



FINANCIERs
HOME LOAN



SEEING A MARKET

WHERE FEW PEOPLE DO

AU HOUSING FINANCE LIMITED
4TH ANNUAL REPORT 2013-14

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’, ‘expect’, ‘project’, ‘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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AT Au HOUSING FINANCE LIMITED (Au HOUSING), THERE WERE TWO ALTERNATIVES WHEN WE WENT INTO BUSINESS A COUPLE OF YEARS AGO.

ONE, THE CONVENIENT OPTION TO SERVICE AN EXISTING URBAN MARKET AND SIMPLY FIGHT FOR MARKET SHARE.

TWO, THE CHALLENGING OPTION TO GROW OUR PRESENCE IN UNDER-PENETRATED RURAL GEOGRAPHIES AND CREATE A MARKET FROM SCRATCH.

AT Au HOUSING, WE SELECTED TO ADDRESS THE MORE DIFFICULT REALITY.

THE RESULT IS REFLECTED IN OUR NUMBERS. AU HOUSING REPORTED A 281 PERCENT INCREASE IN PROFIT AFTER TAX TO ₹7.19 CRORE IN ONLY ITS SECOND YEAR OF EXISTENCE IN 2013-14.

EMPHASISING THE SAYING THAT ‘WELL BEGUN IS HALF THE BATTLE WON’.

Au HOUSING FINANCE LIMITED.

**DEDICATED TO FINANCING
HOMES FOR INDIA'S UNDER
SERVED THOUSANDS.**

**ESPECIALLY THOSE LIVING IN
RURAL AND SEMI-URBAN INDIA.**

**HELPING GROW INDIA FROM THE
GRASSROOTS UPWARDS.**

ABOUT US

Au Housing Finance Limited, a wholly-owned subsidiary of Au Financiers India Limited (AUFIN), was originally incorporated as a private limited company in February 2011.

Au Housing is a housing finance company (HFC,) which was granted a certificate of registration by the National Housing Bank in 2011.

Au Housing was converted into a public limited company with a fresh certificate of incorporation in 2013.

VISION

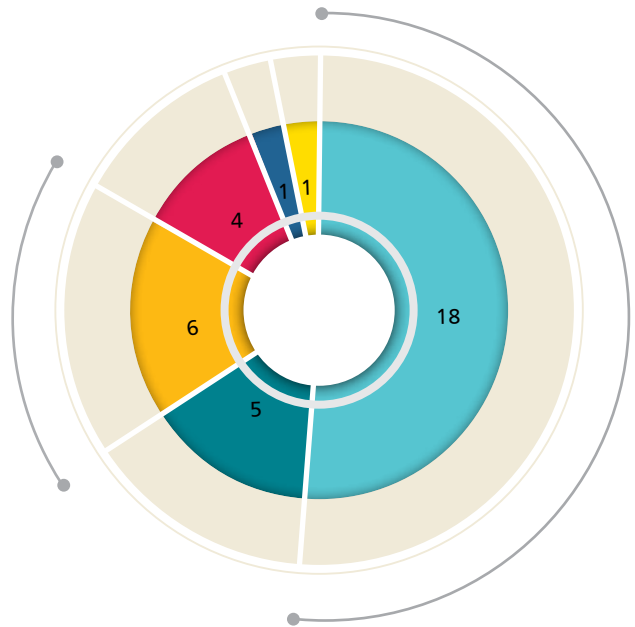
Our vision is to enrich the lives of the people we touch, by providing access to housing finance in the un-served and underserved markets in India. We aspire to provide customised and uncomplicated home loan solutions to our customers. We aim to stay close and sympathetic to the needs of the customers.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

PRESENCE

- Headquartered in Jaipur, Rajasthan
- Presence across Rajasthan, Gujarat, Maharashtra, Madhya Pradesh, Delhi and Haryana through 35 branches

PRESENCE

- | | |
|---------------|------------------|
| ■ Rajasthan | ■ Madhya Pradesh |
| ■ Gujarat | ■ Delhi |
| ■ Maharashtra | ■ Haryana |



PARENTAGE

- Incorporated in 1996, Au Financiers is a Non-Banking Financial Company (NBFC) registered with the Reserve Bank of India.
- Spearheaded and founded by first generation entrepreneur Mr. Sanjay Agarwal, Au Financiers is amongst the fastest growing non-captive NBFCs in the country.
- While being present in the mortgage and housing business since 2010, Au Financiers created Au Housing Finance Ltd. with the objective to provide housing finance for lower-income households in rural and semi-urban India.

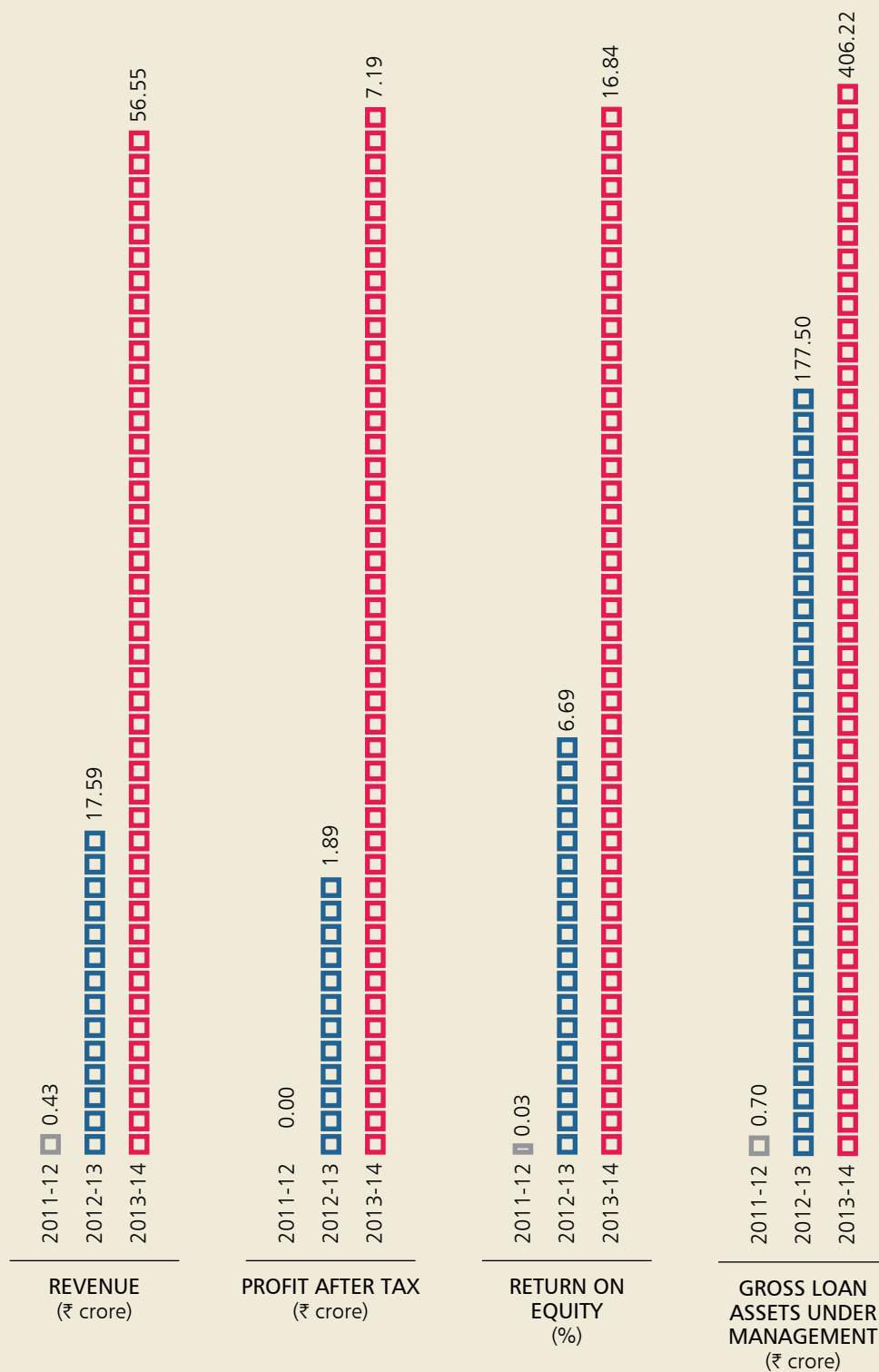
PRODUCT PORTFOLIO

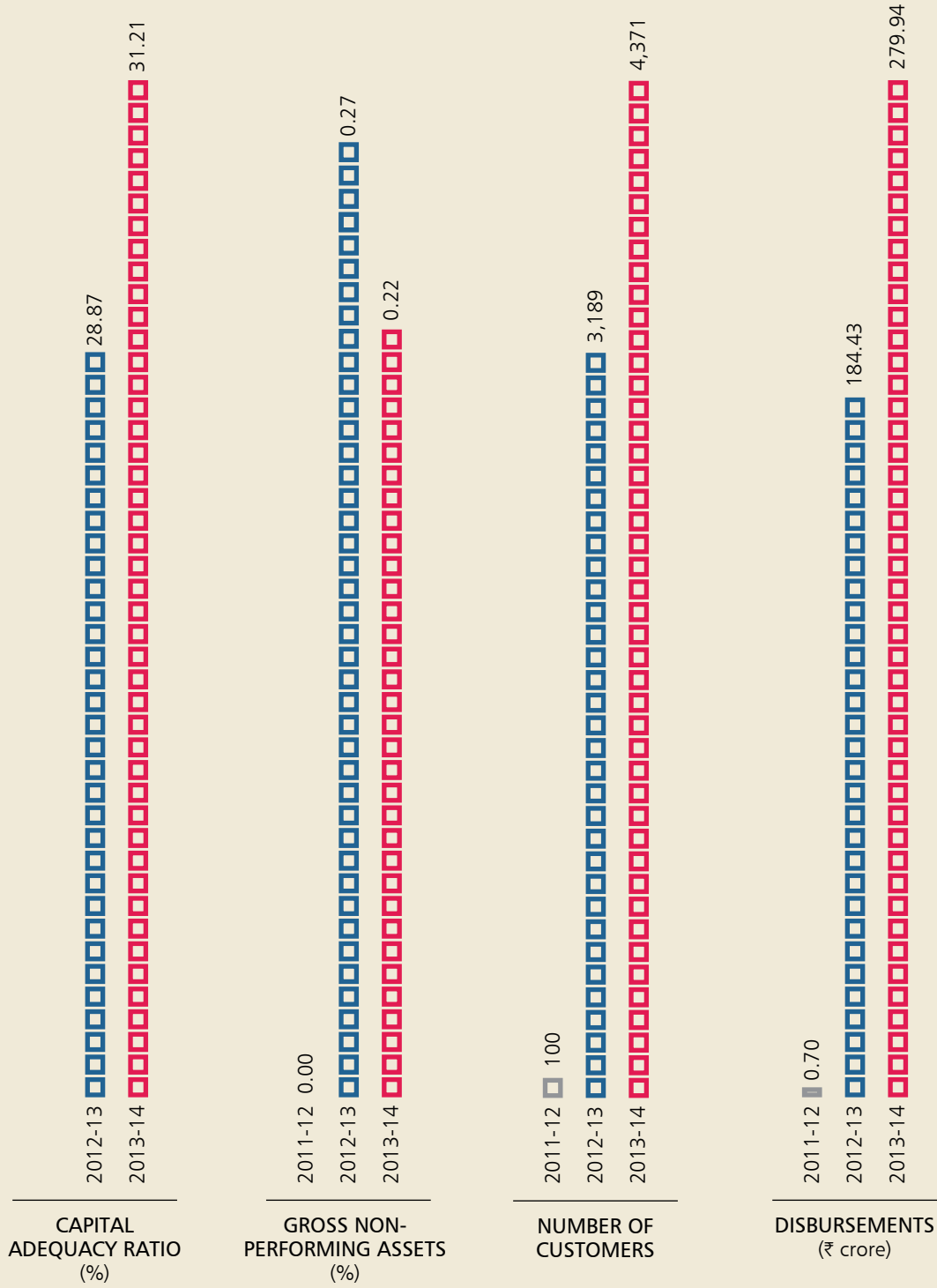
- Loans for house purchases
- Loans for house construction
- Loans for house repair and renovation or extension

CUSTOMER PROFILE

- Provides housing loans in the un-served, unreached and underserved markets.
- Caters to customers belonging to the low and middle income segment in semi-urban and rural areas.
- Customer profile includes salaried or self-employed individuals like auto drivers, grocers, beauty parlour owners, carpenters, dealers, restaurants owners, and textile trades, among others.

THIS IS WHAT WE ACHIEVED IN A CHALLENGING 2013-14





THIS IS HOW WE STRENGTHENED OUR BUSINESS IN 2013-14

PERFORMANCE

- 221 percent growth in interest income from housing loans – from ₹17.59 crore in 2012-13 to ₹56.55 crore
- 281 percent growth in profit after tax from ₹1.89 crore in 2012-13 to ₹7.19 crore

PROFITABILITY

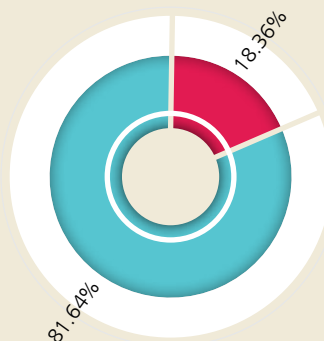
- 5 bps reduction in gross NPAs from 0.27 percent in 2012-13 to 0.22 percent in 2013-14
- 200 bps increase in net profit margin from 10.72 percent in 2012-13 to 12.71 percent in 2013-14
- 1014 bps increase in return on equity from 6.70 percent in 2012-13 to 16.84 percent in 2013-14

BUSINESS

- 51.59 percent growth in sanctions from ₹194.68 crore in 2012-13 to ₹295.12 crore in 2013-14
- 51.79 percent growth in disbursements from ₹184.43 crore in 2012-13 to ₹279.94 crore in 2013-14
- 129 percent growth in the total loans portfolio from ₹177.50 crore in 2012-13 to ₹406.22 crore in 2013-14

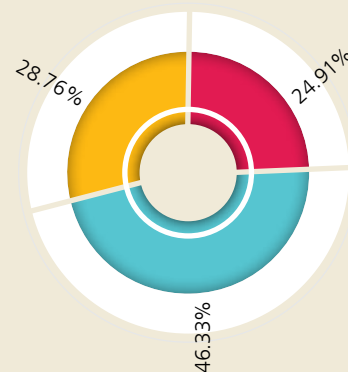
OUR FOCUS

The Company focuses on serving customers mainly in rural and semi-urban areas which are classified as un-served and underserved markets. The Company has been able to fulfill the dreams of around 8,000 people over the past two years of owning a home in rural and semi-urban areas.



■ Urban ■ Rural/semi-urban

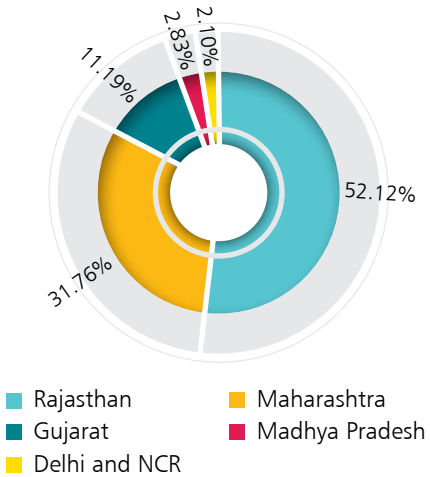
FOCUS ON THE RURAL AND SEMI-URBAN SEGMENTS



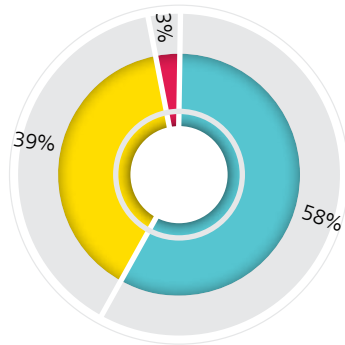
■ Above ₹10 lac ■ ₹5 lac to ₹10 lac
■ Up to ₹5 lac

LOW TICKET SIZE

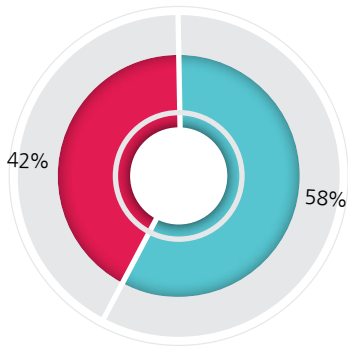
CUSTOMER PROFILE



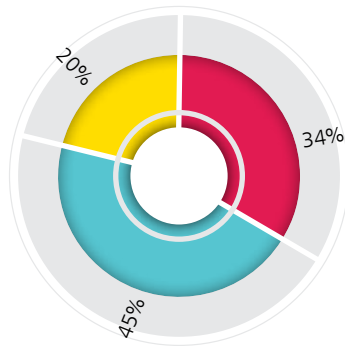
GEOGRAPHY-WISE



PRODUCT-WISE

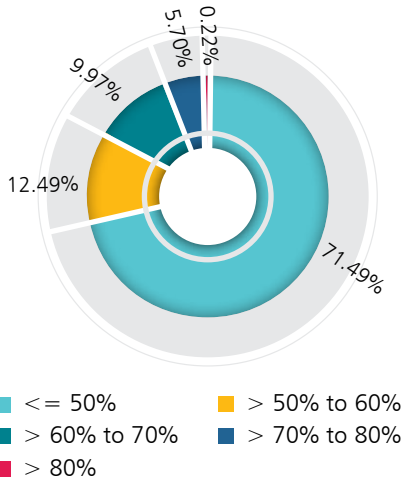


CUSTOMER-WISE

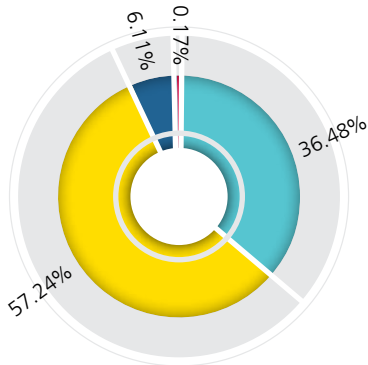


INCOME-WISE

DE-RISKED PORTFOLIO



LOAN TO VALUE (LTV)



INSTALLMENT-TO-INCOME RATIO

Au HOUSING FINANCE LIMITED.

RIGHT
COMPANY

RIGHT
PLACE

RIGHT
NEEDS

RIGHT
TIME

IN THE RIGHT PLACE

- Buying one's home is a basic human requirement. This need is universal whether in the urban or rural India.
- In India, the presence of this industry is skewed; even as rural India accounts for 69 percent of the country's population, it accounts for only a small proportion of the country's housing finance industry.
- India's increasing incomes (lower-middle class and middle-class), growing urbanisation and rising youth population are creating a market of 90 million households ready for home purchase.
- A housing shortage of almost 63 million units represents an impediment and an opportunity. The demand for houses is expected to increase by 26.3 million units in the next three years due to population growth (*Source: Moneycontrol*).
- Home purchase is increasingly preferred (over renting) due to rising property prices, attractive tax breaks and increased family nuclearisation.

SERVICING THE RIGHT NEEDS

- At Au Housing, we realise that the small loans segment is the largest and the most underserved in India; this space is marked by a virtual absence of large and respected financial institutions.
- Au Housing selected to grow its industry presence by ensuring repayment convenience complemented

Au HOUSING.
CONTRIBUTING
TO THE
COUNTRY'S
GROWTH

₹ **279.94** crore

Total financing till 31 March 2014

82 %

Proportion of financing in rural and semi urban locations

by best-in-class services and simplified loan procedures.

- Au Housing believes that every customer is unique; the Company customises its housing finance offerings around individual needs.
- Au Housing recruited a combination of qualified industry professionals and local individuals, a prudent combination of experience and familiarity.

ADDRESSING THE RIGHT SEGMENT

- Au Housing focused on un-served or underserved rural and semi-urban customers (over 82 percent of its customers).
- Au Housing addresses the housing needs of low-income groups, self-employed individuals and salaried individuals in these regions.
- The Company addresses first-time customers who find it difficult to access organised funds; over 58 percent of the loans were disbursed to self-employed individuals in 2013-14.

MAINTAINING THE RIGHT PORTFOLIO QUALITY

- Au Housing provides small ticket housing loans to rural customers. Nearly 75 percent

of the loans disbursed were less than ₹10 lac (average loan size ₹6.74 lac).

- Au Housing maintains a moderate loan-to-value ratio with a security cover higher than the industry standard. The average LTV for the portfolio stood at 41.34 percent.
- Au Housing maintained a low income-to-EMI ratio with an adequate cushion. Over 68.17 percent of the Company's portfolio had an income-to-EMI ratio of less than 40 percent.

WITH THE RIGHT BACK END SUPPORT

- Au Housing conducts a triple-level customer-visit matrix to ensure that the customer is capable of timely repayment.
- Au Housing conducts a double-verification of the property through its internal team, external consultants, empanelled lawyers and in-house legal staff.
- Au Housing decentralised its operations to accelerate loan sanction and disbursement. Au Housing disburses over 400 loans per month with an average turnaround time (loan origination to sanction) of just seven days.
- Au Housing invested in the right systems and processes to standardise procedures across all branches.

The Company addresses first-time customers who find it difficult to access organised funds; over 58 percent of the loans were disbursed to self-employed individuals in 2013-14.

₹ **6.74** lac

Average ticket size of business conducted in 2013-14

41.34 %

Average loan-to-value ratio, 2013-14

120 months

Average tenure of loans, 2013-14

33.86 %

Average installment-to-income ratio, 2013-14



FUNDING.

THE FIRST FEW YEARS ARE ALWAYS CHALLENGING FOR ANY HOUSING FINANCE COMPANY, STRAPPED FOR FUNDS, CUSTOMERS AND BRANCHES LEADING TO INADEQUATE PROCEDURAL MATURITY.

Au HOUSING IS A RARE HOUSING FINANCE ENTITY THAT HAS CIRCUMVENTED THESE CHALLENGES RELATED TO ITS CAPITAL APPETITE.

Over the last year, the Company strengthened its access to loan capital through the following initiatives:

- The Company diversified its capital access not only from banks but also from financial institutions, debt capital markets and the National Housing Bank.
- The Company grew the number of bankers from nine in 2012-13 to 15 (including private and PSUs banks) during the year under review.
- The Company accessed its first refinance line of ₹25 crore from the National Housing Bank. The Company availed the refinance facility under a popular scheme - the 'Golden Jubilee Rural Housing Refinance Scheme' - to lend retail home loan assets in rural areas with ticket sizes

below ₹15 lac. The Golden Jubilee Rural Housing Refinance Scheme addressed the inequities of rural housing by providing improved access to housing credit, thereby enabling an individual to build a new house or improve/add to his old rural dwelling.

- The Company mobilised Tier-II capital from ICICI Bank in only its second year, a benchmark which normally takes longer for start-up companies to achieve.
- The Company entered the debt market, mobilising proceeds through commercial papers.

The result: a stronger funding pipeline enhanced disbursements by 51.35 percent - from ₹184.43 crore in 2012-13 to ₹279.94 crore in 2013-14.



COMPETITIVENESS.

THE FIRST FEW YEARS ARE USUALLY CHALLENGING FOR ANY HOUSING FINANCE COMPANY AS IT WORKS HARD TO CREATE A BALANCE SHEET THAT CAN INSPIRE CREDIBILITY AND CAN MAKE IT POSSIBLE TO MOBILISE COMPETITIVELY-PRICED FUNDS.

AU HOUSING IS THE UNUSUAL INSTANCE OF A HOUSING FINANCE ENTITY THAT WAS ABLE TO SUCCESSFULLY MODERATE ITS FUND COSTS IN ONLY THE SECOND YEAR OF ITS EXISTENCE.

The Company achieved this through the following initiatives:

- The Company leveraged its priority sector status (more than 90 percent of the portfolio qualified for the rural housing criterion) to mobilise NHB funds which were 200 bps lower than the other borrowing rates.
- An external credit rating agency CRISIL upgraded the credit rating of the Company BBB+/stable to A-/stable for long-term loans and A2+ to A1 for short-term loans - similar to the rating enjoyed by its 18 year old parent company. The rating upgrade was a foregone conclusion thanks to the steady increase in Au Housing's scale of operations over the past two years,

its healthy profitability despite being in the start-up stage of operations, adequate capitalisation, support from its parent company, dedicated senior management team, strong asset quality and rigorous underwriting standards.

- The Company mobilised Tier-II capital, which helped improve capital adequacy to 31.21 percent, far higher than the regulatory requirement of 12 percent, translating into a lower cost of funds.

The result: Within just two years of getting into business, Au Housing moderated its fresh borrowings cost by 100 bps compared to the previous year, vindicating the viability of its business model even in a challenging environment.







SYSTEMS.

THE FIRST FEW YEARS ARE USUALLY DIFFICULT FOR ANY HOUSING FINANCE BRAND AS IT TAKES PAINSTAKINGLY LONG TO EVOLVE DEPENDABLE PROCESSES LEADING TO MULTI-LOCATIONAL CONSISTENCY.

Au HOUSING IS THE DIFFERENTIATED INSTANCE OF A HOUSING FINANCE ENTITY THAT HAS USHERED IN PROCEDURAL MATURITY AS EARLY AS IN ONLY THE SECOND YEAR OF ITS EXISTENCE.

The Company achieved this through the following initiatives:

- The Company invested proactively in technology, convinced that the advantages derived from this would enhance operational consistency and cost-effectiveness.
- The Company established a cutting-edge IT-enabled platform to engage in multiple functions - from lead generation to account closure.
- The Company selectively recruited successful professionals with at least 10 years of experience from within the

housing finance industry, shrinking the organisational learning curve.

- The Company identified various industry risks, which were progressively mitigated through better procedural discipline.
- The Company addressed the niche nature of its business through a localised and customised approach.

The result: The Company achieved a turnaround time (loan origination to sanction) of seven days and expects to moderate this to three days over the foreseeable future.



QUALITY.

THE FIRST FEW YEARS ARE USUALLY CHALLENGING FOR ANY HOUSING FINANCE COMPANY AS IT NEEDS TO BALANCE THE NEEDS OF GROWTH ON THE ONE HAND WITH THE NEED OF PROTECTING LOAN QUALITY ON THE OTHER.

AU HOUSING IS THE RARE INSTANCE OF A HOUSING FINANCE ENTITY, WHICH IN JUST THE SECOND YEAR OF ITS EXISTENCE THAT HAS REPORTED GROWTH (WHILE ADDRESSING THE NEEDS OF FIRST-TIME RURAL CUSTOMERS WITH NO CORRESPONDING DOCUMENTATION SUPPORT) WITHOUT COMPROMISING THE STRENGTH OF ITS LOAN BOOK.



The Company achieved this through the following initiatives:

- The Company selected to finance small customers, which relatively insulated it from the risk of default; the Company's ticket size of ₹6.74 lac per transaction was considerably lower than the industry average of around ₹12 lac.
- The Company maintained a low income-to-installment ratio, adequately de-risking

the business while providing customers with a comfortable loan repayment schedule.

The result: Au Housing doubled its book over the last year profits trebled; the Company maintained non-performing assets below 0.20 percent arising out of strong credit filters; a three-stage check strengthened the appraisal process across 35 locations without reducing disbursement speed in any way.







“WE ARE OPTIMISTIC OF HIGH YEAR-ON-YEAR GROWTH...”

SUSHIL KUMAR AGARWAL, WHOLE-TIME DIRECTOR AND CEO, REVIEWS THE COMPANY'S PERFORMANCE IN 2013-14



Q WERE YOU PLEASED WITH THE PERFORMANCE OF THE COMPANY IN 2013-14?

A Au Housing performed creditably to double the assets under management and report an ROE of 17 percent in only its second year of operations. Generally such

a performance would have been reported by housing companies only after a few years of having achieved systemic maturity; in our case, we were pleased to report such a performance early in our existence, indicating that we have successfully shrunk our learning curve and leveraged all available resources to report a creditable performance.

Q WHAT WERE SOME OF THE REASONS BEHIND THE COMPANY BEING ABLE TO REPORT SUCH A PERFORMANCE?

A There are some pertinent reasons why the Company was successful in reducing its learning curve. First, Au Housing received credible brand support from its parent Au Financiers, which immediately enhanced our market acceptability. Second, we recruited better especially at the senior managerial level, attracting individuals with extensive industry knowledge. Third, we allocated separate functions which were overseen by respective managers, ensuring

that responsibility and authority were efficiently delegated across the organisation.

Q WHAT WAS THE GEOGRAPHIC FOCUS OF THE COMPANY?

A The Company built on the rich rural experience of its parent company. Over the years, we recognised that most Indian housing finance companies selected to grow their presence in urban locations (metropolitan, Tier-I and Tier-II). At Au Housing, we recognised that one customer profile had been largely overlooked for years – someone dwelling in rural or semi-urban India. This customer was ready to buy a home but surprisingly there was no one to offer a corresponding mortgage. Au Housing addressed this unmet need; the result is that a significant proportion of the Company's income during the year under review was derived from non-urban locations. The fact that the Company reported a 281 percent increase in profit after tax and a 114 percent increase in the number of customers validates its rural geographic focus.

Q WHAT WAS CRITICAL TO THIS DEEPENING GEOGRAPHIC FOCUS?

A When a corporate selects to expand in rural India, it faces a number of challenges: one, because most customers fall under the un-banked category, there is always the challenge of their inability to produce the necessary documentation. Two, since most of the branches are rural there is always a time-lag in getting the corresponding clearances from the head office. Three, there

is a need for systemic consistency between one branch and the other in line with the corporate objectives. If we had chosen to expand with speed without any corresponding respect for processes and systems, we might have reported attractive numbers for the moment but gradually the quality of our book would have been adversely affected. So what we achieved during the financial year under review was the result of our ability to strike an adequate balance between the quantum of business on the one hand and the projected quality of our book on the other. I am confident that we have grown our business (disbursements worth ₹184.43 crore in 2012-13 to ₹279.94 crore in 2013-14) without compromising our book quality in any way. Our systemic maturity was validated by the fact that we received NHB funding worth ₹250 million.

Q HOW IMPORTANT WAS THIS FUNDING TO AU HOUSING?

A Au Housing is at that time in its existence when it needs two things from the supply side: a funds pipeline from a large financial institution, which can ensure that its financing capability will always be compatible with the strength of its brand; it also needs access to low-cost funds, which can kickstart a virtuous cycle marked by a growth in revenues, margins and profits. This is precisely the advantage that Au Housing will now be able to capitalise on: the NHB is a ₹34,604 crore home financing institution, which finances credible home financing companies with the objective of widening the market. Resultantly, the NHB provided Au Housing with an adequate repository of low-cost funds, strengthening our viability and enabling us to grow our book. We hope that in the long run this will qualify us for more NHB financing at attractive terms and strengthen the virtuous cycle further. It is important to remember that the NHB does not finance home mortgage companies in the first three years of their existence; the fact that NHB financed Au Housing in only the Company's second year is a rare instance that only stands to validate our pedigree, presence and processes.

Q WHAT IS THE COMPANY'S AGENDA FOR 2014-15?

A The market potential for home mortgages in rural India is immense. During the current financial year, we expect to focus on the potential coming out of rural Rajasthan.

We expect to intensify our presence across rural Rajasthan (more branches), strengthen our brand and capture upticks in mortgage requirements. We have strengthened our systems and processes to the point that we believe that this is scalable; we expect to grow our business 100% y-o-y without a corresponding increase in our overheads. This should enable us to moderate our operating expenses from 4 percent of revenues to 2 percent (industry standard). I can confidently state that few companies (if at all) would be able to moderate their overheads down to the industry standard in as short a tenure as we are likely to achieve over the next few years.

Q WHAT IS THE BASIS OF YOUR SECTORAL OPTIMISM?

A India's housing finance industry addresses the second largest population cluster in the world and at the same time is one of the most underpenetrated markets. The shortage in this sector is estimated at 63 million units; a significant part of this under-penetration is rural. Not surprisingly, the mortgage-to-GDP ratio in India is not even 15 percent as against 75 percent in a number of developed countries. The silver lining here can be drawn from the extrapolation that the ₹800,000 crore mortgage market could quintuple if the country's mortgage-to-GDP ratio merely doubles to 30 percent.

There is another reason why I am optimistic about this being a sector with potential. Over the last few decades, there was a resistance to taking loans largely because the sources of funds were unorganised and exploitative. However, there has been a sea change in the last three decades; rates have become stable, tenures have become flexible and the rising incidence of family nuclearisation/higher disposable incomes is widening the market for mortgage-backed loans faster than before.

Moreover, with growing demand, this segment is considered to be one of the most secure. In a scenario where defaults are rising across all assets classes, the housing sector has reported a lower NPA largely owing to a sentimental value attached to homes and HFC's access to tools like CIBIL and SARFESI, which have helped build asset quality.

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

OUR CORE COMPETENCIES

PRESENCE

With 35 branches, Au Housing has over time established its footprint in the housing finance market across Rajasthan, Gujarat, Maharashtra, Madhya Pradesh, Delhi and Haryana.

CUSTOMISED

The Company's ability to customise its product portfolio according to the needs of the customers has been vital to Au Housing's success.

ASSET QUALITY

The Company possesses all-embracing legal and commercial insights on one hand and strong credit appraisal competencies on the other, helping strengthen asset quality.

OPERATIONAL SIMPLICITY

The Company believes in working its way up from the grassroots - by engaging in the conventional financing business with novel skills, thereby maintaining operational simplicity while understanding the customer's psychology.

INTELLECTUAL CAPITAL

With a team size of 352 members, the senior members possess an average experience of 15 years in the industry. The Company has strong credit risk, treasury and finance teams catalysing the Company's growth.

ROBUST TECHNOLOGY

The Company invested in a robust technology platform to reach an end-to-end turnaround time (TAT) of seven days, reflecting its high degree of responsiveness.

STRATEGIC

The Company's strategy is to view its business holistically. It aims to strike a balance between targets and capabilities by allocating employees in line economic conditions.

DE-RISKING THE BUSINESS

EVERY CORPORATE IS UNDER THREAT FROM UNFORESEEN CONTINGENCIES THAT CAN HAMPER PROSPECTS. AT Au HOUSING, WE UNDERSTAND THE IMPACT OF INDUSTRIAL UNCERTAINTIES AND THEIR POSSIBLE OUTCOMES. WE LEVERAGE THIS KNOWLEDGE TO UNDERTAKE COUNTER-MEASURES THAT STRENGTHEN OUR VIABILITY ACROSS VERTICALS, PRODUCTS, GEOGRAPHIES AND MARKET CYCLES. A COMBINATION OF CENTRALLY-ISSUED POLICIES AND DIVISIONALLY-EVOLVED PROCEDURES BRINGS ROBUSTNESS TO THE PROCESS, ENSURING THAT ALL RISKS ARE EFFECTIVELY ADDRESSED.

CREDIT RISK

Credit risk refers to the risk that a borrower will default on any type of debt by failing to make required payments. The risk is primarily that of the lender and includes lost principal and interest, disruption in cash flows, and increased collection costs.

RISK MITIGATION

- Risk-based pricing methods are used to manage the credit risk where relevant quantitative and qualitative information are processed to ascertain the creditworthiness of the borrower.
- For informed decision-making, customer profiling and analysis of his/her ongoing portfolio is done.
- At the transactional level, credit risks are managed by using the services of in-house professionals.
- All credit exposure limits are approved as per the credit approval matrix.
- The Company's loan-to-value ratios limits have been formulated with the objective to manage collateral risk better.

LIQUIDITY AND FINANCING RISK

Liquidity risk is the risk that a given security or asset cannot be traded quickly enough in the market to prevent a loss (or make the required profit) costs.

RISK MITIGATION

- Asset Liability Management Committee (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.
- The Company borrows from 15 banks to reduce its dependence on a single lender.
- During the year, Au Housing also diversified its sourcing of low-cost funds from the NHB, debt capital markets and Tier-II capital.
- To mitigate asset-liability mismatch, the Company focuses on matching the tenure of receivables and liabilities payable. As a contingency plan, the Company maintains a sufficient quantity of credit to manage anytime liquidity.

OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed processes, people and systems, or from external events.

RISK MITIGATION

- The Company invested in robust technology, which addresses systems and procedures carried out by the Company in its financing operations.
- The Company developed policies and processes removing dependency on an individual. Almost all the processes are under maker and author concept reducing the possibility of error and risk.
- A comprehensive system of internal controls, efficient allocation of duties, use of advance software, and detailed standard operating procedures have helped the Company smoothly deal with the risk.

PROFILE OF BOARD OF DIRECTORS



MR. SANJAY AGARWAL, MANAGING DIRECTOR

Mr. Sanjay Agarwal is a rank holding Chartered Accountant and a first generation entrepreneur. He possesses vast experience spanning more than 18 years in the field of financial, legal and credit risk analysis & management, strategic planning and is responsible for the overall management

of the Company. He is also the Managing Director of Au Financiers (India) Limited. His area of specialisation encompasses strategic planning, business model, HR and relationship management. His vision, strategic focus and entrepreneurial skills continue to guide the Company's businesses across demanding markets and competitive scenarios.



MR. SUSHIL KUMAR AGARWAL, WHOLE TIME DIRECTOR AND CEO

Mr. Agarwal is a qualified Chartered Accountant and Company Secretary with more than 14 years of professional experience in the SME, housing finance and financial services sectors. He has previously

worked as a National Head – Credit Risk for the Business Banking Group (SME) of ICICI Bank limited. He is experienced in areas like retail finance, business development, financial management, administration and manpower management.



MR. UTTAM TIBREWAL, DIRECTOR

Mr. Tibrewal is a commerce graduate from Delhi University who joined the Au Group in 2003. He has an extensive experience of more than 16 years in the area of retail marketing and business development,

strategic market analysis, delivery and service quality, customer relationships and strategic relationship. He is also experienced in the areas of operations, sales, marketing and promotions targeted towards rural and suburban consumers.

SENIOR MANAGEMENT



MR. GHANSHYAM RAWAT, CHIEF FINANCIAL OFFICER

Mr. Rawat is a Chartered Accountant who possesses 21 years of rich experience in treasury operations, corporate finance, accounts, forex and interest risk management, mergers and acquisitions,

finalisation of accounts and IFRS & SAP systems. Before joining Au Housing, he served at renowned organisations like Deutsche Postbank Home Finance Ltd., Accenture India Pvt. Ltd. and Indo Rama Synthetic (India) Ltd. in key positions.

STATUTORY SECTION

Directors' Report

To
The Shareholders
Au HOUSING FINANCE LIMITED

Your Directors are pleased to present the Fourth Annual Report of your company together with the Audited Statement of Accounts and the Auditor's Report for the financial year ended 31st March, 2014. The summarized financial results for the year ended as at 31st March, 2014 are as under:

FINANCIAL RESULTS

Particulars	₹ in crore	
	2013-14	2012-13
Total Income	56.55	17.59
Less: Total Expenditure before Depreciation & Amortization	46.75	14.78
Less: Depreciation & Amortization	0.41	0.07
Total Expenses	47.16	14.85
Profit Before Tax	9.39	2.74
Less: Provision for Taxations	2.20	0.85
Profit After Tax	7.19	1.89
Transfer to Statutory Reserve	1.96	0.67

The Company's interest and other income increased to ₹56.55 crore in FY ended March 31, 2014 from ₹17.59 crore in previous FY ended March 31, 2013.

REVIEW OF OPERATIONS

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

During the year under review, the Company sanctioned housing loans for ₹295.12 crore as compared to ₹194.68 crore in the preceding Financial Year 2012-2013 and disbursed housing loans for ₹279.94 crore as compared to ₹184.43 crore in the preceding Financial Year 2012-2013.

Operating Cost increased by 86.18% to ₹2.83 crore, from ₹1.52 crore, in the preceding Financial Year 2012-2013. Manpower expenses for the year were ₹12.74 crore as against ₹5.32 crore in the preceding Financial Year 2012-2013, an increase of 139.47%.

The cumulative provisioning on the asset book as on March 31, 2014 was ₹1.78 crore, of which standard asset provisioning amounted to ₹1.64 crore.

The provision for taxation during the year was ₹2.20 crore.

The net profit after tax for the year increased by 281%, from ₹1.89 crore, in the previous Financial Year to ₹7.19 crore in the current financial year.

The average size of home loans disbursed to individuals during the year was ₹6.74 Lac and Average tenure is 120 Months.

SHARE CAPITAL

During the year under review, based on the approval granted by the Shareholders at the Extra Ordinary Annual General Meeting of the Company held on March 18, 2014, the Authorised Share Capital of the Company was increased from ₹27.25 crore to ₹30 crore.

The Paid-up Share Capital of the Company as on March 31, 2014 was ₹29.92 crore (March 31, 2013: ₹27.25 crore) consisting of 2,99,16,667 Equity Shares of ₹10/- each.

During the year under review, the Company has issued and allotted 26,66,667 Equity Shares of ₹10/- each at a premium of ₹65/- each aggregating ₹20,00,00,025/- to AUFIN as Further Issue of shares.

BRANCH EXPANSION

Your Company has been successful in establishing its presence leveraging the branch network of its parent Company, AUFIN specially to provide affordable services for rural households.

During the year under review, operations were strengthened in the states of Rajasthan, Maharashtra, Gujarat, Madhya Pradesh, Haryana and Delhi.

The Company has expanded its branch network from 25 branches as of 31st March, 2013 to 35 branches as of 31st March, 2014 and plans to scale up its operation to newer geographies in FY2014-15.

The Company has its registered office in Rajasthan and is having 35 branches as on 31st March, 2014 and branch network as mentioned below:

State	No. of Branches
Rajasthan	18
Gujarat	5
Maharashtra	6
Madhya Pradesh	4
Haryana	1
Delhi	1
Total No. Of Branches	35

BUSINESS OVERVIEW

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

RESOURCE MOBILISATION

Your Company takes every effort to tap the appropriate source of funding to minimize the weighted average cost of funds. During the year under review, the Company met its funding requirements through a combination of short term debt (comprising Commercial Paper and Bank Loans) and long term debt (Bank Term Loans, NHB Refinance and Subordinate Debt).

Long Term Debts

A. Term Loans:

Your Company has borrowed fresh long term loans of ₹180 crore from leading public and private sector banks during the current financial year as compared to ₹124 crore during the previous financial year. The aggregate of these term loans outstanding at the end of the Current financial year stood at ₹271.21 crore as against Rs.123.50 crore as at the end of the previous financial year.

B. Refinance from National Housing Bank:

During the year under review, your Company has availed the first sanction of Refinance Assistance from National Housing Bank (NHB) of ₹25.00 crore. The company availed this fund under the Golden Jubilee Rural Housing Refinance Scheme of the Government of India which will be repayable within 10 years and outstanding at the end of the current year stood at ₹24.49 crore.

The company disbursed ₹25 crore in respect of 358 dwelling units during the year under the Golden Jubilee Rural Housing Finance Scheme.

C. Subordinate Debt (Unsecured Loan):

During the year under review, your Company has also got the first sanction of Subordinate Term Loan from ICICI Bank of ₹15.00 crore.

Short Term Debts

A. Cash Credit Facility:

During the year under review, your Company has availed additional cash credit limits of Rs 13.00 Crore from banking system as against the previous limits of ₹12.00 crore. The

aggregate cash credit limits available with the company at the end of the financial year stood at Rs 25.00 Crore against the previous year limits of Rs 12.00 Crore only.

B. Commercial Paper:

During the year 2013-14, your Company has raised resources by issuing Commercial Paper to the extent of Rs.8.75 crore.

The outstanding Commercial Paper as on 31st March, 2014 is ₹8.75 crore (Gross).

The Debt Equity ratio of the Company as on 31st March, 2014 was 6.38 times.

The Company has been regular in repayment of its borrowings and payment of interest.

Credit Risk Guarantee Fund Scheme for Low Income Housing" (CRGFSLIH)

The Government of India has launched the Credit Risk Guarantee Fund Scheme for Low Income Housing" (CRGFSLIH). AUHFL has signed the Undertaking with the Credit Risk Guarantee Fund Trust (CRGFT) under NHB to avail the benefit of the Guarantee Fund in future

UPGRADED IN EXTERNAL CREDIT RATING

During the year under review, India's leading Rating Agency CRISIL has upgraded company's Long Term Rating to "CRISIL A-/Stable" for Secured NCDs, Subordinated Debt and Long Term Bank facilities and short term rating to "CRISIL A1" for Short Term Debt (including Commercial Paper).

NON-PERFORMING ASSETS

A pro-active collection and recovery management system at ground level of your company was able to contain its gross Non Performing Assets at ₹0.89 crore (0.22% of the portfolio) as on March 31, 2014. The company reviews the delinquency and loan portfolio on regular basis.

During the year under review, the Company has, as per the guidelines issued by the National Housing Bank made a provision of ₹0.99 crore towards NPA and Standard Assets. The cumulative risk provisions under NHB Directions as on March 31, 2014 stood at ₹1.77 crore.

DIRECTORS

In accordance with the provisions of the Companies Act, 2013, Mr. Sanjay Agarwal, Managing Director (DIN No.00009526)

of your Company retire by rotation and being eligible; offer themselves for re-appointment at the ensuing Annual General Meeting. Necessary resolutions for the re- appointment of the aforesaid Director have been included in the notice convening the ensuing Annual General Meeting.

Considering the size and operations of the Company, Mr. Sanjay Agarwal was appointed as the Managing Director of the company in the duly conveyed Extra Ordinary General Meeting (EOGM) of members held on Monday, 23rd December, 2013 for a period of 3 (Three) years w.e.f. 1st January, 2014

DIVIDEND

In view of business expansion plans and deployment of earnings in the business, your Directors feels 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, 2014.

REGULATORY & STATUTORY COMPLIANCES

Your Company has complied with the applicable statutory provisions, including those of the Companies Act, 1956, and the Income-tax Act, 1961. Further, The Company has complied with the applicable provisions of the National Housing Bank Act, 1987, the Housing Finance Companies (NHB) Directions, 2010 and other applicable regulations issued by 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 company has furnished the replies to the same.

The National Housing Bank Act, 1987, empowers NHB to levy a penalty on Housing Finance Companies for contravention of the Act or any of its provisions. NHB has not levied any penalty on AUHFL during the year.

The Government of India has set up the Central Registry of Securitisation Asset Reconstruction and Security Interest of India (CERSAI) under section 21 of the SARFAESI Act, 2002 to have a central database of all mortgages created by lending institutions. AUHFL has not been under the ambit to upload the data with CERSAI, but as proactively and voluntary we upload the data with CERSAI portal.

The object of this registry is to compile and maintain data relating to all transactions secured by mortgages. Accordingly, AUHFL is registered with CERSAI and has been submitting data in respect of its loans.

CAPITAL ADEQUACY RATIO

Consequent to the increase in the net worth, your Company maintained a CRAR of 31.21 % as on 31st March 2014 against a minimum 12.00 % as per regulatory requirements specified by the National Housing Bank (NHB).

INFORMATION TECHNOLOGY

Your Company is moving towards "Central Data Base" platform i.e. "core housing finance solutions" which is a step towards aligning technology to the projected business growth. All our operations (Branches and Corporate office) are operational on "central data base platform". The steps taken to upgrade Information Technology platform will facilitate your Company to serve the customer(s) in an efficient manner and which is an integral part of the 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

Company has set up policy framework for ensuring better management of its asset & liability profile. AUHFL has given due importance to prudent lending practices and put in place suitable measures for risk mitigation, which include, verification of credit history from credit information bureaus, personal verification of customer's business and residence, in house technical and legal verification, conservative loan to value, and compulsory term cover for insurance.

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 2014.

HUMAN RESOURCE DEVELOPMENT

The Company had 352 permanent employees on its rolls as at March 31, 2014. The Company recognizes the value of its human capital and is continuously upgrading the skill levels of its workforce through regular internal and external training and management development programmes.

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 organized by reputed professional institutions and training programmes conducted by 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, the name and therefore the requirement of furnishing the details pursuant to the same does not arise.

INSURANCE PROTECTION TO BORROWERS

Your Company has tied up with Kotak Mahindra Old Mutual Life Insurance Limited and HDFC Standard Life Insurance Company Limited for providing property insurance of the property mortgaged.

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 limit of Section 141 of the Companies Act, 2013. The necessary eligibility certificate prescribed under the said 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 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, 2014 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

The Directors would like to place on record their gratitude for the valuable guidance and support received from the National Housing Bank and convey their appreciation to AUFIL, the holding company, the Company's Bankers, lenders, and all other business associates for the continuous support given by them to the Company. 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
Managing Director

Sushil Kumar Agarwal
Whole Time Director

Date: May 23, 2014

Place: Jaipur

CIN No.U65922RJ2011PLC034297

Report on Corporate Governance

“Corporate governance” has come to denote a set of standards, systems, and practices that seek to ensure, not merely efficiency in corporate management, but also integrity, accountability and transparency in the Company’s operations and dealings with its stakeholders and others, and statutory and regulatory compliance.

Companies with listed shares are mandated to follow a statutory and regulatory code of corporate governance, and are required to append to their annual financial statements, a report on their corporate-governance policies and practices. Having not listed its shares, our Company does not fall within the statutory and regulatory prescription. However, it has voluntarily adopted relevant provisions of the code in line with its own emphasis on following sound corporate-governance and financial-disclosure policies and practices. Incorporated as a subsidiary of Au Financiers (India) Limited, the Company has, all along, imbibed the Au Financiers Group’s core values stressing ethical business practices with transparency and accountability, dedicated customer service, and efficient and prudent financial policies.

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.

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 terms interest of all the stakeholders of the company.

During the year, Mr. Sanjay Agarwal-Director, has been appointed as the Managing Director of the company in the duly conveyed Extra Ordinary General Meeting (EOGM) of members held on Monday, 23rd December, 2013 for a period of 3 (Three) years w.e.f. 1st January, 2014 and may be re-appointed, if eligible.

No Director is related to any other Director.

As on March 31, 2014, the strength of the board is three members. All the Directors have rich experience of managing operations of financing business and have expertise in crafting strategies for business development. List of directors with directorships held by them in other Public companies as on 31st March 2014 are given below.

Name of Director	Director Identification Number	Number of Other Directorship held (in public companies)	Qualification/Experience
Mr. Sanjay Agarwal	00009526	2	FCA, B.Com / 18 Years
Mr. Uttam Tibrewal	01024940	2	B. Com / 17 Years
Mr. Sushil Kumar Agarwal	03154532	0	C.A and C.S / 14 Years

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.

Board Meetings

Board meetings are normally held in Jaipur. The Board meets at least once a quarter, and more frequently as necessary to consider among other businesses, quarterly performance of the Company and financial results. To enable the Board to discharge its responsibilities effectively and take informed decisions, necessary information is made available to the Board.

The Directors are informed of the main items on the agenda for every Board meeting along with the notice. Detailed agenda notes are sent to them in advance of the meetings

The Board met Four (4) times during the financial year 2013-2014, as below

1. 30th Apr 2013
2. 26th Aug 2013
3. 29th Nov 2013, and
4. 15th Feb 2014

The names and categories of the Directors, their attendance at Board meetings as on 31st March 2014 and at the AGM held on 26th Aug, 2013 are given below.

Name of Directors	Category of Director	No. of Meetings Held	No. of Meetings Present	Attendance at the last AGM held on 26th Aug, 2013
Mr. Sanjay Agarwal	Managing Director	4	4	Yes
Mr. Sushil Kumar Agarwal	Whole Time Director & CEO	4	4	Yes
Mr. Uttam Tibrewal	Director	4	4	Yes

COMMITTEES OF THE BOARD

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

Au Housing at present has four committees of the Board as below:

1. Audit Committee
2. Nomination & Remuneration Committee
3. Asset Liability Management Committee (ALCO) and
4. Executive Committee

Audit Committee

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

The Committee comprises of Mr. Sanjay Agarwal, Mr. Sushil Kumar Agarwal and Mr. Uttam Tibrewal. The Company Secretary is the Secretary to the Committee.

All members of the Committee have wide exposure and possess sound knowledge in the area of accounts, finance, audit, internal controls, etc.

During the financial year 2013-2014, 4 (Four) Audit Committee meetings were held on the following dates:

1. 30th May, 2013
2. 24th Aug, 2013
3. 29th Nov, 2013 and
4. 15th Feb, 2014

The gap between two Meetings did not exceed four months

Members	Designation	No. of meeting attended
Mr. Sanjay Agarwal	Managing Director	4
Mr. Sushil Kumar Agarwal	Whole Time Director & CEO	4
Mr. Uttam Tibrewal	Director	4

Asset Liability Management Committee (ALCO)

Asset Liability Management Committee of the Board comprised five members, Viz. Mr. Sanjay Agarwal- Managing Director, Mr. Sushil Kumar Agarwal- Whole Time Director, Mr. Uttam Tibrewal- Director, Mr. Ghanshyam Rawat- Chief Financial Officer and Mr. Ashutosh Atre- National Credit Manager of the company

Functioning under the supervision of the Board of Directors, ALCO lays down policies and quantitative limits relating to assets and liabilities, based on an assessment of the various risks involved in managing them.

The ALCO met Four times during the year.

The Company has an ALCO Committee of the senior management executives of the company, as below:

Members	Designation	No. of meeting attended
Mr. Sanjay Agarwal	Managing Director	4
Mr. Sushil Kumar Agarwal	Whole Time Director & CEO	4
Mr. Uttam Tibrewal	Director	4
Mr. Ghanshyam Rawat	Chief Financial Officer	2
Mr. Ashutosh Atre (appointed on 23rd May, 2014)	National Credit Manager	0

(*reconstituted by the Board on the board meeting held on 23rd May, 2014)

Nomination & Remuneration Committee

The role of the Nomination & Remuneration Committee is to review market practices and to decide on remuneration packages applicable to the Managing Director and the Executive Director & CFO.

Meetings Held During the financial year 2013-2014, 4 (Four) Nomination & Remuneration Committee meetings were held on the following dates:

1. 29th May, 2013
2. 24th Aug, 2013
3. 12th Nov, 2013 and
4. 15th Feb, 2014

Executive Committee

The Board of director has constituted the Executive Committee consisted of three Members viz., Mr. Sanjay Agarwal, Mr. Sushil Kumar Agarwal and Mr. Ghanshyam Rawat for delegation of Borrowing powers of Board to Executive Committee to enable quick decision making.

The Company Secretary serves as the Secretary to the Committee.

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

During the financial year 2013-2014, 5 (Five) Executive Committee meetings were held on the following dates:

1. 18th July , 2013
2. 31st July, 2013
3. 06th Dec, 2013
4. 29th Jan, 2014 and
5. 31st Mar, 2014

Members	Designation	No. of meeting attended
Mr. Sanjay Agarwal	Managing Director	5
Mr. Sushil Kumar Agarwal	Whole Time Director & CEO	5
Mr. Ghanshyam Rawat	Chief Financial Officer	5

GENERAL BODY MEETINGS

Particulars of venue and date of the General Meetings held during the last financial year, and the details of business transacted in the respective meetings are given below:

Financial Year	Meeting	Date	Location	Business
2013-14	EGM	22.04.2013	19A, Dhuleshwar Garden, Ajmer Road, Jaipur-302001	<ul style="list-style-type: none"> To Appointment of Mr. Sushil Kumar Agarwal as Whole-Time Director of The Company
2013-14	AGM	26.08.2013	19A, Dhuleshwar Garden, Ajmer Road, Jaipur-302001	<ul style="list-style-type: none"> To approve the Annual Accounts FY 12-13. To appoint M/s S. R. B. C & Co. LLP, as the Statutory Auditors of the Company and to fix their remuneration. To appoint a director in place of Mr. Uttam Tibrewal, Director, who retires by rotation and being eligible offers himself for re-appointment. 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 Approve the revision of remuneration of Mr. Sushil Kumar Agarwal, Whole Time Director
2013-14	EGM	23.12.2013	19A, Dhuleshwar Garden, Ajmer Road, Jaipur-302001	<ul style="list-style-type: none"> To Appointment of Mr. Sanjay Agarwal as Managing Director of the Company
2013-14	EGM	18.03.2014	19A, Dhuleshwar Garden, Ajmer Road, Jaipur-302001	<ul style="list-style-type: none"> To Increase in the Authorised Share Capital and consequent amendment to the MOA To Consideration and Approval for further issue Of Shares under Section 81(1a) of Company Act, 1956.

ADDRESS FOR CORRESPONDENCE

Company Secretary
 Au HOUSING FINANCE LIMITED
 19-A, Dhuleshwar Garden,
 Ajmer Road, Jaipur - 302001
 Tel: +91-141- 6618839
 Fax: +91-141-23688815
 Email: sharad.pathak@aufin.in
 CIN No.U65922RJ2011PLC034297

For and on behalf of the Board of Directors

Sanjay Agarwal
 Managing Director

Date: 23/05/2014
 Place: Jaipur

Sushil Kumar Agarwal
 Whole Time Director

Management discussion and analysis

The Indian economy overview

For 2013-14, the economy grew 4.7%, pulled down by manufacturing, mining, construction and logistics. The performance for 2013-14 is a shade better than the 4.5% growth for 2012-13, a 10-year low. This is the second consecutive year that the economy has recorded sub-five percent growth. Indian economy faced challenges not only on account of low GDP but also sticky inflation, sluggish IIP and increasing current account deficit which impacted value of rupee during financial year 2014-15.

However, with the political stability industrial momentum could pick up in the second half of the year, as stalled investment would resume and consumer confidence increase. India's GDP growth rate has been higher than many peer country averages even during the slowdown of the last two years.

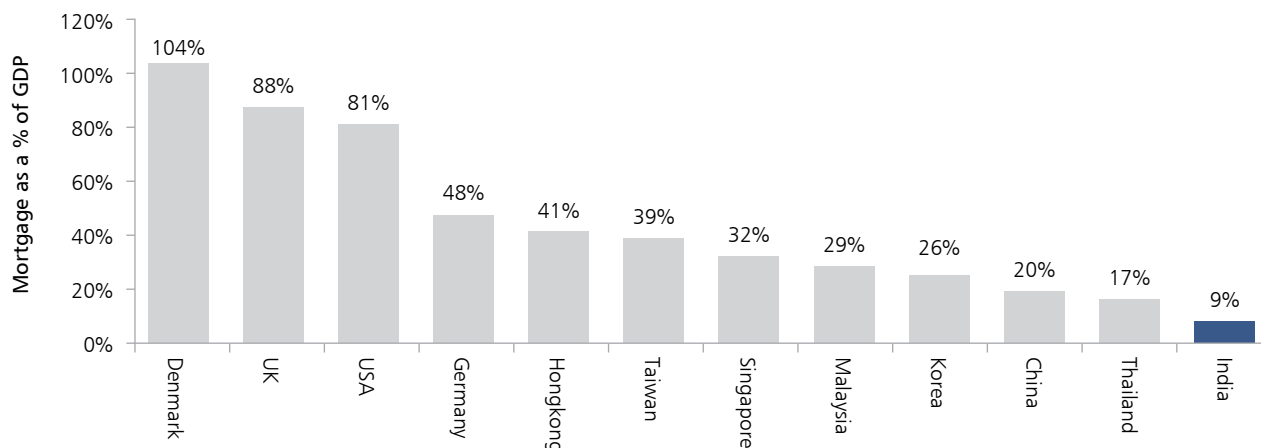
Housing sector review: India's total housing credit outstanding grew by 18% (annualised) in nine months for FY 2014, touching over Rs. 8,582 billion as on December 31, 2013. In the first nine months of 2013-14, housing finance companies and NBFCs reported a higher 21% growth (annualised) compared with 17% (annualised) achieved by banks, reversing a trend

witnessed until the first half of FY 2014. (Source: ICRA)

Asset quality: The country's housing finance companies protected their asset quality, which was reflected in a GNPA of 0.84% on December 31, 2013, way below the corresponding NPA in India's commercial banking sector. However, it is expected that the GNPA percentage in the non-housing loan segment may increase from around 1.2% in March 2013 to 2-3% over the medium-term. This, along with some stress in the housing loan portfolio, could lead to an overall increase in the GNPA percentage from 0.84% as of December 2013 to 0.9%-1.1% as on March 31, 2014 (Source: ICRA).

Low mortgage-to-GDP ratio: India's housing mortgage market is under-penetrated, evidenced by a mortgage-to-GDP ratio of 9%, when compared with over 50% in the developed economies and double-digit penetration in peer ASEAN countries. Despite mortgages comprising the largest component in banks retail portfolios and a gradual increase in the country's mortgage-to-GDP ratio from 2% a decade ago, India is still considered relatively under-penetrated in the area of home loans disbursement.

Low mortgage penetration in India – a huge market potential



Sectoral opportunities

Changing demographics: An ongoing evolution in India's demographics could create a larger housing finance market:

- * A steady increase in the country's youth population from 430 million in 2011 to 464 million by 2021 could make India the world's youngest country (64 per cent of its population in the working age group with a national median age of 29). Every third person in an Indian city today is young (*Source: The Hindu*).
- * About a quarter of the global increase in the working age population (15-64) between 2010 and 2040 is likely to happen in India; during this period, the proportion of this segment is likely to rise by 500 bps to 69 percent of its population (*Source: IMF*).
- * A million Indians are projected to be employed every month, peaking at 653 million people in 2031. India's demographic dividend has the potential to produce an additional 2 percent per capita GDP growth each year for the next twenty years (*Source: IMF*).

Improving economic scenario: There is a fundamental optimism when it comes to India's economic growth:

- * India's per capita income was projected to rise 10.4 per cent to Rs 74,920 in 2013-14 as the country emerged a \$1.7 trillion economy (*Source: ET*).
- * India's population is projected to rise to 1.6 billion by 2050 from a prevailing 1.2 billion, making it the most populous country; China's population is projected to remain unchanged at 1.3 billion during the period (*Source: IBT*).
- * The proportion of working women in urban areas has increased from 11.9% in 2001 to 15.4% in 2011; this trend is likely to be reflected in rural India as well, strengthening family incomes.

India's rural story: Rural India is enhancing its role as an economic powerhouse:

- * The hinterland, accounting for about 50 per cent of India's gross domestic product (GDP) and 70 per cent of the country's population, are reporting attractive growth.
- * Rural India (12 per cent of the world's population) accounts for around 55 per cent of the country's manufacturing GDP; nearly 75 per cent factories were built in rural India in the last decade; rural factories account for 70 per cent of all new manufacturing jobs.
- * Rural per capita consumption increased 19 per cent annually between 2009 and 2012, 200 bps higher than in urban

India. During this period, incremental rural India spending increased by US\$ 69 billion, significantly higher than US\$ 55 billion in urban India (*Source: IBEF*).

Sectoral growth opportunities: There is optimism related to the growth of the housing finance segment in India:

- * Urban housing shortage touched 18.78 million units; 95% of the shortage was in economically weaker sections and the low income group (*Source: Financial Express*).
- * Rural Housing shortage as per working group on rural housing of ministry of rural development is estimated at 43.67 million housing units for the XII five year plan 2012-2017 (*Source: Ministry of Rural Development*).
- * Rural Housing Fund (RHF) was created by Union Government to increase refinance operation in rural housing sector. In the union budget 2013-14, Rs. 6,000 has been allocated under RHF.
- * The government implemented various schemes to provide homes to the homeless and facilitating urban slum redevelopment (JNNURM).
- * The Government of India has set up Credit Risk Guarantee Fund Trust (CRGFT) to offer credit guarantee cover to encourage credit in informal segment.

Our strengths

Experience: Au Financiers, the flagship company of the Au Group, has been engaged in the rural finance sector since 1996; its rich experience has translated into a deep understanding of under-served and un-served customers through the delivery of customised products. The Au Group enjoys near two-decade presence in Rajasthan's interiors.

Under-served focus: In 2013-14, nearly 82 per cent of the Company's loan book was derived from rural and semi-rural India. An average loan ticket size of Rs 6.40 lac indicated that the Company addressed the large lower end of the country's economic pyramid, which is main inclusive growth agenda of Central Government and National Housing Bank.

Networking: The Company's hub-and-spoke model was marked by 35 branches connected to a central corporate office. Each branch was reinforced by a credit and disbursement officer; the centralised hub connected to its strong marketing and distribution network leading to faster loan sanctioning and TAT (loan origination to sanction) reduction.

Sales and marketing: The Company focus on direct sales and localised marketing activities by its own employees through

door to door visit, *Grahak-Loan Mela*, leaflet distributions. The Company's sales and marketing teams interact with first level lead generators (contractors and cement manufacturers) and builders; they conduct site visits to attract customers. The Company's branch offices serve as customer interface points where loan, interest rate and other terms are explained.

The Company also attracts 'walk-in' customers and referral customers from existing borrowers as well as the customer base of over 2.50 lac of Au Financier, holding company. This approach helped AUHFL to build strong direct personalised customer contact leading to loyalty, brand building, better understanding the need of customer and minimum error in loan appraisal.

Strong support: The Company's branch offices coordinates with empanelled lawyers and valuers during the credit appraisal process leading to timely loan disbursement.

Robust risk management: The Company coupled a defined policy with procedures to address risks as a result of which GNPA and net NPA as at 31st March, 2014 were 0.22% and 0.18% respectively (against 0.27% and 0.23% respectively in the previous year).

Professionally managed: The Company's professional and experienced senior management guided strategy and managed operations. These members were drawn from diverse sectoral backgrounds, which translated into cross-functional competencies.

Robust platform: The Company invested proactively in systems and technology with the objective to strengthen service, efficiency and cost-effectiveness. The Company invested in a cutting-edge IT-enabled platform that facilitated the formation of an online centralised information database.

Lower funding costs: The Company diversified its funding source to optimise costs and enhance liquidity. The Company sourced funds from banks, NHB and Financial Institution at competitive rates. The leading rating agency of India CRISIL enhanced Company's Long Term Rating from CRISIL BBB+/Stable to CRISIL A-/Stable and Short Term Rating from CRISIL A2+ to CRISIL A1, which is expected to translate into competitive funds mobilisation.

Insurance Products: The Company has made arrangement with Insurance Companies for providing property insurance of the property mortgaged. The Company also continued to persuade its customers to take insurance cover on the life of the principal

income earner as the collateral for its loans, reducing the risk on adversities affecting the property owner as the policies are assigned in favour of Company.

Central Registry: As per the Central Registry of Securitisation Asset Reconstruction and Security Interest of India (CERSAI) under section 21 of the SARFAESI Act, 2002 to have a central database of all mortgages created by lending institutions. The object of this registry is to compile and maintain data relating to all transactions secured by mortgages. The lending institutions are required to pay fees for uploading the data for creation as well as release of mortgage. AUHFL is registered with CERSAI. The company has uploaded all records in respect of loans disbursed till 31st March, 2014.

Information Technology (IT): The Information System at AUHFL operates under centralized IT environment and all its branches are connected through high speed network connectivity. The centralized IT environment enables prompt communication between its branches and head office, leading to faster MIS and preparation of various monthly reports.

AUHFL has strong backbone support of IT and IT security with installation of latest System technology and IT Security, IT awareness measures across all corporate offices.

Risk management

AUHFL has formulated a risk management framework which lays the procedure for risk assessment and mitigation. AUHFL manages various risks like financial risk, operational risk, marketing risk, external risk and regulatory risks associated with the mortgage business.

The critical risks which can significantly impact profitability and financial strength are credit risk, interest rate risk and liquidity risk. AUHFL manages credit risk through internal credit norms.

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.

Independent Auditor's 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 ("the Company"), which comprise the Balance Sheet as at March 31, 2014, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with accounting principles generally accepted in India, including the Accounting Standards notified under the Companies Act, 1956, read with General Circular 8/2014 dated 4 April 2014 issued by the Ministry of Corporate Affairs. 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 but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of 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 Companies Act, 1956 ("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, 2014;
- (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 ("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, the Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards notified under the Companies Act, 1956, read with General Circular 8/2014 dated 4 April 2014 issued by the Ministry of Corporate Affairs;
 - (e) On the basis of written representations received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

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

per **Shrawan Jalan**
Partner

Mumbai, May 23, 2014

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) Fixed assets have been physically verified by the management during the year and no material discrepancies were identified 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 ₹4,110.51 lacs and the year-end balance of loans taken from such parties was ₹645 lacs.
- (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 professional 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 23, 2014

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 2014 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, 2014.
 - 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

Membership No.102102

Mumbai
May 23, 2014

Balance Sheet as at March 31, 2014

₹ in lacs

	Notes	As at March 31, 2014	As at March 31, 2013
I. Equity and liabilities			
1. Shareholders' funds			
a) Share capital	2.1	2,991.67	2,725.00
b) Reserves & surplus	2.2	2,634.87	185.31
		5,626.54	2,910.31
2. Non-current liabilities			
a) Long term borrowings	2.3	25,729.78	10,111.08
b) Long term provisions	2.5	212.61	94.38
		25,942.39	10,205.46
3. Current liabilities			
a) Short term borrowings	2.6	4,373.27	2,611.13
b) Trade payables	2.7	63.88	14.28
c) Other current liabilities	2.8	5,761.61	2,828.55
d) Short term provisions	2.9	93.22	98.39
		10,291.98	5,552.35
TOTAL		41,860.91	18,668.12
II. Assets			
1. Non-current assets			
a) Fixed assets	2.10		
i) Tangible assets		531.34	159.09
ii) Intangible assets		7.24	9.99
iii) Capital work in progress		3.11	10.82
b) Deferred tax Asset (net)	2.4	59.86	6.88
c) Long term loans and advances	2.11		
i) Loans	2.11.1	38,477.16	16,850.48
ii) Others	2.11.2	13.16	104.40
		39,091.87	17,141.66
2. Current assets			
a) Cash & bank balances	2.12	233.52	568.38
b) Short term loans and advances			
i) Loans	2.11.1	2,145.25	900.02
ii) Others	2.13	11.45	8.76
c) Other current assets	2.14	378.82	49.30
		2,769.04	1,526.46
TOTAL		41,860.91	18,668.12
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 and on behalf of the board of directors of Au Housing Finance Limited

For S R B C & Co. LLP

ICAI Firm Registration No. 324982E

Chartered Accountants

per Shrawan Jalan

Partner

Membership No. 102102

Sanjay Agarwal

(Managing Director)

Sushil Kumar Agarwal

(Whole-time Director)

Sharad Pathak

(Company Secretary)

Place: Mumbai

Date: May 23, 2014

Place: Jaipur

Date: May 23, 2014

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

₹ in lacs

	Notes	Year ended March 31, 2014	Year ended March 31, 2013
Revenue			
Revenue from operations	2.15	5,653.84	1,739.11
Other income	2.16	1.05	19.86
Total Revenue		5,654.89	1,758.97
Expenses			
Employee benefits expenses	2.17	1,274.49	532.43
Finance cost	2.18	3,017.58	715.82
Depreciation and amortization expenses	2.10	41.54	6.65
Other expenses	2.19	283.23	152.14
Provision and write off	2.20	99.33	77.93
Total expenses		4,716.17	1,484.97
Profit before tax		938.72	274.00
Tax expenses:	2.21		
Current tax		272.70	91.51
Deferred tax		(52.97)	(6.04)
		219.73	85.47
Profit for the year		718.99	188.53
Earnings per equity share	2.22		
Basic (₹)		2.64	0.69
Diluted (₹)		2.64	0.69
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 and on behalf of the board of directors of Au Housing Finance Limited

For S R B C & Co. LLP

ICAI Firm Registration No. 324982E

Chartered Accountants

per Shrawan Jalan

Partner

Membership No. 102102

Sanjay Agarwal

(Managing Director)

Sushil Kumar Agarwal

(Whole-time Director)

Sharad Pathak

(Company Secretary)

Place: Mumbai

Date: May 23, 2014

Place: Jaipur

Date: May 23, 2014

Cash Flow Statement for the year ended March 31, 2014

₹ in lacs

	Year ended March 31, 2014	Year ended March 31, 2013
1 Cash flow from operating activities:		
Net profit before tax as per statement of profit and loss	938.72	274.00
Add/ (less):		
Depreciation and amortisation	41.55	6.65
Dividend from current investments	(0.08)	(19.86)
Provision for standard and sub-standard assets	99.33	77.93
Provision for gratuity	11.38	9.33
Provision for leave encashment	11.30	7.71
Operating profit before working capital changes	1,102.20	355.76
Adjustment for increase or decrease in		
Loans given (net movement)	(22,871.91)	(17,680.23)
Short term loans and advances	(2.69)	4.56
Other current assets	(329.52)	(49.30)
Other long term loans and advances	91.24	(104.40)
Trade payables	49.60	13.94
Other current liabilities	213.49	194.16
Provisions	(8.66)	77.98
Direct taxes paid	(272.99)	(62.39)
	(23,131.44)	(17,605.68)
Net cash flow from / (used in) operating activities (A)	(22,029.24)	(17,249.92)
2 Cash flow from investing activities:		
Inflow (outflow) on account of :		
Dividend from current investments	0.08	19.86
Investment in fixed deposits with original maturity of more than three months	500.00	156.35
Purchase of fixed assets (including capital work-in-progress)	(403.34)	(186.55)
Net cash flow from / (used in) investing activities (B)	96.74	(10.34)

Cash Flow Statement (Contd.) for the year ended March 31, 2014

₹ in lacs

	Year ended March 31, 2014	Year ended March 31, 2013
3 Cash flow from financing activities:		
Issue of equity shares	2,000.00	-
Shares issue expenses	(2.76)	-
Net proceeds from borrowings	20,390.36	15,052.21
Net Cash flow from / (used in) financing activities (C)	22,387.60	15,052.21
Net increase/(decrease) in cash and cash equivalents (A+B+C)	455.10	(2,208.05)
Cash and cash equivalents as at the beginning of the year	(221.58)	1,986.47
Cash and cash equivalents at the end of the year	233.52	(221.58)
Components of cash and cash equivalents		
Cash in hand	30.55	20.34
Balance with banks		
In current accounts	202.97	48.04
In deposit account	-	-
Less: Bank overdraft	-	(289.96)
Total cash and cash equivalents (notes 2.12)	233.52	(221.58)
Summary of significant accounting policies	1	

As per our report of even date

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

For S R B C & Co. LLP

ICAI Firm Registration No. 324982E

Chartered Accountants

per Shrawan Jalan

Partner

Membership No. 102102

Sanjay Agarwal

(Managing Director)

Sushil Kumar Agarwal

(Whole-time Director)

Sharad Pathak

(Company Secretary)

Place: Mumbai

Date: May 23, 2014

Place: Jaipur

Date: May 23, 2014

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

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.

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 read with General Circular 8/2014 dated 4 April 2014 issued by the Ministry of Corporate Affairs. 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 Change in accounting policy:-

During the year ended March 31, 2014, the company has adopted the accounting of Cheque bouncing charges and Legal charges on realization basis w.e.f. October 01, 2013. The income is lower by Rs. 19.28 lacs on account of change in the method of recognition of above income on realization basis.

1.1.3 Revenue recognition :-

a. Interest on loans:

- (i) Interest Income on loans is accounted for on accrual basis, except interest on non-performing assets, which is accounted on realisation basis.

b. Fees, other charges and other interest:

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

c. Income from investments:

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

d. Fixed assets and depreciation / amortization

Tangible assets:

Fixed assets are stated at cost. Cost comprises of the purchase price and any attributable cost of bringing the assets to its working condition for its intended use. Depreciation on fixed assets is calculated on a written down value basis using the 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.

Notes to the Financial Statements (Contd.) for the year ended March 31, 2014

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.

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 has revised the useful life of its intangible asset from five years to four years.

Intangible assets	Rates (SLM)
Software	25.00%

1.1.4 Tax:-

Tax expense comprises of current and deferred tax. Current income-tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961 enacted in India. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

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.

The company has passed a Board Resolution that it has no intention to make withdrawal from the Special Reserve created and maintained under Section 36(1)(viii) of the Income Tax Act, 1961. The Special Reserve created is not capable of being reversed and is considered a permanent difference.

1.1.5 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.

Notes to the Financial Statements *(Contd.)* for the year ended March 31, 2014

1.1.6 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.

1.1.7 Investment:-

Investments, which are readily realizable and intended to be held for not more than one year from the date on which such investments are made, are classified as current investments. All other investments are classified as long-term investments.

On initial recognition, all investments are measured at cost. The cost comprises of purchase price and directly attributable acquisition charges such as brokerage, fees and duties. If an investment is acquired, or partly acquired, by the issue of shares or other securities, the acquisition cost is the fair value of the securities issued. If an investment is acquired in exchange for another asset, the acquisition is determined by reference to the fair value of the asset given up or by reference to the fair value of the investment acquired, whichever is more clearly evident.

Current investments are carried in the financial statements at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of the investments.

On disposal of an investment, the difference between its carrying amount and net disposal proceeds is charged or credited to the statement of profit and loss.

1.1.8 Retirement and other employee benefits:-

Retirement benefit in the form of provident fund is a defined contribution scheme. The company has no obligation, other than the contribution payable to the provident fund. The company recognizes contribution payable to the provident fund scheme as an expenditure, when an employee renders the related service. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognized as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognized as an asset to the extent that the pre payment will lead to, for example, a reduction in future payment or a cash refund.

The company provides gratuity benefits which is a defined benefit scheme. The cost of providing gratuity benefits is determined on the basis of actuarial valuation at each year-end. Separate actuarial valuation is carried out for each plan using the projected unit credit method. Actuarial gains and losses are recognized in full in the period in which they occur in the statement of profit and loss.

Accumulated leave, which is expected to be utilized within the next 12 months, is treated as short-term employee benefit. The company measures the expected cost of such absence as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date. The Company treats accumulated leave expected to be carried forward beyond twelve months, as long term employee benefit for measurement purposes.

Actuarial gains/losses are immediately taken to the statement of profit and loss and are not deferred.

1.1.9 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

Notes to the Financial Statements (Contd.) for the year ended March 31, 2014

1.1.10 Cash and cash equivalent:-

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

1.1.11 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.

2. Notes on accounts for the year ended March 31, 2014

2.1 Share capital

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

₹ in lacs

Particulars	As at	As at
	March 31, 2014	March 31, 2013
Authorized shares		
3,00,00,000 (P.Y. 2,72,50,000) Equity Shares of ₹10/- each.	3,000.00	2,725.00
	3,000.00	2,725.00
Issued, Subscribed and Paid up shares		
2,99,16,667 (P.Y. 2,72,50,000) Equity Shares of ₹10/- each	2,991.67	2,725.00
Total	2,991.67	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, 2014		As at March 31, 2013	
	No. of shares	₹ In lacs	No. of shares	₹ In lacs
Equity share at the beginning of period	27,250,000	2,725.00	27,250,000	2,725.00
Add: Equity share allotted during period	2,666,667	266.67	-	-
Equity share at the end of period	29,916,667	2,991.67	27,250,000	2,725.00

(ii) Shares held by holding company

Name of the shareholder	As at March 31, 2014		As at March 31, 2013	
	No. of shares	% of holding	No. of shares	% of holding
Au Financiers (India) Ltd.	29,916,667	100.00	27,250,000	100.00
2,99,16,667 Equity Shares of ₹10/- each fully paid				
Total	29,916,667	100.00	27,250,000	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.

Notes to the Financial Statements (Contd.) for the year ended March 31, 2014

2.1 Share capital (Contd.)

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

Name of the shareholder	As at March 31, 2014		As at March 31, 2013	
	No. of shares	% of holding	No. of shares	% of holding
Au Financiers (India) Ltd.	29,916,667	100.00	27,250,000	100.00
2,99,16,667 Equity Shares of ₹10/- each fully paid				
Total	29,916,667	100.00	27,250,000	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 Rs.10 per share. Each shareholder is eligible for one vote per share held. The dividend as and when proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

2.2. Reserves & surplus

Particulars	₹ in lacs	
	As at March 31, 2014	As at March 31, 2013
a. Special Reserve u/s 29C of The National Housing Bank Act, 1987 read with section 36 (1) (viii) of income tax Act, 1961*		
Balance at the beginning of the year		
a) Statutory Reserve u/s 29C of the National Housing Bank Act, 1987	-	-
b) Amount of special reserve u/s 36(1)(viii) of Income Tax Act, 1961 taken into account for the purposes of Statutory Reserve under Section 29C of the NHB Act, 1987	67.28	0.08
c) Total	67.28	0.08
Addition /Appropriation / Withdrawal during the year		
Add: a) Amount transferred u/s 29C of the NHB Act, 1987	-	-
b) Amount of special reserve u/s 36(1)(viii) of Income Tax Act, 1961 taken into account for the purposes of Statutory Reserve under Section 29C of the NHB Act, 1987	195.52	67.20
Less: a) Amount appropriated from the Statutory Reserve u/s 29C of the NHB Act, 1987	-	-
b) Amount of special reserve u/s 36(1)(viii) of Income Tax Act, 1961 taken into account for the purposes of Statutory Reserve under Section 29C of the NHB Act, 1987	-	-
Balance at the end of the year		
a) Statutory Reserve u/s 29C of the National Housing Bank Act, 1987	-	-
b) Amount of special reserve u/s 36(1)(viii) of Income Tax Act, 1961 taken into account for the purposes of Statutory Reserve under Section 29C of the NHB Act, 1987	262.80	67.28
c) Total	262.80	67.28
b. Surplus / (deficit) in the statement of profit and loss		
Balance as per last financial statement	118.03	(3.30)

Notes to the Financial Statements (Contd.) for the year ended March 31, 2014

2.2. Reserves & surplus (Contd.)

Particulars	₹ in lacs	
	As at March 31, 2014	As at March 31, 2013
Add: Net profit after tax transferred from statement of profit and loss	718.99	188.53
	837.02	185.23
Less: Appropriation		
Special reserve u/s 36 (1)(viii) of Income Tax Act, 1961	195.52	67.20
Total (b) Net surplus in the statement of profit and loss	641.50	118.03
c. Share Premium	-	-
Balance as per last Financial Statement	-	-
Add: Received during the year	1,733.33	-
Less: Utilisation during the year towards share issue expenses	2.76	-
Total (c) Share Premium Reserve	1,730.57	-
Total reserve and surplus (a+b+c)	2,634.87	185.31

* Section 29C (i) of The National Housing Bank Act, 1987 defines that every housing finance institution which is a company shall create a reserve fund and transfer therein a sum not less than twenty percent of its net profit every year as disclosed in the statement of profit and loss before any dividend is declared. For this purpose any special reserve created by the company under Section 36(1) (viii) of Income tax Act 1961, is considered to be an eligible transfer. The company has transferred an amount of Rs. 195.52 lacs (previous year Rs. 67.20 lacs) to special reserve in terms of Section 36(1) (viii) of the Income Tax Act 1961 considered eligible for special reserve u/s 29C of NHB Act 1987. The company doesn't anticipate any withdrawal from special reserve in foreseeable future.

2.3 Long term borrowings

Particulars	₹ in lacs			
	As at March 31, 2014		As at March 31, 2013	
	Non-Current	Current	Non-Current	Current
Secured				
Loans from banks	24,062.32	5,299.76	10,034.82	2,315.18
Loans from a financial institution	167.46	39.76	76.26	14.82
Unsecured				
Loans from banks	1,500.00	-	-	-
Amount disclosed under the head "other current liabilities" (refer Note 2.8)		(5,339.52)		(2,330.00)
Total	25,729.78	-	10,111.08	-

Secured term loans from Banks include loans from various banks and carry rate of interest in the range of 10.00% to 12.50% p.a. The loan are having tenure of 3 to 10 years from the date of issue and are repayable in monthly or quarterly installments. These loans are secured by hypothecation (exclusive charge) of the loans given by the Company. Loans from banks to the extent of Rs. 7,038.46 lacs (P.Y.: Rs. 10,311.61 lacs) 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 Rs.29,362.08 lacs (P.Y. Rs. 12,532.30 lacs)

Loans from a financial institutions carries interest rate @ 13% p.a. and are for a tenure of 5 years from the date of issue. The loans are repayable in equal monthly installments of Rs.5.56 lacs each (P.Y.: Rs. 2.15 lacs). The loans have been guaranteed by personal guarantee of the director of the Company and hypothecation of fixed assets.

The company has taken Subordinate debt (unsecured) from bank for a tenure of six years carrying rate of Interest of 13.50%, repayable at the end of tenure in three equal monthly installments.

Notes to the Financial Statements (Contd.) for the year ended March 31, 2014

2.3 Long term borrowings (Contd.)

2.3.1 Terms of repayment of long term borrowings including interest accrued and due as at March 31, 2014		₹ in lacs													
Original maturity of loan	Interest rate	Due within 1 year		Due 1 to 2 years		Due 2 to 3 years		Due 3 to 4 years		Due 4 to 5 years		Due above 5 years		Total	
		No. of install-ments	Amount (Rs. in lacs)	No. of install-ments	Amount (Rs. in lacs)	No. of install-ments	Amount (Rs. in lacs)	No. of install-ments	Amount (Rs. in lacs)	No. of install-ments	Amount (Rs. in lacs)	No. of install-ments	Amount (Rs. in lacs)	No. of install-ments	Amount (Rs. in lacs)
Monthly repayment schedule															
Above 3 years	11% to 13.00%	125	4,076.30	132	4,377.92	132	4,384.89	127	4,165.42	88	2,842.66	103	3,193.75	707	23,040.94
Quarterly repayment schedule															
1 - 3 years	10% to 12.50%	4	720.00	2	360.00	0	-	0	-	0	-	0	-	6	1,080.00
Above 3 years	10% to 12.50%	23	719.70	24	783.98	24	783.98	24	783.98	24	783.98	87	1,769.22	206	5,624.84
At the end of tenure															
Above 3 years	11% to 13.50%	0	-	0	-	0	-	0	-	0	-	3	1,500.00	3	1,500.00
			5,516.00		5,521.90		5,168.87		4,949.40		3,626.64		6,462.97		31,245.78

Notes to the Financial Statements (Contd.) for the year ended March 31, 2014

2.4 Deferred tax asset (net)

Particulars	₹ in lacs	
	As at March 31, 2014	As at March 31, 2013
Deferred tax liability		
Fixed asset : Impact of difference between tax depreciation and depreciation/ amortization charged for the financial reporting	(10.90)	(2.75)
Provision for special reserve u/s 29C of NHB Act read with section 36 (1) (viii) of IT Act. 1961	-	(21.80)
Gross deferred tax liability	(10.90)	(24.55)
Deferred tax asset		
Preliminary expenses written off in books but benefit of set off over 5 years	0.27	0.53
Provision for standard assets	53.08	23.03
Provisions on non performing assets	4.52	2.34
Provision for gratuity and leave encashment	12.89	5.53
Gross deferred tax asset	70.76	31.43
Net Deferred Tax Asset	59.86	6.88

The deferred tax liability created in earlier years in respect of special reserve under section 36 (1) (viii) of the Income Tax Act 1961 has been reversed based on the Board's resolution that the company has no intention to make withdrawal from such reserve created.

2.5 Long term provisions

Particulars	₹ in lacs	
	As at March 31, 2014	As at March 31, 2013
Provision for employee benefits.		
Gratuity	19.63	8.85
Leave encashment	15.44	7.32
Other provisions		
Provision for non performing asset	13.93	7.21
Provision for standard assets as per NHB Norms	163.61	71.00
Total	212.61	94.38

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	₹ in lacs			
	As at March 31, 2014		As at March 31, 2013	
	Loans	Provision	Loans	Provision
Standard assets				
Housing Loan	38,513.18	155.46	17,397.17	69.78
Other loans	2,019.89	8.15	305.29	1.22
	40,533.07	163.61	17,702.46	71.00
Sub-Standard Assets				
Housing Loan	80.19	12.03	47.34	7.10
Other loans	3.90	0.59	0.71	0.11
	84.09	12.62	48.05	7.21

Notes to the Financial Statements (Contd.) for the year ended March 31, 2014

2.5 Long term provisions (Contd.)

Particulars	₹ in lacs			
	As at March 31, 2014		As at March 31, 2013	
	Loans	Provision	Loans	Provision
Doubtful assets				
Housing Loan	4.99	1.25	-	-
Other loans	0.26	0.06	-	-
	5.25	1.31	-	-
Loss assets				
Housing Loan	-	-	-	-
Other loans	-	-	-	-
	-	-	-	-
Total	40,622.41	177.54	17,750.51	78.21

2.6 Short term borrowings

Particulars	₹ in lacs	
	As at March 31, 2014	As at March 31, 2013
Secured		
From Bank	2,853.27	2,611.13
Unsecured		
From Financial Institutions	875.00	-
From other parties	645.00	-
	4,373.27	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 Rs. 1,000.00 lacs (PY: Rs. 1,200.00 lacs) are secured by personal guarantee of a director of the Company.

Unsecured short term borrowing represent commercial paper issued to Financial Institutions. The commercial paper has a maturity of nine months and was issued at discounting rate of 12.25%

2.7. Trade payables

Particulars	₹ in lacs	
	As at March 31, 2014	As at March 31, 2013
Trade payables (refer Note 2.28)	63.88	14.28
Total	63.88	14.28

2.8. Other current liabilities

Particulars	₹ in lacs	
	As at March 31, 2014	As at March 31, 2013
Current maturities of long term debts (refer Note 2.3)		
From bank- term loan	5,299.76	2,315.18
From financial institution- term loan	39.76	14.82

Notes to the Financial Statements (Contd.) for the year ended March 31, 2014

2.8. Other current liabilities (Contd.)

₹ in lacs

Particulars	As at March 31, 2014	As at March 31, 2013
Interest accrued and due on borrowings		
From bank- term loan	175.22	81.62
From financial institution- term loan	1.26	0.60
Other payables		
Statutory liabilities	16.28	11.19
Other current liabilities (refer Note 2.28)	229.33	115.18
Bank overdraft	-	289.96
Total	5,761.61	2,828.55

2.9. Short term provisions

₹ in lacs

Particulars	As at March 31, 2014	As at March 31, 2013
Provision for employee benefit		
Gratuity	1.09	0.49
Leave encashment	3.57	0.39
Others benefits	56.00	64.66
Others		
Provision for direct taxes (net of prepaid taxes)	32.56	32.85
Total	93.22	98.39

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 April 1, 2013	152.44	7.01	1.96	3.82	165.23
Additions	293.04	28.62	66.83	22.55	411.04
Disposals	-	-	-	-	-
At March 31, 2014	445.48	35.63	68.79	26.37	576.27
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
Charge for the year	21.29	7.97	7.41	2.12	38.79
Disposals	-	-	-	-	-
At March 31, 2014	24.13	10.24	8.01	2.55	44.93
Net Block					
At March 31, 2013	149.60	4.74	1.36	3.39	159.09
At March 31, 2014	421.35	25.39	60.78	23.82	531.34

Notes to the Financial Statements *(Contd.)* for the year ended March 31, 2014

2.10 Fixed assets - Tangible assets *(Contd.)*

	₹ in lacs	
Intangible assets	Software	Total
Gross block		
At April 1, 2012	-	-
Purchase	10.50	10.50
At March 31, 2013	10.50	10.50
Purchase	-	-
At March 31, 2014	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
Charge for the year	2.75	2.75
At March 31, 2014	3.26	3.26
Net block		
At March 31, 2013	9.99	9.99
At March 31, 2014	7.24	7.24

	₹ in lacs	
Capital work in progress	Software	Total
Gross block		
At April 1, 2012	-	-
Purchase	10.82	10.82
At March 31, 2013	10.82	10.82
Capitalised during the year	10.82	10.82
Purchase	3.11	3.11
At March 31, 2014	3.11	3.11

2.11 Long term loans and advances

Particulars	As at March 31, 2014		As at March 31, 2013	
	Non-current	Current	Non-current	Current
Secured				
2.11.1 Housing loans				
- Considered good	36,465.83	2,047.35	16,513.46	883.71
- Considered doubtful	82.59	2.60	47.34	-
Other loans				
- Considered good	1,924.69	95.19	288.98	16.31
- Considered doubtful	4.05	0.11	0.70	-
Total	38,477.16	2,145.25	16,850.48	900.02

Notes to the Financial Statements (Contd.) for the year ended March 31, 2014

2.11 Long term loans and advances (Contd.)

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 Rs. 319.85 lacs at March 31, 2014 (P.Y.: Rs. 589.00 lacs).

2.11.1.2 Of the above :

Particulars	₹ in lacs	
	As at March 31, 2014	As at March 31, 2013
Standard	40,533.06	17,702.45
Sub-Standard	84.10	48.05
Doubtful asset	5.25	-
Total	40,622.41	17,750.50

2.11.1.3 Housing loans sanctioned but un-disbursed amount is ₹2487.56 lacs as on 31 March 2014 (P.Y.: ₹1456.12 lacs).

2.11.2 Other long term loans and advances (unsecured, considered good)

Particulars	₹ in lacs	
	As at March 31, 2014	As at March 31, 2013
Capital advance	-	104.03
Security deposit	11.51	0.25
Advance to staff	1.65	0.12
Total	13.16	104.40

2.12 Cash and bank balances

Particulars	₹ in lacs	
	As at March 31, 2014	As at March 31, 2013
Cash and cash equivalents		
Cash on hand	30.55	20.34
Balance with banks		
In Current accounts	202.97	48.04
	233.52	68.38
Other bank balances		
Deposit with original maturity of more than 12 months	-	500.00
Deposit with original maturity of more than 3 months less than 12 months	-	-
	-	500.00
Total	233.52	568.38

2.12.1 Cash on hand includes ₹1.64 lacs balance of franking machine.

Notes to the Financial Statements *(Contd.)* for the year ended March 31, 2014

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

Particulars	₹ in lacs	
	As at March 31, 2014	As at March 31, 2013
Unsecured loans and advances		
Advances to employees	4.79	1.02
Advances to suppliers/service providers	4.24	4.59
Security deposits	2.42	2.67
Interest accrued on fixed deposit	-	0.48
Total	11.45	8.76

2.14 Other current assets

Particulars	₹ in lacs	
	As at March 31, 2014	As at March 31, 2013
Sundry debtors	141.88	48.13
Interest accrued but not due	227.71	-
Unamortised Discount on CP	2.69	-
Cenvat credit	6.54	1.17
Total	378.82	49.30

2.15 Revenue from operations

Particulars	₹ in lacs	
	Year ended March 31, 2014	Year ended March 31, 2013
a. Income from finance activity	5,035.34	1,238.51
b. Interest from fixed deposits with banks	-	72.48
c. Fees and other charges from customers	618.50	428.12
Grand Total	5,653.84	1,739.11

2.16 Other income

Particulars	₹ in lacs	
	Year ended March 31, 2014	Year ended March 31, 2013
Dividend income	0.08	19.86
Other non operating income	0.97	-
Total	1.05	19.86

2.17 Employee benefits expenses

Particulars	₹ in lacs	
	Year ended March 31, 2014	Year ended March 31, 2013
Salaries and other benefits	1,224.48	509.76
Contribution to provident and other funds	38.99	18.30
Staff welfare expenses	11.02	4.37
Total	1,274.49	532.43

Notes to the Financial Statements (Contd.) for the year ended March 31, 2014

2.18 Finance cost

Particulars	₹ in lacs	
	Year ended March 31, 2014	Year ended March 31, 2013
Bank charges	7.63	2.91
Interest	2,896.45	525.90
Processing fees and other charges	112.22	187.01
Interest on tax	1.28	-
Total	3,017.58	715.82

2.19 Other expenses

Particulars	₹ in lacs	
	Year ended March 31, 2014	Year ended March 31, 2013
Advertisement and publicity expenses	8.46	5.18
Postage & courier expenses	9.44	1.03
Communication	19.24	10.42
Commission & brokerage	1.92	1.20
Electricity and water	17.96	7.50
Fee & subscription	0.50	12.56
Legal & professional charges	40.35	22.14
AMC Charges	5.32	-
Office expenses	11.59	8.15
Printing & stationery	18.03	13.76
Rent	38.48	14.63
Rates & Taxes Expenses	1.71	-
Repair and maintenance -others	7.12	3.92
Travelling and conveyance	94.18	47.65
Auditor's remuneration		
- Audit fees	6.00	3.00
- Tax audit fees	1.00	1.00
- Other services	1.93	-
Total	283.23	152.14

Auditor's remuneration

Particulars	₹ in lacs	
	Year ended March 31, 2014	Year ended March 31, 2013
- Audit fees	6.00	3.00
- Tax audit fees	1.00	1.00
- Other services	1.93	-
	8.93	4.00

Notes to the Financial Statements *(Contd.)* for the year ended March 31, 2014

2.20 Provisions and write off

Particulars	₹ in lacs	
	Year ended March 31, 2014	Year ended March 31, 2013
a. Provisions for the year		
Provision for Non performing asset	13.93	7.21
Provision for standard assets as per NHB Norms	163.61	71.00
	177.54	78.21
b. Provisions made last year		
Provision for Non performing asset	7.21	-
Provision for standard assets as per NHB Norms	71.00	0.28
	78.21	0.28
Net provision made during the year (a-b)	99.33	77.93
c. Write off during the year	-	-
Total	99.33	77.93

2.21 Tax

Particulars	₹ in lacs	
	Year ended March 31, 2014	Year ended March 31, 2013
Provision for tax	272.70	91.51
Deferred tax	(52.97)	(6.04)
Total	219.73	85.47

2.22 Earning per share

Particulars	Year ended	
	March 31, 2014	March 31, 2013
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, 2014 (Nos. in lacs)	272.72	272.50
Net profit for calculation of basic EPS (Rs. in lacs)	718.99	188.53
Basic and diluted earning per share (In Rs.)	2.64	0.69
Face value of equity shares (In Rs.)	10.00	10.00

Notes to the Financial Statements (Contd.) for the year ended March 31, 2014

- 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.

Statement of profit and loss

Net employee benefit expense recognized in the employee cost

₹ in lacs

Particulars	Gratuity	
	March 31, 2014	March 31, 2013
Current service cost	10.94	3.54
Interest cost	0.77	-
Expected return on plan assets	-	-
Net actuarial (gain) / loss recognized in the year	(0.33)	5.79
Net benefit expense	11.38	9.33
Actual return on plan assets	-	-

Benefit asset/ liability

₹ in lacs

Particulars	Gratuity	
	March 31, 2014	March 31, 2013
Present value of defined benefit obligation	20.72	9.33
Fair value of plan assets	-	-
Plan asset / (liability)	20.72	9.33

Changes in the present value of the defined benefit obligation are as follows:

₹ in lacs

Particulars	Gratuity	
	March 31, 2014	March 31, 2013
Opening defined benefit obligation	9.33	-
Current service cost	10.94	3.54
Interest cost	0.77	-
Actuarial (gain)/loss on obligation	(0.33)	5.79
Closing defined benefit obligation	20.71	9.33

Notes to the Financial Statements *(Contd.)* for the year ended March 31, 2014

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

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

	March 31, 2014	March 31, 2013
Discount rate	9.25%	8.25%
Salary escalation rate	6.50%	6.00%
Employee Turnover	age 30 = 5%	1.00%
	age 31-40 = 3%	
	age 41-50 = 2%	
	age 51 & above = 1%	

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

2.26 Capital and other commitments:

Particulars	₹ in lacs					
	As at March 31, 2014			As at March 31, 2013		
	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

Managing 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)

Au Insurance Broking Services Pvt. Ltd

4. Relatives of key managerial personnel (with whom there were transactions during the year/previous year)

None

Notes to the Financial Statements (Contd.) for the year ended March 31, 2014

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: (Contd.)

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

a. Loans taken and repayment there of

₹ in lacs					
	Year ended	Loans taken	Repayment	Interest due & paid	Amount owed to related parties
Au Financiers (India) Limited	March 31, 2014	24,289.72	23,644.72	166.00	645.00
	March 31, 2013	11,754.00	11,754.00	69.33	-

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

b. Remuneration to key managerial personnel

₹ in lacs		
	March 31, 2014	March 31, 2013
Mr. Sushil Kumar Agarwal, Whole Time Director & CEO		
Salary and bonus	99.57	28.56
Total	99.57	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 increase in his remuneration were passed by the Remunerations Committee on May 29, 2013 and the approval by a special shareholders resolution was taken on Aug 26, 2013.

Other Transactions

₹ in lacs								
Name of related party	Nature of related party	Nature of transactions	March 31, 2014			March 31, 2013		
			Amount received	Amount paid	Outstanding balance	Amount received	Amount paid	Outstanding balance
Au Financiers (India) Limited	Holding Company	Equity shares	2,000.00	-	-	-	-	-
Au Financiers (India) Limited	Holding Company	Reimbursement of expenses	-	52.08	2.44	-	69.44	4.31
Au Financiers (India) Limited	Holding Company	Reimbursement of expenses	10.30	-	-	0.31	-	-
Au Financiers (India) Limited	Holding Company	Reimbursement of Statutory payments	-	70.19	-	-	-	-
Au Insurance Broking Services Private Limited	Enterprise under significant influence of KMP	Reimbursement of expenses	0.30	-	-	-	-	-

Notes to the Financial Statements *(Contd.)* for the year ended March 31, 2014

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: *(Contd.)*

Name of related party	Nature of related party	Nature of transactions	₹ in lacs	
			March 31, 2014 Amount involved	March 31, 2013 Amount involved
Au Financiers (India) Limited	Holding Company	Corporate guarantee	31,862.08	23,000.00
Mr. Sanjay Agarwal	Managing director	Personnel guarantee	8,038.46	11,450.00
Mr. Sushil Kumar Agarwal	Whole time director	Personnel guarantee	207.21	91.08

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	₹ in lacs	
	Year ended March 31, 2014	Year ended March 31, 2013
CRAR (%)	31.21%	28.87%
CRAR - Tier I capital (%)	24.02%	28.17%
CRAR - Tier II capital (%)	7.19%	0.70%

b. Exposures to real estate sector:-

Category	₹ in lacs	
	As at March 31, 2014	As at March 31, 2013
(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;	40,622.41	17,750.50
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;	Nil	Nil
iii) Investments in mortgage backed securities (MBS) and other securitized exposures :		
(a) Residential	Nil	Nil
(b) Commercial real estate.	Nil	Nil
(B) Indirect exposure		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	Nil	Nil

Notes to the Financial Statements *(Contd.)* for the year ended March 31, 2014

2.30 The disclosure as per NHB Circular no. NHB/ND/DRS/Pol-No. 35/2010-11 dated October 11, 2010 is as under: *(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	284.98	878.10	1,163.08	218.07	-	218.07
Over 1 month to 2 month	284.98	3.14	288.12	178.80	-	178.80
Over 2 month to 3 month	596.70	3.17	599.87	181.61	-	181.61
Over 3 month to 6 month	1,365.05	9.76	1,374.81	561.20	-	561.20
Over 6 month to 1 year	5,621.32	665.58	6,286.90	1,200.12	-	1,200.12
Over 1 year to 3 years	10,592.17	98.59	10,690.76	5,965.72	-	5,965.72
Over 3 year to 5 years	8,507.18	68.86	8,576.04	7,573.99	-	7,573.99
Over 5 year to 7 years	5,750.00	-	5,750.00	8,399.16	-	8,399.16
Over 7 year to 10 years	514.24	-	514.24	12,309.10	-	12,309.10
Over 10 years	198.75	-	198.75	4,034.64	-	4,034.64
Total	33,715.37	1,727.20	35,442.57	40,622.41	-	40,622.41

* 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.

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 23, 2014

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

Sanjay Agarwal

(Managing Director)

Sushil Kumar Agarwal

(Whole-time Director)

Sharad Pathak

(Company Secretary)

Place: Jaipur

Date: May 23, 2014

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT THE FOURTH ANNUAL GENERAL MEETING OF THE MEMBERS OF AU HOUSING FINANCE LIMITED WILL BE HELD AT 10.00 A.M, ON TUESDAY THE 22ND DAY OF JULY, 2014 AT THE REGISTERED OFFICE OF THE COMPANY AT 19-A, DHULESHWAR GARDEN, AJMER ROAD, JAIPUR – 302001 (RAJASTHAN) TO TRANSACT THE FOLLOWING BUSINESS:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited statement of Profit and Loss for the year ended March 31, 2014, the Balance Sheet as at that date and the Reports of the Directors and the Auditors thereon..
2. To appoint a Director in place of Mr. Sanjay Agarwal, (holding DIN No. 00009526), liable to retire by rotation in terms of Section 152(6) of the Companies Act, 2013 and, being eligible, offers himself for re-appointment.
3. To re-appoint the Auditors and to fix their remuneration and in this regards pass with or without modification(s), the following resolution as an Ordinary Resolution:

“RESOLVED THAT pursuant to the provisions of Section 139, 142 and other applicable provisions, if any, of the Companies Act, 2013 (corresponding to Section 224 and other applicable provisions, if any, of the Companies Act, 1956), S. R. B. C & Co. LLP, Chartered Accountants (Firm Registration No: 324982E), be and are hereby re-appointed as the Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting (AGM) till the conclusion of the seventh Annual General Meeting of the company to be held in the year 2017 (subject to ratification of their appointment at every AGM), at a remuneration to be decided by the Board of Directors in consultation with the Auditors plus applicable service tax and reimbursement of travelling and out of pocket expenses incurred by them for the purpose of audit.”

SPECIAL BUSINESS

4. To borrow money in excess of Paid up Capital and Free Reserve of the Company u/s 180(1)(c) and to sell, lease or otherwise dispose of the Assets of the Company for such borrowings u/s 180(1)(a) of the Companies Act, 2013:

To 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 180(1)(c) and other applicable provisions, if any, of the Companies Act 2013 (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 ₹1,500 Crores (Rupees One Thousand Five Hundred Crores Only) [including the money already borrowed by the Company] in Indian Rupees or equivalent thereof in any foreign currency(ies) on such terms and conditions as the Board may deem fit, whether the same may be secured or unsecured and if secured, whether domestic or international, whether by way of mortgage, charge or hypothecation, pledge or otherwise in any way whatsoever, on, over or in any respect of all, or any of the company’s assets and effects or properties including stock in trade (receivables), notwithstanding that the money to be borrowed together with the money already borrowed by the Company (apart from the temporary loans obtained from the Company’s Bankers in the ordinary course of business) and remaining un-discharged at any given time, exceed the aggregate, for the time being, of the paid up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose.

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 ₹1,500 Crores (Rupees One Thousand Five Hundred Crores Only) in Indian Rupees or equivalent thereof in any foreign currency(ies) in aggregate (including the monies already borrowed by the Company) and on such terms and conditions as the Board may deem fit, by way of loans or in any other form whatsoever from, or issue of Bonds and/or Debentures or other Securities or Term Loans, Cash Credit facilities or other facilities in form of debt in the nature of Debentures, Commercial Papers and the like to Bank(s), Financial or other Institution(s), Mutual Fund(s), Non-Resident Indians (NRIs), Foreign Institutional Investors (FIIs) or any other person(s), body(ies) corporate, etc., whether shareholder of the Company or not.

RESOLVED FURTHER THAT pursuant to the provisions of Section 180(1)(a) and other applicable provisions of the Companies Act, 2013 (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 ₹1,500 Crores (Rupees One Thousand Five Hundred Crores Only) at any point of time.

RESOLVED FURTHER THAT the securities to be created by the Company aforesaid may rank exclusive/prior/pari passu/ subsequent with/to the hypothecation/mortgages and/or charges already created or to be created by the company as may be agreed to between the concerned parties.

RESOLVED FURTHER THAT the Board be and is hereby authorized to do all such acts, deeds and things and to sign all such documents and writings as may be necessary, expedient and incidental thereto including delegating its powers under the resolution to give effect to this resolution and for matter connected therewith or incidental thereto."

5. **To Approve the revision of remuneration of Mr. Sushil Kumar Agarwal, WTD & CEO as recommended by Nomination and Remuneration Committee**

"**RESOLVED THAT** in modification to the earlier resolutions passed in this regard and as per recommendation of the Nomination and Remuneration Committee, pursuant to the provisions of Sections 197, 203, Schedule V and other applicable provisions, if any, of the Companies Act, 1953 (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, 2014 for the remaining period of his tenure i.e. upto 9th January, 2016 as set out 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 ₹1,30,00,000/- p. a. w.e.f. 1st April, 2014

- (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 and 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 Whole Time Director, 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 V, annexed to the Companies Act, 2013

In addition to the perquisites, Mr. Sushil Kumar Agrawal 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 Agrawal, 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 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 Agrawal, subject to the applicable provisions of Schedule V of the Companies Act 2013.
- d) Mr. Sushil Kumar Agrawal 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 V annexed to the Companies Act, 2013 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 V of the Companies Act, 2013 , 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 Agrawal, 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 & CEO, by the Nomination and 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 the Directors 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.”

BY THE ORDER OF THE BOARD
FOR Au HOUSING FINANCE LIMITED

PLACE: JAIPUR
DATE: 23rd May, 2014

SHARAD PATHAK
COMPANY SECRETARY

Notes

- A) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING (MEETING) IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. The proxy form duly completed and signed, should be lodged with the Company, at its registered office at least 48 hours before the time of the meeting.
- B) All documents referred to in the notice and the explanatory statement requiring the approval of the Members at the Meeting and other statutory registers shall be available for inspection by the Members at the registered office of the Company during office hours on all working days between 11.00 a.m. and 1.00 p.m. on all days except Saturdays, Sundays and public holidays, from the date hereof up to the date of the annual general meeting.
- C) No person shall be entitled to attend or vote at the meeting as a duly authorized representative of anybody corporate which is a shareholder of the Company, unless a copy of the resolution appointing him/her as a duly authorized representative, certified to be a true copy, shall have been deposited at the Registered Office of the Company not less than forty eight (48) hours before the scheduled time of the commencement of the meeting.
- D) In case you have any query relating to the enclosed Annual Accounts or about the operations of the Company, you are requested to send the same to the Company Secretary at the Registered Office of the Company at least seven (7) days before the date of Annual General Meeting so that the information can be made available at the meeting.
- E) Members/proxies should bring the attendance slip duly filled in for attending the Meeting.
Members holding shares in physical form are requested to write their folio number in the attendances slip and hand it over at the entrance of the meeting hall.
- F) The relative Explanatory Statement, pursuant to Section 102(2) of the Companies Act, 2013 (corresponding to 173(2) of the Companies Act, 1956), in respect of the special business under item No. 4 to 5 are annexed hereto.

BY THE ORDER OF THE BOARD
FOR Au HOUSING FINANCE LIMITED

PLACE: JAIPUR
DATE: 23rd May, 2014

SHARAD PATHAK
COMPANY SECRETARY

Explanatory Statements

Explanatory Statement pursuant to Section 102(2) of the Companies Act, 2013

Item No. 4

The Board of Directors of the Company envisages requirements of funds in future. As per the provisions of Section 180(1)(c) of the Companies Act, 2013, the Board can borrow money subject to the condition that the money to be borrowed together with the monies already borrowed by the Company (apart from the temporary loans obtained from the Company's bankers in the ordinary course of business) shall not exceed the aggregate, for the time being, of the paid-up capital and free reserves, that is to say, reserves not set apart for any specific purpose unless the Shareholders have authorized the Board to borrow the monies up to some higher limits.

Hence, it is proposed to empower and authorize the Board of Directors of the Company to borrow money from any Bank(s), Financial Institutions (FIs), Foreign Institutional Institutions (FII's) Bodies Corporate or Business Associates or other any person or entity etc., in excess of paid up capital and free reserves of the Company by a sum not exceeding ₹1,500 Crores (Rupees One Thousand Five 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 ₹1,500 Crores (Rupees One Thousand Five 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 180 (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 180(1) (a) and 180(1) (c) 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 & CEO 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.

Further the remuneration of Mr. Sushil Kumar Agarwal, Whole time Director & CEO was increased to ₹1,00,00,000/-, per annum (w.e.f 1st April, 2013) as approved by the Nomination & Remuneration committee, Board and further approved by shareholders of the Company in Annual General Meeting held on 26th August, 2013.

Now it is proposed to increase the remuneration of Mr. Sushil Kumar Agarwal, Whole time Director & CEO of the Company upto ₹1,30,00,000/-(Rupees One Crore Thirty Lacs only) per annum, as approved by the Nomination & Remuneration committee and Board w.e.f 1st April, 2014. As per the provision of the Companies Act, 2013, read with schedule V, thereof, approval of shareholders is required for the purpose. Hence, the Board recommends the resolution for your approval by the way of special resolution.

The above 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 & CEO pursuant to the section 190 of the Companies Act, 2013.

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

BY THE ORDER OF THE BOARD
FOR Au HOUSING FINANCE LIMITED

PLACE: JAIPUR
DATE:23rd May, 2014

SHARAD PATHAK
COMPANY SECRETARY

Au HOUSING FINANCE LIMITED

Regd. Office: 19-A, Dhuleshwar Garden, Ajmer Road, Jaipur-302001

www.auhfin.in

CIN : U65922RJ2011PLC034297

Proxy Form

Name of the member(s): _____

Registered Address: _____

E-mail ID: _____ Folio No: _____

I/We, being the member(s) of Au Housing Finance Limited, holding _____ no. of shares of the above named company, hereby appoint

- 1. Name: _____ Address: _____
E-mail ID: _____ Signature: _____
- 2. Name: _____ Address: _____
E-mail ID: _____ Signature: _____
- 3. Name: _____ Address: _____
E-mail ID: _____ Signature: _____

As my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the Fourth Annual General Meeting of the company, to be held on the 22nd day of July 2014 at 10:00 a.m. at the registered office of the Company at 19-A, Dhuleshwar Garden, Ajmer Road, Jaipur and at any adjournment thereof in respect of such resolutions as indicated below:

Resolution No.:

- 1..... 2..... 3..... 4.....
- 5.....

Signed this _____ day of _____ 2014

Signature of shareholder

Affix Revenue here

Note: This form of proxy in order to be effective should be duly completed and deposited at the registered office of the Company, not less than 48 hours before the commencement of the Meeting.



Au HOUSING FINANCE LIMITED

Regd. Office: 19-A, Dhuleshwar Garden, Ajmer Road, Jaipur-302001

www.auhfin.in

CIN : U65922RJ2011PLC034297

ATTENDANCE SLIP

(To be handed over at the entrance of the Meeting hall)

Fourth Annual General Meeting – July 22, 2014

I hereby record my presence at the FOURTH ANNUAL GENERAL MEETING of the Company at the registered office of the Company at 19-A, Dhuleshwar Garden, Ajmer Road, Jaipur -302001 on 22nd day of July 2014 at 10:00 a.m.

Full name of the member (In BLOCK LETTERS):

Folio No. No. of Shares held.....

Full name of proxy (In BLOCK LETTERS):

Member's/Proxy's Signature:



CORPORATE INFORMATION

Board of Directors

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

Chief Financial Officer

Mr. Ghanshyam Rawat

Company Secretary

Mr. Sharad Pathak

Senior Management Team

Mr. Ashutosh Atre - *National Credit Manager*
Mr. Mukesh Agarwal - *Accounts Manager*
Mr. Arvin Jacob - *State Business Manager (Rajasthan)*
Mr. Rakesh Sharma - *State Business Manager (Maharashtra)*
Mr. Lokesh Dagdi - *State Business Manager (Madhya Pradesh)*
Mr. Vikas Ahuja - *State Business Manager (Delhi & NCR)*
Mr. Mihir Desai - *State Business Manager (Gujarat)*
Mr. Manoj Sharma - *Legal Manager*

Registered Office:

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

Corporate Office:

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

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

Internal Auditors

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

Bankers

Andhra Bank
Bank of Baroda
Bank of India
Corporation Bank
DCB Bank
HDFC Bank
ICICI Bank
IDBI Bank
Ratnakar Bank
State Bank of Bikaner & Jaipur
State Bank of Hyderabad
State Bank of India
State Bank of Patiala
Tata Capital
YES Bank



Au HOUSING FINANCE LIMITED

CIN: U65922RJ2011PLC034297

Registered Office:

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

Phone: 0141 4110060

Corporate Office:

201-202, 2nd Floor, Southend Sqaure,
Mansarovar Industrial Area, Jaipur - 302020 (Rajasthan)

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