



SAPNE AAPKE, SAATH HAMAARA

AAVAS FINANCIERS LIMITED

(Formerly known as "Au HOUSING FINANCE LIMITED")

CIN No. U65922RJ2011PLC034297

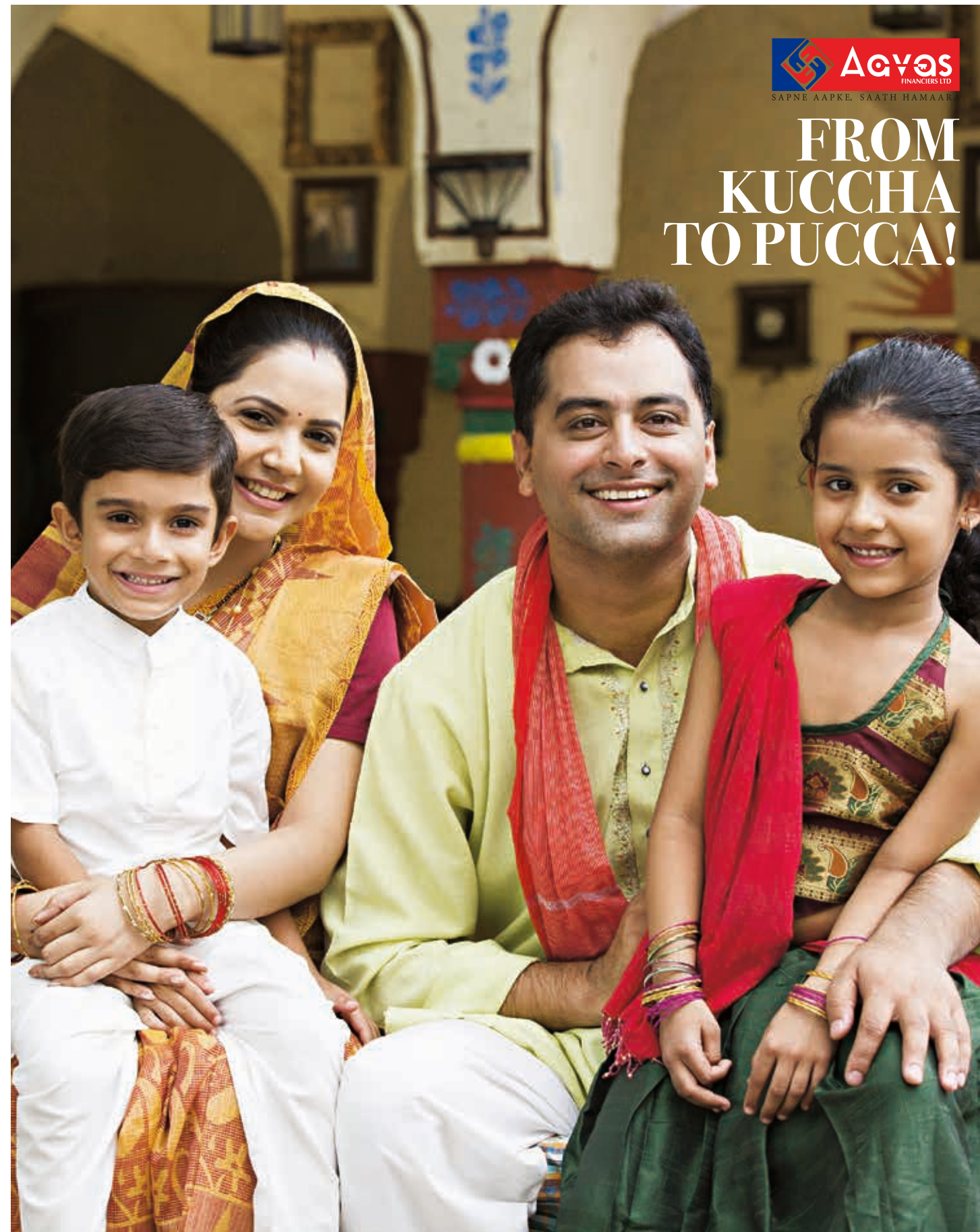
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FROM
KUCCHA
TO PUCCHA!

NEW
NAME.

SAME
DNA

Au Housing Finance Limited
is now Aavas Financiers Limited!

Aavas Financiers is helping catalyse the government's 'Housing for all' dream for millions

AAVAS FINANCIERS LIMITED | ANNUAL REPORT, 2016-17



In October 2015, the RBI granted in-principle approval to Au Financiers India Limited (Now “AU Small Finance Bank Limited”) to establish a small finance bank. As per statutory guidelines, Au Financiers is restricted from operating a separate subsidiary for housing which led to stake divestment through share sale.

Today, though the name of the Company has changed, the DNA remains the same.

The DNA to stay true to the vision of the Company.

The DNA to service customers with speed and surety.

The DNA to break new ground with courage and conviction.

The DNA to lead change.

The DNA to foster an entrepreneurial culture.

The DNA to inspire teams to achieve perfection.

The DNA to fair, flexible, friend to customer.

Aavas Financiers Limited.

Welcome to our world!

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Forward looking statement

In this Annual Report, we have disclosed forward-looking information to enable investors to comprehend our prospects and take investment decisions. This report and other statements - written and oral – that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in assumptions. The achievements of results are subject to risks, uncertainties, and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated, or projected. Readers should keep this in mind. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.



The penetration of housing mortgage is under 10% in India; it is 17% in China.

Almost 95% of India's population is self-employed; almost 65% live in rural India.

At Aavas Financiers, we selected to address the multi-decade sectoral opportunity through various initiatives.

Educating customers. Enhancing home ownership awareness. Reaching out to more customers base. Countering the demonetisation gloom.

In doing so, we inspired customers, employees and stakeholders to dream of a transition: from kuccha to pucca homes.

Because at Aavas Financiers, kuccha to pucca is more than a product; it is the right way of doing things.

PRIDE, PRODUCTIVITY AND PATRIOTISM ARE DERIVED FROM SOMETHING FUNDAMENTAL. HOME OWNERSHIP.

AT AAVAS FINANCIERS, WE ARE ENHANCING HOME OWNERSHIP AT THE BROADEST END OF INDIA'S ECONOMIC SPECTRUM – FOR THE BENEFIT OF THOUSANDS OF FIRST-TIME BUYERS

HELPING PEOPLE BUY HOMES.

HELPING THEM GRADUATE THEIR HOMES AND LIFESTYLES.

FROM KUCCHA TO PUCCA.

At Aavas Financiers, we were aligned with the government's vision of financial inclusion even before these words gained currency.

So when the demonetisation of specified bank notes was announced in November 2016, we interpreted this as an unprecedented opportunity to reinforce this philosophy.

Contrarian approach

We implemented a contrarian approach in countering the biggest consumer challenge of recent times:

- We did not make demonetisation a part of regular office conversations.
- We did not emphasise probable demonetisation impact, selecting to embrace a 'business as usual' approach.
- We did not disempower our field staff into believing that demonetisation could stagger market growth; we encouraged customer-centricity instead.

Enhancing transaction ease

We utilised the slowdown to focus on hundreds of initiatives that enhanced transaction ease instead:

- We helped customers become KYC-compliant.
- We helped customers start their bank *khaata*.
- We worked as a quasi-municipality, helping customers progressive property legal title and collate related documents.
- We implemented EMI direct debit/ECS directly from their bank accounts, liberating them from periodic monitoring (and probable default).

- We encouraged progressive cashlessness.
- We focused on building enduring family assets through home ownership.

Despite demonetisation

The impact of these initiatives was visible even during the peak of the demonetisation period.

We maintained business throughout during November 2016, increased business by 2% in the following month and by 3% from the base level in the second month following demonetisation.

The moral of the story: When you focus on business fundamentals, the result is momentum sustainability.



WE WORKED AS A QUASI-MUNICIPALITY, HELPING CUSTOMERS PROGRESSIVE PROPERTY LEGAL TITLE AND COLLATE RELATED DOCUMENTS.

DISBURSEMENT



DID YOU KNOW!

At Aavas Financiers, 100% of our EMI collections are through banking channels!

THE JOURNEY FROM KUCCHA TO PUCCA – AFFORDABLE HOMES.

THE ANSWER TO INDIA’S RURAL AND SEMI-URBAN HOUSING SHORTAGE.

For a housing finance company, government policy is critical for long-term success.

Aavas Financiers is attractively placed in this regard.

National policy

Shri Narendra Modi, Hon’ble Prime Minister of India, enunciated the government’s policy: “Even so many years after Independence, millions of poor do not have their own home. The Government has taken some major decisions to ensure homes for the poor, the neo-middle-class and the middle-class. The number of houses being built under the Pradhan Mantri Awas Yojana in rural areas is being increased by 33%.”

The Union Budget 2017 carried forward the government’s ‘Housing for All’ priority. The Budget focused on affordable housing, accounting for more than 90% of all constructed homes. The government allocated funds for the construction of 10 million rural housing units; it enhanced affordability through ‘Infrastructure status’ for affordable homes building companies; it made a larger allocation (₹43,000 Crore) to subsidise home loan interest rates through National Housing Bank (NHB) and Pradhan Mantri Awas Yojana (PMAY).




Affordable housing loan book with zero delinquency

₹60 crore (PMAY)

DID YOU KNOW!

Aavas Financiers’ affordable housing division addresses the growing needs of customers at the bottom of India’s economy pyramid.

Our typical customer profile includes low-middle Income segment such as, maids, car washers, security guards, tea stall owners, teachers, municipal workers, tailors and tutors, among several others.

More companies selected to ignore the bottom of the country’s economic pyramid on the grounds that it would not be profitable; we transformed this customer segment into a business-growing opportunity!

Creating a niche

At Aavas Financiers, we responded proactively to this sunrise opportunity. We created a dedicated affordable housing vertical in April 2016. We provided housing finance to economically backward sections generally ignored by the formal banking network and vulnerable to usurious moneylenders. We helped create a distinctive market niche.

Quick impact

Aavas Financiers, addressing the affordable housing segment, reported favourable traction in a short period:

Alliance: Signed MoUs with several urban local bodies (ULBs) engaged in the construction of affordable housing complexes in Rajasthan, Gujarat, Madhya Pradesh and Maharashtra, emerging as a preferred financier.

Focus: Focused on two buckets: one, on economically-backward sections with disbursements of ₹3 lakhs and below for 30 sq m homes; two, on low-income groups with loans up to ₹6 lakhs for 60 sq m homes.

Team: Created an 80-member team largely comprising local professionals to educate customers on government schemes: 6.5% upfront subsidy for loans up to ₹6 lakhs with a

15-year tenure (with relevant criteria).

Critical mass: Accelerated to 1,520 customers and expect to scale this to another 3,000 customers in 2017-18. (Under PMAY)

Revenues: Reported a ₹60 crore affordable housing loan book with zero delinquency; we expect to grow this to ₹140-150 crore in 2017-18. (Under PMAY)

WHEN WE SEPARATED FROM AU FINANCIERS (NOW “AU SMALL FINANCE BANK”) IN JUNE 2016, CRITICS PREDICTED WE WOULD FADE INTO OBLIVION.

WE SURVIVED; WE SUCCEEDED BECAUSE OF ONE REALITY. WE HELPED CUSTOMERS GRADUATE FROM THE KUCCHA TO PUCCA.

After Au Financiers received a license for operating a small finance bank, it was required to spin Aavas Financiers to carry its business.

As Aavas Financiers emerged as a standalone business, critics wrote its obituary.

AT AAVAS FINANCIERS, WE TOOK THIS REALITY AS A CHALLENGE.

WE BRAINSTORMED. WE DARED. WE DREAMT.

The result is that even as 2016-17 proved to be a challenging year at a time when we had not achieved critical mass, we surprised our detractors.

- We created a branch network (94) in our core markets and installed cash counters for customer ease

- We invested in proprietary IT and storage infrastructure

- We on-boarded private equity investors viz Kedaara Capital and Partners Group.

- We were empowered by SARFAESI, to assume delinquent asset possession faster from about 36-48 months to 9 months (normal regulatory route).

- We have further buildup deep relationship with large Banks/ FIs/Mutual Funds & infused confidence in company by

upgrading the external ratings

- We strengthened our credit appraisal and underwriting customised; as part of our micromarket approach, we hired sales professionals from local terrains

- We recruited senior management from reputed companies

- We reinforced post-sales service through a 36-seat Jaipur call center to address inbound calls and generate leads

- We awarded ESOP Grant to employees for long term rewards for their valuable contributions.

This then is the result: we almost doubled loan book to ₹2,694 crore & customer base of 35,000 in 2016-17 while keeping non-performing assets to under 1%.

“The last year was full of achievements and a few challenges - we spun Aavas out from our parent to create a new identity for ourselves, dealt successfully with the impact of demonetisation, crossed 2,500 crores of Assets under Management while helping 35,000 families achieve their dream of owning a home. This strong growth in our business, accompanied by excellent asset quality, is a testament to our 1,000-plus colleagues on the field - it has been a privilege to be part of this winning team.”

Mr. Manas Tandon
(Partners Group)

“Last year marked a key milestone in Aavas’s journey – its rebirth as an independent management-led business, high performance customer-first culture and mission intact with continued support from our key stakeholders - NHB, lenders and rating agencies. Having seen the business thrive as investors in the parent Au Fin, it has been a privilege to partner the Aavas management team to build a solid foundation to take this business to greater heights”

Mr. Nishant Sharma
(Kedaara Capital)




We almost doubled our loan book in 2016-17.

₹2,694 crore

AAVAS FINANCIERS. ONE OF INDIA'S MOST EXCITING HOUSING FINANCE PROVIDERS.



AMONG INDIA'S FASTEST-GROWING HOUSING FINANCE COMPANIES.



FOCUSED ON THE LOW-INCOME AND AFFORDABLE HOUSING SEGMENTS.



RECONCILING TWO CHALLENGES - AN 88% LOAN BOOK CAGR ACROSS THREE YEARS, AMONG THE HIGHEST IN INDIA; AND GNPA UNDER 1%.



VISION

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



Products

- **Finance for purchase:** Ready built property/ flat (including apartments in low-cost buildings, residential units, etc)
- **Finance for construction:** Loans for construction on plots which have been pre-acquired
- **Finance for home extension:** Loans to individuals for extension of an existing home unit, which can include construction of additional rooms, floors etc.
- **Finance for affordable housing:** Especially under the Government's credit-linked subsidy scheme, Pradhan Mantri Awas Yojna (PMAY)

Network

The Company operates in seven Indian states (Rajasthan, Gujarat, Maharashtra, Madhya Pradesh, Delhi, Haryana and Uttar Pradesh) through a network of 94 branches covering 171 locations (tehsils, districts, gram panchayats etc).

Loan ticket size

Average housing loans of ₹8.6 lakhs.

Customer profile

Low-income, largely self-employed groups

Principal achievements, 2016-17

- 60% growth in assets under management (AUM) from ₹1,680 crore in 2015-16 to ₹2,694 crore in 2016-17
- 33% growth in disbursements from ₹1,050 crore in 2015-16 to ₹1,392 crore
- 80% growth in profit after tax from ₹32 crore in 2015-16 to ₹58 crore
- 97 bps reduction in weighted average borrowing rate to 9.48%.
- Gross NPAs stood at under 1% (0.63%) and net NPAs of 0.48%
- Maintained a capital adequacy ratio (CAR) of 46.72% (12% mandated by the NHB)
- Added 50 branches, strengthening our network to 94 (March 31, 2017)
- Added eight new lenders in the borrowing portfolio (Axis Bank, Canara Bank, IDFC Bank, Indian Bank, Karnataka Bank, Reliance Mutual Funds, Kotak Mahindra Bank & South Indian Bank); now includes 24 bank partners, four mutual funds and two financial institutions (FI).

CORE METRICS AT A GLANCE, 2016-17

60%

AUM growth

33%

Loan disbursement growth

97bps

Borrowing cost reduction

58 Crs.

Profit after tax (PAT)

16,234

New customers added

'A1 +'

Credit rating from CARE (short-term)

FROM THE DESK OF OUR WHOLE-TIME
DIRECTOR AND CHIEF EXECUTIVE OFFICER



IT IS A
PLEASURE
ADDRESSING
YOU THROUGH
THE PAGES
OF THIS
REPORT.

Only recently, one of our colleagues in the sales force came with a loan application of a goldsmith. We appraised the documents; the records were sound enough to warrant loan disbursement. At this point, the colleague advised us against doing so due to an interesting observation. He explained that when he visited the goldsmith's premises, he observed that there was no safe/vault in his shop. By inference, he concluded that the goldsmith's business was not of the size indicated in his documents. We politely declined the loan sanction.

There are interesting insights to draw from this.

One, we possess a strong common-sense-driven approach that would be difficult to replicate in remote air-conditioned offices. We bring an intuitive understanding of people, customs and practices to building our loan book on the one hand and quality of assets on the other hand.

Two, we possess a transparently decentralised work culture that respects ethics and opinions over hierarchies. If a sales professional is not happy with a superior's credit assessment, the issue can be escalated to me. Besides, we back our assessments with valid rationale, empowering us with tools to strengthen our credit analyses.

I am proud that we have created markets where none existed. For one, our target customer segment comprises the largely self-employed, who, by the nature of their profession, experience an ongoing irregular income. The result is that this population segment remains largely untouched by the country's organised banking network. Driven by entrepreneurship and native micro-market understanding, these customers have been able to moderate their income volatility. Since this population cluster does not possess typical documentation that banks or large housing finance companies seek in loan sanction, we analyze their records, assess documents (khaata, parta etc.), visit their premises, assist with documentation and draw

OUR IMPROVING RATINGS
JOURNEY AS ASSIGNED
BY CARE, DURING 2016-17;
THE 'A1+' RATING IS THE
HIGHEST SHORT-TERM
RATING IN THE INDUSTRY

computation of income, before underwriting credit. These hygiene checks have protected our debt book on the one hand and helped address the government's affordable housing priority on the other.

The Central government's November 2016 demonetisation caught the housing finance industry unawares. We soon perceived this to be an opportunity; we focused on 'business as usual'; we enhanced our customer centricity; we enhanced transaction ease through the following initiatives:

- Created an online payment gateway, making it possible for our customers to remit EMIs through debit cards, among the handful in the industry to provide this facility.
- We empowered our Branches and collection executives with POS & MPOS to minimize cost & doorsteps facility to customers.
- We created a dynamic payment follow-up system through IVR and live calls to enhance EMI schedule awareness.
- We leveraged UIDAI-enabled e-KYC for documentation, helping customers record their identities/profiles in the government database
- We advised customers in migrating to a low-cash economy, educating them on digital wallets and other electronic platforms.
- We remained humane, attempting to understand our customer's problems and developing appropriate solutions.

The result: we grew through the demonetisation phase and protected the quality of our Balance Sheet as well.

In a significant development, we selected to spun from Au Financiers



₹2,694 crore

Loan book, 2016-17



0.48%

Net NPA



708

Sales force base,
2016-17



15%

Growth in business per
employee (sales force)



70:30

Ratio between customers who
are self-employed and salaried



94

Branch network



30

Lenders/Financial partners



46.72%

Capital Adequacy Ratio (CAR)



9.48%

Average cost of Borrowing

(when the latter received the license to start a small finance bank). The challenges were significant: our ratings could have declined, our collections could have been impacted and our banking relationships could have suffered. Our company implemented this separation without business disruption: we put customers at the heart of everything we did; we established new and exclusive branches equipped with the latest equipment; we migrated our IT systems and processes into our servers; we recruited localised manpower to be our face in remote areas; we commissioned a dedicated affordable housing vertical; we infused ₹300 crore equity capital through private equity investors (Kedaara Capital and Partners Group).

The separation and investor on-boarding represent a rare instance in the Indian housing finance industry, translating into sustained disbursements growth, customer accretion and ratings upgrade.

IN 2017-18, WE ARE OPTIMISTIC OF GROWING OUR LOAN BOOK TO ₹4,200 CRORE AND SCALING OUR BOOK TO ₹10,000 CRORE BY 2020.



'A-' > 'A- watch' > 'A+' & 'A1+'

During the year, CARE has assigned "A+" long term rating & "A1+" short term rating, highest short-term rating.

Going forward

In 2017-18, we are optimistic of growing our loan book to ₹4,200 crore and scaling our book to ₹10,000 crore by 2020. Further, we intend to enhance customer service through increasing technology use and shorter turnaround time; we expect to protect our book quality through stronger underwriting and collection competencies.

I am pleased to state that we are an attractive proxy of the government's priority on affordable and low-income housing. We have created a competitive moat through a differentiated business model. We are optimistic that this will translate into sustainable growth across the foreseeable future.

New Name. Same DNA.

Au Housing Finance Limited is now Aavas Financiers Limited!

In October 2015, the RBI granted in-principle approval to Au Financiers (India) Limited to establish a small finance bank. As per statutory guidelines, Au Financiers is restricted from operating a separate subsidiary for housing which led to stake divestment through share sale.

Today, though the name of the Company has changed, the DNA remains the same!

Thank you,

Sushil Kumar Agarwal

CORE KEY PERFORMANCE INDICATORS



Why we measure

The spread between the cost of funds and the interest rate charged to borrowers represents one of the primary sources of profit for most financial lending institutions.

Performance

At Aavas Financiers, we believe that the net interest margin should always be appraised over a longer time-frame and passing benefits to borrowers. We negotiate with our lending partners for a lower cost of funds and focus on providing our customers with Risk adjusted Rate, while at all times protecting our NIMs through superior underwriting and collection capabilities.

Net interest margin (%)



Why we measure

The operating cost-to-income ratio is an indicator of our operational efficiency and productivity. Controlling overheads is critical to the business, keeping a close watch on overheads would enable it to enhance its return on equity

Performance

Over the years, we have consistently moderated our cost-to-income ratio, 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..

Operating cost-to-income ratio



Why we measure

Average borrowing cost is an index used to measure the average rate of interest rate paid by financial institutions for the funds that they deploy in their business. A lower cost funds pool helps reduce the rate of interest charged from customers, thereby widening the market.

Performance

The Company, over the years, has successfully reduced its cost of funds year-on-year on the back of a declining interest rate regime (prevailing), diversification of liability portfolio through increasing securitisation of loans & borrowings from NHB's refinancing window and lowering dependence on term loans etc., Supported by improved financials & upgrading in its External credit ratings.

Weighted avg. cost of borrowing (%) day end



Why we measure

This refers to loans that are at risk of default. Hence, a lower NPA signifies the strength and quality of the asset portfolio of a financial institution.

Performance

Aavas Financiers' GNPA in 2016-17 at 0.63% has remained almost similar to its previous year's level, after the completion of 6 year business journey. Besides, this is much lower than the industry average of between 1 to 3%, indicating robust underwriting skills and efficient Collection mechanism.

Gross non-performing assets (%)



Why we measure

This metric represents a typical indicator of the customer segment a company is generally targeting.

Performance

Focused on providing housing loans to the un-served and under-served segments of India's vast semi urban, segments that are generally deemed not creditworthy by the formal organised financial system, the Company's customers have largely remained small ticket size home loan buyers in rural and semi-urban areas. Besides, these customers generally do not have stronger documentation and are largely self-employed.

Average loan size (₹ Lakhs)



Why we measure

As per regulatory guidelines, financial institutions are mandated to maintain a certain percentage of capital to help them to meet Business growth, repayment obligation and stability. Hence, capital adequacy helps protect depositors and promotes the stability and efficiency of the overall financial systems around the world.

Performance

The Company's capital adequacy ratio, standing at 46.7% during 2016-17, has always remained above the statutory requirement of 12% for Housing Finance Companies (as mandated by the NHB), signifying a substantial cushion against potential losses, which can protect the depositors or other lenders as well as help the Company infuse sustainability in its operations and sustained future business growth.

Capital adequacy ratio (%)

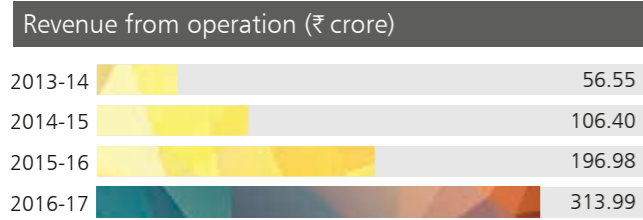
8.6
Average loan size
(₹ Lakhs)

7.84%
Net interest margin

24.28%
Operating cost-to-income ratio

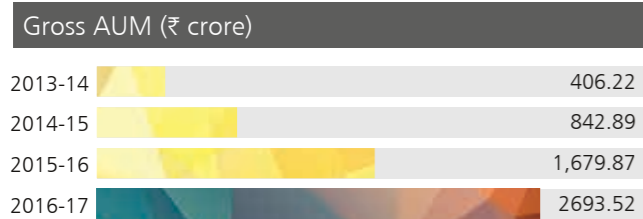
50%
Average loan-to-value ratio

OTHER KEY PERFORMANCE INDICATORS



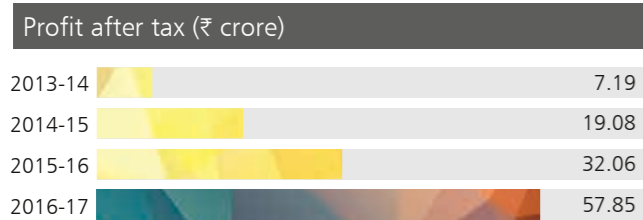
77%

Three-year CAGR (%)



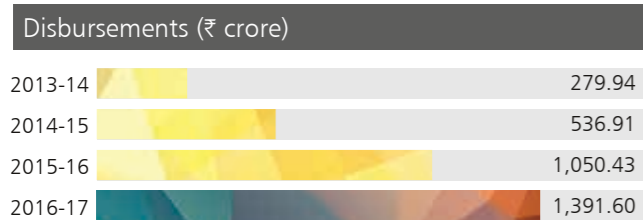
88%

Three-year CAGR (%)



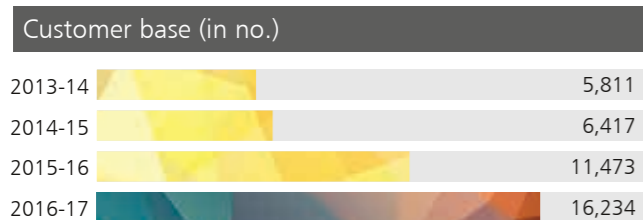
100%

Three-year CAGR (%)



71%

Three-year CAGR (%)



41%

Three-year CAGR (%)



CORPORATE STRENGTHS AND BUSINESS DIFFERENTIATORS



CUSTOMER NICHE

OUR CUSTOMER BASE INCREASED 41% CAGR IN THE LAST THREE YEARS

At Aavas Financiers, our customer base largely comprises the self-employed (almost 95% of India's 1.2-billion strong population) with income levels of about ₹3 lakhs per annum and largely rural in residence. This customer cluster represents a significant advantage: the sheer population size, and that it is un-served and under-served by organised banking / large housing financing institutions. Besides, this population segment suffers usurious moneylending practices of the informal sector with interest rates as high as between 24-28% per year! Even as we face limited competition from formal financing channels, we embarked on customer education to liberate them from usurious financing channels.



ROBUST CREDIT ASSESSMENT CHECKS

OUR GNPAS STOOD AT 0.63% IN 2016-17, ONE OF THE LOWEST IN THE COUNTRY'S HOUSING FINANCE INDUSTRY

At Aavas Financiers, we leverage a common sense-driven approach to credit assessment. We spend significant time at the customer's premises, evaluating credit worthiness across criteria. We also do reference check of customers from their local bodies/neighbours etc. We study their khaata and cross-examine them in how their business operates.

We have robust inhouse legal & technical team to verify and check property documents & valuation, supported with empanelled law firms and valuers. we have further created separate RCU team to check the hygiene of all processes.



CREDIBLE PARTNERSHIPS

KEDAARA CAPITAL AND PARTNERS GROUP EQUITY PARTICIPATION, LARGE BANKS, FIS, RATING AGENCIES

At Aavas Financiers, we have developed credible and time-tested partnerships with a large stakeholder ecosystem, based on trust, respect, credibility and the common focus on achieving sustainable growth. In a significant development during 2016-17, we were able to onboard two private equity investors who collectively invested USD 48.5 million in our equity, thereby endorsing our business model and operating practices. Besides, we also added eight new lender & financial partners to our banking consortium, taking the total to 30 lenders (Credible Private and Public Sector Banks). The total debt capital raised during the year is ₹1125 Crores from the lenders.

OUR CUSTOMER NATURE

- LOW LEVERAGE
- FIRST HOME OWNER

- CONSERVATIVE
- GENUINE CUSTOMER

- SOCIALLY CONNECTED PERSON
- RESPECTFUL



ROBUST IN-HOUSE SALES & COLLECTION TEAM

OUR 'FEET-ON-STREET' PROGRAM COMPRISES A 708-MEMBER SALES FORCE ENJOYING CLOSE CUSTOMER RELATIONSHIPS

Our strong sales force comprises localised teams enjoying a close understanding of geographic micro-markets that helps business growth, Customer Satisfaction and control delinquencies.

Our collections are conducted through a multi banking channels comprising ECS/ACH/ direct debit/ debit card swipe/ post-dated cheques, payment gateway on its corporate website for reducing cash management risk.

we have focused separate collection and Legal team to monitor/mentor the Customer and to conduct SARFAESI.



EXPERIENCED TEAM

OUR SENIOR MANAGEMENT TEAM POSSESSES A COLLECTIVE 100+PERSON YEARS OF EXPERIENCE IN THE HOUSING FINANCE BUSINESS

The Company enjoys a cumulative experience of 100+ person years across underwriting, risk, sales, Finance & Treasury, Operations and human resources, among others. During 2016-17, the Company plugged senior positions, drawing talent from prestigious companies and diverse geographies.

This has resulted in business growth, spread our reach to 35000 satisfied customers, touching 171 locations across seven states being serviced through our 97 branches. We were able to retain and enlarge our work force and attract the best of industry talent to serve the organization better



FOCUSED HR PRACTICES

THE COMPANY'S AVERAGE ATTRITION WAS ONE OF THE LOWEST IN THE INDUSTRY

At Aavas Financiers, we embrace HR-centric initiatives that build loyalty and engagement. Some of our key programs include the 'NEEV' 3-day compulsory training and development platform that helps new entrants develop a basic business understanding; the 'LEAD' platform helps first- and second-line managers assume key leadership skills; 'Pehla Pag' teaches recruited talent finance industry basics at ICICI Bank-promoted ICICI Skills Academy. We launched 'Disha' to bridge the gap between sales and credit teams, resulting in faster credit appraisal and disbursement. These structured programs helped control attrition in an industry vulnerable to talent loss.

OUR CUSTOMER PROFILE

- RETAILERS
- JOB WORKERS
- MANUFACTURERS
- SERVICE



SUPERIOR CUSTOMER SERVICE
OUR AVERAGE GRIEVANCE CLOSURE TIME-FRAME REDUCED BY 72 HOURS IN 2016-17

At Aavas Financiers, our 36-seater Jaipur based call center is possibly the only one of its kind in north India which is divided into three streams - Business, Service and Collection. This call center manages an average 5500 calls per day, both inbound and outbound; engaged in lead generation, query handling and follow ups. For follow-ups, our multiple reminders include IVR, SMS and Live calls, minimizing customer defaults and enhancing convenience.

LEVERAGING TECHNOLOGY
WE INVESTED ₹4.1 CRORE IN FORTIFYING OUR IT INFRASTRUCTURE IN 2016-17

At our Company, we are making significant IT investments to create a scalable and flexible technology foundation. We upgraded OmniFin software, a fully-integrated package that provides dashboard-based real-time information. Besides, we implemented an online payment gateway on our website that makes it possible for our customers to pay via debit cards; this worked glitch-free in FY 17.

We invested in analytical platforms like SAS to enable data backed, scientific and intelligent decision making and developing a best in class Information Management ecosystem.

BRANCH NETWORK
WE ADDED 50 NEW BRANCHES TO OUR NETWORK, ESPECIALLY IN OUR CORE STATES OF RAJASTHAN, GUJARAT AND MAHARASHTRA

At Aavas Financiers, we established a 94-strong branch network; we added 50 branches in FY17 and plan to scale the network to 130 branches in 2017-18.

State wise Branch Network:-

S.no	State	No. of Branches
1	Rajasthan	41
2	Maharashtra	18
3	Gujarat	16
4	Madhya Pradesh	16
5	Delhi	01
6	Haryana	01
7	Uttar Pradesh	01
	Total	94

OUR PERFORMANCE AMBITION



OUR GOAL

Grow our loan book to ₹10,000 crore by 2020

PROBABLE GOAL CONTRIBUTORS

- Selective market and customer expansion
- Qualitative portfolio consistency
- Enhancing operational productivity
- Increasing the tech content in our processes

WE ARE MEASURING OUR PERFORMANCE AMBITION THROUGH:

- Our disbursements grew 33% to ₹1,392 crore, 2016-17
- Net interest margin grew 68 basis points to 7.84%, 2016-17
- Net profit grew 80% to ₹58 crore, 2016-17
- Gross NPAs stood at 0.63%, 2016-17, one of the industry's lowest

WE PRIORITISED OUR INVESTMENTS IN:

- To achieve efficiency and cost reduction through technology
- Training our key staff to enhance their productivity levels
- Strategic market expansion through branch opening

OUR STRATEGIC DIRECTION FOR ACHIEVING OUR AMBITION:

- Regular and structured training and development for building human resource capacity and capability
- Engaging in quality recruitment
- Protecting portfolio quality with selective growth
- Maintaining our net interest margin



MANAGEMENT DISCUSSION AND ANALYSIS

Company profile

Aavas Financiers Limited was incorporated as a private limited company under the name of 'Au Housing Finance Private Limited' in Feb, 2011. The Company got registered with the National Housing Bank (a subsidiary of the Reserve Bank of India) as a housing finance company and formally started operations in March, 2012. The name of the Company was changed to 'Au Housing Finance Limited' following its conversion from a private to a public limited company on January 10, 2013.

In March, 2017, the name of the Company was again changed – from 'Au Housing Finance Limited' to 'Aavas Financiers Limited' (Aavas). Aavas is presently engaged in the business of providing housing loans, primarily in the unreached and underserved market of Rajasthan, Maharashtra, Gujarat, Madhya Pradesh, Haryana, Delhi & NCR.

Indian economic overview

India's Gross Domestic Product (GDP) is estimated to have grown at 7.1% in the FY-16-17, placing India amongst the fastest growing major economies, as per the Central Statistical Organisation. Agriculture registered a robust growth backed by good monsoons. The services sector growth was mildly subdued compared to the previous year, though industrial growth continued to struggle.

The economic outlook became buoyant

with the agrarian and rural economy benefiting from a good monsoon in 2016 after two successive rain-deficient years.

The impact of demonetization seen in the last two months of the calendar year kept diminishing with the quick pace of demonetization and a series of digitization initiatives.

The financial year 2016 -17 was a momentous year for India, characterised by the passage of Goods and Services Tax (GST) Bill, which is expected to be implemented in financial year 2017-18.

On the housing finance front, the government continued to offer sops under the Pradhan Mantri Awas Yojana (PMAY), with an objective to accelerate demand and improve the credit offtake in housing. As the results of the CLSS for the EWS / LIG segments announced last year are being slowly witnessed, the Government announced the second phase of CLSS for the MIG segment for families in the income segment of upto ₹18 lacs p.a. for one year period upto December 2017.

Outlook

The growth estimates for FY2017-18 is based on normal precipitation levels during the year as well as an expected increase in consumption, private sector participation and governmental spending. The nationwide rollout of the Goods and Services Tax in the second

quarter of FY2017-18 is also expected to result in bolster India's GDP growth by 0.25-0.5%. Consequently, the Indian economy is expected to grow at a rate of 7.6-7.8% during FY2017-18.

(Source: CARE Ratings)

Housing finance sector in India

The housing finance sector registered a growth of ~16% during FY2016-17, vis-à-vis a five-year CAGR of 18% between 2011 and 2016. The growth is likely to be supported by a pickup in primary sales, new launches and a healthy growth in the affordable housing segment. Mortgage penetration (housing credit as a percentage of GDP) in India has increased steadily from ~7% (March 31, 2007) to ~9.5% (March 31, 2017). The overall housing credit stood at ₹14.4 trillion as on March 31, 2017 compared to ₹12.4 trillion as on March 31, 2016).

The Government has been at the forefront in encouraging housing sector and have taken various initiatives in this regard. The key reforms introduced by the government to boost the housing sector in India which in turn will have a positive impact on the housing finance sector are discussed below:

Housing for All (Affordable Housing)

The Union Cabinet launched the "Housing for All by 2022" project on June 25, 2015, also known as the Pradhan Mantri Awas Yojana ("PMAY"), aimed at urban areas.

Key provisions introduced in the Union Budget, 2017

The 2017 Union Budget extended various benefits to the affordable housing sector, including infrastructure status and increased allocation under the PMAY scheme.

The Real Estate (Regulation and Development) Act

The Real Estate (Regulation and Development) Act, 2016 received the assent of the President on March 25, 2016 ("Real Estate Act"). The Real Estate Act seeks to protect consumer interest, ensure efficiency in all property-related transactions, improve the accountability of developers, enhance transparency, and attract more investments to the sector

Outlook

The long-term outlook for the sector remains positive given the Central Government's focus on realising the goal of 'housing for all' by 2022.

The recent announcement by the Government of India to boost mass housing in peripheral areas with attractive interest subventions and increase in the number of homes in rural areas is a welcome move, particularly for the segment at the bottom of the pyramid, where growth and potential exists. While the bigger players are expected to continue to dominate the mortgage market over the medium-term, the smaller HFCs that have been expanding their portfolio over the last few years are also likely to increase their share, given their proven ability to address longstanding unserved needs.

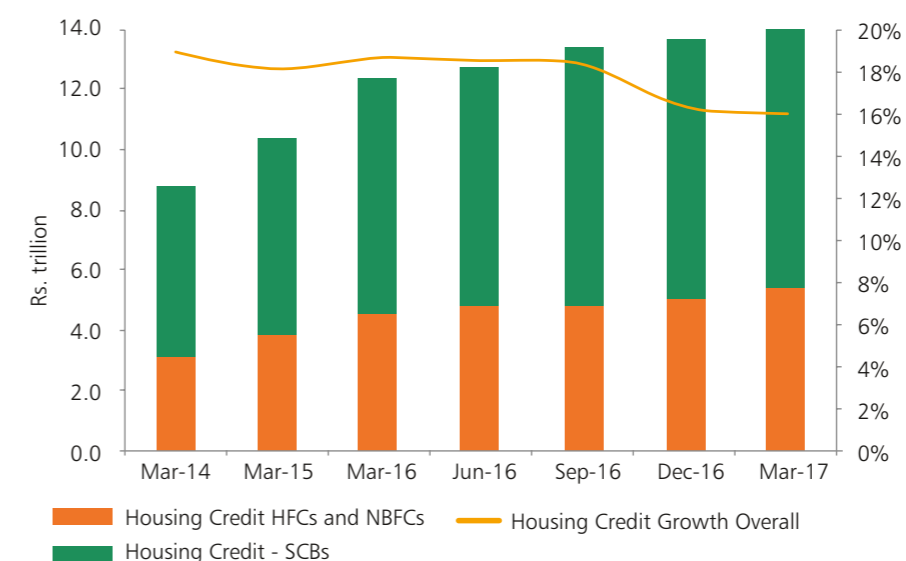
(Source: Financial Express)

Key trends

Stabilising NPA levels: The gross NPA level stood at 0.84% as on March 31, 2017. With the overall portfolio remaining vulnerable as a result of the rising shares of relatively riskier segments (affordable housing, self-employed and non-housing loans), it is believed that asset quality indicators, could weaken. Nevertheless, strong monitoring and control processes, borrowers' own equity in the properties and a large proportion of self-occupied properties could reduce the impact somewhat. Overall, the gross NPA levels for HFCs are expected to veer between 0.9-1.3% over the medium-term.

Diversifying funding profiles: In FY2017, the larger HFCs continued to be more reliant on debt market instruments and fixed deposits for meeting their funding requirements. As for small HFCs, while debt market instruments continued to carve out a sizeable share (37%) of the overall funding mix, they did so by accessing NHB funding.

Growing need for capital: HFCs benefited from the relatively lower risk weightage of home loans and commercial real estate loans for residential projects. The aggregate gearing levels remained at ~8.1x as on March 31, 2017. Further ICRA's expects,



(Source: ICRA; RBI)

HFCs to use discretion in leveraging, as excessive leveraging may impact the credit profile. There could also be an increase in balance transfers so as to take benefit of lower risk weights, as the lower risk weights are only applicable on fresh disbursements post June 7, 2017. An ebullient investor sentiment and renewed growth prospects will help these small HFCs raise the required capital.

Increasing ROEs: HFCs reported a slightly higher RoE (19.8%) in FY2017 (20% for FY2016). It is expected that incremental spends will decline by 10-15 bps owing to a highly competitive sectoral scenario. Looking ahead, the overall profitability is likely to be catalysed by stable operating expenses and credit costs. This should allow HFCs to generate an ROE of 17-19% during FY2018. (Source: ICRA)

Softening borrowing costs: Borrowing costs have softened for HFCs over the last two years. The softening has however been higher for AAA-rated borrowers compared to AA-rated ones. The relatively stable spreads show that HFCs have been able to manage pricing pressures on the lending side as well. Cost of funds moderated for HFCs overall from 8.48% in Q3FY2017 to 8.08% in Q4FY2017 owing to softening of interest rates and the higher share of debt market borrowings.

Demand drivers

The affordable housing segment: The affordable housing segment for HFCs has grown at a fast pace than industry at 28% in FY2017. As per ICRA's estimates, the total loan book of the all the new entrants in the affordable housing segment stood at ₹227 billion

as on March 31, 2017. The prospects for growth are bright for the segment given the current penetration levels as well as the governmental thrust on the affordable housing segment. (Source: ICRA)

Regulatory changes: The Real Estate (Regulation and Development) Act, 2016 (RERA) came into force in May, 2016. The basic objective of RERA was to protect the interests of the consumers and investors by introducing a regulatory regime that improved the levels of transparency and accountability in the sector. The Act is definitely a step in the right direction and is likely to restore confidence of buyers and investors over the long-term. (Source: ICRA)

The rural housing sector: Focusing on the housing in rural and urban sector, the Central Government has proposed to construct 1 crore houses for the homeless by 2019. The National Housing Bank will refinance individual housing loans of about ₹20,000 crore in 2017-18. To promote affordable homes, the Central Government also proposed to amend Section 80-IBA by relaxing the condition of period of completion of the project for claiming deduction from the current three years to five years. (Source: Indian Express)

Increasing per capita incomes: The per capita income jumped by 9.7% from ₹94,130 in 2015-16 to ₹1,03,219 in 2016-17 leading to an increased demand for houses. Moreover, rising education levels have contributed to the evolution of a wholly new retail structure and inception of better standards of living. (Source: Financial Express; Economic Survey; Livemint)

Challenges

Competitive intensity: There has been an increase in the number of new entrants in the housing finance market. This has led to increased competition in the industry. This competitive intensity has also led to relaxation in lending norms (for example, relaxation of loan-to-value ratio (LTVs)/fixed-obligation-to-income ratio (FOIRs) or higher top-up loans and introduction of new products.

Emergence of smaller players: It has been noted that the upcoming small finance banks may also target the housing finance segment (mostly affordable housing). 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: High business origination costs, coupled with balance transfers and lower lending yields could adversely impact the profitability indicators 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 a higher loan amount, the risk in such loans is higher than conventional underwriting, hence increase the overall vulnerability.

Governmental initiatives

Housing for poor: 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%.

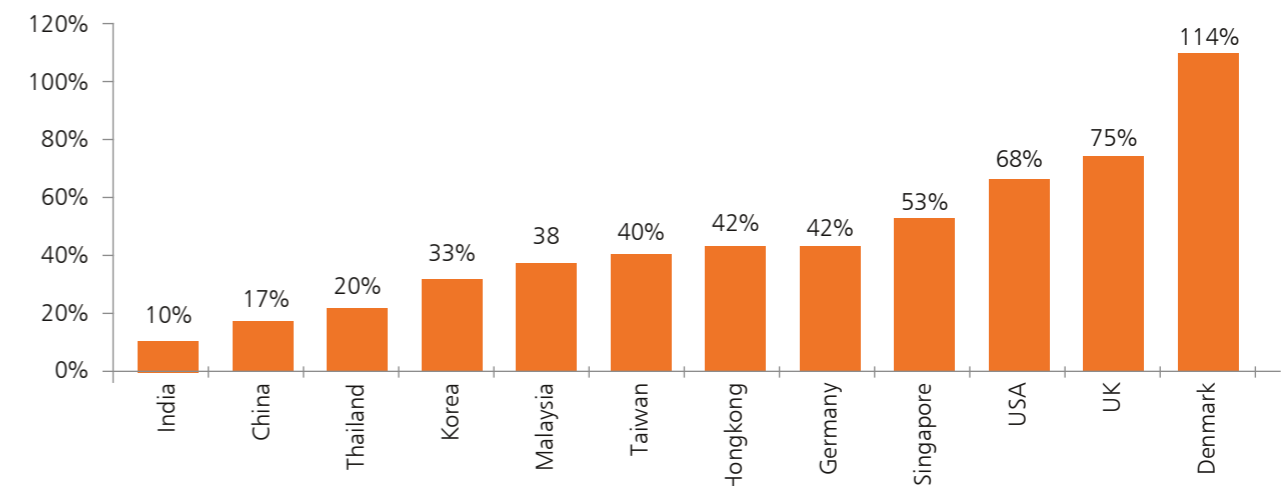
Affordable housing: The Central Government's decision to recognise affordable housing at par with

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 US\$ 60.1 billion in FY 2016-17, compared to US\$ 55.6 billion in 2015-16.

Interest subvention: The Central Government's decision to provide interest subvention of 3% and 4%

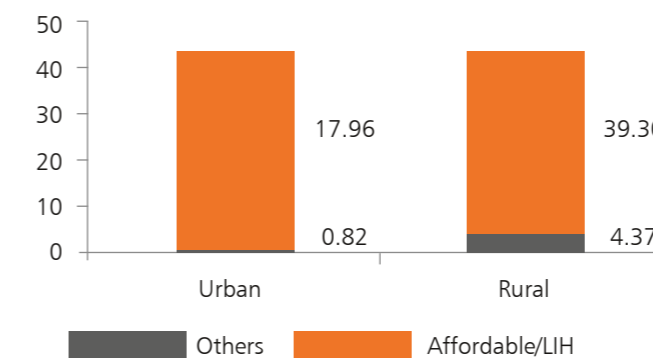
for loans of up to ₹12 lac and ₹9 lac, respectively under the Pradhan Mantri Awas Yojana is expected to boost low-income housing in peripheral areas of urban localities across the country. In rural areas a 3% subvention will be given on loans of up to ₹2 lac to build and expand existing houses. The Central Government has also decided to increase the number of homes to be built in rural areas under the Pradhan Mantri Awas Yojana by 33%. (Source: ET)

MORTGAGE TO GDP RATIO OF CERTAIN COUNTRIES IN 2016



Source: CRISIL Report

HOUSING SHORTAGE (in Mn. units)



FINANCIAL PERFORMANCE

Income & Profit

Total Income grew by 59% to ₹313.99 Cr for the year ended 31st March, 2017 as compared to ₹196.98 Cr for the previous year. Profit Before Tax (PBT) was 81% higher at ₹88.65 Cr as compared to ₹48.86 Cr for the previous year.

The net profit after tax for the year increased by 80% from ₹32.06 Cr in the previous year to ₹57.85 Cr in the current year.

Sanctions

During the year under review, the Company sanctioned housing loans for ₹1494 Cr as compared to ₹1119.24 Cr in the previous year with a growth of 33.48% over the previous year. The cumulative loan sanctions since inception of the Company stood at ₹3684.40 Cr as at March 31, 2017.

Disbursements

During the year under review, company disbursed housing loans for ₹1391.60 Cr as compared to ₹1050.43 Cr in the previous year and recorded a growth of 32.48 % in disbursements.

The average size of home loans disbursed during the year was ₹8.60 Lacs and average tenure is 165 Months.

The cumulative loan disbursement from inception stood at March 31, 2017 was ₹3444.01 Cr.

Affordable Housing

Company has signed MOU with NHB to promote the CLSS scheme and received interest subsidy aggregating to ₹1.25 Cr in respect of 130 beneficiaries and credited the subsidy to the respective customers' loan accounts.

Assets under Management (AUM)

During the year under review, the AUM stood at ₹2693.52 Cr (including assignment of ₹562 Cr) as against ₹1679 Cr in the previous year, with the growth of 60.42%.

Non-Performing Assets

Pro-active collection and recovery management system at ground level of your company was able to contain its gross Non-Performing Assets at ₹16.92 Cr (0.63% of the portfolio) as at 31st March, 2017.

The Company coupled a defined policy with procedures to address risks as a result of which Gross NPA and net NPA as at 31st March, 2017 were 0.63% and 0.48% respectively (against 0.48% and 0.37% respectively in the previous year).

Capital Adequacy Ratio

Company's Capital Adequacy Ratio as at 31st March, 2017 was 46.72% (previous year 27.52 %) which is well above the minimum required level of 12% as prescribed by the National Housing Bank (NHB).

Borrowing Composition

As at March 31, 2017, your Company's sources of funding were primarily from banks and financial institutions (51.71%), followed by securitization/direct assignment/Pass through Certificates (24.66%), Non-convertible debentures (14.71%), Refinancing from NHB (7.60%) and subordinated debts (1.32%).

The weighted average borrowing cost as at March 31, 2017 was 9.48% as against 10.45% in the previous year.

Bank Term Loans

During the Year, Company received fresh sanctions from banks amounting to ₹590 Crores of which Company has availed loans aggregating to ₹437

Crores. The outstanding bank term loans as at March 31, 2017 were ₹1150.81 Crores.

Refinance from National Housing Bank (NHB)

NHB continued its support to your company through refinance and during the year under review, your Company got refinance sanction of ₹200 Cr (previous year ₹100 Cr) under the NHB refinance scheme to Housing Finance Companies. The company availed this fund from NHB under the Refinance Scheme for Special urban Low income Housing and Regular Refinance Scheme of NHB and outstanding at the end of the current year stood at ₹173.04 Crores (previous year ₹120.91 Cr).

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

Non-Convertible Debentures ("NCDs")

During the FY 2016-17 your Company has raised ₹200 Cr through the issue of Secured Redeemable, Non-Convertible Debentures (NCDs) on private placement basis. As on 31st March, 2017, the company's outstanding balance of Debentures including interest accrued and due stood at ₹352.82 Cr as compared to ₹310.68 as on 31st March, 2016.

Securitisation/Assignment of Loan Portfolio

During the year under review, your Company securitized its loan portfolio of ₹338.16 Crores (excluding MRR portion) through Direct Assignment and as well

company successfully placed first PTC paper of ₹79.62 Crores in the market with AA (SO) rating from ICRA having 20 years of maturity. 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.

Name Change of The Company

The shareholders of the Company has approved the name change of the Company from "Au Housing Finance Limited" to "AAVAS FINANCIERS LIMITED" due to the Transition Arrangement Agreement entered between "Au Financiers (India) Limited" and "Au Housing Finance Limited".

Your company has received the new Certificate of Registration (COR) and Certificate of Incorporation (COI) from the National Housing Bank and Registrar of Companies respectively.

The New name of the Company has become effective from 29th March, 2017.

Awards & Recognition

Company has been awarded as "Best Housing Finance Company in Affordable Housing Segment" by ASSOCHAM INDIA in "National Summit on Affordable Housing" on 20th July, 2016 at New Delhi by the Honourable Union Minister for Urban Development, Housing and Urban poverty alleviation and I&B, Mr. Venkaiah Naidu and Honourable Union Minister of State of Finance Mr. Kailash Meghwal to your Company.

Change in Controlling Stake

Au Small Finance Bank Limited (Formerly Known as "Au Financiers (India) Limited"), the holding company of the AAVAS, pursuant to the share purchase agreement dated 5th February, 2016

("Share Purchase Agreement") with Lake District Holdings Limited, Kedaara Capital Alternative Investment Fund–Kedaara Capital AIF 1, Partners Group Private Equity Master Fund LLC, Partners Group ESCL Limited (collectively, the "Acquirers") and Au Financiers, has agreed to sell and transfer 90.10% of its stake held in the AAVAS with a view to comply the guidelines specified by RBI for setting up Small Finance Bank.

After all the required regulatory approvals as sought for the above said Change in Control, the transition is concluded in June, 2016 in all aspects.

Risk Management Framework

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.

AAVAS 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.

Credit Rating

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

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



MANAGING RISKS AT AAVAS FINANCIERS

As a leading housing finance company, Aavas Financiers is exposed to various risks - credit risk, market risks, liquidity risk, legal risks, interest rate risks, technology risks and operational risks, among others.

To mitigate risk intensity, the Company instituted Board-approved risk management policies that assessed risks. The Company also commissioned a structured policy framework for superior asset management and liability profile, strengthening business sustainability.



LIQUIDITY RISK

The Company may face an asset-liability mismatch caused by a difference in the maturity profile of its assets and liabilities. This risk may arise from the unexpected increase in the cost of funding an asset portfolio at the appropriate maturity and the risk of being unable to liquidate a position in a timely manner at a reasonable price.

Mitigation The Company actively monitors its liquidity position to ensure it can meet all borrower and lender-related funds requirement. The Company constantly looks to diversify sources of funding to facilitate flexibility in meeting funding requirements and minimise risk. While lending operations are principally funded by borrowings from the National Housing Board (NHB), banks and other financial institutions, drawing strength from a stable short-term and long-term credit ratings, the Company gains access to fund raising opportunities that enables it to reduce the cost of its liability pool. Due to the composition of the credit portfolio, which also qualifies for priority sector lending, the Company is one of the leading participants in the securitisation/ assignment market as well, emerging among the few housing finance companies in Rajasthan to engage in this.



CREDIT RISK

Credit risk is a risk of loss due to failure of a borrower/ counter-party to meet the contractual obligation of repaying debt as per agreed terms.

Mitigation Credit risk is managed by using a set of credit norms and policies, as approved by the Board. The Company has a structured and standardised credit approval process including customer selection criteria, comprehensive credit risk assessment, which encompasses analysis of relevant quantitative and qualitative information to ascertain the credit worthiness of the borrower. Overall, the Company has created a robust credit assessment and underwriting practice that enables it to fairly price its credit risks.



OPERATIONAL RISK

Operational risk can result from a variety of factors, including failure to obtain proper internal authorisations, improperly documented transactions, failure of operational and information security procedures, failure of computer systems, software or equipment, fraud, inadequate training and employee errors.

Mitigation This risk is mitigated by maintaining a comprehensive system of internal controls. Additionally, the Company also engages in establishing proper systems and procedures to monitor transactions and maintaining key back-up data by undertaking regular contingency planning and providing employees with continuous training. The Company has also recently introduced a new program to support its growth, improve operational efficiency and optimise costs through the use of technology. The program will establish a scalable and flexible technology landscape (powered by OmniFin, a core housing finance software), align it with the Company's business needs, improve customer centricity and bring the technology platform to a new level. The technology platform aims at providing back-up support to set up a disaster recovery site. This will help in retrieval of data to operating units in case of an eventuality or system failure as part of business continuity plan.



INTEREST RATE RISK

HFCs leverage on their capital and largely depend on resources raised from the banking system and market instruments to carry on their operations. They are therefore significantly vulnerable to interest rate movements in the market and have to closely align with the directions of key benchmark rates.

Mitigation The Company, based on its longstanding performance and track record, has been able to optimise its borrowing profile between short-term and long-term loans. Its lending and borrowing are largely on a floating rate basis, minimising re-pricing risks. The funding strategies adopted by the Company ensure diversified resource-raising options to minimise cost and maximise stability of funds. Besides, the ALCO (asset-liability committee) also prepares an Interest Rate Sensitivity Report periodically for assessment of interest rate risks that is also submitted to the regulator.



MANPOWER RISK

Manpower risk can result from a variety of factors, including failure to control attrition and the inability to attract quality talent.

Mitigation The Company has taken several initiatives to control attrition during the year 2016-17. In addition to industry-benchmarked salary, the Company also provides a significant number of non-monetary incentives including foreign trips etc. to its high-performing employees, in addition to certain other cash benefits. It also offers a group mediclaim policy and gratuity, aligned with regulatory requirements. Because of these, during the year 2016-17, the Company reported one of the lowest attrition rates in the industry.

PROFILE OF BOARD OF DIRECTORS

01 MR. KRISHAN KANT RATHI
Independent Director
(DIN No. 00040094)

He holds a bachelor's degree in commerce and is a qualified Chartered Accountant (CA) and Company Secretary (CS) with more than 25 years of professional experience in finance and accounting functions. He has worked as the CFO of Future Group and had done assignments for RPG Group and Rajan Raheja Group occupying senior position. Mr. Rathi serves as the Chief Executive Officer of Future Ventures India Ltd.

02 MRS. KALPANA IYER
Independent Director
(DIN No. 01874130)

She has over 24 years of experience in retail banking and finance sector having a wide array of skill sets. She is presently working as a management consultant at IncValue Advisors Pvt Ltd. She is a Bachelor in Commerce and a Chartered Accountant.

She is the former director of Positron Advisory Services. She was also the Sr. Vice President at Citibank where she was in charge of the new initiative in retail banking- women's banking, with the aim to structure products, services and delivery of banking products to cater specifically at women customers. In addition, she also headed the microfinance initiative for consumer banking.

03 MR. K.R. KAMATH
Nominee Director
(DIN No. 01715073)

He is a former Chairman & Managing Director of Punjab National Bank (2009-14). He has also served as Chairman of PNB Housing Finance. He spent almost three decades in Corporation Bank, before moving on to Bank of India as Executive Director and then to Allahabad Bank as Chairman & Managing Director. Over six years stint as Banking CEO of leading Public Sector Banks (PSBs) - Punjab National Bank (PNB) for 5 years and Allahabad Bank 15 months. He has served as Chairman Indian Banks Association for two years.

04 MR. VIVEK VIG
Nominee Director
(DIN No. 01117418)

He is Post Graduate from the Indian Institute of Management (Bangalore). He has over 30 years of Retail Banking experience in India and different parts of the globe. From IIM campus he joined Citibank N.A., India in 1986. There he served in various capacities with the Consumer Bank till 1992.

Between 1992 and 2004, he held senior business positions overseas in Citibank as Director (Marketing)-Samba (Citibank), Saudi Arabia and Business Head - Poland & Taiwan. After this, he was appointed as the Country Head (Consumer) of Citibank, Turkey and Saudi Arabia. After Citibank, he joined Centurion Bank of Punjab in 2004, as the Country Head (Retail Bank), where the Bank acquired Bank of Punjab and Lord Krishna Bank before its merger with HDFC Bank Ltd., in 2008. Later, he joined Destimoney Group of Companies as the Managing Director & Group CEO., which was recently sold to a Global PE fund.

05 MR. SUSHIL KUMAR AGARWAL
Whole Time Director & CEO
(DIN No. 03154532)

He is a Chartered Accountant & Company Secretary by qualification, having a vast experience more than 15 years and has served ICICI Bank Ltd. as National Head - Credit Risk for Business Banking Group, SME. First 6 years of his career, he has experience in housing finance with ICICI Bank and in last assignment for housing was managing entire North & east.

06 MR. NISHANT SHARMA
Nominee Director
(DIN No. 03117012)

He is a Co-Founder & Managing Director of Kedaara Capital Advisors LLP, an investment advisory firm focused on India.

Prior to Kedaara, Mr. Nishant Sharma has served as a Principal at the global private equity firm, General Atlantic, which he joined in 2006. He was a senior member of the India investment team. He has over 10 years of investment advisory experience across financial services (including banking & finance), consumer, information technology and healthcare. He co-led GA's investments in IndusInd Bank, Jubilant Life sciences, IBS Software and Cyient. Previously, he has worked with McKinsey and Company, and the Bill and Melinda Gates Foundation. Mr. Nishant Sharma holds an MBA from the Harvard Business School, and a Masters and Bachelors in Biochemical Engineering and Biotechnology from Indian Institute of Technology, Delhi.

07 MR. MANAS TANDON
Nominee Director
(DIN No. 05254602)

He is a Managing Director, Partners Group Private Equity India has over 17 years of industry experience. Prior to joining Partners Group, he worked at TPG and his prior assignments include Matrix Partners and Cisco Systems.

He holds an MBA in Finance from The Wharton School where he was a Palmer Scholar and a Bachelor's degree in Electrical Engineering from The Indian Institute of Technology. He is a member of the Mumbai chapter of the Entrepreneurs' Organisation.



MR. KRISHAN KANT RATHI



MRS. KALPANA IYER



MR. K.R. KAMATH



MR. VIVEK VIG



MR. SUSHIL KUMAR AGARWAL



MR. NISHANT SHARMA



MR. MANAS TANDON

MANAGEMENT TEAM



MR. GHANSHYAM RAWAT
Co-Founder & CFO

He is a Chartered Accountant by Qualification having the vast experience of 25 years in Finance, Service and Manufacturing industry for corporate finance, Funds Raising, Treasury Management, Forex & Interest Risk management, Merger & Acquisition, Finalisation of accounts, IFRS & SAP System.

He is associated with the Company since 2013, he is responsible for the overall control on Finance, Compliance, operations and Accounts functions



MR. S. RAM NARESH
National Business Manager

He is an MBA (Marketing) and B.Sc. from Sri Krishnadevaraya University, A.P. He is a business development professional having a rich experience of 19 years in Mortgages and FMCG distribution. His last assignment was with Bajaj Finance Ltd. and he has also worked with companies like Future Money, GE Money Financial Services Ltd., ICICI Bank LTD. and Nestle India Ltd.



MR. ASHUTOSH ATRE
National Credit Manager

He is Diploma in Finance Management from NMIMS, Mechanical Engineering from M.P Board of Technical Education and having experience of around 29 Years with Sanghi Brothers India Ltd, Apple Finance Ltd, Cholamandalam Investment & Finance Company Ltd, ICICI Bank Ltd, Equitas Micro Finance Pvt. Ltd & Equitas Housing Finance Pvt. Ltd.

SENIOR RESOURCE TEAM



MR. RAJEEV SINHA
Vice President - Operations

B.Sc. by qualification having 15 years experiences in Operations. He was formerly associated with CoinTribe Technologies, Indiabulls Housing, ICICI Bank, HDFC Bank.



MR. ANURAG SRIVASTAVA
Vice President - Analytics & Digital Strategy

An analytics professional with 13 years of experience in the knowledge processing and consulting space having significant exposure in Housing Finance, Banking, Other Financial Services, Insurance, Healthcare, Utilities and Market Research domains across US, UK, Middle East and Asia Pacific. He was formerly associated with Deloitte, WNS, American Express. He is M.A.in Economics.



MR. AMIT DAS
Vice President - Technical

M.E. B.E, P.G.D. and in Civil Engineer by qualification. He is having 20 years experiences in Technical. He was formerly associated with ICICI Bank, Indiabulls and as professor in engineering college & head technical Consultant in Aavas Financiers Limited.

JOINING HAND WITH IFC



Mr. Ghanshyam Rawat, CFO (right) and Mr. Mengistu Alemayehu, Director (left), South Asia, International Finance Corporation (IFC)



MR. MUKESH AGARWAL
Deputy Vice President - Accounts

Merit Holder Chartered Accountant by Qualification, having a vast experience of 19 years in field of corporate accounts. He was formerly with Indian oil corporation limited, served 9 years.



MR. SURENDRA SIHAG
Vice President- Collection

B.A and LL.B by qualification. He is having 16 years experiences in Collections. He was formerly associated with Bajaj Finance, Cholamandalam Finance, Option Advisory.



MR. SHARAD PATHAK
Company Secretary

Company Secretary and L.L.B by qualification. He has been with the company since its inception, having experience of more than 7 years in corporate and Legal Counsel.

CORPORATE INFORMATION

BOARD OF DIRECTOR

Mr. Krishan Kant Rathi, *Independent Director*
 Mrs. Kalpana Iyer, *Independent Director*
 Mr. K R Kamath, *Investor Nominee Director*
 Mr. Vivek Vig, *Investor Nominee Director*
 Mr. Sushil Kumar Agarwal, *Whole Time Director & Chief Executive Officer*
 Mr. Nishant Sharma, *Investor Nominee Director*
 Mr. Manas Tandon, *Investor Nominee Director*

CHIEF FINANCIAL OFFICER

Mr. Ghanshyam Rawat

COMPANY SECRETARY

Mr. Sharad Pathak

STATUTORY AUDITORS

M/s S. R. BATLIBOI & ASSOCIATES LLP
 Chartered Accountants,
 Golf View Corporate Tower-B,
 Sector-42, Sector Road,
 Gurgaon-122 002, Haryana.

INTERNAL AUDITORS

M/s G.M. KAPADIA & CO.
 Chartered Accountants,
 S.B-One, Bapu Nagar,
 Jaipur-302015, Rajasthan.

SECRETARIAL AUDITORS

M/s. V. M & ASSOCIATES
 Company Secretaries,
 403, Royal World, S.C. Road,
 Jaipur-302001, Rajasthan.

BRANCH AUDITORS

M/s S.K. Patodia & Associates
 Chartered Accountants,
 229 Second Floor,
 Ganpati Plaza, M I Road,
 Jaipur- 302001, Rajasthan.

REGD. & CORP. OFFICE

201-202, 2nd Floor, Southend Sqaure,
 Mansarovar Industrial Area,
 Jaipur-302020
 CIN: U65922RJ2011PLC034297
 Website: www.aavas.in

FINANCIAL INSTITUTIONS AND BANKS

Name of the Banks

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
 Indusind Bank
 Karnataka Bank
 Kotak Mahindra Bank
 National Housing Bank
 Oriental Bank of Commerce
 RBL Bank
 South Indian Bank
 State Bank of India
 UCO Bank
 United Bank of India
 Yes Bank

Name of The FIs/MFs

Deutsche Trustee Services
 Franklin Templeton Mutual Fund
 HDFC Mutual Fund
 Hinduja Leyland Finance
 Reliance Capital Asset Management Ltd
 Tata Capital Financial Services Ltd

DEBENTURE TRUSTEES

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

REGISTRAR & TRANSFER AGENT

Link Intime India Pvt. Ltd.
 Regd. Office
 C-13, Pannalal Silk Mills Compound,
 L.B.S. Marg, Bhandup (West),
 Mumbai – 400 078.
 Tel: +91 22 2596 3838
 Fax: +91 22 2596 2691
 Website: www.linkintime.co.in

FINANCIAL INSTITUTIONS AND BANKS

GLIMPSES FY 2016-17



GLIMPSES FY 2016-17



CSR FY 2016-17



STATUTORY SECTION



DIRECTOR'S REPORT

Dear Shareowners,

AAVAS FINANCIERS LIMITED ("COMPANY")
(Formerly Known as "Au Housing Finance Limited")

Your Directors are pleased to present the Seventh Annual Report on the operations of the Company together with the Audited Financial Statement of Accounts and the Auditor's Report for the year ended March 31, 2017.

The summarised financial results for the year ended March 31, 2017 are as under:

Financial Result

Particulars	(₹ In Cr)	
	For the Year ended March 31, 2017	For the Year ended March 31, 2016
Total Income	313.99	196.98
Less: Total Expenditure before Depreciation & Amortisation	222.57	146.84
Less: Depreciation & Amortisation	2.77	1.28
Total Expenses	225.34	148.12
Profit Before Tax	88.65	48.86
Less: Provision for Taxations (Net of deferred tax)	30.80	16.79
Profit After Tax	57.85	32.06
Transfer to Statutory Reserve	12.86	7.75

Company posted Total Income (Total Interest Income and other income) of ₹313.99 Cr and Net Profit of ₹57.85 Cr for the year ended March 31, 2017, as against ₹196.98 Cr and ₹32.06 Cr 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, 2017.

Share Capital

The Paid-up Share Capital of the Company as on 31st March, 2017 stood at ₹58.16 Cr (31st March, 2016: ₹38.38 Cr) consisting of 5.87 Crore Equity Shares of ₹10/- each.

During the year under review, share Capital of the Company has significantly increased due to infusion of Capital by the Shareholders of the Company.

Your Company has undertaken the Bonus issue, Right Issue, Further Issue of shares on preferential basis to its existing shareholders as well as to new shareholders on fully paid up and partly paid up basis.

During the Reported period, the Company has issued and allotted the following equity shares to the existing as well as new shareholders of the Company:-

Fully Paid up Shares

Company has issued and allotted 92,91,521 (Ninety Two Lakh Ninety One Thousand Five Hundred Twenty One) Fully paid up Equity Shares of ₹10/- Per share on Right issue basis and also issued and allotted 49,78,050 (Forty Nine lakh Seventy Eight Thousand Fifty) Fully paid up Equity Shares of ₹10/- Per share on Preferential issue Basis;

Partly Paid up Shares

During the Year Under Review, Company has issued and allotted 5,57,492 (Five Lakh Fifty Seven Thousand Four Hundred Ninety Two) Equity Shares of ₹10/- per share on Right issue basis and also issued and allotted 1,62,602 (One lakh Sixty Two Thousand Six Hundred Two) Equity Shares of ₹10/- per share on Preferential issue basis. Further the Company has received ₹2/- per share as application money.

Bonus Issue

During the Year Under Review, Company has issued and allotted 53,66,658 (Fifty Three lakh Sixty Six thousand Six hundred Fifty Eight) Fully paid up Equity Shares of ₹10/- per share in the proportion of 1(one) equity share for every 7.17 (Seven point one seven) equity Shares.

Review of Operations

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

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 believes that every customer is unique and so far as their financial needs are concerned, it is absolutely necessary not to treat them as homogenous group of borrowers but appreciate the individual need of every customer, and offer Housing Finance solutions that are appropriate and suitable to them.

Sanctions

During the year under review, the Company sanctioned housing loans for ₹1494 Cr as compared to ₹1119.24 Cr in the previous year with a growth of 33.48% over the previous year. The cumulative loan sanctions since inception of the Company stood at ₹3684.40 Cr as at March 31, 2017. The Company has granted no loan against the Collateral of Gold Jewellery.

Disbursements

During the year under review, Company disbursed housing loans for ₹1391.60 Cr as compared to ₹1050.43 Cr in the previous year and recorded a growth of 32.48 % in disbursements.

The average size of home loans disbursed to individuals during the year was ₹08.60 Lacs and Average tenure is 165 Months.

The cumulative loan disbursement from inception to as at March 31, 2017 was ₹3444.01 Cr.

Affordable Housing

The Ministry of Housing and Urban Poverty Alleviation (MHUPA) – The Government of India under "Housing For All by 2022" mission announced the Pradhan Mantri Awas Yojana (PMAY) which has 4 components aimed at addressing the housing requirement of the Affordable Housing segment. One of the components viz. the Credit Linked Subsidy Scheme (CLSS), under the PMAY offers interest subsidy for the EWS/LIG and MIG segments for families having annual family income upto ₹18.00 lacs p.a.

A maximum subsidy upto ₹2.67 lacs can be claimed under the scheme depending on the segment and loan amount.

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.

During the Year, Company has signed MOU with National Housing Bank (NHB) to promote the CLSS scheme and received interest subsidy aggregating ₹1.25 crores in respect of 130 beneficiaries so far and credited the subsidy to the respective customers' loan accounts.

Assets under Management (AUM)

During the year under review, the AUM stood at ₹2694 Cr (including assignment of ₹562 Cr) as against ₹1679 Cr in the previous year, with the growth of 60.42%.

Income & Profits

Total Income grew by 59% to ₹313.99 Cr for the year ended 31st March, 2017 as compared to ₹196.98 Cr for the previous year. Profit Before Tax (PBT) was 81% higher at ₹88.65 Cr as compared to ₹48.86 Cr for the previous year.

The net profit after tax for the year has increased by 80% from ₹32.06 Cr in the previous year to ₹57.85 Cr in the current year.

Non-Performing Assets

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 ₹16.92 Cr (0.63% of the portfolio) as at 31st March, 2017. 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, 2017 were 0.63% and 0.48% respectively (against 0.48% and 0.37% 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

Company's Capital Adequacy Ratio as at 31st March, 2017 was 46.72% (previous year 27.52 %) which is well above the minimum required level of 12% as prescribed by the National Housing Bank (NHB).

Deposits

During the period under review, your Company has not accepted/renewed any deposits within the meaning of Section 73 of the Companies Act, 2013 and the rules there under.

Resource Mobilisation

Your Company manages its borrowing structure through prudent Asset-Liability Management and takes the various measures, which includes the diversification of funding sources, tenure optimisation, 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 Non-Convertible Debentures; Securitisation/Direct assignment, fully hedged FCNR Loans and banking products like Priority Sector Term loans, Cash Credit Facilities and Working Capital Demand loans. The company has also further diversified by adding Eight new lender/Financial Partners.

The weighted average borrowing cost as at March 31, 2017 was 9.48% as against 10.45% in the previous year. As at March 31, 2017, your Company's sources of funding were primarily from banks and financial institutions (51.71%), followed by securitisation/direct assignment (24.66%), Non-convertible debentures (14.71%), Refinancing from NHB (7.60%) and subordinated debts (1.32%).

Bank Term Loans

During the Year, Company received fresh sanctions from banks amounting to ₹590 Cr of which Company has availed loans aggregating to ₹437 Cr. The outstanding bank term loans as at March 31, 2017 were ₹1150.81 Cr. Average Tenure of Bank term loan raised during the period under review is 9 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 ₹200 Cr (previous year ₹100 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" and "Regular Refinance Scheme" and outstanding at the end of the current year stood at ₹173.04 Cr (previous year ₹120.91 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 mortgagable title over the land / property or by alternative security.

Non-Convertible Debentures ("NCDs")

During the year under review, your Company has raised ₹200 Cr through the issue of Secured Redeemable, Non-Convertible Debentures (NCDs) on private placement basis. As on 31st March, 2017, the company's outstanding balance of Debentures including interest accrued stood at ₹352.82 Cr as compared to ₹310.68 as on 31st March, 2016. The Company's Debentures are listed on Wholesale Debt Market segment of Bombay Stock Exchange Limited.

ICRA Rating Agency has assigned "A" with Positive outlook and "A+(SO)" with Stable outlook by India Rating & Research for which IDBI Trusteeship Services Limited is acting as Debenture Trustees to protect the interest of the debenture holders for the redeemable non-convertible debentures issued by the Company.

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

To protect the Interest of the Debenture Holders of the Company, your company has appointed the Debenture Trustee named as:-

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

Securitisation/Assignment of Loan Portfolio

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

During the year under review, your Company securitised its loan portfolio of ₹338.16 Cr (excluding MRR portion) through Direct Assignment and as well company successfully placed first Pass through Certificate of ₹79.62 Cr on Private Placement basis with AA (SO) rating from ICRA having 20 years of maturity.

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

Name Change of The Company

During the year under review, the shareholders of the Company has approved the name change of the Company from “Au Housing Finance Limited” to “AAVAS FINANCIERS LIMITED” due to the Transition Arrangement Agreement entered between “Au Financiers (India) Limited” and “Au Housing Finance Limited”.

Your company has received the new Certificate of Registration (COR) and Certificate of Incorporation (COI) from the National Housing Bank and Registrar of Companies respectively.

The New name of the Company has become effective from 29th March, 2017. Further all the regulatory requirements pertaining to the Name change has been duly complied with by the Company.

The name change of the Company has been intimated/communicated to all the Regulatory Bodies as well as to all stakeholders whosoever has interest in the Company.

Alteration in Object Clause

During the year under review, your company has altered its Object Clause of Memorandum of Association (MOA) by inserting the word “Commercial Property” after the existing words “building/flat/house property” in the sub clause 63 of clause III (b) which is ancillary to the main objects of the company, to tap the larger markets for the funding and to increase the present scope of operations and business portfolio for growth trajectory.

Change in Registered Office Address

During the year under the review, the Company has shifted its registered office from “19-A, Dhuleshwar Garden, Ajmer Road, Jaipur-302001” to “201-202, 2nd Floor, Southend Sqaure, Mansarovar Industrial Area, Jaipur-302020” w.e.f. 23rd June, 2016. In this regard, the Company has also complied with the necessary provisions of the Companies Act, 2013 and rules made thereunder.

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 94 branches as of 31st March, 2017 and plans to scale up its operation to newer geographies in FY 2017-18.

The company has 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 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, 2016)	No. of Branches (As on 31st March, 2017)
Rajasthan	21	41
Maharashtra	09	18
Gujarat	07	16
Madhya Pradesh	05	16
Delhi	01	01
Haryana	01	01
Uttar Pradesh	0	01
Total number of branches	44	94

Directors

The Board of Directors of the Company comprises of Seven Directors, consisting of Two Independent Directors, Four Nominee Directors and One Whole Time Director as on 31st March, 2017 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. 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

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 of Directors

During the Year under Review, Five 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
Mrs. Kalpana Iyer	23-06-2016	01874130	Independent Director
Mr. K R Kamath**	14-07-2016	01715073	Nominee Director
Mr. Vivek Vig*	14-07-2016	01117418	Nominee Director
Mr. Manas Tandon*	23-06-2016	05254602	Nominee Director
Mr. Nishant Sharma**	23-06-2016	03117012	Nominee Director

* Mr. Manas Tandon and Mr. Vivek Vig are Nominee Directors on Board representing Partners Group Private Equity Master Fund LLC and Partners Group ESCL Limited.

** Mr. Nishant Sharma and Mr. K R Kamath are Nominee Directors on Board representing Kedaara Capital Alternative Investment Fund – Kedaara Capital AIF 1 and Lake District Holdings Limited.

Resignation of Directors

Mr. Sanjay Agarwal has resigned from the post of “Managing Director” of the Company on 23rd June, 2016 and ceases to be a part of the management of the Company w.e.f 23rd June, 2016.

Mr. Uttam Tibrewal has resigned from the post of “Director” of the Company on 23rd June, 2016 and ceases to be a part of the management of the Company w.e.f 23rd June, 2016.

Mr. Mannil Venugopalan has resigned from the post of “Independent Director” of the Company on 23rd June, 2016 and ceases to be a part of the Board of the Company w.e.f 23rd June, 2016.

Directors Retiring by Rotation

In terms of Section 152 of the Companies Act, 2013, Mr. Manas Tandon, 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.

Mr. Sanjay Agarwal – Managing Director of the Company has resigned from the post of “Managing Director” of the Company on 23rd June, 2016 and ceases to be a part of the management of the Company.

Declaration of Independence

All the present Independent Directors i.e. Mr. Krishan Kant Rathi and Mrs. Kalpana Iyer have given the declaration of meeting the criteria of Independence as prescribed under section 149 (6) of the Companies Act, 2013.

Number of Board Meetings held during the Financial Year

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, SEBI LODR Regulations 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 has also reviewed the performance of the individual directors based on their knowledge, level of preparation and effective participation in Meetings, understanding of their roles as directors, etc.

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 has, 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.

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:

- In the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures.
- 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.
- 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.
- We have prepared the annual accounts on a going concern basis.
- 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
- 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.

Prudential norms for the Housing Finance Company

The National Housing Bank (NHB) has issued certain regulatory guidelines to HFCs on prudential norms for income recognition, borrowing powers, provisioning, asset classification, capital adequacy, concentration of credit/investments, accounting standards, credit rating, KYC (Know Your Customer), Fair Practice Code, Most Important Terms & Conditions (MITC) grievance redressal mechanism, recovery of dues, real estate and capital market exposure norms. Company has complied with all these regulatory guidelines.

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, 2017.

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. 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, some of the important NHB Directions are as follows:-

- Housing Finance Companies–Auditor’s Report (National Housing Bank) Directions, 2016;
- Housing Finance Companies–Approval of Acquisition or transfer of Control (National Housing Bank) Directions, 2016;

The applicable disclosures for ESOP-2016 as stipulated under the Companies (Share Capital and Debentures) Rules, 2014 as on March 31, 2017 are given below:

Particulars	ESOP 2016 I	ESOP 2016 II	ESOP 2016 III
Scheme Name	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	16,47,901	34,45,610	7,19,084
Date of grant	23-Feb-17	23-Feb-17	23-Feb-17
No. of options granted	9,80,118	34,45,610	7,19,084
Exercise price per option (in ₹)	215.25	215.25	215.25
Total No. of Options Vested	-	-	-
Options Exercised During the Year	-	-	-
Total number of shares arising as a Result of Exercise of option	-	-	-

- Housing Finance Companies–Corporate Governance (National Housing Bank) Directions, 2016(Clarification vide Circular dated April 27, 2017)

As per the above Directions, your company needs to adhere towards the various Compliances as stipulated in the Directions; further company has already taken the steps towards the compliances to be followed in the Notification.

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.

Employee Stock Option Plans-2016 (ESOP-2016)

During the year under review, Members of the Company have approved the Employee Stock Option Plans-2016 (ESOP-2016) at its Extra Ordinary General Meeting held 23rd Feb, 2017. Company’s Nomination & Remuneration Committee has also granted the option to the eligible employees.

ESOP-2016 is divided into three plans, 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”)

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

Particulars	ESOP 2016 I	ESOP 2016 II	ESOP 2016 III
Options Lapsed	-	-	-
Variation of Terms of Options	-	-	-
Money Realised by Exercise of Options	-	-	-
Exercise period	Four years from the date of each vesting		

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) :- 10,000

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

Awards & Recognition

It gives us immense pleasure in sharing that your Company has been awarded as "Best Housing Finance Company in Affordable Housing Segment" by ASSOCHAM INDIA in "National Summit on Affordable Housing" on 20th July, 2016 at New Delhi.

The Award was felicitated by the Honourable Union Minister for Urban Development, Housing and Urban poverty alleviation and I&B, Mr. Venkaiah Naidu and Honourable Union Minister of State of Finance Mr. Kailash Meghwal.

Special Reserve (U/S 29C Of The National Housing Bank ACT, 1987)

Your company has transferred ₹28.03 Cr 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 Board of Directors, Experienced management team, Robust Capitalisation, Better asset quality & Collections, scaling up business, Improved margins, Strong asset liability management

and mobilisation of funds at Optimum cost, Company has been assigned the highest rating for short term debt from CARE, which is being the first independent highest rating achieved by the company.

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

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

The ratings continue to reflect Company's healthy earning profile, adequate capitalisation, 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 appointed by the members in their Fifth Annual General Meeting (AGM), held on 11th July, 2015 for a period of 2 years i.e. until the conclusion of the seventh AGM of the Company to be held in the year 2017 (subject to ratification of their appointment at every AGM). Hence, with the effect of end of 5 year tenure of the Statutory Auditor at the conclusion of the seventh AGM of the Company to be held in the year 2017, Further the Board of Directors recommends the re-appointment of M/s. S. R. BATLIBOI & Associates LLP as the Statutory Auditors of the Company from the conclusion of this Annual General Meeting till the conclusion of the Twelfth AGM of the Company to be held in the year 2022

A certificate under Section 141 of the Companies Act, 2013, has been received from M/s. S. R. BATLIBOI & Associates LLP, Chartered Accountants (Firm Registration No: 101049W/E300004), fulfils the criteria, prescribed in the said section to the effect that their appointment, if made, would be within the prescribed limits under Section 141 of the Act and that, they are not disqualified for such appointment within the meaning of Section 141 of the Act.

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

Pursuant to Section 204 of the Companies Act 2013, Company had appointed M/s V. M & Associates, Practicing Company Secretaries, Jaipur as its Secretarial Auditors to conduct the secretarial audit of the Company for the FY 2016-17. Company has provided all assistance and facilities to the Secretarial Auditor for conducting their audit. The Report of Secretarial Auditor for the FY 2016-17 is annexed to this report as "Annexure-2".

The Report is self – explanatory and therefore does not call for any further explanation.

Internal Audit & Internal Financial Control and its Adequacy

Your Company has an Internal Audit Department supported by External Internal Auditor which 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 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

Change in Controlling Stake

Au Small Finance Bank Limited (Formerly Known as "Au Financiers (India) Limited"), the holding company of the Company, pursuant to the share purchase agreement dated 5th February, 2016 ("Share Purchase Agreement") with Lake District Holdings Limited, Kedaara Capital Alternative Investment Fund–Kedaara Capital AIF 1, Partners Group Private Equity Master Fund LLC, Partners Group ESCL Limited (collectively, the "Acquirers") has agreed to sell and transfer 90.10% of its stake held in the Company with a view to comply the guidelines specified by RBI for setting up Small Finance Bank.

Kedaara Capital is the US \$ 570 million India-focused fund (largest ever independent first-time fund), backed by marquee global investors and financial institutions. Kedaara capital had Strategic partnership with global private equity pioneer, Clayton, Dubilier & Rice (CD&R).

Partners Group is one of the largest private markets investment managers in the world. Partners Group serves over 900 institutional investors worldwide who seek superior investment performance through private markets for their more than 100 million beneficiaries. Partners Group has USD 66 billion in assets

under management and more than 950 professionals across 19 offices worldwide.

After all the required regulatory approvals as sought for the above said Change in Control, the transaction was completed in June, 2016 in all aspects.

The Acquirers /Shareholders had infused fresh capital of ₹200 Cr in June, 2016 and ₹100 Cr in March, 2017.

Further there were no material changes and commitments, affecting the financial position of the Company which had occurred between the end of the FY i.e. 31st March, 2017 and the date of the Director's report i.e. 26th May, 2017.

The Company does not have any subsidiary. 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.

Particulars of Holding/Subsidiary/Associate Companies

During the year under review, Company has no Subsidiary. However, formerly the Company was a wholly owned Subsidiary of AU Small Finance Bank Limited (Formerly Known as "Au Financiers (India) Limited") -(Upto 22nd June 2016).

Further from 23rd June, 2016 your Company has become 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 from 23rd June, 2016.

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 central data base 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 Digitisation
- 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.

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 940 people as on March 31, 2017.

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 recruiters 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 housing finance business & to build and grow construction financing.

The Company recruited people from prestigious institutes like ICAI, 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 [GRID], Central Registry of Securitisation, Asset Reconstruction & Security Interest of India (CERSAI), PMAY, Credit Linked Subsidy Scheme (CLSS) Loans-Credit Appraisal and Risk Management.

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.

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 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 channelise 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.

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-3".

Corporate Social Responsibility Initiative

In Falling 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 and Providing Safe Drinking Water, 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-4" to this report.

Particulars of Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo

Since your Company is a housing finance Company and does not own any manufacturing facility, the requirement relating to providing the particulars relating to conservation of energy and technology absorption as per Sec 134 (3) (m) of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules 2014, are not applicable.

However, adequate measures are always taken to ensure optimum utilisation and maximum possible saving of energy and technology absorption.

Your Directors are pleased to inform that company has procured the Energy Saving Green IT Equipment's and power saving lamps 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 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 Digitisation.

Further, Company does not have any Foreign Exchange Earnings and there was no outgo during the FY ended 31st March 2017.

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 of the Companies (Management and Administration) Rules, 2014 the extracts of the Annual Return as at 31st March, 2017 in form MGT-9 is provided as "Annexure-5" to this report.

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 recognises 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 Company has not received any complaint of sexual harassment during the year under review.

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. Further with the consent of the Board of Directors given by a resolution at their meeting of the Board and subject to such conditions as may be prescribed, the Company entered into Infrastructure Sharing Agreement with Au Small Finance Bank Limited in the FY 2016-17.

Form AOC-2 forms part of this report as "Annexure-6".

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.

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 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
AAVAS FINANCIERS LIMITED
(Formerly known as "Au HOUSING FINANCE LIMITED")

Sushil Kumar Agarwal
Whole Time Director & CEO

Manas Tandon
Nominee Director

Date: May 26, 2017

Place: Jaipur

CIN No. U65922RJ2011PLC034297

Annexure - 1 to the Director's Report

CORPORATE GOVERNANCE REPORT

COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

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

At AAVAS, Corporate Governance is all about maintaining a valuable relationship and trust with all stakeholders. We consider stakeholders as partners in our success, and we remain committed to maximising stakeholders' value, Company believes that there is a need to view Corporate Governance as more than just regulatory requirements as there exists a fundamental link with the organisation of business, corporate responsibility and wealth maximisation.

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

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

Our Corporate Governance framework ensures that we make timely disclosures and share accurate information regarding our financials and performance, as well as the leadership and governance of the company.

BOARD OF DIRECTORS

The board of directors represents the interest of the company's shareholders, in optimising 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.

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, all Directors except Independent Directors, step down at the Annual General Meeting each year 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 their contract of service with the Company.

Composition of Board

The Board of Directors comprises of Seven 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 Six non executive directors, two 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 have any pecuniary relationships or transactions vis-à-vis the Company. 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 2017 are given below:-

Name of Director	Category	DIN	Number of Other Directorship held (in Public companies)	Date of Appointment & Reappointment	Qualification/ Experience
Mrs. Kalpana Iyer	Independent Woman Director	01874130	02	23/06/2016	C.A [24 Years]
Mr. Krishan Kant Rathi	Independent Director	00040094	04	29/08/2014	C.A and C.S [25 Years]
Mr. Nishant Sharma	Nominee Director	03117012	NIL	23/06/2016	M.Tech and MBA [10 Years]
Mr. K.R. Kamath	Nominee Director	01715073	03	14/07/2016	B.COM [30 Years]
Mr. Vivek Vig	Nominee Director	01117418	02	14/07/2016	PG IIM (Bangalore) [30 years]
Mr. Manas Tandon	Nominee Director	05254602	NIL	23/06/2016	MBA in Finance [17 Years]
Mr. Sushil Kumar Agarwal	Whole Time Director & CEO	03154532	NIL	23/02/2011	C.A and C.S [17 Years]

Responsibilities

The board of directors represents the interest of the company's shareholders, in optimising 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.

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.

Familiarisation Programme for the Independent Directors

The familiarisation 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 organisation and helps in taking informed decision(s) at the Board Level.

The details of familiarisation programme imparted to the Independent Directors of the Company is available on the Company's website at URL: <http://www.aavas.in>

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 Nine (9) times during the financial year 2016-2017 on 26th May 2016, 3rd June 2016, 23rd June, 2016 (3 times), 14th July 2016, 5 August 2016, 26th October 2016 and 25th January 2017. The names and categories of the Directors, their attendance at Board meetings and AGM held on Monday, 20th June 2016 as on 31st March 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 20th June 2016
Mrs. Kalpana Iyer*	Independent Director (Non-Executive)	9	3	No
Mr. Krishan Kant Rathi	Independent Director (Non-Executive)	9	6	No
Mr. Sushil Kumar Agarwal	WTD & CEO (Executive)	9	7	Yes
Mr. Manas Tandon*	Nominee Director(Non-Executive)	9	4	No
Mr. Vivek Vig**	Nominee Director(Non-Executive)	9	1	No
Mr. Nishant Sharma*	Nominee Director(Non-Executive)	9	4	No
Mr. K R. Kamath**	Nominee Director(Non-Executive)	9	3	No
Mr. Sanjay Agarwal***	Managing Director (Executive)	9	4	Yes
Mr. Uttam Tibrewal ***	Director	9	5	Yes
Mr. Mannil Venugopalan***	Independent Director (Non-Executive)	9	5	Yes

*Mr. Manas Tandon, Mr. Nishant Sharma and Mrs. Kalpana Iyer were appointed on Board w.e.f 23rd June, 2016.

**Mr. K. R Kamath and Mr. Vivek Vig were appointed on Board w.e.f 14th July, 2016.

***Mr. Mannil Venugopalan, Mr. Uttam Tibrewal and Mr. Sanjay Agarwal have resigned the Directorship w.e.f. 23rd June, 2016

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 eight committees of the Board as appended below:

1. Audit Committee

2. Nomination & Remuneration Committee
3. Asset Liability Management (ALCO) Committee
4. Executive Committee
5. Corporate Social Responsibility (CSR) Committee and
6. Credit and Risk Management Committee
7. Customer Service & Grievance Redressal (CS&GR) Committee and
8. Strategic and Growth Committee

Audit Committee

Audit Committee comprises of three members as on 31st March, 2017, 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 2016-2017, 3(Three) Audit Committee meetings were held on the following dates, 26th May 2016, 26th October 2016, 25th January 2017.

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

Members	Category	No. of meeting Attended
Mr. Mannil Venugopalan**	Member	1
Mr. Uttam Tibrewal**	Member	1
Mrs. Kalpana Iyer*	Member	1
Mr. Krishan Kant Rathi	Member	3
Mr. Manas Tandon*	Member	2

*Mr. Manas Tandon and Mrs. Kalpana Iyer were inducted on the Audit Committee w.e.f. 14th July, 2016.

** Mr. Mannil Venugopalan and Mr. Uttam Tibrewal have resigned the Directorship w.e.f. 23rd June, 2016

Asset Liability Management Committee (ALCO)

The Asset Liability Management Committee comprised of three members as on 31st March, 2017, Viz., Mr. Sushil Kumar Agarwal (Whole Time Director & CEO), Mr. Ghanshyam Rawat (Chief Financial Officer) and Mr. Ashutosh Atre (National Credit Manager) 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. 6th May 2016, 13th July 2016, 18th November 2016 and 24th Jan, 2017.

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

Members	Category	No. of meeting Attended
Mr. Sushil Kumar Agarwal	Member	4
Mr. Ghanshyam Rawat	Member	4
Mr. Ashutosh Atre	Member	4

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 & removal of Directors, KMP, etc. and remuneration related matters of the Directors, KMPs and Employees, etc.

Meetings Held During the financial year 2016-17, 4 (Four) Nomination & Remuneration Committee meetings were held on the 26th May 2016, 23rd June 2016, 26th October 2016 and 25th January 2017.

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	Designation	No. of meeting Attended
Mr. Mannil Venugopalan**	Member	2
Mr. Uttam Tibrewal**	Member	2
Mrs. Kalpana Iyer*	Member	1
Mr. Krishan Kant Rathi	Member	3
Mr. Manas Tandon*	Member	2
Mr. Nishant Sharma*	Member	2

*Mr. Manas Tandon, Mrs. Kalpana Iyer and Mr. Nishant Sharma were

inducted on the Nomination & Remuneration Committee w.e.f. 14th July, 2016.

* Mr. Mannil Venugopalan and Mr. Uttam Tibrewal have resigned the Directorship w.e.f. 23rd June, 2016

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 performances of the members of the Board, the Board Level Committees and the Board as a whole were evaluated at the Separate meeting of Independent Directors held on 26th May, 2016 and the meeting of the Board of the Directors held on 26th May, 2016.

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.

Executive Committee

The Board of director 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 the Financial Year 2016-2017, 28 (Twenty Eight) Executive Committee meetings were held on 2nd May 2016, 6th June 2016, 21st June 2016, 29th June 2016, 1st Aug 2016, 11th Aug 2016, 23rd Aug 2016, 29th Aug 2016, 1st Sept 2016, 10th Sept 2016, 16th Sept 2016, 23rd Sept 2016, 27th Sept 2016, 6th Oct 2016, 8th Oct 2016, 19th Oct 2016, 10th Dec 2016, 22nd Dec 2016, 29th Dec 2016, 13th Jan 2017, 21st Jan 2017, 8th Feb 2017, 20th Feb 2017, 1st March 2017, 9th March 2017, 17th March, 2017, 22nd March, 2017 and 27th March, 2017.

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	Designation	No. of meeting Attended
Mr. Sanjay Agarwal*	Member	03
Mr. Sushil Kumar Agarwal	Member	28
Mr. Ghanshyam Rawat	Member	28
Mr. Manas Tandon**	Member	25
Mr. Nishant Sharma**	Member	25

*Mr. Sanjay Agarwal have resigned the Directorship w.e.f. 23rd June, 2016.

**Mr. Manas Tandon and Mr. Nishant Sharma were inducted on the Executive Committee w.e.f. 23rd June, 2016.

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) time i.e. on 26th May, 2016 and 26th October, 2016 during the financial year ended March 31, 2017.

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	Designation	No. of meeting Attended
Mr. Sanjay Agarwal*	Member	1
Mr. Mannil Venugopalan*	Member	1
Mr. Krishan Kant Rathi**	Member	1
Mrs. Kalpana Iyer**	Member	0
Mr. Sushil Kumar Agarwal	Member	2

*Mr. Sanjay Agarwal and Mr. Mannil Venugopalan have resigned the Directorship w.e.f. 23rd June, 2016.

**Mr. Krishan Kant Rathi, Mrs. Kalpana Iyer, were inducted on the CSR Committee w.e.f. 14th July, 2016.

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 2016-2017, 4 (four) Credit and Risk Management Committee meeting were held on 14th April, 2016, 3rd June, 2016, 5th Aug, 2016 and 24th Jan, 2017.

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	Designation	No. of meeting Attended
Mr. Sushil Kumar Agarwal	Member	4
Mr. Ghanshyam Rawat**	Member	3
Mr. Ashutosh Atre**	Member	3
Mr. Mukul Bhattacharya**	Member	3
Mr. Manas Tandon*	Member	1
Mr. Nishant Sharma*	Member	1

*During the Year, the Committee was reconstituted, Mr. Manas Tandon and Nishant Sharma has been inducted in the Committee.

**Due to the Reconstitution of the Committee, Mr. Ghanshyam Rawat, Mr. Ashutosh Atre and Mr. Mukul Bhattacharya has been opted out from the Committee.

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, 2016, 13th July, 2016, 20th Dec, 2016 and 24th Jan, 2017 during the financial year ended March 31, 2017.

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	Designation	No. of meeting Attended
Mr. Sushil Kumar Agarwal	Member	4
Mr. Ghanshyam Rawat	Member	4

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 organisation; sales, marketing and product development; corporate development with respect to investments, acquisitions and divestitures; and corporate finance.

The committee met 1(one) time i.e. on 25th Jan, 2017 during the financial year ended March 31, 2017.

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	Designation	No. of meeting Attended
Mr. Sushil Kumar Agarwal	Member	1
Mr. Nishant Sharma	Member	1
Ms. Lane MacDonald	Member	1

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. This will assist the Board of Director to perform with greater efficiency and effectiveness. The meeting of the Independent Directors was held on held on 26th May, 2016.

GENERAL BODY MEETINGS

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

Meeting	Date	Location	Details of Special Resolution passed
6th AGM	20th June, 2016	19-A, Dhuleshwar Garden, Ajmer Road, Jaipur-302001	<ul style="list-style-type: none"> 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 authorisation 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	11th July, 2015	19-A, Dhuleshwar Garden, Ajmer Road, Jaipur-302001	<ul style="list-style-type: none"> 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.
4th AGM	22nd July, 2014	19-A, Dhuleshwar Garden, Ajmer Road, Jaipur-302001	<ul style="list-style-type: none"> To borrow money in excess of Paid up Capital and Free Reserve of the Company u/s 180(1)(c) and to sell, lease or otherwise dispose of the Assets of the Company for such borrowings u/s 180(1)(a) of the Companies Act, 2013 To Approve the revision of remuneration of Mr. Sushil Kumar Agarwal, WTD & CEO as recommended by Nomination and Remuneration Committee.

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 Bombay Stock Exchange Limited (BSE) in terms of the issue conditions as applicable and the Company has paid the requisite listing fees in full.

ii. Details of Extra Ordinary General Meetings held by the Company during the Year 2016-17

Date	Location	Business
27th May 2016	"Board Room", Hendley's, Ground Floor, Jai mahal Palace, Jacob Road, Civil lines, Jaipur-302006(Raj).	<ul style="list-style-type: none"> Alteration of the Articles of Association of the Company to enable Issuance of Bonus Shares. Increase in Authorised Share Capital and Consequent Alteration of Memorandum of Association. Further Issue of Capital through Issuance of Fully Paid up Equity Shares on Preferential Basis. Approval for Issuance of Bonus Shares to the members of the company.
24th June, 2016	"Board Room" 201-202, 2nd Floor, Southend Sqaure, Mansarovar Industrial Area, Jaipur-302020 (Raj).	<ul style="list-style-type: none"> Adoption of Restated Articles of Association of the Company Adoption of Restated Memorandum of association of the company Regularisation of Appointment of Mr. Manas Tandon as Investor Nominee Director Regularisation of Appointment of Mr. Nishant Sharma as Investor Nominee Director Appointment of Mrs. Kalpana Iyer, as Independent Woman Director on the board of the company for a period of 5 years, with effect from 23rd June, 2016.
15th July, 2016	"Board Room", Kedaara Capital Advisors LLP, Sunshine Tower, 38th floor, Senapati Bapat Marg, Parel, Mumbai-400013(Maharashtra)	<ul style="list-style-type: none"> Regularisation of Appointment of Mr. K. R Kamath as Investor Nominee Director Regularisation of Appointment of Mr. Vivek Vig as Investor Nominee Director.
05th August 2016	"Board Room", Partners Group, Suite 3103 114, Dr. E Moses road, Worli Mumbai 400018 (Maharashtra)	<ul style="list-style-type: none"> Further Issue of Capital through Issuance of fully Paid up Equity shares on Preferential basis.
24th November, 2016	"Cristal Room", 33rd Floor, Four Seasons Hotel, Dr. E Moses Road, Worli, Mumbai 400018(Maharashtra)	<ul style="list-style-type: none"> Further Issue of Capital through Issuance of fully Paid up Equity shares on Preferential basis.
23rd February, 2017	"Board Room", 201-202, 2nd Floor, Southend Sqaure, Mansarovar Industrial Area, Jaipur-302020 (Raj)	<ul style="list-style-type: none"> Change in the Name of the Company. Approval of Employees Stock Option Plans-2016 (ESOP-2016) Approval of the grant of options to the identified employees during any one year, equal to or exceeding of 1% of the issued capital of the company at the grant of option. Increase in Authorised 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 Further issue of capital through issuance of fully paid equity share on private placement basis

For and on behalf of the Board of Directors
AAVAS FINANCIERS LIMITED
(Formerly known as "Au HOUSING FINANCE LIMITED")

Date: May 26, 2017
Place: Jaipur

Sushil Kumar Agarwal
Whole Time Director & CEO

Manas Tandon
Nominee Director

CIN No. U65922RJ2011PLC034297

Annexure - 2 to the Director's Report

FORM NO. MR-3
SECRETARIAL AUDIT REPORT
FOR THE FINANCIAL YEAR ENDED 31st March, 2017
[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- 302 020 (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 authorised 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, 2017 ('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, 2017 according to the provisions of:

- The Companies Act, 2013 (the Act) and the rules made thereunder;
- The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- 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;
- The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
 - The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011; (Not applicable to the Company during the Audit Period)
 - The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015; (Not applicable to the Company during the Audit Period)
 - The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009; (Not applicable to the Company during the Audit Period)
 - The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2011;
 - The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 and as amended from time to time;
 - 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;
 - The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; (Not applicable to the Company during the Audit Period)
 - The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998; (Not applicable to the Company during the Audit Period) and
 - The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- 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) The Housing Finance Companies (NHB) Directions, 2010 and Guidelines issued by NHB from time to time.

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. Ceased to be a subsidiary of Au Small Finance Bank Limited (erstwhile Au Financiers (India) Limited) ("holding company") due to divestment of stake held by holding company to certain institutional investors;
- b. Changed its name from Au Housing Finance Limited to Aavas Financiers Limited and has received Certificate of Incorporation pursuant to Change of Name dated March 29, 2017 from the Registrar of Companies, Rajasthan;

- c. Changed its registered office address from 19-A Dhuleshwar Garden, Ajmer Road, Jaipur- 302 001 to 201-202, 2nd Floor South End Square Mansarovar Industrial Area Jaipur-302020 i.e. within the same state within same city;
- d. 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 ₹3000/- (Rupees Three Thousand Only);
- e. Increased the Authorised Share Capital of the Company from ₹40,00,00,000/- (Rupees Forty crores only) to ₹65,00,00,000/- (Rupees Sixty Five crores only);
- f. Issued and allotted 51,40,652 equity shares at premium aggregating to ₹106,23,00,279/- (One Hundred Six Crore Twenty Three Lakh Two Hundred Seventy Nine Only) on private placement basis / preferential issue in multiple tranches;
- g. Issued and allotted 53,66,658 equity shares to eligible shareholders pursuant to Bonus issue of equity shares in the proportion of 1 (One) equity shares for every 7.17 (Seven Decimal Seventeen) existing equity share held;
- h. Issued and allotted 98,49,013 equity shares at premium aggregating to ₹202,39,99,926/- (Two Hundred Two Crore Thirty Nine Lakh Ninety Nine Thousand Nine hundred Twenty Six only) on Right issue basis to existing shareholders
- i. Adopted ESOP Scheme/Plan 2016 to grant options to the employees of the Company;
- j. Issued and allotted 2,000 Redeemable Non-convertible Debentures of ₹10,00,000/- each aggregating to ₹200,00,00,00/- (Rupees Two Hundred Crore only) on private placement basis in multiple tranches and;
- k. Altered the provisions of Memorandum and Articles of Association in terms of provisions of the Act;

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

CS Manoj Maheshwari
Partner
Place: Jaipur
Date: 26th May, 2017
FCS 3355
C P No. : 1971

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 May, 2017

Annexure - 3 to the Director's Report

DISCLOSURES ON MANAGERIAL REMUNARATION

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.	<p>Executive Directors</p> <table border="1"> <tr> <td>Mr. Sushil Kumar Agarwal :</td> <td>54.43 X</td> </tr> </table> <p>Non- Executive Directors</p> <table border="1"> <tr> <td>Mr. K.R Kamath :</td> <td>05.18 X</td> </tr> <tr> <td>Mr. Mannil Venugopalan :</td> <td>02.01 X</td> </tr> <tr> <td>Mrs. Kalpana Iyer :</td> <td>0.67 X</td> </tr> <tr> <td>Mr. Krishan Kant Rathi :</td> <td>1.67 X</td> </tr> <tr> <td>Mr. Vivek Vig :</td> <td>0.17 X</td> </tr> </table> <p>Note:</p> <p>1) Mr. Manas Tandon, Nominee Director and Mr. Nishant Sharma, Nominee Director has not taken any remuneration during the Financial Year 2016-17.</p> <p>2) Mrs. Kalpana Iyer, Independent Director, Mr. K R Kamath, Nominee Director & Mr. Vivek Vig, Nominee Director has appointed in the Company from 23rd June, 2016 and 14th July, 2016 respectively.</p> <p>3) Mr. Mannil Venugopalan, Mr. Sanjay Agarwal and Mr. Uttam Tibrewal have resigned the office from 23rd June, 2016 respectively.</p>	Mr. Sushil Kumar Agarwal :	54.43 X	Mr. K.R Kamath :	05.18 X	Mr. Mannil Venugopalan :	02.01 X	Mrs. Kalpana Iyer :	0.67 X	Mr. Krishan Kant Rathi :	1.67 X	Mr. Vivek Vig :	0.17 X
Mr. Sushil Kumar Agarwal :	54.43 X													
Mr. K.R Kamath :	05.18 X													
Mr. Mannil Venugopalan :	02.01 X													
Mrs. Kalpana Iyer :	0.67 X													
Mr. Krishan Kant Rathi :	1.67 X													
Mr. Vivek Vig :	0.17 X													
2.	The percentage increase in remuneration of each director, Chief Financial Officer, Chief Executive Officer, Company Secretary, if any, in the financial year.	<p>Directors</p> <table border="1"> <tr> <td>Mr. Sushil Kumar Agarwal (Whole Time Director and CEO) :</td> <td>(31.00%)</td> </tr> <tr> <td>Mr. Mannil Venugopalan (Independent Director):</td> <td>0.00%</td> </tr> <tr> <td>Mr. Krishan Kant Rathi (Independent Director) :</td> <td>0.00%</td> </tr> </table> <p>KMP's Other than Directors</p> <table border="1"> <tr> <td>Mr. Ghanshyam Rawat (Chief Financial Officer) :</td> <td>43.27%</td> </tr> <tr> <td>Mr. Sharad Pathak (Company Secretary) :</td> <td>65.90%</td> </tr> </table> <p>Note:</p> <p>Mrs. Kalpana Iyer, Independent Director, Mr. K R Kamath, Nominee Director & Mr. Vivek Vig, Nominee Director has appointed in FY 2016-17, so there will no Comparison for percentage increase in the remuneration.</p>	Mr. Sushil Kumar Agarwal (Whole Time Director and CEO) :	(31.00%)	Mr. Mannil Venugopalan (Independent Director):	0.00%	Mr. Krishan Kant Rathi (Independent Director) :	0.00%	Mr. Ghanshyam Rawat (Chief Financial Officer) :	43.27%	Mr. Sharad Pathak (Company Secretary) :	65.90%		
Mr. Sushil Kumar Agarwal (Whole Time Director and CEO) :	(31.00%)													
Mr. Mannil Venugopalan (Independent Director):	0.00%													
Mr. Krishan Kant Rathi (Independent Director) :	0.00%													
Mr. Ghanshyam Rawat (Chief Financial Officer) :	43.27%													
Mr. Sharad Pathak (Company Secretary) :	65.90%													
3.	The Percentage Increase in the Median Remuneration of Employees in the Financial Year	48.14%.												

Sr. No.	Requirements	Disclosure
4.	No. of Permanent Employees on the Rolls of the Company	940 (as on 31st March, 17)
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.	<p>The average percentage increase in the remuneration of all employees other than Key Managerial Personnel's for the FY 16-17 stood at 34.33% whereas there is average decrease in the remuneration of key Managerial Personnel's accounted at 10.24%.</p> <p>Further there was no exceptional circumstance which warranted an increase in managerial remuneration which was not justified by the overall performance of the Company.</p>
6.	Affirmation that the remuneration is as per the remuneration policy of the Company	Yes, it is confirmed.

Notes

- Calculations of remuneration have been made on comparable and annualised basis.
- The remuneration of KMP's was taken from the Audited financial results for the F.Y. 2016-17.
- The percentage increase in the remuneration of Mr. Sushil Kumar Agarwal, Whole Time Director & CEO in the current financial year as compared to previous financial year is negative, since the remuneration of Whole Time Director & CEO for the previous financial year included a one-time performance bonus for the Financial year 2015-16, payable in addition to the salary & annual bonus with reference to Mr. Sushil Kumar Agarwal's leadership, commitment, motivation, performance and Profitability of the Company.
- The average percentile decreases in the managerial remuneration is due to the Relative Decrease in the Remuneration of Mr. Sushil Kumar Agarwal, Whole Time Director & CEO.

ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES

Overview

CSR is not about complying the law but also delivering stakeholder value building trust and credibility in society and leading toward equitable social and economic development.

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 and 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.

The Corporate Social Responsibility Policy of the Company aims to ensure that the Company as a socially responsible corporate entity contributes to the society at large.

Our Company's CSR Policy is broadly based on the Principles of undertaking socially useful programmes for welfare & sustainable development of the community at large. CSR Policy of the Company is available on Company's website (www.aavas.in).

Every activity to be undertaken by the Company under the policy shall be approved by the CSR Committee. While the focus of CSR efforts will be in the areas around Company operations.

During FY 2016-17, AAVAS has undertaken various activities in the sectors of:

- 1) Promoting Preventive Health Care and Sanitation facilities to the poor and needy peoples.
- 2) Providing employment through enhancing the vocational skills and developing the leadership skills;
- 3) Providing assistance to the trusts for the promotion of Education to eradicate the illiteracy.
- 4) Safe Drinking Water through installation of the Water Coolers at the places where there is actual need for the safe drinking water.

Composition of the CSR Committee

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

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

Average Net Profit of the Company for last three financial years:

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

Particulars	Amount (In Lacs)
Net Profit before tax of FY 2013-14	938.72
Net Profit before tax of FY 2014-15	2442.28
Net Profit before tax of FY 2015-16	4216.37
Total (a)	7597.37
Average of annual net profit of the preceding 3 financial years b (a/3)	2532.46
CSR expenditure for the FY 2016-17 (B*2%) (A)	50.65
Unspent amount of CSR of previous years being Carry Forwarded in FY-16-17 (B)	23.71
Total CSR Expense required to be Incurred in FY 2016-17 (A+B)	74.36

Details of CSR amount spent/unspent during the financial year:

1. Total amount to be spent for the FY 2016-17: ₹74.36 Lacs (including carry forward of the 23.71 Lacs from financial Year 2015-16)
2. Amount unspent, if any: ₹32.06* Lacs (Out of current year's CSR expenditures)

3. 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 project is covered	Projects or programs 1) Local Area or other 2) State/District where projects undertaken	Amount outlay (budget) project or program-wise	Amount spent programs Sub-heads:	Cumulative expenditure up to the 31st March, 2017	Amount spent Direct or through implementing agency
1	Financial Assistance to trust for Promoting Education	Education	Abhiyan Bharat Foundation - Jaipur (Rajasthan)	4,00,000	5,00,000	5,00,000	Contribution to implementing agency
2	Coro for Literacy-Grassroot Leadership development programme	Education	CORO for Literacy		200,000	200,000	Contribution to implementing agency
3	Providing Safe Drinking Water	Safe Drinking Water	Local Area - Jaipur & Nearby Regions (Rajasthan)	40,00,000	4,39,000	4,39,000	Direct Contribution
4	Promotion of health care and abolition of hunger	Health Care	Akshay Patra Foundation	20,00,000	2,50,000	2,50,000	Direct Contribution to implementing agency
5	Hare Krishna Movement for the protection of cows	Animal Welfare	Animal rehabilitation	-	2,50,000	2,50,000	Direct Contribution to implementing agency
6	Prime Minister National Relief Fund	Social	-	10,00,000	-	-	-
7.	CSR Administrative Expenses	-	-	-	2,20,000*	2,20,000	-
	Total			74,00,000	18,59,000	18,59,000	

*Note: - The balance amount has been incurred on the Implementation of the CSR Related Activities.

Reasons for Short Spending the amount on CSR:

Company in FY-16-17 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 ₹18.59 Lacs towards various healthcare and educational scheme as stated above has been less than the limit of 2% of prescribed under Companies Act, 2013, the shortfall of ₹55.23 Lacs (Including CSR Expenditure of ₹23.17 for Financial Year 2015-16) in CSR expenditure was mainly due to the fact that the Company couldn't identified adequate number of eligible CSR projects for funding which can create significant impact on social development.
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.

The shortfall in CSR funding for the financial year 2016-17 is on account of a considerable time spent on conceptualisation, development and identification of regulatory compliant and sustainable projects, meeting the internal requirements of the company within the focused/ identified areas.

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, 2017-18 by proactively identifying eligible projects and programmes.

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 and on behalf of the Board of Directors
AAVAS FINANCIERS LIMITED
(Formerly known as "Au HOUSING FINANCE LIMITED")

Sushil Kumar Agarwal
Whole Time Director & CEO

Manas Tandon
Nominee Director

Krishan Kant Rathi
Chairman of CSR Committee

Date: May 26, 2017
Place: Jaipur

CIN No. U65922RJ2011PLC034297

Annexure - 5 to the Director's Report

FORM NO. MGT 9 EXTRACT OF ANNUAL RETURN As on financial year ended on 31.03.2017

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-11
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 (registered with National Housing Bank as a Housing Finance Company bearing registration number 04.0151.17)
5	Address of the Registered office & contact details	201-202, 2nd Floor, Southend Sqaure, Mansarovar Industrial Area, Jaipur-302020. Telephone: 91 141 6618800 Fax: +91 141 6618861 E-mail: info@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-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (West), Mumbai – 400078 Phone: +91 22 25963838 Mobile: +919869120348

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	Carry on the business of a Housing Finance Institution without accepting public deposits	65922	100

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES:

S. No.	Name and address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
1	Lake District Holdings Limited Level 7, Tower 1, NeXTeracom, Cybercity, Ebene, Mauritius	135701	Holding	51.71	2(46)
2	Partners Group ESCL Limited 4th Floor, Tower A, 1 Cybercity, Ebene, Mauritius	120921	Associate	25.12	2 (6)

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 31-March-2016]				No. of Shares held at the end of the year [As on 31-March-2017]				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a) Individual/ HUF	-	100	100	0.00	-	-	-	-	0.00
b) Central Govt	-	-	-	-	-	-	-	-	-
c) State Govt(s)	-	-	-	-	-	-	-	-	-
d) Bodies Corp.	27,249,900	10,333,334	37,583,234	97.92	814,382	-	814,382	1.39	(96.53)
e) Banks / FI	-	-	-	-	-	-	-	-	-
f) Any other	-	-	-	-	-	-	-	-	-
Sub Total (A) (1)	27,249,900	10,333,434	37,583,334	97.92	814,382	-	814,382	1.39	(96.53)
(2) Foreign									
a) NRI Individuals	-	-	-	-	-	-	-	-	-
b) Other Individuals	-	-	-	-	-	-	-	-	-
c) Bodies Corp.	-	-	-	-	51,606,235	-	51,606,235	87.86	87.86
d) Any other	-	-	-	-	-	-	-	-	-
Sub Total (A) (2)	-	-	-	-	51,606,235	-	51,606,235	87.86	0.00
TOTAL (A)	27,249,900	10,333,434	37,583,334	97.92	52,420,617	-	52,420,617	89.24	(8.68)
B. Public Shareholding									
1. Institutions									
a) Mutual Funds	-	-	-	-	-	-	-	-	-
b) Banks / FI	-	-	-	-	-	-	-	-	-
c) Central Govt	-	-	-	-	-	-	-	-	-
d) State Govt(s)	-	-	-	-	-	-	-	-	-
e) Venture Capital Funds	-	-	-	-	-	-	-	-	-
f) Insurance Companies	-	-	-	-	-	-	-	-	-
g) FIs	-	-	-	-	-	-	-	-	-
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i) Others (specify)	-	-	-	-	-	-	-	-	-
Sub-total (B)(1):-	-	-	-	-	-	-	-	-	-
2. Non-Institutions									
a) Bodies Corp.	-	-	-	-	-	-	-	-	-
i) Indian	-	-	-	-	4,341,049	100	4,341,149	07.39	07.39

Category of Shareholders	No. of Shares held at the beginning of the year [As on 31-March-2016]				No. of Shares held at the end of the year [As on 31-March-2017]				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
ii) Overseas	-	-	-	-	-	-	-	-	-
b) Individuals									
i) Individual shareholders holding nominal share capital upto ₹1 lakh	-	-	-	-	-	-	-	-	-
ii) Individual shareholders holding nominal share capital in excess of ₹1 lakh	800,000	-	800,000	2.08	1,977,891	-	1,977,891	03.37	1.29
c) Others (specify)									
Non Resident Indians	-	-	-	-	-	-	-	-	-
Overseas Corporate Bodies	-	-	-	-	-	-	-	-	-
Foreign Nationals	-	-	-	-	-	-	-	-	-
Clearing Members	-	-	-	-	-	-	-	-	-
Trusts	-	-	-	-	-	-	-	-	-
Foreign Bodies - D R	-	-	-	-	-	-	-	-	-
Sub-total (B)(2):-	800,000	-	800,000	2.08	6,318,940	100	6,319,040	10.76	8.67
Total Public (B)	800,000	-	800,000	2.08	6,318,040	100	6,319,040	10.76	8.67
C. Shares held by Custodian for GDRs & ADRs									
Grand Total (A+B+C)	28,049,900	10,333,434	38,383,334	100	58,739,557	100	58,739,657	100	-

(ii) Shareholding of Promoters

Sn No	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year		% of Shares Pledged / encumbered to total shares
		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	
1	Lake District Holdings Limited	-	-	-	30,376,454	51.71	-
2	Partners Group Private Equity Master Fund LLC	-	-	-	6,475,083	11.02	-
3	Partners Group ESCL Limited	-	-	-	14,754,698	25.12	-
4	Kedaara Capital Alternative Investment Fund – Kedaara Capital AIF 1	-	-	-	814,382	1.39	-
					52,420,617	89.24	-

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

SN	Name of Shareholder (Promoter)	Shareholding at the beginning of the year		Changes during the year			Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	Date	Increase/ Decrease in Shareholding	Reason	No. of shares	% of total shares of the company
1	Au Small Finance Bank Limited (Formerly "Au	37,583,334	97.92	03rd June, 2016	5,241,149 (Increase)	Shares Allotted on Bonus issue	42,824,483	7.39
				23rd June, 2016	38,483,334 (Decrease)	Stake Transfer	4,341,149	
2	Lake District Holdings Limited	-	-	23rd June, 2016	22,300,287 (Increase)	Stake Purchase	22,300,287	51.71
				23rd June, 2016	5,384,242 (Increase)	Shares Allotted on Right Issue	27,684,529	
				15th March, 2017	2,691,925 (Increase)	Shares Allotted on Preferential Issue	30,376,454	
3	Partners Group Private Equity Master Fund LLC	-	-	23rd June, 2016	4,753,527 (Increase)	Stake Purchase	4,753,527	11.02
				23rd June, 2016	1,147,704 (Increase)	Shares Allotted on Right Issue	5,901,231	
				15th March, 2017	573,852 (Increase)	Shares Allotted on Preferential Issue	6,475,083	
4	Partners Group ESCL Limited	-	-	23rd June, 2016	10,831,806 (Increase)	Stake Purchase	10,831,806	25.12
				23rd June, 2016	2,615,261 (Increase)	Shares Allotted on Right Issue	13,447,067	
				15th March, 2017	1,307,631 (Increase)	Shares Allotted on Preferential Issue	14,754,698	
5	Kedaara Capital Alternative Investment Fund – Kedaara Capital AIF 1	-	-	23rd June, 2016	597,714 (Increase)	Stake Purchase	5,97,714	1.39
				23rd June, 2016	1,44,314 (Increase)	Shares Allotted on Right Issue	7,42,028	
				15th March, 2017	72,354 (Increase)	Shares Allotted on Preferential Issue	8,14,382	

*Note:- Au Small Finance Bank Limited (Formerly "Au Financiers India Limited"), was the Promoter of the Company upto 22nd June, 2016.

(iv) Shareholding Pattern of top ten Shareholders

(Other than Directors, Promoters and Holders of GDRs and ADRs):

SN	For each of the Top 10 shareholders	Shareholding at the beginning of the year		Date	Reason	Cumulative Shareholding during the year	
		No. of shares	% of total shares			No. of shares	% of total shares
1	Au Small Finance Bank Limited (Formerly "Au Financiers India Limited")	37,583,234	97.92	3rd June, 2016	Shares allotted pursuant to Bonus Issue	5,241,149	7.39
				23rd June, 2016	Shares Transferred on transfer of Stake	(38,483,334)	
				Total Shares		43,41,149	
2	Mr. Ghanshyam Rawat	-	-	30th May, 2016	Shares allotted on Preferential Basis	1,00,000	0.35
				3rd June, 2016	Shares allotted pursuant to Bonus Issue	13,945	
				23rd June, 2016	Shares allotted pursuant to Right Issue	46,458	
				7th Dec, 2016	Shares allotted on Preferential Basis	46,458	
Total Shares		2,06,861					
3	Mr. S. Ram Naresh	-	-	23rd June, 2016	Shares allotted pursuant to Right Issue	23,229	0.24
				7th Dec, 2016	Shares allotted on Preferential Basis	1,16,144	
				Total Shares		1,39,373	
4	Mr. Ashutosh Atre	-	-	23rd June, 2016	Shares allotted pursuant to Right Issue	23,229	0.04
				Total Shares		23,229	

*Note:- Au Small Finance Bank Limited (Formerly "Au Financiers India Limited"), was opted out from the Promoter Category of the Company from 23rd June, 2016.

(v) Shareholding of Directors and Key Managerial Personnel:

SN	Name of Shareholder	Shareholding at the beginning of the year		Date	Increase/ Decrease in Shareholding	Reason	Cumulative Shareholding during the year	
		No. of shares	% of total shares				No. of shares	% of total shares
1	Mr. K R Kamath (Nominee Director)	-	-	-	-	-	-	-
2	Mr. Krishan Kant Rathi (Independent Director)	-	-	-	-	-	-	-
3	Ms. Kalpana Iyer (Independent Director)	-	-	-	-	-	-	-
4	Mr. Vivek Vig (Nominee Director)	-	-	10th August, 2016	Increase	Shares allotted on Preferential Basis	1,85,830	0.40
				27th December, 2016	Increase	Shares allotted on Preferential Basis	46,458	
				Total Shares		2,32,288		

SN	Name of Shareholder	Shareholding at the beginning of the year		Date	Increase/Decrease in Shareholding	Reason	Cumulative Shareholding during the year	
		No. of shares	% of total shares				No. of shares	% of total shares
5	Mr. Sushil Kumar Agarwal (Whole Time Director & CEO)	8,00,000	2.08	3rd June, 2016	Increase	Shares allotted pursuant to Bonus Issue	1,11,564	2.34
				23rd June, 2016	Increase	Shares allotted pursuant to Right Issue	4,64,576	
				Total Shares		13,76,140		
6	Mr. Manas Tandon (Nominee Director)	-	-	-	-	-	-	-
7	Mr. Nishant Sharma (Nominee Director)	-	-	-	-	-	-	-
8	Mr. Ghanshyam Rawat (CFO)	-	-	30th May, 2016	Increase	Shares allotted on Preferential Basis	1,00,000	0.35
				3rd June, 2016	Increase	Shares allotted pursuant to Bonus Issue	13,945	
				23rd June, 2016	Increase	Shares allotted pursuant to Right Issue	46,458	
				7th Dec, 2016	Increase	Shares allotted on Preferential Basis	46,458	
				Total Shares		2,06,861		
9	Mr. Sharad Pathak (CS)	-	-	-	-	-	-	-

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	1304.01	30.00	0.00	1334.01
ii) Interest due but not paid	0.00	0.00	0.00	0.00
iii) Interest accrued but not due	27.01	0.00	0.00	27.01
Total (i+ii+iii)	1331.02	30.00	0.00	1361.02
Change in Indebtedness during the financial year				
* Addition	700.82	0.00	0.00	700.82
* Reduction	(320.48)	0.00	0.00	(320.48)
Net Change	380.34	0.00	0.00	380.34

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the end of the financial year				
i) Principal Amount	1684.35	30.00	0.00	1714.35
ii) Interest due but not paid	0.00	0.00	0.00	0.00
iii) Interest accrued but not due	19.38	0.00	0.00	19.38
Total (i+ii+iii)	1703.73	30.00	0.00	1733.73

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 lacs)
	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	162.71	162.71
	(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		-
3	Sweat Equity		-
4	Commission		-
	- as % of profit		-
	- others, specify		-
5	Others, please specify		-
	Total (A)	162.71	162.71
	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 manager taken 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 lacs)
1	Independent Directors	Mrs. Kalpana Iyer		Mr. Krishan Kant Rathi		-
	Fee for attending board & committee meetings	2.00		5.00		7.00
	Commission	Nil		Nil		Nil
	Others, please specify	-		-		-
	Total (1)	2.00		5.00		7.00
2	Other Non-Executive Directors	Mr. Vivek Vig	Mr. K R Kamath	Mr. Nishant Sharma	Mr. Manas Tandon	-
	Fee for attending board committee meetings	0.50	1.50	-	-	2.00
	Commission	-	14.00	-	-	14.00
	Others, please specify	-	-	-	-	-
	Total (2)	0.50	15.50	-	-	16.00
	Total (B)=(1+2)					23.00
	Total Managerial Remuneration					185.71
	Overall Ceiling as per the Act	<p>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.</p> <p>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.</p> <p>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.</p>				

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

SN.	Particulars of Remuneration	Name of Key Managerial Personnel		Total Amount (In lacs)
	Name	Mr. Ghanshyam Rawat	Mr. Sharad Pathak	
	Designation	CFO	CS	
1	Gross salary	120.11	8.94	129.05
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	-	-	-
	(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	-	-	-
3	Sweat Equity	-	-	-
4	Commission	-	-	-
	- as % of profit	-	-	-
	- others, specify	-	-	-
5	Others, please specify	-	-	-
	Total	120.11	8.94	129.05

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					
Punishment			None		
Compounding					
B. DIRECTORS					
Penalty					
Punishment			None		
Compounding					
C. OTHER OFFICERS IN DEFAULT					
Penalty					
Punishment			None		
Compounding					

Annexure - 6 to the Director's Report

FORM NO. AOC - 2

Form for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arms length transactions under third proviso thereto

(Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)

1. Details of contracts or arrangements or transactions not at arm's length basis: N.A.
 - (a) Name(s) of the related party and nature of relationship:
 - (b) Nature of contracts/arrangements/transactions:
 - (c) Duration of the contracts/arrangements/transactions:
 - (d) Salient terms of the contracts or arrangements or transactions including the value, if any:
 - (e) Justification for entering into such contracts or arrangements or transactions:
 - (f) Date of approval by the Board:
 - (g) Amount paid as advances, if any:
 - (h) Date on which the special resolution was passed in general meeting as required under first proviso to section 188: N.A
2. Details of material contracts or arrangement or transactions at arm's length basis
 - (a) Name(s) of the related party and nature of relationship:
*Au Small Finance Bank Limited (Formerly "Au FINANCIERS (INDIA) LIMITED")- 97.92% (Holding Company upto 22nd June, 2016)
 - (b) Nature of contracts/ arrangements/ transactions:
Infrastructure Sharing Agreement
 - (c) Duration of the contracts/arrangements/transactions:
Duration of agreement will be for a one year, term can be extended with the mutual consent of parties.
 - (d) Salient terms of the contracts or arrangements or transactions including the value, if any:

1. Some office spaces of the branch network of the Holding Company in the state of Rajasthan, Gujarat, Maharashtra, Madhya Pradesh, and Haryana i.e. the Branch Offices shall be used for the purpose of the carrying on respective business activities by each party.
 2. The Subsidiary shall be entitled to use the utilities in the Branch Offices including furniture's, fixtures, air conditioner, computers, telephone, fax, office equipment's etc. along with the Holding Company.
 3. Both the Holding and Subsidiary company will retain their own individual finance activities during the terms hereof and also to do all compliance activities as required to be done as per RBI and NHB respectively.
 4. Towards contribution in expenses of office spaces of Branch Offices and Facilities, the Subsidiary Company shall pay the Holding Company the amount equal to 5% to 10% (varying for each branch depending upon the scale of operations of the Subsidiary Company and proportion of sharing of resources utilised by the Subsidiary Company.)
 5. That the Subsidiary shall make payment to the Holding Company of the amounts due under this Agreement on Monthly basis.
 6. That both the Parties shall endeavor to identify and incur their own specified capital and revenue expenditure to the extent possible.
 7. This Agreement may be terminated by either party at any time, upon provision of thirty (30) days' notice in writing to the other party.
- (e) Date(s) of approval by the Board, if any: 26th May, 2016
- (f) Amount paid as advances, if any: No

Note: Au Small Finance Bank Limited (Formerly "Au FINANCIERS (INDIA) LIMITED") was the Holding Company as well as related party of AAVAS till 22nd June, 2016.

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 recognises 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 fifty 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 SECTION

Independent Auditor's Report

To

The Members of

Aavas Financiers Limited

(formerly known as "Au Housing Finance Limited")

Report on the Financial Statements

We have audited the accompanying financial statements of Aavas Financiers Limited (formerly known as Au Housing Finance Limited) (the "Company"), which comprise the Balance Sheet as at March 31, 2017, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 (the "Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016. 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 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 financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the state of affairs of the Company as at March 31, 2017, 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 financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016;
- (e) On the basis of written representations received from the directors as on March 31, 2017, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2017, 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, as amended, 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.
- iv. The Company has provided disclosures in Note 2.27 to these financial statements as to the holding of Specified Bank Notes (SBNs) on November 8, 2016 and December 30, 2016 as well as dealings in Specified Bank Notes during the period from November 9, 2016 to December 30, 2016. Based on audit procedures and relying on management representations, except for the segregation between SBNs and other denominations as more fully described in Note 2.27 to these financial statements, on which we are unable to comment in the absence of sufficient appropriate audit evidence, we report that the amounts disclosed in the said note are in accordance with the books of account maintained by the Company and produced before us for verification. Further, as stated in Note 2.27 to the financial statements, the borrowers of the Company have directly deposited cash in the Company's bank accounts and, as represented to us, the denomination wise details of all such deposits are not available with the Company and accordingly, in the absence of sufficient appropriate audit evidence in this regard, we are unable to comment on the matter.

For **S.R. BATLIBOI & ASSOCIATES LLP**
ICAI Firm's Registration Number: 101049W/E300004
Chartered Accountants

per **Amit Kabra**
Jaipur *Partner*
May 26, 2017 Membership Number: 094533

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) Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) All fixed assets were physically verified by the management in the previous year in accordance with a planned programme of verifying them once in two years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed 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's Registration Number: 101049W/E300004

Chartered Accountants

per Amit Kabra

Partner

Jaipur

May 26, 2017

Membership Number: 094533

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”)

To
The Members of
Aavas Financiers Limited

We have audited the internal financial controls over financial reporting of Aavas Financiers Limited (the “Company”) as of March 31, 2017 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 authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Opinion

In our opinion, 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, 2017, 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’s Registration Number: 101049W/E300004
Chartered Accountants

per Amit Kabra
Jaipur Partner
May 26, 2017 Membership Number: 094533

Balance Sheet as at March 31, 2017

(₹ in Lacs)			
	Notes	As at March 31, 2017	As at March 31, 2016
I. EQUITY AND LIABILITIES			
1. Shareholders' funds			
a) Share capital	2.1	5,816.36	3,838.33
b) Reserves & surplus	2.2	50,816.31	16,471.95
		56,632.67	20,310.28
2. Non-current liabilities			
a) Long term borrowings	2.3	1,50,968.50	1,19,636.61
b) Deferred tax liabilities (net)	2.4	616.78	190.76
c) Other long term liabilities	2.5	11.75	1,039.63
d) Long term provisions	2.6	1,371.72	948.54
		1,52,968.75	1,21,815.54
3. Current liabilities			
a) Short term borrowings	2.7	7,903.48	11,275.29
b) Other current liabilities	2.8	27,493.52	17,642.93
c) Short term provisions	2.9	68.12	33.88
		35,465.12	28,952.10
TOTAL		2,45,066.54	1,71,077.92
II. ASSETS			
1. Non-current assets			
a) Fixed assets	2.10		
i) Tangible assets		869.25	562.06
ii) Intangible assets		147.67	2.15
iii) Intangible assets under development		13.53	-
b) Long term loans and advances	2.11		
i) Loans	2.11.1	2,05,946.02	1,40,179.61
ii) Others	2.11.2	87.89	36.29
c) Non current Investment	2.12	75.40	-
		2,07,139.76	1,40,780.11
2. Current assets			
a) Cash & bank balances	2.13	27,576.73	23,490.02
b) Short term loans and advances	2.11		
i) Loans	2.11.1	7,335.47	5,270.53
ii) Others	2.11.2	100.29	145.32
c) Current Investment	2.12	2.56	-
d) Other current assets	2.14	2,911.73	1,391.94
		37,926.78	30,297.81
TOTAL		2,45,066.54	1,71,077.92
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

per Amit Kabra
Partner
Membership No. 094533

Place: Jaipur
Date: May 26, 2017

For and on behalf of the Board of Directors of
Aavas Financiers Limited
(Formerly known as "Au Housing Finance Limited")

Manas Tandon
(Nominee Director) Sushil Kumar Agarwal
(Whole Time Director & CEO)

Ghanshyam Rawat
(Chief Financial Officer) Sharad Pathak
(Company Secretary)

Statement of Profit and Loss for the year ended March 31, 2017

(₹ in Lacs)			
	Notes	Year ended March 31, 2017	Year ended March 31, 2016
REVENUE			
Revenue from operations	2.15	31,362.41	19,695.85
Other income	2.16	36.43	1.96
Total Revenue (I)		31,398.84	19,697.81
EXPENSES			
Employee benefit expenses	2.17	4,745.17	3,394.55
Finance cost	2.18	14,282.03	9,688.10
Depreciation and amortisation expenses	2.10	276.99	128.37
Other expenses	2.19	2,561.51	1,133.44
Provisions and write offs	2.20	667.86	467.68
Total expenses (II)		22,533.56	14,812.14
Profit before tax (III) = (I)-(II)		8,865.28	4,885.67
Tax expenses:			
Current tax	2.21	2,654.08	1,592.92
Deferred tax	2.21	426.03	86.35
Total tax expenses (IV)		3,080.11	1,679.27
Profit after tax (III)-(IV)		5,785.17	3,206.40
Earnings per equity share	2.22		
Basic (₹)		11.24	7.96
Diluted (₹)		11.24	7.96
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

per Amit Kabra
Partner
Membership No. 094533

Place: Jaipur
Date: May 26, 2017

For and on behalf of the Board of Directors of
Aavas Financiers Limited
(Formerly known as "Au Housing Finance Limited")

Manas Tandon
(Nominee Director) Sushil Kumar Agarwal
(Whole Time Director & CEO)

Ghanshyam Rawat
(Chief Financial Officer) Sharad Pathak
(Company Secretary)

Cash Flow Statement for the year ended March 31, 2017

	(₹ in Lacs)	
	Year ended March 31, 2017	Year ended March 31, 2016
A CASH FLOW FROM OPERATING ACTIVITIES:		
Net profit before tax as per statement of profit and loss adjustments for	8,865.28	4,885.67
Depreciation and amortisation	276.99	128.37
Expenses incurred on increase in authorised capital and issue of shares	23.77	-
Provision for standard and NPA assets	381.67	467.68
Provision for employee benefits	59.22	47.63
Operating profit before working capital changes	9,606.93	5,529.35
Changes in working capital		
Decrease/(increase) in Receivable under financing activity	(67,831.35)	(62,623.40)
Decrease/(increase) in Short term loans and advances	45.04	(122.43)
Decrease/(increase) in Other current assets	(1,519.80)	(669.60)
Decrease/(increase) in Other long term loans and advances	(51.60)	2.91
(Decrease)/increase in Other long term liabilities	4.01	1.88
(Decrease)/increase in Other current liabilities	3,148.57	(343.97)
	(66,205.13)	(63,754.61)
Direct taxes paid	(2,466.67)	(1,385.12)
Net cash flow from / (used in) operating activities (A)	(59,064.87)	(59,610.37)
B CASH FLOW FROM INVESTING ACTIVITIES:		
Inflow (outflow) on account of :		
Investment in Pass through certificate (PTC)	(77.96)	-
Investment in fixed deposits with original maturity of more than three months	(716.60)	-
Purchase of fixed assets (including capital work-in-progress)	(743.32)	(149.74)
Sale of fixed assets (including capital work-in-progress)	0.09	-
Net cash flow from / (used in) investing activities (B)	(1,537.79)	(149.74)

Cash Flow Statement for the year ended March 31, 2017

	(₹ in Lacs)	
	Year ended March 31, 2017	Year ended March 31, 2016
C CASH FLOW FROM FINANCING ACTIVITIES:		
Issue of equity shares (including share premium)	30,863.00	7,400.00
Share / debenture issue expenses	(520.45)	(44.81)
Net proceeds from long term and short term borrowings	33,630.22	73,737.57
Net Cash flow from / (used in) financing activities (C)	63,972.77	81,092.76
Net increase/(decrease) in cash and cash equivalents (A+B+C)	3,370.11	21,332.65
Cash and cash equivalents as at the beginning of the year	23,490.02	2,157.37
Cash and cash equivalents at the end of the year	26,860.13	23,490.02
Components of cash and cash equivalents		
Cash on hand	177.68	93.07
Balance with franking machine*	0.95	5.06
Balance with banks		
In current accounts	3,866.28	7,895.85
In cash credit	2,315.22	8,496.04
In deposit account	20,500.00	7,000.00
Total cash and cash equivalents (notes 2.13)	26,860.13	23,490.02
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".
- 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

per Amit Kabra
Partner
Membership No. 094533

Place: Jaipur
Date: May 26, 2017

For and on behalf of the Board of Directors of
Aavas Financiers Limited
(Formerly known as "Au Housing Finance Limited")

Manas Tandon
(Nominee Director)

Ghanshyam Rawat
(Chief Financial Officer)

Sushil Kumar Agarwal
(Whole Time Director & CEO)

Sharad Pathak
(Company Secretary)

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 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 Rule, 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 policies 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 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 comprise 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 recognised 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 on loans:

(i) Interest Income is recognised 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 recognised only when realised and any such income recognised before the assets became non performing and remaining unrealised is reversed. Income on loans assigned through direct assignment is recognised over the tenure of the assignment transaction.

b. Fees, other charges and other interest:

- (i) Overdue interest in respect of loans is recognised on receipt basis.
- (ii) Administrative fees and processing fees is recognised in the year in which the loan is disbursed.
- (iii) Revenue from interest on bank deposits and investments are recognised on accrual basis.
- (iv) Income from cheque bouncing charges is recognised on receipt basis.

c. 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.

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 to the securities premium account in accordance with section 52 of the Act to the extent of balance available in such premium account.

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 recognised 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 recognised as an income/expense in the statement of profit and loss over the life of the contract. Exchange difference on such contracts are recognised 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 Tangible/Intangible Fixed Assets, Depreciation/Amortisation and Impairment

Tangible assets

Tangible assets 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)
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 recognised on a pro-rata basis to the statement of profit and loss from/up to 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 recognised 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 effect 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 recognised 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 outflow of 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

- 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.
- The Company maintains general provision to cover potential credit losses, which are inherent in any loan portfolio but not identified, in accordance with 'the NHB Directions'.
- 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.

Stock of acquired properties is valued at realisable value or principal outstanding, whichever is less.

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 recognised directly in equity is recognised 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 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.

1.15 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 recognised, together with a corresponding increase in the "Stock options outstanding account" in reserves. The cumulative expense recognised 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 recognised in the statement of profit and loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

2. Notes to accounts for the year ended March 31, 2017

2.1 Share capital

Particulars	As at	
	March 31, 2017	March 31, 2016
(₹ in Lacs)		
Details of authorised, issued, subscribed and paid up share capital		
Authorised shares		
6,50,00,000 (P.Y. 4,00,00,000) Equity Shares of ₹ 10/- each.	6,500.00	4,000.00
	6,500.00	4,000.00
Issued Subscribed & Paid up Capital		
Issued Capital		
5,87,39,657 (P.Y. 3,83,83,334) Equity Shares of ₹10/- each		
Total Issued Share Capital	5,873.97	3,838.33
Subscribed Capital		
5,87,39,657 (P.Y. 3,83,83,334) Equity Shares of ₹10/- each		
Total Subscribed Share Capital	5,873.97	3,838.33
Called-Up and Paid Up Capital		
Fully Paid-Up		
5,80,19,563 (P.Y. 3,83,83,334) Equity Shares of ₹ 10/- each	5,801.96	3,838.33
Partly Paid-Up		
7,20,094 (P.Y. Nil) Equity Shares of ₹10/- each, 2 Paid up	14.40	-
Total	5,816.36	3,838.33

(i) 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, 2017		As at March 31, 2016	
	No. of shares	(₹ in Lacs)	No. of shares	(₹ in Lacs)
Equity Share at the beginning of year	3,83,83,334	3,838.33	3,29,16,667	3,291.67
Add:				
Equity Share Allotted during year				
Shares issued during the year	51,40,652	501.06	54,66,667	546.66
Bonus Shares issued during the period	53,66,658	536.67	-	-
Right Shares issued during the period	98,49,013	940.30	-	-
Equity share at the end of period	5,87,39,657	5,816.36	3,83,83,334	3,838.33

(ii) Shares held by holding Company

Name of the shareholder	As at March 31, 2017		As at March 31, 2016	
	No. of shares	(₹ in Lacs)	No. of shares	(₹ in Lacs)
Lake District Holdings Limited				
3,03,76,454 Equity Shares of ₹10/- each fully paid	3,03,76,454	51.71%	-	0.00%
AU Small Finance Bank Limited (Formerly Known as "Au Financiers (INDIA) Limited")				
	-	0.00%	3,75,83,334	97.96%
Total	3,03,76,454	51.71%	3,75,83,334	97.96%

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.

(iii) Details of shareholders holding more than 5% shares in the Company

Name of the shareholder	As at March 31, 2017		As at March 31, 2016	
	No. of shares	(₹ in Lacs)	No. of shares	(₹ in Lacs)
Lake District Holdings Limited				
3,03,76,454 Equity Shares of ₹10/- each fully paid	3,03,76,454	51.71%	-	-
Partners Group Private Equity Master Fund LLC				
64,75,083 Equity Shares of ₹10/- each fully paid	64,75,083	11.02%	-	-
Partners Group ESCL Limited				
1,47,54,698 Equity Shares of ₹10/- each fully paid	1,47,54,698	25.12%	-	-
AU Small Finance Bank Limited (Formerly Known as "Au Financiers (INDIA) Limited")				
43,41,149 Equity Shares of ₹10/- each fully paid	43,41,149	7.39%	3,75,83,334	97.96%
Total	5,59,47,384	95.24%	3,75,83,334	97.96%

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.

(iv) Rights, preferences and restrictions attached to shares

Equity shares:

The Company has one class of equity shares having a par value of Rs.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.

(v) Aggregate number of bonus shares issued during the period of five years immediately preceding the reporting date

Particulars	As at	
	March 31, 2017	March 31, 2016
Equity shares allotted as fully paid bonus shares by capitalization of securities premium	53,66,658	0.00

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

(vi) For details of shares reserved for issue under the employee stock option (ESOP) plan of the Company, refer note 2.26

Notes to the Financial Statements for the year ended March 31, 2017

2.2. Reserves & surplus

Particulars	(₹ in Lacs)	
	As at March 31, 2017	As at March 31, 2016
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	1,517.85	743.01
Add: Amount transferred from surplus balance in the statement of profit and loss	1,285.92	774.84
Total (a) Closing balance	2,803.77	1,517.85
b. Surplus / (deficit) in the statement of profit and loss		
Balance as per last financial statement	4,415.66	1,984.10
Add: Net profit after tax transferred from statement of profit and loss	5,785.18	3,206.40
	10,200.84	5,190.50
Less: Appropriation		
Transferred to statutory reserve		
Special reserve u/s 36 (1)(viii) of Income Tax Act, 1961	1,285.92	774.84
Total (b) Net surplus in the statement of profit and loss	8,914.92	4,415.66
c. Share Premium		
Balance as per last financial statement	10,538.44	4,125.33
Add: Received during the year	29,421.64	6,853.33
Less: Utilised for share issue expense	2.92	7.37
Less: Utilised for issue of fully paid-up bonus shares	536.66	-
Less: Utilised during the year for NCD issue expenses	27.29	24.48
Less: Utilised during the year for premium on redemption of NCD (net of tax)	295.59	408.37
Total (c) Share Premium Reserve	39,097.62	10,538.44
Total reserve and surplus (a+b+c)	50,816.31	16,471.95

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 Rs. 1285.92 lakh (P.Y. ₹774.84 lakh) 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 :

Notes to the Financial Statements for the year ended March 31, 2017

Particulars	(₹ in Lacs)	
	As at March 31, 2017	As at March 31, 2016
Reserve & Surplus		
Statutory Reserve (As per Section 29C of the National Housing Bank Act, 1987)		
Opening Balance	1,517.85	743.01
Additional during the year	1,285.92	774.84
Appropriation during the year	-	-
Closing Balance	2,803.77	1,517.85

Particulars	(₹ in Lacs)	
	As at March 31, 2017	As at March 31, 2016
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	1,517.85	743.01
c) Total	1,517.85	743.01
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	1,285.92	774.84
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 u/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	2,803.77	1,517.85
c) Total	2,803.77	1,517.85

Notes to the Financial Statements for the year ended March 31, 2017

2.4 Deferred tax liabilities (net)

(₹ in Lacs)

Particulars	As at	As at
	March 31, 2017	March 31, 2016
Deferred tax liability		
Difference between tax depreciation and depreciation/amortization charged for the financial reporting	12.83	5.45
Provision for special reserve u/s 29C of NHB Act read with section 36 (1) (viii) of IT Act, 1961	970.33	525.30
Gross deferred tax liability	983.16	530.75
Deferred tax asset		
Provision for standard assets	(296.15)	(201.86)
Provisions on non performing assets	(14.22)	(64.74)
Provisions on contingencies	-	(37.88)
Provision for gratuity and leave encashment	(56.01)	(35.51)
Gross deferred tax asset	(366.38)	(339.99)
Net Deferred Tax Liability	616.78	190.76

2.5 Other long term liabilities

(₹ in Lacs)

Particulars	As at	As at
	March 31, 2017	March 31, 2016
Premium payable on redemption of Debentures	-	1,031.89
Other long term liabilities	11.75	7.74
Total	11.75	1,039.63

2.6 Long term provisions

(₹ in Lacs)

Particulars	As at	As at
	March 31, 2017	March 31, 2016
Provision for employee benefits		
Gratuity	108.34	66.15
Leave encashment	40.35	28.37
Other provisions		
Provision for non performing asset	405.74	187.08
Provision for standard assets as per NHB Directions	817.29	557.48
Provision for contingencies	-	109.46
Total	1,371.72	948.54

Notes to the Financial Statements for the year ended March 31, 2017

2.6.1 Provision in respect of standard, sub standard, doubtful and loss assets are recorded in accordance with the NHB Directions, as follows:-

(₹ in Lacs)

Particulars	As at March 31, 2017		As at March 31, 2016	
	Loans	Provision	Loans	Provision
Standard assets				
Housing Loan	1,60,769.72	650.20	1,18,989.77	479.81
Other loans	50,819.71	205.54	25,656.14	103.46
	2,11,589.43	855.74	1,44,645.91	583.27
Sub-Standard Assets				
Housing Loan	1,240.44	260.49	499.85	74.98
Other loans	246.38	51.75	43.13	6.46
	1,486.82	312.24	542.98	81.44
Doubtful assets				
Housing Loan	195.96	89.38	212.74	63.82
Other loans	9.28	4.12	9.56	2.87
	205.24	93.50	222.30	66.69
Loss assets				
Housing Loan	-	-	36.87	36.87
Other loans	-	-	2.08	2.08
	-	-	38.95	38.95
Provision for contingencies	-	-	-	109.46
Total	2,13,281.49	1,261.48	1,45,450.14	879.81

2.7 Short term borrowings

(₹ in Lacs)

Particulars	As at	As at
	March 31, 2017	March 31, 2016
Secured		
From Bank (refer note 2.7.1)	7,903.48	11,275.29
	7,903.48	11,275.29

2.7.1 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 10.20% to 11.00%. Cash credit borrowings to the extent of ₹ Nil lakh (P.Y. ₹1,000.00 lakh) are secured by personal guarantee of a director of the Company.

Notes to the Financial Statements for the year ended March 31, 2017

2.8. Other current liabilities

(₹ in Lacs)

Particulars	As at March 31, 2017	As at March 31, 2016
Current maturities of long term debts (refer note 2.3)		
From bank- term loan	19,666.86	12,910.09
From financial institution-term loan	800.00	854.76
Interest accrued but not due on borrowings		
On non convertible debentures	1,782.23	1,535.87
On bank- term loan	139.61	110.36
On financial institution-term loan	16.05	22.82
Other payables		
Due to assignees towards collections in derecognised assets	2,519.95	844.82
Statutory liabilities	103.53	57.47
Employee benefits payable	524.49	516.00
Other current liabilities	1,940.80	790.74
Total	27,493.52	17,642.93

2.9. Short term provisions

(₹ in Lacs)

Particulars	As at March 31, 2017	As at March 31, 2016
Provision for employee benefits		
Gratuity	4.10	2.83
Leave encashment	9.04	5.26
Provision for tax Assessment Year 2017-18 (Net of Advance Tax)	16.53	-
Provision for Standard assets as per NHB Norms	38.45	25.79
Total	68.12	33.88

Notes to the Financial Statements for the year ended March 31, 2017

2.10 Fixed assets

(₹ in Lacs)

Tangible assets	Building and premises	Computers and printers	Furniture and fixtures	Motor vehicles	Office equipment	Total
Cost						
At April 1, 2015	445.72	82.55	91.59	28.64	33.48	681.98
Additions	-	82.72	30.72	25.74	10.39	149.57
Disposals	-	-	-	-	-	-
At March 31, 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
Depreciation						
At April 1, 2015	44.65	45.69	31.03	5.37	17.01	143.75
Charge for the year	19.52	55.23	27.28	12.72	10.99	125.74
Disposals	-	-	-	-	-	-
At March 31, 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
Net Block						
At March 31, 2016	381.55	64.35	64.00	36.29	15.87	562.06
At March 31, 2017	362.98	184.40	226.23	34.50	61.14	869.25

Notes to the Financial Statements for the year ended March 31, 2017

(₹ in Lacs)		
Intangible assets	Software	Total
Gross block		
At April 1, 2015	10.50	10.50
Purchase	0.17	0.17
At March 31, 2016	10.67	10.67
Purchase	167.87	167.87
At March 31, 2017	178.54	178.54
Amortization		
At April 1, 2015	5.89	5.89
Charge for the year	2.63	2.63
At March 31, 2016	8.52	8.52
Charge for the year	22.35	22.35
At March 31, 2017	30.87	30.87
Net block		
At March 31, 2016	2.15	2.15
At March 31, 2017	147.67	147.67
Intangible assets under development		
Gross block		
At April 1, 2015	-	-
Additions	-	-
At March 31, 2016	-	-
Additions	13.53	13.53
At March 31, 2017	13.53	13.53

2.11 Loans and advances

(₹ in Lacs)				
Particulars	As at March 31, 2017		As at March 31, 2016	
	Non-current	Current	Non-current	Current
Secured				
2.11.1 Housing loans				
-Considered good	1,50,885.48	5,156.53	1,12,591.99	4,029.53
-Considered doubtful	1,426.63	-	748.95	-
Other loans				
-Considered good	48,193.52	1,823.16	24,518.61	1,002.25
-Considered doubtful	255.19	-	54.77	-
Loans placed towards minimum retention requirement (MRR) for direct assignment transactions				
-Considered good	5,174.96	355.78	2,264.78	238.75
-Considered doubtful	10.24	-	0.51	-
Total	2,05,946.02	7,335.47	1,40,179.61	5,270.53

2.11.1.1 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 ₹9,182.25 lakh at March 31, 2017 (P.Y. ₹5,086.38 lakh)

Notes to the Financial Statements for the year ended March 31, 2017

2.11 Loans and advances (contd.)

2.11.1.2 Of the above :

(₹ in Lacs)		
Particulars	As at March 31, 2017	As at March 31, 2016
Standard	2,11,589.43	1,44,645.91
Sub-Standard	1,486.82	542.98
Doubtful asset	205.24	222.30
Loss asset	-	38.95
Total	2,13,281.49	1,45,450.14

2.11.1.3 Loans sanctioned but un-disbursed amount is ₹15,747.85 lakh as on March 31, 2017 (P.Y. ₹9,878.70 lakh)

2.11.1.4 The Company has assigned a pool of certain loans amounting to ₹37,789.75 lakh (P.Y. ₹24,543.84 lakh) by way of a direct assignment transaction. These loan assets have been de-recognised 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 securitised assets amounting to ₹7,962.24 Lakh (P.Y. Nil). These assets have been de-recognised in the books of the Company. The Company is responsible for collection and getting servicing of this loan portfolio on behalf of buyers/investors. In terms of the said securitisation agreements, the Company pays to buyer/investor on monthly basis the prorata collection amount as per individual agreement terms.

2.11.2 Other loans and advances (unsecured, considered good)

Particulars	As at March 31, 2017		As at March 31, 2016	
	Non-current	Current	Non-current	Current
Security deposit	82.82	17.66	32.82	8.61
Advance to staff	0.70	24.59	2.43	12.34
Advances to suppliers/service providers	-	33.51	0.53	47.77
Prepaid expenses	4.37	22.06	0.51	1.24
Recoverable in cash or in kind or for value to be received	-	2.47	-	47.72
Advance Tax Assessment Year 2016-17 (Net of Provisions)	-	-	-	22.19
Advance Tax Assessment Year 2015-16 (Net of Provisions)	-	-	-	5.45
Total	87.89	100.29	36.29	145.32

2.12 Investments

(₹ in Lacs)				
Particulars	As at March 31, 2017		As at March 31, 2016	
	Non-current	Current	Non-current	Current
Investments				
Investment under Pass through certificate (PTC)	75.40	2.56	-	-
Total	75.40	2.56	-	-

Notes to the Financial Statements for the year ended March 31, 2017

2.13 Cash and bank balances

(₹ in Lacs)

Particulars	As at March 31, 2017	As at March 31, 2016
Cash and cash equivalents		
Cash on hand (refer note 2.13.1)	178.63	98.13
Balance with banks		
In Current accounts	3,866.28	7,895.85
In Cash credit accounts	2,315.22	8,496.04
In Deposits with original maturity of less than three months	20,500.00	7,000.00
	26,860.13	23,490.02
Other bank balances		
Deposit with original maturity of more than 12 months (refer note 2.13.2)	716.60	-
Deposit with original maturity of more than 3 months less than 12 months	-	-
Total	27,576.73	23,490.02

2.13.1 Cash on hand includes of ₹0.95 Lakh (P.Y. ₹5.06 lakh) balance of franking machine.

2.13.2 Other Bank Balance in deposit accounts represents deposits under lien aggregating to 716.60 lakh (P.Y. ₹Nil) being securitization comforts provided to Trustees / buyer.

2.14 Other Current Assets

(₹ in Lacs)

Particulars	As at March 31, 2017	As at March 31, 2016
Recoverable from borrowers	583.84	279.19
Interest accrued but not due on loan	1,689.23	1,110.65
Stock of Assets acquired under SARFAESI	629.58	-
Interest accrued but not due on deposit with banks and others	9.08	2.10
Total	2,911.73	1,391.94

Notes to the Financial Statements for the year ended March 31, 2017

2.15 Revenue from operations

(₹ in Lacs)

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
Interest Income on		
Loan portfolio	26,974.86	17,245.78
Securitisation	53.38	-
Other operating income		
Fees and other charges from customers	3,325.29	2,191.26
Interest from fixed deposits with banks	95.53	8.06
Profit on redemption of liquid mutual fund units	912.94	210.49
Dividend income from mutual funds	0.41	40.26
Grand Total	31,362.41	19,695.85

2.16 Other income

(₹ in Lacs)

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
Other non operating income		
	36.43	1.96
Total	36.43	1.96

2.17 Employee benefit expenses

(₹ in Lacs)

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
Salaries and other benefits	4,500.29	3,255.97
Contribution to provident and other funds	133.71	99.01
Staff welfare expenses	111.17	39.57
Total	4,745.17	3,394.55

2.17.1 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 Lacs)

Particulars	March 31, 2017	March 31, 2016
Current service cost	54.75	34.26
Interest cost	5.52	3.05
Expected return on plan assets	-	-
Net actuarial (gain) / loss recognized in the year	(16.81)	(7.37)
Net expense	43.46	29.94

Notes to the Financial Statements for the year ended March 31, 2017

Balance Sheet

Benefit asset/ liability	(₹ in Lacs)	
Particulars	March 31, 2017	March 31, 2016
Present value of defined benefit obligation	112.44	68.98
Fair value of plan assets	-	-
Plan asset / (liability)	112.44	68.98

Changes in the present value of the defined benefit obligation are as follows: (₹ in Lacs)

Particulars	March 31, 2017	March 31, 2016
Opening defined benefit obligation	68.98	39.34
Current service cost	54.75	34.26
Interest cost	5.52	3.05
Benefits paid during the year	-	(0.30)
Actuarial (gain)/loss on obligation	(16.81)	(7.37)
Closing defined benefit obligation	112.44	68.98

The principle assumptions used in determining gratuity obligations for the Company are shown below:

Particulars	March 31, 2017	March 31, 2016
Discount rate	7.50%	8.00%
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.

Amounts for the current and previous four periods are as follows:

	March 31,2017	March 31,2016	March 31,2015	March 31,2014	March 31,2013
Defined benefit obligation	112.44	68.98	39.34	20.71	9.33
Plan assets	-	-	-	-	-
Surplus / (deficit)	112.44	68.98	39.34	20.71	9.33
Experience adjustments on plan liabilities	(16.81)	(7.37)	(3.82)	(0.33)	5.79
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 Financial Statements for the year ended March 31, 2017

2.18 Finance cost

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
Interest expense (Note 2.18.1)	13,973.36	9,327.87
Other borrowing costs (Note 2.18.2)	308.67	360.23
Total	14,282.03	9,688.10

2.18.1 Interest expense includes interest on: (₹ in Lacs)

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
Unsecured debt	365.65	373.70
Term loans/cash credit facilities/CP/ICD	10,796.51	6,656.73
Non-convertible debentures	2,811.20	2,292.84
Total	13,973.36	9,327.87

2.18.2 Other borrowing costs includes (₹ in Lacs)

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
Resource mobilisation expenses	268.54	328.00
Bank charges and commission	40.13	32.23
Total	308.67	360.23

2.19 Other expenses (₹ in Lacs)

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
Advertisement and publicity expenses	123.41	57.02
AMC Charges	11.60	8.60
Communication	97.09	51.46
Commission & brokerage	27.07	5.52
CSR Expenses	18.59	9.06
Directors Sitting Fees	16.17	11.58
Electricity and water	65.54	39.84
Fee & subscription	24.40	0.37
Legal & professional charges	545.30	176.47
Manpower management cost	705.49	313.71
Office expenses	48.63	27.26
Postage & courier expenses	50.28	21.64
Printing & stationery	60.60	26.02
Rent (refer note 2.19.2)	245.97	102.81
Rates & Taxes Expenses	43.07	1.76
Repair and maintenance -others	94.72	24.42
Travelling and conveyance	360.73	239.74
Auditor's remuneration (refer note 2.19.1)	22.85	16.16
Total	2,561.51	1,133.44

Notes to the Financial Statements for the year ended March 31, 2017

2.19.1 Auditor's remuneration

(₹ in Lacs)

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
-Audit fees	17.00	12.50
-Tax audit fees	1.50	1.00
-Other services	4.35	2.66
	22.85	16.16

2.19.2 The Company's significant leasing arrangements in terms of Accounting Standard 19 on Leases are in respect of operating leases for premises. These leasing arrangements, which are cancellable generally, range between 11 months and 36 months and are usually renewable by mutual consent on mutually agreeable terms.

2.20 Provisions and write offs

(₹ in Lacs)

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
a. Provisions as at March 31, 2017 (Refer Note 2.20.1)		
Provision for Non performing asset	405.74	187.08
Provision for standard assets as per NHB Norms	855.74	583.27
Provision for contingencies	-	109.46
	1,261.48	879.81
b. Provisions as at March 31, 2016		
Provision for Non performing asset	187.08	79.70
Provision for standard assets as per NHB Norms	583.27	332.43
Provision for contingencies	109.46	-
	879.81	412.13
Net provision made during the year (a-b)	381.67	467.68
c. Write off during the year	286.19	-
Total	667.86	467.68

2.20.1 During the year, 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" and rectified in current reporting period 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 has revised its estimates of provisioning for non-performing loan assets. As a result of such changes, the profit before tax for the current period is lower by ₹12.58 lakh.

2.21 Tax

(₹ in Lacs)

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
Provision for tax	2,654.08	1,592.92
Deferred tax	426.03	86.35
Total	3,080.11	1,679.27

Notes to the Financial Statements for the year ended March 31, 2017

2.22 Earning per share

(₹ in Lacs)

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
Following reflects the profit and share data used in EPS computations:		
Basic		
Weighted average number of equity shares for computation of Basic EPS (in lakh)	514.56	402.69
Net profit for calculation of basic EPS (₹ in lakh)	5,785.17	3,206.40
Basic earning per share (In ₹)	11.24	7.96
Diluted		
Weighted average number of equity shares for computation of Diluted EPS (in lakh)	514.56	402.69
Net profit for calculation of Diluted EPS (Rs.in lakh)	5,785.17	3,206.40
Diluted earning per share (In ₹)	11.24	7.96
Nominal value of equity shares (In ₹)	10.00	10.00

The number of equity shares and resultant EPS and DPS in respect of financial year ended March 31, 2016 considered above is adjusted for the issue of bonus shares in the current financial year in the ratio of 1 share for every 7.17 shares.

2.23 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.

2.24 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.

2.25 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/PoI-No.35/2010-11 dated October 11, 2010:

2.25.1 Capital and other commitments is ₹Nil as at March 31, 2017 (P.Y. ₹ Nil). Refer 2.11.1.3 for undisbursed commitment relating to loans.

2.25.2 Capital

(₹ in Lacs)

Particulars	As at March 31, 2017	As at March 31, 2016*
CRAR (%)	46.72%	27.52%
CRAR - Tier I capital (%)	46.02%	26.61%
CRAR - Tier II capital (%)	0.70%	0.91%
Amount of subordinated debt raised as Tier- II Capital	0.00	0.00
Amount raised by issue of perpetual Debt instruments	0.00	0.00

*With reference to letter No. NHB(ND)/HFC/DRS/Sup./3266/2017 dated March 31, 2017, the Company has revised its Capital Adequacy Ratio as on March 31, 2016 from 30.37% to 27.52% (Tier I restated from 26.70% to 26.61% and Tier II from 3.67% to 0.91%).

Notes to the Financial Statements for the year ended March 31, 2017

2.25.3 Investments

(₹ in Lacs)

Particulars	As at March 31, 2017	As at March 31, 2016
Value of Investment		
Gross Value of Investment	77.96	-
In India	77.96	-
Outside India	-	-
Provision for Depreciation	-	-
In India	-	-
Outside India	-	-
Net Value of Investment	77.96	-
In India	77.96	-
Outside India	-	-
Movement of Provision held towards depreciation on Investment	-	-
Opening Balance	-	-
Add: Provisions made during the year	-	-
Less: Write off/Write Back Excess provision during the year	-	-
Closing Balance	-	-

2.25.4 Derivatives

- The company has no transactions/exposure in derivatives in the current and previous year.
- The company has no unhedged foreign currency exposure on March 31, 2017 (P.Y. Nil)

2.25.5 Securitisation

(₹ in Lacs)

a. Disclosure as per NHB guidelines for assignment/securitisation transactions as an originator :

Particulars	March 31, 2017	March 31, 2016
No of SPVs sponsored by the HFC for securitisation transactions	1	-
Total amount of securitised assets as per books of the SPVs sponsored	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	716.60	-
Others	77.96	-
Amount of exposures o securitisation transactions other than MRR		
(I) Off-balance sheet exposures towards Credit Concentration		
a) Exposure to own securitizations		
i.)	-	-
ii.)	-	-
b) Exposure to third party securitisations		
i.)	-	-
ii.)	-	-
(II) On-balance sheet exposures towards Credit Concentration		
a) Exposure to own securitisations		
i.)	-	-
ii.)	-	-
b) Exposure to third party securitisations		
i.)	-	-
ii.)	-	-

Notes to the Financial Statements for the year ended March 31, 2017

b. Details of Financial Assets sold to Securitisation / Reconstruction Company for Asset Reconstruction

The company has not sold any financial assets to Securitisation / Reconstruction Company for Asset Reconstruction

c. Details of Assignment transactions undertaken by company

(₹ in Lacs)

Particulars	March 31, 2017	March 31, 2016
Number of accounts	3,809	4,198
Aggregate value (net of provisions) of accounts sold to SC / RC	33,815.13	22,089.46
Aggregate consideration	33,815.13	22,089.46
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

The company has not purchased / sold non-performing financial assets in the current and previous year.

2.25.6 Asset liability management

Maturity pattern of certain items of assets and liabilities as on March 31, 2017*

Particulars	Liabilities			Assets		
	Borrowings from banks	Market borrowings	Foreign currency Liability	Advance	Investments	Foreign currency Assets
1 Day to 31 Days / One month	1,288.83	-	-	2,498.65	0.20	-
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	-

Maturity pattern of certain items of assets and liabilities as on March 31, 2016* (₹ in Lacs)

Particulars	Liabilities			Assets		
	Borrowings from banks	Market borrowings	Foreign currency Liability	Advance	Investments	Foreign currency Assets
1 Day to 31 Days / One month	823.07	4.30	-	1,712.19	-	-
Over 1 month to 2 month	584.01	4.34	-	1,728.40	-	-
Over 2 month to 3 month	1,007.75	204.39	-	1,713.66	-	-
Over 3 month to 6 month	3,061.68	213.46	-	5,059.14	-	-
Over 6 month to 1 year	18,708.87	428.26	-	9,757.37	-	-
Over 1 year to 3 years	30,216.82	27,662.06	-	34,530.35	-	-
Over 3 year to 5 years	26,796.50	3,449.56	-	28,122.28	-	-
Over 5 year to 7 years	12,350.39	-	-	22,153.57	-	-
Over 7 year to 10 years	15,335.05	-	-	22,280.54	-	-
Over 10 years	3,826.24	-	-	18,392.64	-	-
Total	1,12,710.38	31,966.37	-	1,45,450.14	-	-

* 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.

2.25.7 Exposure

a. Exposures to real estate sector

Category	(₹ in Lacs)	
	As at March 31, 2017	As at March 31, 2016
(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 : ₹1,12,726.33 lakh (P.Y. ₹81,258.35 lakh)	2,13,201.29	1,45,450.14
ii) Commercial real estate :		
Lending secured by mortgages on commercial real estates (office buildings, retail space, multipurpose commercial premises, multi-fa include non-fund based (NFB) limits;	80.20	Nil
iii) Investments in mortgage backed securities (MBS) and other securitized exposures:		
(a) Residential	Nil	Nil
(b) Commercial real estate.	Nil	Nil
(B) Indirect exposure		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	Nil	Nil

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.

2.25.8 Registration obtained from other Financial sector regulators

The company has not obtained registration from any other financial sector regulator.

2.25.9 Disclosure of penalties imposed by NHB and other regulators

NHB has not imposed any penalty on the company during the year.

2.25.10 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

AU Small Finance Bank Limited (Formerly Known as "Au Financiers (INDIA) Limited") - (Upto 22nd June 2016)

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. Sanjay Agarwal Managing Director - (Upto 22nd June 2016)

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

Notes to the Financial Statements for the year ended March 31, 2017

b. The nature and volume of transactions carried out with the above related parties in the ordinary course of business are as follows :

1. Loans taken and repayment there of (₹ in Lacs)

Related Party	Year ended	Short Term Loans taken	Repayment	Interest due & paid	Amount owed to related parties
AU Small Finance Bank Limited	March 31, 2017	-	-	-	-
	March 31, 2016	11,945.00	11,945.00	12.61	-

Loans taken from related parties are repayable on demand. These loans carry interest rate @ of 12% p.a.

2. Remuneration to Key Managerial personnel (₹ in Lacs)

Particulars	March 31, 2017	March 31, 2016
Mr. Sushil Kumar Agarwal, Whole Time Director and Chief Executive Officer	162.71	235.82
Mr. Ghanshyam Rawat, Chief Financial Officer	120.11	83.83
Mr. Sharad Pathak, Company Secretary	8.94	5.39
Total	291.76	325.04

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.

3. Other Transactions (₹ in Lacs)

Name of related party	Nature of transactions	March 31, 2017			March 31, 2016		
		Amount received	Amount paid	Outstanding balance	Amount received	Amount paid	Outstanding balance
Lake District Holdings Limited	Equity shares	17,383.95	-	-	-	-	-
Partners Group ESCL Limited	Equity shares	8,444.03	-	-	-	-	-
AU Small Finance Bank Limited	Equity shares	-	-	-	7,000.00	-	-
AU Small Finance Bank Limited	Reimbursement of expenses	-	9.01	-	-	159.63	-
AU Small Finance Bank Limited	Reimbursement of expenses	2.51	-	-	21.80	-	-
AU Small Finance Bank Limited	Reimbursement of Statutory payments	-	31.82	-	-	180.85	-
Mr. Sushil Kumar Agarwal	Equity shares	200.00	-	-	400.00	-	-
Mr. Ghanshyam Rawat	Equity shares	93.00	-	-	-	-	-

Notes to the Financial Statements for the year ended March 31, 2017

Name of related party	Nature of related party	Nature of transactions	March 31, 2017	March 31, 2016
			Amount involved	Amount involved
AU Small Finance Bank Limited	Holding Company	Corporate guarantee given on behalf of the Company	-	34,417.20
Mr. Sanjay Agarwal	Managing Director	Personal guarantee given on behalf of the Company	-	31,523.53

2.25.11 Ratings assigned by credit rating agencies and migration of ratings during the year:

During the year, CARE has awarded long term rating of CARE A+/Stable and highest short term rating of A1+ to the company Further ICRA has upgraded our long term ratings outlook from stable to positive.

Aavas Financiers Ratings are as under :

Term/Instrument	ICRA	CARE	CRISIL	India Ratings
Long term	A Positive	A+ Stable	A Stable	A + / Stable (SO)
Short term		A1 +		
PTC Securitization	AA (SO)			

2.25.12 Provisions and Contingencies (₹ in Lacs)

Break up of "Provisions and Contingencies" shown under the head Expenditure in Profit and Loss Account	Year ended March 31, 2017	Year ended March 31, 2016
1. Provisions for depreciation on investment	-	-
2. Provision made towards Income tax	2,654.08	1,592.92
3. Provision towards NPA	218.66	107.38
4. Provision for Standard Assets (with details like teaser loan, CRE, CRE-RH etc.)	272.47	250.84
5. Other Provision and contingencies (with details)	(109.46)	109.46

Break up of Loan & Advances and Provisions thereon (₹ in Lacs)

Break up of Loan & Advances and Provisions thereon	Housing		Non-Housing	
	As at March 31, 2017	As at March 31, 2016	As at March 31, 2017	As at March 31, 2016
Standard Assets				
a) Total Outstanding Amount	1,62,466.22	1,20,165.38	51,396.28	25,863.86
b) Provisions made	650.20	479.81	205.54	103.46
Sub-Standard Assets				
a) Total Outstanding Amount	1,240.44	499.85	246.38	43.13
b) Provisions made	260.49	74.98	51.75	6.46
Doubtful Assets - Category - I				
a) Total Outstanding Amount	135.96	154.04	6.86	6.84
b) Provisions made	50.98	38.51	2.57	1.71
Doubtful Assets - Category - II				
a) Total Outstanding Amount	60.00	40.50	2.42	1.93
b) Provisions made	38.40	16.20	1.55	0.77

Notes to the Financial Statements for the year ended March 31, 2017

Doubtful Assets - Category - III				
a) Total Outstanding Amount	-	18.21	-	0.80
b) Provisions made	-	9.10	-	0.40
Loss Assets				
a) Total Outstanding Amount	-	36.87	-	2.08
b) Provisions made	-	36.87	-	2.08
TOTAL				
a) Total Outstanding Amount	1,63,902.62	1,20,914.85	51,651.94	25,918.62
b) Provisions made	1,000.07	655.47	261.41	114.88

Note: The total outstanding amount mean principal + accrued interest + other charges pertaining to loans without netting off.

2.25.13 Draw Down from Reserves

There has been no draw down from reserves during the year ended March 31, 2017 (P.Y.: Nil) other than those disclosed under Note 2.2

2.25.14 Concentration of Advances, Exposures and NPAs

(₹ in Lacs)

Particulars	As at March 31, 2017	As at March 31, 2016
Concentration of Advances		
Total Loans & Advances to twenty largest borrowers	5,247.05	4,782.42
(%) of Loans & Advances to twenty largest borrowers to Total Advances of the HFC	2.46%	3.29%
Concentration of all Exposures (including off-balance sheet exposure)		
Total Exposures to twenty largest borrowers/Customers	5,345.85	4,824.01
(%) of Exposures to twenty largest borrowers/Customers to Total Exposures of the HFC on borrowers/customers	2.31%	3.08%
Concentration of NPAs		
Total Exposures to top ten NPA accounts	287.86	169.39

Sector-Wise NPAs

Sector	% of NPAs to total Advances in that sector	
	As at March 31, 2017	As at March 31, 2016
A. Housing Loans:		
1 Individuals	0.89%	0.63%
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	0.50%	0.21%
2 Builders/Project Loans	0.00%	0.00%
3 Corporates	0.00%	0.00%
4 Others (specify)	0.00%	0.00%

Notes to the Financial Statements for the year ended March 31, 2017

2.25.15 Movement of NPAs

(₹ in Lacs)

Particulars	As at March 31, 2017	As at March 31, 2016
(I) Net NPAs to Net Advances (%)	0.60%	0.42%
(II) Movement of NPAs (Gross)		
a) Opening Balance	804.23	432.77
b) Additions during the year	1471.63	531.03
c) Reductions during the year	(583.80)	(159.57)
d) Closing Balance	1692.06	804.23
(III) Movement of Net NPAs		
a) Opening Balance	617.15	353.07
b) Additions during the year	1106.90	398.95
c) Reductions during the year	(437.73)	(134.87)
d) Closing Balance	1286.32	617.15
(IV) Movement of Provisions for NPAs (excluding provisions on standard assets)		
a) Opening Balance	187.08	79.70
b) Provisions made during the year	364.73	132.08
c) Write-off/Write-Back of excess provisions	(146.07)	(24.70)
d) Closing Balance	405.74	187.08

2.25.16 Overseas Assets

The company does not have any overseas assets

2.25.17 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 requires to be consolidated as per accounting norms.

2.25.18 Customers Complaints

(₹ in Lacs)

Particulars	As at March 31, 2017	As at March 31, 2016
No. of complaints pending at the beginning of the year	2	0
No. of complaints received during the year	72	50
No. of complaints redressed during the year	67	48
No. of complaints pending at the end of the year	7	2

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). The grants made under these schemes are represented by alphabets (a), (b), (c), etc. All grants in operation during the year ended March 31, 2017 are as given below:

Particulars	ESOP 2016 I	ESOP 2016 II	ESOP 2016 III
Scheme Name	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	34,45,610	7,19,084
Date of grant	23-Feb-17	23-Feb-17	23-Feb-17
No. of options granted	9,80,118	34,45,610	7,19,084
Exercise price per option (in Rs.)	215.25	215.25	215.25
Method of settlement	Equity	Equity	Equity
Vesting period and conditions	A) 50% options to vest as per stipulated vesting schedule ("Fixed Vesting") B) 50% options to vest on fulfillment of stipulated conditions ("Conditional Vesting")		

A) Fixed Vesting on following dates :-

23/02/18	98,012	3,44,561	71,908
23/06/18	98,012	3,44,561	71,908
23/06/19	98,012	3,44,561	71,908
23/06/20	98,012	3,44,561	71,909
23/06/21	98,011	3,44,561	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		

II Reconciliation of options

(₹ in Lacs)

Particulars	ESOP 2016 I	ESOP 2016 II	ESOP 2016 III
Options outstanding at the beginning of the year	-	-	-
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 the end of the year	9,80,118	34,45,610	7,19,084
Exercisable at the end of the year	-	-	-
Weighted average remaining contractual life (in years)	6.37	7.30	7.30

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: (₹ in Lacs)

Particulars	Plan I (a) / II (a) / III (a)
Share price on the date of grant (₹)	214.88
Exercise price (₹)	215.25
Expected volatility (%)	42.16%
Life of the options granted (years)	
First Vesting	3 years
Second Vesting	3.3 years
Third Vesting	4.3 years
Forth Vesting	5.3 years
Fifth Vesting	6.3 years
Risk-free interest rate (%)	6.86%
Expected dividend rate (%)	0%
Fair value of the option (₹)	Tranche 1 - 77.46 Tranche 2 - 82.03 Tranche 3 - 94.50 Tranche 4 - 105.47 Tranche 5 - 114.52

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:

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
Profit after tax as reported	5,785.17	3,206.40
Add: ESOP cost using intrinsic value method (net of tax)	-	-
Less: ESOP cost using fair value method (net of tax)	130.95	-
Profit after tax (adjusted)	5,654.23	3,206.40
No. of Shares for Basic EPS	514.56	402.69
Basic EPS	10.99	7.96
No. of Shares for Diluted EPS*	514.56	402.69
Diluted EPS	10.99	7.96

* Since the impact of conversion of potential equity shares is anti-dilutive in nature, the number of shares considered for calculation of Basic EPS and Diluted EPS is the same.

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
Stock option outstanding (Gross)	0.00	0.00
Deferred compensation cost outstanding	0.00	0.00
Stock option outstanding (Net)	0.00	0.00

Notes to the Financial Statements for the year ended March 31, 2017

2.27 "Additional disclosure as per MCA Notification No. GSR 308(E) [F.NO.17/62/2015-CL-V- (VOL.I)], dated March 30, 2017 is as under :

Details of Specified Bank Notes (SBN) held and transacted during the period from 8th November, 2016 to 30th December, 2016

(₹ in Lacs)			
Particulars	SBNs	Other Denomination notes	Total
Closing cash in hand as on November 8, 2016 [note (b)]	15.06	0.44	15.50
(+) Permitted receipts [note (c)]	0.00	356.01	356.01
(-) Permitted payments [note (d)]	0.00	5.92	5.92
(-) Amount deposited in Banks	15.06	335.87	350.93
Closing cash in hand as on December 30, 2016	0.00	14.66	14.66

Notes:

- Under the technology and processes operated by the Company, details of the denomination of notes are not available for all types of cash receipts and payments made by the Company. However, the Company has established a process to monitor the denomination of the notes for the end of day cash balance through daily cash reports submitted by the branches.
- Includes amounts collected by the Company from its loan borrowers against receipts issued on November 7th and 8th, 2016. These amounts have been accounted on November 9, 2016 in the ordinary course of business, based on the field collection data received from collection officers in respect of the previous day.
- Permitted receipts in other denomination notes include collections made by the Company from its loan borrowers towards regular loan obligations and withdrawals from bank accounts during the period from November 9, 2016 to December 30, 2016 in the ordinary course of business. The Company had implemented interim measures and controls to ensure no transactions are carried out in SBNs. Accordingly, no instances have been reported of any non-permitted receipts or payments being made by the Company.
- Permitted payments in other denomination notes include cash payments in the ordinary course of business
- In addition to the amounts indicated in the above table, the borrowers of the Company have directly deposited amounts aggregating ₹242.01 lacs in the Company's bank accounts through cash and electronic fund transfers. The identification of cash deposits from such amount and the denomination wise details thereof are not available with the Company.

Notes to the Financial Statements for the year ended March 31, 2017

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, 2017, 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 has certain litigations which have arisen in the ordinary course of business. The Company has reviewed all such litigations and has adequately provided for wherever provision is required.

2.30 Corporate social responsibility

Operating expenses include ₹18.59 Lakh (P.Y.: ₹9.06 Lakh) for the year ended March 31, 2017 towards Corporate Social Responsibility (CSR), in accordance with Companies Act, 2013. Gross Amount required to be spent by the company during the year ₹74.36 Lakhs (P.Y. ₹32.77 Lakh).

The details of amount spent during the respective year towards CSR are as under:

Sr No.	Particulars	March 31, 2017			March 31, 2016		
		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	18.59	Nil	18.59	9.06	Nil	9.06

2.31 Expenditure in Foreign currency (Accrual Basis)

Particulars	(₹ in Lacs)	
	Year ended March 31, 2017	Year ended March 31, 2016
Resource Mobilization Expense	19.54	-

Further the company has ₹ Nil foreign currency exposures as at March 31, 2017 (P.Y. ₹ Nil)

2.32 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")

Manas Tandon
(Nominee Director)

Sushil Kumar Agarwal
(Whole Time Director & CEO)

Place: Jaipur
Date: May 26, 2017

Ghanshyam Rawat
(Chief Financial Officer)

Sharad Pathak
(Company Secretary)



AAVAS FINANCIERS LIMITED
(Formerly Know 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

NOTICE OF 7th ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE SEVENTH ANNUAL GENERAL MEETING OF THE MEMBERS OF AAVAS FINANCIERS LIMITED (FORMERLY KNOWN AS "AU HOUSING FINANCE LIMITED") WILL BE HELD AT REGD. & CORP. OFFICE AT 201-202, 2ND FLOOR, SOUTHEND SQUARE, MANSAROVAR INDUSTRIAL AREA, JAIPUR (RAJASTHAN) 302020, ON WEDNESDAY, THE 26TH DAY OF JULY, 2017 AT 10:00 A.M. TO TRANSACT THE FOLLOWING BUSINESS:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Financial Statements for the year ended 31st March, 2017 and the Reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of Mr. Manas Tandon, (DIN: 05254602), who retires by rotation and, being eligible, offers himself for re-appointment.
3. Re-appointment of M/s S.R Batliboi & Associates LLP, Chartered Accountants as Statutory Auditors of the Company;

In view of the above, to consider and if thought fit, to pass with or without modification, the following resolution as an ordinary resolution;

"RESOLVED THAT pursuant to the provisions of Section 139, 142 of the Companies Act 2013, read with applicable rules framed there under (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) and other applicable provisions, if any, M/S S.R Batliboi & Associates LLP, Chartered Accountants (Firm Registration No: 101049W), retiring Auditors, on completion of their term of five years under Section 139(2) of the Companies Act 2013, be and is hereby reappointed as statutory auditors of the company to hold office for the term of five year from the conclusion of 7th Annual

General Meeting till the conclusion of 12th Annual General Meeting of the Company to be held in calendar year 2022 (subject to ratification of the appointment by the Members at every subsequent Annual General Meeting or as may be prescribed), at the remuneration as may be fixed by the Board of Directors of the Company in consultation with the said Auditors and re-imburement of travelling and out of pocket expenses incurred by them for the purpose of audit.

RESOLVED FURTHER THAT Mr. Sharad Pathak, Company Secretary of the company be and is hereby authorized to do all the acts, deeds and things which are necessary to give effect to the above said resolution."

SPECIAL BUSINESS

4. 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 rules framed thereunder (including any statutory modification(s)

or re-enactment(s) thereof for time being in force), The Housing Finance Companies (NHB) Directions, 2010 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 ₹4500 Crores (Rupees Four Thousand Five Hundred 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, 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 ₹4500 Crores (Rupees Four Thousand Five Hundred 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 from, 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 consider and approve authorisation to sell, lease or otherwise dispose of the Assets of the Company for borrowings under section 180(1)(A) 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 pursuant to the provisions of Section 180(1)(a) and other applicable provisions, if any, of the Companies Act, 2013 and rules framed thereunder (including any statutory modification(s) or re-enactment(s) thereof for time being in force), and provisions of Articles of Association, 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 off 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 ₹4500 Crores (Rupees Four Thousand Five Hundred 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 Ratify and approve the Issuance of Non-Convertible Debentures, By way of Private Placement to IFC.

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 modifications, clarifications, exemptions or re-enactment thereof, from time to time), issuance and allotment of 1300 (Thirteen Hundred) rated, listed, redeemable non-convertible, secured debentures of face value of ₹10,00,000/- (Ten Lakh) each upto an aggregate nominal value of ₹130,00,00,000/- (Rupees One Hundred Thirty Crores only) at par, in Demat form to International Finance Corporation by way of Private placement on 18th July 2017 be and is hereby ratified and approved.

7. 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 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 modifications, clarifications, exemptions or re-enactment thereof, from time to time), 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 SEBI (Issue and Listing of Debt Securities) Regulations, 2008, SEBI (Issue and Listing of Debt Securities) (Amendment) notification, 2012 and 2014 and other applicable SEBI regulations and guidelines, the provisions of Memorandum and 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) to offer, issue and allot, in one or more tranches Secured/ Unsecured/ Redeemable 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 7th annual general meeting till the conclusion of next annual general meeting, for an amount of ₹700/- Crore (Rupees Seven Hundred 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/Committee of Directors 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 executive 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 rated, listed, redeemable 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.

By The Order of The Board
For AAVAS FINANCIERS LIMITED
(Formerly Know as "Au Housing Finance Limited")

Place: Jaipur
Date: 4th July, 2017

Sharad Pathak
Company Secretary

NOTES:

- A) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE 7th ANNUAL GENERAL MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/ HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. The proxy form duly completed and signed, should be lodged with the Company, at its registered office at least 48 hours before the time of the meeting.
- 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) In case you have any query relating to the enclosed Annual Accounts 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.
- E) Members/proxies should bring the attendance slip duly filled in for attending the Meeting.
- F) The relative Explanatory Statement, pursuant to Section 102(2) of the Companies Act, 2013 (corresponding section to 173(2) of the Companies Act, 1956), in respect of the special business under item No. 4 to 6 are annexed hereto.

By The Order of The Board
For AAVAS FINANCIERS LIMITED
(Formerly Know as "Au Housing Finance Limited")

Place: Jaipur
Date: 4th July, 2017

Sharad Pathak
Company Secretary

EXPLANATORY STATEMENT PURSUANT TO SECTION 102(2) OF THE COMPANIES ACT, 2013

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 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 other any person or entity etc., in excess of paid up capital and free reserves of the Company by a sum not exceeding ₹4,500 Crores (Rupees Four Thousand Five Hundred 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 4 of the notice is placed for your approval of the aforesaid limits of borrowing by the Board upto an amount not exceeding ₹4,500 Crores (Rupees Four Thousand Five Crores 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 and / or 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 resolution mentioned at item No. 4 and 5 in the notice. Your Directors recommend the above resolution 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

With reference to the approval of the shareholders in the annual general meeting held on 20th June 2016, wherein all the NCD to be issued within the year was approved .In continuance to that the approval of shareholders is required, if the company issues or allot the debentures to IFC or any other investors between the period of 20th June 2017 to the conclusion of 7th Annual General Meeting.

Your Company has made allotment of 1300 (Thirteen Hundred) rated, listed 1300 (Thirteen Hundred) rated, listed, redeemable non-convertible, secured debentures of face value of ₹10,00,000/- (Ten Lakh) each upto an aggregate nominal value of ₹130,00,00,000/- (Rupees One Hundred Thirty Crores only) at par, in Demat form to International Finance Corporation by way of Private placement on 18th July 2017

Therefore, Board of Directors proposes to you to ratify and approve the decision taken by the Board.

Accordingly the proposed Resolution in Item No.6 of the Notice is placed for your approval by way of a Special Resolution and recommends passing the same.

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.

ITEM NO. 7

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, 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 ₹700 crore (Rupees Seven Hundred 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 ₹700 crore (Rupees Seven Hundred 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 till the date

of next Annual General Meeting, within the overall borrowing limits of the Company, as approved by the Members from time to time.

Accordingly, the proposed Resolution in Item No.6 of 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.

By The Order of The Board
For AAVAS FINANCIERS LIMITED
(Formerly Know as "Au Housing Finance Limited")

Place: Jaipur
Date: 4th July, 2017

Sharad Pathak
Company Secretary



AAVAS FINANCIERS LIMITED
(Formerly Know 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

PROXY FORM

Name of the member(s): _____
Registered Address: _____
E-mail ID: _____ Folio No _____

I/We, being the member(s) of AAVAS FINANCIERS LIMITED, holding _____ no. of shares of the above named Company, hereby appoint

1. Name: _____ Address: _____

E-mail ID: _____ Signature _____

2. Name: _____ Address: _____

E-mail ID: _____ Signature _____

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 Seventh Annual General Meeting of the Company, to be held on the 26th day of July, 2017 at 10:00 a.m. at the Regd. & Corp. Office of the Company at 201-202 2nd Floor South end Square Mansarovar Industrial Area, Jaipur 302020 and at any adjournment thereof in respect of such resolutions as indicated below:

Resolution No.:

1.....2.....3.....4.....5.....6.....7.....

Signed this _____ day of _____ 2017

Signature of shareholder _____

Affix
Revenue
Stamp

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 Know 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

(To be handed over at the entrance of the Meeting hall)
Seventh Annual General Meeting 26th July, 2017

I hereby record my presence at the Seventh ANNUAL GENERAL MEETING of the Company at the Regd. & Corp. Office of the Company at 201-202, 2nd Floor, Southend Sqaure, Mansarovar Industrial Area, Jaipur-302020 on Wednesday 26th July 2017 at 10:00 a.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:



SAPNE AAPKE, SAATH HAMAARA

ROUTE MAP



SEVENTH ANNUAL GENERAL MEETING

Venue: Regd. & Corp. Office
201-202, 2nd Floor, Southend Sqaure,
Mansarovar Industrial Area, Jaipur-302020

Date & Time: Wednesday 26th July 2017 at 10:00 a.m.