opening Balance	**-**	**-**
Add: Provisions made during the year	41.29	-
Less: Write off/Write Back Excess provision during the year	-	-
Closing Balance	**41.29**	**-**

2.26.4 Derivatives

1) The company has no transactions/exposure in derivatives in the current and previous year.

2) The company has no unhedged foreign currency exposure on March 31, 2018 (P.Y. ₹ Nil)

Notes to the Standalone financial statements for the year ended March 31, 2018

2.26.5 Securitization

a. Disclosure as per NHB guidelines for assignment/securitization transactions as an originator:

(₹ in lakh)

Particulars	No. / Amount	
	March 31, 2018	**March 31, 2017**
No of SPVs sponsored by the HFC for securitization transactions	2	1
Total amount of securitized assets as per books of the SPVs sponsored	15441.09	7795.93
Total amount of exposures retained by the HFC towards the MRR as on the date of balance sheet		
(I) Off-balance sheet exposures towards Credit Concentration		
First Loss	-	-
Others	-	-
(II) On-balance sheet exposures towards Credit Concentration		
First Loss (In the form of Fixed Deposits)	1147.30	716.60
Series A PTCs	625.36	77.96
Amount of exposures to securitization transactions other than MRR		
(I) Off-balance sheet exposures towards Credit Concentration		
a) Exposure to own securitizations		
First Loss	-	-
Others (Guarantees provided by banks on behalf of the Company*)	430.70	-
b) Exposure to third party securitizations		
First Loss	-	-
Others	-	-
(II) On-balance sheet exposures towards Credit Concentration		
a) Exposure to own securitizations		
First Loss	-	-
Others	-	-
b) Exposure to third party securitizations		
First Loss	-	-
Others	-	-

* Second Loss facility

b. Details of Financial Assets sold to Securitization / Reconstruction Company for Asset Reconstruction

(₹ in lakh)

Particulars	March 31, 2018	March 31, 2017
Number of accounts	326.00	-
Aggregate value (net of provisions) of accounts sold to SC / RC	2,024.47	-
Aggregate consideration	2,202.00	-
Additional consideration realized in respect of accounts transferred in earlier years	-	-
Aggregate gain/loss over net book value	177.53	-

c. Details of Assignment transactions undertaken by company

(₹ in lakh)

Particulars	March 31, 2018	March 31, 2017
Number of accounts	4,640	3,809
Aggregate value (net of provisions) of accounts assigned	43,725.64	33,815.13
Aggregate consideration	43,725.64	33,815.13
Additional consideration realized in respect of accounts transferred in earlier years	-	-
Aggregate gain/loss over net book value	-	-

d. Details of non-performing financial assets purchased/sold

1) Details of non-performing financial assets purchased:

The company has not purchased non-performing financial assets in the current and previous year.

2) Details of non-performing financial assets sold:

(₹ in lakh)

Particulars	March 31, 2018	March 31, 2017
Number of accounts sold	326	-
Aggregate outstanding	2,497.05	-
Aggregate consideration received	2,202.00	-

2.26.6 Asset liability management

Maturity pattern of certain items of assets and liabilities as on March 31, 2018*

(₹ in lakh)

Particulars	Liabilities			Assets			
	Borrowings from banks	Market borrowings	Foreign currency Liability	Advance	Investments	Fixed Deposits**	Foreign currency Assets
1 Day to 31 Days / One month	1,253.08	-	-	4,135.89	2.09	4,100.00	-
Over 1 month to 2 month	1,401.05	-	-	4,145.16	2.12	2,500.00	-
Over 2 month to 3 month	2,364.03	1,200.00	-	4,103.53	2.14	14,900.00	-
Over 3 month to 6 month	5,947.29	200.00	-	12,064.97	6.56	19,500.00	-
Over 6 month to 1 year	18,564.68	5,400.00	-	23,070.05	13.69	-	-
Over 1 year to 3 years	60,142.68	20,950.00	-	79,442.85	394.29	-	-
Over 3 year to 5 years	47,061.54	13,000.00	-	61,611.96	77.88	-	-
Over 5 year to 7 years	37,654.88	10,000.00	-	46,365.36	92.27	-	-
Over 7 year to 10 years	28,432.05	-	-	45,757.60	138.45	-	-
Over 10 years	6,006.73	-	-	36,539.02	676.18	-	-
Total	**2,08,828.01**	**50,750.00**	**-**	**3,17,236.39**	**1,405.67**	**41,000.00**	**-**

Maturity pattern of certain items of assets and liabilities as on March 31, 2017*

(₹ in lakh)

Particulars	Liabilities			Assets			
	Borrowings from banks	Market borrowings	Foreign currency Liability	Advance	Investments	Fixed Deposits**	Foreign currency Assets
1 Day to 31 Days / One month	1,288.83	-	-	2,498.65	0.20	20,500.00	-
Over 1 month to 2 month	1,105.51	-	-	2,608.80	0.20	-	-
Over 2 month to 3 month	1,493.68	200.00	-	2,585.72	0.20	-	-
Over 3 month to 6 month	4,511.73	200.00	-	7,618.28	0.63	-	-
Over 6 month to 1 year	19,170.59	400.00	-	14,644.23	1.32	-	-
Over 1 year to 3 years	43,195.52	19,950.00	-	51,382.54	6.16	-	-
Over 3 year to 5 years	26,604.32	15,300.00	-	41,282.11	7.63	-	-
Over 5 year to 7 years	18,801.85	-	-	32,070.64	9.47	-	-
Over 7 year to 10 years	22,154.27	-	-	32,344.19	15.98	-	-
Over 10 years	4,962.54	-	-	26,246.33	36.17	-	-
Total	**1,43,288.84**	**36,050.00**	**-**	**2,13,281.49**	**77.96**	**20,500.00**	**-**

* Classification of assets and liabilities under different maturity buckets is based on the same estimates and assumptions as used by the Company for compiling the return submitted to NHB.

** Fixed desposits included in cash and bank balance other than those pledged towards first loss guarantee have been disclosed in the above table as these are considered as investment of surplus funds held by the Company for the purpose of this disclosure.

Notes to the Standalone financial statements for the year ended March 31, 2018

2.26.7 Exposure

a. Exposures to real estate sector

(₹ in lakh)

Category	As at March 31, 2018	As at March 31, 2017
(A) Direct exposure-		
i) Residential mortgages :		
Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented. Individual housing loans upto ₹15 lakh : ₹1,55,181.39 lakhs (P.Y. ₹1,12,726.33 lakhs)		
	3,16,503.80	2,13,201.29
ii) Commercial real estate :		
Lending secured by mortgages on commercial real estates (office buildings, retail space, multipurpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc). Exposure would also include non-fund based (NFB) limits;	732.60	80.20
iii) Investments in mortgage backed securities (MBS) and other securitized exposures :		
(a) Residential	625.37	77.96
(b) Commercial real estate.	Nil	Nil
(B) Indirect exposure		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	Nil	Nil

b. Exposure to Capital Market

The Company has no exposure to capital market directly or indirectly in the current and previous year.

c. Details of financing of parent company products

There is no financing of parent company products.

d. Details of Single Borrower Limit (SGL) / Group Borrower Limit (GBL) exceeded by the HFC

The company has not exceeded the Single Borrower Limit and Group Borrower Limit as prescribed by NHB.

e. Unsecured Advances

The company has not financed any unsecured advances against intangible securities such as rights, licenses, authority etc as collateral security.

2.26.8 Registration obtained from other Financial sector regulators

The company has obtained registration from IRDA as a corporate agent (Registration number: CA0537)

2.26.9 Disclosure of penalties imposed by NHB and other regulators

NHB has not imposed any penalty on the Company during the year.

2.26.10 Related parties

a. Names of related parties identified in accordance with AS -18 “Related Party Disclosures” (with whom there were transactions during the year/previous year)

1. Entities where control exists:

Ultimate Holding Company

Kedaara Capital I Limited - (From 23rd June 2016)

Holding Company

Lake District Holdings Limited - (From 23rd June 2016)

Au Small Finance Bank Limited (Formerly known as”Au Financiers(INDIA) Limited”)-(upto 22nd June 2016)

Shareholders having Substantial interest

Partners Group ESCL Limited - (From 23rd June 2016)

Wholly owned Subsidiary company

Aavas Finserv Limited - (From 30th November 2017)

2. Key management personnel

Mr. Sushil Kumar Agarwal	Whole Time Director and Chief Executive Officer
Mr. Ghanshyam Rawat	Chief Financial Officer
Mr. Sharad Pathak	Company Secretary

3. Enterprises under significant influence of the key management personnel

None

4. Relatives of key managerial personnel

None

b. The nature and volume of transactions carried out with the above related parties in the ordinary course of business are as follows:

1. Remuneration to Key Managerial personnel

(₹ in lakh)

	March 31, 2018	March 31, 2017
Mr. Sushil Kumar Agarwal, Whole Time Director and Chief Executive Officer	202.90	162.71
Mr. Ghanshyam Rawat, Chief Financial Officer	151.10	120.11
Mr. Sharad Pathak, Company Secretary	12.18	8.94
Total	**366.18**	**291.76**

Notes:

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

Notes to the Standalone financial statements for the year ended March 31, 2018

2. Other Transactions

(₹ in lakh)

Name of related party	Nature of transactions	March 31, 2018			March 31, 2017		
		Amount received	Amount paid	Outstanding balance	Amount received	Amount paid	Outstanding balance
Lake District Holdings Limited	Issue of Equity shares	21,031.23	-	-	17,383.95	-	-
Partners Group ESCL Limited	Issue of Equity shares	10,215.46	-	-	8,444.03	-	-
AU Small Finance Bank Limited	Reimbursement of expenses	-	-	-	-	9.01	-
AU Small Finance Bank Limited	Reimbursement of expenses	-	-	-	2.51	-	-
AU Small Finance Bank Limited	Reimbursement of Statutory payments	-	-	-	-	31.82	-
Aavas Finserv Limited	Reimbursement of expenses	7.43		7.43			
Aavas Finserv Limited	Issue of Equity shares	-	450.00	-			
Mr. Sushil Kumar Agarwal	Issue of Equity shares	265.60	-	-	200.00	-	-
Mr. Ghanshyam Rawat	Issue of Equity shares	89.20	-	-	93.00	-	-
Sharad pathak	Issue of Equity shares	8.68	-	-	-	-	-

2.26.11 Ratings assigned by credit rating agencies and migration of ratings during the year:

During the year, Long term rating of CARE has upgraded to A+/ Positive from A+/ Stable. And reaffirmed highest short term rating of A1+ to the Company. ICRA has upgraded our long term ratings A positive outlook to A+/ Stable outlook.

Aavas Financiers Limited Ratings are as under:

Term/Instrument	CARE	ICRA	India Ratings	CRISIL
Long term	A+ /Positive	A+/ Stable	A + / Stable	A Stable
Short term	A1 +	A1+	-	-

2.26.12 Provisions and Contingencies

(₹ in lakh)

Break up of “Provisions and Contingencies”shown under the head Expenditure in Profit and Loss Account	Year ended March 31, 2018	Year ended March 31, 2017
1. Provisions for depreciation on investment	-	-
2. Provision made towards Income tax	4,322.94	2,654.08
3. Provision towards NPA	(161.77)	218.66
4. Provision for Standard Assets (with details like teaser loan , CRE , CRE-RH etc.)	132.86	272.47
5. Other Provision and contingencies (with details)	-	(109.46)
6. Provision for investments	41.29	-

Break up of Loan & Advances and Provisions thereon	Housing		Non-Housing	
	As at March 31, 2018	As at March 31, 2017	As at March 31, 2018	As at March 31, 2017
Standard Assets				
a) Total Outstanding Amount (refer note 1)	2,26,587.52	1,62,466.22	93,059.69	51,396.28
b) Provisions made	616.92	650.20	371.67	205.54
Sub-Standard Assets				
a) Total Outstanding Amount	870.50	1,240.44	98.41	246.38
b) Provisions made	182.81	260.49	20.66	51.75
Doubtful Assets - Category - I				
a) Total Outstanding Amount	81.24	135.96	8.02	6.86
b) Provisions made	30.46	50.98	3.01	2.57
Doubtful Assets - Category - II				
a) Total Outstanding Amount	10.25	60.00	0.74	2.42
b) Provisions made	6.56	38.40	0.47	1.55
Doubtful Assets - Category - III				
a) Total Outstanding Amount	-	-	-	-
b) Provisions made	-	-	-	-
Loss Assets				
a) Total Outstanding Amount	-	-	-	-
b) Provisions made	-	-	-	-
TOTAL				
a) Total Outstanding Amount	**2,27,549.51**	**1,63,902.62**	**93,166.86**	**51,651.94**
b) Provisions made	**836.75**	**1,000.07**	**395.81**	**261.41**

Note:

1. The total outstanding amount mean principal + accrued interest + other charges pertaining to loans without netting off.

2.26.13 Draw Down from Reserves

There has been no draw down from reserves during the year ended March 31, 2018 (P.Y. ₹ Nil) other than those disclosed under Note 2.2

2.26.14 Concentration of Advances , Exposures and NPAs

(₹ in lakh)

Particulars	As at March 31, 2018	As at March 31, 2017
Concentration of Advances		
Total Loans & Advances to twenty largest borrowers	**5,440.04**	**5,247.05**
(%) of Loans & Advances to twenty largest borrowers to Total Advances of the HFC	**1.71%**	**2.46%**
Concentration of all Exposures (including off-balance sheet exposure)		
Total Exposures to twenty largest borrowers/Customers	**5,969.72**	**5,345.85**
(%) of Exposures to twenty largest borrowers/Customers to Total Exposures of the HFC on borrowers/customers	**1.36%**	**2.31%**
Concentration of NPAs		
Total Exposures to top ten NPA accounts	**334.83**	**287.86**

Notes to the Standalone financial statements for the year ended March 31, 2018

Sector-Wise NPAs

Sector	% of NPAs to total Advances in that sector	
	As at March 31, 2018	As at March 31, 2017
A. Housing Loans:		
1 Individuals	0.43%	0.89%
2 Builders/Project Loans	0.00%	0.00%
3 Corporates	0.00%	0.00%
4 Others (specify)	0.00%	0.00%
B. Non Housing Loans:		
1 Individuals	0.12%	0.50%
2 Builders/Project Loans	0.00%	0.00%
3 Corporates	0.00%	0.00%
4 Others (specify)	0.00%	0.00%

2.26.15 Movement of NPAs

(₹ in lakh)

Particulars	As at March 31, 2018	As at March 31, 2017
(I) Net NPAs to Net Advances (%)	0.26%	0.60%
(II) Movement of NPAs (Gross)		
a) Opening Balance	1692.06	804.23
b) Additions during the year	967.30	1471.63
c) Reductions during the year	(1,590.22)	(583.80)
d) Closing Balance	**1069.14**	**1692.06**
(III) Movement of Net NPAs		
a) Opening Balance	1286.32	617.15
b) Additions during the year	746.50	1106.90
c) Reductions during the year	(1,207.65)	(437.73)
d) Closing Balance	**825.17**	**1286.32**
(IV) Movement of Provisions for NPAs (excluding provisions on standard assets)		
a) Opening Balance	405.74	187.08
b) Provisions made during the year	220.80	364.73
c) Write-off/Write-Back of excess provisions	(382.57)	(146.07)
d) Closing Balance	**243.97**	**405.74**

2.26.16 Overseas Assets

The company does not have any overseas assets

2.26.17 Off-Balance Sheet SPVs sponsored (which are required to be consolidated as per accounting Norms)

The Company does not have any off balance sheet Special Purpose Vehicle (SPV) which are required to be consolidated as per accounting norms.

2.26.18 Customers Complaints

Particulars	As at March 31, 2018	As at March 31, 2017
No. of complaints pending at the beginning of the year	7	2
No. of complaints received during the year	203	72
No. of complaints redressed during the year	210	67
No. of complaints pending at the end of the year	0*	7

*Complaints uploaded on NHB-GRIDS, where company provides redressal to customer from their end. All complaints have been redressed by the Company but 16 complaints are pending to be closed by NHB-GRIDS.

2.27 Stock options

I The Company has formulated various share-based payment schemes for its employees (Plan I), management team (Plan II) and directors (Plan III). Details of all grants in operation during the year ended March 31, 2018 are as given below:

(₹ in lakh)

Particulars	ESOP 2016 I (a)	ESOP 2016 I (b)	ESOP 2016 II	ESOP 2016 III
Scheme Name	Equity stock option plan for Employees 2016 (ESOP 2016 I)	Equity stock option plan for Employees 2016 (ESOP 2016 I)	Equity stock option plan for Management team 2016 (ESOP 2016 II)	Equity stock option plan for Directors 2016 (ESOP 2016 III)
No. of options approved	16,47,901	16,47,901	34,45,610	7,19,084
Date of grant	23-Feb-17	24-Jan-18	23-Feb-17	23-Feb-17
No. of options granted	9,80,118	4,24,687	34,45,610	7,19,084
Exercise price per option (in ₹)	215.25	328	215.25	215.25
Method of settlement	Equity	Equity	Equity	Equity
Vesting period and conditions	A) 50% options to vest as per stipulated vesting schedule ("Fixed Vesting") B) 50% options to vest as per stipulated vesting schedule on fulfillment of stipulated conditions ("Conditional Vesting")			
A) Fixed Vesting period is as follows on following dates :-				
1st vesting "12 months from the date of grant	98,012	42,469	Refer note below*	71,908
2nd vesting "On expiry of four months from the 1st vesting date"	98,012	NA	-	71,908
2nd vesting "On expiry of one year from the 1st vesting date"	NA	42,469	-	NA
3rd vesting "On expiry of one year from the 2nd vesting date"	98,012	42,469	-	71,908
4th vesting "On expiry of one year from the 3rd vesting date"	98,012	42,469	-	71,909
5th vesting "On expiry of one year from the 4th vesting date"	98,011	42,469	-	71,909
B) Conditional Vesting	Linked with conditions over the next five years as stipulated in respective stock option plan			
Exercise period	Four years from the date of each vesting			

*Note: The options approved under the equity stock option plan for Management team 2016 (ESOP 2016 II) originally has same fixed and conditional vesting schedule as the equity stock option plan for Directors 2016 (ESOP 2016 III). However, pursuant to the the Board approval dated January 25, 2018, all options granted under this plan were vested with immediate effect with no further conditions attached to them.

II Reconciliation of options

(₹ in lakh)

Particulars	ESOP 2016 I (a)	ESOP 2016 I (b)	ESOP 2016 II	ESOP 2016 III
Financial Year 2016-17				
Options outstanding at April 1, 2016	-	-	-	-
Granted during the year	9,80,118	-	34,45,610	7,19,084
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired / lapsed during the year	-	-	-	-
Outstanding at March 31, 2017	9,80,118	-	34,45,610	7,19,084
Exercisable at March 31, 2017	-	-	-	-
Weighted average remaining contractual life (in years)	6.37	-	7.30	7.30

Notes to the Standalone financial statements for the year ended March 31, 2018

(₹ in lakh)

Particulars	ESOP 2016 I (a)	ESOP 2016 I (b)	ESOP 2016 II	ESOP 2016 III
Financial Year 2017-18				
Options outstanding at April 1, 2017	9,80,118	-	34,45,610	7,19,084
Granted during the year	-	4,24,687	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	12,22,551	-
Expired / lapsed during the year	1,16,904	-	-	-
Outstanding at March 31, 2018	8,63,214	4,24,687	22,23,059	7,19,084
Exercisable at March 31, 2018	1,54,608	-	22,23,059	71,908
Weighted average remaining contractual life (in years)	5.38	6.82	2.52	6.30

III Computation of fair value of options granted during the year

The Black-Scholes Model has been used for computing the weighted average fair value considering the following:

Particulars	Plan I (b)
Share price on the date of grant (₹)	316.3
Exercise price (₹)	328.00
Expected volatility (%)	45.50%
Life of the options granted (years)	
First Vesting	3 years
Second Vesting	4 years
Third Vesting	5 years
Forth Vesting	6 years
Fifth Vesting	7 years
Risk-free interest rate (%)	7.42%
Expected dividend rate (%)	0%
Fair value of the option (₹)	Tranche 1 - 118.09 Tranche 2 - 138.24 Tranche 3 - 155.03 Tranche 4 - 171.35 Tranche 5 - 184.83

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

(₹ in lakh)

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
Profit after tax as reported	9,293.25	5,785.17
Add: ESOP cost using intrinsic value method (net of tax)	-	-
Less: ESOP cost using fair value method (net of tax)	2,097.60	130.95
Profit after tax (adjusted)	7,195.65	5,654.22
No.of Shares for Basic EPS	585.66	514.54
Basic EPS	12.29	10.99
No.of Shares for Diluted EPS	610.96	514.54
Diluted EPS	11.78	10.99

2.28 Details of dues to micro and small enterprises as defined under the MSMED Act, 2006

There are no amounts that need to be disclosed in accordance with the Micro Small and Medium Enterprise Development Act, 2006 (the 'MSMED') pertaining to micro or small enterprises. For the year ended March 31, 2018, no supplier has intimated the Company about its status as micro or small enterprises or its registration with the appropriate authority under MSMED.

2.29 The Company's pending litigations comprise of claims against the Company primarily by the customers. The Company has reviewed all its pending litigations and proceedings and has adequately provided for where provisions are required and disclosed the contingent liabilities where applicable, in its financial statements. The Company does not expect the outcome of these proceedings to have a material adverse effect on its financial statements of the Company as at March 31, 2018.

2.30 Capital and other commitments:

(₹ in lakh)

Particulars	As at March 31, 2018			As at March 31, 2017		
	Estimated Project cost	Paid during the year	Balance Payable	Estimated Project cost	Paid during the year	Balance Payable
Property, plant and equipment	58.56	26.20	32.36	-	-	-

Refer 2.13.1.3 for undisbursed commitment relating to loans.

2.31 Contingent Liability not provided for

(₹ in lakh)

Particulars	As at March 31, 2018	As at March 31, 2017
Credit enhancements provided by the Company towards Asset Assignment / Securitization (including cash collaterals, principal and interest subordination)	1,147.30	716.60

2.32 Corporate social responsibility

Operating expenses include 64.25 lakhs (P.Y. ₹18.59 lakhs) for the year ended March 31, 2018 towards Corporate Social Responsibility (CSR), in accordance with Companies Act, 2013. Gross Amount required to be spent by the Company during the year is ₹100.20 lakhs (P.Y. ₹50.65 lakhs).

The details of amount spent during the respective year towards CSR are as under:

(₹ in lakh)

Sr No.	Particulars	March 31, 2018			March 31, 2017		
		Amount Spent	Amount unpaid/ Provision	Total	Amount Spent	Amount unpaid/ Provision	Total
1	Construction/acquisition of any asset	Nil	Nil	Nil	Nil	Nil	Nil
2	On purposes other than above	64.25	Nil	64.25	18.59	Nil	18.59

2.33 Expenditure in Foreign currency (Accrual Basis)

(₹ in lakh)

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
Resource Mobilization Expense	-	19.54

Further the Company has ₹ Nil foreign currency exposures as at March 31, 2018 (P.Y. ₹ Nil)

2.34 Previous year's figures have been regrouped/ reclassified where necessary to conform to this year's classification.

For and on behalf of the Board of Directors of
AAVAS FINANCIERS LIMITED
(Formerly known as "Au Housing Finance Limited")

Sd/-
Manas Tandon
(Nominee Director)

Sd/-
Sushil Kumar Agarwal
(Whole Time Director & CEO)

Sd/-
Ghanshyam Rawat
(Chief Financial Officer)

Sd/-
Sharad Pathak
(Company Secretary)

Place: Jaipur
Date: April 27, 2018

INDEPENDENT AUDITOR'S REPORT

To
the Members of
Aavas Financiers Limited
(formerly known as Au Housing Finance Limited)

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Aavas Financiers Limited (formerly known as Au Housing Finance Limited) (hereinafter referred to as "the Holding Company"), its subsidiary (the Holding Company and its subsidiary together referred to as "the Group"), comprising of the consolidated Balance Sheet as at March 31, 2018, the consolidated Statement of Profit and Loss and consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

Management's Responsibility for the Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirement of the Companies Act, 2013 ("the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with accounting principles generally accepted in India, including the Companies (Accounting Standards) Rules, 2006 (as amended) specified under Section 133 of the Act, read with the Companies (Accounts) Rules, 2014. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India, as 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 disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Opinion

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

March 31, 2018, the consolidated profit and the consolidated cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

As required by section 143 (3) of the Act, we report, to the extent applicable, that:

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

(b) In our opinion proper books of account as required by law relating to preparation of the aforesaid consolidation of the financial statements have been kept so far as it appears from our examination of those books;

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

(d) In our opinion, the aforesaid consolidated financial statements comply with the Companies (Accounting Standards) Rules, 2006 (as amended) specified under section 133 of the Act, read with the Companies (Accounts) Rules, 2014;

(e) On the basis of the written representations received from the directors of the Holding Company as on March 31, 2018 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors who are appointed under Section 139 of the Act, of its subsidiary company incorporated in India, none of the directors of the Group's companies, incorporated in India is disqualified as on March 31, 2018 from being appointed as a director in terms of Section 164 (2) of the Act.

(f) With respect to the adequacy and the operating effectiveness of the internal financial controls over financial reporting with reference to these consolidated financial statements of the Holding Company and its subsidiary company, incorporated in India, refer to our separate report in "**Annexure 1**" to this report;

(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 consolidated financial statements disclose the impact of pending litigations on its consolidated financial position of the Group – Refer Note 2.28 to the consolidated financial statements;

   ii. The Group did not have any material foreseeable losses in long-term contracts including derivative contracts during the year ended March 31, 2018.

   iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Holding Company and its subsidiary company, incorporated in India, during the year ended March 31, 2018.

For **S. R. BATLIBOI & ASSOCIATES LLP**
ICAI Firm registration number: 101049W/E300004
Chartered Accountants

per **Amit Kabra**
Partner
Membership No. 094533

Mumbai
April 27, 2018

Annexure I referred to in paragraph (f) under the heading "Report on other legal and regulatory requirements" of our report of even date

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

In conjunction with our audit of the consolidated financial statements of Aavas Financiers Limited as of and for the year ended March 31, 2018, we have audited the internal financial controls over financial reporting of Aavas Financiers Limited (hereinafter referred to as the "Holding Company") and its subsidiary company, which are companies incorporated in India, as of that date.

Management's Responsibility for Internal Financial Controls

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

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

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Opinion

In our opinion, the Holding Company and its subsidiary company, which are companies incorporated in India, have, maintained in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2018, based on the internal control over financial reporting criteria established by the Holding Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **S. R. BATLIBOI & ASSOCIATES LLP**
ICAI Firm registration number: 101049W/E300004
Chartered Accountants

per **Amit Kabra**
Partner
Membership No. 094533

Mumbai
April 27, 2018

Consolidated Balance Sheet as at March 31, 2018

(₹ in lakh)

	Notes	As at March 31, 2018
I. Equity and liabilities		
1. Shareholders' funds		
a) Share capital	2.1	6,917.28
b) Reserves & surplus	2.2	1,02,900.05
c) Money received against Share Warrants	2.3	24.00
		1,09,841.33
2. Non-current liabilities		
a) Long term borrowings	2.4	2,23,248.10
b) Deferred tax liabilities (net)	2.5	1,175.88
c) Other long term liabilities	2.6	25.60
d) Long term provisions	2.7	1,480.76
		2,25,930.34
3. Current liabilities		
a) Short term borrowings	2.8	3,251.30
b) Other current liabilities	2.9	42,601.47
c) Short term provisions	2.10	115.63
		45,968.40
TOTAL		**3,81,740.07**
II. Assets		
1. Non-current assets		
a) Fixed assets	2.11	
i) Property, plant and equipment		1,545.45
ii) Intangible assets		297.07
iii) Intangible assets under development		3.27
b) Non current Investment	2.12	929.07
c) Long term loans and advances	2.13	
i) Loans	2.13.1	3,06,795.99
ii) Others	2.13.2	149.80
		3,09,720.65
2. Current assets		
a) Current Investment	2.12	26.60
b) Cash & bank balances	2.14	56,946.11
c) Short term loans and advances	2.13	
i) Loans	2.13.1	10,440.41
ii) Others	2.13.2	294.87
d) Other current assets	2.15	4,311.43
		72,019.42
TOTAL		**3,81,740.07**
Summary of significant accounting policies	1	

TThe accompanying notes are an integral part of the Consolidated financial statements

As per our report of even date

For S.R. Batliboi & Associates LLP
ICAI Firm Registration No. 101049W/E300004
Chartered Accountants

Sd/-
per Amit Kabra
Partner
Membership No. 094533

For and on behalf of the Board of Directors of
AAVAS FINANCIERS LIMITED
(Formerly known as "Au Housing Finance Limited")

Sd/-
Manas Tandon
(Nominee Director)

Sd/-
Sushil Kumar Agarwal
(Whole Time Director & CEO)

Sd/-
Ghanshyam Rawat
(Chief Financial Officer)

Sd/-
Sharad Pathak
(Company Secretary)

Place: Mumbai
Date: April 27, 2018

Place: Jaipur
Date: April 27, 2018

Consolidated Statement of profit and loss for the year ended March 31, 2018

(₹ in lakh)

	Notes	Year ended March 31, 2018
Revenue		
Revenue from operations	2.16	45,636.55
Other income	2.17	90.55
Total Revenue (I)		**45,727.10**
Expenses		
Employee benefit expenses	2.18	7,335.92
Finance cost	2.19	18,905.33
Depreciation and amortization expenses	2.11	562.65
Other expenses	2.20	4,563.28
Provisions and write offs	2.21	190.41
Total expenses (II)		**31,557.59**
Profit before tax (III)= (I)-(II)		**14,169.51**
Tax expenses:		
Current tax	2.22	4,322.94
Deferred tax	2.22	559.09
Total tax expenses (IV)		**4,882.03**
Profit after tax (III)-(IV)		**9,287.48**
Earnings per equity share	2.23	
Basic (₹)		15.86
Diluted (₹)		15.20
Nominal value per share (₹)		10.00
Summary of significant accounting policies	1	

The accompanying notes are an integral part of the Consolidated financial statements

As per our report of even date

For S.R. Batliboi & Associates LLP
ICAI Firm Registration No. 101049W/E300004
Chartered Accountants

Sd/-
per Amit Kabra
Partner
Membership No. 094533

Place: Mumbai
Date: April 27, 2018

For and on behalf of the Board of Directors of
AAVAS FINANCIERS LIMITED
(Formerly known as "Au Housing Finance Limited")

Sd/-
Manas Tandon
(Nominee Director)

Sd/-
Sushil Kumar Agarwal
(Whole Time Director & CEO)

Sd/-
Ghanshyam Rawat
(Chief Financial Officer)

Sd/-
Sharad Pathak
(Company Secretary)

Place: Jaipur
Date: April 27, 2018

Consolidated Cash flow statement for the year ended March 31, 2018

(₹ in lakh)

		Year ended March 31, 2018
A	**Cash flow from operating activities:**	
	Net profit before tax as per statement of consolidated profit and loss	**14,169.51**
	Adjustments for	
	Depreciation and amortization	562.65
	Expenses incurred on increase in authorized capital and issue of shares	19.00
	Provision for standard and NPA assets	12.37
	Provision for employee benefits	109.31
	Operating profit before working capital changes	**14,872.84**
	Changes in working capital	
	Decrease/(increase) in Long term loans and advances	(1,00,911.88)
	Decrease/(increase) in Short term loans and advances	(3,299.53)
	Decrease/(increase) in Other current assets	(1,399.68)
	(Decrease)/increase in Other long term liabilities	13.85
	(Decrease)/increase in Other current liabilities	2,495.99
		(1,03,101.25)
	Direct taxes paid	**(4,184.91)**
	Net cash flow from / (used in) operating activities (A)	**(92,413.32)**
B	**Cash flow from investing activities:**	
	Inflow (outflow) on account of :	
	Investment in Pass through certificate (PTC)	(547.40)
	Investment in Security receipts	(330.30)
	Investment in fixed deposits	(19,930.80)
	Purchase of Property, plant and equipment (including capital work-in-progress)/ intangible assets	(1,378.17)
	Sale of Property, plant and equipment (including capital work-in-progress)	0.17
	Net cash flow from / (used in) investing activities (B)	**(22,186.50)**
C	**Cash flow from financing activities:**	
	Issue of equity shares (including share premium)	44,117.35
	Share / debenture issue expenses	(318.34)
	Proceeds from long term and short term borrowings	1,27,673.46
	Repayment of long term and short term borrowings	(47,434.07)
	Net Cash flow from / (used in) financing activities (C)	**1,24,038.40**
	Net increase/(decrease) in cash and cash equivalents (A+B+C)	**9,438.58**
	Cash and cash equivalents as at the beginning of the year	26,860.13

Consolidated Cash flow statement for the year ended March 31, 2018

(₹ in lakh)

		Year ended March 31, 2018
Cash and cash equivalents at the end of the year		**36,298.71**
Components of cash and cash equivalents		
Cash on hand		190.75
Balance with franking machine*		0.94
Balance with banks		
In current accounts		13,907.02
In cash credit		500.00
In deposit account		21,700.00
Total cash and cash equivalents (notes 2.14)		**36,298.71**
Summary of significant accounting policies	1	

* The Company can utilize the balance towards stamping of loan agreements executed with their borrowers and also for the agreements executed by the Company for its own borrowings.

Note:-

Cash flow statement has been prepared under indirect method as set out in the Accounting Standard (AS) 3 "Cash Flow Statements".

As per our report of even date

For S.R. Batliboi & Associates LLP
ICAI Firm Registration No. 101049W/E300004
Chartered Accountants

Sd/-
per Amit Kabra
Partner
Membership No. 094533

Place: Mumbai
Date: April 27, 2018

For and on behalf of the Board of Directors of
AAVAS FINANCIERS LIMITED
(Formerly known as "Au Housing Finance Limited")

Sd/-
Manas Tandon
(Nominee Director)

Sd/-
Sushil Kumar Agarwal
(Whole Time Director & CEO)

Sd/-
Ghanshyam Rawat
(Chief Financial Officer)

Sd/-
Sharad Pathak
(Company Secretary)

Place: Jaipur
Date: April 27, 2018

Notes to the Consolidated financial statements for the year ended March 31, 2018

A. Corporate information

AAVAS FINANCIERS LIMITED (formerly known as "Au HOUSING FINANCE LIMITED")("the Company") is a public limited Company domiciled in India and incorporated under the provisions of the Companies Act, 1956. The Company is registered with National Housing Bank (NHB) vide Registration No. 04.0151.17 and is engaged in the long term financing activity in the domestic markets to provide housing finance.

AAVAS FINSERV LIMITED ("the subsidiary") is a public limited Company domiciled in India and incorporated under the provisions of the Companies Act, 2013. The company has been incorporated during the year on November 30, 2017 to carry on the business of financing by way of lending/hire-purchase and to provide on lease, sub-lease or on hire, including but not limited to, all type of vehicles, automobiles, industrial plant and machinery, office equipment, movable and immovable assets, building, real estate, household and domestic appliances and equipment, furniture, fixtures, finishing items and all type of machinery, etc. The company has neither obtained Certificate of Registration from Reserve Bank of India nor has commenced any business activity during the period ending March 31, 2018.

B. Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with the generally accepted accounting principles in India (Indian GAAP). The consolidated financial statements of the Company have been prepared to comply in all material respects with the accounting standards notified under section 133 of the Companies Act 2013 ("the Act"), read together with paragraph 7 of the Companies (Accounts) Rule 2014; the Companies (Accounting Standards) Amendment Rules, 2016 and the guidelines issued by the National Housing Bank to the extent applicable. The consolidated financial statements have been prepared on an accrual basis under the historical cost convention. The accounting polices applied by the Company are consistent with those used in the previous year.

The comparative amounts for the balance sheet, statement of profit and loss and cash flow statement for the year ended March 31, 2017 have not been presented, in accordance with the transitional provision under paragraph 30 of AS 21 since this is the first occasion of presentation of consolidated financial statements of the Group in accordance with AS 21 'Consolidated Financial Statements'

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Act. The Company has ascertained its operating cycle as 12 months for the above purpose.

C. Principles of Consolidation

The financial statement of the subsidiary company used in the consolidation is drawn up to the same reporting date as of the Company i.e. year ended March 31, 2018 and is prepared based on the accounting policies consistent with those used by the Company except for the differences disclosed in the financial statement.

The financial statements of the Group have been prepared in accordance with the AS-21- ' Consolidated financial statements' notified under section 133 of the Companies Act 2013 (""the Act""), read together with paragraph 7 of the Companies (Accounts) Rule 2014; the Companies (Accounting Standards) Amendment Rules, 2016.

The consolidated financial statements have been prepared on the following basis

a. The financial statements of the Company and its subsidiary company has been combined on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. The intra-group balances and intragroup transactions have been fully eliminated except where losses are realized.

b. The excess of cost to the Company of its investment in the subsidiary company over its share of equity of the subsidiary company, at the dates on which the investment in the subsidiary company is made, is recognized as 'goodwill' being an asset in the consolidated financial statements. Alternatively, where the share of equity in the subsidiary company as on the date of investment is in excess of cost of investment of the Company, it is recognized as 'Capital Reserve' and shown under the head 'Reserves and Surplus' in the consolidated financial statements.

Notes to the Consolidated financial statements for the year ended March 31, 2018

Information on Subsidiary

Following Subsidiary Company is considered in the consolidated financial statements

Name of the Company	Country of Incorporation	Proportion of ownership interest As at March 31, 2018
AAVAS FINSERV LIMITED	India	100.00%

1 Summary of significant accounting policies

1.1 Use of estimates

The preparation of consolidated financial statements in conformity with Indian GAAP requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

1.2 Cash and cash equivalent

Cash and cash equivalent comprises of cash in hand, demand deposits and time deposits with original maturity of less than three months held with bank, debit balance in cash credit account and stamping/franking balance.

1.3 Revenue recognition

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

a. Interest

(i) Interest on loans:

Interest Income is recognized on a time proportion accrual basis taking into account the amount outstanding and the interest rate implicit in the underlying agreements. Income or any other charges on non performing assets is recognized only when realized and any such income recognized before the assets became non performing and remaining unrealized is reversed.

(ii) Income from assignment/securitization:

Gains arising on securitization of assets is recognized over the tenure of securities issued by SPV as per guidelines on securitization of standard assets issued by RBI. Income from excess interest spread is accounted for net of losses when redeemed in cash. Expenditure in respect of securitization is recognized upfront. Income arising on direct assignment is recognized over the tenure of agreement on accrual basis.

b. Fees, other charges and other interest:

(i) Overdue interest in respect of loans is recognized on receipt basis.

(ii) Administrative fees and processing fees is recognized in the year in which the loan is disbursed.

(iii) Revenue from interest on bank deposits and investments are recognized on accrual basis.

(iv) Income from cheque bouncing charges is recognized on receipt basis.

c. Commision on Insurance Policies:

Commision on insurance policies sold is recognized on accrual basis when the Company under its agency code sells the insurance policies .

d. Income from investments:

Dividend income is accounted for when the right to receive the dividend is established by the date of balance sheet.

1.4 Borrowing cost

Borrowing cost includes interest and ancillary costs incurred in connection with the arrangement of borrowings.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur.

1.5 Translation of Foreign Currency

a. Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

b. Foreign currency monetary items are retranslated using the exchange rate prevailing on the close of the financial year.

c. Exchange differences arises on the settlement of monetary items or on reporting the Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise.

d. "Forward exchange contracts entered into to hedge foreign currency risk of an existing asset/liability The premium or discount arising at the inception of the forward exchange contract is amortized and recognized as an income/expense in the statement of profit and loss over the life of the contract. Exchange difference on such contracts are recognized in the statement of profit and loss in the period in which the exchange rates change."

1.6 Operating Leases

Leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognized as an expense in the statement of profit and loss on a straight-line basis over the lease term.

1.7 Investment

Investments, which are readily realizable and intended to be held for not more than one year from the date on which such investments are made, are classified as current investments. All other investments are classified as long-term investments.

On initial recognition, all investments are measured at cost. The cost comprises of purchase price and directly attributable acquisition charges such as brokerage, fees and duties. If an investment is acquired, or partly acquired, by the issue of shares or other securities, the acquisition cost is the fair value of the securities issued. If an investment is acquired in exchange for another asset, the acquisition is determined by reference to the fair value of the asset given up or by reference to the fair value of the investment acquired, whichever is more clearly evident.

Current investments are carried in the financial statements at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of the investments.

On disposal of an investment, the difference between its carrying amount and net disposal proceeds is charged or credited to the statement of consolidated profit and loss.

1.8 Property, plant and equipment/Intangible Fixed Assets, Depreciation/Amortisation and Impairment

Property, plant and equipment

Property, plant and equipment are stated at cost net of accumulated depreciation and accumulated impairment losses, if any. Cost comprises of the purchase price and any attributable cost of bringing the assets to its working condition for its intended use.

Depreciation on fixed assets is calculated on a written down value basis using the useful lives those prescribed under the Schedule II to the Act. The Company has used the following useful lives to provide depreciation on its fixed assets.

Fixed assets	**Useful Life (WDV) (In Years)**
Freehold Land	NIL
Building	60
Furniture and fixtures	10
Office equipment	5
Motor Vehicles	8
Servers	6
Computers and printers	3

All fixed assets individually costing ₹5,000/- or less are fully depreciated in the year of installation/purchase.

Depreciation on assets acquired/sold during the year is recognized on a pro-rata basis to the statement of profit and loss from/upto the date of acquisition/sale.

Gain or loss arising from sale of fixed assets are measured as the difference between the net disposal proceeds and the carrying amount of the assets disposed, and are recognized in the statement of profit and loss In the period when the asset is sold.

Intangible assets

Intangible assets are amortized on a straight line basis over the estimated useful economic life. The Company uses a rebuttable presumption that the useful life of an intangible asset will not exceed four years from the date when the asset is available for use. If the persuasive evidence exists to the affect that useful life of an intangible asset exceeds four years, the Company amortizes the intangible asset over the best estimate of its useful life.

Impairment of assets

The carrying amount of assets is reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets, net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. In determining net selling price, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

1.9 Provision and contingencies

A provision is recognized when the Company has a present obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates.

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or nonoccurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflowof resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

1.10 Provision for Standard Assets and Non-Performing Assets (NPAs) / Write off

a. Housing loans and other loans are classified as per the Housing Finance Companies (NHB) Directions, 2010 ("the NHB Directions"), into performing and non-performing assets. Further, non-performing assets are classified into sub-standard, doubtful and loss assets and provision made based on criteria stipulated by the NHB Directions. Additional provisions are made against all non-performing assets over and above the provisions stated in the NHB Directions, if in the opinion of the management higher provision is necessary.

b. The Company maintains standard provision to cover potential credit losses, which are inherent in any loan portfolio but not identified, In accordance with 'the NHB Directions'.

c. The Company reviews the stressed cases periodically and if it considers that recovery in such assets is not probable, then it can classify such assets as "loss assets" and write off the same in Profit and loss account.

1.11 Properties acquired under Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002

Upon a property being acquired under SARFAESI, the outstanding loan is settled and the acquired property is valued at reaslizable value or principal outstanding, whichver is less. Stock of such acquired properties is shown under other current assets.

1.12 Retirement and other employee benefits

Retirement benefit in the form of provident fund is a defined contribution scheme. The Company has no obligation, other than the contribution payable to the provident fund. The Company recognizes contribution payable to the provident fund scheme as an expenditure, when an employee renders the related service. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognized as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognized as an asset to the extent that the pre payment will lead to, for example, a reduction in future payment or a cash refund.

The Company provides gratuity benefits which is a defined benefit scheme. The cost of providing gratuity benefits is determined on the basis of actuarial valuation at each year-end. Separate actuarial valuation is carried out for each plan using the projected unit credit method. Actuarial gains and losses are recognized in full in the period in which they occur in the statement of profit and loss.

Accumulated leave, which is expected to be utilized within the next 12 months, is treated as short-term employee benefit. The Company measures the expected cost of such absence as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date. The Company treats accumulated leave expected to be carried forward beyond twelve months, as long term employee benefit for measurement purposes.

Actuarial gains/losses are immediately taken to the statement of profit and loss and are not deferred.

1.13 Provision for Taxation

Tax expense comprises of current and deferred tax. Current income-tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961 enacted in India. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recongnized directly in equity is recongnized in equity and not in statement of profit and loss.

Deferred income taxes reflect the impact of timing differences between taxable income and accounting income originating during the current year and reversal of timing differences for the earlier years. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted at the reporting date.

Deferred tax liabilities are recognized for all taxable timing differences. Deferred tax assets are recognized for deductible timing differences only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

Notes to the Consolidated financial statements for the year ended March 31, 2018

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set-off current tax assets against current tax liabilities and the deferred tax assets and deferred taxes relate to the same taxable entity and the same taxation authority.

At each reporting date, the Company re-assesses unrecognized deferred tax assets. It recognizes unrecognized deferred tax asset to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realized.

1.14 Capital Issue Expenses

Share/ Debenture issue expenses incurred are expensed in the year of issue and redemption premium payable on debentures is expensed over the term of debentures. These are adjusted (net of tax) to the securities premium account in accordance with section 52 of the Act to the extent of balance available in such premium account.

1.15 Earning per share

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. Partly paid equity shares are treated as a fraction of an equity share to the extent that they are entitled to participate in dividends relative to a fully paid equity share during the reporting year.

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

1.16 Share based payments

In case of stock option plan, measurement and disclosure of the employee share-based payment plans is done in accordance with the Guidance Note on Accounting for Employee Share-based Payments, issued by the Institute of Chartered Accountants of India as applicable for equity-settled share based payments.

The cost of equity-settled transactions is measured using the intrinsic value method and recognized, together with a corresponding increase in the "Stock options outstanding account" in reserves. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The expense or credit recognized in the statement of profit and loss for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and is recognized in employee benefits expense.

2 Notes to accounts for the year ended March 31, 2018

2.1 Share capital

Details of authorized, issued, subscribed and paid up share capital

(₹ in lakh)

	As at March 31, 2018
Authorized share Capital	
8,50,00,000 Equity Shares of ₹10/- each	8,500.00
	8,500.00
Issued , Subscribed & Paid up capital	
Issued and Subscribed Capital	
6,99,50,891 Equity Shares of ₹10/- each	6,995.09
Called-Up and Paid Up Capital	
Fully Paid-Up	
6,87,98,297 Equity Shares of ₹10/- each	6,879.83
Partly Called-Up and Paid Up Capital	
7,20,094 Equity Shares of ₹10/- each , 4 Paid up	28.81
4,32,500 Equity Shares of ₹10/- each , 2 Paid up	8.65
Total	**6,917.28**

2.1.1 The reconciliation of equity shares outstanding at the beginning and at the end of the reporting period.

Name of the shareholder	As at March 31, 2018	
	No. of shares	₹ In lakh
Equity Share at the beginning of year	5,87,39,657	5,816.36
Add:		
Equity Share Allotted during year		
Shares issued during the year	6,97,162	35.11
Right Shares issued during the period	92,91,521	929.15
ESOP exercised during the period	12,22,551	122.26
Call money received on 7,20,094 @ ₹2 per share	-	14.40
Equity share at the end of period	**6,99,50,891**	**6,917.28**

2.1.2 Shares held by holding Company

Name of the shareholder	As at March 31, 2018	
	No. of shares	% of holding
Lake District Holdings Limited	3,52,61,756	50.41%
3,52,61,756 Equity Shares of ₹10/- each fully paid		
Total	**3,52,61,756**	**50.41%**

As per records of the Company, including its register of shareholders/ members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownerships of shares.

Notes to the Consolidated financial statements for the year ended March 31, 2018

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

Name of the shareholder	As at March 31, 2018	
	No. of shares	% of holding
Lake District Holdings Limited	3,52,61,756	50.41%
3,52,61,756 Equity Shares of ₹10/- each fully paid		
Partners Group ESCL Limited	1,71,27,627	24.49%
1,71,27,627 Equity Shares of ₹10/- each fully paid		
Partners Group Private Equity Master Fund LLC	75,16,440	10.74%
75,16,440 Equity Shares of ₹10/- each fully paid		
AU Small Finance Bank Limited (Formerly known as "Au Financiers (INDIA) Limited")	50,14,746	7.17%
50,14,746 Equity Shares of ₹10/- each fully paid		
Total	**6,49,20,569**	**92.81%**

As per records of the Company, including its register of shareholders/ members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownerships of shares.

2.1.4 Rights, preferences and restrictions attached to shares

Equity shares:

The Company has one class of equity shares having a par value of ₹10 per share. Each shareholder is eligible for one vote per share held. The dividend as and when proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

2.1.5 For details of shares reserved for issue under the employee stock option (ESOP) plan of the Company, refer note 2.26

2.2 Reserves & surplus

(₹ in lakh)

Particulars	As at March 31, 2018
a. Special reserve u/s 29C of The National Housing Bank Act, 1987 read with section 36 (1) (viii) of Income Tax Act, 1961 (refer note 2.2.1)	
Balance as per last financial statement	2,803.77
Add: Amount transferred from surplus balance in the statement of profit and loss	2,016.85
Total (a) Closing balance	**4,820.62**
b. Surplus / (deficit) in the statement of profit and loss	
Balance as per last financial statement	8,914.92
Add: Net profit after tax transferred from statement of profit and loss	9,287.48
	18,202.40
Less: Appropriation	
Transfer to special reserve u/s 36(1)(viii) of Income Tax Act, 1961 taken into account for the purposes of Statutory Reserve under Section 29C of the NHB Act, 1987	2,016.85
Total (b) Net surplus in the statement of profit and loss	**16,185.55**
c. Share Premium	
Balance as per last financial statement	39,097.62
Add: Received during the year	42,992.42
Less: Utilized for share issue expense	1.21
Less: Utilized during the year for NCD issue expenses (net of tax)	145.03
Less: Utilized during the year for premium on redemption of NCD (net of tax)	49.92
Total (c) Share Premium Reserve	**81,893.88**
Total reserve and surplus (a+b+c)	**1,02,900.05**

2.2.1 Section 29C (i) of The National Housing Bank Act, 1987 defines that every housing finance institution which is a Company shall create a reserve fund and transfer therein a sum not less than twenty percent of its net profit every year as disclosed in the statement of profit and loss before any dividend is declared. For this purpose any special reserve created by the Company under Section 36(1) (viii) of Income tax Act 1961, is considered to be an eligible transfer. The Company has transferred an amount of ₹2016.85 lakhs to special reserve in terms of Section 36(1) (viii) of the Income Tax Act 1961 considered eligible for special reserve u/s 29C of NHB Act 1987.

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 the NHB Act, 1987 is provided :

(₹ in lakh)

Particulars	As at March 31, 2018
Reserve & Surplus	
Statutory Reserve (As per Section 29C of the National Housing Bank Act, 1987)	
Opening Balance	2,803.77
Additional during the year	2,016.85
Appropriation during the year	-
Closing Balance	**4,820.62**

(₹ in lakh)

Particulars			As at March 31, 2018
a. Special Reserve u/s 29C of The National Housing Bank Act, 1987 read with section 36 (1) (viii) of Income Tax Act, 1961*			
Balance at the beginning of the year			
	a)	Statutory Reserve u/s 29C of the National Housing Bank Act, 1987	-
	b)	Amount of special reserve u/s 36(1)(viii) of Income Tax Act, 1961 taken into account for the purposes of Statutory Reserve under Section 29C of the NHB Act, 1987	2,803.77
	c)	Total	2,803.77
Addition /Appropriation / Withdrawal during the year			
Add:	a)	Amount transferred u/s 29C of the NHB Act, 1987	-
	b)	Amount of special reserve u/s 36(1)(viii) of Income Tax Act, 1961 taken into account for the purposes of Statutory Reserve under Section 29C of the NHB Act, 1987	2,016.85
Less:	a)	Amount appropriated from the Statutory Reserve u/s 29C of the NHB Act, 1987	-
	b)	Amount withdrawn from the Special Reserve u/s 36(1)(viii) of Income Tax Act, 1961 which has been taken into account for the purpose of provision ul s 29C of the NHB Act, 1987	-
Balance at the end of the year			
	a)	Statutory Reserve u/s 29C of the National Housing Bank Act, 1987	-
	b)	Amount of special reserve u/s 36(1)(viii) of Income Tax Act, 1961 taken into account for the purposes of Statutory Reserve under Section 29C of the NHB Act, 1987	4,820.62
	c)	**Total**	**4,820.62**

Notes to the Consolidated financial statements for the year ended March 31, 2018

2.3 Money received against share warrants

(₹ in lakh)

Particulars	As at March 31, 2018
Money received against share warrants (refer note 2.3.1)	24.00
Total	**24.00**

2.3.1 During the financial year 2017-18, the Company had issued 360,000 and 440,000 convertible warrants at a Issue Price of ₹328.00 and 430.50 per warrant respectively upon receipt of ₹3 per warrant , with a right exercisable by the warrant holder to convert each warrant with one equity share of the Company of face value ₹10/- each at a premium of ₹318.00 and ₹420.50 as the case may be, any time before the expiry of 5 years from the date of allotment or the filing of red herring prospectus with SEBI in accordance with applicable laws or any other period specified by Board, whichever is earlier, of the said convertible warrants.

2.4 Long term borrowings

(₹ in lakh)

Particulars	As at March 31, 2018	
	Non-current	Current
Secured		
Loans from National Housing Bank (refer note 2.4.1)	33,821.15	2,688.69
Loans from banks (refer note 2.4.2)	1,45,476.95	23,590.14
Loans from financial institution (refer note 2.4.3)	950.00	800.00
Non- convertible debentures (refer note 2.4.4)	33,000.00	6,000.00
Unsecured		
Non- convertible debentures (Subordinate Debt) (refer note 2.4.4)	10,000.00	-
Amount disclosed under the head "other current liabilities" (refer note 2.9)		(33,078.83)
Total	**2,23,248.10**	**-**

2.4.1 Secured term loans from National Housing Bank carry rate of interest in the range of 4.86% to 9.15% p.a. The loans are having tenure of 10 to 15 years from the date of disbursement and are repayable in quarterly instalments. These loans are secured by hypothecation (exclusive charge) of the loans given by the Company. Loans from bank to the extent of ₹9,994.93 lakhs have been guaranteed by corporate guarantee of AU Small Finance Bank Limited (Formerly known as "Au Financiers (INDIA) Limited")

2.4.2 Secured term loans from Banks include loans from various banks and carry rate of interest in the range of 8.30% to 10.10% p.a. The loans are having tenure of 3 to 15 years from the date of disbursement and are repayable in monthly or quarterly or yearly instalments. These loans are secured by hypothecation (exclusive charge) of the loans given by the Company. Secured term loan from banks include auto loans of ₹167.27 lakhs carrying rate of interest in the range of 8.40% to 10.50% p.a. which are secured by hypothecation of Company's vehicles.

2.4.3 Loans from financial institutions carry interest rate 9% p.a. and are for a tenure of 5 years from the date of disbursement. The loans are repayable in equal quarterly installments of ₹200.00 lakhs each respectively.

2.4.4 Detail of Redeemable Non-Convertible Debentures

(₹ in lakh)

Sr. No.	ISIN No.	Date of allotment	Date of redemption	Call Option	Put Option	Nominal value per debenture	Total number of debentures	Rate of Interest p.a.	Total amount	As at March 31, 2018 Non-current	As at March 31, 2018 Current	Secured/ Unsecured	Terms of redemption
1	INE216P07076	15-Jul-15	20-Jun-18	N.A.	N.A.	10	100	10.70%	1,000	-	1,000	Secured	Redeemable at par
2	INE216P07084	15-Jul-15	27-Dec-18	N.A.	N.A.	10	200	10.70%	2,000	-	2,000	Secured	Redeemable at par
3	INE216P07092	31-Jul-15	31-Dec-18	N.A.	N.A.	10	300	10.70%	3,000	-	3,000	Secured	Redeemable at par
4	INE216P07100	02-Sep-16	20-Mar-20	N.A.	N.A.	10	500	10.30%	5,000	5,000	-	Secured	Redeemable at par
5	INE216P07142	10-Oct-16	10-Oct-19	N.A.	N.A.	10	1,000	9.00%	10,000	10,000	-	Secured	Redeemable at par
6	INE216P07126	20-Dec-16	19-Oct-20	N.A.	N.A.	10	500	9.00%	5,000	5,000	-	Secured	Redeemable at par
7	INE216P07134	18-Jul-17	18-May-22	N.A.	N.A.	10	1,300	8.61%	13,000	13,000	-	Secured	Redeemable at par
8	INE216P08017	22-Dec-17	22-Dec-23	N.A.	N.A.	10	1,000	9.74%	10,000	10,000	-	Unsecured	Redeemable at par
									Total amount	**43,000**	**6,000**		

*Redeemed during the year

2.4.5 Terms of repayment of of long term borrowings outstanding as at March 31, 2018

(₹ in lakh)

		Due within 1 year		Due 1 to 2 years		Due 2 to 3 years		Due 3 to 4 years		Due 4 to 5 years		Due 5 to 10 years		Above 10 years		Total	
Original maturity of loan	**Interest rate**	**No. of installments**	**Amount**	**No. of installments**	**Amount**	**No. of installments**	**Amount**	**No. of installments**	**Amount**	**No. of installments**	**Amount**	**No. of installments**	**Amount**	**No. of installments**	**Amount**	**No. of installments**	**Amount**
Monthy repayment schedule																	
Above 3 years	8%-10%	408	7,370.08	391	6,999.59	341	5,061.81	232	3,648.98	66	3,063.78	152	8,498.14	34	977.01	**1,624**	**35,619.39**
	10%-12%	60	708.70	31	627.69	11	366.67	-	-	-	-	-	-	-	-	**102**	**1,703.06**
Quarterly repayment schedule																	
Above 3 years	4%-6%	3	204.00	4	272.00	4	272.00	4	272.00	4	272.00	19	1,280.00	-	-	**38**	**2,572.00**
	6%-8%	12	925.92	16	1,234.56	16	1,234.56	16	1,234.56	16	1,234.56	80	6,172.80	47	3,043.95	**203**	**15,080.91**
	8%-10%	208	17,370.33	242	22,565.28	225	20,970.38	197	19,067.19	174	17,268.48	532	47,135.99	74	1,985.77	**1,652**	**1,46,363.42**
Yearly repayment schedule																	
Above 3 years	8%-10%	1	500.00	2	988.15	1	500.00	1	500.00	1	500.00	3	3,000.00	-	-	**9**	**5,988.15**
At the end of tenure																	
Above 3 years	8%-10%	-	-	2	15,000.00	1	5,000.00	-	-	1	13,000.00	1	10,000.00	-	-	**5**	**43,000.00**
	10%-12%	**3**	**6,000.00**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3**	**6,000.00**
		695	**33,079.03**	**688**	**47,687.27**	**599**	**33,405.42**	**450**	**24,722.73**	**262**	**35,338.82**	**787**	**76,086.93**	**155**	**6,006.73**	**3,636**	**2,56,326.93**

Notes to the Consolidated financial statements for the year ended March 31, 2018

2.5 Deferred tax liabilities (net)

(₹ in lakh)

Particulars	As at March 31, 2018
Deferred tax liability	
Difference between tax depreciation and depreciation/amortization charged for the financial reporting	-
Provision for special reserve u/s 29C of NHB Act read with section 36 (1) (viii) of IT Act, 1961	1,668.32
Gross deferred tax liability	**1,668.32**
Deferred tax asset	
Provision for standard assets	(342.13)
Provisions on non performing assets	(28.50)
Provision for gratuity and leave encashment	(93.84)
Provision for Lease equalization reserve	(14.62)
Difference between tax depreciation and depreciation/amortization charged for the financial reporting	(13.35)
Gross deferred tax asset	**(492.44)**
Net Deferred Tax Liability	**1,175.88**

2.6 Other long term liabilities

(₹ in lakh)

Particulars	As at March 31, 2018
Other long term liabilities	25.60
Total	**25.60**

2.7 Long term provisions

(₹ in lakh)

Particulars	As at March 31, 2018
Provision for employee benefits	
Gratuity	180.66
Leave availment	69.30
Other provisions	
Provision for non performing asset	243.97
Provision for Investments	41.29
Provision for standard assets as per NHB Directions	945.54
Total	**1,480.76**

2.7.1 Provision in respect of standard, sub standard, doubtful and loss assets are recorded in accordance with the NHB Directions, as follows:-

(₹ in lakh)

Particulars	As at March 31, 2018	
	Loans	Provision
Standard assets		
Housing Loan	2,24,195.53	616.92
Other loans	91,971.72	371.68
	3,16,167.25	**988.60**
Sub-Standard Assets		
Housing Loan	870.50	182.81
Other loans	98.40	20.66
	968.90	**203.47**
Doubtful Assets - Category - I		
Housing Loan	81.24	30.46
Other loans	8.02	3.01
	89.26	**33.47**
Doubtful Assets - Category - II		
Housing Loan	10.25	6.56
Other loans	0.74	0.47
	10.99	**7.03**
Doubtful Assets - Category - III		
Housing Loan	-	-
Other loans	-	-
	-	-
Loss assets		
Housing Loan	-	-
Other loans	-	-
Total	**3,17,236.40**	**1,232.57**

2.8 Short term borrowings

(₹ in lakh)

Particulars	As at March 31, 2018
Secured	
From Bank (refer note 2.8.1)	3,251.30
	3,251.30

Notes to the Consolidated financial statements for the year ended March 31, 2018

2.8.1 Cash credit borrowings from bank are secured against hypothecation of housing loans given by the Company, are repayable on demand and carry interest rates ranging from 9.00% to 11.00%

2.9. Other current liabilities

(₹ in lakh)

Particulars	As at March 31, 2018
Current maturities of long term debts (refer note 2.4)	
From bank- term loan	26,278.82
From financial institution- term loan	800.00
From non convertible debentures	6,000.00
Interest accrued but not due on borrowings	
From non convertible debentures	1,401.70
From unsecured non convertible debentures	266.85
From bank- term loan	68.84
From financial institution- term loan	11.47
Other payables	
Due to assignees towards collections in derecognized assets	3,036.45
Statutory liabilities	331.38
Employee benefits payable	586.24
Other current liabilities	3,819.72
Total	**42,601.47**

2.10. Short term provisions

(₹ in lakh)

Particulars	As at March 31, 2018
Provision for employee benefits	
Gratuity	7.08
Leave availment	14.11
Provision for tax (Net of Advance Tax)	51.39
Provision for Standard assets as per NHB Norms	43.05
Total	**115.63**

2.11 Fixed assets

(₹ in lakh)

Property, plant and equipment	Building and premises	Computers and printers	Furniture and fixtures	Motor vehicles	Office equipment	Land	Total
Cost							
At March 31, 2017	**445.72**	**404.75**	**355.45**	**66.87**	**120.54**	**-**	**1,393.33**
Additions	28.53	405.06	402.63	177.27	148.92	4.95	1,167.36
Disposals	-	(0.52)	-	-	(0.25)	-	(0.77)
At March 31, 2018	**474.25**	**809.29**	**758.08**	**244.14**	**269.21**	**4.95**	**2,559.92**
Depreciation							
At March 31, 2017	**82.74**	**220.35**	**129.22**	**32.37**	**59.40**	**-**	**524.08**
Charge for the year	18.37	217.80	153.89	33.20	67.48	-	490.74
Disposals	-	(0.35)	-	-	-	-	(0.35)
At March 31, 2018	**101.11**	**437.80**	**283.11**	**65.57**	**126.88**	**-**	**1,014.47**
Net Block							
At March 31, 2018	**373.14**	**371.49**	**474.97**	**178.57**	**142.33**	**4.95**	**1,545.45**

Intangible assets	Software	Total
Gross block		
At March 31, 2017	178.54	178.54
Purchase	221.31	221.31
Disposals	-	-
At March 31, 2018	**399.85**	**399.85**
Amortization		
At March 31, 2017	**30.87**	**30.87**
Charge for the year	71.91	71.91
At March 31, 2018	**102.78**	**102.78**
Net block		
At March 31, 2018	**297.07**	**297.07**

Intangible assets under development	Software	Total
Gross block		
At March 31, 2017	13.53	13.53
Capitalized during the year	13.53	13.53
Purchase	3.27	3.27
At March 31, 2018	**3.27**	**3.27**

Notes to the Consolidated financial statements for the year ended March 31, 2018

2.12 Investments

(₹ in lakh)

Particulars	As at March 31, 2018	
	Non-current	Current
Investment in Pass through certificate (PTC)	598.77	26.60
Investment in Security receipts	330.30	-
Total	**929.07**	**26.60**

2.13 Loans and advances

(₹ in lakh)

Particulars	As at March 31, 2018	
	Non-current	Current
Secured		
2.13.1 Housing loans		
-Considered good	2,10,453.42	6,732.65
-Considered doubtful	937.66	-
Other loans		
-Considered good	87,406.24	3,171.22
-Considered doubtful	104.86	-
Loans placed towards minimum retention requirement (MRR) for direct assignment transactions		
-Considered good	7,867.18	536.54
-Considered doubtful	26.63	-
Total	**3,06,795.99**	**10,440.41**

2.13.1.1 Of the above:

(₹ in lakh)

Particulars	As at March 31, 2018
Standard	3,16,167.25
Sub-Standard	968.90
Doubtful asset - Category - I	89.26
Doubtful asset - Category - II	10.99
Doubtful asset - Category - III	-
Loss Asset	-
Total	**3,17,236.40**

2.13.1.2 Loans granted by the Company are secured by equitable mortgage/registered mortgage of the property and/or undertaking to create a security and/or personal guarantees and/or hypothecation of assets and/or assignments of life insurance policies. The process of security creation was in progress for loans to the extent of ₹16,985.32 lakhs at March 31, 2018.

2.13.1.3 Loans sanctioned but un-disbursed amount is ₹28,725.99 lakhs as on March 31, 2018.

2.13.1.4 The Company has assigned a pool of certain loans amounting to ₹48,584.04 lakhs by way of a direct assignment transaction. These loan assets have been de-recognized from the loan portfolio of the Company as the sale of loan assets is an absolute assignment and transfer on a 'no-recourse' basis. The Company continues to act as a servicer to the assignment transaction on behalf of assignee. In terms of the assignment agreement, the Company pays to assignee, on a monthly basis, the pro-rata collection amounts.

During the year the Company has securitized assets amounting to ₹10,767.38 Lakhs . These assets have been de-recognized in the books of the Company. The Company is responsible for collection and servicing of this loan portfolio on behalf of buyers/investors. In terms of the said securitization agreements, the Company pays to buyer/investor on monthly basis the prorated collection amount as per individual agreement terms.

During the year the Company has transferred certain assets amounting to ₹2497.05 lakhs to asset reconstruction company. These assets have been de-recognized from the loan portfolio of the Company. The Company continues to act as a servicer for the portfolio of such assets.

2.13.1.5 The company has granted certain loans to staff amounting to ₹407.28 lakhs as on March 31,2018

2.13.2 Other loans and advances (unsecured, considered good)

(₹ in lakh)

Particulars	As at March 31, 2018	
	Non-current	Current
Security deposit	124.45	26.00
Advance to staff	5.10	66.34
Advances to suppliers/service providers	-	116.28
Prepaid expenses	20.25	45.92
Other advances	-	40.33
Total	**149.80**	**294.87**

2.14 Cash and bank balances

(₹ in lakh)

Particulars	As at March 31, 2018
Cash and cash equivalents	
Cash on hand (refer note 2.14.1)	191.69
Balance with banks	
In Current accounts	13,907.02
In Cash credit accounts	500.00
In Deposits with original maturity of less than three months	21,700.00
	36,298.71
Other bank balances	
Deposit with original maturity of more than 12 months (refer note 2.14.2)	1,147.30
Deposit with original maturity of more than 3 months less than 12 months	19,500.10
Total	**56,946.11**

2.14.1 Cash on hand includes of ₹0.94 Lakh balance of franking machine.

2.14.2 Other Bank Balance in deposit accounts include deposits under lien aggregating to ₹1147.30 lakhs towards the first loss guarantee provided by the Company under the securitization agreements.

2.15 Other Current Assets

(₹ in lakh)

Particulars	As at March 31, 2018
Recoverable from borrowers	365.71
Interest accrued but not due on loan	3,114.21
Stock of Assets acquired under SARFAESI	693.88
Interest accrued but not due on deposit with banks and others	54.09
Other current assets	83.54
Total	**4,311.43**

Notes to the Consolidated financial statements for the year ended March 31, 2018

2.16 Revenue from operations

(₹ in lakh)

Particulars	Year ended March 31, 2018
Interest Income on	
Loan portfolio	38,632.78
Securitization	710.85
Other operating income	
Fees and other charges from customers (Note 2.16.1)	4,000.63
Insurance commission	20.77
Other interest income(Note 2.16.2)	154.27
Profit on redemption of liquid mutual fund units	2,117.25
Grand Total	**45,636.55**

2.16.1 Loan origination income included in Fees and other charges from customers is disclosed net of the direct incremental costs of ₹1130.61 lakhs for year ended March 31, 2018 associated with the origination of the underlying loans.

2.16.2 Other interest income constitutes interest income on (Fixed Deposits, Inter corporate deposit & Commercial Paper)

2.17 Other income

(₹ in lakh)

Particulars	Year ended March 31, 2018
Other non operating income	90.55
Total	**90.55**

2.18 Employee benefit expenses

(₹ in lakh)

Particulars	Year ended March 31, 2018
Salaries and other benefits	6,850.62
Contribution to provident and other funds	267.45
Staff welfare expenses	217.85
Total	**7,335.92**

2.18.1 Gratuity and other post-employment benefit plans

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service is eligible for gratuity on cessation of employment and it is computed at 15 days salary (last drawn salary) for each completed year of service subject to such limit as prescribed by The Payment of Gratuity Act, 1972 as amended from time to time.

The following tables summarize the components of net benefits expense recognized in the statement of profit and loss and the funded status and amounts recognized in the balance sheet for the respective plans.

Statement of profit and loss

Net employee benefit expense recognized in the employee cost

(₹ in lakh)

	March 31, 2018
Current service cost	84.91
Interest cost	8.43
Expected return on plan assets	-
Net actuarial (gain) / loss recognized in the year	(10.82)
Net expense	**82.52**

Balance Sheet

Benefit asset/ liability

(₹ in lakh)

	March 31, 2018
Present value of defined benefit obligation	187.74
Fair value of plan assets	-
Plan asset / (liability)	**187.74**

Changes in the present value of the defined benefit obligation are as follows:

(₹ in lakh)

	March 31, 2018
Opening defined benefit obligation	112.44
Current service cost	84.91
Interest cost	8.43
Benefits paid during the year	(7.22)
Actuarial (gain)/loss on obligation	(10.82)
Closing defined benefit obligation	**187.74**

The principle assumptions used in determining gratuity obligations for the Company are shown below:

	March 31, 2018
Discount rate	7.75%
Salary escalation rate	7.00%
Employee Turnover	age 30 = 5%
	age 31-40 = 3%
	age 41-50 = 2%
	age 51 & above=1%

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

Experience adjustment for the reported periods are as below:

(₹ in lakh)

	March 31, 2018
Defined benefit obligation	187.74
Plan assets	-
Surplus / (deficit)	187.74
Experience adjustments on plan liabilities	(10.82)
Experience adjustments on plan assets	-

Other Benefits

The Company has provided for compensatory leaves which can be availed and not encashed as per policy of the Company as present value obligation of the benefit at related current service cost measured using the Projected Unit Credit Method on the basis of an actuarial valuation.

Notes to the Consolidated financial statements for the year ended March 31, 2018

2.19 Finance cost

(₹ in lakh)

Particulars	Year ended March 31, 2018
Interest expense (Note 2.19.1)	18,442.88
Other borrowing costs (Note 2.19.2)	462.45
Total	**18,905.33**

2.19.1 Interest expense includes interest on:

(₹ in lakh)

Particulars	Year ended March 31, 2018
Unsecured debt	278.81
Term loans/cash credit facilities/CP/ICD	14,205.60
Non-convertible debentures	3,958.47
	18,442.88

2.19.2 Other borrowing costs includes

(₹ in lakh)

Particulars	Year ended March 31, 2018
Resource mobilization expenses	388.20
Bank charges and commission	74.25
	462.45

2.20 Other expenses

(₹ in lakh)

Particulars	Year ended March 31, 2018
Advertisement and publicity expenses	448.11
AMC Charges	44.51
Communication	178.87
Commission & brokerage	99.68
CSR Expenses	64.25
Directors Sitting Fees	19.45
Electricity and water	119.32
Fee & subscription	1.87
Legal & professional charges	556.28
Manpower management cost	1,542.75
Office expenses	119.97
Postage & courier expenses	85.32
Printing & stationery	77.73
Rent (refer note 2.20.1)	534.65
Rates & Taxes Expenses	32.87
Repair and maintenance -others	173.28
Travelling and conveyance	440.88
Auditor's remuneration (refer note 2.20.2)	23.49
Total	**4,563.28**

2.20.1 The Company has taken various premises under operating lease. The future minimum lease payments are given below:

(₹ in lakh)

Particulars	Year ended March 31, 2018
Within one year	140.47
Later than one year but not later than five years	235.53
Later than five years	-
Total	**376.00**
The total of minimum lease payments recognized in the Statement of Profit and Loss for the year	**534.65**
Total of future minimum sub-lease payments expected to be received under non-cancellable sub-leases	-
Sub-lease amounts recognized in the Statement of Profit and Loss for the year	-
Contingent (usage based) lease payments recognized in the Statement of Profit and Loss for the year	-

2.20.2 Auditor's remuneration

(₹ in lakh)

Particulars	Year ended March 31, 2018
-Audit fees	19.50
-Tax audit fees	1.50
-Other services	2.49
	23.49

2.21 Provisions and write offs

(₹ in lakh)

Particulars	Year ended March 31, 2018
a. Provisions as at March 31, 2018	
Provision for Non performing asset	243.97
Provision for standard assets as per NHB Norms (Refer Note 2.21.1)	988.59
Provision for Investments	41.29
	1,273.85
b. Provisions as at March 31, 2017	
Provision for Non performing asset	405.74
Provision for standard assets as per NHB Norms	855.74
Provision for Investments	-
	1,261.48
Net provision made during the year (a-b)	**12.37**
c. Write off during the year	178.04
Total	**190.41**

2.21.1 National Housing Bank (NHB) vide notification no. NHB.HFC.DIR.18/MD&CEO/2017 dated August 2, 2017 reduced the provisioning requirement on standard individual housing loans from 0.40% to 0.25% . In terms of the said notification as of March 31 , 2018, the Company continues to carry the provision of ₹988.59 lakhs which is higher than the revised statutory requirement of minimum 0.25%

Notes to the Consolidated financial statements for the year ended March 31, 2018

2.22 Tax

(₹ in lakh)

Particulars	Year ended March 31, 2018
Provision for tax	4,322.94
Deferred tax	559.09
Total	**4,882.03**

2.23 Earning per share

(₹ in lakh)

Particulars	Year ended March 31, 2018
Following reflects the profit and share data used in EPS computations:	
Basic	
Weighted average number of equity shares for computation of Basic EPS (in lakhs)	585.66
Net profit for calculation of basic EPS (₹ in lakhs)	9,287.48
Basic earning per share (In ₹)	**15.86**
Diluted	
Weighted average number of equity shares for computation of Diluted EPS (in lakhs)	610.96
Net profit for calculation of Diluted EPS (₹ in lakhs)	9,287.48
Diluted earning per share (In ₹)	**15.20**
Nominal value of equity shares (In ₹)	**10.00**

2.24 The Company operates in a single reportable segment i.e. lending to borrowers, which have similar risks and returns for the purpose of AS 17 on 'Segment Reporting' specified under section 133 of the Companies Act 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014; the Companies (Accounting Standards) Amendment Rules, 2016. The Company operates in a single geographical segment i.e. domestic.

2.25 Related parties

a. Names of related parties identified in accordance with AS -18 "Related Party Disclosures" (with whom there were transactions during the year/previous year)

1. Entities where control exists:

Ultimate Holding Company

Kedaara Capital I Limited - (From 23rd June 2016)

Holding Company

Lake District Holdings Limited - (From 23rd June 2016)

Shareholders having Substantial interest

Partners Group ESCL Limited - (From 23rd June 2016)

2. Key management personnel

Mr. Sushil Kumar Agarwal	Whole Time Director and Chief Executive Officer
Mr. Ghanshyam Rawat	Chief Financial Officer
Mr. Sharad Pathak	Company Secretary

3. Enterprises under significant influence of the key management personnel

None

4. Relatives of key managerial personnel

None

b. The nature and volume of transactions carried out with the above related parties in the ordinary course of business are as follows:

1. Remuneration to Key Managerial personnel

(₹ in lakh)

	March 31, 2018
Mr. Sushil Kumar Agarwal, Whole Time Director and Chief Executive Officer	202.90
Mr. Ghanshyam Rawat, Chief Financial Officer	151.10
Mr. Sharad Pathak, Company Secretary	12.18
Total	**366.18**

Notes:

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

2. Other Transactions

(₹ in lakh)

Name of related party	Nature of transactions	March 31, 2018		
		Amount received	Amount paid	Outstanding balance
Lake District Holdings Limited	Issue of Equity shares	21,031.23	-	-
Partners Group ESCL Limited	Issue of Equity shares	10,215.46	-	-
Mr. Sushil Kumar Agarwal	Issue of Equity shares	265.60	-	-
Mr. Ghanshyam Rawat	Issue of Equity shares	89.20	-	-
Mr. Sharad pathak	Issue of Equity shares	8.68	-	-

2.26 Stock options

I The Company has formulated various share-based payment schemes for its employees (Plan I), management team (Plan II) and directors (Plan III). Details of all grants in operation during the year ended March 31, 2018 are as given below:

(₹ in lakh)

Particulars	ESOP 2016 I (a)	ESOP 2016 I (b)	ESOP 2016 II	ESOP 2016 III
Scheme Name	Equity stock option plan for Employees 2016 (ESOP 2016 I)	Equity stock option plan for Employees 2016 (ESOP 2016 I)	Equity stock option plan for Management team 2016 (ESOP 2016 II)	Equity stock option plan for Directors 2016 (ESOP 2016 III)
No. of options approved	16,47,901	16,47,901	34,45,610	7,19,084
Date of grant	23-Feb-17	24-Jan-18	23-Feb-17	23-Feb-17
No. of options granted	9,80,118	4,24,687	34,45,610	7,19,084
Exercise price per option (in ₹)	215.25	328	215.25	215.25
Method of settlement	Equity	Equity	Equity	Equity
Vesting period and conditions	A) 50% options to vest as per stipulated vesting schedule ("Fixed Vesting") B) 50% options to vest as per stipulated vesting schedule on fulfillment of stipulated conditions ("Conditional Vesting")			
A) Fixed Vesting period is as follows on following dates :-				
1st vesting "12 months from the date of grant	98,012	42,469	Refer note below	71,908
2nd vesting "On expiry of four months from the 1st vesting date"	98,012	NA	-	71,908
2nd vesting "On expiry of one year from the 1st vesting date"	NA	42,469	-	NA

Notes to the Consolidated financial statements for the year ended March 31, 2018

(₹ in lakh)

Particulars	ESOP 2016 I (a)	ESOP 2016 I (b)	ESOP 2016 II	ESOP 2016 III
3rd vesting "On expiry of one year from the 2nd vesting date"	98,012	42,469	-	71,908
4th vesting "On expiry of one year from the 3rd vesting date"	98,012	42,469	-	71,909
5th vesting "On expiry of one year from the 4th vesting date"	98,011	42,469	-	71,909
B) Conditional Vesting	Linked with conditions over the next five years as stipulated in respective stock option plan			
Exercise period	Four years from the date of each vesting			

Note:- The options approved under the equity stock option plan for Management team 2016 (ESOP 2016 II) originally has same fixed and conditional vesting schedule as the equity stock option plan for Directors 2016 (ESOP 2016 III). However, pursuant to the the Board approval dated January 25,2018 , all options granted under this plan were vested with immediate effect with no further conditions attached to them.

II Reconciliation of options

(₹ in lakh)

Particulars	ESOP 2016 I (a)	ESOP 2016 I (b)	ESOP 2016 II	ESOP 2016 III
Financial Year 2017-18				
Options outstanding at April 1, 2017	9,80,118	-	34,45,610	7,19,084
Granted during the year	-	4,24,687	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	12,22,551	-
Expired / lapsed during the year	1,16,904	-	-	-
Outstanding at March 31, 2018	8,63,214	4,24,687	22,23,059	7,19,084
Exercisable at March 31, 2018	1,54,608	-	22,23,059	71,908
Weighted average remaining contractual life (in years)	5.38	6.82	2.52	6.30

III Computation of fair value of options granted during the year

The Black-Scholes Model has been used for computing the weighted average fair value considering the following:

Particulars	Plan I (b)
Share price on the date of grant (₹)	316.3
Exercise price (₹)	328.00
Expected volatility (%)	45.50%
Life of the options granted (years)	
First Vesting	3 years
Second Vesting	4 years
Third Vesting	5 years
Forth Vesting	6 years
Fifth Vesting	7 years
Risk-free interest rate (%)	7.42%
Expected dividend rate (%)	0%
Fair value of the option (₹)	Tranche 1 - 118.09 Tranche 2 - 138.24 Tranche 3 - 155.03 Tranche 4 - 171.35 Tranche 5 - 184.83

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

(₹ in lakh)

Particulars	Year ended March 31, 2018
Profit after tax as reported	**9,287.48**
Add: ESOP cost using intrinsic value method (net of tax)	-
Less: ESOP cost using fair value method (net of tax)	2,097.60
Profit after tax (adjusted)	**7,189.88**
No.of Shares for Basic EPS	585.66
Basic EPS	**12.28**
No.of Shares for Diluted EPS	610.96
Diluted EPS	**11.77**

2.27 Details of dues to micro and small enterprises as defined under the MSMED Act, 2006

There are no amounts that need to be disclosed in accordance with the Micro Small and Medium Enterprise Development Act, 2006 (the 'MSMED') pertaining to micro or small enterprises. For the year ended March 31, 2018, no supplier has intimated the Company about its status as micro or small enterprises or its registration with the appropriate authority under MSMED.

2.28 The Company's pending litigations comprise of claims against the Company primarily by the customers. The Company has reviewed all its pending litigations and proceedings and has adequately provided for where provisions are required and disclosed the contingent liabilities where applicable, in its financial statements. The Company does not expect the outcome of these proceedings to have a material adverse effect on its financial statements of the Company as at March 31, 2018.

2.29 Capital and other commitments:

(₹ in lakh)

Particulars	As at March 31, 2018		
	Estimated Project cost	Paid during the year	Balance Payable
Property, plant and equipment	58.56	26.20	32.36

Refer 2.13.1.3 for undisbursed commitment relating to loans.

Notes to the Consolidated financial statements for the year ended March 31, 2018

2.30 Contingent Liabilty not provided for

(₹ in lakh)

Particulars	As at March 31, 2018
Credit enhancements provided by the Company towards Asset Assignment / Securitization (including cash collaterals, principal and interest subordination)	1,147.30

2.31 Corporate social responsibility

Operating expenses include 64.25 lakhs for the year ended March 31, 2018 towards Corporate Social Responsibility (CSR), in accordance with Companies Act, 2013. Gross Amount required to be spent by the Company during the year is ₹100.20 lakhs.

The details of amount spent during the respective year towards CSR are as under:

(₹ in lakh)

Sr No.	Particulars	March 31, 2018		
		Amount Spent	Amount unpaid/Provision	Total
1	Construction/acquisition of any asset	Nil	Nil	Nil
2	On purposes other than above	64.25	Nil	64.25

2.32 Expenditure in Foreign currency (Accrual Basis)

The company has ₹ Nil foreign currency exposures as at March 31, 2018

2.33 Additional information,as required under schedule III to the companies act 2013, of enterprises consolidated as subsidiary

Name of the entity	Net Assets, i.e., total assets minus total liabilities		Share in profit or Loss	
	As % of consolidated net assets	Amount	As % of consolidated profit & loss	Amount
Parent				
Aavas Financiers Limited		1,09,847.10		9,293.25
Less: Inter Company elimination		(450.00)		-
Net of Elimination	**99.60%**	**1,09,397.11**	**100.06%**	**9,293.25**
Subsidiary Indian				
Aavas Finserv Limited	0.40%	444.23	-0.06%	(5.77)
Total	**100.00%**	**1,09,841.33**	**100.00%**	**9,287.48**

For and on behalf of the Board of Directors of
AAVAS FINANCIERS LIMITED
(Formerly known as "Au Housing Finance Limited")

sd/-
Manas Tandon
(Nominee Director)

sd/-
Sushil Kumar Agarwal
(Whole Time Director & CEO)

Place: Jaipur
Date: April 27, 2018

sd/-
Ghanshyam Rawat
(Chief Financial Officer)

sd/-
Sharad Pathak
(Company Secretary)

SAPNE AAPKE, SAATH HAMAARA

AAVAS FINANCIERS LIMITED

(Formerly Known as "Au Housing Finance Limited")

Regd. & Corp. Office

201-202, 2nd Floor, Southend Sqaure, Mansarovar Industrial Area, Jaipur-302020

CIN: U65922RJ2011PLC034297 | Website: www.aavas.in | Email: info@aavas.in

NOTICE

OF 8TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE 8TH ANNUAL GENERAL MEETING OF THE SHAREHOLDERS OF AAVAS FINANCIERS LIMITED (FORMERLY KNOWN AS "AU HOUSING FINANCE LIMITED") WILL BE HELD AT ITS REGISTERED OFFICE SITUATED AT 201-202, 2ND FLOOR, SOUTH END SQUARE, MANSAROVAR INDUSTRIAL AREA, JAIPUR – 302020 (RAJASTHAN), ON WEDNESDAY, THE 30TH DAY OF MAY, 2018 AT 12:00 P.M.TO TRANSACT THE FOLLOWING BUSINESS

ORDINARY BUSINESS

1. To consider and adopt:

   a) Audited Standalone Financial Statements of the Company for the Financial Year ended on 31st March, 2018 and the Reports of the Directors and the Auditors thereon; and

   b) Audited Consolidated Financial Statements of the Company for the Financial Year ended on 31st March, 2018 together with the report of Auditors thereon;

2. To appoint a Director in place of Mr. Nishant Sharma, (DIN: 03117012), who retires by rotation and being eligible, offers himself for re-appointment.

3. To Ratify the Appointment of M/s S.R Batliboi & Associates LLP, Chartered Accountants (Firm Registration No.: 101049W) as Statutory Auditors of the Company.

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

   "RESOLVED THAT pursuant to the provisions of Section 139, 142 and other applicable provisions, if any, of the Companies Act 2013 read with the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force)and pursuant to the resolution passed by the Shareholders in the 7th AGM of the Company held on 26th July, 2017,the appointment of M/S S.R. Batliboi & Associates LLP, Chartered Accountants (Firm Registration No: 101049W) as Auditors of the Company to hold office till the conclusion of the 12th AGM of the Company to be held in the Calendar Year 2022 be and is ratified (for the Financial Year 2018-19) at such remuneration as determined by the Board of Directors of the Company.

   RESOLVED FURTHER THAT Board of Directors of the Company be and is hereby authorized to do all such acts, deeds and things which are necessary to give effect to the resolution."

SPECIAL BUSINESS

4. To Authorize Board to borrow money in excess of Paid-up capital and Free Reserve of the Company under section 180(1)(c) of the Companies Act, 2013

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

   "RESOLVED THAT in supersession of all the earlier resolution(s) passed in this regard and pursuant to the provisions of Section 180(1)(c) and other applicable provisions, if any, of the Companies Act, 2013 and the rules framed thereunder (including any statutory modification(s) or re-enactment(s) thereof for time being in force)and as per the directions/ guidelines issued by the National Housing Bank and the relevant provisions of the Articles of Association of the Company and all other applicable rules, laws and acts (if any) and subject to all other requisite approvals, permissions and sanctions and subject to such conditions as may be prescribed by any of the concerned authorities (if any), the consent of the members of the Company be and is hereby accorded to the Board of Directors (hereinafter referred to as the "the Board" which term shall be deemed to include Executive Committee thereof, which the Board have constituted to exercise its powers including the powers conferred by this resolution and with the power to delegate such authority to any person or persons) for borrowing from time to time as they may think fit, any sum or sums of money not exceeding ₹7000 Crores (Rupees Seven Thousand Crores Only) [including the money already borrowed by the Company] in Indian Rupees or equivalent thereof in any foreign currency(ies) on such terms and conditions as the Board may deem fit, whether the same may be secured or unsecured and if secured, whether domestic or international, whether by way of mortgage, charge or hypothecation, pledge or otherwise in any way whatsoever, on, over or in any respect of all, or any of the Company's assets and effects or properties including stock in trade (receivables), notwithstanding that the money to be borrowed together with the money already borrowed by the Company (apart from the temporary loans obtained from the Company's Bankers in the ordinary course of business) and remaining un-discharged at any given time, exceed the aggregate, for the time being, of the paid up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, and securities premium provided that the total borrowing limit shall be within the limits as prescribed under the Housing Finance Companies (NHB) Directions, 2010.

RESOLVED FURTHER THAT the Board be and is hereby authorized for borrowing from time to time as it may think fit, any sum or sums of money but not exceeding ₹7000 Crores (Rupees Seven Thousand Crores Only) in Indian Rupees or equivalent thereof in any foreign currency(ies) in aggregate (including the monies already borrowed by the Company) and on such terms and conditions as the Board may deem fit, by way of loans or in any other form whatsoever, or issue of Bonds and/or Debentures or other Securities or Term Loans, Cash Credit facilities or other facilities in form of debt in the nature of Debentures, Commercial Papers and the like to Bank(s), Financial or other Institution(s), Mutual Fund(s), Non-Resident Indians (NRIs), Foreign Institutional Investors (FIIs) or any other person(s), body(ies) corporate, etc., whether shareholder of the Company or not, provided that the total borrowing limit shall be within the limits as prescribed under the Housing Finance Companies (NHB) Directions, 2010.

RESOLVED FURTHER THAT the Board be and is hereby authorized to do all such acts, deeds and things and to sign all such documents and writings as may be necessary, expedient and incidental thereto including delegating its powers under the resolution to give effect to this resolution and for matter connected therewith or incidental thereto."

5. To authorize Board to sell, lease or otherwise dispose of the Assets of the Company under section 180(1)(a) of the Companies Act, 2013 to secure borrowings made under section 180(1)(c) of the Companies Act 2013.

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

"RESOLVED THAT in supersession of all the earlier resolution(s) passed in this regard and pursuant to the provisions of Section 180(1)(a) and other applicable provisions, if any, of the Companies Act, 2013 and the rules framed thereunder (including any statutory modification(s) or re-enactment(s) thereof for time being in force)and as per the directions/ guidelines issued by the National Housing Bank and relevant provisions of the Articles of Association of the Company, and all other applicable rules, laws and acts (if any) and subject to all other requisite approvals, permissions and sanctions and subject to such conditions as may be prescribed by any of the concerned authorities (if any), the consent of the members of the Company be and is hereby accorded to the Board of Directors (hereinafter referred to as the "the Board" which term shall be deemed to include Executive Committee thereof, which the Board have constituted to exercise its powers including the powers conferred by this resolution and with the power to delegate such authority to any person or persons) to mortgage and/or charge any of its movable and / or immovable properties wherever situated both present and future or to sell, lease or otherwise dispose of the whole or substantially the whole of the undertaking of the Company or where the Company owns more than one undertaking, of the whole or substantially the whole of any such undertaking(s) and to create a mortgage/and or charge, on such terms and conditions at such time(s) and in such form and manner, and with such ranking as to priority as the Board in its absolute discretion thinks fit on the whole or substantially the whole of the Company's any one or more of the undertakings or all of the undertakings of the Company in favor of any bank(s) or body(ies) corporate or person(s), whether shareholders of the Company or not, together with interest, cost, charges and expenses thereon for amount not exceeding ₹7000 Crores (Rupees Seven Thousand Crores Only) at any point of time.

RESOLVED FURTHER THAT the securities to be created by the Company aforesaid may rank exclusive/prior/pari-passu/subsequent with/to the hypothecation/mortgages and/or charges already created or to be created by the Company as may be agreed to between the concerned parties.

RESOLVED FURTHER THAT the Board be and is hereby authorized to do all such acts, deeds and things and to sign all such documents and writings as may be necessary, expedient and incidental thereto including delegating its powers under the resolution to give effect to this resolution and for matter connected therewith or incidental thereto."

6. To Authorize Board for issuance of Non-Convertible Debentures, in one or more tranches / issuances.

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

"RESOLVED THAT pursuant to the provisions of section 42, 71 and all other applicable provisions, if any, of the Companies Act, 2013 ("the Act"), and Rules made there under (including any statutory modification(s) or re-enactment(s) thereof from the time being in force), Housing Finance Companies Issuance of Non-Convertible Debentures on private placement basis (NHB) Directions, 2014 as amended from time to time and pursuant to the provisions of Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008, Securities and Exchange Board of India (Issue and Listing of Debt Securities) (Amendment) notification, 2012 and 2014 and other applicable SEBI regulations and guidelines, the provisions of Articles of Association of the Company and subject to such applicable laws, rules and regulations and guidelines, approval of the members of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall deemed to include Executive Committee thereof which the Board have constituted / reconstituted or hereinafter constitute / reconstitute to exercise its powers including the powers conferred by this Resolution and with power to delegate such authority to any person) to offer, issue and allot, in one or more tranches Non-convertible Debentures (NCDs) including but not limited to subordinate debentures, bonds, and/or other debt securities etc. on private placement basis, during the period of one year from the date of passing of the Special Resolution by the Members in this annual general meeting, for an amount of ₹1000/- Crore (Rupees One Thousand Crore only) on such terms and conditions and at such times at par or at such premium, as may be decided by the Board to such person(s) , including one or more company(ies), bodies corporate(s), statutory corporations, commercial banks, lending agencies, financial institutions, insurance companies, mutual funds, pension/provident funds and individuals, as the case may be or such other person(s) as the Board may decide so, however, that the aggregate amount of funds to be raised by issue of NCDs, subordinate debentures, bonds, and/or other debt securities etc. shall not exceed the overall borrowing limits of the Company, as may be approved by the Members from time to time.

RESOLVED FURTHER THAT the Board of the Company or any authorized committee thereof be and is hereby authorized to finalize with the Lending Agencies/ trustees the documents for creating the aforesaid charges and/or hypothecations and to negotiate, modify, finalize and sign the documents, including without limitation the private placement offer letter, debenture trust deed, deed of hypothecation and any other security documents, in connection with the private placement by the Company of such non-convertible debentures and to do all such acts, deeds, matters and things as may be necessary or ancillary or incidental thereto and to execute all such documents as may be necessary for giving effect to the above resolution.

Sd/-

Place: Jaipur
Date: 27th April 2018

Sharad Pathak
Company Secretary
FCS Membership No. 9587
Registered Office: 201-202 2nd Floor Southend Sqaure
Mansarovar Industrial Area, Jaipur Rajasthan 302020

NOTES:

A) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE 8TH ANNUAL GENERAL MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY FORM IN ORDER TO BE EFFECTIVE DULY FILLED, STAMPED AND SIGNED BY THE MEMBERS, SHOULD BE LODGED WITH THE COMPANY, AT ITS REGISTERED OFFICE AT LEAST FORTY EIGHT (48) HOURS BEFORE THE COMMENCEMENT OF THE MEETING.

A PERSON CAN ACT AS A PROXY ON BEHALF OF MEMBERS NOT EXCEEDING FIFTY AND HOLDING IN THE AGGREGATE NOT MORE THAN TEN PERCENT OF THE TOTAL SHARE CAPITAL OF THE COMPANY CARRYING VOTING RIGHTS MAY APPOINT A SINGLE PERSON AS PROXY AND SUCH PERSON SHALL NOT ACT AS A PROXY FOR ANY OTHER PERSON OR SHAREHOLDER.

B) All documents referred to in the notice and the explanatory statement requiring the approval of the Members at the Meeting and other statutory registers shall be available for inspection by the Members at the registered office of the Company during office hours on all working days between 10.00 a.m. and 1.00 p.m. on all days except Saturdays, Sundays and public holidays, from the date hereof up to the date of the annual general meeting.

C) No person shall be entitled to attend or vote at the meeting as a duly authorized representative of anybody corporate which is a shareholder of the Company, unless a copy of the resolution appointing him/her as a duly authorized representative, certified to be a true copy, shall have been deposited at the Registered Office of the Company not less than forty eight (48) hours before the scheduled time of the commencement of the meeting.

D) A copy of Audited Standalone and Consolidated Financial Statements of the Company for the year ended 31st March, 2018 together with the Report of the Board of Directors and Auditors thereon are enclosed herewith.

E) In case you have any query relating to the enclosed FINANCIAL STATEMENT or about the operations of the Company, you are requested to send the same to the Company Secretary at the Registered Office of the Company at least seven (7) days before the date of Annual General Meeting so that the information can be made available at the meeting.

F) Members/proxies attending the meeting should bring the attendance slip duly filled in for attending the Meeting.

G) The Explanatory Statement, pursuant to Section 102(1) of the Companies Act, 2013 in respect of the special business under item No. 4 to 6 are annexed hereto.

H) The route map showing the direction to reach the venue of AGM is attached at the end of the Report.

By The Order of The Board
For AAVAS FINANCIERS LIMITED

Sd/-
Sharad Pathak
Company Secretary
FCS Membership No. 9587

Place: Jaipur
Date: 27th April 2018

Registered Office: 201-202 2nd Floor Southend Sqaure
Mansarovar Industrial Area, Jaipur Rajasthan 302020

EXPLANATORY STATEMENT PURSUANT TO SECTION 102(2) OF THE COMPANIES ACT, 2013

The following statement sets out the material facts concerning the Special Business mentioned in the accompanying Notice and to be transacted at the Annual General Meeting.

ITEM NO. 4 & 5

The Board of Directors ("Board") of the Company envisages requirements of funds in future. As per the provisions of Section 180(1)(c) of the Companies Act, 2013, the Board can borrow money subject to the condition that the money to be borrowed together with the monies already borrowed by the Company (apart from the temporary loans obtained from the Company's bankers in the ordinary course of business) shall not exceed the aggregate, for the time being, of the paid-up capital and free reserves, that is to say, reserves not set apart for any specific purpose and securities premium unless the Shareholders have authorized the Board to borrow the monies up to some higher limits.

Further as per Paragraph 3(2) of "The Housing Finance Companies (NHB) Directions, 2010" No housing finance company can have its total Borrowing limit in aggregate, in excess of sixteen times of its Net Owned Fund (NOF).

Hence, it is proposed to empower and authorize the Board of Directors of the Company to borrow money from any Bank(s), Financial Institutions (FIs,), Foreign Institutional Institutions (FII's) Bodies Corporate or Business Associates or any other person or entity etc., in excess of paid up capital and free reserves and securities premium of the Company by a sum not exceeding ₹7,000 Crores (Rupees Seven Thousand Crores Only) for the purposes of business activities of the Company, provided that the total borrowing limit shall always be within the limits as prescribed under the Housing Finance Companies (NHB) Directions, 2010.

The resolution as set out at item no 4of the notice is placed for your approval by way of special resolution of the aforesaid limits of borrowing by the Board upto an amount not exceeding ₹7,000 Crores (Rupees Seven Thousand Only) or equivalent thereof in any foreign currency(ies).

With a view to meet fund requirements for the aforesaid purpose, the Company would be required to borrow funds from time to time by way of loans or in any other form whatsoever including but not limited to issue of bonds, debentures or other securities.

The said borrowings / issue of securities may be required to be secured by way of mortgage / charge over all or any part of the movable and / or immovable properties of the Company as mentioned in Item no. 5 of the Notice and as per the provisions of Section 180 (1) (a) of the Companies Act, 2013, the mortgage or charge on all or any part of the movable and/or immovable properties of the Company, may deemed as disposal of the whole, or substantially the whole, of the undertaking of the Company and hence the approval of the shareholders of the Company is required by way of an Special Resolution.

As per Section 180(1)(a) and 180(1)(c) and other applicable provisions of the Companies Act, 2013, approval of the members is being sought by way of passing Special Resolution. Hence, the Board of Directors recommends passing of the enabling resolutions mentioned at item No. 4 and 5 in the notice. Your Directors recommend the above resolutions for your approval.

None of the Directors / Key managerial personnel / relatives of the Directors or Key managerial personnel of the Company may be deemed to be concerned or interested in the said resolution except to the extent of their shareholding in the Company.

ITEM NO. 6

Your Company has been issuing debentures, which may be referred to as one of the option to borrow for raising money from time to time, for working capital and business requirements, on terms and conditions as are appropriate and in the best interest of the Company and in due compliance with the applicable provisions of the Companies Act, 2013,SEBI (Issue and Listing of Debt Securities) Regulation 2008 and Debt Listing Agreement, etc. Accordingly, the Company, subject to the approval of Members proposed to issue Non-convertible Debentures to various person(s) on private placement basis, at such terms and conditions and at such price(s) in compliance with the requirements of regulatory authorities, if any and as may be finalized by the Board and/ or Committee of Board. The amount to be raised by way of issue of Non-convertible Debentures on a private placement basis however shall not exceed ₹1000 crore (Rupees One Thousand Crore) in aggregate. The aforesaid borrowings are within overall borrowing limits authorized by Members. It may be noted that Rule 14(2) of Companies (Prospectus and Allotment of Securities) Rules, 2014 read with Section 42 of the Companies Act, 2013, allows a company to pass a previous special resolution once in a year for all the offer or invitation for Non-Convertible Debentures to be made during the year through a private placement basis in one or more tranches. Therefore Consent of the Members is accordingly sought in connection with the aforesaid issue of debentures/ bonds from time to time and they are requested to authorize the Board (including any Committee of the Board) to issue Non-convertible Debentures on private placement basis of ₹1000 crore (Rupees One Thousand Crore)as stipulated above, in one or more tranches, during the period of one year from the date of passing of the Resolution at Item No.6, within the overall borrowing limits of the Company, as approved by the Members from time to time.

Accordingly, the proposed Resolution in Item No.6of the Notice is placed for your approval by way of a Special Resolution to comply with the provisions of Section 42 & 71 of the Companies Act, 2013 to enable the Company to avail the aforesaid powers as and when required. The Board recommends the Special Resolution set forth in Item No. 6 of the Notice for approval of the Members.

None of the Directors or Key Managerial Personnel of the Company including their relatives is interested or concerned in the Resolution except to the extent of their shareholding, if any, in the Company.

Sd/-

Place: Jaipur — Sharad Pathak

Date: 27th April 2018 — *Company Secretary*

FCS Membership No. 9587

Registered Office: 201-202 2nd Floor Southend Sqaure
Mansarovar Industrial Area, Jaipur Rajasthan 302020

Aavas
FINANCIERS LTD

SAPNE AAPKE, SAATH HAMAARA

SAPNE AAPKE, SAATH HAMAARA

AAVAS FINANCIERS LIMITED

(Formerly Known as "Au Housing Finance Limited")

Regd. & Corp. Office

201-202, 2nd Floor, Southend Sqaure, Mansarovar Industrial Area, Jaipur-302020

CIN: U65922RJ2011PLC034297 | Website: www.aavas.in | Email: info@aavas.in

[Pursuant to Section 105(6) of the Companies Act, 2013 and Rule 19(3) of the Companies (Management and Administration) Rules, 2014]

FORM NO. MGT-11

PROXY FORM

Name of the member(s): ______________________________

Registered Address: ______________________________

E-mail ID: ______________________ Folio No ______________________

DP ID: ______________________________

I/We, being the member(s) of AAVAS FINANCIERS LIMITED______________ no. of shares of the above named Company, hereby appoint

1. Name:______________________ Address:______________________

   E-mail ID:______________________ Signature______________________ or failing him/her

2. Name:______________________ Address:______________________

   E-mail ID:______________________ Signature______________________ or failing him/her

3. Name:______________________ Address:______________________

   E-mail ID:______________________ Signature______________________

As my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the Eighth Annual General Meeting of the Company, to be held on the 30th day of May, 2018 at12:00 P.M.at the registered office of the Company at 201-202, 2nd Floor South End Square Mansarovar Industrial Area, Jaipur– 302020 (Rajasthan) and at any adjournment thereof in respect of such resolutions as indicated below:

Reso. No.	**Description**	**For**	**Against**
1	Adoption of Financial Statement together with the Report of Board of Directors' and Auditors' thereon for the financial year ended 31st March 2018.		
2	Reappointment of Mr. Nishant Sharma		
3	Ratification of Appointment of M/s S.R Batliboi & Associates LLP		
4	Authorize Board to borrow money in excess of Paid up capital, Free Reserve and Securities Premium.		
5	Authorize Board to secure borrowings made under section 180(1)(c) of the Companies Act 2013.		
6	Authorize Board for issuance of Non-Convertible Debentures		

Signed this___________________________________ day of__________________________________2018

Affix Revenue Stamp

Signature of shareholder____

Note: This form of proxy in order to be effective should be duly completed and deposited at the registered office of the Company, not less than 48 hours before the commencement of the Meeting.

SAPNE AAPKE, SAATH HAMAARA

AAVAS FINANCIERS LIMITED

(Formerly Known as "Au Housing Finance Limited")

Regd. & Corp. Office

201-202, 2nd Floor, Southend Sqaure, Mansarovar Industrial Area, Jaipur-302020

CIN: U65922RJ2011PLC034297 | Website: www.aavas.in

ATTENDANCE SLIP

8th Annual General Meeting 30th May, 2018

I hereby record my presence at the 8TH ANNUAL GENERAL MEETING of the Company at the registered office of the Company at 201-202, 2nd Floor, Southend Square, Mansarovar Industrial Area, Jaipur (Rajasthan) on Wednesday 30th May 2018 at 12:00 P.M.

Full name of the member (In BLOCK LETTERS): ....

Folio No. ....

No. of Shares held ....

Full name of proxy (In BLOCK LETTERS): ....

Member's/Proxy's Signature: ....

ROUTE MAP

EIGHTH ANNUAL GENERAL MEETING

Venue:	Regd. & Corp. Office 201-202, 2nd Floor, Southend Sqaure, Mansarovar Industrial Area, Jaipur-302020
Date & Time:	30th May 2018 at 12:00 P.M.

SAPNE AAPKE, SAATH HAMAARA

AAVAS FINANCIERS LIMITED
(Formerly known as "Au HOUSING FINANCE LIMITED")
CIN No. U65922RJ2011PLC034297

Regd. & Corp. Office:

201-202, 2nd Floor, Southend Square,
Mansarovar Industrial Area, Jaipur-302020
Phone: +91 141 6618800 | Fax: +91 141 6618861
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