



OPENING DOORS

Au HOUSING FINANCE LIMITED
3rd Annual Report 2012-13



Au HOUSING FINANCE LIMITED

Registered Office:

19-A, Dhuleshwar Garden, Ajmer Road, Jaipur - 302001, Rajasthan

Phone: 0141 4110060

Website: www.auhfin.in

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.



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CORPORATE INFORMATION

Board of Directors

Mr. Sanjay Agarwal Director
 Mr. Uttam Tibrewal Director
 Mr. Sushil Kumar Agarwal Whole Time Director & CEO

Sr. VP - Finance & Treasury

Mr. Ghanshyam Rawat

Company Secretary

Mr. Sharad Pathak

Registered Office:

19-A, Dhuleswar Garden,
 Ajmer Road, Jaipur - 302 001
 Rajasthan

Statutory Auditors

M/s. S R B C & CO LLP
 Chartered Accountants,
 14th Floor, The Ruby,
 29, Senapati Bapat Marg, Dadar (W),
 Mumbai - 400 028, Maharashtra

Principal Bankers

1. HDFC Bank
2. ICICI Bank
3. State Bank of India
4. State Bank of Patiala
5. State Bank of Bikaner & Jaipur
6. Bank of India
7. Corporation Bank
8. Yes Bank
9. The Ratnakar Bank



Proud moment for Au Housing Finance Limited

Inauguration of Au Housing’s Jaipur Central Office in the presence of Shri Shiva Kumar, Ex-Managing Director of State Bank of Bikaner and Jaipur (SBBJ)

In India, millions of people are yet to own their first home.

At Au HOUSING FINANCE LIMITED (Au Housing), we are engaged in a business that makes it possible for rural, semi-urban and urban Indians to own their first home and enhance their self-respect.

**Opening doors
to a better life.**



More than 62 million housing units are needed in India today.

Mostly by the country's low and middle-income segment.

Comprising the modestly self-employed and salaried.

A segment un-served and un-reached.

Au Housing provides this segment with timely housing finance.

Making growth inclusive and socially relevant.



CORPORATE IDENTITY

Au Housing is one of the youngest housing finance company of India.

Bringing to thousands of un-reached and under-served Indians "the privilege of a housing loan"; making it possible for them to own homes and enhance life quality.

Au Housing was incorporated as a private limited company under the provisions of the Companies Act, 1956 in February 2011; it was converted into a public limited company and

was issued a fresh certificate of incorporation in January 2013. The Company is registered with the National Housing Bank vide a certificate of registration dated 8th February 2013 (earlier certificate of registration of August 2011 was in the name of Au Housing Finance Private Limited).

Au Housing is engaged in providing housing loans, primarily in the unserved, un-reached and under-served markets of Rajasthan, Maharashtra, Gujarat and Madhya Pradesh.

Vision

Our vision is to enrich the lives of 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, sympathetic to the need of customers. We strive to establish ourselves as trustworthy, transparent and well-governed housing finance company.

Parental foundation

Au Housing is a wholly-owned subsidiary of and promoted by Au Financiers (India) Limited. Au Financiers was incorporated in 1996 and is now a Systemically Important Non-Deposit Taking Non-Banking Financial Company (NBFC-ND-SI-AFC) registered with the Reserve Bank of India.

Au Financiers is a prominent vehicle financing NBFC in western and central India with diversified products and

service offerings including all kinds of vehicle finance i.e. commercial vehicles (multi-utility, small, light and heavy), cars, construction equipment, tractors and small medium enterprise loans.

To catalyse its housing finance business, Au Financiers floated a wholly-owned subsidiary named as Au Housing Finance Pvt. Ltd. in 2011.

Au Financiers' investors

Au Financiers attracted funding from prominent investors like IBEF and IBEF I funds advised by Motilal Oswal Private Equity Advisors Pvt. Ltd., International Finance Corporation (IFC), Private Equity Arm of World Bank Group, Warburg Pincus and ChrysCapital. Capital infusion from marquee investors enhanced the brand and corporate identity of Au Financiers and Au Housing.



BUSINESS MODEL

Focus

Au Housing is providing small ticket housing loans to customers belonging to low and middle-income segments in semi-urban and rural areas. This focus is distinctive from other Indian housing finance companies predominantly focused on high ticket loans. These loans are provided for home purchase, construction and extension/renovation.

Recruitment and manpower

Au Housing's success is influenced by relationship-based origination and direct customer contact. The Company has recruited professionals with a rich insight into local markets, customers and needs. The Company's intellectual capital (310 members) has been strengthened through selective recruitment, training and an encouraging work environment.

Portfolio

The Company customises home loan solutions around borrower needs and repayment conveniences complemented by best-in-class services and simplified loan procedures. We believe that every customer is unique and so are his financial needs. We feel it is necessary not to treat customers as a homogenous group of borrowers but appreciate the individual needs of every customer and offer housing finance solutions appropriate and suitable solutions.



THIS ANNUAL REPORT IS DEDICATED TO THE ONE NAGGING QUESTION THAT PEOPLE KEPT ASKING US OVER THE LAST YEAR.

“WHY EXPAND IN A HOUSING FINANCE BUSINESS IN THE MIDST OF AN INDUSTRY DOWNTREND?”

For answers, please turn the page over.



WHICH BUSINESS WILL BE THE FIRST BENEFICIARY OF INDIA'S GROWTH AND PROSPERITY?

INDIA'S HOUSING FINANCE SECTOR IS ONE OF THE FIRST BENEFICIARIES OF THE COUNTRY'S PROSPERITY TRICKLE-DOWN.

As soon as an individual has a reasonable job, housing emerges as one of the basic '*roti, kapda aur makaan*' needs. The result is that a home generally accounts for possibly the largest investment by most individuals during their lives.

This need to buy into one's own property has been inspired by some obvious reasons.

One, given the vast increase in demand over supply, India's property prices have historically appreciated, so all purchases are seen as preemptive, protecting buyers from buying at higher subsequent prices.

Two, the need to buy into one's own home has been partly inspired by attractive governmental incentives and tax breaks.

Three, India's centuries-old joint family tradition is yielding to nuclearisation in the wake of dispersed and better job opportunities in urban areas and a growing preference for one's own home.

Four, even as a number of Indians would have already acquired their own home, there is a growing incidence of the acquisition of second homes, weekend homes, outstation homes and retirement homes.

Which makes a house of one's own a hedge against a number of risks.





WHICH BUSINESS HAS GROWN FASTER THAN OTHERS IN THE LAST DECADE-AND-A-HALF IN INDIA?

INDIA'S HOUSING FINANCE INDUSTRY IS ONE OF THE SUSTAINED SUCCESS STORIES IN POST-LIBERALISATION INDIA.

The industry has reported a compounded annual growth rate of 20% in the last five years, outperforming the growth in other financial service sectors. As personal incomes rose during the past decade with increasing per-capita and

disposable incomes, one of the first things that people did was invest in *pucca* homes. To finance their purchase, most of these individuals opted for external financing.

This represents conclusive evidence that India's housing finance sector is one of the most secure, stable and sustainable financing segments.



WHICH BUSINESS PROVIDES A NEW ENTRANT WITH A LATENT DEMAND ESTIMATED AT 62 MILLION UNITS FROM DAY ONE?

THERE ARE FEW BUSINESS SPACES IN INDIA WITH AS LARGE AND ATTRACTIVE A MARKET PLACE AS HOUSING FINANCE.

This is attributable to a number of valid reasons. The sector addresses the housing finance needs of everyone - from the modest to the richest.

The sector sits on a large housing shortage estimated at 62 millions units,

which means that even as more homes get built, the immediately addressable market for housing finance companies continues to increase.

This is what the NHB Report for 2012 states: 'The Working Group on Rural Housing for the Twelfth Five Year Plan (2012-17) has estimated the total housing shortage in rural areas at 43.67 million units and urban shortage of 18.78 million units.

The housing finance sector is riding on India's realty sector growth. Even as the broad sector has ebbed and grown in response to national economic growth, the realty segment addressing mid-income and low-income demand has grown consistently, bad markets or good, and this trend is likely to sustain.

Which makes the business practically impervious to market cycles.



The sector sits on a large housing shortage estimated at 62 millions units, which means that even as more homes get built, the immediately addressable market for housing finance companies continues to increase.



WHICH SEGMENT OF INDIA'S FINANCING BUSINESS ENJOYS THE LOWEST CREDIT DEFAULT?

INDIA'S HOUSING FINANCE SECTOR IS CONSIDERED ONE OF THE MOST SECURE IN THE RETAIL LOANS INDUSTRY.

The credit banking default of retail home loans ranged from 1.8%-2.8% in four years, whereas the gross NPA of housing finance companies remained stable at a mere 1% during the period.

This was so for some pertinent reasons.

Because of an emotional customer connect, disciplined loan-to-value norms and adequate security cover.

Because the owner has to bring in the initial 20 to 30 per cent of the

amount required for purchase, the rest being funded by the housing finance company; a probable default exposes the owner to the risk of losing his money, thereby motivating timely repayment.

A low NPA of housing finance companies is the result of focus on one product, relationship-based origination and detailed credit assessment. Further, HFCs also have access to tools like CIBIL, CERSAI and SARFESI, resulting in a quality asset build-up.

Which makes this a business for all times.



WHICH BUSINESS MAKES IT POSSIBLE TO LEVERAGE STRENGTHS FROM ANOTHER BUSINESS FOR ITS OWN BENEFIT?

INDIA IS TWO COUNTRIES IN ONE. FIRST, THE AFFLUENT URBAN, AND THE SECOND, THE ASPIRING RURAL AND SEMI-URBAN.

Interestingly, the aspiring rural or semi-urban, who could have easily been lifted out of poverty decades ago with the provision of timely loans, is usually the one least funded.

Over the last decade, Au Financiers, our parent company, financed thousands of first-time entrepreneurs through the purchase of productive, income-generating assets.

As these individuals reported a reasonable surplus, one of the first things they did was to invest their savings in owning a small house, making improvements in their existing home or constructing a new one.

Au Financiers perceived an attractive opportunity; the company registered a wholly-owned subsidiary with the National Housing Bank to provide housing finance to thousands of rural and semi-urban Indians, leveraging its financing experience, customer connect, regional penetration and low operating costs.



“We are targeting at least 100% growth every year in the next four years”

Sushil Kumar Agarwal, Whole Time Director & CEO, reviews the Company's 2012-13 performance and looks ahead

OVER THE LAST DECADE, Au FINANCIERS ENGAGED IN THE FINANCING OF INDIVIDUALS GENERALLY CONSIDERED AS UN-BANKABLE WITH THE OBJECTIVE OF TRANSFORMING THEM INTO SUCCESSFUL ENTREPRENEURS.

Success in this challenging space was showcased in the ability to report one of the highest proportions of performing assets, excellent collection efficiency and healthy (net interest) margins.

The company's knowledge showcased that our un-served customer segment, though marginalised, was creditworthy. We addressed the potential of this business through a relationship-based business model and comprehensive borrower assessment.

We ascertained that Au Financiers vehicle finance customers, largely at the base of the pyramid (or just higher), had their basic housing needs largely un-served due to a lack of income-substantiating documents. We

addressed this void, replicating our success in vehicle and SME financing.

Besides, the Company recognised a widening home financing market arising out of a demographic shift: a growing lower-middle income class and middle-class, urbanisation and a growing youth population (approximately 46% of the population in the 25-55 year bracket; eligible for home loans), indicating a market of 90 million households in the right age bracket for home purchase and, hence, financing.

In India, the 'affordable housing' segment is perhaps the most attractive prospect. This is evident through an interesting anomaly, even as India's housing sector grew at a CAGR of 20% in the five years leading to 2012-13, the rural housing sector reported a CAGR of 8% during the period. We are confident that through our extensive rural and semi-urban reach, we will help narrow this gap and strengthen home ownership in an inclusive way.

Q: Are you happy with the performance of the Company in 2012-13?

I am happy for the following reasons: it is normal for companies entering the housing finance business to experience an extended gestation period before they start reaping benefits. On most of occasions, the gestation period is based on the time taken to achieve customer scale and business volume. At Au Housing, we achieved revenues worth ₹17.59 crore in the first full year of our working, which enabled us to cover our fixed costs and become immediately profitable. The result is that even as the Company had outlined a disbursement target of ₹150 crore in FY 2012-13, we reported ₹184.43 crore of disbursement. The result is that the Company registered a profit of ₹1.89 crore and also received a 1% interest subvention subsidy from the NHB, which was credited among eligible borrowers. The following were some of our other achievements:

► CRISIL assigned the company with a rating of 'CRISIL BBB+/Stable' in the

first year of operations.

► The company mobilised funds from nine leading private and public sector banks, which re-emphasises the confidence of external lenders in the Group and Company.

► The Company launched marketing schemes 'Hathon hath – gift jeeto offer', enhancing visibility and awareness.

Q: In what way is the Company addressing the core needs of customers?

Firstly, 91% of our loan portfolio disbursed in FY 2012-13 was for loan ticket sizes up to ₹10 lakh, making us eligible for classification under the priority sector under extant RBI guidelines on the buyout of the loan portfolio. This indicates that loans are being delivered just where needs are strongest and in thrust areas of the Government of India and NHB. Secondly, the company's average loan ticket size of ₹6 lakh is evidence that the company caters primarily to the country's un-served. Thirdly, we added 3,189 customers in FY 2012-13.

Q: What makes you optimistic of the Company's prospects?

Much of our optimism is derived from the priorities announced by the respective State Governments in the regions of our presence. One, the Rajasthan Government launched an attractive housing scheme focusing on affordability and is constructing around 200,000 plus affordable homes in

Rajasthan. Even if we cater to 5-10% of this segment, we can expect to generate substantial revenues for the next few years. A similar scenario is unfolding in Gujarat. I can safely say that we are competently placed to address these emerging opportunities.

Q: What is the Company's growth likely to be for the next few years?

For the last three years, Au Financiers vehicle finance and SME businesses grew more than 100% a year. Au Housing achieved more than what it planned, providing us with the optimism that at Au Housing's loan books will treble in FY 2013-14.

If we are able to grow Au Housing's presence to where Au Financiers is today (177 branches across eight states) it will provide us with attractive visibility, profitability and long-term sustainability.

Au Financiers' customer base is largely at the base (and just above) of the country's economic pyramid. If we can source relevant customers upto 15-20% that of Au Financiers, we should be able to achieve our targeted numbers for the next half-a-decade.

Lastly, I would like to thank all our stakeholders who have extended their support to the Company.

With best wishes,
Sincerely

Sushil Kumar Agarwal
Whole Time Director & CEO



NEW BUSINESS. FIRST YEAR. IMPRESSIVE START.

KEY HIGHLIGHTS

Achieving targets

The Company overachieved in terms of its forecasted FY 2012-13 disbursement figure of ₹150 crore with an actual disbursement of ₹184.43 crore.

Credit rating

The Company was assigned a long-term credit ratings of CRISIL BBB+/Stable on a standalone basis from CRISIL Ratings within six months of business operations.

Banking relationships

A banking relationship is about much more than just selecting a bank to handle a company's bank account.

When managed well, a banking relationship can help a company thrive. In line with this, the Company established cordial relationships with nine leading banks (private and public sector), by availing term loans and working capital limits.

Quality human resources

The Company has a dedicated team of 310 staff members, including qualified professionals (chartered accountants, company secretaries and MBAs, among others). The manpower requirement at the Company's various offices is assessed and recruitment is conducted accordingly. Employee skills are

periodically strengthened; knowledge is enhanced through relevant training; outstanding performers are rewarded through promotion and remuneration. The Company provides a professional work environment that enhances delivery. The Company also employs local people who understand the local market conditions and their needs better.

Change in status

The Company's shareholders approved the Company's conversion into a public limited company at the Extra Ordinary General Meeting (EOGM) in January 2013. Consequent to such conversion,

the name of the Company was changed from Au Housing Finance Private Limited to Au Housing Finance Limited.

Interest subvention

The Company made an application to the National Housing Bank for claiming interest subsidy under the scheme of 1% interest subvention on housing loans up to ₹15 lakh. The Company was provided this subsidy, which was

credited to the respective borrowers' accounts.

Technological upgradation

The Company implemented a cutting-edge platform based on a three-tier architecture format software enabling end-to-end solutions for lending and accounting operations with the following benefits: automation of credit appraisal system, internal review (de-

dupe), decentralisation and delegation matrix for faster loan request processing as well as maker-and-checker system resulting in error elimination.

Centralisation

The Company's modern corporate office was inaugurated; all major operations are centralized with a view to have standardised decision making and processes.

WHAT WE ACHIEVED IN 2012-13

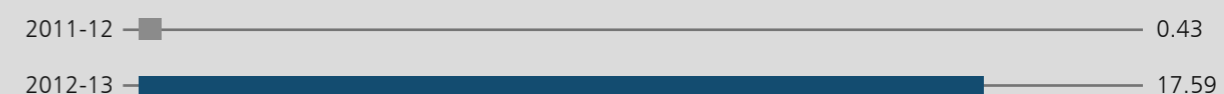
Disbursements (₹ crore)



Asset Under Management (AUM) (₹ crore)



Income (₹ crore)



Profits After Tax (PAT) (₹ crore)



Average Ticket Size (₹ lakh)



OUR STRENGTHS

Competencies

At Au Housing, we have made an operational difference through the following: working at the grassroots, engaging in a conventional financing business with new skills, designing products customised as per the customer's needs, maintaining operational simplicity, doing business in the right way, setting business targets in practical ways, managing manpower effectively, bringing all our employees together into a cohesive unit.

Capitalised

The Company prudently maintained a capital-adequacy ratio of 28.87% against a minimum 12.00% as per regulatory requirements specified under NHB direction.

Responsiveness

The Company invested in a robust technology platform leading to an end-to-end turnaround time (TAT) of just seven days and the ability to provide a cheque to the customer within a day of documentation completion.

Filters

The Company possesses keen legal and commercial insights on the one hand and strong credit appraisal competencies on the other. The Company has a strong credit risk team (30-plus CAs) and treasury and finance teams to grow the business. A relationship-based business model has helped strengthen asset quality.

Presence

The Company is establishing its footprint gradually in housing finance market in Rajasthan, Gujarat and Maharashtra, ahead of its proposed entry in Madhya Pradesh and NCR. The Company expanded its branch network from one to 25 branches in its first year of operations only.

Balancing out

The Company's business aspects are viewed holistically with a balance of targets and capabilities, allocation of adequate employee bandwidth in achieving targets, establishing a close customer connect and strategic flexibility in line with evolving economic conditions.

CREDIT AND RISK MANAGEMENT

Credit management

In the business of housing finance, credit management is of critical importance for some pertinent reasons. The credit filter provides a reasonable assurance of asset quality and business profitability; a majority of the lending that the company undertakes is to finance a large segment of applicants who are first-time buyers. Though creditworthy they lack income documents to substantiate their income.

Consequently we carry out detailed assessments with our staff handholding our customers and supporting them through the whole process.

The Company has an exhaustive policy document and a dynamic credit management team comprising of a mix of experienced Chartered Accountants, Company Secretaries, MBAs and other professionals. There

is a detailed multilayer credit filtration system in place where borrower earning, borrowing capabilities and his/her need for a loan is duly assessed; the collateral provided by the borrower is verified by a technical valuer, an empanelled lawyer and in-house legal staff before the disbursement of any loan.

Risk management

Risk management is a business facilitator which helps in more informed decision-making with a balanced risk-reward position. The Company follows a disciplined risk management process while taking business decisions with the growth and balancing of the risk-reward

matrix acting as major criteria. The Company has set up a dynamic and evolving risk management system and responsibilities of the credit and risk management is taken care of by Asset and Liability Management Committee. There are mainly three types of risks associated with our business as under:

1

Credit risk

Credit risk is risk associated with respect to failure on part of the borrower to repay his/her loan as per scheduled pay out dates.

Risk mitigation

Credit risk management is overseen by the Asset Liability Management Committee of the Company. Credit risks are managed with risk-based pricing methods which cover analysis of relevant quantitative and qualitative information to ascertain the creditworthiness of the borrower. Moreover, customer profiling and ongoing portfolio analysis are undertaken keeping various parameters in mind for better and more informed decision-making.

Credit risks are also managed effectively at the transactional level by using the services of in-house professionals for legal vetting. There are defined roles and responsibilities for loan originators and approvers. All credit exposure limits are approved as per the credit approval matrix. The Company's loan-to-value ratio limits have been formulated with the objective manage collateral risk better.

2

Liquidity and financing risk

Liquidity risk is the inability to meet financial obligations in a timely manner and without stress. Financing risk is risk associated with inability of the Company to raise funds from banks, FIs and other institutions. Asset Liability Management Committee (ALCO) takes care of market risks emanating on account of interest rate fluctuations in the market, liquidity and financing risks.

ALCO, an executive level committee

comprising senior officials periodically reviews treasury operations. The ALCO, functioning under the supervision of the Board of Directors, lays down procedures that involve the assessment of various types of risks and shifts in assets and liabilities to manage such risks. Being dynamic, the risk management framework will continue to evolve in line with the emerging risk perceptions.

Risk mitigation

The Company borrows from different banks to reduce its dependence on a single lender. In FY13-14, the Company plans to raise funds through mix of different products and diverse investors to mitigate risks and the Company shall assigns/securitises loans eligible for priority sector classification to the banks to bring down its costs of fund further.

As a measure to match maturity risk, the Company focuses on matching the tenure of the receivables being equal to or a higher-than-tenure of liabilities payable under various time buckets to mitigate any asset-liability mismatch risks.

As a contingency plan, the Company maintains a sufficient quantity of approved, but un-drawn, credit lines on a continuous basis as a buffer to manage liquidity constraints.

3

Operational risk

Any risk arising during the business operations of the Company relating to management of people, technology, and information retrieval, storage of records or infrastructure is termed as operational risk.

Risk mitigation

The Company has implemented a robust technology platform, which addresses systems and processes carried out by the Company in its financing operations. A comprehensive

system of internal controls, efficient allocation of duties, use of advance software, detailed standard operating procedures help mitigate operational risks.



INFORMATION TECHNOLOGY

In a business where information is critical, the role of information technology in enhancing market awareness, knowledge sharing, ideation and competitiveness cannot be emphasised enough. The Company invested in a robust IT infrastructure to strengthen information sharing (marketing, sales and service). The Company invested in hardware, software, network, backup/storage (online/offline), DCP/BR setup, processes and a helpdesk.

The initiatives during the year under review comprised the following:

- ▶ Launch of the official website of the Company.
- ▶ Distribution of information-sharing e-mailers
- ▶ Formulation of information security measures and business policy updates
- ▶ Answered FAQs related to business initiatives
- ▶ Updated training material in the database/website

PROFILE OF OUR CUSTOMERS



Rural and semi-urban focus

The Company focuses on rural and semi-urban customers who are un-served or under-served. In our first year of operations, the Company targeted 75% of its customers from this geographic segment. However, the Company over achieved and provided finance to more than 90% customers in rural and semi-urban areas during the year.

States	Rural and semi-urban Number of cases	Urban Number of cases	Total number of cases
Rajasthan	1,691	101	1,792
Maharashtra	844	120	964
Gujarat	347	78	425
Madhya Pradesh	8	–	8
Total	2,890	299	3,189
% of cases	90.62%	9.38%	100.00%

Customer segment and focus

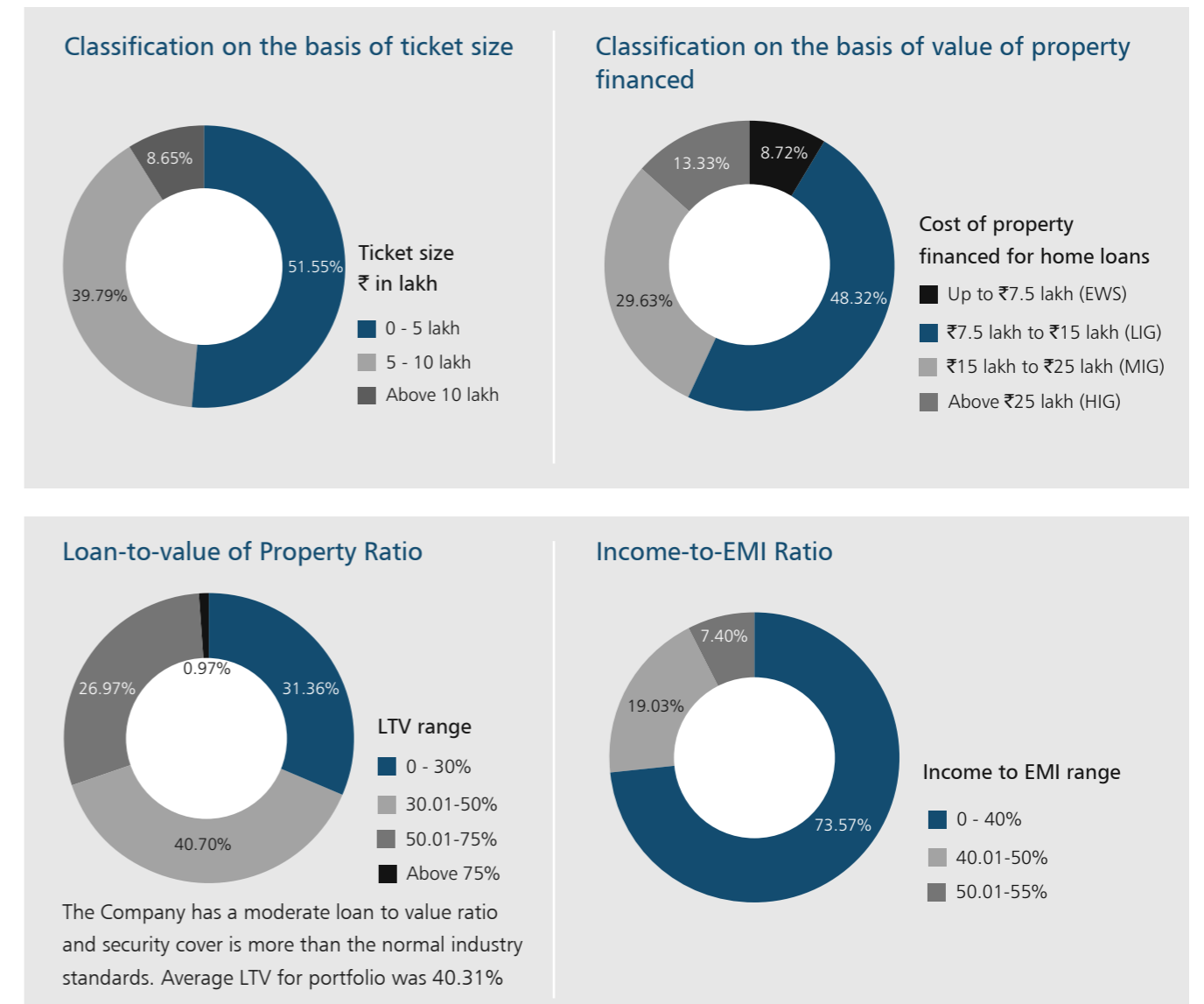
Au Housing addresses the housing needs of low-income groups, self-employed individuals and salaried individuals in rural, semi-urban and urban India. The company identifies customers who, even as they are creditworthy, have no or less documents substantiating their income, making their access to organized credit difficult. More than 54% of loans disbursed in FY 2012-13 were to the self-employed customer segment, a trend that is likely to sustain.

	Self-employed	Salaried	Total no. of cases
Contribution in %	54.12%	45.88%	100.00%

PORTFOLIO CLASSIFICATION

Focus on low-ticket housing loans

Au Housing is focused on providing small ticket housing loans. Nearly 91% of loans disbursed in FY 2012-13 were less than ₹10 lakh; average loan size was ₹6 lakh during the year under review. This small loan segment is the largest and the most un-served, marked by a virtual absence of large financial institutions. Adequate credit availability to this segment will catalyse the segment's growth and demand in coming years. The company's presence in this space is validated by its classification as a thrust area by the Government of India, State Governments and NHB.



BOARD OF DIRECTORS



Mr. Sanjay Agarwal, Director

Mr. Sanjay Agarwal, Director of the Company is a merit holder Chartered Accountant. He is a first generation entrepreneur and an all round corporate and retail finance business leader with more than 17 years of experience in financial and credit - risk management

and strategic planning. He has a multi-faceted experience in the areas of retail finance, business development, financial management, administration and manpower management. His specialization includes strategic planning, development of business model, HR and relationship management.



Mr. Uttam Tibrewal, Director

Mr. Uttam Tibrewal, Director of the Company is a commerce graduate from the Delhi University. He holds extensive experience in the retail finance sector with more than 15 years of experience.

implementation, he is known to build result-oriented strategies for achieving targeted growth. He also has expertise across operations, sales, marketing and promotions targeted towards rural and sub-urban target audiences.

As a director of the company, he spearheads Strategy and Planning functions. From designing to

His key focus areas are business development, undertaking strategic market analysis, CRM, delivery and service quality assurance, mentoring and motivating teams.



Mr. Sushil Kumar Agarwal, Whole Time Director and CEO

Mr. Sushil Kumar Agarwal, Whole Time Director and CEO of the Company. He is All India Rank holder Chartered Accountant and a Company Secretary by qualification. Mr. Agarwal has 13 years of rich experience in the Financial Service Industry. He started his career as a Branch Manager with Kotak Mahindra Primus Limited in 2000. In 2001, he joined ICICI as a Branch Credit Manager (Home Loan) and served

ICICI Bank for 9 years. During short tenure, he was elevated to seniors position from a Area Credit Manager-Rajasthan to National Head- Credit for Business Banking Group (SEG). He is specialist in the field of Credit & Risk management and team building for business expansion. Under his leadership, Company has taken great strides in short span; he has been instrumental in setting of credit policies & risk management strategies of the Company.

SENIOR MANAGEMENT



Mr. Ghanshyam Rawat, Senior Vice President, Finance & Treasury

Mr. Rawat is chartered accountant and is having over 20 years of rich experience in the area of Funds raising, Treasury management, Corporate Finance management and controls, Business Strategy, Merger & Acquisition, divestment, Financial Reporting, before joining Au

Housing Finance, he was associated with First Blue Home Finance (Subsidiary of Deutsche Post Bank, later on become subsidiary of DHFL) as Head - Corporate Treasury & Finance and was responsible for Funds raising, Assets Liability & Interest rate Risk Management, Regulatory Compliances, Relationship with banks & Financial Institutions, Debt Capital Market, Investors and Rating agencies.

STATUTORY SECTION

DIRECTORS' REPORT

To,
The Shareholders
Au HOUSING FINANCE LIMITED

Your Directors are pleased to present the Third Annual Report of your Company together with the Audited Statement of Accounts and the Auditor's Report for the financial year ended 31st March, 2013. The summarised financial results for the year ended as at 31st March, 2013 are as under:

Financial Results

(₹ In lacs)

Particulars	2012-13	2011-12
Total Income	1,758.97	42.55
Less: Total Expenditure before Depreciation & Amortisation	1,478.32	34.48
Less: Depreciation & Amortisation	6.65	0.00
Total Expenses	1,484.97	34.48
Profit Before Tax	274.00	8.07
Less: Provision for Taxations	85.47	7.67
Profit after Tax	188.53	0.40
Transfer to Statutory Reserve	67.20	0.08

The Company's interest and other income increased to ₹17.59 crore in the financial year ended March 31, 2013 from ₹0.43 crore in the previous fiscal ended March 31, 2012.



Review of Operations

Au Housing Finance Limited ('Company' or 'AUHFL'), is a wholly-owned subsidiary of Au Financiers (India) Limited ('AUFIL'), and is registered with National Housing Bank ('NHB') to carry on housing finance activities.

During the year under review, the Company sanctioned 3,189 individual housing loans worth ₹194.68 crore as compared to ₹4.41 crore in the preceding Financial Year 2011-2012 and disbursed 3,252 loans for ₹184.43 crore as compared to ₹0.70 crore in the preceding Financial Year 2011-2012.

The Company posted a total income of ₹17.59 crore while profit after tax was ₹1.89 crore. The Company's total assets under management (AUM) increased from ₹0.70 crore as on 31st March 2012 to ₹177.50 crore as on 31st March, 2013.

The average size of home loans disbursed to individuals during the year was ₹6 lac and average tenure was 110 months.

Public Limited Company

Your Company was incorporated as a 'Private Limited Company' with the name and title of 'Au Housing Finance Private Limited' on 23rd February, 2011 under the provisions of the Companies Act, 1956. The shareholders of the Company approved the conversion of the Company in the Extra Ordinary General Meeting (EOGM) held on 10th January, 2013. Consequent to such conversion, the name of the Company has been changed from "Au HOUSING FINANCE PRIVATE LIMITED" to "Au HOUSING FINANCE LIMITED".

The Company has received a fresh certificate of incorporation consequent upon change of name on conversion to public limited company from the Registrar of Companies, Rajasthan ('ROC') with the

name Au HOUSING FINANCE LIMITED.

Further the conversion of the Company into a public limited company, the National Housing Bank ('NHB') has also issued us a fresh certificate of registration with the changed name as 'Au HOUSING FINANCE LIMITED' bearing number 02.0104.13 dated 8th February, 2013 having serial number 295 in lieu of earlier registration certificate dated 4.8.2011.

The conversion of the Company into a public limited entity is a move towards transformation of the Company towards a well-governed corporate.

Branch Expansion

The Company in a short period of time expanded its branch network from one as of 31st March, 2012 to Twenty five branches as of 31st March, 2013 and plans to scale up its operation to newer geographies in FY 2013-14.

The Company has its registered office in Rajasthan and has 25 branches as on 31st March, 2013 and branch network as mentioned below:

State	No. of branches
Rajasthan	16
Gujarat	4
Maharashtra	3
Madhya Pradesh	2
Total	25

Business Overview

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

Resource Mobilisation

Loans from banks:

During the year under review, the Company received sanctions from leading public sector banks such as State Bank of India, State Bank of Patiala, State Bank of Bikaner & Jaipur and private sector banks such as ICICI, HDFC, and Yes Bank amounting ₹228.00 crore in form of term loans and working capital limits.

Credit Rating

Your Company was assigned a long-term credit rating from CRISIL as 'CRISIL BBB+/Stable' (for ₹100.00 crore) in August, 2012, which was further enhanced by CRISIL from ₹100.00 crore to ₹175.00 crore in February, 2013.

Non-performing Assets

A proactive collection and recovery management system working at the ground-level of your Company was able to contain its gross non-performing assets at ₹0.48 crore (0.27% of the portfolio) as on March 31, 2013. The Company reviews the delinquency and loan portfolio on a regular basis.

During the year under review, the Company has, as per the guidelines issued by the National Housing Bank

made a provision of ₹0.77 crore towards NPA and standard assets. The cumulative risk provisions under the NHB guidelines as on March 31, 2013 stood at ₹0.78 crore.

Directors

In accordance with the provisions of the Companies Act, 1956, Mr. Uttam Tibrewal, Director of your Company retires by rotation and being eligible; offer himself for reappointment at the ensuing Annual General Meeting. Necessary resolution for the reappointment of the aforesaid Director has been included in the notice convening the ensuing Annual General Meeting.

Dividend

In view of business expansion plans and deployment of earnings in the business, your Directors feel its prudent to plough back the profits for the future growth of the Company and do not recommend any dividend for the year ended 31st March, 2013.

Regulatory and Statutory Compliances

Your Company has complied with the applicable statutory provisions, including those of the Companies Act, 1956, and other application regulations. Further, the Company has also complied with the guidelines and directions issued by the National Housing Bank (NHB) from time to time, on asset classification of credit/ investments, credit rating, Fair Practices Code, Know Your Customer (KYC), Anti-Money Laundering Guidelines, income recognition and provisioning for non-performing loans, as applicable to a Housing Finance Company ('HFC').

During the year under review, NHB has conducted an inspection of the Company under Section 34 of the NHB act, 1987 and the Company has furnished the replies to the same.

Capital Adequacy Ratio

Your Company maintained a CRAR of 28.87 % as on 31st March 2013 against a minimum 12.00 % as per regulatory requirements specified by the NHB Directions.

Information Technology

Your Company is moving towards 'Central Data Base' platform i.e. 'core housing finance solutions' which is a step towards aligning technological initiatives with the projected business growth. All our operations (branches and corporate office) are operational on the "Central Data Base' platform. The steps taken to upgrade the IT platform will facilitate your Company to serve the customer(s) in an efficient manner and which is an integral part of the internal control mechanism.

Deposits

During the period under review, your Company has not accepted/renewed any deposits within the meaning of Section 58A of the Companies Act, 1956, and the rules there under.

Risk Management Framework

The Company has set up policy framework for ensuring better management of its asset and liability profile. Au Housing 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, lending loans in a conservative manner, and compulsory term cover for insurance.

Conservation of Energy and Technology Absorption

In view of the nature of activities being carried out by the company, Rules 2A

and 2B of The Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 concerning conservation of energy and technology absorption respectively are not applicable to the Company.

Foreign Exchange Earnings and Outgo

Further, Company does not have any foreign exchange earnings and there was no outgo during the financial year ended 31st March 2013.

Employees

The Company continues to focus on various initiatives in training and developing employees across levels to improve productivity, service quality, personal effectiveness and supervisory quality. Employees relations remained cordial and the work atmosphere remained congenial during the year under review. The workforce strength of your Company as on 31st March, 2013 is 310 including professionally qualified like Chartered Accountants, Company Secretaries and MBAs among others.

In pursuance of the Company's commitment to develop and retain the best available talent, the Company had been sponsoring the employees for training programmes organised by reputed professional institutions and training programmes conducted by the National Housing Bank for upgrading the skill and knowledge of the employees in different operational areas.

Particulars of Employees

During the year, there was no employee

who was drawing remuneration as laid down by the provisions of Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended, and therefore the requirement of furnishing the details pursuant to the same does not arise.

Auditors

M/s S R B C & Co LLP., Chartered Accountants, the Statutory Auditors of the Company will retire at the conclusion of the ensuing Annual General Meeting and being eligible offer themselves for reappointment. They have confirmed that their re-appointment, if made, would be in conformity with the statutes of Section 224(1B) of the Companies Act, 1956. The necessary eligibility certificate prescribed under the aforementioned Section has been received from them.

The Audit Committee and Board of Directors recommend their reappointment as the Statutory Auditors of the Company. The shareholders will be required to elect Statutory Auditors for the current year and fix their remuneration.

Auditor's Report

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

Directors' Responsibility Statement

Pursuant to section 217(2AA) of the Companies Act, 1956, the Board of Directors of the company confirms that:-

(i) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;

(ii) we have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2013 and of the profit of the Company for that period;

(iii) we have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and

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

Acknowledgements

Your Directors would like to express their sincere appreciation of the cooperation and assistance received from shareholders, bankers, regulatory bodies, rating agencies and other business constituents during the year under review. 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
Au Housing Finance Limited

Sanjay Agarwal
Director

Sushil Kumar Agarwal
Whole Time Director

Date: May 30, 2013
Place: Mumbai

REPORT ON CORPORATE GOVERNANCE

Au Housing Finance Limited incorporate governance philosophy is based on the following principles:

- Satisfy the spirit of the law and not just the letter of the law
- Be transparent and maintain a high degree of transparent disclosure
- Make a clear distinction between personal conveniences and corporate resources
- Communicate externally, in a truthful manner, about how the Company is run internally
- Have a simple and transparent corporate structure driven solely by business needs
- Management is the trustee of the shareholders' capital and not the owner
- Timely flow of information to the Board and its Committee to enable them to discharge their functions effectively

As a subsidiary of Au Financiers

(India) Limited, the company since its inception has adopted the Au Group's corporate core values stressing ethical business practices with transparency in disclosures, accountability, and dedicated customer service.

Corporate Governance is a voluntary, self-disciplining code, which means not only ensuring compliance with regulatory requirement but by also being responsive and accountable to its shareholders, customers, all other stakeholders and society at large. The Directors fully endorse and support the essentials of Corporate Governance as matter of good governance hereby we are attaching a report on Corporate Governance on voluntary basis.

Our company firmly believes that cultivating a culture of compliance is more than just meeting regulations

and standards. Our company is always proactive in meeting mandated standards and practicing corporate governance in spirit and not just the letter of the law.

In view of the company being an Unlisted Public limited Company, the code of Corporate Governance as provided under Clause 49 of the Listing Agreement does not apply to the company. However, your company reaffirms its commitment to the good corporate governance practices and transparency.

BOARD OF DIRECTORS

Composition of Board

Au Housing believes that the board of the company is the core of its corporate governance practice, as it oversees the managements functioning and acts in long term interest of all the stakeholders of the company.

As on March 31, 2013, the strength of the board is three members. All the Directors have rich experience of

managing operations of a finance business and have expertise in crafting strategies for business development.

List of directors with directorships held by them in other companies as on 31st March 2013 are given below.

Name of Director	No. of Directorship held in other companies (including private limited companies)	Qualification/Experience
Mr. Sanjay Agarwal	4	FCA, B.Com 17 Years
Mr. Uttam Tibrewal	2	B Com 16 Years
Mr. Sushil Kumar Agarwal	0	C.A and C.S 13 Years

None of the Directors of the Board hold Directorship in more than 15 public Companies, a member of more than 10 Board Committees and Chairman of more than 5 Board Committees across all Companies in which they are Directors. 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.

During the period under review Mr. Sushil Kumar Agarwal has been elevated to the position of "Whole Time Director" of the Company with effect from 10th January, 2013.

Board Meetings

The Board meets at least once in a quarter 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 agenda papers are circulated at least seven days prior to the Board meeting.

During the year ended 31st March 2013 (FY 13), Fifteen Board Meeting were held on April 25, May 22, July 18, Sept 3, Oct 5, Oct 29, Nov 20, Nov 23, Dec 13 2011, Jan 22, Jan 28, Feb 19, March 16, March 30, and March 31, 2013. Attendance of directors at Board meetings as on 31st March, 2013 are given below.

Name of Director	No. of Meetings Held	No. of Meetings Present
Mr. Sanjay Agarwal	15	15
Mr. Uttam Tibrewal	15	13
Mr. Sushil Kumar Agarwal	15	15

(Leave of absence was granted to the Director who cloud not attend the respective meeting)

GENERAL BODY MEETINGS

The particular of the Annual General Meeting and Extra Ordinary General Meeting held during the year as under:

Financial Year	Meeting	Date	Location	Business
2012-13	AGM	26.09.2012	19A, Duleshwar Garden, Ajmer Road, Jaipur-302001	To approve the Annual Accounts FY 11-12
2012-13	EGM	10.01.2013	19A, Duleshwar Garden, Ajmer Road, Jaipur-302001	<ul style="list-style-type: none"> • To approve the conversion of Company into a Public Company. • To approve the borrowings limit U/s 293(1)(d) and 293(1)(a) of Companies Act, 1956.

COMMITTEES OF THE BOARD

Company has constituted three committees of the Board constituting Directors of the company and expert senior management personnel. The Committees operate as empowered agents of the Board as per their charter/terms of reference.

1) Asset Liability Management Committee (ALCO)*

Asset Liability Management Committee(ALCO) takes care of market risk emanating on account of interest rate fluctuations in the market, liquidity and financing risks.

ALCO, an executive level committee comprising senior officials from periodically reviews the treasury operations. The Asset Liability Management Committee (ALCO), functioning under the supervision of the Board of Directors, lays down procedures that involve assessment of various types of risks and shifts in assets and liabilities to manage such risks. Being dynamic, the risk management framework will continue to evolve in line with the emerging risk perceptions.

The Company has an Asset Liability Management Committee (ALCO) Committee of the senior management personnel of the company, as below

Members	Designation
Mr. Sushil Kumar Agarwal	Whole Time Director & CEO
Mr. Sanjay Agarwal	Director
Mr. Uttam Tibrewal	Director
Mr. Ghanshyam Rawat	Sr. VP Finance & Treasury
Mr. Pankaj Sharma	AVP-Credit & Risk

(*reconstituted by the Board in the board meeting held on 30th May, 2013)

2) Audit Committee *

The Company has an Audit Committee of the Board of Director of the company, as below

Members	Designation
Mr. Sushil Kumar Agarwal	Whole Time Director & CEO
Mr. Sanjay Agarwal	Director
Mr. Uttam Tibrewal	Director

(*Constituted by the Board on the board meeting held on 29th Oct, 2012)

The committee is authorised to give advice on the appointment/reappointment of the External (Statutory) auditors, internal auditors and to monitor their performance and effectiveness, the audit fee, implementation of audit-based recommendations and any questions of resignation or dismissal of the external auditors. Thus, it plays a role of co-ordinator between External Auditors and Board of Directors.

3) Nomination & Remuneration Committee

The Board of director has constituted the Nomination & remuneration committee to lay out and implement the policy on proposing & finalization of the appointment of & remuneration packages for Executive Directors and

other Senior Management, including pension rights and any compensation payment if any. The Committee while deciding the remuneration package takes into consideration the following:

- Qualification, Experience of nominee
- Employment scenario,
- Remuneration packages prevailing in

the industry,

- Remuneration package of managerial talent of other industries, and Variable pay linked to performance of the Company in general and individual's Performance measured against specific Key Result Areas, which are aligned to the Company's objectives.

ADDRESS FOR CORRESPONDENCE

The Company Secretary
 Au HOUSING FINANCE LIMITED
 19-A, Dhuleshwar Garden, Ajmer Road,
 Jaipur - 302001
 Tel: +91-141-3910000
 Fax: +91-141-23688815

For and on behalf of the Board of Directors

Sanjay Agarwal
 Director

Sushil Kumar Agarwal
 Whole Time Director & CEO

Date: 30/05/2013

Place: Mumbai

MANAGEMENT DISCUSSION AND ANALYSIS

Housing finance industry structure and developments

Housing demand: Housing constitutes over 70% of India’s real estate sector and housing shortage estimated for urban India and rural India is estimated below and out of the shortage, there is a 90% shortage in the Below Poverty Line and EWS/LIG segments.

Shortage in Rural and Urban Housing

Category	Shortage in million units	Percentage
Shortage in Rural Housing	43.67	70%
Shortage in Urban Housing	18.78	30%
Total	62.45	100%

Technical group on urban housing shortage during 2012-17

Category	Shortage in million units	Percentage
EWS	10.55	56.18
LIG	7.41	39.44
MIG	0.82	4.38
Total	18.78	100.00

Following an increase in urbanisation, incomes and affordability, the demand for mortgage loans is expected to grow. Besides, the average borrower age has progressively declined, while the number of double-income households has grown significantly, widening the market for home mortgage.

There are a number of reasons behind the sustained increase in India’s demand for more homes. The country’s population is estimated to increase to 1.38 billion by 2020. Approximately 123 million of the additional urban population is likely to require professional assistance for the construction of houses by 2020.

This could lead to a whopping 95 billion square feet of potential demand of real estate space across residential, retail, commercial, industrial and civil amenities by 2020. This could translate into an average demand of 8.7 billion square feet, which potentially needs to be built annually.

The Indian economy is estimated to grow to become the third largest economy and 40 per cent (590 million) population estimated to live in urban areas by 2030. Mortgage penetration is pegged at 9% of the GDP which is quite low as compared to developed countries like the US and the UK where this ratio is at around 80%.

Following are the estimate for number of units and cost for affordable housing segment required.

Units	Slum areas Millions	Non Slum areas Million	Total Millions	Units Cost ₹	Total Cost ₹ Crore
Need for fresh housing units	10.61	5.68	16.29	3,50,000	5,70,150
Incremental housing to address congestion	4.78	7.89	12.27	60,000	76,020
Provision of infrastructure for new housing units	10.61	5.68	10.61	1,20,000	1,27,320
Up gradation of infrastructure in existing slums	10.85	0	10.85	70,000	75,950

(Source: Report on Trend and Progress of Housing in India, 2012 by NHB)

Government & NHB Initiatives:

Initiatives by NHB, Govt.of India, States Govt. and private sector participation are gradually resulting and creating positive impact on housing sector.

The Government of India has drawn up a draft real estate (Regulation and Development Regulation), 2011 Bill, which aims to establish a uniform regulatory environment and enforce sectoral transparency and fair practices. It is also expected to pave the way for the planned and orderly growth of housing and facilitate large scale institutional inflows, including greater venture funding into the sector.

A welcome sign that the market is beginning to respond to these measures is the emergence of a new category of players targeting low income borrowers with homes priced between ₹4 lakh and ₹15 lakh.

If Indian cities are to achieve their true potential as growth engines, every

Indian must be able to aspire to a home. To achieve this goal, it is important to ensure that the current momentum is not merely maintained but accelerated.

For the housing finance sector to grow sustainably, two factors are critical: affordable land availability and an enabling environment to make affordable housing a viable proposition for private players. The strategy is to catalyse planning and land-use reforms to drive down land prices. There are several schemes for affordable housing and reducing slum areas in the cities mentioned below:

- ▶ National Urban Housing and Habitat Policy 2007
- ▶ Jawaharlal Nehru National Urban Renewal Mission (JNNURM)
- ▶ Interest Subsidy Scheme For Housing The Urban Poor (ISHUP)
- ▶ Rajiv Awas Yojana (RAY)
- ▶ Affordable Housing In Partnership
- ▶ 1% Interest Subvention Scheme

Demand side other measures comprise addressing entry barriers for low-income borrowers through measures like the Credit Guarantee Fund, creation of affordable rental options for urban migrants and professionals, simplified procedures for housing loan credit appraisals, tax incentives for ordinary home buyers and interest subsidy for the country’s weaker sections.

Budget 2013-14 highlights: The Finance Minister proposed the setting up of a ₹2,000 crore fund for building urban dwelling units and raised the allocation for rural housing units by 50% to ₹6,000 crore. The Finance Minister offered additional tax SOPs for properties valued less than ₹40 lakh; a person taking a loan for the first home from a bank or a housing finance corporation up to ₹25 lakh during the period April 1, 2013 to March 31, 2014 would be entitled to an additional deduction of interest of up to ₹1 lakh and if the limit was not exhausted, the balance would

be claimed in the following fiscal.

Housing finance industry: India's housing finance industry comprises banks, housing finance companies (HFCs), NBFCs, small institutions (community-based organisations) and self-help groups, among others. The NHB operates as the principal agency to promote, regulate and provide financial (and other) support to HFCs at local and regional levels, while banks and NBFCs are managed and regulated by the RBI. As of March 2013, 57 companies were granted certificates of registration by NHB to act as housing finance companies.

Historically, the housing finance industry was dominated by HFCs. However, towards the end of the 1990s, commercial banks became active in lending to the housing sector in the backdrop of lower interest rates, rising disposable incomes, stable property prices and fiscal incentives.

While banks depend on their equity, reserves and deposit base to fund housing loan portfolios, HFCs primarily depend on loans from banks and financial institutions, NHB financing, borrowings (bonds and debentures), commercial paper, subordinate debts and public fixed deposits, besides their own equity and reserves. Increased sector competition has prompted the introduction of new mortgage products like variable interest rate loans, loan for repairs and renovation, customized

The Finance Minister offered additional tax SOPs for properties valued less than ₹40 lakh; a person taking a loan for the first home from a bank or a housing finance corporation up to ₹25 lakh during the period April 1, 2013 to March 31, 2014

products with features depending on borrower need and eligibility.

Setting up of the Indian Mortgage Guarantee Corporation by NHB in collaboration with Asian Development Bank, IFC and Genworth Inc. has laid the foundation for the emergence of a secondary mortgage market in India. The average growth of the housing portfolio of banks has been among the highest among all of India's asset classes. Much of the increase in housing stock however continues to be limited to the higher end, an intrinsic sectoral challenge.

Disbursements: As per estimates, housing finance disbursements were estimated to have grown by around 16.1% in fiscal 2012 to ₹2,044 billion (compared with ₹1,760 billion in fiscal 2011). Housing finance disbursements are projected to grow at a CAGR of 16% to reach ₹4,269 billion by fiscal 2017. Increase in transaction volumes, rise in property prices and higher loan-to-value ratios are key drivers behind disbursement growth in the housing finance industry. [Source: CRISIL].

Outstanding loans: The quantum of outstanding loans is impacted by a combination: of disbursements, repayments and pre-payments. As per estimates, the country's housing finance outstanding portfolio around 19% year-on-year in fiscal 2012 (to ₹6,150.5 billion as compared with ₹5,173.6 billion in fiscal 2011) due to a growth in disbursements and lower prepayments. The housing finance outstanding portfolio is expected to grow at a CAGR of 17% to ₹13,602.8 billion in fiscal 2017 (Source: CRISIL).

Housing stock growth: For the housing finance industry to grow there has to be an available stock of houses, which can be mortgaged. Any growth in this available stock of houses will provide additional impetus to the growth of the housing finance industry. The annual addition to housing stock in India peaked in fiscal year 2008 after a period of continued growth driven by increase

in demand, especially in urban areas.

The housing stock is estimated to grow at a CAGR of 2.3% over the period of five years (fiscal 2012 – fiscal 2016) with a higher growth expected in the urban segment (CAGR of 3.3% from fiscal 2012 – fiscal 2016) as compared to the rural segment (CAGR of 1.8% from fiscal 2012 – fiscal 2016). The share of rural housing stock, as a percentage of total housing stock, is expected to decline marginally by fiscal 2016 compared to fiscal 2011 on account of an increasing migration from rural to urban regions due to of superior job opportunities. [Source: CRISIL].

Key sectoral trends:

HFCs gaining market share: Over the years, the market share of HFCs improved vis-à-vis banks on account of robust growth in disbursements of the former. In recent times, with a slowdown in corporate credit, banks are aggressively focusing and competing with HFCs in the home loan segment. However, with strong origination skills and diverse sourcing channels, HFCs are expected to gain a greater part of the market share. As per a recent report of CRISIL, the market share of HFCs have grown from 41% as of FY10 to 46% as of FY13.

Focus on salaried segment, self-employed borrowers ignored:

Historically, banks and HFCs have focused on the salaried class; salaried borrowers account for 80-85% of the total outstanding loans. The reason behind this skew towards the salaried segment is the ease in validating income levels and repayment capabilities of salaried borrowers' vis-à-vis self-employed individuals. Besides, lenders have traditionally viewed the salaried segment as one with stable cash flows and, hence, representing lower risk. However, this has also resulted in the self-employed borrowers being largely ignored by the organised lenders, forcing them to rely on personal loans or unorganised financing at higher interest rates.

The self-employed customer segment falls under the niche category and the market remains huge and untapped. HFC's can look forward to differentiate their service offering and capture a bigger share of housing finance market with close connect with customers, cash flow based credit assessment and customised financing solution to cater to the needs of the segment which has remained unserved for the years.

Diversification of sources of funds by HFCs:

The typical funding sources for HFCs comprise bank loans, non-convertible debentures, fixed deposits, and commercial papers, NHB refinancing and other loans. Larger HFCs have been able to build a diverse funding base due to their superior credit rating and their ability to target the NCD market for funds. In contrast, smaller HFCs have leveraged the NHB refinance facility for priority sector/rural lending, which is offered at lower than market interest rates. This has helped the smaller HFCs compete with banks and larger HFCs by reducing their cost of funds.

Opportunities and optimism

Rural & Semi urban demand: Today, around 12% of the world's population resides in India's rural areas. About 72% of India's population lives in 638,000 villages. In 2012, rural India accounted for 56 percent of India's income, 64 percent of the country's consumer expenditure and 33 percent of national savings.

Since 2000, India's GDP has grown faster in rural India (6.2%) than in urban centres (4.7%). Between 2010 and 2012, rural India spending was estimated at ₹373,566 crore, while urban consumers spent ₹297,770 crore.

This spending is driven by, rising income levels, improvement in education levels resulting in more job opportunities in rural and semi urban areas. With improvement in education levels, Housing is becoming basic needs of every household.

The outlook continues to be positive as by 2025, annual real income per rural

household is expected to grow from 2.8% of the past two decades to 3.6% over the next two decades.

Population growth and rising working population: India (1.27 billion) is the second most populous country, accounting for 17.31% of the world's population and expected to emerge as the most populous country by 2030 (1.53 billion).

Further, proportion of the working age population (15-59 years) is likely to rise from around 58 per cent in 2001 to over 64 per cent by 2021. In absolute numbers, around 63.5 million people are expected to enter the working age group between 2011 and 2016. By 2030, India will have the youngest median age of 31.2 years, while China's will be 42.5 years. When most major economies will see a decline of working age adults (20-64 years), India is expected to see a significant rise in working age adults.

Urbanization: As per census estimates, India is expected to add 371 million to its population between 2001 and 2026; with nearly 182 million people expected to be added in urban areas (49% of population growth). Migration of people from rural and semi urban areas to Cities is also driving demand for housing for LIG MIG and HIG segments in cities and demand for housing finance.

Nuclear families: The increase in the number of middle-class nuclear families is estimated to be over 300 million. The average household size declined from 4.6% to 4.1% in the past decade with a corresponding increase in average dwelling sizes from 41 square metre per unit (sq. m/unit) to 48 sq. m/unit. India also has the highest proportion of couples with two children (or nuclear families) at 52 per cent, followed closely by Brazil and China at 49 per cent. Correspondingly, India has the least number of single-person households at 3 per cent, compared with 10 and 7 per cent for Brazil and China respectively.

Disposable incomes: The average Indian is earning more than ever.

Estimates suggest that the private final consumption expenditure is expected to scale up from USD 790 bn in 2010 to USD 3.6 tn by 2020. The Indian per capita income increased 11.7 per cent in 2012-13 at ₹68,747 (₹61,564 in 2011-12).

Source: McKinsey, ENAM, World Bank, Economic Survey

Outlook

It is estimated that the housing finance industry will be able to maintain a higher growth in fresh origination of residential home loans over next three to five years mainly due to increased affordability of the borrowers i.e. mainly due to demand for affordable housing projects.

The Indian real estate sectoral evolution has been significant since 2000, propelled by a growing economy, liberalised foreign direct investment policy, high yields and a new generation of young IT earners. The 2008 slowdown created a room for 'affordable' homes and the 'second home' wave is here to stay, marked by increasing buyer sophistication and the pro-active development. Besides, Indian real estate is being perceived as a better bet for long-term future investment as it has grown by CAGR of 20% over the last decade better than precious metals or other options and housing sector is likely to grow by CAGR of 17% in next five years.

Cautionary Statement

Statements in the Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations may be "forward-looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could influence the Company's operations include economic developments within the country, demand and supply conditions in the industry, input prices, changes in Government regulations, tax laws and other factors such as litigation and industrial relations.



FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

To the Members of Au Housing Finance Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Au Housing Finance Limited, which comprise the Balance Sheet as at March 31, 2013, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with accounting principles generally accepted in India, including the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control 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 conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements 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 management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2013;
- (b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 (as amended) ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
 - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (b) In our opinion proper books of account as required by law have been kept by the Company so far as 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 Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Act; and
 - (e) On the basis of written representations received from the directors as on March 31, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.

For S R B C & CO LLP
Chartered Accountants
ICAI Firm Registration Number: 324982E

per Shrawan Jalan
Partner

Mumbai, May 30, 2013

Membership No.102102

ANNEXURE REFERRED TO IN PARAGRAPH 1 UNDER THE HEADING "REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS" OF OUR REPORT OF EVEN DATE

Re: Au Housing Finance Limited ("the Company")

- (i) (a) The 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) There was no substantial disposal of fixed assets during the year.
- (ii) The Company is a housing finance company and therefore, provisions of clause 4(ii) of the Order related to inventory are not applicable.
- (iii) (a) According to the information and explanations provided by the management, the Company has not granted any loans, secured or unsecured to / from companies, firms or other parties covered in the register maintained under section 301 of the Act.
- (b) The Company had taken inter-company deposit, repayable on demand, from a company covered in the register maintained under section 301 of the Act. The maximum amount involved during the year was ₹2,896.22 lacs and the year-end balance of loans taken from such parties was ₹NIL.
- (c) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for such loans are not prima facie prejudicial to the interest of the Company.
- (d) The loans taken are repayable on demand and were duly repaid upon such repayment being demanded. The payment of interest has been regular.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal

control system commensurate with the size of the Company and the nature of its business, for purchase of fixed assets and for rendering of services. The activities of the Company do not involve purchase of inventory and the sale of goods. During the course of our audit, we have not observed any major weakness or continuing failure to correct any major weakness in the internal control system of the Company in respect of these areas.

- (v) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 that need to be entered into the register maintained under section 301 have been so entered.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Act for the services provided by the Company.
- (ix) (a) The company has generally deposited all undisputed statutory dues including provident fund, income-tax, employees' state insurance, wealth-tax, service tax, cess and other material statutory dues regularly with the appropriate authorities except delays in a few cases pertaining to provident fund, service tax and tax deducted at source which are not serious in nature. As informed, sales tax, provisions of investor education and protection fund, custom duty and excise duty are currently not applicable to the Company.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, wealth-tax, service tax, cess and other material

statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable. As informed, provisions of, investor education and protection fund, sales-tax, custom duty and excise duty are currently not applicable to the Company.

- (c) According to the information and explanations given to us, there are no dues of income tax, sales-tax, wealth tax, service tax, customs duty, excise duty and cess which have not been deposited on account of any dispute.
- (x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
- (xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to financial institutions, banks or debenture holders.
- (xii) According to the information and explanations given to us and based on the documents and records produced before us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi/ mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Order are not applicable to the Company.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable to the Company.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.

- (xvi) Based on information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained, though idle/surplus funds which were not required for immediate utilization have been gainfully invested in liquid investments payable on demand.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Act.
- (xix) According to the information and explanations given to us, during the period covered by our audit report, the Company has not issued any secured bonds.
- (xx) The Company has not raised any money by public issues during the year.
- (xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the year.

For S R B C & CO LLP
Chartered Accountants
ICAI Firm Registration Number: 324982E

per **Shrawan Jalan**
Partner

Mumbai, May 30, 2013

Membership No.102102

The Board of Directors
Au HOUSING FINANCE LIMITED
19-A, Dhuleshwar Garden, Ajmer Road,
Jaipur – 302001
Rajasthan, India

We have audited the Balance Sheet of Au HOUSING FINANCE LIMITED (the 'Company') as at 31 March 2013 and the Statement of Profit & Loss Account and Cash Flow Statements of the Company for the year ended on that date. As per the requirements of Housing Finance Companies ('NHB') Directions, 2010, we report below on the matters specified in paragraphs 34 and 35 of the Directions, based on the procedures performed as a part of our audit of the financial statements:

- i. The company was incorporated on 23rd February, 2011 to carry on the business of a housing finance institution and it has obtained Certificate of Registration from National Housing Bank on August 04, 2011 for carrying on such activities without accepting public deposits.
- ii. The company is Non deposit accepting Housing Finance Company. Therefore, the provisions of Section 29B of the National Housing Bank Act, 1987 for maintenance of prescribed percentage of assets in terms of clause (iii) of Para 34 of NHB Directions, 2010 are not applicable to it.
- iii. The company has complied with Section 29C of the National Housing Bank Act, 1987 regarding creating of Reserve fund equivalent to a sum not less than twenty percent of its net profit before dividend for the year.
- iv. On the basis of our review of records and information and explanations given to us, the company has complied with the provision of NHB Directions, 2010 to the extent applicable in its case.

- v. The capital adequacy ratio in the return submitted by the company to National Housing Bank has been correctly determined and disclosed and such ratio is in compliance with the minimum capital to risk weighted asset ratio as prescribed by the National Housing Bank in its directions.
- vi. The company has not accepted or is holding any public deposits and thus clause (vii) of Para 34 of NHB Directions, 2010 is not applicable to the company.
- vii. The company is registered as a non public deposit accepting Housing Finance company and :
 - a. The Board of directors has passed resolution for non acceptance of any public deposits.
 - b. The company has not accepted any public deposits during the financial year ended March 31, 2013.
 - c. The company has complied with the applicable prudential norms.

For S R B C & CO LLP
Chartered Accountants
ICAI Firm Registration Number: 324982E

per **Shrawan Jalan**
Partner

Mumbai, May 30, 2013

Membership No.102102

Balance Sheet as at March 31, 2013

₹ in lacs			
	Notes	As at March 31, 2013	As at March 31, 2012
I. Equity and liabilities			
1. Shareholders' funds			
a) Share capital	2.1	2,725.00	2,725.00
b) Reserves & surplus	2.2	185.31	(3.22)
		2,910.31	2,721.78
2. Non-current liabilities			
a) Long term borrowings	2.3	10,111.08	–
b) Long term provisions	2.5	94.38	0.28
		10,205.46	0.28
3. Current liabilities			
a) Short term borrowings	2.6	2,611.13	–
b) Trade payables	2.7	14.28	0.34
c) Other current liabilities	2.8	2,815.23	1.13
d) Short term provisions	2.9	111.71	3.73
		5,552.35	5.20
Total		18,668.12	2,727.26
II. Assets			
1. Non-current assets			
a) Fixed assets	2.10		
i) Tangible assets		159.09	–
ii) Intangible assets		9.99	–
iii) Capital work in progress		10.82	–
b) Deferred tax assets (net)	2.4	6.88	0.85
c) Long term loans and advances	2.11		
i) Housing loans	2.11.1	16,850.48	68.69
ii) Others	2.11.2	104.40	–
		17,141.66	69.54
2. Current assets			
a) Cash & bank balances	2.12	568.38	2,642.82
b) Housing loans	2.11.1	900.02	1.58
c) Short term loans and advances	2.13	8.76	13.32
d) Other current assets	2.14	49.30	–
		1,526.46	2,657.72
Total		18,668.12	2,727.26
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 B C & Co. LLP
ICAI Firm Registration No. 324982E
Chartered Accountants

per Shrawan Jalan
Partner
Membership No. 102102

Place: Mumbai
Date: May 30, 2013

For and on behalf of the board of directors of Au Housing Finance Limited

Sanjay Agarwal (Director)
Sushil Kumar Agarwal (Whole-time Director)
Sharad Pathak (Company Secretary)

Statement of profit and loss for the year ended March 31, 2013

₹ in lacs			
	Notes	Year ended March 31, 2013	Year ended March 31, 2012
Continuing operations			
Revenue			
Revenue from operations	2.15	1,739.11	29.20
Other income	2.16	19.86	13.35
Total Revenue		1,758.97	42.55
Expenses			
Employee benefits expenses	2.17	532.43	4.06
Finance cost	2.18	715.82	0.04
Depreciation and amortization expenses	2.10	6.65	–
Other expenses	2.19	152.14	30.10
Provision and write off	2.20	77.93	0.28
Total expenses		1,484.97	34.48
Profit before exceptional and extraordinary items and tax		274.00	8.07
Exceptional items		–	–
Extraordinary items		–	–
Profit before tax		274.00	8.07
Tax expenses:	2.21		
Current tax		91.51	8.52
Deferred tax		(6.04)	(0.85)
		85.47	7.67
Profit for the year		188.53	0.40
Earnings per equity share	2.22		
Continuing and total operations			
Basic (₹)		0.69	0.01
Diluted (₹)		0.69	0.01
Face 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 B C & Co. LLP
ICAI Firm Registration No. 324982E
Chartered Accountants

per Shrawan Jalan
Partner
Membership No. 102102

Place: Mumbai
Date: May 30, 2013

For and on behalf of the board of directors of Au Housing Finance Limited

Sanjay Agarwal (Director)
Sushil Kumar Agarwal (Whole-time Director)
Sharad Pathak (Company Secretary)

Cash flow statement for the year ended March 31, 2013

₹ in lacs

	Year ended March 31, 2013	Year ended March 31, 2012
1 Cash flow from operating activities:		
Net profit before tax as per statement of profit and loss	274.00	8.06
Add/ (less):		
Depreciation and amortisation	6.65	-
Dividend from current investments	(19.86)	(0.63)
Expenses incurred on increase in authorised capital and issue of shares	-	26.97
Profit on sale of investments	-	(11.94)
Provision for standard and sub-standard assets	77.93	0.28
Provision for gratuity	9.33	-
Provision for leave encashment	7.71	-
Operating profit before working capital changes	355.76	22.74
Adjustment for increase or decrease in		
Housing loans given (net movement)	(17,680.23)	(70.27)
Short term loans and advances	4.56	(13.32)
Other current assets	(49.30)	0.06
Other long term loans and advances	(104.40)	
Trade payables	13.94	0.27
Other current liabilities	194.16	1.12
Provisions	77.98	
Direct taxes paid	(62.39)	(4.78)
	(17,605.68)	(86.92)
Net cash flow from / (used in) operating activities (A)	(17,249.92)	(64.18)
2 Cash flow from investing activities:		
Inflow (outflow) on account of :		
Dividend from current investments	19.86	0.63
Investment in fixed deposits with original maturity of more than three months	156.35	(656.35)
Purchase of fixed assets (including capital work-in-progress)	(186.55)	-
Profit of sale of investment	-	11.94
Net cash flow from / (used in) investing activities (B)	(10.34)	(643.78)

Cash flow statement for the year ended March 31, 2013 (Contd.)

₹ in lacs

	Year ended March 31, 2013	Year ended March 31, 2012
3 Cash flow from financing activities:		
Issue of equity shares	-	2,500.00
Shares issue expenses	-	(26.97)
Net proceeds from borrowings	15,052.21	-
Net Cash flow from / (used in) financing activities (C)	15,052.21	2,473.03
Net increase/(decrease) in cash and cash equivalents (A+B+C)	(2,208.05)	1,765.07
Cash and cash equivalents as at the beginning of the year	1,986.47	221.40
Cash and cash equivalents at the end of the year	(221.58)	1,986.47
Components of cash and cash equivalents		
Cash on hand	20.34	-
Balance with banks		
In current accounts	48.04	1,986.47
In deposit account	-	-
Less: Bank overdraft	(289.96)	-
Total cash and cash equivalents (notes 2.14)	(221.58)	1,986.47
Summary of significant accounting policies	1	

As per our report of even date
For S R B C & Co. LLP
ICAI Firm Registration No. 324982E
Chartered Accountants

per Shrawan Jalan
Partner
Membership No. 102102

Place: Mumbai
Date: May 30, 2013

For and on behalf of the board of directors of Au Housing Finance Limited

Sanjay Agarwal
(Director)

Sushil Kumar Agarwal
(Whole-time Director)

Sharad Pathak
(Company Secretary)

Notes to the financial statements for the year ended March 31, 2013

1. Significant accounting policies:

A. Corporate information

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) and is engaged in the long term financing activity in the domestic markets to provide housing finance. During the financial year company was converted from Private Limited to Public Limited on 10 January 2013.

B. Basis of preparation

"The financial statements of the company have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP). The company has prepared these financial statements to comply in all material respects with the accounting standards notified under the Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. The company has given all disclosures related to NHB Direction 2010. The financial statements have been prepared on an accrual basis and under the historical cost convention."

"The accounting policies adopted in the preparation of financial statements are consistent with those of 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 Revised Schedule VI to The Companies Act, 1956. The company has ascertained its operating cycle as 12 months for the above purpose."

1.1 Summary of significant accounting policies

1.1.1 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.

1.1.2 Revenue recognition :-

a. Interest on housing loans:

Interest Income on housing loan is accounted for on accrual basis, except interest on non-performing assets, which is accounted for on cash basis

b. Fees , other charges and other interest:

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

c. Income from investments:

Dividend income is accounted for when the right to receive the dividend is established.

d. Fixed assets and depreciation / amortization

Tangible assets:

Fixed assets are stated at cost. Cost comprises 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 rates those prescribed under the Schedule XIV to the Companies Act, 1956. The company has used the following rates to provide depreciation on its fixed assets.

Fixed assets	Rates (WDV)
Building	5.00%
Furniture and fixtures	18.10%
Office equipment	13.91%
Computer & printer	40.00%

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.

Notes to the financial statements for the year ended March 31, 2013 (Contd.)

Amortisation of intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any.

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 five years from the date when the asset is available for use. If the persuasive evidence exists to the affect that useful life of an intangible asset exceeds five years, the company amortizes the intangible asset over the best estimate of its useful life. Such intangible assets and intangible assets not yet available for use are tested for impairment annually, either individually or at the cash-generating unit level. All other intangible assets are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Intangible assets	Rates (SLM)
Software	20.00%

1.1.3 Tax:

Tax expense comprises 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.

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.

1.1.4 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 period. The weighted average number of equity shares outstanding during the period is adjusted for events such as bonus issue, bonus element in a rights issue, share split, and reverse share split (consolidation of shares) that have changed the number of equity shares outstanding, without a corresponding change in resources.

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.

1.1.5 Provisions/write offs on housing loans

- (i) Housing loans are classified as per the NHB guidelines, 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 NHB guidelines. Additional provisions are made against specific non-performing assets over and above as stated in NHB guidelines, if in the opinion of the management higher provision is necessary.

- (ii) The company maintains general provision to cover potential credit losses, which are inherent in any loan portfolio but not identified, in accordance with NHB Guidelines.

Notes to the financial statements for the year ended March 31, 2013 (Contd.)

1.1.6 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 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.

1.1.7 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 costs 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 absences 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.

1.1.8 Leases

Operating Leases

Lease Rental in respect of assets taken on operating leases are charged to the statement of profit and loss account on straight line basis over the lease term

1.1.9 Cash and cash equivalent

Cash and cash equivalent comprise cash and in hand, demand deposits and time deposits with original maturity of less than three months held with bank, and bank overdraft.

1.1.10 Provision and contingencies

Provisions are recognized when the company has a present obligation as a result of past events, for which it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions required to settle are reviewed regularly and are adjusted where necessary to reflect the current best estimates of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that probably will not require an outflow of resources or where a reliable estimate of obligation cannot be made.

Notes to the financial statements for the year ended March 31, 2013 (Contd.)

2. Notes on accounts for the year ended March 31, 2013

2.1 Share capital

Details of authorized, issued, subscribed and paid up share capital

₹ in lacs

	As at March 31, 2013	As at March 31, 2012
Authorized shares		
2,72,50,000 (P.Y. 2,72,50,000) equity shares of ₹10/- each.	2,725.00	2,725.00
	2,725.00	2,725.00
Issued, subscribed and paid up shares		
2,72,50,000 (P.Y. 2,72,50,000) equity shares of ₹10/- each.	2,725.00	2,725.00
Total	2,725.00	2,725.00

(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, 2013		As at March 31, 2012	
	No. of shares	₹ In Lacs	No. of shares	₹ In Lacs
Equity share at the beginning of period	2,72,50,000	2,725.00	22,50,000	225.00
Add: Equity share allotted during period	-	-	2,50,00,000	2,500.00
Equity share at the end of period	2,72,50,000	100.00	2,72,50,000	100.00

(ii) Shares held by holding company

Name of the shareholder	As at March 31, 2013		As at March 31, 2012	
	No. of shares	% of holding	No. of shares	% of holding
Au Financiers (India) Ltd.	2,72,50,000	100.00	2,72,50,000	100.00
2,72,50,000 equity shares of ₹10/- each fully paid up				
Total	2,72,50,000	100.00	2,72,50,000	100.00

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) Detail of share holding more than 5% shares in the company

Name of the shareholder	As at March 31, 2013		As at March 31, 2012	
	No. of shares	% of holding	No. of shares	% of holding
Au Financiers (India) Ltd.	2,72,50,000	100.00	2,72,50,000	100.00
2,72,50,000 equity shares of ₹10/- each fully paid up				
Total	2,72,50,000	100.00	2,72,50,000	100.00

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 ₹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.

Notes to the financial statements for the year ended March 31, 2013 (Contd.)

2.2 Reserves & surplus

₹ in lacs

Particulars	As at March 31, 2013	As at March 31, 2012
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 as per last financial statement	0.08	-
Add: Amount transferred from surplus balance in the statement of profit and loss	67.20	0.08
Total (a) Closing balance	67.28	0.08
b. Surplus / (deficit) in the statement of profit and loss		
Balance as per last financial statement	(3.30)	(3.62)
Add: Net profit after tax transferred from statement of profit and loss	188.53	0.40
	185.23	(3.22)
Less: Appropriation		
Transferred to statutory reserve		
Special reserve u/s 29C of The National Housing Bank Act, 1987	67.20	0.08
Total (b) Net surplus in the statement of profit and loss	118.03	(3.30)
Total reserve and surplus (a+b)	185.31	(3.22)

* 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 ₹67.20 lacs (previous year ₹0.08 lacs) to special reserve in terms of Section 36(1) (viii) of the Income Tax Act 1961. The company doesn't anticipate any withdrawal from special reserve in foreseeable future.

2.3 Long term borrowings

₹ in lacs

Particulars	As at March 31, 2013		As at March 31, 2012	
	Non-current	Current	Non-current	Current
Secured				
Loans from banks	10,034.82	2,315.18	-	-
Loans from a financial institution	76.26	14.82	-	-
Amount disclosed under the head "other current liabilities" (refer Note 2.8)		(2,330.00)		
Total	10,111.08	-	-	-

Secured term loans from Banks include loans from various banks and carry rate of interest in the range of 11% to 12.50% p.a. The loan are having tenure of 3 to 7 years from the date of issue and are repayable in monthly or quarterly instalments. These loans are secured by hypothecation (exclusive charge) of the housing loans given by the Company. Loans from banks to the extent of ₹10,311.61 lacs (P.Y.: ₹Nil) have been guaranteed by the personal guarantee of a director of the Company. The term loans are further guaranteed by corporate guarantee of Au Financiers (India) Ltd (holding company) to the extent of ₹12,532.30 lacs (P.Y. ₹Nil)

Loan from a financial institution carries interest rate @ 13% p.a. and is for a tenure of 5 years from the date of issue. The loan is repayable in equal monthly installments of ₹2.15 lacs each. The loan has been guaranteed by personal guarantee of the director of the Company and hypothecation of fixed assets.

Notes to the financial statements for the year ended March 31, 2013 (Contd.)

2.3.1 Terms of repayment of long term borrowings including interest accrued and due as at March 31, 2013

Original maturity of loan	Interest rate (Range)	Due within 1 year		Due 1 to 2 years		Due 2 to 3 years		Due 3 to 4 years		Due above 4 years		Total	
		No. of installments	Amount (₹ in lacs)	No. of installments	Amount (₹ in lacs)	No. of installments	Amount (₹ in lacs)	No. of installments	Amount (₹ in lacs)	No. of installments	Amount (₹ in lacs)	No. of installments	Amount (₹ in lacs)
Monthly Repayment schedule													
Above 3 years	11% to 12.50%	12	300.00	12	300.00	12	300.00	12	300.00	10	250.00	58	1,450.00
	11% to 12.50%	9	13.70	12	18.00	12	24.00	12	24.00	10	20.50	55	100.20
	11% to 12.50%	12	810.04	12	769.23	12	769.23	12	769.23	30	1,923.09	78	5,040.82
	11% to 12.50%	11	302.85	12	307.69	12	307.69	12	307.69	31	794.87	78	2,020.79
	11% to 12.50%	12	15.42	12	16.87	12	19.20	12	21.85	9	18.34	57	91.68
Quarterly repayment schedule													
1 - 3 years	11% to 12.50%	4	720.00	4	720.00	2	360.00	0	-	0	-	10	1,800.00
Above 3 years	11% to 12.50%	3	250.21	4	307.20	4	307.20	4	307.20	11	848.00	26	2,019.81
Total			2,412.22		2,438.99		2,087.32		1,729.97		3,854.80		12,523.30

Notes to the financial statements for the year ended March 31, 2013 (Contd.)

2.4 Deferred tax asset (net)

Particulars	₹ in lacs	
	As at March 31, 2013	As at March 31, 2012
Deferred tax liability		
Fixed asset : Impact of difference between tax depreciation and depreciation/amortization charged for the financial reporting	(2.75)	-
Provision for special reserve u/s 29C of NHB Act.	(21.80)	-
Gross deferred tax liability	(24.55)	-
Deferred tax asset		
Preliminary expenses written off in books but benefit of set off over 5 years	0.53	0.76
Provisions on standard asset	23.03	0.09
Provisions on sub-standard assets	2.34	-
Provision for gratuity	5.53	-
Gross deferred tax asset	31.43	0.85
Net deferred tax assets	6.88	0.85

2.5 Long term provisions

Particulars	₹ in lacs	
	As at March 31, 2013	As at March 31, 2012
Provision for employee benefits.		
Gratuity	8.85	-
Leave encashment	7.32	-
Other provisions		
Provision for sub-standard assets	7.21	-
Contingent provisions against standard assets	71.00	0.28
Total	94.38	0.28

2.5.1 Provision in respect of standard, sub standard, doubtful and loss assets are recorded in accordance with the guidelines on prudential norms as specified by National Housing Bank and are as follows.

Particulars	As at March 31, 2013		As at March 31, 2012	
	Portfolio	Provision	Portfolio	Provision
Standard assets				
Housing	17,397.17	69.78	70.27	0.28
Non-housing	305.29	1.22	-	-
	17,702.46	71.00	70.27	0.28
Sub-Standard Assets				
Housing	47.34	7.10	-	-
Non-housing	0.71	0.11	-	-
	48.05	7.21	-	-
Doubtful assets				
Housing	-	-	-	-
Non-housing	-	-	-	-
	-	-	-	-
Loss assets				
Housing	-	-	-	-
Non-housing	-	-	-	-
	-	-	-	-
Total	17,750.51	78.21	70.27	0.28

Notes to the financial statements for the year ended March 31, 2013 (Contd.)

2.6 Short term borrowings

Particulars	₹ in lacs	
	As at March 31, 2013	As at March 31, 2012
Secured		
Cash credit from banks	2,611.13	-
	2,611.13	-

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 11% to 13%. All cash credit borrowings are further guaranteed by corporate guarantee of Au Financiers (India) Ltd (holding company). Also, cash credit borrowings to the extent of ₹1,200.00 lacs are secured by personal guarantee of a director of the Company.

2.7. Trade payables

Particulars	₹ in lacs	
	As at March 31, 2013	As at March 31, 2012
Trade payables (refer Note 2.28)	14.28	-
Expenses payable	-	0.34
Total	14.28	0.34

2.8. Other current liabilities

Particulars	₹ in lacs	
	As at March 31, 2013	As at March 31, 2012
Current maturities of long term debts (refer Note 2.3)		
From bank- term loan	2,315.18	-
From financial institution- term loan	14.82	-
Interest accrued and due on borrowings		
From bank- term loan	81.62	-
From financial institution- term loan	0.60	-
Other payables		
Statutory liabilities	11.19	1.13
Other current liabilities (refer Note 2.28)	101.86	-
Bank overdraft	289.96	-
Total	2,815.23	1.13

2.9. Short term provisions

Particulars	₹ in lacs	
	As at March 31, 2013	As at March 31, 2012
Provision for employee benefit		
Gratuity	0.49	-
Leave encashment	0.39	-
Others benefits	64.66	-
Others		
Provision for expenses	13.32	-
Provision for direct taxes (net of prepaid taxes)	32.85	3.73
Total	111.71	3.73

Notes to the financial statements for the year ended March 31, 2013 (Contd.)

2.10 Fixed assets - Tangible assets

₹ in lacs

Tangible assets	Building and premises	Computers and printers	Furniture and fixtures	Office equipments	Total
Cost					
At April 1, 2012	-	-	-	-	-
Additions	152.44	7.01	1.96	3.82	165.23
Disposals	-	-	-	-	-
At March 31, 2013	152.44	7.01	1.96	3.82	165.23
Depreciation					
At April 1, 2012	-	-	-	-	-
Charge for the year	2.84	2.27	0.60	0.43	6.14
Disposals	-	-	-	-	-
At March 31, 2013	2.84	2.27	0.60	0.43	6.14
Net Block					
At March 31, 2012	-	-	-	-	-
At March 31, 2013	149.60	4.74	1.36	3.39	159.09

Intangible assets	Software	Total
Gross block		
At April 1, 2012	-	-
Additions	10.50	10.50
At March 31, 2013	10.50	10.50
Amortization		
At April 1, 2012	-	-
Charge for the year	0.51	0.51
At March 31, 2013	0.51	0.51
Net block		
At March 31, 2012	-	-
At March 31, 2013	9.99	9.99

Capital work in progress	Building	Total
Gross block		
At April 1, 2012	-	-
Additions	10.82	10.82
At March 31, 2013	10.82	10.82

Notes to the financial statements for the year ended March 31, 2013 (Contd.)

2.11 Long term loans and advances

₹ in lacs

Particulars	As at March 31, 2013		As at March 31, 2012	
	Non-current	Current	Non-current	Current
Secured				
2.11.1 Housing loans				
-Considered good	16,513.46	883.71	68.69	1.58
-Considered doubtful	47.34	-	-	-
Other loans				
-Considered good	288.98	16.31	-	-
-Considered doubtful	0.70	-	-	-
Total	16,850.48	900.02	68.69	1.58

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 housing loans to the extent of ₹589.00 lacs at March 31, 2013 (P.Y.: ₹ nil)

2.11.1.2 Of the above :

₹ in lacs

Particulars	As at March 31, 2013	As at March 31, 2012
Standard	17,702.45	70.27
Sub-Standard	48.05	-
Total	17,750.50	70.27

2.11.1.3 Housing loans sanctioned but un-disbursed amount is ₹1,456.12 lacs as on March 31, 2013 (P.Y.: ₹371.00 lacs).

2.11.2 Long term other loans and advances (unsecured, considered good)

₹ in lacs

Particulars	As at March 31, 2013	As at March 31, 2012
Capital advance	104.03	-
Security deposit	0.25	-
Other loans and advances		
Advance to staff	0.12	-
Total	104.40	-

Notes to the financial statements for the year ended March 31, 2013 (Contd.)

2.12 Cash and bank balances

Particulars	₹ in lacs	
	As at March 31, 2013	As at March 31, 2012
Cash and cash equivalents		
Cash on hand	20.34	-
Balance with banks		
In Current accounts	48.04	1,986.47
	68.38	1,986.47
Other bank balances		
Deposit with original maturity of more than 12 months	500.00	500.00
Deposit with original maturity of more than 3 months less than 12 months	-	156.35
	500.00	656.35
Total	568.38	2,642.82

2.12.1 Cash on hand includes of ₹9.97 lacs balance of franking machine.

2.13 Short term loans and advances (unsecured, considered good)

Particulars	₹ in lacs	
	As at March 31, 2013	As at March 31, 2012
Unsecured loans and advances		
Advances to employees	1.02	-
Advances to suppliers/service providers	4.59	6.27
Security deposits	2.67	-
Interest accrued on fixed deposit	0.48	7.05
Total	8.76	13.32

2.14 Other current assets

Particulars	₹ in lacs	
	As at March 31, 2013	As at March 31, 2012
Sundry debtors	48.13	-
Cenvat credit	1.17	-
Total	49.30	-

Notes to the financial statements for the year ended March 31, 2013 (Contd.)

2.15 Revenue from operations

Particulars	₹ in lacs	
	Year ended March 31, 2013	Year ended March 31, 2012
a. Income from housing finance activity	1,238.51	0.34
b. Interest from fixed deposits with banks	72.48	18.34
c. Service charges from customers	428.12	10.52
Grand Total	1,739.11	29.20

2.16 Other income

Particulars	₹ in lacs	
	Year ended March 31, 2013	Year ended March 31, 2012
Dividend income	19.86	0.63
Net gain/loss on sale of investments	-	11.94
Other non operating income	-	0.78
Total	19.86	13.35

2.17 Employee benefits expenses

Particulars	₹ in lacs	
	Year ended March 31, 2013	Year ended March 31, 2012
Salaries and bonus	492.01	4.06
Contribution to provident and other funds	18.30	-
Gratuity and leave availment expenses	17.05	-
Staff welfare expenses	5.07	-
Total	532.43	4.06

2.18 Finance cost

Particulars	₹ in lacs	
	Year ended March 31, 2013	Year ended March 31, 2012
Bank charges and commission	2.91	0.04
Interest Paid on term loans	460.20	-
Resource mobilisation expenses	187.01	-
Interest paid to corporate bodies	65.70	-
Total	715.82	0.04

Notes to the financial statements for the year ended March 31, 2013 (Contd.)

2.19 Other expenses

Particulars	₹ in lacs	
	Year ended March 31, 2013	Year ended March 31, 2012
Advertisement and publicity expenses	5.18	-
Postage & courier expenses	1.03	-
Communication	10.42	0.04
Commission & brokerage	1.20	-
Electricity and water	7.50	0.17
Fee & subscription	12.56	0.20
Legal & professional charges	22.14	0.71
Office expenses	8.15	0.06
Printing & stationery	13.76	-
Rent	14.63	0.32
Repair and maintenance -others	3.92	0.03
Service tax	-	1.05
Share issue expenses	-	26.97
Travelling and conveyance	47.65	0.25
Auditor's remuneration	-	-
-Audit fees	3.00	0.23
-Tax audit fees	1.00	-
-Other services	-	0.07
Total	152.14	30.10

Auditor's remuneration

Particulars	₹ in lacs	
	Year ended March 31, 2013	Year ended March 31, 2012
-Audit fees	3.00	0.23
-Tax audit fees	1.00	-
-Other services	-	0.07
Total	4.00	0.30

2.20 Provisions and write off

Particulars	₹ in lacs	
	Year ended March 31, 2013	Year ended March 31, 2012
a. Provisions for the year		
Provision for sub-standard assets	7.21	-
Contingent provision against standard assets	71.00	0.28
	78.21	0.28
b. Provisions made last year		
Contingent provision against standard assets	0.28	-
	0.28	-
Net provision made during the year (a-b)	77.93	0.28
c. Write off during the year	-	-
Total	77.93	0.28

Notes to the financial statements for the year ended March 31, 2013 (Contd.)

2.21 Tax

Particulars	₹ in lacs	
	Year ended March 31, 2013	Year ended March 31, 2012
Provision for tax	91.51	8.52
Deferred tax	(6.04)	(0.85)
Total	85.47	7.67

2.22 Earning per share

Particulars	₹ in lacs	
	Year ended March 31, 2013	Year ended March 31, 2012
Following reflects the profit and share data used in basic EPS computations:		
Basic and diluted		
Weighted average number of equity shares outstanding during the year ended March 31, 2013 (Nos. in lacs)	272.50	37.53
Net profit for calculation of basic EPS (₹ in lacs)	188.53	0.40
Basic and diluted earning per share (In ₹)	0.69	0.01
Face value of equity shares (In ₹)	10.00	10.00

2.23 The company is primarily engaged in the business of housing finance. Further the company does not have any separate geographic segment other than India. As such there are no separate reportable segment as per AS 17 "Segment Reporting".

2.24 The company has been granted Certificate of Registration (No. 08.0095.11) to commence/carry on the business of a housing finance institution 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 Private Limited to Limited. on February 08, 2013.

2.25 Gratuity and other post-employment benefit plans

The company has defined benefit plan of gratuity for its employees. Under the gratuity plan, every employee who has completed at least five years of service gets a gratuity on departure @ 15 days of last drawn salary for each completed year of service.

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.

Notes to the financial statements for the year ended March 31, 2013 (Contd.)

2.25 Gratuity and other post-employment benefit plans (contd.)

Statement of profit and loss

Particulars	Gratuity	
	March 31, 2013	March 31, 2012
	Current service cost	3.54
Interest cost	-	-
Expected return on plan assets	-	-
Net actuarial (gain) / loss recognized in the year	5.79	-
Net benefit expense	9.33	-
Actual return on plan assets	-	-

Particulars	Gratuity	
	March 31, 2013	March 31, 2012
	Present value of defined benefit obligation	9.33
Fair value of plan assets	-	-
Plan asset / (liability)	9.33	-

Particulars	March 31, 2013		March 31, 2012	
	Opening defined benefit obligation	-	-	-
Current service cost	3.54	-	-	-
Interest cost	-	-	-	-
Actuarial (gain)/loss on obligation	5.79	-	-	-
Closing defined benefit obligation	9.33	-	-	-

Since this is the first year of actuarial valuation of the Company's defined benefit obligation, there is no historical experience adjustment data to disclose.

The Principle assumptions used in determining gratuity obligations for the company are shown below:

Particulars	March 31, 2013	March 31, 2012
Discount rate	8.25%	-
Expected rate of return on assets	6%	-
Employer Turnover	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.

Notes to the financial statements for the year ended March 31, 2013 (Contd.)

2.26 Capital and other commitments:

Particulars	As at March 31, 2013			As at March 31, 2012		
	Project cost	Paid during the year	balance payable	Project cost	Paid during the year	balance payable
	Tangible assets	256.50	102.50	154.00	-	-

2.27 As per the Accounting Standard 18 issued by Institute of Chartered Accountant of India on 'Related Party Disclosures', the disclosures of related parties of the company are as follows:

1. Entities where control exists:

Holding company

Au Financiers (India) Limited

Fellow subsidiary

Index Money Limited

2. Key management personnel

Mr. Sanjay Agarwal	Director
Mr. Uttam Tibrewal	Director
Mr. Sushil Kumar Agarwal	Whole Time director

3. Enterprises under significant influence of the key management personnel (with whom there were transactions during the year)
None

4. Relatives of key managerial personnel (with whom there were transactions during the year/previous year)
None

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

Particulars	Year ended	Loans taken	Repayment	Interest due & paid	Amount owed to related parties
					March 31, 2013
Holding company					
Au Financiers (India) Limited	March 31, 2013	11,754.00	11,754.00	69.33	-
	March 31, 2012	11.70	11.70	-	-

Loans taken from related parties are repayable on demand. These loans carry interest rate @ of 15% p.a.

b. Issue and allotment of equity shares

Particulars	Year ended	Opening balance	Allotment during the year	Closing balance
				March 31, 2013
Holding company				
Au Financiers (India) Limited	March 31, 2013	2,725.00	-	2,725.00
	March 31, 2012	225.00	2,500.00	2,725.00

Notes to the financial statements for the year ended March 31, 2013 (Contd.)

c. Remuneration to key managerial personnel		₹ in lacs	
	March 31, 2013	March 31, 2012	
Mr. Sushil Kumar Agarwal, Whole-time director & CEO			
Salary and bonus	28.56	-	
Total	28.56	-	

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.
- (b) The Company's whole time director was appointed on January 10, 2013. However the resolution for approval of his remuneration were passed by the Remunerations Committee on March 31, 2013 and the approval by a special shareholders resolution was taken on April 22, 2013. The Remunerations Committee of the Board comprises the two non-executive directors of the Company.

d. Reimbursements of expenses and statutory dues paid

		Year ended	Opening balance	Transaction during the year	Re-imbursed during the year	Outstanding during the year
Holding company						
Au Financiers (India) Limited	Administrative expenses	March 31, 2013	-	33.57	30.29	3.28
	Statutory dues	March 31, 2013	-	34.00	34.00	-
	Employee cost	March 31, 2013	-	0.75	0.75	-
	Rent	March 31, 2013	-	5.43	4.40	1.03
	Administrative expenses	March 31, 2012	-	0.48	0.48	-
	Employee cost	March 31, 2012	-	4.06	4.06	-
	Rent	March 31, 2012	-	0.33	0.33	-

e. Reimbursements of expenses received

		Year ended	Opening balance	Transaction during the year	Re-imbursed during the year	Outstanding during the year
Holding company						
Au Financiers (India) Limited	Administrative expenses	March 31, 2013	-	0.31	0.31	-
	Administrative expenses	March 31, 2012	-	-	-	-

Notes to the financial statements for the year ended March 31, 2013 (Contd.)

2.28 Details of dues to micro and small enterprises as defined under the MSMED Act, 2006

The Company has initiated the process of inviting information from its vendors regarding their status under MSMED Act. As per the information available with the Company, there are no dues or principal amounts payable to any micro or small enterprises as on the date of balance sheet. This information has been relied upon by the statutory auditors.

2.29 There is no penalty imposed on company by National Housing Bank during the year.

2.30 The disclosure as per NHB Circular no. NHB/ND/DRS/Pol-No. 35/2010-11 dated October 11, 2010 is as under:

a. Capital to risk assets ratio (CRAR):-

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
CRAR (%)	28.87%	1200.80%
CRAR - Tier I capital (%)	28.17%	1200.80%
CRAR - Tier II capital (%)	0.70%	N.A.

b. Exposures to real estate sector

Particulars	As at March 31, 2013	As at March 31, 2012
(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 up to ₹15 lacs	Nil	Nil
Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented; Individual housing loans above ₹15 lacs	17,299.60	70.27
ii) Commercial real estate :		
Lending secured by mortgages on commercial real estates (office buildings, retail space, multipurpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc). Exposure would also include non-fund based (NFB) limits;	450.90	-
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

Notes to the financial statements for the year ended March 31, 2013 (Contd.)

c. Asset liability management

Maturity pattern of certain items of assets and liabilities *

₹ in lacs

Particulars	Liabilities #			Assets		
	Borrowings from banks	Market borrowings	Total	Advance	Investments	Total
1 Day to 31 Days / One month	3,071.81	1.77	3,073.58	104.43	-	104.43
Over 1 month to 2 month	114.74	1.18	115.92	66.90	-	66.90
Over 2 month to 3 month	294.74	1.19	295.93	67.96	-	67.96
Over 3 month to 6 month	605.53	3.64	609.17	210.42	-	210.42
Over 6 month to 1 year	1,211.06	7.65	1,218.71	450.31	-	450.31
Over 1 year to 3 years	4,490.25	36.07	4,526.32	2,256.60	-	2,256.60
Over 3 year to 5 years	3,362.75	40.19	3,402.94	3,037.96	-	3,037.96
Over 5 year to 7 years	2,181.83	-	2,181.83	3,362.76	-	3,362.76
Over 7 year to 10 years	-	-	-	5,513.54	-	5,513.54
Over 10 years	-	-	-	2,679.62	-	2,679.62
Total	15,332.71	91.69	15,424.40	17,750.50	-	17,750.50

* 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 except for classification of cash credit and bank overdraft borrowing which were not considered in the return submitted to NHB.

Liabilities includes Interest accrued and due on borrowings.

The accompanying notes are an integral part of the financial statements

As per our report of even date
For S R B C & Co. LLP
ICAI Firm Registration No. 324982E
Chartered Accountants

For and on behalf of the board of directors of Au Housing Finance Limited

per Shrawan Jalan
Partner
Membership No. 102102

Sanjay Agarwal
(Director)

Sushil Kumar Agarwal
(Whole-time Director)

Sharad Pathak
(Company Secretary)

Place: Mumbai
Date: May 30, 2013

Notice of Annual General Meeting

Notice is hereby given that the Third Annual General Meeting of the members of Au HOUSING FINANCE LIMITED will be held on Monday, the 26th day of August, 2013 at the registered office of the Company at 19-A, Dhuleshwar Garden, Ajmer Road, Jaipur – 302001 (Rajasthan) at 11:00 A.M. to transact the following business:

ORDINARY BUSINESS

- To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st March, 2013 and the Statement of Profit & Loss for the year ended on that date together with the Reports of the Directors and the Auditors thereon.
- To appoint Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to authorize Board of Directors to fix their remuneration. M/s. S R B C & Co LLP, Chartered Accountants (Firm Registration No: 324982E), the retiring Auditors, are eligible for re- appointment.

To consider and, if thought fit, to pass with or without modification(s) the following resolution:

“RESOLVED THAT pursuant to the provisions of Section 224 and other applicable provisions, if any, of the Companies Act, 1956 [including any statutory modification(s), amendments or re-enactments thereof for the time being in force] M/s. S R B C & Co LLP, Chartered Accountants (Firm Registration No: 324982E), the retiring statutory Auditors of the Company, be and are hereby re-appointed as the Statutory Auditors of the Company, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company, on such remuneration as may be determined by the Board of Directors.”

- To appoint a director in place of Mr. Uttam Tibrewal, Director, who retires by rotation and being eligible offers himself for re- appointment.

SPECIAL BUSINESS

- To borrow money in excess of Paid up Capital and Free Reserve of the Company u/s 293(1)(d) and to sell, lease or otherwise dispose of the Assets of the Company for such borrowings u/s 293 (1)(a) of the Companies Act, 1956:

To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

“RESOLVED THAT pursuant to the provisions of Section 293(1)(d) and other applicable provisions, if any, of the Companies Act 1956 (including any amendment thereto or re-enactment thereof for the time being in force), the consent of the Company be and is hereby accorded to the Board of Directors of the Company for borrowing from time to time as they may think fit, any sum or sums of money not exceeding ₹1,200 Crores (Rupees One Thousand Two 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.

RESOLVED FURTHER THAT the Board of Directors of the Company (hereinafter called “the Board” which term shall be deemed to include any Committee thereof, which the Board may have constituted or hereinafter constitute to exercise its powers including the powers conferred by this resolution and with the power to delegate such authority to any person or persons) 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 ₹1,200 Crores (Rupees One Thousand Two 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.

RESOLVED FURTHER THAT pursuant to the provisions of Section 293(1)(a) and other applicable provisions of the Companies Act, 1956 (including any amendment thereto or re-enactment thereof for the time being in force), the consent of the shareholders be and is hereby accorded to Board of Directors (hereinafter called "the Board" which term shall be deemed to include any Committee thereof, which the Board may have constituted or hereinafter constitute 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 ₹1,200 Crores (Rupees One Thousand Two 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."

5. **To Approve the revision of remuneration of Mr. Sushil Kumar Agarwal, Whole Time Director:**

To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"**RESOLVED THAT** in modification to the earlier resolutions passed in this regard and as per recommendation of the Remuneration Committee, pursuant to the provisions of Sections 198, 269, 309, 310, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (hereinafter referred to as "the said Act")(including any statutory modification(s), enactment(s) or re-enactment (s) thereof for the time being in force), and the consent of the members of the Company be and is hereby accorded for the revision of remuneration of Mr. Sushil Kumar Agarwal, Whole Time Director of the Company w.e.f. 1st April, 2013 for the remaining period of his tenure i.e. upto 9th January, 2016 as set out below in the Memorandum placed in the Explanatory Statement annexed hereto with the other existing terms for his appointment remaining unaltered.

Remuneration: Upto a maximum of ₹1,00,00,000/- p. a. w.e.f. 1st April, 2013

- (i) **Salary:** Salary shall include Basic Salary, Company's Contribution to provident Fund and Gratuity Fund and an amount by way of commission/Bonus, payable annually in addition to the salary, calculated with reference to the performance of the Company in a particular financial year, at the discretion of and as may be determined by the Nomination & Remuneration Committee and decided Board of Directors at the end of each financial year

The Annual salary and increments will be merit based and will be proposed by the Nomination and Remuneration Committee and decided Board of Directors depending on the performance of the Profitability of the Company and other relevant factors.

Perquisites: In addition to above the Whole Time Director shall be eligible for perquisites not exceeding the overall ceiling prescribed under schedule XIII (as amended), annexed to the Companies Act, 1956

In addition to the perquisites, Mr. Sushil Kumar Agarwal shall also be entitled to the following benefits, which shall not be included in the computation of ceiling on remuneration mentioned above, as permissible by law:

- (i) Contribution to Provident Fund / Superannuation Fund or Annuity Fund will not be included in the computation of ceiling on perquisites to the extent these, either singly or put together, are not taxable under the Income Tax Act, 1961.
- (ii) Gratuity payable shall not exceed half a month's basic salary for each completed year of service as per the rules of the Company.
- (iii) Leave and Leave Encashment as per the rules of the Company if any.

OTHER TERMS & CONDITIONS:

- a) **Reimbursement of Expenses:** Apart from the remuneration as aforesaid, Mr. Sushil Kumar Agarwal, shall also be entitled to reimbursement of such expenses as are genuinely and actually incurred in efficient discharge of his official duties in connection with the business of the Company.
- b) **Rotational Director:** He shall not be liable to retire by rotation.
- c) Where in any financial year, the company has no profits or its profits are inadequate, the foregoing amount of remuneration and benefits shall be paid to Mr. Sushil Kumar Agarwal, subject to the applicable provisions of Schedule XIII (as amended) of the Companies Act 1956.
- d) Mr. Sushil Kumar Agarwal will perform the duties and exercise the powers, which from time to time may be assigned to or vested in him by the Board of Directors of the Company.
- e) The terms & conditions as above including remuneration, may be altered / varied from time to time by the Board of Directors as it may, deem fit within the maximum amount payable to the appointee in accordance with Schedule XIII (as amended) annexed to the Companies Act, 1956 as may be amended from time to time or any other relevant Statutory enactment(s) thereof in this regard subject to that the same does not exceed the ceiling as provided in the said resolution.

RESOLVED FURTHER THAT in the event of any statutory amendment, modification or relaxation by the Central Government to Schedule XIII of the Companies Act, 1956 (as amended), the Board of Directors be and is hereby authorized to vary or increase the remuneration including salary, commission, perquisites, allowances, etc. within such prescribed limit subject to that the same does not exceed the ceiling as provided in the said resolution and the said terms of appointment of Mr. Sushil Kumar Agarwal, be suitably amended to give effect to such modification, relaxation or variation without any further reference to the members/shareholders of the Company in general meeting.

RESOLVED FURTHER THAT the Board be and is hereby authorized to take all such steps as may be necessary, proper or expedient to give effect to this Resolution.

RESOLVED FURTHER THAT the recommendation and approval of managerial remuneration to be paid to Mr. Sushil Kumar Agarwal, Whole Time Director, by the Remuneration Committee be and is hereby approved and adopted and forwarded for the approval of shareholders in the Annual General Meeting of the Company as per the notice of Annual General Meeting.

RESOLVED FURTHER THAT any one of the Director or the Secretary of the Company be and is hereby authorised to make necessary application to the Registrar of Companies and filing of any statutory forms or other related documents for seeking desired approvals for the payment remuneration and to do all such act and things as may be necessary in this regard."

PLACE: MUMBAI
DATE: 30.05.2013

BY THE ORDER OF THE BOARD
FOR Au HOUSING FINANCE LIMITED

SHARAD PATHAK
COMPANY SECRETARY

Notes

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.**

The Proxy form to be effective duly completed must reach the Registered Office of the Company not later than forty-eight (48) hours before the time appointed for commencement of the meeting.

2. **APPOINTMENT OF AUTHORISED REPRESENTATIVES**

No person shall be entitled to attend or vote at the meeting as a duly authorized representative of any body 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.

3. **SHAREHOLDER QUERIES**

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.

4. Members/proxies should bring the attendance slip duly filled in for attending the Meeting.

Members are requested to write their folio number in the attendance slip and hand it over at the entrance of the meeting hall.

5. All the documents referred to in the Notice and the Register of Directors' Shareholding are open for inspection at the Registered Office of the Company on all working days during the business hours upto the date of Annual General Meeting. Register of Directors' Shareholding shall be open for inspection upto three days after the Annual General Meeting.

6. **The Ministry of Corporate Affairs has taken a "Green Initiative in Corporate Governance" by allowing paperless compliances by the companies and has issued circulars allowing companies to serve all notices and correspondences to shareholders including Balance Sheet, Auditors Report etc. through electronic mode (e-mail). This will ensure prompt receipt of communication, avoid loss in postal transit and reduce paper consumption besides entailing other benefits. In support of this initiative taken by the Ministry, we propose to henceforth send documents like Notices, Balance Sheet and Auditors Report etc. to our shareholders through electronic mode, to the email addresses provided by them and made available to us.**

Accordingly, this Annual Report comprising of Notice calling the Annual General Meeting, Audited Financial Statements, Directors' Report, Auditors' Report etc. for the Financial Year 2012-13, in electronic form, is being sent to the Members at the email address provided/ updated by you. Please note that you will be entitled to be furnished, free of cost, a copy of the Balance Sheet of the Company and all other documents required by law to be attached thereto, including the Profit and Loss Account and the Auditors' Report, upon receipt of a requisition from you at any time, as a member of the Company.

Members who have not registered their e-mail addresses, so far, are requested to register their e-mail addresses, in respect of their holdings along with details like Name, Folio No. etc.

7. The relevant Explanatory Statements pursuant to the section 173(2) of the Companies Act, 1956 in respect of the Special Business under item nos. 4 to 5 as set out above proposed to be transacted at the Annual General Meeting is annexed hereto.

PLACE: MUMBAI
DATE: 30.05.2013

BY THE ORDER OF THE BOARD
FOR Au HOUSING FINANCE LIMITED

SHARAD PATHAK
COMPANY SECRETARY

Explanatory Statements

Explanatory Statements Pursuant to the Provision of Section 173(2) of the Companies Act, 1956 setting out the material facts relating to the Special Business under item nos. 4 and 5 of the accompanying Notice dated May 30, 2013.

Item No. 4

The Board of Directors of the Company envisages requirements of funds in future. As per the provisions of Section 293(1)(d) of the Companies Act, 1956, 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.

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 (FIL'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 ₹1,200 Crores (Rupees One Thousand Two Hundred Crores Only) for the purposes of business activities of the Company.

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 ₹1,200 Crores (Rupees One Thousand Two Hundred 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 and as per the provisions of Section 293 (1) (a) of the Companies Act, 1956, 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 ordinary resolution.

As per Section 293(1)(a) and 293(1)(d) and other applicable provisions of the Companies Act, 1956, approval of the members is sought by way of an ordinary resolution.

Hence, the Board of Directors recommends passing of the enabling resolution mentioned at item No. 4 in the notice.

Your Directors recommend the above resolution for your approval.

None of the Directors is concerned or interested in the said resolution.

Item No. 5

Mr Sushil Kumar Agarwal was appointed as Whole time Director of the Company w.e.f. Jan 10, 2013, at a remuneration of ₹48,00,000/- per annum, as per the approval of the Board of Directors in its meeting held on 31st March, 2013 and further approval of the shareholders of the Company in the Extra Ordinary General Meeting of the Company held on 22nd April, 2013.

Now, it is proposed to increase the remuneration of Mr Sushil Kumar Agarwal, Whole Time Director of the Company upto ₹1,00,00,000/- (Rupees One Crore only) per Annum, as approved by the Nomination & Remuneration Committee and Board w.e.f. 1st April, 2013. As per the provisions of the Companies Act, 1956, read with schedule XIII, thereof, approval of shareholders is required for the purpose. Hence, the Board recommends the resolution for your approval by way of special resolution.

The above may also be treated as an abstract under the terms of contract/agreement entered into between the Company and Mr. Sushil Kumar Agarwal, Whole time Director pursuant to Section 302 of the Companies Act, 1956.

None of the Directors is interested in the above resolution except Mr. Sushil Kumar Agarwal himself.

PLACE: MUMBAI
DATE: 30.05.2013

BY THE ORDER OF THE BOARD
FOR Au HOUSING FINANCE LIMITED

SHARAD PATHAK
COMPANY SECRETARY

Au HOUSING FINANCE LIMITED

ATTENDANCE SLIP

I hereby record my presence at the THIRD ANNUAL GENERAL MEETING of Au HOUSING FINANCE LIMITED on Monday, 26th day of August, 2013 at 11:00 A.M. at the registered office of the Company at 19-A, Dhuleshwar Garden, Ajmer Road, Jaipur-302001, Rajasthan, India.

Name

Ref. Folio/D.P & Client ID No.....

SIGNATURE OF THE ATTENDING MEMBER/PROXY No. of Shares held

Notes:

1. Shareholder/Proxyholder wishing to attend the meeting must bring the Attendance Slip to the meeting and hand over at the entrance duly signed.
2. Shareholder/Proxyholder desiring to attend the meeting should bring his/her copy of the Notice for reference at the meeting.

----- TEAR HERE -----



Au HOUSING FINANCE LIMITED

PROXY FORM

I/We..... Of
 in the district of being Member of the above named Company, hereby appoint
 of in the district of or failing him,.....
 of in the district of, as my/our Proxy to
 attend and vote for me/us and on my/our behalf at the THIRD ANNUAL GENERAL MEETING of Au HOUSING FINANCE LIMITED on
 Monday, 26th of August, 2013 at 11:00 A.M. at the registered office of the Company at 19-A, Dhuleshwar Garden, Ajmer Road,
 Jaipur-302001.

Signature:

Signed this day of 2013

Reference Folio / D.P & Client I.D. No

No. of Equity shares held

Affix
Revenue
Stamp
here

Note: The Proxy form must be returned so as to reach the Registered Office of the Company at 19-A, Dhuleshwar Garden, Ajmer Road, Jaipur-302001 not less than FORTY EIGHT HOURS before the time for holding the aforesaid meeting.

