SAPNE AAPKE, SAATH HAMAARA

Ref. No. AAVAS/SEC/2019-20/118

Date: July 04, 2019

To,	To,
The National Stock Exchange of India Limited **The Listing Department** **Exchange Plaza,** **Bandra Kurla Complex,** **Mumbai - 400051**	**BSE Limited** **Dept. of Corporate Services** **Phiroze Jeejeebhoy Towers,** **Dalal Street, Fort,** **Mumbai - 400001**
Scrip Symbol: AAVAS	**Scrip Code: 541988**

Dear Sir / Madam,

Sub: Annual Report for the Financial Year 2018-19 and Notice of the Annual General Meeting

We wish to inform you that Ninth Annual General Meeting ("AGM") of the Members of Aavas Financiers Limited ("Company") will be held on Thursday, August 01, 2019 at 3:30 P.M. at Clarks Brij Convention Centre (CBCC), Hotel Clarks Amer, Jawahar Lal Nehru Marg, Near Jaipur Airport, Jaipur-302018 (Rajasthan). In this regard, please find attached herewith Annual Report of the Company for Financial Year 2018-19 along with the Notice of Ninth AGM.

The Notice of Ninth AGM and Annual Report for FY 2018-19 are also made available on the website of the Company at the link: https://www.aavas.in/investor-relations/annual-reports.

The Company has commenced the dispatch of the Notice of Ninth AGM and the Annual Report for FY 2018-19 to the Members by the permitted mode (s) from Thursday, July 04, 2019.

You are required to take the same on record.

Thanking You,

For Aavas Financiers Limited

AAVAS FINANCIERS LIMITED

Sharad Pathak
Company Secretary & Compliance Officer
(FCS-9587)

Enclosed a/a

SAPNE AAPKE, SAATH HAMAARA

Marathon-prepared

How Aavas Financiers has embarked on a long-term journey with clarity of business growth and sustainability for all stakeholders

Annual Report 2018-19

Contents

The theme of this report

This is the first annual report of Aavas Financiers Limited following its initial public offer in 2018.

Rather than merely present a review of the last financial year, the Company has selected to explain its long-term business model and approach.

We believe that this transparency will educate our stakeholders (existing and prospective) leading to informed decisions.

“

To finish first,
you must first finish.

”

The journey of a thousand miles begins with a single step…

India's mortgage finance sector reported a flat 2018-19.

During the same year, Aavas Financiers reported 30% disbursement growth.

And growth in assets under management (AUM) by 46%.

…And all we intend to do across our marathon journey of our existence is move from Point A to Point B

Aavas is addressing a segment with a mortgage penetration of just one per cent.

Through our sustained growth, we expect to enhance that penetration and grow sustainably year-on-year.

Our long-term road map

At Aavas Financiers, we have outlined a multi-year and multi-decade vision.

We expect to grow revenues sustainably each year across the long-term.

We believe that the compounded impact of this would create substantial value.

Our approach

We believe that in a challenging business, the priority is to first finish.

This focus (as opposed to finishing first) will help us build a robust foundation.

This robustness will be marked by a niche presence in a lending business, de-risking and investment in futuristic technologies.

Our discipline

We believe that superior value-creation is the result of sustained market outperformance.

At Aavas, this outperformance will not be derived from taking outsized bets.

This outperformance will be derived from a focus to grow to the extent our Balance Sheet and priorities permit – no more, no less.

8 things you need to know about Aavas Financiers Limited.

01. Background

Aavas Financiers Limited was incorporated as 'Au Housing Finance Private Limited' in 2011, as a private limited company. In 2013, the Company was converted into a public limited company and the name changed to 'Au Housing Finance Limited'. Thereafter, in 2017, the name of the Company was changed to 'Aavas Financiers Limited'.

02. Our corporate philosophy

Vision: Enriching lives of people by enabling them to achieve their dream of owning a home: *Sapne Aapke, Saath Hamaara.*

Mission: To empower and upgrade lives of low and middle-income customers by providing them accessible home loans and setting pioneering benchmarks in unserved and underserved markets.

Values: Create customer delight with focus on ease and speed.

Blend traditional ethics with modern outlook to create an environment of trust and transparency.

Be responsive, professional and ethical in our approach towards customers.

Nurture employees to perform passionately with a sense of ownership.

03. Focus

The Company aspires to provide housing loans to customers belonging to the low and middle-income and self-employed segments in suburban and rural India. A large segment of India's rural and semi-urban population is unserved or underserved by formal financial institutions comprising customers without any credit history and we believe that this customer segment offers us significant growth opportunities and customer loyalty. We intend to focus on disbursing loans to underserved low and middle income customers primarily for the purchase and construction of single unit houses using unique appraisal methods. Aavas assesses these customers individually through differentiated means and provides customised financial solutions.

04. Reach

Capitalising on the growing demand for mortgage finance coupled with the under-penetration in India's housing finance sector, Aavas focuses on addressing under-served and un-served housing finance needs across Rajasthan, Maharashtra, Gujarat, Madhya Pradesh, Haryana, Uttar Pradesh, Chhattisgarh, Delhi, Uttarakhand and Punjab. In 2018-19, the Company spread its reach to Haryana and Uttar Pradesh and entered Punjab and Uttarakhand. We believe that these states combine a number of realities ideal for our business: rising incomes and growing aspirations among the rural and semi-urban under-served; a large number of individuals seeking to own their first homes and attractive contiguous markets.

05. Workforce

The Company comprises a team of dedicated individuals and qualified professionals like Chartered Accountants, Company Secretaries, Lawyers, Engineers and Software Developers possessing degrees from top technical institutions including IITs and

MBAs from premier institutes like IIMs. The Company had 3,190 employees as on March 31, 2019.

06. Listing

The shares of the Company were listed on October 08, 2018 at National Stock Exchange of India Limited ("NSE") and BSE Limited ("BSE"). The Company enjoyed a market capitalization of ₹9,027.71 crore as on March 31, 2019.

07. Management

Aavas is led by qualified and experienced key managerial personnel, who are supported by a capable and motivated pool of managers and other employees. We believe that our management team possesses an extensive knowledge and understanding of the housing finance business and the expertise and vision to organically scale our business.

The team also possesses diverse experience across a range of financial products and functions related to our business and operations. The Board of Aavas is chaired by Mr. Krishan Kant Rathi, an industry veteran with more than 27 years of financial services experience. Our founder, Managing Director and CEO, Mr. Sushil Kumar Agarwal, has been associated with the financial services industry for 18 years. Our Co-founder and Chief Financial Officer Mr. Ghanshyam Rawat has over 23 years of work experience in finance, fund raising, treasury management, forex and interest risk management and mergers & acquisitions. Mr. Sunku Ram Naresh, our Chief Business Officer, possesses an experience in mortgage and FMCG distribution of over 20 years. Mr. Ashutosh Atre, our Chief Credit Officer, has over 29 years of work experience in credit management.

08. Performance

The Company reported profitable growth in 2018-19. While revenues strengthened 44%, profit after tax increased 89%, net interest margin was 9.32% and delinquent assets accounted for a mere 0.47% of the Company's book.

93,484
Cumulative housing units financed

<10 Lakh
Average ticket size

~65%
Book catering to self-employed customer segment

75.5%
Home Loan book

210
Total branches as on March 31,2019

9,027.71
Market capitalisation, March 31, 2019 (₹ crore)

Chairperson's review

Building an institution of respect

Governance.

This is my deliberate first word of the first annual report of our Company since its going public in 2018.

The focus of our governance intent is to be deeply trusted.

We believe that trust represents the lifeblood of our business. The more we are trusted, the stronger the employee traction, the more capital lenders will provide resources and the longer our investors will stay with invested across our journey.

This reality makes governance a cornerstone in our Company from where our financial numbers flow.

The big question: What is governance? What does it comprise? Why will it be the single biggest difference between the excellent and the average?

My answer is that governance is the comprehensive process by which we intend to manage our Company. Good governance will be the insurance against sectoral volatility that makes all earnings growth sustainable.

Good governance comes primarily from an association with the right people – starting from the promoters, Board of Directors, professional managers, capital providers, quality of customers and community engagement.

I am pleased to report that the promoters of Aavas Financiers come with a multi-user experience of having worked in India's banking and non-banking finance spaces across market cycles, companies and geographies.

Our Board of Directors comprises individuals of respect and standing who provide a distinctive business direction. At a time when the Company is presenting its maiden annual report to stakeholders, post listing, it would be relevant to indicate that the Board has collaborated with the management to chart out a multi-year blueprint that provides clarity of the niche within the large industry that the Company wishes to occupy, the margins it seeks, the customers it intends to work with and the kind of growth that the Company intends to achieve year-on-year.

The professional Aavas management under the leadership of Mr. Sushil Kumar Agarwal has distinguished itself in creating a best-in-class housing finance company.

At Aavas Financiers, we believe an ethical framework represents the most critical infrastructure. This influences something more relevant than the cost at which we may finance home ownership.

The Board believes that it is equipped to take the Company's growth journey forward by adhering to the highest governance standards.

We believe that this articulation is of seminal importance in a sector experiencing high mortality - not because some of the sectoral players did not know their terrains well or deep enough but because they attempted to address the extensive sectoral under-penetration with an unsustainable business momentum that affected their Balance Sheet credibility. In contrast, Aavas Financiers has been pursuing a business objective that is not as much about emerging as the largest or fastest growing Indian housing finance company as much as about the prospect of growing sustainably.

The second point I wish to highlight is that we are engaged in this business with a long-term perspective. This focus is not merely limited to our vision statement; it is something that we have extended across virtually every initiative. When we recruit, the focus is on whether the individual possesses the fundamentals to be working with us 10 years from now; when we invest in a cutting-edge technology the priority is not whether we derived the best bargain but whether the technology is futuristic, modular enough to be scaled and flexible to adapt so that it continues to serve as a responsible backbone across the long-term.

The third point is our emphasis on whether our Balance Sheet can always be robust enough to address different market cycles and opportunities. The result is that even as we are engaged in a business with extensive under-penetration where the biggest objective should have normally been to fire on all cylinders, we have prudently selected to be just rightly borrowed with a high credit rating that translates into a low cost of funds – a virtuous cycle.

The fourth point – and possibly the most important – is how we wish to conduct ourselves. At Aavas Financiers, we believe an ethical framework represents the most critical infrastructure. This influences something more relevant than the cost at which we may finance home ownership; it influences whether we can be trusted and whether we can evoke a sense of respect. What makes this challenging is that this ethic needs to be articulated, lived and showcased – not only as a desirable way to work but as a way of life.

I believe that Aavas Financiers has embarked upon an exciting journey to build an organization that will evolve from being just another housing finance company into an institution of respect.

Krishan Kant Rathi,
Chairperson

CEO's overview

"What's different about Aavas? We are a human-centric enterprise with a long-term strategy in a long-term business"

I am pleased to be communicating the first time to our retail shareholders following our initial public offering in 2018.

This communication provides me with an opportunity to explain how we intend to succeed in India's challenging housing finance space and how we expect to build an institution across the long-term.

Perspective clarity

One of the first things that I intend to impress upon our shareholders and other stakeholders is that a presence in the country's housing finance sector is like participating in a marathon. Like in most marathons, the race is not as much with other runners as much as it is with oneself. Anyone who has run a marathon will testify that in such races the mind loses before the body does. Besides, on most occasions, the distance appears daunting, the strategy of how to pace oneself becomes critical, there is a priority on preparation; success lies in first finishing the race as opposed to finishing first.

The housing finance sector is no different. The marathon analogy fits perfectly with our sector considering that most mortgage loans are disbursed for a quarter of a century. The extended financing tenure makes it imperative to screen individuals who possess the means and intention to repay, to mobilise funds at a considerably lower cost for maintaining financial viability across the loan tenure and to build an organisation that remains viable and liquid through this extended tenure.

'Discipline' is that operative word that ensures success in a marathon and housing finance sector. The word carries a number of connotations: strategic preparedness, building one's constitution, mind control, pacing the race and managing stamina. Interestingly, the focus is less on what other runners may be doing and more on one's planning. The race then is not with the others as much as it is with oneself.

A presence in the country's housing sector is similar. The extended nature of the loan – 25 years in most cases – places a priority on our Company to lend only to those who we believe will

'Discipline' is that operative word that ensures success in a marathon and mortgage sector.

service the loan on time and in full, stay engaged with the customer during the loan life cycle, borrow cost-effectively and generally live with a liquid Balance Sheet translating into a superior credit rating. Success then in our business is not just about doing the right things comprehensively and consistently but also about not playing to the gallery by addressing fleeting opportunities for the moment that enhance our quarterly numbers but affect our long-term viability.

Addressing the paradox

The mortgage industry paradox is what most analysts and shareholders ask me about.

Consider the numbers:

India has approximately 260 million families.

Only 10 million families have been covered by mortgage.

This indicates a near 4% mortgage coverage in India.

When you split this coverage, you get something more intriguing.

Eighty per cent of families covered by mortgage figure in India's 50 leading cities – a penetration of 15%.

Nearly 1 billion people outside India's top 50 cities account for the mortgage of 2 million homes – a 1% penetration.

Aavas has selected to focus on an India marked by 1% penetration.

Our objective is to grow our business to the extent that we enhance this penetration to 2%.

Most people have asked: why don't you plan to grow faster? Why don't you carve out a larger market share? Why don't you address the vast headroom quicker? Why don't you set up offices faster across the country?

My consistent answer is that long-term success in this business is derived from exercising only select options, deepen competence in select areas, refuse to be tempted by strategic distractions and stay true to a long-term discipline. In doing so, we have made a conscious decision in favour of growing conservatively but consistently as opposed to growing rapidly but erratically.

We believe that the former approach is more value-accretive. Financial institutions and capital providers prefer to work with housing finance companies with revenue and surplus visibility; they prefer to work with companies where the growth may be moderate but sustainable; they warm up to companies that keep growing every year in a sustainable way as opposed to those with unforeseen downsides.

It is our experience that these companies grow securely as well: they enjoy superior credit rating, mobilise cheaper credit, borrow across longer tenures and recruit better – growth across every business driver.

I am pleased to report that Aavas is such a company mirroring all these strategic attributes.

Aavas' strategic DNA

Over the years, we have created a differentiated Aavas in a number of ways.

Aavas has a credit-led DNA as opposed to most housing finance companies with a sales-driven DNA.

Aavas is a retail-focused housing finance company that primarily addresses the financing needs of individual home builders. As an extension of this definition, we have resisted the temptation to invest in properties, to finance real estate builders, to engage in corporate loans or to finance large properties under construction. The result is that even as we have selected to focus on the small (in terms of ticket size), the implications are anything but small. We see a growing scope for financing a considerably larger number of such retail customers, making it possible to capitalise on a larger demand upturn and spread our risk across a larger number of customers – a larger upside on the one hand coupled with a limited downside.

At Aavas, we have popularised our conviction that 'Customer *bhagwaan hai*'. When we first used this term, it sounded too much of a cliché for it to be taken seriously. Since virtually every company made this pronouncement, there was a danger that the term would not be taken seriously by our employees. We went one step ahead: we made it binding on our customer-interfacing executives to process applications within a stipulated period, failing which a pre-specified fine would be deducted from their monthly remuneration. When we extended this customer-protecting clause to implementation, the word went around with speed and I am pleased to state that the proportion of housing financing cases closed within the stipulated period has increased significantly.

I am pleased to state that the proportion of mortgage financing cases closed within the stipulated period has increased significantly.

At Aavas, we infused FMCG standards in the housing finance sector. The result was that we inspired freshness, enhanced discipline, infused best practices from other sectors, established a robust routine and increased overall effectiveness.

At Aavas, we appraised every initiative through the 'long-term' prism. We asked ourselves questions like 'Can this initiative remain viable across the long-term?' What enhanced our effectiveness was that we empowered virtually every manager within to ask this question. I am pleased that this simple – yet effective – initiative prompted a rethink in a number of instances. Initiatives that may have served us well across the medium-term but not only longer were dropped in favour of initiatives that would have remained relevant across the long-term. I must report that when employees began to increasingly exercise this prism in their every-day engagement, the quality of decision-making transformed across the organisation. There was a sharp decline in arbitrage-driven and opportunistic initiatives; there was a greater focus on the sustainable.

At Aavas, there had always been the temptation of muscling our way into the commodity end of the business and pricing below the prevailing average with the expectation to carve away a disproportionately large share of the business. This is something we resisted from the day we went into business: we resolved to rise above the commodity average, price risks appropriately, address prevailing demand as opposed to target-driven sub-quality loans and enhance our presence at the premium end of the mortgage finance sector. I am pleased that our longstanding commitment is visible in our negligible non-performing assets and wide net interest margin, both of which are better than sectoral average. I am also pleased that this preference has effectively become our brand: Aavas is not necessarily known for aggressively chasing deals down to the last bps; we are, on the contrary, respected for marching to the tune of a value-added drummer.

At Aavas, the enunciation of a multi-year vision has had other spin off benefits: every executive knows well in advance what business needs to be generated from that location next year and the year after next, strengthening a long-term preparedness. Besides, this clarity also helps our executives plan down to their monthly targets as early as a couple of years away, liberating them from the stress of the unknown. As an extension, there is a greater selectivity in the nature of business to be addressed or avoided, strengthening our premium recall, quality of business and margins.

At Aavas, we prefer to recruit executives from a diverse range of background. The advantage is that these executives are free from any bias of what is possible or not possible in the housing finance sector; we train comprehensively and continuously; we empower aggressively; we emphasise work-life balance in a stressed sector. The result is a team built around a distinctive Aavas spirit and refreshingly contrarian spirit in a routinely conventional sector.

At Aavas, we believe that we can do everything right and yet fail if there is an absence of respect for the dignity of the people we work with. This statement could have been mere lip service; however, we selected to embark on decisive change: we created a fixed daily office schedule starting from 9:30 am to 6:30 pm. To eliminate the possibility of executives working overtime from home or office, we shut our IT system each evening, logging every single employee out of the system. The result has been an increase in family time, more fulfilled individuals and increased office productivity. By working less, we have demonstrated that it is indeed possible to deliver more.

Overview

Through a long-term approach in a long-term business, we are building Aavas as a human-centric enterprise where high people retention translates into distinctive knowledge capital, sectoral outperformance, sustained growth and enhanced value in the hands of all our stakeholders.

Sushil Kumar Agarwal,
Managing Director and Chief Executive Officer*

I am pleased that our longstanding commitment is visible in our negligible non-performing assets and wide net interest margin, both of which are better than sectoral average.

* Change in designation with effect from May 3,2019 subject to the approval of shareholders in the Annual General Meeting

Operational review

Analysis of the Company's performance in 2018-19

Q: Were you pleased with the performance of the Company in 2018-19?

A: We experience a successful year at Aavas. The Company reported profitable growth. Even as revenues increased 44%, profit after tax strengthened 89%. The sharp divergence of these numbers suggests that the Company strengthened its competitive position; the fact that since inception, the Company has reported only profitable growth indicates that it continues to do what it is best at in the best possible manner.

Q: What was particularly heart-warming about the Company's performance during the year?

A: The financial year under review was the best of times (for the Company) and the most challenging of times (for the sector). The country passed through a challenging year, marked by weaker consumer sentiment, unexpected short and long-term debt default by a large NBFC in India, which induced panic that translated into a short-term 'liquidity paralysis' in the Indian economy and financial markets (debt and equity). The result was that small and medium enterprises encountered an acute liquidity crunch. The government of India moved swiftly to provide liquidity in addition to open market operations and debt purchase by public sector banks from NBFCs through securitization, stabilizing the market leading to normalisation and recovery. However, what transpired was that a number of NBFCs reported weaker performance resulting in a crisis of confidence. The fact that Aavas did not close for a single day during the liquidity paralysis phase but reported record results – almost untouched by the prevailing sectoral crisis – was easily the highlight of our performance during the last financial year.

Q: The Company selected a challenging moment to float its maiden IPO during the year under review?

A: I agree that the Company selected a challenging moment to list on the exchanges.

The issue was successfully subscribed at 97%, even during the challenging period and secured a place on NSE and BSE. However, what I want to emphasise is the timing of the Company's IPO. The timing was prudent in that we needed to attract marquee investors, induct public funds, widen our asset class and broaden our risk profile. Besides, we believe that this listing will enhance our brand, strengthen public confidence in our business and make it possible to recruit better. When seen holistically, I see the listing as milestone in our journey to be rated better by the credit rating agencies, which, in turn, could make it possible for us to mobilise lower-cost funds, strengthening our business sustainability. As a result, the IPO was not just an academic development; we see it an important marker in our quest to build a stronger company.

Q: How did the Company seed its business for prospective growth during the year under review?

A: One of our priorities during the last financial year was not just to grow our business for the moment but to seed it for prospective and sustainable growth. We were in eight States at the start of the financial year under review; we expanded in Haryana and Uttar Pradesh and entered Punjab and Uttarakhand during the course of the year, taking the overall tally of the States of our presence to ten. These new States are contiguous to the States where we enjoy an existing presence; there is an existing culture of credit in the new markets; there is a growing base of ground level prosperity; there is a large under-penetrated mortgage market in the geographies. Correspondingly, we increased the number of branches in 2018-19 from 165 to 210. In view of these realities, we see our initiatives during the last financial year translating into strengthening traction, revenue and profits.

There is another part of this answer: at a time when it was challenging for the sector to manage liquidity, we successfully mobilized ₹678 crore in the third quarter, strengthening our liability profile. We raised a seven-year rupee-denominated masala bond of ₹200 crore from CDC Group, UK's development finance institution, which can be listed on an international exchange, a precursor to being able to mobilize additional funds.

We also executed ₹323 crore assignment of other mortgage loans at 9.13% for which our average pool yield was 16.33%, generating a 7%-plus spread. Besides, we continued to maintain a positive ALM across tenures.

Q: What is the big message that you wish to send out to shareholders?

A: One of the things that shareholders would be prompted to ask, given the challenging sectoral environment, is whether we compromised our fundamentals in pursuing aggressive growth during

How we distinguished ourselves from our broad sector in a challenging 2018-19

- Most mortgage companies of our size could not raise additional funds; we mobilized an aggregate ₹2,144 crore through various instruments
- Most mortgage companies suffered weaker credit rating; our long term rating enhanced to "AA-/Stable Outlook" by CARE Ratings and reaffirmed short term credit rating to A1+ from ICRA and CARE Ratings.
- Most lenders became cautious; we diversified our cost-effective long-term financing with 37 lenders; 89% of our borrowings were derived from term loans, assignment, NHB financing and cash credit facility and only 11% from the debt capital market (no commercial paper).
- Most housing finance companies froze investments in their business; we made a significant investment in 2018-19 in technology, management team and branch expansion.
- Sectoral mortgage assets came under pressure; our 1+DPD remained an at attractively low 3.43% as on March 31, 2019 compared to 4.77% during the same period in the previous year.

Most mortgage companies suffered weaker credit rating; our long term rating enhanced to "AA-/Stable Outlook" by CARE Ratings and reaffirmed short term credit rating to A1+ from ICRA and CARE Ratings.

the last financial year. I am proud to state that we did not: we grew our revenues and profits without in any way compromising the robustness of our loan book. This is evident in the numbers: despite a 30% disbursement growth, our non-performing assets were a mere 0.47% of our loan book and around the level of the previous year, considerably below the sectoral average. We reported a consistent ROA of 3% and above. It would be good to remember that since we raised capital in the last quarter, our intrinsic RoAs are better.

Meanwhile, we moderated our average cost of funds and maintained our net interest margin around the level of the previous year (and possibly among the highest levels in our sector). This validates our culture of conservative lending during the year under review.

Q: What is the basis of your optimism?

A: There are a number of things to be optimistic about.

From a sectoral point of view, we continue to be present in extensively under-penetrated and under-serviced mortgage markets, where the priority of the day is to catch up with pent-up demand. As if this is not enough, a sustained growth in per capita incomes is creating additional demand for home financing. So the biggest optimism is that the market we serve is large with the room to accommodate a number of companies like ours.

Within this market, we have selected to be present in a niche that largely insulates us from the commodity segment. We provide housing finance to individuals building their own homes, where an attractive proportion of the individual's funds has already been invested in the home (skin in the game) and our financing is for a property under construction into which the individual will move about a year. In this market, we service a vast range of individuals close to the bottom of India's economic pyramid – the *chai wallah*, the *sabzi wallah*, the driver, the local tradesman etc. We will continue to extend loans with an average ticket size of less than ₹10 lakh for self-occupancy of a single unit dwelling. With the recent government policies making housing affordable, we see significant opportunities driven by demand from the low-and middle-class income segment and self-employed customers with a significant financing gap.

We believe that for this customer segment, prestige and credibility are paramount, incentivising timely repayment.

We also believe that India is passing through a phase of extensive economic rejuvenation starting from the grassroots, as a result of which our large market is only likely to get larger.

Mr. Ghanshyam Rawat,
Co-founder and CFO

How Aavas is positioned around business sustainability

The big picture

Aavas is prudently invested to generate superior growth from this point onwards

A: Macro business perspective

Infrastructure

We were at 210 branches at the close of 2018-19; we expect to enhance our reach in existing territories. We plan to seek opportunities in new and unexplored territories.

Sectoral under-penetration

Our optimism is derived from the fact that the housing finance sector is extensively under-penetrated across non-metro markets. We seek opportunities in markets that are unexplored and untouched by others.

Market selection

We have selected to be present in States and tehsils marked by extensive under-penetration and low organized competition, providing us a distinctive competitive edge over competition.

B: Qualitative resources

People

We have plugged all managerial gaps. The team bandwidth comprises diverse competencies required to run a futuristic housing finance company comprising business heads with knowledge and experience.

Capitalization

Aavas possessed ₹1,837 crore of net worth as on March 31, 2019, indicating adequate capitalization to sustain prospective growth and low gearing.

Lender mix

The Company's debt providers comprised a mix of foreign institutional investors, banks (private and public) and financial institutions (Indian and global), enhancing access to funds on the one hand and moderating costs on the other.

C: Cutting-edge technologies

Data analytics

The Company mined extensive data with the objective to derive a deeper understanding of market realities generally 'hidden' to most, leading to informed decision-making.

Digitisation

The Company invested in cutting-edge digital technologies, integrating real time high-end technology with the objective to increase the technology-driven sourcing of customers, moderate operating expenditure, ensure data security and make other business-strengthening interventions.

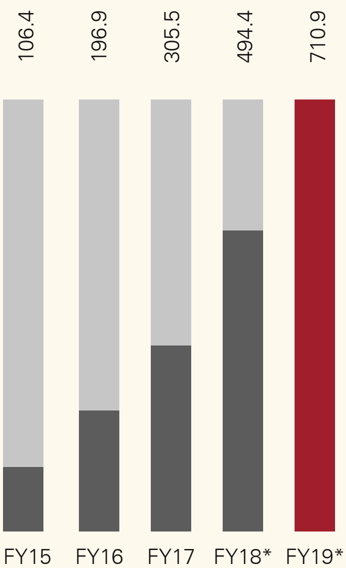
Data Security

The Company invested in integrating real time high-end technology with the objective to protect data from destructive forces and unauthorised users.

What you see in our numbers

Total Revenue
(₹ in crore)

61% CAGR



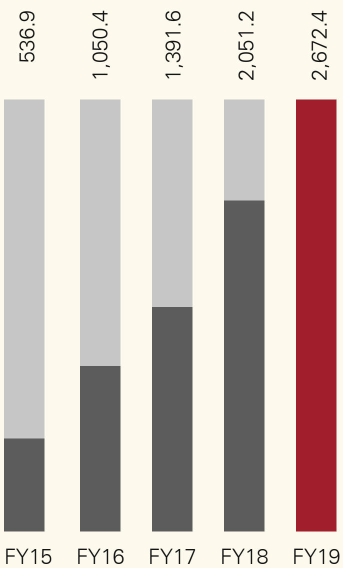
Why is this measured?
It is an index that showcases the Company's ability to maximise revenues, which provided a basis against which the Company's success can be compared with sectoral peers.

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

Result
The Company's revenues increased by 44% to ₹710.9 crore in FY2018-19.

Total Disbursement
(₹ in crore)

49% CAGR



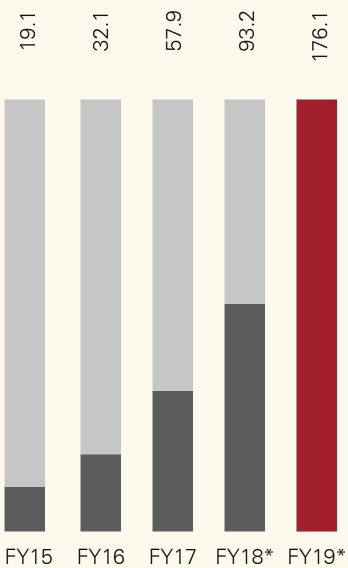
Why is this measured?
It is an index that showcases the total loan disbursed by the Company in the form of housing and non-housing finance.

What it reveals
It shows the disbursement bandwidth of the Company and its ability to source funds for disbursement.

Result
Aggregate disbursements increased by 30% to ₹2,672.4 crore in FY 2018-19 due to the widening customer base and expansion of reach.

Profit after tax
(₹ in crore)

67% CAGR



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

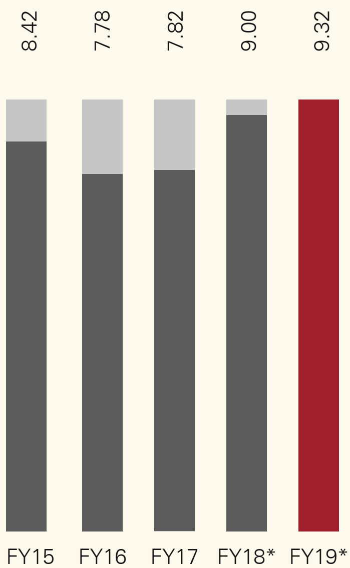
What this reveals
Ensures that adequate cash is available for reinvestment and allows the Company's growth engine to sustain.

Result
The Company's net profit registered an increase of 89% over the previous year.

* As per Ind AS

Net total income
(%)

32 bps



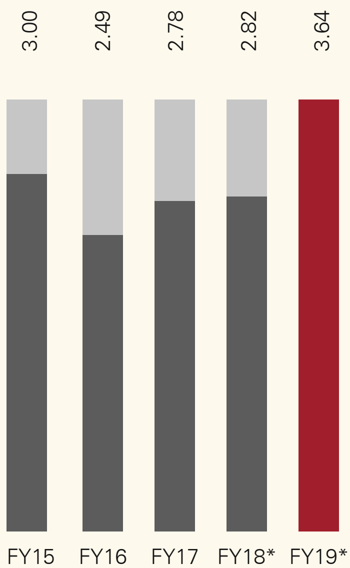
Why is this measured?
It is the percentage of net total income to the average of total assets. The spread between the cost of funds and the interest rate charged to borrowers and fee income are the primary sources of profit for financial lending institutions like us.

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

Result
The Company's net total income grew by 32 bps from 9% in 2017-18 to 9.32% in 2018-19.

Return on assets
(%)

82 bps



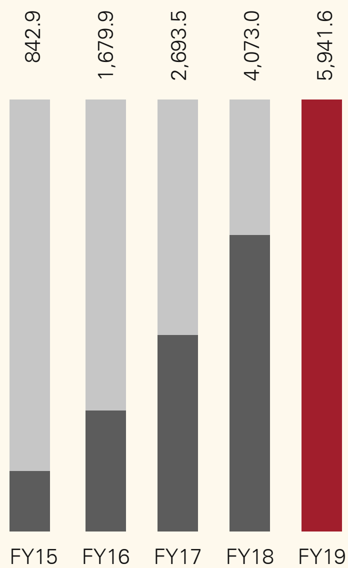
Why is this measured?
Return on assets (ROA) is an indicator of how profitable a company is relative to its total assets.

What this reveals
ROA provides an idea as to how efficient a company's management is at using its assets to generate earnings.

Result
Aavas improved its RoA to a steady 3.64% on account of a high asset quality, lower delinquency and consequently lower risk cost than peers.

Assets under management (₹ in crore)

63% CAGR



Why is this measured?
It is an index showing the total market value of the assets under management.

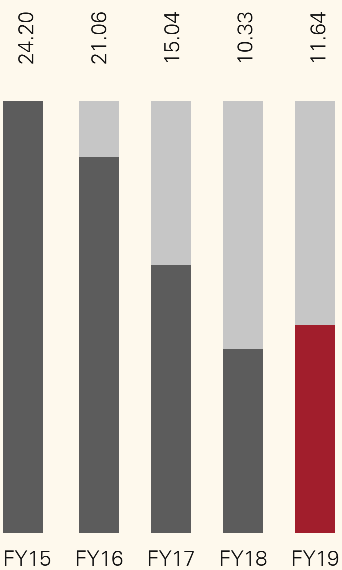
What this reveals
Larger AUM of the Company signifies scale and ability to disburse more and generate better revenues.

Result
The Company's AUM increased by 46% to ₹5,941.6 crore in FY 2018-19.

* As per Ind AS

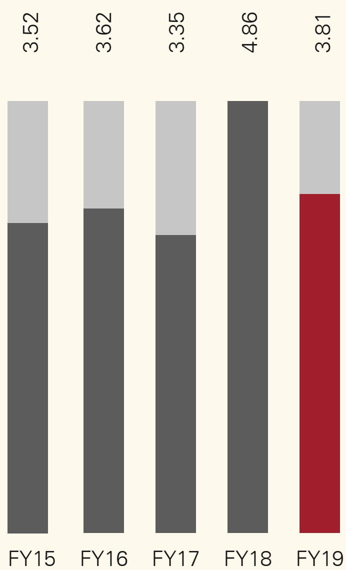
Other financial parameters that highlight our outperformance

Return on equity on simple average (%)



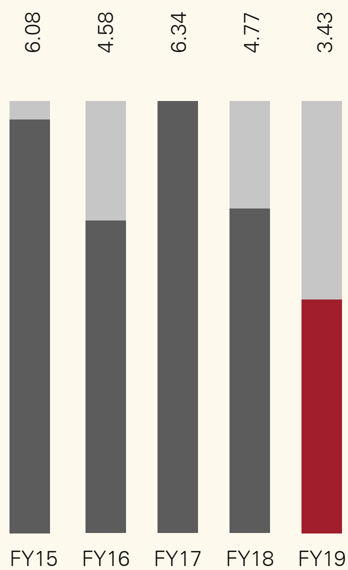
Achievement
This measures how efficiently the Company utilises shareholder funds and generates attractive returns. The Company's improved earnings and broadbased capital on being listed translated into a 11.64% return on equity to shareholders.

OPEX as % of average total assets



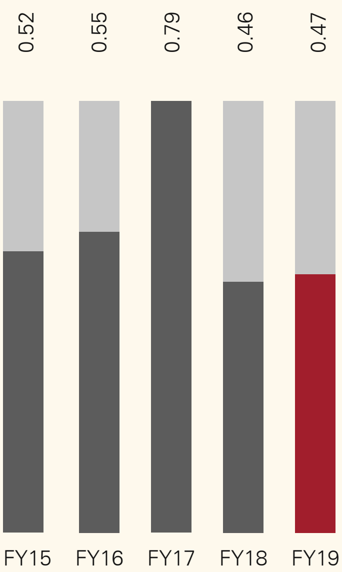
Achievement
Even while expanding continuously, the Company was successful in rationalising its operational expenditure on account of superior asset quality, longevity of customers (average tenure around eight years) and better fee income ratio. The result is that the Company's operational expenditure declined to 3.81% as a percentage of total assets compared to 4.86% in the previous year.

Delinquency, One-day pass due on AUM (%)



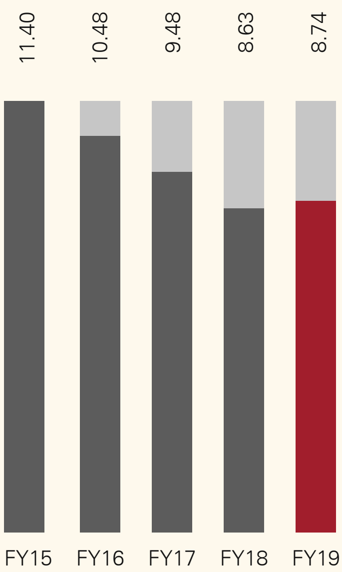
Achievement
The Company successfully decreased its delinquency percentage even as the business volume increased, validating the quality of its loan book. Besides, this decline needs to be viewed in the light of the fact that the industry average is in double digits.

Non-performing assets
(%)



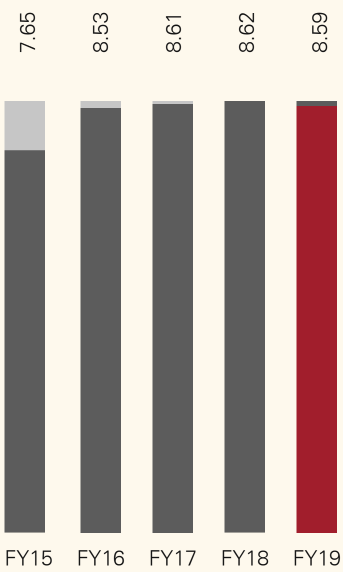
Achievement
The Company reported a decline in non-performing assets across the last three years, stabilizing it at the lower level. This level is considerably lower than the sectoral average and possibly among the lowest levels in India's mortgage sector. This low percentage validates the Company's underwriting skills, customer selectivity, low construction tenure (often less than a year) and in-house teams (collection/valuation/mortgage risk).

Cost of funds
(%)



Achievement
Over the years, the Company leveraged the strength of its Balance Sheet and credit rating to mobilise progressively lower-cost funds from institutions and capital providers. In the last three years, the Company's average funds cost stabilised, offsetting the decline in the average lending rate.

Average loan ticket size
(₹ in lakh)



Achievement
The Company continued to extend loans with an average ticket size of less than ₹10 lakh for the self-occupancy of a single unit dwelling. We see this market only getting larger with the government focusing on housing affordability for the masses and the space still experiencing a sustained financing gap.

An integrated report of how we enhanced value

There is a growing importance of the Integrated Value-Creation Report as a communication discipline.

This Integrated Value-Creation Report overcomes the shortcomings of the conventional communication approach through a comprehensive reporting framework that reconciles 'hard' and 'soft' initiatives into an integrated format.

Integrated reporting combines different reporting strands (financial, management commentary, governance and sustainability reporting) into a coherent whole that explains an organization's holistic ability to create, enhance and sustain value.

The primary purpose of integrated reporting is to explain to providers of financial capital how an organization enhances value over time. The impact of the integrated report extends beyond financial stakeholders; it enhances understanding across all stakeholders - including employees, customers, suppliers, business partners, local communities, legislators, regulators and policy-makers - focused on an organization's ability to enhance value across time.

Integrated Reporting highlights how green and ethical values drive long-term growth. This shift from the 'hard' to 'soft' (non-financial data) helps screen a company more comprehensively, addressing the needs of the investor fraternity / government agencies.

Sectoral context

Population growth: India is the second most populous country, adding approximately 15 million to its population each year – a perpetually growing market for prospective mortgage finance providers.

Urbanisation: India is urbanizing faster than probably any other large country. The urban population is set to almost double by 2030. In 2011, urban population was 377 million, which is expected to reach at 590 million by 2030.

Non-metro India: Even as India urbanises, the metro cities will grow slower than non-metro urban clusters (also described as Tier 2 and 3 cities) where a focused player like Aavas has selected to be present.

Per capita income: The growth engine of personal incomes will continue to drive aspirations. Per capita income strengthened from ₹1,03,219 in 2016-17 to ₹1,14,958 in 2017-18 to an estimated ₹1,26,406 in 2018-19, indicating a long-term robustness.

Home preference: Home ownership is a priority in modernizing India; living in a rented home in non-metro India (where rental markets are not formalized) is yielding to the pride and security of individual home ownership.

Credit traction: For centuries, Indians resorted to taking credit only when absolutely necessary and did so often at usurious rates, building a long-term bias against credit. This bias is yielding, largely due to a formal and customer-friendly housing finance sector.

Under-penetration: The Indian market for housing finance is nascent especially in non-metro India, where the penetration is a mere 1% when compared with metro India where it is about 15%, holding out multi-year growth prospects for the former.

Evident market: India needs 10 million more homes in urban areas, creating a latent market for housing finance companies that could potentially sustain their growth across the foreseeable future.

Government support: The Indian government is encouraging the concept of affordable housing for the masses through policy and incentives, widening the market for housing finance companies.

Safe business: The mortgage finance sector is considered one of the safest segments of a large financing sector on account of available collateral, monetisable asset value and the borrower's own capital being invested in home building (skin in the game).

Mortgage affordability: The government has, over the years, recognised the catalytic role of the housing sector through concessions that have moderated the impact of costs for borrowers.

Skew: Even within the country's housing finance sector, there is a skew. Most players possess assets under management of less than ₹5,000 crore with a local or regional presence, an opportunity for aspiring mid-sized companies.

Our differentiated culture

Most Indian housing finance companies address the customer's need for today.

Aavas selected to map a mortgage customer's prospective needs across a 25-year cycle in most cases, inspiring the launch of customised products.

Most Indian mortgage companies were faced with people attrition challenges that prevented corporate growth.

Aavas trained aggressively, strengthened employee engagement, introduced ESOP and launched initiatives such as awarding the parents of employees and arranging events for family members that touched employee families.

Most Indian mortgage companies focus on number-based sales targets.

Aavas introduced a 'no target' growth plan that focused on strategic inputs (10-day turnaround time).

Most Indian mortgage companies address the needs of the low-income classes with legacy systems on the grounds that the customer group is not demanding.

Aavas invested in cutting-edge technologies to deliver a futuristic customer experience.

Most Indian mortgage financial companies possess a lending institution mindset.

Aavas approaches customers with a life transformation focus.

Most Indian mortgage companies feel low-income customers represent poor risk.

Aavas backed its judgment to believe that low-income customers represent a high integrity.

Most Indian mortgage companies largely fund customers from the formal organized sector.

Aavas selected to walk the road less travelled; ~75% of its customers were first-time loan takers.

Our business approach

Most Indian mortgage companies selected to be present in metro cities marked by a large but highly over-crowded and rate-based market.

Aavas selected to be present in non-metro locations of growing States marked by extensive under-penetration.

Most Indian mortgage companies selected to appoint marketing intermediaries.

Aavas generated its business without intermediaries.

Most Indian mortgage companies diversified into land loans, gold loans, commercial lending and real estate promoter funding.

Aavas selected to finance the home ownership needs of low-income customers.

Most Indian mortgage companies outsource specialised competencies (legal, civil engineers and information technology).

Aavas selected to build resident competencies through direct employment (civil engineers, lawyers and technology professionals).

Most Indian mortgage companies prefer to provide loans to home owners in government real estate projects.

Aavas provided mortgage loans also to prospective home owners of village panchayat projects.

Most Indian mortgage financial companies focus on maximizing their loan size and efficiently covering their costs.

Aavas focuses on providing low ticket loans across a large number of customers.

Most Indian mortgage finance companies focus on increasing customers and market share.

Aavas focused on solving customer problems and making their dream of home ownership a reality. Aavas focuses on providing superior customer services that generate customer referrals.

Most Indian mortgage finance companies select to extensively widen their market footprint and reach more customers.

Aavas selected to deepen its focus across a reasonable geographic footprint.

Our performance

Aavas' market outperformance has been derived from various forward-looking intentions, initiatives and investments.

Positive ALM: Aavas' average liability of 143 months more than matches its average asset tenure - a positive ALM (rare in the sector).

Hedge: Nearly 38% of Aavas' liability was borrowed at a fixed rate; 39% of Aavas' disbursements were lent at a fixed rate, a natural hedge.

Declining funds cost: Aavas mobilized funds at an average cost of 8.56% in 2018-19, among the lowest by A-rated mortgage finance companies.

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

Consortium support: Aavas widened its lender consortium from 30 in 2016-17 to 37 in 2018-19, enhancing its flexibility in fund sourcing.

Widening footprint: Aavas widened its footprint from 8 States in 2017-18 to 10 in 2018-19.

Brand recall: Aavas strengthened its brand recall around *'Hamare jaise log'*, *'Dhoka nahi denge'* and *'Yahaan loan mil sakta hai'* with its tag line of *'Sapne aapke, saath hamara'*.

Capitalisation: Aavas was adequately capitalized at a 65.4% capital adequacy ratio (as on March 31, 2019) compared with a minimum stipulated 12% as the NHB.

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

Our value-enhancing resources

Financial capital: The financial resources that we seek are based on funds we mobilise from investors, promoters, banks and financial institutions in the form of debt, net worth or accruals.

Human capital: Our management and employees form a part of our workforce, the experience and competence enhancing value.

Intellectual capital: Our focus on cost optimisation and operational excellence, as well as our repository of proprietary knowledge account for our intellectual resources.

Social and relationship capital: Our relationships with communities and partners (vendors, suppliers and customers) influence our role as a responsible corporate citizen.

Value created

Financial capital

710.9
Total income (₹ in crore)

23.7
Earnings per share (₹)

Human capital

3,190
Number of employees

Intellectual capital

45
Branches added during FY18-19

Social and relationship capital

77,400+
Number of active accounts

5,190
Units, cumulative financed under Pradhan Mantri Aavas Yojna (PMAY)

Indian housing finance sector – Numbers that matter

Population

1.3 billion
India's current population

455 million
India's urban population

918 million
India's rural population

Financial inclusion

Urban

67,500
Branches in metro cities and urban locations

Rural

7
Branches per 100,000 adults in rural India

Occupation

~51%
Self-employed workers in India

54.2%
Self-employed workers in rural areas

41.4%
Self-employed workers in urban areas

Mortgage penetration

19
Housing Market (₹ trillion)

11%
Mortgage penetration

Housing shortage

Urban

~18.78 million
Shortage of homes in urban India

~10 million
Vacant homes

17.4%
Population living in slums

Rural

43.6 million
Housing shortage

20.2 million
People residing in thatched-roof houses

65.3 million
People living in houses without permanent roofs

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

How Aavas is enhancing value

Generating business intelligence in real time

Service excellence: Reducing Turnaround Time (TAT)

Digitised IT platform + Proactive recruitment/training

Deepening market presence + Lower costs + Improved Collection efficiency + Systemic automation

Disbursement delegation + Systemic risk management + Work-life balance + Informed decision-making

Revenue growth 44% + Rising NTI + PAT growth 89%

NPA decline + AUM growth 46% + Positive ALM

Proactive preparedness for the future

How we transformed and strengthened Aavas in the last few years

Generating business intelligence in real time

In the past, all daily reports would be generated by noon the next day

This consumed a daily 'cost' of nearly 2,000 person-hours	>	Aavas invested in its IT system to generate the reports automatically	>	Today, the system-generated reports reach executives by 8 am

Enhanced business sourcing

Aavas prioritised enhanced distribution efficiency

The Company deepened its presence (districts to tehsils)	>	It recruited locally; disbursements were delegated to branches	>	Average cases appraised increased from 2,300/month to 2,800/month

Reduction in turnaround time

Aavas focused on reduction in its response time to customers seeking financing

Its IT investment focused on reducing work duplication	>	Guidelines were created; processes were streamlined	>	Business with a 15-day TAT increased from 70% to 73%

Work-life balance

A stressed Aavas sought a work-life balance

The Company began to shut its IT system down at 7 pm	>	Workplace productivity increased	>	Quality family time increased, strengthening employee satisfaction

Training and growing from within

Aavas recognised the need for long-term people recruitment

Rather than poach laterally, Aavas selected to grow from within > Aavas invested in training employees, periodically > Retention of employees at Aavas increased

The disruptive Aavas Mitra

For long, Aavas focused on the conventional sourcing of business

Aavas Mitra was introduced as a customer-sourcing technology platform > The platform makes it possible to source new business at a low cost > Aavas Mitra will source 50% of the Company's business across the future

The effective Samvad intervention

For long, Aavas recognised that most home builders constructed in instalments

Samvad created a platform that accelerated home-building > Loan seekers and material providers were drawn into the Aavas community > This community is expected to provide precious customer leads

Aavas Nirman - a digital diary

For long, Aavas' Daily Sales Report was maintained in a hard copy format

The Company digitized the process (Aavas Nirman app) > The app has enhanced data security, organisation of daily tasks and supervision > Aavas Nirman has enhanced productivity, customer engagement and tele-calling

What makes Aavas different

Our Initial Public Offer

Aavas Financiers went public in October 2018 with an offering of 1,99,79,503 shares priced at ₹821 each.

The offering was more than just a listing milestone. We believe that the decision was strategic and linked to strengthening our fundamentals across the foreseeable future.

The offering was strategic for various reasons.

One, the decision as undertaken to enhance corporate visibility, the first step towards enhancing awareness among prospective customers in existing and new markets, strengthening the Company's profile with the country's regulator and managing talent better (recruitment).

Two, the offering (and related visibility) was necessary to broadbase the Company's funds foundation. We believe that the offering will strengthen our net worth by creating a public currency (stock) that can be placed on the one hand and create the stakeholder confidence to be able to widen the Company's debt book on the other – a broader risk profile and anytime access to growth capital.

Three, we expect that the Company's publicly-listed status will attract investors and enhance respect.

Four, the offering will make it possible for the Company to reward high-performing employees with stock options, strengthening talent attraction and retention.

Five, our listed presence will expose us to international best practices that strengthen our governance.

Six, we believe that a transparency related to our accounting rigour would make it possible for us to be rated better by respected credit-rating agencies, kickstarting a virtuous cycle of low cost funds mobilization and business sustainability.

The result is that the IPO represented a milestone that extended beyond our listing towards creating a stronger company.

Aavas made initial public offer (the IPO) of its equity shares for 1,99,79,503 equity shares of a face value of ₹10 each for cash at a price of ₹821 per equity share (including a share premium of ₹811 per equity share). The offer comprised a fresh issue of 43,84,897 equity shares and Offer for Sale of 1,55,94,606 equity shares by existing shareholders. This helped enhance net worth and improve the debt-equity mix.


Aavas
LISTING ON
NSE
Aavas
NSE


LISTING ON
NSE
Aavas


NSE


Aavas

What makes Aavas different

Our brand

At Aavas, our brand is our most valuable asset.

The strength of our brand influences how we are perceived by our employees, customers, lenders, shareholders, stakeholders and regulatory agencies, influencing business accretion.

We believe that a brand is challenging to manage because it resides in the mind of the prospect; how an individual perceives us influences whether we succeed or not; what words are used to describe us become critical to how we may grow our business.

At Aavas, we believe that this recall is influenced and inspired by how we conduct ourselves. Over the years, Aavas has positioned itself for the long-term, responded with corresponding business-building investments, invested in innovation, made the customer central to everything we do and created a human-centric enterprise comprising practical empathy

These initiatives have generated desired recalls.

Our customers believe our speed of decision-making in deciding whether their loan application will be favourably considered is faster than what they have experienced.

Our lenders believe we possess a credible loan book with adequate safety to ensure the timely address of financial obligations.

Our employees believe we walk the talk when we say that we respect human dignity, reflected in a number of initiatives implemented to enhance their pride of association with our Company.

Our shareholders believe that we possess a balanced mix of aggression and conservatism to grow sustainably into the long-term.

At Aavas, this superior recall has translated into a number of positive realities across our business.

We grew the number of customer cases addressed from 25,000 in 2017-18 to 32,000 in 2018-19.

We mobilized ₹2,144 crore more debt in 2018-19 at an average rate of interest of 8.56%; we grew the number of lending banks and institutions.

We enjoyed a market capitalisation of ₹9,027.71 crore as on March 31, 2019, validating the fact that we have built a valuable business.

We believe that we possess a brand platform that will continue to generate a superior recall and grow sustainably into the long-term.

9,027.71

₹ in crore, our market capitalisation as on March 31, 2019

What makes Aavas different

Our culture

At Aavas, we recognised early in our existence that if we needed to generate results that stood out from the industry average, we would need to think differently.

We resolved to FMCG-ise the Company in a conventional sector where practices were meant to be sacred. We believe we are doing just that; we are engaged in building an atypical housing finance company that challenges every status quo and questions every convention.

This differentiated commitment was showcased when we announced that we would dispense with the conventional practice of annual sales targets. There was a fear that in the absence of an external stimuli the Company would under-perform. However, we believed that if we got our inputs right, customers would come, sales would increase and we would do better than targets would have warranted. By transforming 'push' to 'pull', we outperformed our flat sectoral performance of 2018-19 with a 46% growth in assets under management.

This was also showcased when we resolved that an enduring company was essentially a happy company and set about addressing the skewed employee work-life balance.

This was highlighted when we stipulated that we would work pre-determined (read fewer) hours. Most feared that the organization would slacken. However, something remarkable transpired when we introduced a 7pm work cut-off time and switched our IT system off to deter home working: employees began spending more time with their families and friends than in the past, employee lives became more rounded, workplace productivity increased and employee retention increased.

The result is that at Aavas, we live the moral: less is more.

Aavas pledge to conform respect for

Women
Preference to women applicant, over 99% loan sanctioned have women applicant/co-applicant

Time
Continuously making efforts to reduce TAT to less than 10 days for loan sanction

Customer
Committed to provide technology driven services through apps, web support and dedicated customer care centre

Employee and their Family
Attaining work-life balance by closing work by 7pm every day

Society and Nation
Actively involved in social causes for social upliftment

How we created a foundation for sustainable growth in 2018-19

The big questions we encountered in 2018-19

Would we be able to commission new branches in just the right locations?

Would we be able to scale customers in these new locations?

Would we be able to extend physical growth into financial growth?

Challenges and counter-initiatives, 2018-19

There was a premium on training needs following an increase of 45 branches during the year.

The Company created a training team in each state of its presence; a four-day induction programme (Prarambh) was formalized and conducted by senior managers.

There was a priority in utilising scientific data-backed tools to validate the opening of new branches.

The Company scrutinised census patterns to map prospective markets – low delinquency and low penetration - down to each tehsil across the States of its presence.

The Company was required to create a 'bank' of prospective locations to guide long-term business growth.

A knowledge repository was centralized on where to prospect business across the long-term.

There was a need to analyse the customer's credit behavior as a precursor to safe lending.

The Company engaged deeply with Credit Information Companies (CICs) to access proven data that strengthened customer mapping.

There was a need to shrink the learning curve and enhance branch productivity with speed.

The Company created a systems-dependent distribution plan for each branch resulting in a effective hub and spoke business plan.

There was a need to enhance the productivity of our on-street sales professionals.

The Company introduced a mobile app (Aavas Nirman) to monitor cold calls and achieve minimum customer visits daily; this enhanced the incidence of successful customer outcomes.

There was a need to prospect customers through a keen understanding of ground-level construction activities.

The newly-introduced Samvad activity invited construction eco-system players from within a 50 km radius of a location, widening the circle of influence.

There was a need to create new markets and segments (as opposed to servicing existing ones).

The Company entered two new contiguous States (total ten); the Company implemented a 30-member tele-calling team to engage with prospective customers.

Positive impacts

01. The dependence on manual intervention for sourcing new business declined; a process-driven response was successfully initiated.

02. The proportion of new business generated with a turnaround time of 15 days or less increased from 70% in 2017-18 to 73% in 2018-19.

03. The Company's credit function enhanced customer selectivity; sales servicing improved.

04. The Company responded with superior productivity following a compulsory closure at 7pm each working day.

Performance review

How we strengthened our credit profile and grew our business in a challenging year

The big questions we encountered in 2018-19

Would we be able to concurrently grow our business and credit quality?

How would we inculcate appraisal discipline among new credit officers?

How would we integrate technology into competent credit appraisal?

Challenges and counter-challenges, 2018-19

We deal with more of self-employed clients who possess informal documents for income validation.

The Company has strong team of trained underwriters who visit the client to understand their business thoroughly and validate their income and expenditure statements after a proper due-diligence.

There was a priority to train more managers in effective credit control, especially in view of inadequate credit professionals and expansion of company at new locations.

To smoothen the rolling out process, a selected team of underwriters was sent to different locations. This helped in a smooth functioning of these branches overcome teething problems.

The Company needed to empower managers to customize credit appraisal and disbursement as per the diverse regions of the Company presence.

The Company started centralized disbursement for the branches where the operation set up is not available. Branch office teams need not send files to regional hubs and then to Head Office in batches any longer.

There was a need to strengthen technology-led controls, checks and balances to address the challenges of a widening and deepening geographic footprint.

The Company analysed the characteristics of its various credit appraisal executives with the objective of connecting the right person to the right job profile in the right location.

There was a need to enhance systemic discipline related to effective credit appraisal and management.

The Company created a team with the express objective to analyse process deviations; another team reconciled cheque printing with daily clearances resulting in effective systemic control.

The strengths of our credit appraisal function

Active communication with credit officers across locations enhanced subject matter understanding, responsiveness and decision quality.

Positive impacts

The Company reported a steady state 90 days in delinquency (year-start 0.46%; year-end 0.47%).

The Company incentivized the successful address of loan applications within 15 days.

The Company intends to reward improvements in portfolio health, making every credit officer an 'entrepreneur'.

4.77%
Our 1+DPD as on March 31, 2018

3.43%
Our 1+DPD as on March 31, 2019

We developed solutions directed to generate outsized improvements

The big questions we encountered in 2018-19

Would we be able to demonstrate the effectiveness of our function?

Would we be able to create a sizable data bank?

We would be able to convince internal stakeholders about the Data Science effectiveness?

Challenges and counter-initiatives, 2018-19

The function was required to demonstrate its effectiveness within the business context.

The Data Science function was provided unambiguous targets to strengthen topline and bottomline, positioning it beyond a cost centre.

The function was required to implement solutions in its first year of presence within the Company.

The Data Science function developed seven solutions over last two years (four implemented, three under testing), vindicating its presence.

The Company was challenged to integrate Data Science into business strategy with speed.

The Company increased its focus on machine learning and artificial intelligence.

The Company needed to extend decision-making from executives to algorithms.

The Data Science function embraced the challenge to showcase its business-strengthening proposition.

The strengths of our Data Science function

The Data Science function shrank the learning curve of business realities and began to deliver measurable value to the business in its first year of presence.

The function embarked on the exercise of structured data aggregation – building block - creating a foundation of information to interpret and derive insights.

The function recruited selectively from relevant institutions for deployment in Jaipur.

The function demonstrated early success through an effective intervention in the collection function, strengthening its organisational acceptability and credentials.

Various system applications

These application immensely help us to sort customers (existing and potential) based on various pre-determined parameters accordingly in a speedy manner.

Application Score card	Bouncing Prediction Model	Life Cycle Intervention	Collection Allocation Optimisation

Performance review

Our superior customer-servicing skills

The big questions we encountered in 2018-19

Would we be able to address customer needs faster?

Would we be able to transform customer experience to delight?

Would we be able to extend beyond normal call of duty?

Challenges and counter-initiatives, 2018-19

The Company was required to provide the next generation of service.

The Company infused a combination of empowerment, training and technology to transform the customer experience.

The Company was challenged to retain existing customers.

The Company strengthened its retention model with completely transformative results.

A rapidly-evolving environment required Aavas to service customers faster

The Company reduced the response time to a customer query to within 24 to 48 hours.

The strengths of our service delivery

The team enhanced the priority of service.

The team's hand-holding helped connect with customers from the on-boarding stage onwards.

The team instituted measurability in service delivery; a stipulated response time helped address customer queries with speed. The Company launched a CRM to track all customer interactions.

The team strengthened its servicing team at branches to help customers, complemented by a robust in-house call centre, website and WhatsApp group to promptly address queries, requests and complaints.

Our strengths

Easy loan process

Minimal documentation

Friendly approach

Transparent dealing

Quick loan approvals

At Aavas, technology is not a cost centre but a profit driver

The big questions we encountered in 2018-19

Would we be able to graduate from general to futuristic technology interventions?

Would be able to make relevant business-strengthening interventions?

Would we be able to use technology as a personality-transforming vehicle?

Challenges and counter-challenges, 2018-19

There was a need to make technology-enabled business process interventions to shrink the turnaround time (TAT).

Your Company digitised most manual processes and by the year end almost 80% of processes were digitized. We started reported benefits through TAT reduction and expect further gains as we fine.

There was a priority to shrink the organizational learning curve even as branch network increased.

Technology helped us deliver learnings with the click of button to new and existing employees. Our employees can run location credit report, providing asset, valuation and portfolio performance for a building, street, locality, *mohalla* and street.

There was a growing need to plug into external data sources and widen the Company's knowledge base.

The team developed an API platform and a data warehouse platform. API platform allows the consumption of external data and exposes internal APIs to third parties. Data warehousing solutions can connect and access structured, unstructured, social or any other media and bring all data around a single platform, enabling cross-platform data analysis and reporting.

The strengths of our technology function

The technology team comprised professionals possessing a deep understanding of business realities and technology competencies – a deep inside-out approach towards problem-solving.

Apps Streamlining Distribution System

During 2018-19, the Company identified an effective Customer Leads Officer.

This CLO is not on the Company's payroll; the CLO does not exist. It is a virtual system.

The CLO is a data-driven technology platform.

The platform has been assigned to identify prospective customers.

Performance review

How we expanded our business across geographies

The big questions we encountered in 2018-19

Would we be able to reach the last customer?

Would we be able to accurately analyse the potential of geographies?

Would we be able to reach our target customers group effectively?

Challenges and counter-challenges, 2018-19

The Company required an effective format to communicate within.

Aavas leveraged popular technologies (WhatsApp/text messaging).

The Company needed to align individual and corporate goals.

The Company enhanced organisational productivity and incentivized employees.

The Company needed to transition to a modern digital platform.

The Company trained deeper, selecting user-friendly technologies.

The Company needed to select the right branch locations.

The Company utilized data-driven tools to arrive at the right geography.

The strengths of our distribution function

We focus on reaching small towns to generate business. Most customers are unserved in these market by other players.

The system leverages a mix of popular and cutting-edge digital technologies.

The Company is spread across a growing number of 876 tehsils from 10 States, addressing approximately. 30 crore of the Indian population (March 31, 2019).

The Company's hub-and-spoke model resulted in its branches being connected to more than 1,500 locations.

The Company's branches were manned by executives recruited from those locations, enhancing a ground-level understanding of local market dynamics.

876
Tehsils coverage out of total 1,882 tehsils

122
Districts presence out of total 296 districts

As machine learning effectiveness increases, customer acquisition cost will decline > The platform is positioned to evolve transactions into a solution > The platform's fixed costs are zero; corresponding commission payouts are lower > The disruptive platform is positioned to progressively generate customer leads

Profile of Board of Directors

Mr. Krishan Kant Rathi
Chairperson and Independent Director
(DIN: 00040094)

He is the chairperson of our Board and an independent Director. Mr Rathi is based in Mumbai and has more than 30 years of experience in Corporate world in Accounting, Corporate Finance, M&A, Capital Markets and Investing. Presently He runs his own private equity investment firm as Managing Director of Indianivesh Fund Managers Private Limited. He was previously associated with the Future Group as the Group CFO and later as CEO of Future Consumer Limited. He has also worked with Motilal Oswal Private Equity as Director and has earlier worked with H & R Johnson (I) Limited as President(Finance) and KEC International Limited as Controller Corporate Finance. He also serves on the Board of Au Small Finance Bank as an Independent Director and as a non-executive director on the Board of Future Consumer Limited, Future Generali Life Insurance and Future Generali India Insurance amongst others. He is a qualified Chartered Accountant and also a qualified Company Secretary and holds a B. Com (Hons) degree from the Rajasthan University, Jaipur.

Mr. Sushil Kumar Agarwal
Managing Director & CEO
(DIN: 03154532)

He is the Managing Director and CEO of our Company. He has been associated with our Company since its incorporation in 2011. Sushil Kumar Agarwal is a qualified Chartered Accountant and had secured the tenth rank in his final examination. Further, he is a qualified company secretary. He was previously associated with AuSFB as its Business Head – SME & Mortgages. Sushil Kumar Agarwal has previously also worked with ICICI Bank Limited as its chief manager and with Kotak Mahindra Primus Limited as an assistant manager. He has more than 18 years of experience in the field of retail financial services.

Mrs. Kalpana Iyer
Independent Director
(DIN: 01874130)

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

Mr. Sandeep Tandon

Independent Director
(DIN: 00054553)

He is an independent Director of our Company. He holds a bachelor's degree in science (electrical engineering) from the University of Southern California. Additionally, Sandeep Tandon has completed the Harvard Business School YPO President Program. He has previously served as the managing director of Tandon Advance Device Private Limited and as a director on the board of Accelyst Solutions Private Limited. At present, Sandeep Tandon is acting as the managing director of Infinx Services Private Limited and is a partner at Whiteboard Capital Advisors LLP.

Mr. Ramachandra Kasargod Kamath

Non-executive nominee Director
(DIN: 01715073)

He is a non-executive nominee Director appointed on our Board by Lake District and Kedaara AIF-1. He holds a bachelor's degree in commerce from the University of Mysore. He is a Fellow of Indian Institute of Banking and Finance. Further, Ramachandra Kasargod Kamath is a certified associate of the Indian Institute of Bankers. He was previously associated with the Corporation Bank as its general manager; and with Punjab National Bank as its Chairman and Managing Director. Ramachandra Kasargod Kamath has also served as the Chairman and Managing Director of Allahabad Bank and as an Executive Director of the Bank of India.

Mr. Vivek Vig

Non-executive nominee Director
(DIN: 01117418)

He is a non-executive nominee Director appointed on our Board by ESCL and Master Fund. He holds a post-graduate diploma in management from Indian Institute of Management at Bangalore. Vivek Vig has previously served as the managing director and chief executive officer of Destimoney Enterprises Limited. Further, he was previously associated with the Centurion Bank of Punjab (which was subsequently merged with HDFC Bank) as its country head – retail bank and has also acted as a director on the board of PNB Housing Finance Limited. Additionally, in the past, he has also been associated with Citibank N.A., India, where he has held various positions across the consumer bank.

Profile of Board of Directors

Mr. Nishant Sharma
Non-executive nominee Director
(DIN: 03117012)

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

Mr. Manas Tandon
Non-executive nominee Director
(DIN: 05254602)

He is a non-executive nominee Director appointed on our Board by ESCL and Master Fund. Mr. Tandon is the India Head for Partners Group and he also serves on the private equity investment committee of the firm. He has held prior investment advisory roles with TPG Capital and Matrix Partners. He has, in the past, also worked with Cisco Systems as a Systems Engineer. Mr. Tandon holds a Bachelor's degree in Technology (Electrical Engineering) from the Indian Institute of Technology, Kanpur where he was awarded the General Proficiency Medal for best academic performance and a Master's Degree in Business Administration from the Wharton School, University of Pennsylvania where he was a Palmer Scholar. He has been awarded 8 US patents and is a member of the Entrepreneurs' Organization.

Mr. Kartikeya Dhruv Kaji
Non-executive nominee Director
(DIN: 07641723)

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

Key Managerial Personnel

Mr. Ghanshyam Rawat
Chief Financial Officer

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

Mr. Sharad Pathak
Company Secretary and Compliance Officer

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

Senior Management Team

Mr. Sunku Ram Naresh
Chief Business Officer

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

Mr. Ashutosh Atre
Chief Credit Officer

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

Mr. Surendra Kumar Sihag
Senior Vice President - Collections

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

Mr. Rajeev Sinha
Senior Vice President - Operations

He is B.Sc. and Certified in Management of Customer Relationship from IIM Ahmedabad (EE) by qualification. He was formerly associated with Cointribe Technologies Private Limited, India bulls Housing Finance Limited and ICICI Bank Limited.

Mr. Anurag Srivastava

Senior Vice President - Data Science

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

Mr. Avinash Kumar

Chief Technology Officer

He is Post-graduate Diploma in management from the Indian Institute of Management, Lucknow and Bachelors of Technology (Civil Engineering) from Indian Institute of Technology, New Delhi. He was formerly associated with Vulcan Express Private Limited and Humaralabs Technology Private Limited.

Mr. Vijay Sethi

Senior Vice President - Human Resources

He is B. Sc. (Hons) from MS University of Baroda and PGDBA (HR) from ITM University, Navi Mumbai. He is having 17 years of work experience of having worked with best employers having leadership position in the respective industry viz. Ruchisoya Group, ICICI Bank, Larsen & Toubro Ltd, Landmark Group LLC Dubai. and Tata Group. He is a CII certified HR Excellence Assessor in India and a jury member of various HR excellence programs run by CII.

Corporate Information

Board of Directors

Mr. Krishan Kant Rathi
Independent Director and Chairperson

Mr. Sushil Kumar Agarwal
Managing Director & CEO

Mrs. Kalpana Iyer
Independent Director

Mr. Sandeep Tandon
Independent Director

Mr. Ramachandra Kasargod Kamath
Non- Executive Nominee Director

Mr. Vivek Vig
Non- Executive Nominee Director

Mr. Nishant Sharma
Non- Executive Nominee Director

Mr. Manas Tandon
Non- Executive Nominee Director

Mr. Kartikeya Dhruv Kaji
Non- Executive Nominee Director

Chief Financial Officer

Mr. Ghanshyam Rawat

Company Secretary and Compliance Officer

Mr. Sharad Pathak

Investor Relations

Mr. Himanshu Agrawal
E-mail: himanshu.agrawal@aavas.in

Statutory Auditors

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

Secretarial Auditors

M/s. V.M & Associates
Company Secretaries
403, Royal World, S.C. Road,
Jaipur-302001, Rajasthan, India
Telephone: 0141-2370954
E-mail:cs.vmanda@gmail.com
Firm Registration No.: P1984RJ039200

Internal Auditors

M/s G.M. Kapadia & Co.
Chartered Accountants
S B – One, Bapu Nagar, Near J.D.A. Circle,
Jaipur 302004, Rajasthan, India
Telephone: 0141- 2270 6925
E-mail: jaipur@gmkco.com
Firm Registration No.: 104767W

Branch Auditors

M/s S.K. Patodia & Associates
Chartered Accountants
229 Second Floor, Ganpati Plaza, M I Road,
Jaipur- 302001, Rajasthan, India
Telephone: 0141-4542400
E-mail: info@skpatodia.in
Firm Registration No.: 112723W

M/s P. Dangayach & Associates
Chartered Accountants
12, Bandhu Nagar,
Kanji Sweet Lane, Sikar Road
Jaipur, 302023 Rajasthan, India
Telephone: 0141 4042612; +91 9610 612 612
E-mail: capd.office@gmail.com
Firm Registration No.: 0013709C

Registered & Corporate Office

201-202, 2nd Floor, South End Square,
Mansarovar Industrial Area, Jaipur-302020
Rajasthan, India
Telephone: +91 141 661 8800
Fax: +91 141 661 8861
Website: www.aavas.in

Financial Institutions and Banks

Principle Bankers

Allahabad Bank
Andhra Bank
Axis Bank
Bank of Baroda
Bank of India
Canara Bank
Central Bank of India
DCB Bank
HDFC Bank
ICICI Bank
IDBI Bank
IDFC FIRST Bank
Indian Bank
Indian Overseas Bank
Indusind Bank
Karnataka Bank
Kotak Mahindra Bank
National Housing Bank
Oriental Bank of Commerce
RBL Bank
South Indian Bank
State Bank of India
UCO Bank
Union Bank of India
United Bank of India
Yes Bank

Financial Institutions /Mutual Funds

Commonwealth Development Corporation (CDC)
HDFC Mutual Fund
International Finance Corporation (IFC)
Maxlife Insurance
Reliance Mutual Fund

Debenture Trustees

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

CATALYST TRUSTEESHIP LIMITED
GDA House, Plot No. 85
Bhusari Colony (Right), Paud Road
Pune 411 038,
Maharashtra, India
Tel: +91 20 2528 0081
Fax: +91 20 2528 0275
Website: www.catalysttrustee.com

Registrar & Transfer Agent

Link Intime India Private Limited
C-101, 1st Floor, 247 Park
L.B.S. Marg Vikhroli (West) Mumbai 400 083
Maharashtra, India
Tel: +91 22 4918 6200
Fax: +91 22 4918 6195
Website: www.linkintime.co.in

Glimpses of our performance, 2018-19

Management discussion and analysis

Global economic review

Following a robust growth of 3.8% in 2017 and in the first half of 2018, the global economy slowed significantly in the second half of 2018, reflecting a confluence of factors affecting major economies like the financial market correction, tightened Monetary Policy and other non-economic factors. Owning to this global economy growth expected to maintain Moderate in Near Term and then pick up modestly.

Monetary policies across key developed economies saw incremental acts of normalization coupled with rate tightening measures. Emerging markets and developing economies are expected to sustain momentum till 2020, on the contrary, economic activities in advanced economies is projected to continues slowly.

Crude prices remained volatile since August 2018 as a result of multiple factors including the American policy pertaining to Iranian exports and softening global demand. Oil prices dropped from a four year peak of US$ 81 per barrel in October 2018 to US$ 61 per barrel in February 2019.

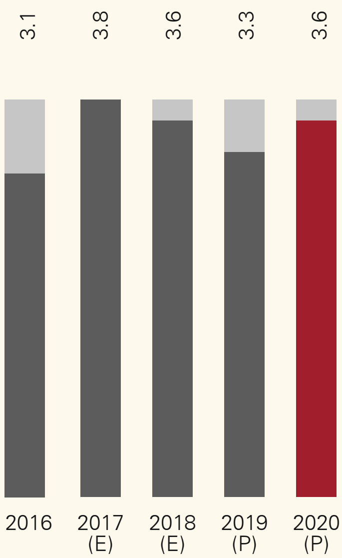
While advanced economies are showing signs of a slowdown, emerging economies like India and China are expected to fuel the world's economic growth engines.

Global growth is expected to remain at 3.3% in 2019 while bounce back to 3.6% in 2020. The unwinding of the US fiscal stimulus and the fading of the favourable spill-overs from US demand to trading partners will be offset by a pickup in growth in emerging markets and developing economies. Global oil supply is expected to increase gradually, lowering oil prices to US$ 68.76 a barrel in 2019 and to ~US$ 60 a barrel in 2023.

(Source: World Economic Outlook)

Global economic growth over five years

Real GDP growth (%)



([Source: World Economic Outlook, April 2019] E:Estimated; P:Projected)

Indian economic overview

India emerged as the sixth largest economy and retained its position as the fastest growing trillion-dollar economy. However, after growing 7.2% in 2017-18, the Indian economy was estimated to have grown at 6.8% in 2018-19 as per the third advanced estimates of the Central Statistics Office released in May 2019. The principal developments during the year under review comprised a sustained increase in per capita income, decline in national inflation, steadying interest rates, and weakened consumer sentiment starting from the second half of the financial year. The weaker sentiment was on account of a large non-banking financial company announcing its inability to address liabilities. This affected credit expansion, financial markets and consumer sentiment, which resulted in a slower GDP growth of 6.6% in the third quarter of the year under review compared with 8.2% and 7.1% GDP growth in the first two quarters of FY2018-19. Increase in crude oil prices during the course of the financial year to US$ 70 pb from US$ 56 pb in FY 2017-18.

However, in 2018, the country attracted more foreign inflows than China, ~US$ 38 billion, which was higher than China's US$ 32 billion. India witnessed a 23-notch jump to a record 77th position in the World Bank's latest report on the ease of doing business that captured the performance of 190 countries. The commencement of the US-China trade war opened up new opportunities for India, particularly in the agro sector. Inflation (including food and energy prices) was pegged at 2.6% on an annual basis, one of the lowest in years and well below the Reserve Bank of India's medium-term target of 4%. The rupee rebounded after touching a low of ₹74.45 to a dollar to close the financial year at ₹69.44. During the fiscal under review, the Indian Government continued to invest deeper in digitisation, renewable energy capacity generation and infrastructure building.

The Government of India was successful in achieving the fiscal deficit target of 3.4% of GDP for FY 2018-19. However, the government witnessed a shortfall in tax collection by more than ₹1 lakh crore.

Key government initiatives

Bank recapitalisation scheme: The Indian Government announced a capital infusion of ₹41,000 crore through recapitalisation bonds in FY2018-19.

CAR Requirements: NHB proposed to increase the minimum CAR from 12% at present to 15% and reduce maximum leverage from 16 times at present to 12 times in a phased manner by March 2022.

Relaxation in securitization Norms: Reduction in holding period for securitization by RBI from 12 months to 6 months for loans having original maturity of 5 years or more is likely to provide ₹6,00,000 million of additional portfolio available for securitization.

Expanding infrastructure: The Government of India invested ₹1.52 trillion to construct 6,460 kilometres of roads in 2018. Its expenditure of ₹5.97 trillion (US$ 89.7 billion) towards infrastructural development for 2018-19 is expected to strengthen the national economy.

Increasing MSPs: The Indian Government fixed MSPs of 22 mandated kharif and rabi crops and Fair and Remunerative Price for sugarcane. The Indian Government committed to provide a 50% return over the cost of production for all mandated crops, strengthening the rural economy.

The Insolvency and Bankruptcy code (Amendment), Ordinance 2018: Passed in June 2018, the ordinance provides significant relief to home-buyers by recognizing their status as financial creditors. The major beneficiary was MSMEs, empowering the Indian Government to provide them with a special dispensation under the code.

Liberalisation of Foreign Direct Investment (FDI) policy fuelled inflows of as much as US$ 269 billion in the last five years in India.

Outlook

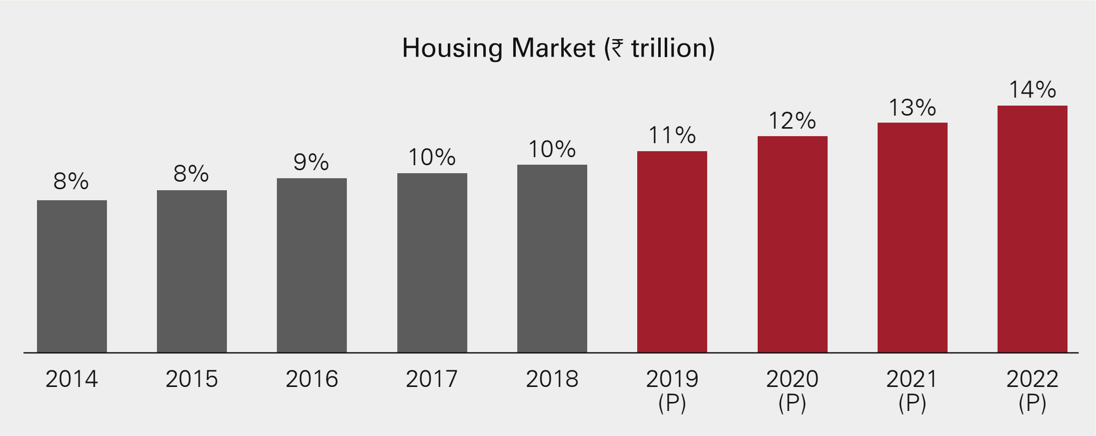
India is likely to outperform the global average economic growth and sustain its 7% growth momentum to emerge as a US$ 4 trillion economy by 2024. A combination of favourable demographics, rising urbanisation and shift from the unorganised to the organised sector are expected to drive growth in private consumption. Discretionary spending is expected to increase owing to the presence of a large middle-class and growth of an affluent class. The Government's focus on rural India in the election year 2019 is expected to provide an impetus to rural consumption. The rise in social sector spending, improvement in agricultural productivity, increase in financial inclusion and adoption of digital technologies are expected to strengthen rural demand.

Mortgage finance sector review

Over the last seven years, housing finance companies have been gaining market share due to their focus on niche segments such as the self-employed and affordable housing segments, which have been largely served by HFCs and enjoy higher growth potential. The Indian housing finance market grew at a five-year CAGR of 18% with the pace of growth of HFCs and NBFC's higher at a five-year CAGR of 20%, compared to a five-year CAGR of 16% for banks. In the last five years (fiscals 2013 to 2018), housing credit growth remained steady despite a tough operating environment, subdued real estate demand and low affordability, attributed to construction-linked housing loans (and thus disbursements being linked to construction stages), secondary sales and low mortgage penetration in India.

The total housing credit outstanding stood at ₹18.2 lakh crore as on December 31, 2018, with YoY growth of 16%. Housing loan portfolio growth for housing finance companies (HFCs) and NBFCs reduced to 13% YoY for the period ended December 31, 2018 owing to lower disbursements following the liquidity crisis faced by HFCs in Q3 FY2019 and the portfolio sales made by HFCs through securitisation. Of the total loan disbursed by NBFCs, mortgage loans (housing loans and loans against property taken together) comprised more than 50% of the total volume of ₹1.44 lakh crore witnessed in 9M FY2019.

Size of Opportunity



The asset quality indicators remained stable with GNPAs (stage 3 assets as per revised Ind AS, June 2018 onwards) being 1.4% as on December 31, 2018 (1.3% as on September 30, 2018). While the asset quality was weaker in the self-employed and affordable segments owing to the cash flows of such segments being more volatile, lower loan-to-value ratios on the portfolio led to a lower loss, given the default as well as higher risk-adjusted returns that made the segment attractive for lenders.

Outlook

Given the tough operating environment, ICRA expect that FY2019 housing credit growth is likely to be in the range of 13-15% with the pace of growth of banks expected to be higher than that of HFCs. As some HFCs aim to go slow on construction finance to conserve liquidity, given the lumpy nature of these loans, the growth in non-housing loans is expected to decline at a steeper pace. However, given the low mortgage penetration levels in the country, the long-term growth outlook for the sector remains good and ICRA expects growth of 14-16% in FY2020, provided the liquidity conditions in the market ease off.

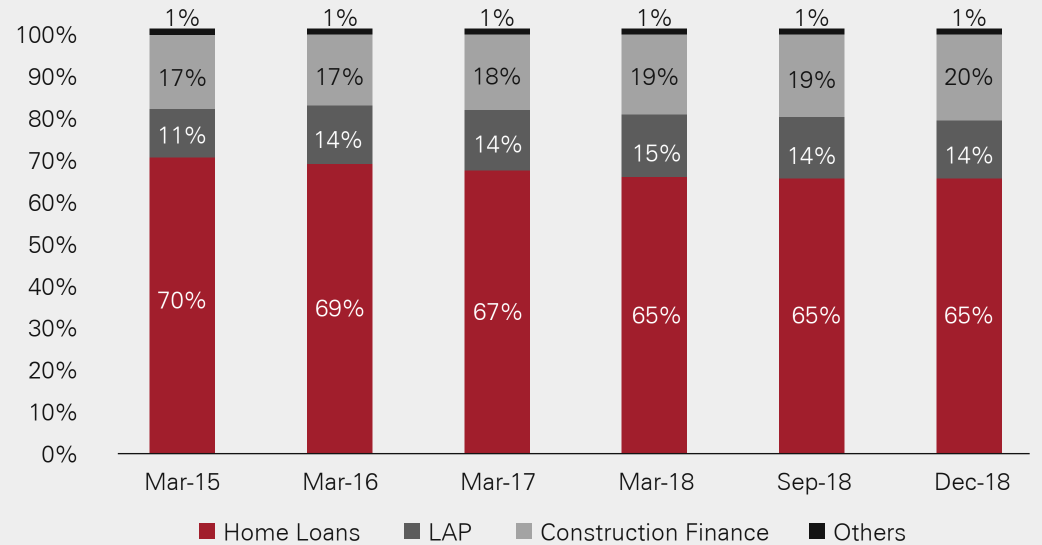
According to ICRA, there could be some pressure on the asset quality owing to the tough operating environment and gross NPAs in the HFCs home loan segment are likely to increase to around 1.1% to 1.3% over the medium term from the current level of 1.0%. Owing to increased portfolio sales by some HFCs, the overall on-book portfolio mix could change with an increased share of new vintage and non-housing loans in the residual portfolio. The ability of HFCs to implement timely collection and recovery efforts of delinquent loans – repossess the property, wherever necessary, and sell the same in a timely manner - will be a key monitorable.

The Asset Liability Mismatch (ALM) is expected to reduce with the reduction in the share of commercial paper borrowings. NHB's proposed amendments for capital adequacy and leverage norms for HFCs are a positive from a risk perspective. Most of the HFCs would be able to meet the revised norms on CRAR, as most of them are nearing a CRAR of 15-16% and would have adequate cushion to raise Tier-2 capital. Also, the capital adequacy for HFCs is supported by lower risk weights on smaller ticket size home loans. The maximum permissible leverage for HFCs is expected to come down to 12 times by March 2022 from 16 times.

HFCs will continue to play a critical role in ensuring capital to a vast array of consumers. They have brought new borrowers into the ambit of formal finance with their underwriting skills and inculcating financial discipline among the borrowers and are much less leveraged than the PSU Banks, and still account for close to 15% of the incremental credit in the economy, making NBFCs important and relevant to the system.

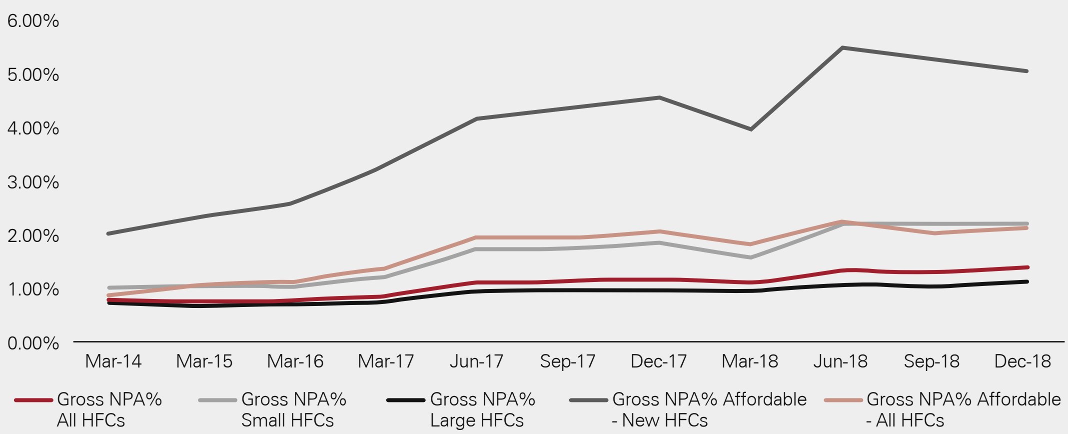
(Source: ICRA, Emkay Research, business today)

Trends in on-book portfolio mix of HFCs



(Source: ICRA)

Trends in Asset Quality Indicators



(Source: ICRA)

Drivers of India's mortgage sector

Housing shortage: Housing shortage in India is deepening due to changing social and demographic patterns (urbanisation and nuclearization of families). For the Twelfth Plan (2012 to 2017), shortage of housing units in India has been estimated at 18.8 million and 43.7 million in urban areas and rural areas respectively. Rising urbanisation and nuclearization are expected to keep demand high for housing units in urban areas. Over 34% of India's current population lives in the urban areas, rising 3% since 2011. While large urban agglomerations (population 50 lakh+) have remained mostly constant since 2005, smaller clusters have risen significantly (from 34 to 50 clusters with 10-50 lakh population). India's urban population is expected to increase to 814 million by 2050 with a corresponding increase in housing needs.

Home extension and home improvement needs: In 2011, 41% of households were living in less than one-room homes and 53% households were in a good condition, implying a need for home improvement and home extension, given the average family size of 4.8.

Low mortgage liabilities: Low mortgage finance penetration in India has occurred due to housing finance being offered largely to individuals with reported incomes, creating a lack of access to finance for a large proportion of individuals working as self-employed or in the informal sector. Mortgage penetration levels (housing loans as a percentage of GDP) in India increased to 10% as on March 31, 2018 from 8% as on March 31, 2014 (lower than developed countries).

Increasing incomes: The nominal per capita incomes during FY2018-19 was estimated at ₹1,25,397, rising by 8% compared to FY2017-18. Moreover, rising literacy levels contributed to the evolution of new retail structures and emergence of better standards of living.

Pradhan Mantri Awas Yojana: The Government of India (GoI) launched the Housing for All under the Pradhan Mantri Awas Yojana (PMAY) in June 2015. During the period 2014-18, 1.53 crore houses were built under PMAY. The government approved over 4 lakh houses under PMAY (urban) in FY19, increasing the number of houses sanctioned under the scheme to over 72.5 lakh. The government has set a target for construction of 1.95 crore houses under PMAY (rural) Phase-II by 2022.

GST rate reduction: The GST rate payable on affordable homes, with effect from April 2019, came down from 8% to 1%, and all other residential properties outside the affordable segment attracted 5% GST instead of the 12% earlier levied.

'Infrastructure' status to Affordable Housing: 'Infrastructure' status was accorded to affordable housing thereby easing, access to institutional credit.

Improved borrower affordability: Home buyers received tax incentives on home loans for principal and interest payment of home loans. Tax incentives on home loans for principal and interest repayment and the subsidy under CLSS for economically weaker sections, low income groups and middle income groups have improved affordability for borrowers and first-time buyers. Rising income level and stable property prices, leads to increase the affordability index.

SWOT analysis

Strengths

- Presence in underserved areas with high potential and low penetration
- Capability of assessing informal segments with better assets quality (lower NPAs compared to sectoral average while serving to informal segment)
- Fully in-house sourcing and execution model which leads to superior business outcome
- Positive asset-liability mismatch and no reliance on Commercial Paper
- Low leveraged Balance Sheet with a high net worth
- Capability of leveraging latest technologies
- Improving Credit Rating
- Experienced Board of Directors and professional management team
- Diversified shareholding base and listing on the stock exchanges

Weakness

- **Geographical concentration:** The Company has a presence in 10 States with Rajasthan accounting for 44.40% of the AUM as on March 31, 2019. The concentration on Rajasthan has declined marginally over the last few years (51.03% as on March 31, 2016) and is likely to decline further as the Company plans to expand its operations in other areas. As of March 31, 2019, the Company was present in 10 States with 210 branches covering 122 districts and 876 tehsils and 45 branches added during last 12 months.
- **Relatively vulnerable borrower profile:** Aavas' operations are focused on low and middle income self-employed borrower (65% of the portfolio as on March 31, 2019), who are relatively more vulnerable to economic cycles and have limited income buffers to absorb income shocks. However, considering the secured nature of the portfolio with moderate loan

to value ratios (51% as of March, 2019) and the assets being largely self-occupied residential properties along with the low ticket size (8.5 lacs as on March 31, 2019) its losses on default are expected to be limited. The Company has adequate risk management tools and portfolio monitoring systems.

Opportunities

- Increasing aspiration of people to own homes
- Low credit penetration in semi-urban and rural India
- Provision of credit linked subsidies that could amplify construction activities
- Government's focus on affordable housing to strengthen demand
- Rising income levels and improving borrower affordability through tax incentives

Threats

- Liquidity crunch could impact credit availability
- Rise in cost of fund could impact NIMs

Managing risks at Aavas

Risk	Mitigation
Economy risk The Company's performance could be adversely affected in the event of economic slowdown.	**Mitigation** India has emerged as the fastest growing major economy (6.8% growth in FY2018-19). The per capita income for FY2018-19 stood at ₹10,534 a month with an annual rise of 10%. The Ministry of Commerce & Industry is creating an action-oriented plan highlighting specific sector level interventions to bolster India's march towards becoming a US$ 5 trillion economy before 2025. Financial Services is included as one of the champion sectors by Ministry.
Customer risk An inability to provide adequate services may result in customer attrition.	**Mitigation** The Company has adopted technology driven CRM module and have dedicated separate service department to manage customers queries, which also resulting customer referrals and accretion.
Financing risk The inability to mobilise funding at competitive costs can affect prospects.	**Mitigation** The Company had a net worth of ₹1,837 crore and a total debt of ₹3,664.06 crore as on March 31, 2019. It reported a positive ALM. Stronger fundamentals helped moderate the average cost of funds from 10.45% in FY2015-16 to an average 8.74% in FY2018-19. Long-term rating upgrade will help in raising long-term funding.
Revenue risk The inability to accurately assess customers could impact revenues.	**Mitigation** The Company does not finance any under-construction properties. It funds only properties that are 85%-90% complete or ready-to-move in properties. For Tier 2 and 3 cities, we check builder history, projects completed, customer reputation, loan from financial institutions on the current property for construction and seek feedback from existing financiers. These realities helped moderate risks and achieve a GNPA that is the lowest in the industry.

Risk	Mitigation
Opex risk High operational expenditure could impact the bottomline.	**Mitigation** Aavas invested in branch network, technology, recruitment and business sourcing resulting in an operating expenditure of 100 to 150 basis higher over the larger mortgage finance companies, which was compensated by asset quality, customer longevity (average tenure around eight years) and a superior fee income ratio.
Technology obsolescence risk The obsolescence of technology could impact company's competency in technology led business environment	**Mitigation** Aavas invested in technology as a business enabler by investing proactively in upgrading existing technology and bringing in new technology.

Performance review for the FY2018-19

Financial performance

Income and Profits

Total Income of the Company for the year ended March 31, 2019 was ₹710.97 crore compared to ₹494.44 crore in the previous year representing a growth of 44%.

For the year ended March 31, 2019, the Company reported a Profit Before Tax of ₹257.69 crore as against ₹134.31 crore in the previous year representing a growth of 92%.

The Company reported ₹176.14 crore Total Comprehensive Income for the year ended March 31, 2019 against ₹93.16 crore comprising growth of 89% from previous year.

Statement of Profit and Loss

Key elements of the statement of profit and loss for the year ended March 31, 2019 are:

- Profit before tax grew by 92% as against the absolute amount of ₹134.31 crore in the previous year.
- Total Comprehensive Income grew by 89% as against absolute amount of ₹93.16 crore in the previous year.
- Net Interest Margin for the year was 9.32% as against 9.00% in the previous year.
- The Company's Operating Expense ratio (to average total assets) was 3.81% for the year ended March 31, 2019.
- Total expenses of the Company grew by 26% during the year.
- The Earnings per Share (Basic) was ₹23.65 for the current year as against ₹15.90 for the previous year.
- Return on average net worth for the year was 11.64% as against 10.33% in the previous year.
- Interest service coverage ratio for the year was 2.05 times as against 1.72 times in the previous year.
- Debt-Equity Ratio for the year was 1.99 times as against 2.32 times in the previous year.
- Operating Profit Margin for the year was 38.86% as against 28.82% in the previous year.
- Net Profit Margin for the year was 24.74% as against 18.83% in the previous year.

Operational performance

Aavas is a retail, affordable housing finance company, primarily serving low and middle-income self-employed customers in semi-urban and rural areas in India. It offers customers home loans for the purchase or construction of residential properties, and for the extension and repair of existing housing units.

As of March 31, 2019, a majority of the home loans that it disbursed were for single-unit properties, almost all of which were to be occupied by the borrowers themselves. A majority of its customers have limited access to formal banking credit.

Loan products

The Company offers customers home loans for the purchase or construction of residential properties, and for the extension and repair of existing housing units. As of March 31, 2019, a majority of the home loans that we disbursed were for single-unit properties, almost all of which were to be occupied by the borrowers themselves.

In addition to home loans, the Company offer customers other mortgage loans including loans against property, which accounted for 24.5% of our Gross Loan Assets as of March 31, 2019. As of March 31, 2019, 62.3% of our Gross Loan Assets were from customers who belonged to the economically weaker section and low income group, earning less than ₹50,000 per month, and 37.3% of our Gross Loan Assets were from customers who were new to credit.

Sanctions

The Company sanctioned ₹2,710.82 crore housing loans during the year as compared to ₹2,216.98 crore in the previous year with an annual growth of 22%.

The cumulative loan sanctions since inception of the Company stood at ₹8,612.20 crore as at March 31, 2019.

Disbursements

The Company disbursed ₹2,672.35 crore housing loans during the year compared to ₹2,051.16 crore in the previous year, a growth of 30%.

The cumulative loan disbursement since inception as of March 31, 2019 was ₹8,167.52 crore.

Assets under Management (AUM)

The AUM of the Company stood at ₹5,941.61 crore (including assignment of ₹1,357.46 crore) as of March 31, 2019 as against ₹4,073.02 crore in the previous financial year, a growth of 46%.

As of March 31, 2019, the average loan sanctioned was ₹8.59 lakh and average tenure was 180.63 months.

Spread on loans

The average yield on loan assets during the year was 13.75% per annum compared to 13.99% in the previous year. The average all-inclusive cost of funds was 8.74% per annum as compared to 8.63% in the previous year. Spread on loans for the year was 5.01%.

Non-Performing Assets

The Company was able to maintain its gross NPAs at ₹22.27 crore (0.47% of the loan assets) as of March 31, 2019. The Company reviews the delinquency and loan portfolio on a regular basis.

The Company conforms to a defined policy with procedures to address delinquencies and collections. As a result, Gross NPA and net NPA as of March 31, 2019 were 0.47% and 0.37% respectively (against 0.46% and 0.39% respectively in the previous financial year).

Capital Adequacy Ratio

NHB vide its note dated March 04, 2019 has proposed certain amendments which include raising the capital adequacy ratio for HFCs from 12% to 15% by March 2022. The capital adequacy ratio of HFCs is to be increased from 12% to 13% by March 2020, 14% by March 2021 and 15% by March 2022 as per the said proposal.

The Company's Capital Adequacy Ratio as of March 31, 2019 was 67.77% (previous financial year 61.55 %) which is far above the minimum required level of 12% as well as the proposed level of 15%.

Lending operations

The Company's lending operations continued to be robust, given the strong demand for housing loans. In support of the government's flagship scheme, 'Housing for All', during the year, in value terms, loans to the EWS and LIG segment grew by 57.5% and 46.5% respectively compared to the previous year.

The average home loan to the EWS and LIG segment stood at ₹4.53 lakh and ₹8.40 lakh respectively.

Branch network

Aavas adopted a strategy

of contiguous on-ground expansion across regions and as of March 31, 2019, we conducted our operations through 210 branches, covering 122 districts in ten States of which we have a significant presence in four States viz. Rajasthan, Gujarat, Maharashtra and Madhya Pradesh.

The Company has its registered office in Jaipur, Rajasthan.

Resource mobilization

Share Capital

The Issued and paid-up Equity Share Capital of the Company as of March 31, 2019 stood at ₹78,10,79,010 (Rupees Seventy eight crore ten lakh seventy nine thousand ten) consisting of 7,81,07,901 (Seven crore eighty one lakh seven thousand nine hundred one) Equity Shares of ₹10/- each as compared to ₹69,17,28,346 (Rupees Sixty-nine crore seventeen lakh twenty-eight thousand three hundred and forty six) consisting of 6,99,50,891 (Six crore ninety nine lakh fifty thousand eight hundred ninety one) Equity Shares of ₹10/- each in the previous year.

During the financial year under review, the Paid-up Equity Share Capital of the Company has been increased on account of the following:

Conversion of partly paid equity shares and convertible share warrants

- Conversion of 7,20,094 partly paid Equity Shares into fully-paid Equity Shares of a face value of ₹10/- each, consequent upon the receipt of the balance call money of ₹6 per share.
- Conversion of 4,32,500 partly-paid Equity Shares into fully paid Equity Shares of a face value of ₹10/- each consequent upon receipt of balance call money of ₹8 per share.
- Conversion of 8,00,000 Convertible Share Warrants into fully paid Equity Shares of face value of ₹10/- each.

ESOP allotment

- Issuance and allotment of 29,72,113 Equity Shares pursuant to the exercise of stock options by the eligible employees of the Company under the ESOP plans of the Company.

Initial Public Offer

During the year, the Company made an Initial Public Offer (IPO) of 1,99,79,503 Equity Shares of a face value of ₹10 each for cash at a price of ₹821 per Equity Share (including a share premium of ₹811 per Equity Share).

The offer comprised a fresh issue of 43,84,897 Equity Shares by the Company and Offer for Sale of 1,55,94,606 Equity Shares by Lake District Holdings Limited and Partners Group ESCL Limited ("Promoters"), by Kedaara Capital Alternative Investment Fund-Kedaara Capital AIF 1 ("Existing Investor"), by Partners Group Private Equity Master Fund LLC ("Members of Promoter Group"), by Mr. Sushil Kumar Agarwal, Managing Director and CEO and Mr. Vivek Vig, Non-Executive Nominee Director.

The Equity Shares of Company were successfully listed on the BSE Limited (BSE) and National Stock Exchange of India Limited (NSE) with effect from October 08, 2018.

Term loans from banks and financial institutions

During the year the Company received fresh sanctions from banks amounting to ₹630 crore and availed loans aggregating ₹645 crore.

The outstanding term loans from banks and financial institutions as of March 31, 2019 were ₹2,041 crore. The average tenure of term loans raised during the financial year under review was 9.23 years.

Securitization/Assignment of Loan Portfolio

During the year the Company received a purchase consideration of ₹680.16 crore from assets assigned in pool buyout transactions.

The pool buyout transactions were carried out in line with RBI guidelines on Securitization of Standard Assets and securitized assets were de-recognized in the books of the Company.

Refinance from NHB

During the year the Company received sanction of fresh refinance assistance of ₹400 crore in addition to the approval of undrawn limit of ₹100 crore pertaining to FY 2017-18, under the NHB refinance scheme to Housing Finance Companies. The

Company has availed funds from NHB under the Refinance Scheme for 'Special Urban Low-Income Housing', 'Urban Housing Fund', 'Affordable Housing Fund' and 'Regular Refinance Scheme' and outstanding at the end of the current financial year stood at ₹897.21 crore (previous year ₹365.10 crore).

The Company availed funds of ₹231.70 crore under the subsidized scheme of NHB (Affordable Housing Fund and Urban Housing Fund) and reduced the effective rate of interest for eligible customers to 8.36% fixed for next seven years.

Masala Bond issued to multilaterals

During the year the Company issued rupees-denominated Masala Bond of ₹200 crore in the nature of senior subordinated debt to CDC Group PLC (CDC), the United Kingdom's Development Finance Institution.

This was the Company's maiden Masala Bond issue and can be listed on London Stock Exchange or any other international stock exchanges in future.

As of March 31, 2019, the Company's outstanding balance of Masala Bonds issued to multilaterals stood at ₹198.40 crore.

Non-Convertible Debentures ('NCDs') issued to domestic financial institutions

During the year the Company raised ₹10 crore through the issue of Rated, Secured, Redeemable, Non-Convertible Debentures on a private placement basis to domestic financial institutions.

Your Company redeemed secured NCDs amounting to ₹150 crore before their maturity and ₹10 crore on maturity during the financial year under review.

As of March 31, 2019, the Company's outstanding NCDs stood at ₹238.65 crore compared to ₹388.20 crore as of March 31, 2018. Company's Debentures are listed on Wholesale Debt Market segment of BSE Ltd.

As of March 31, 2019, the Company's outstanding subordinated debt in the form of NCDs stood at ₹99.58 crore as compared to ₹99.48 crore as on March 31, 2018.

Commercial Paper (CP)

The Company did not issue any Commercial Paper and Short-Term Instrument during the financial year 2018-19.

Credit rating upgrades

India's renowned rating agencies have assigned ratings to Company, the details of the same are mentioned below:-

Rating Agency	Rating Type	Nature of Borrowing	External Credit Rating
CARE	Long Term Rating	Long Term Banking Facilities and Instrument -Subordinated Debt	"CARE AA- / Stable"
	Short Term Rating	Commercial Paper	"CARE A1+"
ICRA	Long Term Rating	Long Term Banking Facilities and Non-Convertible Debentures	"ICRA A+ / Positive"
	Short Term Rating	Commercial Paper	"ICRA A1+"
CRISIL	Long Term Rating	Long Term Banking Facilities	"CRISIL A+/ Stable"

The ratings continue to reflect Company's healthy earning profile, adequate capitalization, strong net worth base, and steady improvement in its scale of operations.

Human resources

Aavas believes that its competitive advantage lies in its people. The Company's people bring to the stage multi-sectoral experience, technological experience and domain knowledge. The Company's HR culture is rooted in its ability to subvert age-old norms in a bid to enhance competitiveness. The Company always takes decisions in alignment with the professional and personal goals of employees, achieving an ideal work-life balance and enhancing pride in association. The Company's employee count stood at 3190 as of March 31, 2019.

Internal control systems and their adequacy

The Company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The Company's internal financial control over financial reporting includes those policies and procedures that:

(1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company

(2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that receipts and expenditures of the Company are being made only in accordance with authorisations of management and Directors of the Company and

(3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

The Company has a robust internal audit programme, where the internal auditors, an independent firm of Chartered Accountants, conduct a risk-based audit with a view to not only test adherence to policies and procedures but also to suggest improvements in processes and systems. Their audit program is agreed upon by the Audit Committee. Internal audit observations and recommendations are reported to the Audit Committee, which monitors the implementation of such recommendations.

Investor Relations (IR)

In the financial year 2018-19, the Company launched its IPO and was listed on the Indian stock exchanges. FY2018-19 was the first year of IR activities, focused on enhancing the Company's visibility through participation in investor conferences, non-deal roadshows, inbound roadshows/meetings, investor/analyst meet and expanding coverage on the Company while ensuring consistency of data and maintaining the highest standard of corporate governance. Further, the Company ensured uniformity in dissemination of information among all investors in a timely and transparent manner.

Subsequent to the listing, prompt and proactive disclosure of all material information was made to the stock exchanges to enable informed decision-making by market participants. The documents, which were shared with the stock exchanges, were instantly uploaded on the Company's website and mailed to market participants, if required.

Cautionary statement

This statement made in this section describes the Company's objectives, projections, expectation and estimations which may be 'forward looking statements' within the meaning of applicable securities laws and regulations. Forward–looking statements are based on certain assumptions and expectations of future events. The Company cannot guarantee that these assumptions and expectations are accurate or will be realised by the Company. Actual result could differ materially from those expressed in the statement or implied due to the influence of external factors which are beyond the control of the Company. The Company assumes no responsibility to publicly amend, modify or revise any forward-looking statements on the basis of any subsequent developments.

DIRECTORS' REPORT

To,

The Shareholders,
AAVAS FINANCIERS LIMITED ("COMPANY")

Your Directors are pleased to present the Ninth Annual Report on the operational and business performance of the Company together with the Audited Financial Statements (standalone and consolidated) for the financial year ended March 31, 2019.

FINANCIAL PERFORMANCE

The summarized financial performances for the financial year ended March 31, 2019 are as under:

(₹ in crore)

	Particulars	For the Year ended March 31, 2019	For the Year ended March 31, 2018
A	Total Income	710.97	494.44
	Less:		
	- Total Expenditure before Depreciation & Amortization and provision	(434.66)	(351.92)
	- Impairment on financial instruments	(8.90)	(2.59)
	- Depreciation & Amortization	(9.72)	(5.63)
B	Total Expenses	(453.28)	(360.14)
C	**Profit Before Tax (A-B)**	**257.69**	**134.31**
D	Less: Provision for Taxations (Net of Deferred Tax)	81.78	41.21
E	**Profit After Tax (C-D)**	**175.91**	**93.09**
F	Add: Other Comprehensive Income (Net of Tax)	0.23	0.07
G	**Total Comprehensive Income (E+F)**	**176.14**	**93.16**
	Transfer to Statutory Reserve	35.23	20.17

Your Company posted Total Income (Total Interest Income and Other Income) of ₹710.97 crore and Total Comprehensive Income of ₹176.14 crore for the financial year ended March 31, 2019, as against ₹494.44 crore and ₹93.16 crore respectively for the previous financial year.

IND AS IMPLEMENTATION

Your Company has adopted Indian Accounting Standards ("Ind AS") notified under Section 133 of the Companies Act, 2013 ("the Act") read with the Companies (Indian Accounting Standards) Rules, 2015 from April 01, 2018 and the effective date of such transition is April 01, 2017. Such transition has been carried out from the erstwhile accounting standards notified under the Act, read with relevant rules issued thereunder and guidelines issued by National Housing Bank ("NHB") (collectively referred to as 'the Previous GAAP'). Accordingly, the impact of transition has been recorded in the opening reserves as at April 01, 2017 and the corresponding financial figures presented in this Report have been restated/reclassified.

DIVIDEND

Your Directors have considered reinvesting the profits into the business of the Company in order to build a strong reserve base for the long-term growth aspects of the Company. Accordingly, no dividend has been recommended for the financial year ended March 31, 2019.

MODIFICATION IN ARTICLES OF ASSOCIATION

The Members of the Company vide Special Resolution passed at the Extraordinary General Meeting held on June 11, 2018 have adopted new set of Articles of Association of the Company ("Articles") in accordance to the provisions of the Act.

Further, the Members of the Company vide Special Resolution passed by means of Postal ballot concluded on December 30, 2018 have also ratified the Articles of Association post listing of the Equity Shares of the Company.

INITIAL PUBLIC OFFERING

Your Company made its Initial Public Offer ("IPO") of 1,99,79,503 Equity Shares of face value of ₹10/- each for cash at a price of ₹821 per Equity Share (including a share premium of ₹811 per Equity Share). The offer comprised of fresh issue of 43,84,897 Equity Shares by your Company and Offer for Sale of 1,55,94,606 Equity Shares by Lake District Holdings Limited and Partners Group ESCL Limited ("Promoters"), by Kedaara Capital Alternative Investment Fund-Kedaara Capital AIF 1 ("Existing Investor"), by Partners Group Private Equity Master Fund LLC ("Members of Promoter Group"), by Mr. Sushil Kumar Agarwal, Managing Director and CEO and Mr. Vivek Vig, Non-Executive Nominee Director.

The Equity Shares of your Company were successfully listed on the BSE Limited ("BSE") and National Stock Exchange of India Limited ("NSE") with effect from October 08, 2018. The Annual Listing Fees for the financial year 2019-20 has been paid by your Company to both the Stock Exchanges.

Your Directors wish to place on record their gratitude for the trust, faith and confidence reposed by the public, institutions, customers and business partners in the Company even during the challenging environment; thus making the IPO successful.

Your Directors also places on record their deep appreciation for the significant contribution and sincere efforts made in the IPO process by the Merchant Bankers, all legal counsels to the offer, Statutory Auditors of the Company, Registrar to the Offer, Advertising Agency, Syndicate Members, Monitoring Agency, Bankers to the Offer, NHB, Registrar of Companies-Jaipur, Stock Exchanges, Management Team and Employees of the Company.

SHARE CAPITAL

The Issued and paid-up Equity Share Capital of the Company as on March 31, 2019 stood at ₹78,10,79,010 (Rupees Seventy eight crore ten lakh seventy nine thousand ten) consisting of 7,81,07,901 (Seven crore eighty one lakh seven thousand nine hundred one) Equity Shares of ₹10/- each as compared to ₹69,17,28,346 (Rupees Sixty nine crore seventeen lakh twenty eight thousand three hundred and forty six) consisting of 6,99,50,891 (Six crore ninety nine lakh fifty thousand eight hundred ninety one) Equity Shares of ₹10/- each in previous year.

During the financial year under review, the Paid-up Equity Share Capital of the Company has been increased on account of the following:

- Conversion of 7,20,094 partly paid Equity Shares into the fully paid Equity Shares of face value of ₹10/- each, consequent upon receipt of balance call money of ₹6 per share.
- Conversion of 4,32,500 partly paid Equity Shares into the fully paid Equity Shares of face value of ₹10/- each consequent upon receipt of balance call money of ₹8 per share.
- Conversion of 8,00,000 convertible share warrants into fully paid Equity Shares of face value of ₹10/- each.
- Issuance and allotment of 29,72,113 Equity Shares pursuant to the exercise of stock options by the eligible employees of the Company under ESOP plans of the Company.
- Issuance and allotment of 43,84,897 Equity Shares of ₹10/- each by way of issue of fresh Equity Shares through IPO .

REVIEW OF OPERATIONS

Your Company is registered as a Housing Finance Company with NHB to carry out the housing finance activities in India.

In order to build a high-quality loan book, your Company endeavors to adopt superior underwriting practices backed by robust monitoring and recovery mechanisms. Your Company is always committed towards improving efficiency in all its processes and service levels for its customers.

Your Company's main thrust continues to be the affordable housing segment, with its focus on catering to the aspirations of low and middle-income Indian families who dream to own their homes. Your Company has been conducting its business as a housing finance institution enabling credit access to the low and middle income self-employed customers in semi-urban and rural areas in India. The majority of your Company's customers have limited access to formal banking credit facilities.

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

During the financial year under review, your Company has delivered yet another year of resilient performance, which is reflected in the following Company's financial snapshot:-

Income & Profits

Total Income grew by 43.79% to ₹710.97 crore for the financial year ended March 31, 2019 as compared to ₹494.44 crore for the previous financial year. Profit Before Tax (PBT) was 91.87% higher at ₹257.69 crore as compared to ₹134.31 crore for the previous financial year.

The Total Comprehensive Income for the financial year 2018-19 has increased by 89.06% from ₹93.16 crore in the previous financial year to ₹176.14 crore in the current financial year.

Sanctions

During the financial year under review, your Company sanctioned housing loans for ₹2710.82 crore as compared to ₹2216.98 crore in the previous financial year with an annual growth of 22.28%. The cumulative loan sanctions since inception of your Company stood at ₹8612.20 crore as at March 31, 2019. Your Company has granted no loan against the Collateral of Gold Jewellery.

Disbursements

During the financial year under review, your Company disbursed housing loans for ₹2672.35 crore as compared to ₹2051.16 crore in the previous financial year and recorded a growth of 30.28% in disbursements.

The cumulative loan disbursement since inception as at March 31, 2019 was ₹8167.52 crore.

Assets under Management (AUM)

The AUM of your Company stood at ₹5941.61 crore (including assignment of ₹1357.46 crore) as at March 31, 2019 as against ₹4073.02 crore in the previous financial year, with a growth of 45.88%.

As of March 31, 2019, the average loan sanctioned was ₹8.59 lakh and Average tenure was 180.63 months in the AUM (on origination basis).

Affordable Housing

Your Company has experienced, trained and exclusive team for catering the product and to focus on Economically Weaker Sections (EWS) and Low Income Group (LIG) segments. This customer segment have a prime aspiration of owning their own houses.

Your Company has signed MOU's with Local Government authorities of various State Governments for the Credit Linked Subsidy Scheme (CLSS) under the Pradhan Mantri Awas Yojana for EWS, LIG and Middle Income Group (MIG) segments.

During the financial year under review, your Company has been an active contributor to the same and has benefited Customers by providing CLSS Subsidy of Rs. 36.56 crore through 1907 loan accounts and credited the subsidy to the respective customers' loan accounts.

Since the inception of the scheme, your Company has received CLSS subsidy of ₹42.90 crore in respect of 2342 beneficiaries and same has been passed on to the customers.

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

Non-Performing Assets

Your Company is in adherence to the provision of Ind AS with respect to computation of Non-Performing Assets ("NPAs"). Your Company's assets have been classified based on expected performance. Exposure at Default (EAD) is the total amount outstanding including accrued interest as on the reporting date. Further Interest income on NPAs which was not accrued earlier is now recognized as part of Ind AS adjustment, if the security is adequate and the present value of realization of the security is greater than the outstanding loan dues.

Using a pro-active collection and recovery management system supported by analytical decision making, your Company was able to contain its gross NPAs at ₹22.27 crore (0.47% of the loan assets) as at March 31, 2019. Your Company reviews the delinquency and loan portfolio on regular basis.

Your Company conforms to a defined policy with procedures to address delinquencies and collections. As a result, Gross NPA and net NPA as at March 31, 2019 were 0.47% and 0.37% respectively (against 0.46% and 0.39% respectively in the previous financial year).

Further, the information on the Business overview and outlook and state of the affairs of your Company have been discussed in detail in the MDA which forms part of this Annual Report.

CAPITAL ADEQUACY RATIO

As required under NHB Directions, 2010, your Company is presently required to maintain a minimum capital adequacy of 12% on a stand-alone basis.

Further, the NHB vide its note dated March 04, 2019 has proposed certain amendments which includes to raise the capital adequacy ratio for HFCs from 12% to 15% by March 2022.The capital adequacy ratio of HFCs is to be increased from 12% to 13% by March 2020, 14% by March 2021 and 15% by March 2022 as per the said proposal.

Your Company's Capital Adequacy Ratio as at March 31, 2019 was 67.77% (previous financial year 61.55%) which is far above the minimum required level of 12% as well as the proposed level of 15%.

DEPOSITS

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

CREDIT RATING UPGRADES

During the financial year under review, your Company's Long-Term Credit rating was upgraded by CARE Ratings Limited to the CARE AA- with a stable outlook from CARE A+ with a positive outlook, reflecting Company's financial strength and growth outlook.

Further ICRA has upgraded the rating outlook of your Company from "ICRA A+"/Stable to "ICRA A+"/ Positive.

India's renowned rating agencies have assigned ratings to your Company, the details of the same are mentioned below:-

Rating Agency	Rating Type	Nature of Borrowing	External Credit Rating
CARE	Long Term Rating	Long Term Banking Facilities and Instrument -Subordinated Debt	"CARE AA- / Stable"
	Short Term Rating	Commercial Paper	"CARE A1+"
ICRA	Long Term Rating	Long Term Banking Facilities and Non-Convertible Debentures	"ICRA A+ / Positive"
	Short Term Rating	Commercial Paper	"ICRA A1+"
CRISIL	Long Term Rating	Long Term Banking Facilities	"CRISIL A+/ Stable"

The ratings continue to reflect your Company's healthy earning profile, adequate capitalization, strong net worth base, and steady improvement in its scale of operations.

The assigned ratings are a positive reflection of Company's leadership position in affordable housing segment, its experienced management team and strong brand equity in the regional markets where it has presence. The rating also derives strength from comfortable liquidity and resource profile and adequate risk management & control systems put in place by the Company as well as good growth opportunities in the affordable housing segment.

ISO CERTIFICATIONS

Your Company has received following ISO certifications for its key customer facing departments and workflow process from TUV Nord India reflecting the superior customer experience.

- ISO 9001:2015 for Lending process; e-disbursements and client servicing including Grievance Redressal Mechanism and;
- ISO 10002:2014 for customer satisfaction and complaint handling process.

RESOURCE MOBILIZATION

Your Company's overall borrowing is guided by a policy duly approved by the Board of Directors. Your Company has vide special resolution passed on May 30, 2018, under Section 180 (1) (c) of the Act, authorized the Board of Directors to borrow money upon such terms and conditions as the Board may think fit in excess of the aggregate of paid up share capital and free reserves of the Company up to an amount of ₹7,000 crore and the total amount so borrowed shall remain within the limits as prescribed by NHB.

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

During the financial year under review, your Company continued to diversify its funding sources by exploring the Debt Capital Market through private placement of Secured Non-Convertible Debentures; Issuance of Rupee denominated masala bond via ECB Route to mutilates, NHB Refinance, Securitization/Direct assignment, and banking products like Priority Sector/Non-Priority Sector Term loans, Cash Credit Facilities and Working Capital Demand loans. Your Company has also further diversified its borrowing by adding 2 (Two) new lenders/Financial Partners.

The weighted average borrowing cost as at March 31, 2019 was 8.74% (including Securitization/ Assignment) as against 8.63% in the previous financial year. As at March 31, 2019, your Company's sources of funding were primarily from banks and financial institutions (42.22%), followed by Securitization/Direct assignment (28.03%), NHB Refinance (18.57%), Masala Bond issued to Multilaterals (6.83%), Non-Convertible Debentures issued to Domestic Financial Institutions (2.28%), and Subordinated Debts (2.07%).

Term Loans from Banks and Financial Institutions

During the financial Year under review, your Company received fresh sanctions from banks amounting to ₹630 crore and has availed loans aggregating to ₹645 crore. The outstanding term loans from Banks and Financial Institutions as at March 31, 2019 were ₹2,041 crore. Average Tenure of term loan raised during the financial year under review is 9.23 years.

Securitization/Assignment of Loan Portfolio

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

During the financial year under review, your Company has received purchase consideration of ₹680.16 crore from assets assigned in pool buyout transactions.

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

Refinance from National Housing Bank (NHB)

NHB continued to extend its support to your Company through refinance assistance and during the financial year under review, your Company has received sanction of fresh refinance assistance of ₹400 crore in addition to the approval of undrawn limit of ₹100 crore pertaining to FY 2017-18, under the NHB refinance scheme to Housing Finance Companies. Your Company availed funds from NHB under the Refinance Scheme for "Special Urban Low-Income Housing", "Urban Housing Fund", "Affordable Housing Fund" and "Regular Refinance Scheme" and outstanding at the end of the current financial year stood at ₹897.21 crore (previous year ₹365.10 crore).

Your Company has availed funds of ₹231.70 crore under subsidized scheme of NHB (Affordable Housing Fund and Urban Housing Fund) and reduced the effective rate of interest for the eligible customers to 8.36% being fixed for next 7 years.

Masala Bond issued to Multilaterals

During the financial Year under review, your Company has issued rupee denominated Masala Bond of ₹200 crore in the nature of senior subordinated debt to CDC Group PLC ("CDC"), the United Kingdom's Development Finance Institution. This is your Company's maiden Masala Bond issue and can be listed on London Stock Exchange or any other international stock exchanges in future. Your Company is fourth HFC to issue Masala Bond.

As on March 31, 2019, your Company's outstanding balance of Masala Bond issued to Multilaterals stood at ₹198.40 crore.

Non-Convertible Debentures ("NCDs") issued to Domestic Financial Institutions

During the financial year under review, your Company has raised ₹10 crore through the issue of Rated, Secured, Redeemable, Non-Convertible Debentures on private placement basis to Domestic Financial Institutions.

Your Company has redeemed Secured NCD's amounting to ₹150 crore before their maturity and ₹10 crore on maturity during the financial year under review.

As on March 31, 2019, the Company's outstanding NCDs stood at ₹238.65 crore as compared to ₹388.20 crore as on March 31, 2018. Your Company's Debentures are listed on Wholesale Debt Market segment of BSE Limited.

As on March 31, 2019, the Company's outstanding subordinated debt in the form of NCDs stood at ₹99.58 crore as compared to ₹99.48 crore as on March 31, 2018.

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

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

The security details of the aforesaid borrowings of the Company are mentioned in Note No. 11, 12 and 13 of the Notes to accounts forming part of the audited (standalone) financial statements for the financial year ended March 31, 2019.

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

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

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

Commercial Paper (CP)

Your Company has not issued any Commercial Paper & Short-Term Instrument during the financial year 2018-19.

Debenture Trustees

Debenture Trust Agreement(s) were executed in favour of IDBI Trusteeship Services Limited and Catalyst Trusteeship Limited for NCDs issued by the Company on private placement basis.

BRANCH EXPANSION

Your Company has been successful in continuous expansion of its Branch network with a view to support its disbursement growth, deeper penetration in the states in which Company operates and enhancing customer reach. During the financial year under review, the Company has expanded its Branch network to 10 states through 210 Branches as of March 31, 2019 and plans to scale up its operation to newer geographies in FY 2019-20. Your Company now operates in the states of Rajasthan, Maharashtra, Gujarat, Madhya Pradesh, Haryana, Delhi, Chhattisgarh, Uttar Pradesh, Uttarakhand and Punjab.

Your Company has its registered office in Jaipur, Rajasthan and its branch network as on March 31, 2019 vis-à-vis the previous financial year is detailed hereunder:

State	No. of Branches (As on March 31, 2019)	No. of Branches (As on March 31, 2018)
Rajasthan	78	72
Maharashtra	38	33
Gujarat	32	27
Madhya Pradesh	32	24
Haryana	11	3
Chhattisgarh	5	3
Delhi	2	2
Uttar Pradesh	6	1
Uttarakhand	5	-
Punjab	1	-
Total number of branches	**210**	**165**

DIRECTORS AND KEY MANAGERIAL PERSONNEL

The Board of Directors of the Company comprises of Nine Directors, consisting of three Independent Directors (including one Woman Director), five Non-Executive Nominee Directors and one Whole Time Director* and CEO as on March 31, 2019 who bring in a wide range of skills and experience to the Board.

The Board of Directors of the Company are:-

Name of the Director	Designation	DIN
Mr.Krishan Kant Rathi	Chairperson and Independent Director	00040094
Mr. Sushil Kumar Agarwal	Managing Director and CEO*	03154532
Mrs. Kalpana Iyer	Independent Director	01874130
Mr. Sandeep Tandon	Independent Director	00054553
Mr. Ramachandra Kasargod Kamath	Non-Executive Nominee Director	01715073
Mr. Vivek Vig	Non-Executive Nominee Director	01117418
Mr. Nishant Sharma	Non-Executive Nominee Director	03117012
Mr. Manas Tandon	Non-Executive Nominee Director	05254602
Mr. Kartikeya Dhruv Kaji	Non-Executive Nominee Director	07641723

* Subject to the approval of Members of the Company, Board of Directors of the Company at their meeting held on May 03, 2019 has approved the change in designation of Mr. Sushil Kumar Agarwal to Managing Director and Chief Executive Officer ("MD and CEO") of the Company from Whole Time Director and Chief Executive Officer ("WTD and CEO"), with effect from May 03, 2019 till the expiry of his current term i.e. upto January 09, 2024.

The Independent Directors have confirmed that they satisfy the criteria prescribed for Independent Directors as stipulated in the provisions of the Section 149(6) of the Act and Regulation 16 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI LODR Regulations"). None of the Directors have any pecuniary relationship or transactions with the Company. None of the Directors of the Company are related to each other and have confirmed that they are not disqualified from being appointed as Directors in terms of section 164 of the Act and are not debarred from holding the office of director by virtue of any SEBI order or any other such authority. Your Company has also obtained a certificate from a Company Secretary in practice confirming that none of the Directors on the Board of the Company have been debarred or disqualified from being appointed or continuing as Directors of companies by SEBI/Ministry of Corporate Affairs or any such statutory authority. The same forms part of this Annual Report as **"Annexure-1"** to the Directors Report.

Appointment & Resignation of Directors

Appointments

During the financial year under review, the Board at its meeting held on June 08, 2018 appointed Mr. Krishan Kant Rathi, Independent Director of the Company as Chairperson of the Board with effect from June 08, 2018, who shall hold office up to the date of ensuing AGM as Chairperson of the Board.

Re-appointments

During the financial year under review, Mr. Sushil Kumar Agarwal has been reappointed as Whole Time Director and Chief Executive Officer of the Company for a period of five years, with effect from January 10, 2019 by the Members of the Company vide a postal ballot concluded on December 30, 2018.

Change in Designation

Subject to the approval of Members of the Company, Board of Directors of the Company in their meeting held on May 03, 2019 has approved to change designation of Mr. Sushil Kumar Agarwal to Managing Director and Chief Executive Officer ("MD and CEO") of the Company from Whole Time Director and Chief Executive Officer ("WTD and CEO"), with effect from May 03, 2019 till the expiry of his current term i.e. upto January 09, 2024.

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

Directors Retiring by Rotation

In accordance with the provisions of the Act, Mr. Ramachandra Kasargod Kamath and Mr. Vivek Vig, Non-Executive Nominee Directors of the Company are liable to retire by rotation at the ensuing 9th Annual General Meeting of the Company. They are eligible and have offered themselves for re-appointment. Resolutions for their reappointment are being proposed at the 9th Annual General Meeting and their Profiles are included in the Notice of the 9th Annual General Meeting.

Appointments/Resignations of the Key Managerial Personnel

Mr. Sushil Kumar Agarwal- Managing Director and CEO, Mr. Ghanshyam Rawat- Chief Financial Officer and Mr. Sharad Pathak - Company Secretary and Compliance Officer are the Key Managerial Personnel in terms of section 2(51) of the Act.

Further Subject to the approval of the Members of the Company, Board of Directors of the Company at their meeting held on May 03, 2019 has approved the change in the designation of Mr. Sushil Kumar Agarwal to Managing Director and Chief Executive Officer ("MD and CEO") of the Company from Whole Time Director and Chief Executive Officer ("WTD and CEO"), with effect from May 03, 2019 till the expiry of his current term i.e. upto January 09, 2024.

Apart from above, none of the Key Managerial Personnel of the Company has been appointed or resigned from the Company during the financial year under review.

Number of Board Meetings held during the Financial Year

During the financial year 2018-19, 10 (Ten) Board Meetings were convened and held. The details related to Board Meetings are appended in Corporate Governance Report forming part of this Report.

The intervening gap between the Board Meetings was within the period prescribed under the Act and SEBI LODR Regulations. The notice and agenda including all material information and minimum information required to be made available to the Board under Regulation 17 read with Schedule II Part-A of the SEBI LODR Regulations, were circulated to all Directors, well within the prescribed time, before the Meeting or placed at the Meeting.

Performance Evaluation of the Board

Your Company is following the most effective way to ensure that Board Members understand their duties and adopt good governance practices. In furtherance to this, the Directors of your Company commit to act in good faith to promote the objects of the Company for the benefit of its employees, the Stakeholders including Shareholders, the community and for the protection of environment.

Your Company has designed a mechanism as per the provisions of the Act, SEBI LODR Regulations and "Housing Finance Companies-Corporate Governance (National Housing Bank) Directions, 2016" for the Evaluations of performance of Board, Committees of Board & Individual Directors.

The above mechanism is based on the Guidance Note on Board Evaluation issued by the Securities and Exchange Board of India on January 5, 2017.

Further your Company is adhering to the Fit and Proper Criteria as laid down by NHB and also has in place a Board approved Policy for ascertaining the same at the time of appointment of Directors and on a continuing basis.

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

During the financial year under review, separate Meeting of the Independent Directors was held on January 30, 2019, without the attendance of Non- Independent Directors and the Management of the Company to review the performance of the Non- Independent Directors and Board as a whole, after assessing the quality, quantity and timeliness of flow of information between the management and the Board which is necessary for the Board to effectively and reasonably perform its duties.

Major aspects of Board evaluation included who is to be evaluated, process of evaluation including laying down of objectives and criteria to be adopted for evaluation of different persons, feedback to the persons being evaluated and action plan based on the results. The manner in which the evaluation has been carried out has been explained in the Report on Corporate Governance forming part of this Report as **"Annexure-2"**. As required under the SEBI LODR Regulations, a certificate from Mr. Manoj Maheshwari, Practicing Company Secretary (Membership No. FCS 3355) certifying that the Company has complied with the conditions of Corporate Governance as stipulated by SEBI LODR Regulations has been obtained. The said certificate forms part of the Directors Report as **"Annexure-3".**

Company's Policy on Director's Appointment, Remuneration & Evaluation

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

The "Policy on Nominations & Remuneration for Directors, Key Managerial Executives, Senior Management and Other Employees", 'Remuneration Policy' of the Company are placed on the website of the Company. The Remuneration paid to the Directors is in line with the Remuneration Policy of the Company.

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

Details of Remuneration paid to all the Directors during the financial year 2018-19 is more particularly defined in extract of Annual Return in form "MGT-9" attached to this report as **"Annexure-9".**

COMMITTEES OF THE BOARD

The Company has the following Ten (10) Board level Committees which have been constituted in compliance with the requirements of the business and relevant provisions of applicable laws and statutes:

1. Audit Committee
2. Nomination and Remuneration Committee
3. Stakeholders Relationship Committee
4. Corporate Social Responsibility (CSR) Committee
5. Risk Management Committee
6. Asset Liability Management Committee (ALCO)
7. IT Strategy Committee
8. Executive Committee
9. Customer Service & Grievance Redressal (CS&GR) Committee
10. IPO Committee

During the financial year under review, recommendations made by above Committees were accepted by the Board.

The details with respect to the composition, terms of reference, number of Meetings held, etc. of these Committees are given in the Report on Corporate Governance which forms part of this Report.

PRUDENTIAL NORMS FOR THE HOUSING FINANCE COMPANY

Your Company continues to comply with the guidelines issued by NHB, from time to time including but not limited to accounting guidelines, prudential norms for asset classification, income recognition, provisioning, capital adequacy, concentration of credit/investments, credit rating, Know Your Customer (KYC) guidelines, Anti Money Laundering (AML) standards, fair practices code, Asset Liability Management (ALM) system, Most Important Terms & Conditions (MITC), Grievance Redressal Mechanism, recovery of dues, real estate and capital market exposures norms. Further, your Company has taken steps for effective management of operational risk including technology risk as outlined in the Information Technology framework for HFCs. Your Company has also put a reporting system in place for recording frauds as stipulated in guidelines dated February 5, 2019 issued by NHB.

The recognition of Income and Impairment on financial instruments (Expected Credit Loss) has been made in the books as per the Ind AS.

Your Company's Capital Adequacy Ratio stood at 67.77% as against the minimum requirement of 12%.

NHB has not passed any significant or adverse remarks against the Company in their inspection carried out during the financial year. Further it has not levied any penalty on the Company during the financial year.

Regulatory & Statutory Compliances

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

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

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

Your Company is also in compliance with the provisions of the Act including the Secretarial Standards, SEBI LODR Regulations and other applicable statutory requirements.

EMPLOYEE STOCK OPTION PLANS-2016 (ESOP-2016)

Your Company has instituted Stock Option Plans to attract and retain, reward and motivate the Management team, Directors and Employees of the Company.

The Members of the Company have by passing the special resolution at their Meeting held on February 23, 2017 approved three plans (Collectively called "ESOP–2016") as following:

1. EQUITY STOCK OPTION PLAN FOR EMPLOYEES 2016 ("ESOP 2016-I")
2. EQUITY STOCK OPTION PLAN FOR MANAGEMENT TEAM 2016 ("ESOP 2016-II")
3. EQUITY STOCK OPTION PLAN FOR DIRECTORS 2016 ("ESOP 2016-III")

These three plans empower the Board and Nomination & Remuneration Committee to execute the said ESOP-2016.

Pursuant to the resolution passed by the Members on June 11, 2018, the Equity Stock Option Plan for Directors 2016 ("ESOP 2016-III") was amended in order to enable early/accelerated vesting of stock options under the said plan. Further pursuant to requirements of Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 ("SEBI SBEB Regulations") read with SEBI LODR Regulations, the Members of the Company ratified the "ESOP-2016" subsequent to the IPO of the Company. All the above stated ESOP plans are in compliance with the SEBI SBEB Regulations.

The Nomination & Remuneration Committee monitors the Plans in compliance with the Act, SEBI SBEB Regulations and SEBI LODR Regulations. The Company shall place a certificate received from its Auditors confirming that the above Plans have been implemented in accordance with the SEBI SBEB Regulations and is as per the resolutions passed by the Members of the Company. at the ensuing AGM for the inspection of the Members of the Company. The disclosures as required under the SEBI SBEB Regulations have been placed on the website of the Company at https://www.aavas.in/investor-relations/annual-reports.

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

Your Company has transferred ₹35.23 crore i.e. 20 % of net profits to Statutory Reserves during the financial year under review as required under the provisions of section 29C of The NHB Act, 1987 read with section 36 (1) (viii) of Income Tax Act, 1961.

AUDITORS

Statutory Auditors

M/s S.R. Batliboi & Associates LLP, Chartered Accountants (Firm Registration No: 101049W/E300004) Statutory Auditors of the Company were appointed by the Members of the Company in the 7th Annual General Meeting (AGM) of the Company held on July 26, 2017 to hold office as Statutory Auditors from conclusion of the 7th AGM to the conclusion of 12th AGM of the Company.

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

Members are requested to note that the Ministry of Corporate Affairs vide notification dated May 7, 2018, inter-alia, notified an amendment to Section 139(1) of the Act whereby the requirement of placing appointment of the Statutory Auditors for ratification by the Members of the Company at every Annual General Meeting has been omitted. Accordingly, the Board has not proposed any ratification for the appointment of Statutory Auditors in the forthcoming AGM. However the Board has noted the confirmation received from M/s S.R. Batliboi & Associates LLP, Chartered Accountants, to the effect that their appointment is in compliance of Sections 139 and 141 of Act and rules made thereunder.

Auditor's Report

The Statutory Auditors have not made any adverse comments or given any qualification, reservation or adverse remarks or disclaimer in their Audit Report on the financial statements for FY 2018-19.

Further, the Auditors have not reported any fraud in terms of Section 143(12) of the Act.

Secretarial Auditors and Secretarial Audit Report

In accordance with Section 204 of the Act and Rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014, M/s V. M. & Associates, Practicing Company Secretaries (Firm Registration No: P1984RJ039200) were appointed as Secretarial Auditors to conduct the Secretarial Audit of the Company for the FY 2018-19. Your Company has provided all assistance and information to the Secretarial Auditors for conducting their audit. The Report of Secretarial Auditors for the FY 2018-19 is annexed to this Report as **"Annexure-4".**

The Report of Secretarial Auditors is self-explanatory and there were no major observations or qualifications or adverse remarks in their Report except that expenditure on CSR activities were below the prescribed limit. The Management has responded, saying that your Company is in the process of gradually building and developing the internal CSR appraisal mechanism, for appraising CSR projects, as it intends to contribute towards genuine projects and partner with only reputed implementation agencies with proven track record.

Further, your Company has constituted a separate legal entity named as "Aavas Foundation" to effectively channelize CSR Funds to provide impetus on philanthropic initiatives of your Company. Your Company plans to drive CSR initiatives directly as well as through the Aavas Foundation to spend maximum available funds for CSR for promoting growth and equality, responsive to relevant needs of communities in which your Company operates.

INTERNAL AUDIT & INTERNAL FINANCIAL CONTROL AND ITS ADEQUACY

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

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

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

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

MATERIAL CHANGES/EVENTS AND COMMITMENTS, IF ANY

There were no material changes and commitments, affecting the financial position of your Company which had occurred between the end of the Financial Year i.e.

March 31, 2019 and the date of the Director's Report i.e. May 03, 2019.

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

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

MAINTENANCE OF COST RECORDS

Being a Housing Finance Company, the Company is not required to maintain cost records as per provisions of the Act.

INFORMATION TECHNOLOGY

Your Company has developed a fully equipped "Core Housing Finance Solutions Platform" which is a step towards aligning technology to the projected business growth.

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

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

a) Document Digitization
b) Device Location Tracking
c) Procurement of Energy Saving Green IT Equipment
d) Refilling Outsourced with High-end Copier Machine in High Print volume Branches to reduce the Carbon Footprint.

During the financial year under review, the NHB had notified Information Technology Framework for HFCs ("Guidelines") vide its notification no. NHB/ND/DRS/ Policy Circular No. 90/2017-18 dated June 15, 2018 in order to enhance the safety, security, efficiency in processes leading to benefits for HFCs and their customers.

Your Company is in compliance with the aforesaid guidelines.

Your Company conducts audit of its IT systems through external agencies at regular intervals. The external agencies suggestions and recommendations are reported to the Audit Committee and implemented wherever found feasible.

FAMILIARISATION PROGRAMME FOR INDEPENDENT DIRECTORS

The Familiarization Programme of your Company aims to familiarize Independent Directors with the Housing industry scenario, the Socio-economic environment in which your Company operates, the business model, the operational and financial performance of your Company, to update the Independent Directors on a continuous basis on significant developments in the Industry or regulatory changes affecting your Company, so as to enable them to take well informed decisions in a timely manner. The familiarization programme also seeks to update the Independent Directors on their roles, responsibilities, rights and duties under the Act and other relevant legislations.

The details of the familiarization programmes have been hosted on the website of the Company and can be accessed on the link: https://www.aavas.in/familiarization-programme.

HUMAN RESOURCE DEVELOPMENT

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

Across all its business operations, your Company had a workforce of 2384 people on permanent role as on March 31, 2019.

Human resource development is considered vital for effective implementation of business plans. Constant endeavor is being made to offer professional growth opportunities and recognitions, apart from imparting training to the employees at all levels. Your Company has also provided the sales training to the new recruits to provide them better understanding of the Company and align them towards the working culture of the Company.

Your Company hired professionals at senior positions as Functional Heads for heading the various Departments of the Company, having relevant industry experience and expertise to strengthen and grow the housing finance business of the Company. Your Company has a team of dedicated individuals and qualified professionals like Chartered Accountants, Company Secretaries, Engineers and Software Developers having degrees from top technical institutions including IITs and MBAs from premier institutes like IIMs.

In pursuance of your Company's commitment to develop and retain the best available talent, your Company has been organizing in house training programmes on regular basis for its employees covering various specialized functions viz lending operations, Underwriting & Due diligence, KYC & AML norms, Risk Management, Information Technology, Recoveries, CLSS, PMAY, Grievance Redressal and soft skills.

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

RISK MANAGEMENT FRAMEWORK

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

Your Company has Board approved Risk Management Policy wherein all material risks faced by the Company are identified and assessed. Your Company has set up a policy framework for ensuring better management of its asset & liability profile. Your Company gives due importance to prudent lending practices and has 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 parameters, and compulsory term cover for insurance. The Risk management framework of your Company seeks to minimize adverse impact of risks on the key business objectives and enables your Company to leverage market opportunities effectively.

During the financial year under review, the Risk Management Committee reviewed the risks associated with the business of your Company, undertook its root cause analysis and monitored the efficacy of the measures taken to mitigate the same.

VIGIL MECHANISM/WHISTLE BLOWER POLICY

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

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

During the financial year under review, in accordance with the SEBI (Prohibition of Insider Trading) (Amendment) Regulations, 2018, the scope of Vigil Mechanism/ Whistle Blower Policy was further extended by including the provision of reporting the instances of leakages of unpublished price sensitive information.

CODE OF CONDUCT FOR PREVENTION OF INSIDER TRADING IN COMPANY'S SECURITIES

Your Company has formulated Code of Conduct for Prevention of Insider Trading in Company's Securities ("Code") in accordance with SEBI (Prohibition of Insider Trading) Regulations, 2015, as amended. The objective of this Code is to protect the interest of Shareholders at large, to prevent misuse of any price sensitive information and to prevent any insider trading activity by way of dealing in securities of the Company by its Designated Persons. Mr. Sharad Pathak, Company Secretary and Compliance Officer of the Company is authorized to act as Compliance Officer under the Code.

During the financial year under review the code was amended in line with the SEBI (Prohibition of Insider Trading) (Amendment) Regulations, 2019 and SEBI (Prohibition of Insider Trading) (Amendment) Regulations, 2018.

DIVIDEND DISTRIBUTION POLICY

Your Company has formulated Dividend Policy in accordance with SEBI LODR Regulations, for bringing transparency in the matter of declaration of dividend and to protect the interest of investors. The Dividend Policy is available on the website of the Company at https://www.aavas.in/dividend-distribution-policy and form part of this Report as **"Annexure-5"**.

PARTICULARS OF HOLDING/SUBSIDIARY/ ASSOCIATE COMPANIES

Your Company doesn't have any holding Company.

The Shareholder having the Substantial interest in the Company is Lake District Holdings Limited.

As on March 31, 2019, your Company has one unlisted wholly owned subsidiary named "AAVAS FINSERV LIMITED", the subsidiary Company has not started any business operations as on the date of this report.

Pursuant to the provisions of Section 129(3) of the Act, your Company has prepared Consolidated Financial Statements of the Company which forms part of this

Annual Report. Further, a Statement containing salient features of financial statements of the Subsidiary, in the prescribed format AOC-1, pursuant to Section 129(3) of the Act read with the Companies (Accounts) Rules, 2014, is annexed as **"Annexure-6"** to this Report.

In accordance with Section 136 (1) of the Act, the Annual Report of your Company containing inter alia, Financial Statements including consolidated financial statements, has been placed on our website: www.aavas.in. Further, the financial statements of the subsidiary have also been placed on our website: www.aavas.in. The Company will make available physical copies of these documents upon written request by any Shareholder of the Company.

INVESTOR RELATIONS

Your Company has an effective Investor Relations Program through which the Company continuously interacts with the investment community through various communication channels viz Periodic Earnings Calls, Annual Investor/Analyst Day, Individual Meetings, Video-conferences, Participation in conferences, One on One interaction.

Your Company ensures that critical information about the Company is made available to all its investors by uploading such information on the Company's website under the Investors section. Your Company also intimates exchanges regarding upcoming events like earnings calls, declaration of quarterly & annual earnings with financial statements and other such matters having bearing on the share price of the Company.

EMPLOYEE REMUNERATION

The statement containing particulars of employees as required under Section 197 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, annexed as **"Annexure-7"** to the Directors' Report.

In accordance with the provisions of Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the names and particulars of the top ten employees in terms of remuneration drawn and of the aforesaid employees are set out in the Annexure to this report. In terms of the provisions of Section 136(1) of the Act read with the rule, the Directors' Report is being sent to all Shareholders of the Company excluding the said annexure. Any Shareholder interested in obtaining a copy of the annexure may write to the Company at investorrelations@aavas.in.

CORPORATE SOCIAL RESPONSIBILITY INITIATIVE

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

During the financial year under review, your Company has constituted a separate legal entity named as "Aavas Foundation" to effectively Channelize CSR Funds to provide impetus on philanthropic initiatives of the Company. Your Company has planned to drive CSR initiatives directly as well as through the Aavas Foundation to spend maximum available funds for CSR for promoting growth and equality, responsive to relevant needs of communities in which your Company operates.

The Annual Report on CSR Activities, which forms part of the Directors Report, is annexed as **"Annexure-8"** to this report.

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

In accordance with the provisions of Sec 134 (3) (m) of the Act, read with Rule 8 of the Companies (Accounts) Rules 2014 the requisite information relating to your Company are as under:-

A) Conservation of energy:

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

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

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

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

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

(iii) The Capital investment on energy conservation equipment:

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

B) Technology absorption:

(i) the efforts made towards technology absorption: Your Company has developed a fully equipped "Core Housing Finance Solutions Platform" which is a step towards aligning technology to the projected business growth.

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

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

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

b) the year of import: N.A.

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

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

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

C) Foreign exchange earnings and Outgo:

During the financial year under review, your Company had no foreign exchange earnings and the aggregate of the foreign exchange outgo during the financial year under review was ₹608.86 lakh. The aforesaid details are shown in the Note No. 38 of notes to the accounts, forming part of the Standalone Financial Statements. Members are requested to refer to these Notes.

BUSINESS RESPONSIBILITY REPORTING

As required under Regulation 34(2)(f) of SEBI LODR Regulations Business Responsibility Report describing the initiatives taken by Company from an environmental, social and governance perspective, forms part of this Annual report and is annexed to this report.

EXTRACTS OF ANNUAL RETURN

Pursuant to sub-section 3(a) of Section 134 and sub-section (3) of Section 92 of the Act, read with Rule 12(1) of the Companies (Management and Administration) Rules, 2014 the extract of the Annual Return in form MGT-9 as at March 31, 2019 forms part of this report as **"Annexure-9"**.

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

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

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

The following is a summary of Sexual Harassment complaints received and disposed off during the year 2018-19:

No. of complaints received: Nil

No. of complaints disposed of: Nil

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

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

CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

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

During the financial year under review, your Company had entered into an arrangement with Aavas Finserv Limited, Wholly owned unlisted subsidiary of the Company, which constitutes Related Party Transactions covered within the purview of Section 188(1) of the Act, accordingly, requirement of disclosure of Related Party Transactions in terms of Section 134(3)(h) of the Act is provided in Form AOC-2 as **"Annexure-10".**

Further as required by NHB notification no. NHB.HFC. CG-DIR.1/MD&CEO/2016 dated February 9, 2017, "Policy on transactions with Related Parties" is given as **"Annexure-11"** to this report and can be accessed on the website of the Company at https://www.aavas.in/policy-on-transactions-with-related-parties.

INTERNAL GUIDELINES ON CORPORATE GOVERNANCE

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

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

DIRECTORS' RESPONSIBILITY STATEMENT

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

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

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

c) the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities.

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

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

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

BUSINESS OVERVIEW & FUTURE OUTLOOK

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

ACKNOWLEDGEMENTS

Your Directors would like to place on record their gratitude for the valuable guidance and support received from the NHB.

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

Your Directors further take this opportunity to appreciate and thank the Kedaara Capital and Partners Group for their invaluable and continued support and guidance.

Your Directors acknowledge and appreciate the guidance and support extended by all the Regulatory authorities including NHB, Securities Exchange Board of India (SEBI), Ministry of Corporate Affairs (MCA), Registrar of Companies-Jaipur, BSE Limited ("BSE") and National Stock Exchange of India Limited ("NSE"), NSDL and CDSL.

Your Directors thank the Rating Agencies (ICRA, CARE, CRISIL and India Ratings & Research Ltd., [Fitch group]), local /statutory authorities and all others for their whole-

hearted support during the financial year and look forward to their continued support in the years ahead.

Your Directors also wish to place on record their appreciation for the commitment displayed by all the Members of the Audit, Nomination & Remuneration, Corporate Social Responsibility Committees, Stakeholders Relationship Committee, Risk Management Committee and other Committees of the Board, executives, officers, staff and the Senior Management team, in recording an excellent performance by the Company during the financial year.

For and on behalf of the Board of Directors

AAVAS FINANCIERS LIMITED

Sushil Kumar Agarwal	**Manas Tandon**
Managing Director & CEO	*Nominee Director*
(DIN: 03154532)	(DIN: 05254602)

Date: May 03, 2019
Place: Jaipur

Registered and Corporate Office:
201-202, 2nd Floor, South End Square,
Mansarovar Industrial Area, Jaipur 302 020, Rajasthan, India
CIN: L65922RJ2011PLC034297
Tel: +91 14 1661 8800 Fax: +91 14 1661 8861
E-mail: investorrelations@aavas.in | Website: www.aavas.in

Annexure - 1 Certificate from Practicing Company Secretary

CERTIFICATE

To,
The Members,
Aavas Financiers Limited

1. In our opinion and to the best of our information and according to the representation made by the Directors of Aavas Financiers Limited ("the Company"), we certify that none of the Directors on the Board of the Company have been debarred or disqualified from being appointed or continuing as Directors of companies by the Securities and Exchange Board of India or Ministry of Corporate Affairs or National Housing Bank or any such statutory authority.
2. The certificate is addressed and provided to the Members of the Company solely for the purpose to enable the Company to comply with the requirement of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended and it should not be used by any other person or for any other purpose. Accordingly, we do not accept or assume any liability or any duty of care for any other purpose or to any other person to whom this certificate is shown or into whose hands it may come without our prior consent in writing.

Place: Jaipur
Date: May 03, 2019

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

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

Annexure - 2 to the Director's Report

REPORT ON CORPORATE GOVERNANCE

The report on Corporate Governance pursuant to the Companies Act, 2013 ("the Act") and the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI LODR Regulations") and forming part of the Directors' Report for Financial year 2018-19 is presented below:

Company's Philosophy on Code of Governance

Your Company believes in adopting and adhering to the best standards of Corporate Governance. It consistently benchmarks itself against such standards. The Company duly acknowledges its fiduciary role and responsibility towards all of its Stakeholders including Shareholders; and strives hard to meet their expectations. The Company's philosophy on Corporate Governance enshrines the goal of achieving the highest levels of transparency, accountability and equity in all spheres of its operations and in all its engagements with the Stakeholders. It understands that best Board practices, transparent disclosures, ethical conduct of business and Shareholder's empowerment are necessary for creating sustainable Shareholder value.

A good Corporate Governance framework incorporates a system of robust checks and balances between key players; namely, the Board, its committees, the management, auditors and various other Stakeholders. The role and responsibilities of each entity must be clearly defined, and transparency must be enforced at each level and at all times.

AAVAS FINANCIERS LIMITED (hereinafter "AAVAS or Company") is committed to set the highest standards of Corporate Governance right from its inception. The Company is also in compliance with the Housing Finance Companies-Corporate Governance (National Housing Bank) Directions, 2016. The Company's Corporate Governance philosophy is based on the following key principles:

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

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

Your Company recognizes and embraces the importance of a diverse Board in its success which is enriched with appropriate balance of skills, experience, diversity of perspectives, thereby ensuring effective Board governance. The Board of Directors of your Company is at the core of the Corporate Governance practices and oversees how the management serves and protects the long-term interest of the Stakeholders. Your Company's Corporate Governance framework ensures that it makes timely and appropriate disclosures and shares factual and accurate information. Given below is the report of the Directors on Corporate Governance in accordance with the provisions of the SEBI LODR Regulations.

BOARD OF DIRECTORS

The Board of Directors represent the interests of the Company's Stakeholders, oversees and directs the Company's overall business and affairs, reviews corporate performance, authorizes and monitors strategic investments, has an oversight on regulatory compliances and Corporate Governance matters, and provides the management with guidance and strategic direction. In discharging their duties, the Directors observes the Code of Conduct as adopted by the Board.

Non-Executive Directors, including Independent Directors, play a critical role in imparting value to the Board processes by bringing an independent judgment in the areas of strategy, performance, resource management, financial reporting, overall standard of Company conducts etc.

The Corporate Governance principles of your Company have been formulated to ensure that the Board remains informed, independent and participates actively in the affairs of your Company. The Board of Directors, along with its various Committees, provides leadership and guidance to the Company's management and directs, supervises and ensures functioning of the Company in the best interest of all the Stakeholders.

The Directors attend and actively participate in Board Meetings and meetings of the Committees in which they are Members. The Board's responsibilities include various matters, inter-alia, including:

a) Overall direction of the Company's business, including projections on capital requirements, budgets, revenue streams, expenses and profitability;

b) Review of quarterly/annually results and its business segments.

c) Compliance with various laws and regulations;

d) Addressing conflicts of interest;

e) Ensuring fair treatment of borrowers and employees;

f) Ensuring information sharing with and disclosures to various Stakeholders, including investors, employees and regulators;

g) Developing a corporate culture that recognizes and rewards adherence to ethical standards;

Composition of Board

Your Company's Board has a primary role of trusteeship to protect and enhance Stakeholders' value through strategic supervision. The Board provides direction and exercises appropriate controls.

As required under schedule V of SEBI LODR Regulations, the Board of Directors of the Company have identified the core skills/expertise/competencies required in the context of its business and sector for it to function effectively. Any Director proposed to be appointed on the Board in future would have to possess special experience, practical knowledge in either of the identified core skills/expertise/competencies. The details of the said analysis are as below:

Technical Skills	Industry Experience	Personal Attributes
Accounting and Finance	Financial Services sector in India and potentially also Overseas	Active Contributor to the Board/ Committees
ALM and Risk Management	Housing Finance sector in India	Innovative thinker/Visionary
Legal and Compliance	Governance: Board Role/CEO/Senior Management	Philanthropic
Information Technology and Digital	Government relations (Policies and Processes)	Mentor
Product and Sales Management	-	-
Strategic Development and Execution	-	-

All the above required skills/experience/attributes are available with the Board. The Board is satisfied that the current composition reflects an appropriate mix of knowledge, skills, experience, expertise, diversity and independence.

The Company's Board has appropriate mix of Independent and Non-Independent Directors as well as Non-Executive and Executive Directors. The Board of Directors comprises of Nine Directors, all professionals in their own right who bring in a wide range of skills and experience to the Board. Brief profiles of the Directors are set out in the Board profile section of the Annual Report. All the Directors of the Company, except the Managing Director are Non-Executive Directors. Out of the Eight Non-Executive Directors, three are Independent Directors, including one Woman Independent Director. The Chairperson of the Company is a Non-Executive Independent Director and not related to the Managing Director & CEO.

None of the Directors of the Company are related to each other. All Directors are appointed by the Members of the Company. None of the Directors held directorship in more than 8 listed companies. Further, none of the Independent Director of the Company served as an Independent Director in more than 7 listed Companies.

The composition of the Board is in conformity with regulatory requirements including the SEBI LODR Regulations and the Act. Further, no Director of the Company is member in more than 10 committees across public companies in which he/she is a Director or acting as Chairperson of more than 5 committees across all listed Companies in which he/she is a Director.

The composition of the Board as on March 31, 2019 is given below:

Name of Director	Category	DIN	No. & (%) of Equity shares Held *	Number of other Directorship**	No of Committees***		Qualification/ Experience
					As Member	As Chairperson	
Mr. Krishan Kant Rathi ****	Chairperson- Independent Director (Non-Executive)	00040094	35218 (0.05%)	11	7	01	C.A and C.S (More than 25 Years)
Mr. Sushil Kumar Agarwal *****	Managing Director & CEO (Executive)	03154532	3228359 (4.13%)	01	-	-	C.A and C.S (18 Years)
Mrs. Kalpana Iyer	Independent / Woman Director (Non- Executive)	01874130	17608 (0.02%)	02	01	01	C.A (More than 25 Years)
Mr. Sandeep Tandon	Independent Director (Non-Executive)	00054553	-	12	01	01	Bachelor's and Master's in Electrical Engineering (More than 20 Years)
Mr. Ramachandra Kasargod Kamath #	Nominee Director (Non-Executive)	01715073	109940 (0.14%)	05	02	Nil	B.COM (More than 42 Years)
Mr. Vivek Vig#	Nominee Director (Non-Executive)	01117418	608673 (0.78%)	05	-	-	PG IIM (Bangalore) (More than 30 Years)
Mr. Nishant Sharma#	Nominee Director (Non-Executive)-	03117012	-	04	01	Nil	Engineer and MBA (12 Years)
Mr. Manas Tandon#	Nominee Director (Non-Executive)	05254602	-	03	02	Nil	MBA in Finance (19 Years)
Mr. Kartikeya Dhruv Kaji#	Nominee Director (Non-Executive)	07641723	-	02	-	-	MBA (More than 5 years)

*No Convertible instruments/ securities were issued to Non-Executive Directors during the period under review.

**Number of Other Directorship includes Directorships held in Public Limited Companies, Private Limited Companies, Section 8 Companies, but excluding foreign companies.

***For the purpose of considering the Committee Memberships and Chairperson ship for a Director, the Audit Committee, and the Stakeholders' Relationship Committee of Public Limited Companies alone have been considered.

****Mr. Krishan Kant Rathi was appointed as the Chairperson on the Board of the Company w.e.f June 08, 2018.

***** Mr. Sushil Kumar Agarwal was re-appointed as Whole Time Director & CEO for five years w.e.f January 09, 2019 and further Board at its meeting held on May 03, 2019 has approved the change in the designation of Mr. Sushil Kumar Agarwal (DIN: 03154532) to Managing Director and Chief Executive Officer ("MD and CEO") of the Company from Whole Time Director and Chief Executive Officer ("WTD and CEO"), with effect from May 03, 2019 till the expiry of his current term i.e. upto January 09, 2024, subject to the approval of the Shareholders in the ensuing Annual general Meeting.

Mr. Nishant Sharma, Mr. Ramachandra Kasargod Kamath and Mr. Kartikeya Dhruv Kaji are Non – Executive Nominee Directors appointed by Lake District Holdings Limited and Kedaara Capital Alternative Investment Fund – Kedaara Capital AIF 1. Mr. Manas Tandon and Mr. Vivek Vig are Non – Executive Nominee Directors appointed by Partners Group ESCL Limited and Partners Group Private Equity Master Fund LLC.

Directorship of Directors in Other Listed entities as on March 31, 2019

Name of Director	DIN	Name of the Listed entity*	Category (Executive or Non-Executive)
Mr. Krishan Kant Rathi	00040094	Au Small Finance Bank Limited	Non- Executive (Independent Director)
		Future Consumer Limited	Non- Executive (Director)
		Auto-Line Industries limited	Non- Executive (Nominee Director)
Mr. Sushil Kumar Agarwal	03154532	-	-
Mrs. Kalpana Iyer	01874130	-	-
Mr. Sandeep Tandon	00054553	-	-
Mr. Ramachandra Kasargod Kamath	01715073	Centrum Capital Limited	Non- Executive (Director)
		Spandana Sphoorty Financial Limited	Non- Executive (Nominee Director)
		New Opportunity Consultancy Private limited	Non- Executive (Director)
Mr. Vivek Vig	01117418	-	
Mr. Nishant Sharma	03117012	-	-
Mr. Manas Tandon	05254602	-	-
Mr. Kartikeya Dhruv Kaji	07641723	Spandana Sphoorty Financial Limited	Non- Executive (Nominee Director)

* Listed entity means an entity which has listed its securities (Debt / Equity) on the Stock Exchanges.

Board Meetings

The Meeting of the Board of Directors are usually held at Jaipur and Mumbai. The Board meets at least once in a quarter to inter alia review the Company's quarterly performance and financial results, assessing business strategies and their implementation and also discuss policy, compliance and other matters. The Board meetings are scheduled with a gap, not exceeding 120 days between any two Meetings. The Meetings are conducted in compliance with the regulatory requirements including those prescribed under the Act. In exceptional circumstances, additional Meetings are held, if necessary.

To enable the Board to discharge its responsibilities effectively and take informed decisions, necessary information and documents are made available to the Board well in advance. The Directors are informed of the items on the agenda for every Board meeting along with the Notice. All statutory and other significant matters including the minimum information as required to be placed in terms of Schedule II- Part of SEBI LODR Regulations and Secretarial Standards under the Act are placed before the Board of Directors. Detailed agenda notes are also circulated to the Board in advance of the Meetings.

The Board met Ten (10) times during the financial year 2018-19 on April 27, 2018, May 07, 2018, June 08, 2018, July 26, 2018, August 30, 2018, September 12, 2018, October 01, 2018, October 04, 2018, October 26, 2018 and January 30, 2019. The details of the Directors along with their attendance at Board meetings (during the financial year 2018-19) and Annual General Meeting ('AGM') held on Wednesday, May 30, 2018 are given below:

Name of Directors	Designation & Category	No. of Meetings entitled to attend	No. of Meetings Present*	Attendance at the last AGM held on May 30, 2018
Mr. Krishan Kant Rathi**	Non-Executive Independent Director	10	9	Yes
Mr. Sushil Kumar Agarwal	Managing Director & CEO (Executive)	10	10	No
Mrs. Kalpana Iyer	Non-Executive Independent Director	10	8	No
Mr. Sandeep Tandon	Non-Executive Independent Director	10	9	No
Mr. Ramachandra Kasargod Kamath	Non- Executive Nominee Director	10	7	No
Mr.Vivek Vig	Non- Executive Nominee Director	10	4	No
Mr. Nishant Sharma	Non- Executive Nominee Director	10	8	Yes
Mr.Manas Tandon	Non- Executive Nominee Director	10	10	No
Mr. Kartikeya Dhruv Kaji	Non- Executive Nominee Director	10	6	No

*Leave of absence was granted to the Directors who could not attend the respective meetings, if any.

** Mr. Krishan Kant Rathi-Independent Director (Chairperson of Audit and Nomination and Remuneration Committee) attended the previous Annual general Meeting of the Company.

Independent Directors

Independent Directors play an important role in deliberations at the Board meetings and bring to the Company their wide experience in the fields of finance, housing, accountancy, law and public policy. This wide knowledge of both, their field of expertise and Boardroom practices helps foster varied, unbiased, independent and experienced perspectives. The Company benefits immensely from their inputs in achieving its strategic direction.

The Audit Committee, the Nomination & Remuneration Committee, Corporate Social Responsibility Committee and the Stakeholders Relationship Committee have Independent Directors as specified in terms of the SEBI LODR Regulations, the Act, and the Housing Finance Companies-Corporate Governance (National Housing Bank) Directions, 2016. These Committees function within the defined terms of reference in accordance with the Act, the SEBI LODR Regulations, the Housing Finance Companies – Corporate Governance (National Housing Bank) Directions, 2016 and as approved by the Board, from time to time.

The Independent Directors have confirmed that they satisfy the criteria prescribed for an Independent Director as stipulated in Regulation 16(1)(b) of the SEBI LODR Regulations and Section 149(6) of the Act, and are independent from the management of the Company. All Independent Directors of the Company have been appointed as per the provisions of the Act and SEBI LODR Regulations. Formal letters of appointment have been issued to the Independent Directors. The terms and conditions of appointment of IDs are available on the Company's website at https://www.aavas.in/terms-and-conditions.

In the opinion of the Board, the Independent Directors are independent of the management. None of the Independent Directors have resigned before the expiry of their respective tenures during Financial Year 2018-19.

Fit & Proper Criteria

The Company has formulated and adopted a Policy on Fit & Proper Criteria for the Directors as per the provisions of the Housing Finance Companies – Corporate Governance (National Housing Bank) Directions, 2016. All the Directors of the Company have confirmed that they satisfy the fit and proper criteria as prescribed under the subject Directions as prescribed by National Housing Bank.

Familiarization Programmes for the Independent Directors

All Board members of the Company are extended every opportunity to familiarize themselves with the Company, its products & services, its operations, various applicable regulatory laws & regulations including updates thereon and the overall socio-economic regime of the industry in which the Company operates. The familiarization programme for the new and continuing Independent Directors of the Company ensures valuable participation and inputs from them which helps in bringing forth the best practices into the organization and helps in taking informed decision(s) at the Board Level.

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

Selection and Appointment of Directors

The selection and appointment of Directors of the Company is carried out in accordance with provisions of the Act and relevant rules made thereunder, Directions and Guidelines issued by National Housing Bank, SEBI LODR Regulations, and as per the Policy on Nominations & Remuneration for Directors, Key Managerial Personnel, Senior Management and Other Employees.

COMMITTEES OF THE BOARD

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

To enable better and more focused attention on the affairs of the Company, the Board delegates particular matters to the respective Committees of the Board set up for the purpose. These specialist Committees prepare the groundwork for decision-making and provide updates at the subsequent Board meeting.

The various Committees Constituted by the Board are as below:-

1. Audit Committee
2. Nomination and Remuneration Committee
3. Stakeholders Relationship Committee
4. Corporate Social Responsibility (CSR) Committee
5. Risk Management Committee
6. Asset Liability Management Committee (ALCO)
7. IT Strategy Committee
8. Executive Committee
9. Customer Service & Grievance Redressal (CS&GR) Committee
10. IPO Committee

All the recommendations of the various Committees were accepted by the Board.

Audit Committee

The Audit Committee has been constituted by the Company in terms of provisions of Section 177 of the Act and Regulation 18 read with Part D of Schedule II of SEBI LODR Regulations and is chaired by Non-Executive Independent Director.

At present the Audit Committee comprises of Three (3) Directors as its members, out of them two are Independent Directors and all of them being Non-Executive Directors. The composition of the Committee is in adherence to provisions of the Act, SEBI LODR Regulations and the Housing Finance Companies-Corporate Governance (National Housing Bank) Directions, 2016. All the Members of the Committee are financially literate and majority members including the Chairperson possess financial management expertise. The Company Secretary of the Company acts as Secretary to the Committee.

The Functions of Audit Committee:

The Board of Directors has formed and approved a charter for the Audit Committee setting out the roles, responsibilities and functioning of the Committee. In adherence to the provisions of the Act, and SEBI LODR Regulations and all other applicable regulatory requirements, the terms of reference of the Audit Committee are covered by its charter. Its functioning inter alia broadly includes the following:

1. to investigate any activity within its terms of reference;
2. to seek information from any employee;
3. to obtain outside legal or other professional advice; and
4. to secure attendance of outsiders with relevant expertise, if it considers necessary.

Terms of Reference of the Audit Committee

The Terms of Reference of the Audit Committee includes the following:

1. oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the Financial Statements are correct, sufficient and credible;
2. recommendation for appointment, remuneration and terms of appointment of auditors of the Company;

3. approval of payment to Statutory Auditors for any other services rendered by the Statutory Auditors;
4. reviewing, with the management, the annual Financial Statements and Auditor's Report thereon before submission to the Board for approval, with particular reference to:
a. matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (c) of sub-section 3 of section 134 of the Act;
b. changes, if any, in accounting policies and practices and reasons for the same;
c. major accounting entries involving estimates based on the exercise of judgment by management;
d. significant adjustments made in the financial statements arising out of audit findings;
e. compliance with listing and other legal requirements relating to financial statements;
f. disclosure of any related party transactions; and
g. qualifications in the draft audit report.
5. reviewing, with the management, the quarterly financial statements before submission to the Board for approval;
6. reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter;
7. reviewing and monitoring the auditor's independence and performance, and effectiveness of audit process;
8. approval of any subsequent modification of transactions of the Company with related parties;
9. scrutiny of inter-corporate loans and investments;
10. valuation of undertakings or assets of the Company, wherever it is necessary;
11. evaluation of internal financial controls and risk management systems;
12. reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;
13. reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
14. discussion with internal auditors of any significant findings and follow up there on;
15. reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;
16. discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
17. looking into the reasons for substantial defaults in the payment to depositors, debenture holders, Shareholders (in case of non-payment of declared dividends) and creditors;
18. reviewing the functioning of the whistle blower mechanism;
19. approval of appointment of Chief Financial Officer (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate;
20. overseeing the vigil mechanism established by our Company and the chairperson of audit Committee shall directly hear grievances of victimization of employees and Directors, who use vigil mechanism to report genuine concerns;
21. carrying out any other function as is mentioned in the terms of reference of the Audit Committee and any other terms of reference as may be decided by the Board of Directors of our Company or specified / provided under the Act or by the SEBI LODR Regulations or by any other regulatory authority;
22. reviewing the utilization of loans and/ or advances from/ investment by the holding Company in the subsidiary exceeding rupees 100 crore or 10% of the asset size of the subsidiary, whichever is lower including existing loans / advances / investments;
23. statement of deviations in terms of the SEBI LODR Regulations:
(a) quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s) in terms of regulation 32 (1) of the SEBI LODR Regulations; and
(b) annual statement of funds utilized for purposes other than those stated in the offer document / prospectus /notice in terms of regulation 32 (7) of the SEBI LODR Regulations.

24. any other power as may be given under SEBI LODR Regulations or Act or other regulations.

During the financial year 2018-19, 6 (Six) Audit Committee meetings were held on April 26, 2018, June 08, 2018, July 25, 2018, August 30, 2018, October 26, 2018 and January 30, 2019. The required quorum was present at all the above meetings.

The Composition of the Audit Committee and the details of attendance of the Members at the meeting(s) held during the year under review are as under:

Name of the Members	Category	Status	No. of Meetings Attended
Mrs. Kalpana Iyer*	Non- Executive (Independent)	Chairperson/Member	5
Mr. Krishan Kant Rathi	Non- Executive (Independent)	Member	6
Mr. Manas Tandon	Non- Executive (Nominee)	Member	6

*Designated as Chairperson w.e.f from June 08, 2018

Leave of absence was granted to the Directors who could not attend the respective Meetings.

NOMINATION & REMUNERATION COMMITTEE

The Nomination and Remuneration Committee has been constituted by the Company in terms of the provisions of Section 178 of the Act and Regulation 19 read with Part D of Schedule II of SEBI LODR Regulations and is chaired by Non-Executive Independent Director.

At present the Nomination and Remuneration Committee comprises of four (4) Directors as its members, all of them being Non-Executive Directors and fifty percent being Independent Directors. The composition of the Committee is in adherence to the provisions of Act and SEBI LODR Regulations. The Company Secretary of the Company acts as Secretary to the Committee.

The Board of Directors has accepted and implemented the recommendations of the Nomination and Remuneration Committee, whenever provided by it.

The Board of Directors has formed and approved a charter for the Nomination and Remuneration Committee setting out the roles, responsibilities and functioning of the Committee. In adherence to the provisions of the Act and SEBI LODR Regulations, the terms of reference of Nomination and Remuneration Committee is covered by its Charter and its functioning inter alia include the following:

Terms of Reference for the Nomination and Remuneration Committee:

The Nomination and Remuneration Committee is responsible for, among other things, as may be required by the stock exchanges from time to time, the following:

1. formulation of the criteria for determining qualifications, positive attributes and independence of a Director and recommend to the Board a policy relating to the remuneration of the Directors, key management personnel and other employees;
2. formulation of criteria for evaluation of performance of independent Directors and the Board, and determining whether to extend or continue the term of appointment of independent Directors, on the basis of the report of performance evaluation of independent Directors;

   The Nomination and Remuneration Committee, while formulating the above policy, also ensure that -

   i. the level and composition of remuneration be reasonable and sufficient to attract, retain and motivate Directors of the quality required to run the Company successfully;
   ii. relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
   iii. remuneration to Directors, key management personnel and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the Company and its goals.
3. recommend to the Board, all remuneration, in whatever form, payable to senior management;
4. devising a policy on Board diversity;
5. identifying persons who are qualified to become Directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the Board their appointment and removal;
6. performing such functions as are required to be performed by the compensation committee under the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations,2014, including the following:

   (a) administering the ESOP plans;

(b) determining the eligibility of employees to participate under the ESOP plans;

(c) granting options to eligible employees and determining the date of grant;

(d) determining the number of options to be granted to an employee;

(e) determining the exercise price under the ESOP plans; and

(f) construing and interpreting the ESOP plans and any agreements defining the rights and obligations of the Company and eligible employees under the ESOP plans, and prescribing, amending and / or rescinding rules and regulations relating to the administration of the ESOP plans.

7. framing suitable policies and systems to ensure that there is no violation, by an employee of any applicable laws in India or overseas, including:

(a) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations,1992 or the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 to the extent this applicable;

(b) The Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 2003; and

(c) performing such other activities as may be delegated by the Board and/or are statutorily prescribed under any law to be attended to by the Nomination and Remuneration Committee.

During the financial year 2018-19, 4 (Four) Nomination & Remuneration Committee meetings were held on April 26, 2018, July 25, 2018, October 26, 2018 and January 30, 2019. The required quorum was present at all the above meetings.

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

Name of the Members	Category	Category	No. of Meetings Attended
Mr. Sandeep Tandon*	Non- Executive (Independent)	Chairperson/Member	3
Mr. Krishan Kant Rathi**	Non- Executive (Independent)	Member	1
Mrs. Kalpana Iyer	Non- Executive (Independent)	Member	4
Mr. Nishant Sharma	Non- Executive (Nominee)	Member	4
Mr. Manas Tandon	Non- Executive (Nominee)	Member	4

*Designated as a Chairperson / Member from June 08, 2018.

**Ceased to be a Member from June 08, 2018.

Leave of absence was granted to the Directors who could not attend the respective meetings.

Performance Evaluation of Directors

Performance Evaluation of the Board as a whole, as well as that of its Committees, Independent Directors and Non-Independent Directors was done in accordance with the relevant provisions of the Act read with relevant rules made thereunder and SEBI LODR Regulations and in compliance of guidance note issued by SEBI under Circular no. SEBI/ HO/ CFD/ CMD/CIR/P/2017/004 dated 5th January 2017.

With the objective of enhancing the effectiveness of the Board, the Nomination & Remuneration Committee formulated the methodology and criteria to evaluate the performance of the Board and its Committees and each Director.

The evaluation of the performance of the Board is based on the approved criteria such as the Board composition, strategic planning, role of the Chairperson, Non-Executive Directors and other senior management, assessment of the timeliness and quality of the flow of information by the Company to the Board and adherence to compliance and other regulatory issues.

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

- The Independent Directors, at their separate meeting review the performance of Non-Independent Directors and the Board as a whole, and chairperson.
- The Nomination & Remuneration Committee evaluates the performance of the Directors on the Board. A feedback on the overall evaluation conducted by the Nomination & Remuneration Committee is communicated to the Board.
- Then, in light of the criteria prescribed for the evaluation the Board analyses its own performance, that of its Committees and each Director during the year and

suggests changes or improvements, if required.

- The performance evaluation of Independent Directors of the Company is carried out by the Board of Directors of the Company excluding the Director being evaluated.

The Board of Directors have expressed their satisfaction with the evaluation process.

Policy on Nominations & Remuneration for Directors, Key Managerial Personnel, Senior Management and Other Employees

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

Remuneration to Directors

Non-Executive Directors:-

The remuneration for Non-Executive Directors consists of sitting fees and commission. The payment of the annual commission to the Non-Executive Directors is based on the performance of the Company. The commission payable to the Independent Directors / Non-Executive Directors is approved by the Board and is within the overall limits as approved by the Shareholders of the Company. No other payment is made to the Non-Executive Directors.

Sitting fees paid to Non-Executive Directors for attending each meeting of the Board & Committee are ₹50,000 and ₹25,000, respectively. The amount paid to the Independent Directors by way of sitting fees are within the limits prescribed under the provisions of Act. None of the Non-Executive Directors have any pecuniary relationship or transaction with the Company apart from receiving sitting fees and profit related commission.

Information on the total sitting fees and commission paid to each Non-Executive Directors during FY 2018-19 is set out in the following table: (In Rupees)

Name of the Director	Sitting fees Paid	Commission	Total
Mr. Krishan Kant Rathi	7,25,000	-	7,25,000
Mrs. Kalpana Iyer	7,25,000	-	7,25,000
Mr. Sandeep Tandon	6,00,000	-	6,00,000
Mr. Ramachandra Kasargod Kamath	3,50,000	16,00,000	19,50,000
Mr.Vivek Vig	2,00,000	-	2,00,000
Mr. Nishant Sharma*	-	-	-
Mr.Manas Tandon*	-	-	-
Mr. Kartikeya Dhruv Kaji*	-	-	-

*Mr. Nishant Sharma, Mr. Manas Tandon and Mr. Kartikeya Dhruv Kaji being Nominee Directors are not entitled to receive remuneration/ sitting fees/ commission from the Company.

Note: - The service contracts, notice period and severance fees are not applicable to Non-Executive and/or Independent Directors.

Executive Director:-

Mr. Sushil Kumar Agarwal-Managing Director and CEO of the Company is only Executive Director in the Company. His remuneration package comprises of salary, perquisites and other benefits as approved by Shareholders of the Company. The remuneration paid to him is governed by employment agreement executed between him and the Company. Details of the remuneration paid to the Mr. Sushil Kumar Agarwal for the year ended March 31, 2019 are as follows: -

SN	Particulars of Remuneration	Amount in lakh
1	Gross salary	
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	219.88
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961*	-
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	-
2	Stock Option*	-
3	Sweat Equity	-
4	Commission	-
	- as % of profit	-
	- others, specify	-
5	Others, please specify**	-
Total		**219.88**

* Excludes perquisites value of ₹2,902.18 lakh towards the stock options exercised during the year.
**Mr. Sushil Kumar Agarwal is not eligible for any severance fee. Service contract and the notice period are as per the terms of agreement entered into by them with the Company.

Stakeholders Relationship Committee (SRC)

The Board of Directors constituted the Stakeholders Relationship Committee at their meeting held on June 08, 2018 in terms of the provisions of Section 178 of the the Act and Regulation 20 read with Part D of the Schedule II of SEBI LODR Regulations and is chaired by Non-Executive Independent Director. The Company Secretary of the Company acts as Secretary to the Committee. Mr. Sharad Pathak is the Company Secretary and Compliance Officer of Company.

The Company has constituted the Stakeholders Relationship Committee for resolving the grievances of the security holders of the Company including complaints related to transfer of shares, non-receipt of annual report.

Terms of Reference for the Stakeholders Relationship Committee are as follows:-

1. Resolving the grievances of the security holders of the Company including complaints related to transfer/transmission of shares, non-receipt of annual report, non-receipt of declared dividends, issue of new/duplicate certificates, general meetings etc.
2. Review of measures taken for effective exercise of voting rights by Shareholders.
3. Review of adherence to the service standards adopted by the Company in respect of various services being rendered by the Registrar & Share Transfer Agent.
4. Review of the various measures and initiatives taken by the listed entity for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants/annual reports/statutory notices by the Shareholders of the Company.

During the period under review from the date of Constitution of the Committee, 3 (Three) meetings were held on July 25, 2018, October 26, 2018 and January 30, 2019. The required quorum was present at all the above meetings.

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

Name of the Members	Category	Status	No. of Meetings Attended
Mr. Sandeep Tandon	Non- Executive (Independent)	Chairperson/Member	3
Mr. Sushil Kumar Agarwal	Executive	Member	3
Mr. Nishant Sharma	Non- Executive (Nominee)	Member	3
Mr. Manas Tandon	Non- Executive (Nominee)	Member	3

Details of Investor Complaints

All shares and debentures of the Company are in dematerialized form. Link Intime India Private Limited has been appointed and it has been acting as the Registrar and Share Transfer Agent of the Company for carrying out shares and debentures transfer and other ancillary work related thereto. Link Intime India Private Limited has appropriate systems to ensure that requisite service is provided to investors of the Company in accordance with the applicable corporate and securities laws and within the adopted service standards.

During the period under review, all the complaints were disposed-off or resolved to the satisfaction of the Stakeholders.

Below is the list of complaints which were received by the Share Transfer Agent for the period under review:

Sr.no	Nature of Complaints	Number of Complaints received during the period	Number of Complaints disposed of during the period	Number of Complaints remained unresolved
1	Non-Receipt of Dividend/ Interest/ Redemption Warrant	-	-	-
2	Non-Receipt of Annual Report	-	-	-
3	Non-receipt of Refund/ Credit of Shares-IPO	5	5	0
4	SEBI-Scores	-	-	-
Total		**5**	**5**	**0**

There were no complaints received from the Non-Convertible Debenture Holders during the period under review.

Corporate Social Responsibility (CSR) Committee

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

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

The Committee met 4 (Four) times i.e. on April 26, 2018, July 25, 2018, October 26, 2018 and January 30, 2019 during the financial year ended March 31, 2019. The required quorum was present at all the above meetings. The Company Secretary of the Company acts as the Secretary to the Committee.

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

Name of the Members	Category	Status	No. of Meetings Attended
Mrs. Kalpana Iyer*	Non- Executive (Independent)	Chairperson/Member	4
Mr. Krishan Kant Rathi	Non- Executive (Independent)	Member	4
Mr. Sushil Kumar Agarwal	Executive	Member	4

*Designated as a Chairperson from June 08, 2018.

Risk Management Committee

The Company has formed Risk Management Committee of the Board for assisting the Board to establish a risk culture and risk governance framework in the organization. The Committee was formed to supervise, guide, review and identify current and emerging risks; developing risk assessment and measurement systems, establishing policies, practices and other control mechanisms to manage risks, developing risk tolerance limits for Senior Management and Board approval, monitoring positions against approved risk tolerance limits, reporting results of risk monitoring to Senior Management and the Board.

The Committee was reconstituted by the Board on June 08, 2018 and the terms of reference were modified to ensure compliance with the Act, as amended, SEBI LODR Regulations and the provisions of the Housing Finance Companies – Corporate Governance (National Housing Bank) Directions, 2016.

Terms of Reference of the Risk Management Committee inter alia include the following:

1. reviewing and approving various credit proposals in terms of credit and risk management policies approved by the Board;
2. supervising, guiding, reviewing and identifying current and emerging risks;
3. developing risk assessment and measurement systems;

4. establishing policies, practices and other control mechanism to manage risks;
5. reviewing and monitoring the effectiveness and application of credit risk management policies, related standards and procedures and to control the environment with respect to credit decisions;
6. reporting results of risk and credit monitoring to senior management and the Board; and
7. reviewing and identifying risk in the area of cyber security and Management.

During the period under review, 03 (Three) Risk Management Committee meetings were held on July 25, 2018, October 25, 2018 and January 30, 2019. The required quorum was present at all the above meetings. The Company Secretary of the Company acts as the Secretary to the Committee.

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

Name of the Members	Category	Status	No. of Meetings Attended
Mr. Nishant Sharma*	Non- Executive (Nominee)	Chairperson/Member	3
Mr. Sushil Kumar Agarwal	Executive	Member	3
Mr. Manas Tandon	Non- Executive (Nominee)	Member	3

*Designated as Chairperson from June 08, 2018.

Asset and Liability Management Committee (ALCO)

The Asset Liability Management Committee comprised of five members as on March 31, 2019, viz., Mr. Sushil Kumar Agarwal (Managing Director & CEO), Mr. Manas Tandon (Nominee Director), Mr. Nishant Sharma (Nominee Director), Mr. Ghanshyam Rawat (Chief Financial Officer) and Mr. Ashutosh Atre (Chief Credit Officer) and is functioning under the supervision of the Board of Directors.

The Committee is responsible for keeping a watch on the asset liability gaps, if any. ALCO lays down policies and quantitative limits relating to assets and liabilities, based on an assessment of the various risks involved in managing them.

The scope of the ALCO is:

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

During the period under review, 04 (Four) Asset and Liability Management Committee meetings were held on June 29, 2018, July 25, 2018, October 25, 2018 and January 30, 2019. The required quorum was present at all the above meetings. The Company Secretary of the Company acts as the Secretary to the Committee.

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

Name of the Members	Status & Category	No. of Meetings Attended
Mr. Sushil Kumar Agarwal	Chairperson/Member	4
Mr. Ghanshyam Rawat	Member (CFO)	4
Mr. Nishant Sharma	Member (Nominee)	4
Mr. Manas Tandon	Member (Nominee)	4
Mr. Ashutosh Atre	Member (Chief Credit Officer)	4

IT Strategy Committee

The Committee was formed by the Board in accordance with Information Technology Framework for HFCs ("Guidelines") issued by NHB vide its notification no. NHB/ND/DRS/ Policy Circular No. 90/2017-18 dated June 15, 2018.

Terms of Reference of the IT Strategy Committee inter alia include the following:

1. Providing input to other Board committees and Senior Management.
2. Carrying out review and amending the IT strategies

in line with the corporate strategies, Board Policy reviews, cyber security arrangements and any other matter related to IT Governance.

3. Approving IT strategy and policy documents and ensuring that the management has put an effective strategic planning process in place;
4. Ascertaining that management has implemented processes and practices that ensure that the IT delivers value to the business;
5. Ensuring IT investments represent a balance of risks and benefits and that budgets are acceptable;
6. Monitoring the method that management uses to determine the IT resources needed to achieve strategic goals and provide high-level direction for sourcing and use of IT resources;
7. Ensuring proper balance of IT investments for sustaining HFC's growth and becoming aware about exposure towards IT risks and controls.

During the period under review, 2 (Two) meetings of IT Strategy Committee were held on October 26, 2018 and January 30, 2019. The required quorum was present at all the above meetings. The Company Secretary of the Company acts as the Secretary to the Committee.

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

Name of the Members	Status & Category	No. of Meetings Attended
Mr. Sandeep Tandon	Member (Independent)	2
Mr. Sushil Kumar Agarwal	Member (Executive)	2
Mr. Avinash Kumar	Member (Chief Technology Officer)	2

Executive Committee

The Board of Directors has constituted the Executive Committee consisting of four Members viz., Mr. Sushil Kumar Agarwal (Managing Director & CEO), Mr. Nishant Sharma (Nominee Director), Mr. Manas Tandon (Nominee Director) and Mr. Ghanshyam Rawat (Chief Financial Officer).

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

The functions of the Executive Committee are:

- Approving loans, borrowings, and investments within limits specified by the Board;
- Reviewing the conduct of business and operations, considering new products and parameters and suggesting business reorientation.

During the period under review, 31 (Thirty One) Executive Committee meetings were held on May 07, 2018, May 26, 2018, June 12, 2018, June 26, 2018, June 28, 2018, June 29, 2018, August 06, 2018, August 20, 2018, August 29, 2018, September 28, 2018, October 09, 2018, October 12, 2018, October 15, 2018, October 16, 2018, October 25, 2018, November 13, 2018, November 30, 2018, December 03, 2018, December 18, 2018, December 27, 2018, December 29, 2018, December 31, 2018, January 15, 2019, January 23, 2019, January 30, 2019, February 21, 2019, February 23, 2019, March 07, 2019, March 19, 2019, March 28, 2019 and March 30, 2019. The required quorum was present at all the above Meetings. The Company Secretary of the Company acts as the Secretary to the Committee.

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

Name of the Members	Status	No. of Meetings Attended
Mr. Sushil Kumar Agarwal	Member/Chairperson	31
Mr. Nishant Sharma	Member (Nominee)	31
Mr. Manas Tandon	Member (Nominee)	31
Mr. Ghanshyam Rawat	Member (Chief Financial Officer)	31

Customer Service & Grievance Redressal (CS&GR) Committee

The Committee was formed by the Board mainly for protecting the interest of customers of the Company. It ensures constant evaluation of the feedback on quality of customer services & redressal provided to the customers, considering unresolved complaints / grievance referred to it by Functional Heads.

During the period under review, 4 (Four) Customer Service & Grievance Redressal (CS&GR) Committee meetings were held on April 23, 2018, July 23, 2018, October 24, 2018 and January 29, 2019. The required quorum was present at all the above meetings. The Company Secretary of the Company acts as the Secretary to the Committee.

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

Name of the Members	Status & Category	No. of Meetings Attended
Mr. Sushil Kumar Agarwal	Member (Executive)	4
Mr. Ghanshyam Rawat	Member (Chief Financial Officer)	4
Mr. Rajiv Sinha	Member (SVP- Operations)	4

IPO Committee

During the year under review, the Board of Directors at their meeting held on May 07, 2018, considering its plan to proceed the Initial Public Offering ("IPO") of Equity Shares of the Company, constituted an IPO Committee to take all operational decisions pertaining to approve terms and conditions of appointment of merchant banker(s), legal counsel and other intermediaries, approving offer documents viz. the draft red herring prospectus, the red herring prospectus and the prospectus, approving IPO size / price band/offer price, issue advertisements, apply and obtain regulatory approvals for the IPO, approving expenditure related to IPO process and other things necessary for the IPO of the Company.

During the period under review, 04 (Four) IPO Committee meetings were held on the June 08, 2018, June 20, 2018, September 11, 2018 and September 24, 2018. The required quorum was present at all the above meetings. The Company Secretary of the Company acts as the Secretary to the Committee.

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

Name of the Members	Category	Status	No. of Meetings Attended
Mr. Sushil Kumar Agarwal	Executive	Chairperson/Member	04
Mr. Nishant Sharma	Non- Executive (Nominee)	Member	04
Mr. Manas Tandon	Non- Executive (Nominee)	Member	03
Mr. Kartikeya Dhruv Kaji	Non- Executive (Nominee)	Member	04

Leave of absence was granted to the Directors who could not attend the respective meetings.

Meeting of Independent Directors

The Independent Directors of the Company meet without the presence of any Non-Independent Directors and management personnel inter- alia to consider the following:

- Review of performance of Non-Independent Directors.
- Review of performance of Board as a whole.
- Review of Performance of the Chairperson of the Company, taking into account the views of Executive Directors and Non- Executive Directors excluding the chairperson being evaluated.
- Review of the quality, quantity and timeliness of flow of information between the Company Management and the Board that is necessary for the Board to effectively and reasonably perform its duties.

The meeting of the Independent Directors for the above purpose was held on January 30, 2019 and all Independent Directors were present in the said Meeting.

Employee Stock Option Scheme

The disclosure as required under Regulation 14 of the SEBI (Share Based Employee Benefits) Regulations, 2014, has been mentioned in the Director's Report.

POLICIES AND CODES

In terms of the NHB Directions, the circulars / regulations / guidelines issued by SEBI including SEBI LODR Regulations, provisions of the Act, various other laws applicable to the Company and as a part of good corporate governance and also to ensure strong internal controls, the Board of Directors has adopted several codes / policies / guidelines which amongst others includes the following:

Internal Guidelines on Corporate Governance

Your Company has a duly formulated Internal Guidelines on Corporate Governance in accordance with Housing Finance Companies – Corporate Governance (National Housing Bank) Directions, 2016, which inter-alia, defines the legal, contractual and social responsibilities of the Company towards its various Stakeholders and lays down the Corporate Governance practices of the Company.

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

Policy on Know Your Customer ("KYC") Norms and Anti Money Laundering ("AML") Measures ("KYC & AML Policy")

In terms of the circular(s) and direction(s) on KYC norms and AML measures issued by the National Housing Bank, the Prevention of Money Laundering Act, 2002 and Rules made thereunder, the Board of Directors adopted a 'KYC & AML Policy' which inter alia incorporates your Company's approach towards KYC norms, AML measures and combating of financing of terrorism ("CFT") related issues.

The KYC & AML Policy provides a comprehensive and dynamic framework and measures to be taken in regard to KYC, AML and CFT. The primary objective of the Policy is to prevent the Company from being used, intentionally or unintentionally, by criminal elements for money laundering or terrorist financing activities.

Policy on Materiality of related party transactions and on dealing with related party transactions

All transactions entered into with Related Parties as defined under the Act and Regulation 23 of the SEBI LODR Regulations during the financial year were in the ordinary course of business and on arm's length pricing basis and do not attract the provisions of Section 188 of the Act.

There were no materially significant transactions with related parties during the financial year which conflicted with the interest of the Company. Suitable disclosures as required by the applicable Accounting Standards have been made in the notes to the Financial Statements. The details of the transactions with related parties, if any, are placed before the Audit Committee from time to time. The Policy on Materiality of related party transactions and on dealing with related party transactions is available on the website of the Company at https://www.aavas.in/policy-on-transactions-with-related-parties.

Further as per the Housing Finance Companies-Corporate Governance (National Housing Bank) Directions, 2016, Policy on Materiality of related party transactions and on dealing with related party transactions is also made part of this Annual Report as an Annexure to Directors' Report.

During the period under review, there was no transaction with any person or entity belonging to the Promoter / Promoter Group which hold(s) 10% or more shareholding.

Code of Conduct for the Board of Directors and the Senior Management Personnel

In terms of the SEBI LODR Regulations and as an initiative towards setting out a good Corporate Governance structure within the organization, the Board of Directors adopted a comprehensive 'Code of Conduct for the Board of Directors and the Senior Management Personnel' which is applicable to all the Directors, including Non-Executive and Independent Directors and Senior Management Personnel of the Company to the extent of their role and responsibilities in the Company. The Code provides guidance to the Directors and Senior Management Personnel to conduct their business affairs ethically and in full compliance with applicable laws, rules and regulations.

In accordance with Schedule V (D) of the SEBI LODR Regulations, declaration from Managing Director & CEO of the Company has been received confirming that all the Directors and the Senior Management Personnel of the Company have complied to the Code of Conduct for the financial year ended March 31, 2019 as attached with this Report. The said code is hosted on the website of the Company under the web link: https://www.aavas.in/code-of-conduct.

Policy for Determining Material Subsidiaries

In terms of the provisions of the SEBI LODR Regulations, the Board of Directors adopted a 'Policy for Determining Material Subsidiaries' which inter-alia sets out parameters for identifying a subsidiary as a "Material Subsidiary". The Policy for Determining Material Subsidiary is available on the website of the Company at https://www.aavas.in/policy-for-determining-material-subsidiaries. The Company however does not have any Material Subsidiary as at March 31, 2019.

Information Technology Related policies

National Housing Bank (NHB) has prescribed Information Technology Framework for HFCs ("Guidelines") vide its notification no. NHB/ND/DRS/ Policy Circular No.

90/2017-18 dated June 15, 2018 with a view to enhance the safety, security, efficiency in processes relating to use of Information Technology framework within the Company. The Board of Directors in compliance with the same, adopted various polices pertaining to Information Technology (IT) risk management, resource management and performance management which inter-alia include the 'IT Governance Policy', 'IT Management Policy, 'IT Infrastructure Management Policy', 'IT Operations Policy' and 'Information Systems (IS) Audit Policy'.

Policy on "Valuation of Properties – Empanelment of Valuers"

In terms of the NHB Policy Circular No. 81 dated August 31, 2017 read with Policy Circular No. 86 dated December 29, 2017 on "Valuation of Properties–Empanelment of Valuers", NHB guided housing finance companies to frame a system / procedure/policy on valuation of properties and appointment of valuers.

In reference to the above, the Board of Directors adopted the Policy on Valuation of Properties and Empanelment of Valuers.

Whistle Blower Policy / Vigil Mechanism

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

The Board of Directors has in compliance with the provisions of the Act and SEBI LODR Regulations approved the Vigil Mechanism/Whistle Blower Policy of the Company which provides a framework to promote a responsible and secure whistle blowing. It protects the Directors/employees wishing to raise a concern about serious irregularities within the Company. It provides for a Vigil Mechanism to channelize reporting of such instances/ complaints/ grievances to ensure proper governance. The Audit Committee oversees the Vigil Mechanism. No personnel have been denied access to the Chairperson of the Audit Committee. The policy is placed on the website of the Company and can be accessed at www.aavas.in/vigil-mechanism-policy.

Policy for Determination of Materiality of Events and Information

In terms of the provisions of the SEBI LODR Regulations, the Board of Directors adopted a 'Policy for Determination of Materiality of Events and Information', which inter-alia sets out guidelines for determining materiality of events / information for the purpose of disclosure to the stock exchanges and identifies specific officers of the Company who shall be authorized to determine materiality of an event / information and for making disclosures to the stock exchanges. The Policy is placed on the website of the Company and can be accessed at https://www.aavas.in/policy-for-determination-of-materiality-of-events-and-information-for-disclosure-to-the-stock-exchange.

Corporate Social Responsibility ("CSR") Policy

In terms of Section 135 of the Act, the Board of Directors adopted a 'CSR Policy' which helps towards contribution and furtherance of your Company's objective to create value in the society and community in which it operates, through its services, conduct and initiatives, so as to promote sustained growth for the society and community, in fulfilment of its role as a socially responsible corporate citizen.

The CSR Policy of the Company inter-alia indicates the CSR activities that can be undertaken by the Company and defines the roles and responsibilities of the Board of Directors and CSR Committee in implementing and monitoring CSR projects identified and supported by the Company. The CSR Policy is available on the website of the Company at https://www.aavas.in/csr-policy.

Code of Conduct for Prohibition of Insider Trading and Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information

In compliance of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, as amended from time to time, the Company has formulated a Code of Conduct- Prevention of Insider Trading in the shares of the Company, which inter alia, prohibits trading in shares of the Company by insiders while in possession of unpublished price sensitive information in relation to the Company and in order to ensure uniform dissemination of unpublished price sensitive information. The Board of Directors adopted a 'Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information' which is available on the website of the Company and can be accessed at https://www.aavas.in/code-of-practices-and-procedures-for-fair-disclosure-of-upsi.

Code for Independent Directors

In terms of Section 149 and Schedule IV of the Act, the Company has adopted a code for Independent Directors in order to ensure fulfillment of responsibilities of Independent Directors of the Company in a professional manner.

The Code for Independent Directors aims to promote confidence of the investment community, particularly minority Shareholders, regulators and other Stakeholders in the institution of Independent Directors and sets out the guidelines of professional conduct of Independent

Directors, their roles, functions and duties, the process of performance evaluation etc.

Prevention of Sexual Harassment Policy, and information required to be disclosed under Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

The Company is committed to providing a work environment that ensures that every employee is treated with dignity and respect and accorded equitable treatment. The Company has implemented a robust framework on prevention of sexual harassment which is in line with the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. Pursuant to the said Act, the details of the total reported and closed cases pertaining to incidents under the above framework/ law are as follows:-

Number of cases reported during the year	Nil
Number of cases closed during the year	Nil
Numbers of cases open as on March 31, 2019	Nil

GENERAL SHAREHOLDER INFORMATION

This section inter alia provides information pertaining of the Company, its shareholding pattern, means of dissemination of information, service standards, share price movements and such other information, in terms of point no. C (9) of Schedule V to SEBI LODR Regulations relating to Corporate Governance.

I. Corporate Information:-

1	Incorporation Date	February 23, 2011 in Jaipur, as a Private Limited Company under the erstwhile Companies Act, 1956
2	Registered Office Address	201-202, 2nd Floor, Southend Square, Mansarovar Industrial Area, Jaipur-302020 (Rajasthan)
3	Corporate Identification Number (CIN)	L65922RJ2011PLC034297
4	Date, time and venue of the Annual General Meeting (AGM)	August 01, 2019, at 3:30 P.M at Jaipur
5	Financial Year	April 01, 2018 to March 31, 2019
6	Record Date	As mentioned in the Notice of 9th AGM
7	Date of Book closure	No Book Closure has been proposed
8	Dividend Payment date	No Dividend has been proposed for the period under review
9.	Listing on Stock Exchanges	The equity shares of the Company are listed on National Stock Exchange of India Limited (NSE) and BSE Limited (BSE) on October 08, 2018. Non-Convertible Debentures (NCDs) issued by the Company are listed on the Wholesale Debt Market (WDM) segment of the BSE. The addresses of NSE & BSE are given below: **NSE:** Exchange Plaza, C-1, Block G, Bandra-Kurla Complex, Bandra (East), Mumbai 400 051. **BSE:** Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001.
10.	Payment of listing fees	The Company has paid the annual listing fees for the relevant periods to NSE and BSE where its equity shares are listed.
11.	Stock Code	BSE: Scrip Code – 541988 NSE: Trading Symbol – AAVAS

12.	ISIN	INE216P01012
13.	Registrar & Share Transfer Agents	Link Intime India Private Limited C-101, 1st floor, 247 Park, L.B.S Marg, Vikhroli (West), Mumbai 400083 Maharashtra, India Tel: +91 22 4918 6200, FAX: +91 22 49186195 Website: www.linkintime.co.in Email ID: rnt.helpdesk@linkintime.co.in
14.	Plant Location	Since the Company is in the business of housing finance the disclosure with regard to plant location is not applicable.
15.	**Address for Correspondence** Correspondence relating to grievances in relation to non-receipt of annual report, dividend and share certificates sent for transfer etc including any requests/ intimation for change in address, issue of duplicate share certificates, change in nomination shall be sent to :	Link Intime India Private Limited C-101, 1st floor, 247 Park, L.B.S Marg, Vikhroli (West), Mumbai 400083 Maharashtra, India Tel: +91 22 4918 6200, FAX: +91 22 49186195 Website: www.linkintime.co.in Email ID: rnt.helpdesk@linkintime.co.in The Company Secretary & Compliance Officer Aavas Financiers Limited Registered Office: 201-202, 2nd Floor, Southend Square, Mansarovar Industrial Area, Jaipur-302020 (Rajasthan) Tel: +91 14 1661 8800, Fax: +91 14 1661 8861 Email: investorrelations@aavas.in
16.	Outstanding Global Depository Receipts / American Depository Receipts / Warrants and Convertible Bonds, conversion date and likely impact on equity	Not applicable since the Company has not issued any Global Depository Receipts or American Depository Receipts or Warrants or Convertible bonds.
17.	Commodity Price Risks / Foreign Exchange Risk and Hedging Activities	This is not applicable since the Company does not have any derivatives or liabilities denominated in foreign currency.
18.	Dematerialisation of Shares	All shares of the Company are held in Dematerialised form. The entire Promoter's holdings are in electronic form and the same is in line with the directions issued by SEBI.
19.	Share Transfer System	The Company's shares are traded under compulsory dematerialized mode and freely tradable. The Board of Directors have delegated the power to attend all the formalities relating to transfer of securities to the Registrar and Share Transfer Agent of the Company. An update on the same is placed before the Stakeholder's Relationship Committee on quarterly basis. A half-yearly certificate of compliance with the share/debt transfer formalities as required under Regulation 40(9) and 61(4) of the SEBI LODR Regulations is obtained from the Company Secretary in Practice and a copy of the certificate is filed with the Stock Exchanges within the prescribed time.

II. Stock Market Price Data :-

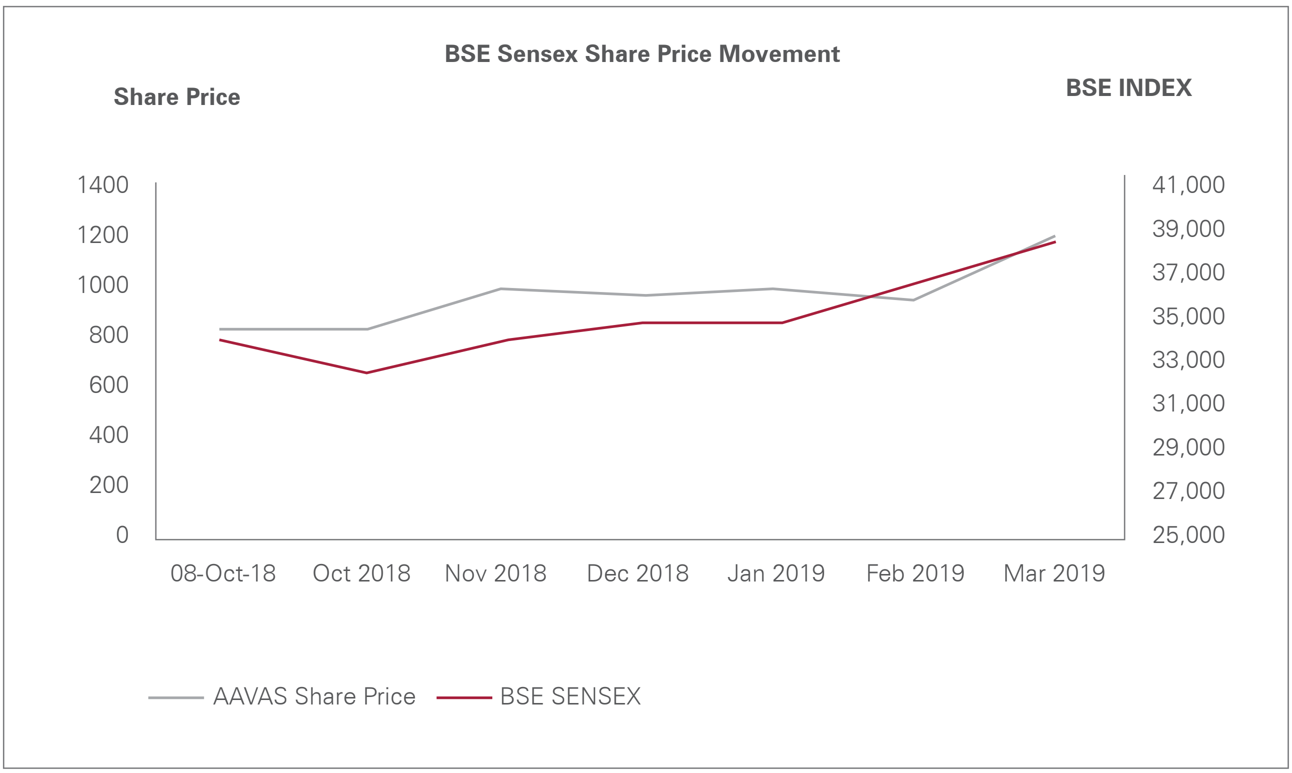
The Company has listed its equity shares on National Stock Exchange of India Limited (NSE) and BSE Limited (BSE) on October 08, 2018.

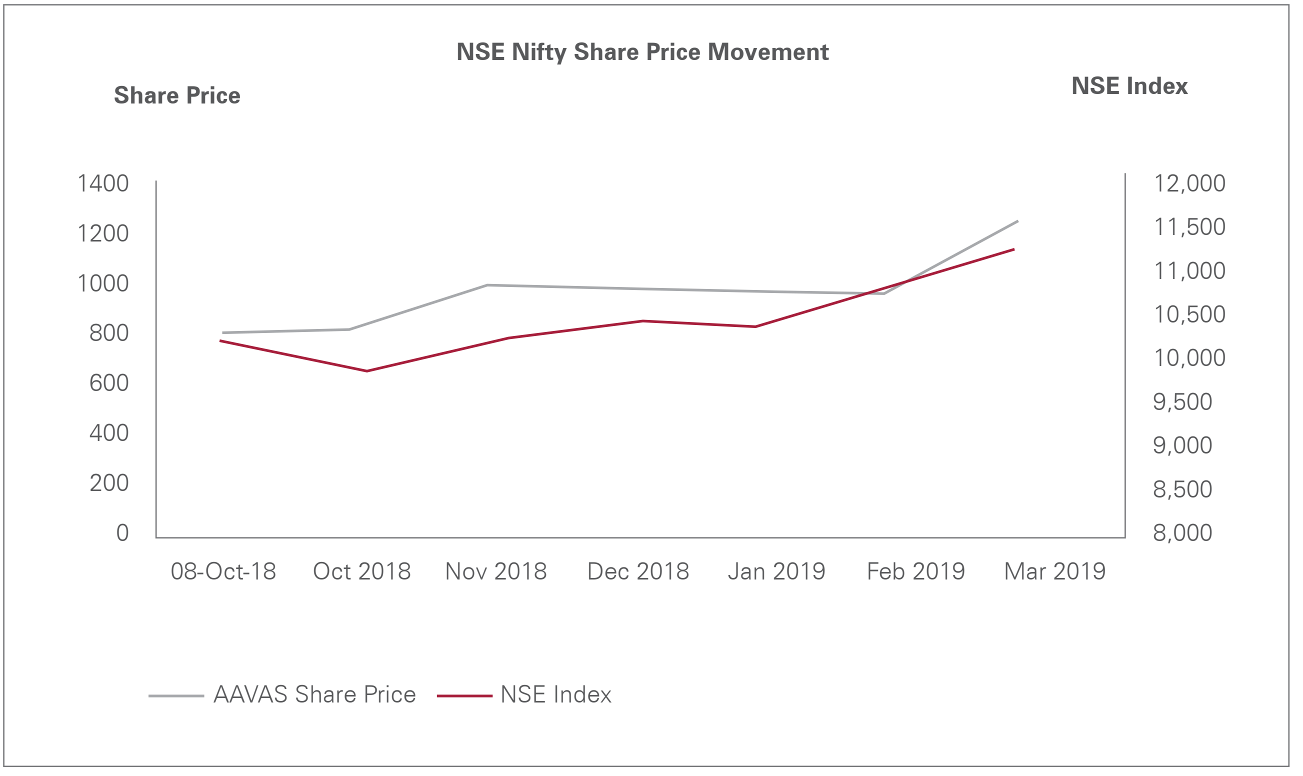
The reported high and low closing prices and volume of Equity Shares of the Company traded on NSE and BSE during the period since the Company is listed (i.e. from October 08, 2018 to March 31, 2019) are set out in the following table:

Month	NSE			BSE		
	High Price (₹)	Low Price (₹)	Volume (No.)	High Price (₹)	Low Price (₹)	Volume (No.)
October 2018	791.30	635.10	5,031,222	788.15	635.10	906,930
November 2018	774.70	650.20	830,341	767.40	652.30	39,425
December 2018	857.50	771.20	1,547,730	851.25	765.35	358,832
January 2019	854.50	826.40	326,444	854.10	825.00	29,994
February 2019	1,004.15	825.20	1,330,154	1,000.40	822.35	74,456
March 2019	1,250.20	1,069.60	1,246,375	1,246.45	1,069.60	560,169

[Source: This information is compiled from the data available on the websites of NSE and BSE]

III. Share Price performance in comparison to broad based indices - BSE Sensex and NSE Nifty Share Price Movement (BSE and NSE):





IV. Credit Rating of the Company

During the year under review, Company's long-term credit rating was upgraded by CARE Ratings Limited to the CARE AA- with a stable outlook, reflecting Company's robust financial strength and growth outlook.

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

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

Rating Agency	Rating Type	External Credit Rating
CARE	Long Term Rating	"CARE AA- / Stable"
	Short Term Rating	"CARE A1+"
ICRA	Long Term Rating	"ICRA A+ / Positive"
	Short Term Rating	"ICRA A1+"
CRISIL	Long Term Rating	"CRISIL A+/ Stable"

The ratings continue to reflect Company's healthy earning profile, adequate capitalization, strong net worth base, and steady improvement in its scale of operations.

V. General Meetings/Postal Ballot:-

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

Meeting	Day/Date/Time	Location	Details of Special Resolution passed
08th AGM, 2017-18	Wednesday, May 30, 2018, at 12:00 Noon	201-202, 2nd Floor, Southend Sqaure, Mansarovar Industrial Area, Jaipur-302020 (Raj)	• To borrow money in excess of paid up capital, free Reserve and Securities Premium of the Company under section 180(1)(c) of the Act. • To authorize Board to sell, lease or otherwise dispose of the assets of the Company under section 180(1)(a) of the Act to secure borrowings made under section 180(1)(c) of the Act. • To authorise Board for Issuance of Non-Convertible Debentures, in one or more tranches /Issuances.
7th AGM, 2016-17	Wednesday, July 26, 2017 at 10:00 AM.	201-202, 2nd Floor, Southend Sqaure, Mansarovar Industrial Area, Jaipur-302020 (Raj)	• To borrow money in excess of paid up capital and free Reserve of the Company u/s 180(1)(c) of the Replace with Act. • To consider and Approve authorization to sell, lease or otherwise dispose of the assets of the Company for borrowings u/s 180(1)(a) of the Act. • To consider and approve for raising funds for general corporate purposes and for onward lending business of the Company by way of issuance of rated, listed, redeemable non-convertible debentures, in one or more tranches /issuances. • To ratify and approve the issuance of Non- Convertible Debentures, by way of Private Placement Basis to IFC.
6th AGM, 2015-16	Monday, June 20, 2016 at 10:00 AM	19-A, Dhuleshwar Garden, Ajmer Road, Jaipur-302001(Raj)	• To consider and approve for raising funds by way of issuance of rated, listed, redeemable non-convertible debentures, in one or more tranches /issuances. • To borrow money in excess of paid up capital and free Reserve of the Company u/s 180(1)(c) of the Act. • To Consider and Approve authorization to sell, lease or otherwise dispose of the assets of the Company for borrowings u/s 180(1)(a) of the Act.

b. Details of Extra Ordinary General Meetings held by the Company during the Financial year 2018-19

Day/Date/Time	Location	Details of Special Resolution passed
Wednesday, June 11, 2018 at 12:00 Noon	35th Floor, Sunshine Tower, Senapati Bapat Marg, Parel, Mumbai-400013 (Maharashtra)	• Adoption of New Articles of Association. • Increase in Foreign Portfolio Investment Limit. • Increase in Non- Resident Investors Investment Limit. • Raising of Capital through a Further Issue of Securities. • Amendments to Equity Stock Option Plan for Directors 2016" ("ESOP 2016-III").

c. Details of Business transacted through Postal Ballot during the Financial year 2018-19

During the FY 2018-19, pursuant to Section 108 and 110 of the Act read with the Companies (Management and Administration) Rules, 2014 (including any statutory amendment(s) or re-enactment(s) made thereunder), the Company passed the following resolutions through one postal ballot conducted during financial year 2018-19 as per the details below:

The voting pattern of votes casted in favor/against the resolutions passed by Postal Ballot on December 30, 2018 is as under:

Description of the Resolution	Type of the Resolution	Number of Votes polled	Votes cast in favour		Votes cast against	
			No of votes	%	No of votes	%
Re-appointment of Mr. Sushil Kumar Agarwal as a Whole Time Director and Chief Executive Officer of the Company	Ordinary	7,21,14,830	7,21,14,695	99.99	135	0.01
Ratification of provisions of Articles of Association of the Company	Special	71,762,814	6,42,73,756	89.56	74,89,058	10.44
Ratification of Employee Stock Option Plans of the Company ("ESOP-2016")	Special	72,114,794	6,98,47,803	96.85	22,66,991	3.15

Mr. Manoj Maheshwari (Membership No. FCS 3355) Practicing Company Secretary and Partner of M/s V. M. & ASSOCIATES was appointed as the Scrutinizer for conducting the said Postal Ballots and e-voting process in accordance with applicable law, in a fair and transparent manner.

d. Procedure for Postal Ballot:

In compliance with Sections 108, 110 and other applicable provisions of the Act read with the Rules issued thereunder, the Company provides electronic voting (e-voting) facility to all its members through Link Intime India Private Limited. The members have the option to vote either by physical ballot or through e-voting.

The Company dispatches Postal Ballot Notice, Ballot Form, along with other documents as required, to all the Members of the Company by permitted mode along with a Postage Pre-Paid Business Reply Envelope whose names appear on the Register of Members/list of beneficiaries as on cut-off date. The Postal Ballot Notice is also sent to the members in electronic form to the email addresses registered with the depository participants/ Company's Registrar and Share Transfer Agents. Your Company also publishes a notice in the newspapers declaring the details of completion of dispatch and other requirements under the Act and the Rules framed thereunder. Voting rights are reckoned on the paid-up value of shares of the Company in the names of the Shareholders as on the cut-off date.

The Scrutinizer submits his report to the Chairperson or to any other person of the Company authorized by Chairperson after the completion of scrutiny and the consolidated results of the voting by postal ballot are then announced by the Chairperson or any other person of the Company authorized by Chairperson of the Company. The results are displayed on the website of the Company (www.aavas.in), besides being communicated to the Stock Exchanges.

e. Details of special resolution proposed to be conducted through postal ballot:

No further Special Resolution is proposed to be passed through postal ballot under the provisions of the Act, on or before the ensuing Annual General Meeting.

VI. Due Dates for Transfer of Unclaimed Dividend to Investor Education and Protection Fund (IEPF)

In terms of Section 125 of the Act, unclaimed dividends are required to be transferred to the Investors Education and Protection Fund. There is no dividend which unclaimed pertaining to previous years and year under review is and hence, there is no requirement of transferring the same to the Investors Education and Protection Fund for the year under the review.

VII. Distribution of Shareholding as at March 31, 2019

Distribution of Shareholding based on Nominal Value (₹) as on March 31, 2019

Sr. No	Category (Nominal Value of Shares)	No. of Holders	% of Holders	No. of Shares	% to Total Equity
1	1 to 5000	12068	97.77	343913	0.4403
2	5001 to 10000	67	0.54	47954	0.0614
3	10001 to 20000	42	0.34	63443	0.0812
4	20001 to 30000	17	0.14	40836	0.0523
5	30001 to 40000	15	0.12	51792	0.0663
6	40001 to 50000	6	0.05	27243	0.0349
7	50001 to 100000	20	0.16	143305	0.1835
8	100001 to above	108	0.88	77389415	99.0801
	Total	**12343**	**100.00**	**78107901**	**100**

VIII. Shareholding details as on March 31, 2019

The Shareholding pattern of the Company, as on March 31, 2019 is as follows:-

Sr. No	Category	No. of Holders	No. of Equity Shares	Holding in Equity Share capital (%)
1	Promoter and Promoters Group	3	45532830	58.2948
2	Clearing Members	82	41647	0.0533
3	Financial Institutions	3	5651950	7.2361
4	Foreign Portfolio Investors (Corporate)	32	10252310	13.1258
5	Alternate Investment Funds	11	924614	1.1838
6	Hindu Undivided Family	540	15490	0.0198
7	Mutual Funds	32	8041474	10.2953
8	NBFCs registered with RBI	2	950	0.0012
9	Non-Nationalized Banks	1	705	0.0009
10	Non-Resident (Non Repatriable)	35	3590	0.0046
11	Non-Resident Indians	67	8359	0.0107
12	Other Bodies Corporate	103	647475	0.8289
13	Public	11431	6985781	8.9438
14	Trusts	1	726	0.0009
	Total	**12343**	**78107901**	**100**

The detailed shareholding pattern is provided in **"Annexure-9",** the extract of the Annual Return, annexed to the Directors Report in Form MGT-9 as required under provisions of Section 92 of the Act.

IX. Means of Communication

Pursuant to the applicable regulations of SEBI LODR Regulations, your Company publishes financial results on quarterly basis which are duly reviewed by the Audit Committee before submission to the Board. The financial results of the Company are also posted on the website of the Company. The Managing Director & CEO, Chief Financial Officer and Investor Relations Officer at regular intervals conducts conference call(s) with the analysts/ Shareholders and responds to the queries from investors on quarterly basis. The financial results of the Company are generally published in the renowned daily newspapers such as Financial Express and Punjab Kesari. The financial results, presentations and press releases of the Company are also hosted on the website of the Company at www.aavas.in.

SEBI Complaints Redressal System (SCORES): A centralized web-based complaints redressal system which serves as a centralized database of all complaints received, enables uploading of Action Taken Reports by the concerned Company and online viewing by the investors of actions taken on the complaint and its current status.

X. OTHER DISCLOSURES

i. Secretarial Audit for Financial Year 2018-19

Mr. Manoj Maheshwari, Practicing Company Secretary (Membership No. FCS 3355) was appointed as the Secretarial Auditor to conduct Secretarial Audit of the Company for the financial year ended March 31, 2019 as per the provisions of the Act, who has carried out an independent assessment of the compliance of SEBI LODR Regulations as a part of secretarial audit. The Secretarial Audit report forms part of this Annual Report as an annexure to the Directors Report.

ii. Consolidated (Holding and its Subsidiary) total fees paid to Statutory Auditor and all entities in the network firm/network entity of which the statutory auditor is a part:

Total fees for all services including IPO related services paid by Company and its subsidiary, on a consolidated basis, to M/s S.R. Batliboi & Associates LLP, Statutory Auditors of the Company and other firms in the network entity of which the Statutory Auditor is a part, as included in the consolidated financial statements of the Company for the year ended March 31, 2019, is as follows:

Particulars	Amount (₹ in lakh)
Fees for audit and related services paid to S.R. Batliboi & Associates LLP & Affiliates firms and to entities of the network of which the statutory auditor is a part	216.61
Other fees paid to S.R. Batliboi & Associates LLP & Affiliates firms and to entities of the network of which the statutory auditor is a part	19.00
Total	**235.61**

iii. Certification from Practicing Company Secretary (PCS)

A certificate from a Company Secretary in practice has been received stating that none of the Directors on the Board of the Company have been debarred or disqualified from being appointed or continuing as Directors of companies by SEBI/Ministry of Corporate Affairs or any such statutory authority. The same forms part of this Annual Report as an annexure to the Directors Report.

iv. Accounting Standards

The Company has followed Indian Accounting Standards (Ind AS) issued by the Ministry of Corporate Affairs in the preparation of its financial statements.

v. Auditors Certification on Corporate Governance

As required under the SEBI LODR Regulations, certificate issued by Mr. Manoj Maheshwari, Practicing Company Secretary (Membership No. FCS 3355) certifying that the Company has complied with the conditions of Corporate Governance as stipulated by SEBI LODR Regulations is attached to the Corporate Governance Report. The said certificate forms part of the Annual Report as an Annexure to the Directors Report.

vi. Details of non-compliance by the Company, penalties, and strictures imposed on the Company by the stock exchanges or SEBI or any statutory authority, on any matter related to capital markets, during the last three financial years

The Equity shares of the Company were listed on the NSE and BSE on October 08, 2018. There are no non-compliances or penalties, strictures imposed on the Company by the stock exchanges or SEBI or any statutory authority, on any matter related to capital markets, during the last three financial years viz. FY 2017, FY 2018, FY 2019.

vii. Directors and Officers Liability Insurance (D&O)

As per the provisions of the Act and in compliance with Regulation 25(10) of the SEBI LODR Regulations, the

Company has taken a Directors and Officers (D&O) Liability Insurance policy on behalf of all Directors including Independent Directors and Key Managerial Personnel's of the Company for indemnifying any of them against any liability in respect of any negligence, default, misfeasance, breach of duty or breach of trust for which they may be guilty in relation to the Company.

viii. CEO/ CFO certification

In terms of Regulation 17(8) of the SEBI LODR Regulations, Managing Director & CEO and the CFO made a certification to the Board of Directors in the prescribed format for the year under review, which has been reviewed by the Audit Committee and taken on record by the Board.

ix. Compliance with Mandatory Requirements and adoption of the Non-Mandatory Requirements of Corporate Governance:

During the period under review, Company has complied with all the Mandatory requirements of SEBI LODR Regulations. The Company has also adopted certain voluntary compliance requirements as stipulated in the Act, SEBI LODR Regulations, 2015 and other acts, rules, regulations & guidelines applicable to the Company.

The Company has appointed separate persons to the post of Chairperson and Managing Director/Whole Time Director & Chief Executive Officer, the Company is in the regime of unqualified financial statements by the auditors and the Internal Auditor directly reports to the Audit Committee of the Company.

Declaration on Compliance with the Company's Code of Conduct for Board of Directors and Senior Management Personnel

I, hereby confirm and declare that in terms of Regulation 26 (3) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, all the Board Members and Senior Managerial Personnel of the Company have affirmed compliance with the Code of Conduct for Board of Directors and Senior Management Personnel for the financial year 2018-19.

Sushil Kumar Agarwal
Managing Director & CEO
(DIN: 03154532)

Date: May 03, 2019
Place: Jaipur

Annexure – 3 Certificate on Corporate Governance

CERTIFICATE ON CORPORATE GOVERNANCE

To,

The Members,
Aavas Financiers Limited,

1. We have examined the compliance of conditions of Corporate Governance of Aavas Financiers Limited ("the Company") for the year ended on March 31, 2019 as stipulated in Regulations 17 to 27 and clauses (b) to (i) of Regulation 46 (2) and paragraphs C, D and E of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 collectively referred as (SEBI Listing Regulations).

Management's Responsibility for compliance with the conditions of SEBI Listing Regulations

2. The compliance with the conditions of Corporate Governance is the responsibility of the management of the Company, including the preparation and maintenance of all relevant supporting records and documents. This responsibility includes the design, implementation and maintenance of internal control and procedures to ensure the compliance with the conditions of the Corporate Governance stipulated in SEBI Listing Regulations.

Auditor's Responsibility

3. Our responsibility is limited to examining the procedures and implementation thereof, adopted by the Company for ensuring the compliance with the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
4. We have examined the relevant records and documents maintained by the Company for the purposes of providing reasonable assurance on the compliance with the Corporate Governance requirements by the Company.
5. We conducted our examination in accordance with the Guidance Note on Corporate Governance Certificate and the Guidance Manual on Quality of Audit & Attestation Services issued by the Institute of Company Secretaries of India ("ICSI").

Opinion

6. In our opinion and to the best of our information and according to the explanations given to us, and the representation made by the Directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned SEBI Listing Regulations.
7. We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Restriction on use

8. The certificate is addressed and provided to the members of the Company solely for the purpose to enable the Company to comply with the requirement of the SEBI Listing Regulations, and it should not be used by any other person or for any other purpose. Accordingly, we do not accept or assume any liability or any duty of care for any other purpose or to any other person to whom this certificate is shown or into whose hands it may come without our prior consent in writing.

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

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

Place: Jaipur
Date: May 03, 2019

Annexure - 4 Form No. MR-3 (Secretarial Audit Report)

Form No. MR-3

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED March 31, 2019

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

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

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

Based on our verification of the Company's books, papers, minutes books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on March 31, 2019 ('Audit Period') complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minutes books, forms and returns filed and other records maintained by the Company for the financial year ended on March 31, 2019 according to the provisions of:

(i) The Act (the Act) and the rules made thereunder;

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

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

(iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;

(v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-

(a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

(b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;

(c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009; (repealed w.e.f. 9th December, 2018)

(d) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 notified on 9th December, 2018; **(Not applicable to the Company during the Audit Period)**

(e) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;

(f) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;

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

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

(i) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998; (repealed w.e.f. 11th September, 2018); (Not applicable to the Company during the Audit Period)

(j) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018 notified on 11th September, 2018; **(Not applicable to the Company during the Audit Period)**

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

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

(a) NHB Act, 1987;

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

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

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

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

(f) Housing Finance Companies – Approval of Acquisition or transfer of Control (National Housing Bank) Directions, 2016; and

(g) Guidelines on Fair Practices Code for HFCs

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

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

ii. The Listing Agreements entered into by the Company with BSE Limited and National Stock Exchange of India Ltd.

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

We further report that

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

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

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

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

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

(a) Duly passed the resolutions under section 180(1)(a) and 180(1)(c) of the Act, read with its applicable rules, as amended, for borrowing limits to the extent of ₹7,000 crores (Rupees seven thousand crore only);

(b) Approved Prepone/ Early Call on 11,52,594 Partly Paid Equity Shares at premium aggregating to ₹20,64,88,140.10/- (Rupees twenty crores sixty four lakhs eighty eight thousand one hundred and forty and ten paisa only);

(c) Approved Prepone/ Early Call on 8,00,000 Convertible Share Warrants at premium aggregating to ₹30,51,00,000/- (Rupees thirty crores and fifty one lakh only);

(d) Reclassified certain Shareholders from Promoters category to Public category;

(e) Allotted 8,00,000 (Eight lakhs) fully paid-up equity shares of the face value of ₹10/- (Rupees Ten Only) each pursuant to conversion of 8,00,000 (Eight lakhs) Share Warrants;

(f) Increased the Foreign Portfolio Investment Limit from 24% to 100% of the Paid Up Equity Share Capital, with the individual limit being restricted to 10% of the total paid-up equity share capital of the Company or such other limit as may be stipulated by Reserve Bank of India in each case, from time to time;

(g) Increased in Non-Resident Investors Investment Limit from 10% to 24% of the Paid Up Equity Share Capital with the individual limit being restricted to 5% of the total paid-up equity share capital of the Company or such other limit as may be stipulated by Reserve Bank of India in each case, from time to time;

(h) Altered the Equity Stock Option Plan for Directors 2016 ("ESOP 2016-III") to enable the early/ accelerated vesting of Stock Options;

(i) Completed the Initial Public Offer (IPO) by way of Fresh Issue of 43,84,897 (forty three lakh eighty four thousand eight hundred and ninety seven) Equity Shares of ₹10/- (Rupees ten only) each at a price of ₹821/- (Rupees eight hundred and twenty one only) per share and offer for sale of 1,55,94,606 (one crore fifty five lakh ninety four thousand six hundred and six) Equity Shares of ₹10/- (Rupees ten only) each at a price of ₹821/- (Rupees eight hundred and twenty one only) per share by selling Shareholders and the Equity Shares of the Company were listed at the National Stock Exchange of India Ltd. and BSE Limited and admitted to dealings with effect from October 08, 2018;

(j) Ratified the Employee Stock Option Plans of the Company ("ESOP-2016") by Postal Ballot;

(k) Allotted 29,72,113 (twenty nine lakh seventy two thousand one hundred and thirteen) equity shares upon exercise of options by its eligible employees under its Employee Stock Option Schemes/plans 2016;

(l) Issued and allotted 100 Redeemable Non-convertible Debentures (Listed) of ₹10,00,000/- each aggregating to ₹10,00,00,000/- (Rupees Ten crores only) on private placement basis; and

(m) Issued Rupee Denominated Bonds (Masala Bonds) amounting to ₹200,00,00,000/- (Rupees Two Hundred crores only).

Place: Jaipur
Date: May 03, 2019

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

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

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

Annexure A

To,
The Members,
Aavas Financiers Limited
201-202, 2nd Floor South End Square
Mansarovar Industrial Area
Jaipur- 302020 (Rajasthan)

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

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

Place: Jaipur
Date: May 03, 2019

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

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

Annexure – 5 Dividend Distribution Policy

I. PREAMBLE

Pursuant to the provisions of Regulation 43A of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended by Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2016, ["SEBI LODR Regulations"] vide circular no. SEBI/LAD- NRO/GN/2016-17/008 dated 8th July, 2016; the Board of Directors of the Company at its meeting held on June 08, 2018 have approved and adopted the Dividend Distribution Policy **["Policy"]** of the Company.

II. OBJECTIVE

This Policy aims to ensure that the Company makes rationale decision with regard to the amount to be distributed to the equity Shareholders as dividend after retaining sufficient funds for the Company's growth, to meet its long-term objective and other purposes.

This Policy lays down various parameters which shall be considered by the Board of Directors of the Company before recommendation/ declaration of Dividend to its Shareholders.

III. DEFINITIONS

a. "Act" means the Companies Act 2013 and rules made thereunder [including any amendments or re-enactments thereof]

b. "Applicable laws" shall mean to include Act and rules made thereunder, [including any amendments or re-enactments thereof], Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, [including any amendments or re-enactments thereof], Rules/ guidelines/notifications/circulars issued by National Housing Bank and any other regulation, rules, acts, guidelines as may be applicable to the distribution of dividend.

c. "Board" or "Board of Directors" shall mean Board of Directors of the Company, as constituted from time to time.

d. "Company" shall mean Aavas Financiers Limited.

e. "Dividend" includes any interim dividend; which is in conformity with Section 2(35) of the Act read with Companies (Declaration and Payment of Dividend) Rules, 2014.

f. "Financial year" shall mean the period starting from 1st day of April and ending on the 31st day of March every year,

g. "Free reserves" shall mean the free reserves as defined under Section 2 (43) of the Act.

IV. PARAMETERS GOVERNING THE DISTRIBUTION OF DIVIDEND

1. **Factors for recommendation/declaration of Dividend**

   a. **Internal factors (Financial Parameters)**

   The Board shall consider the below mentioned financial parameters for the purpose of recommendation/declaration of dividend:

   i. Current year's net operating profit

   ii. Capital expenditure and working capital requirements

   iii. Financial commitments w.r.t. the outstanding borrowings and interest thereon.

   iv. Financial requirement for business expansion and/or diversification, acquisition. etc. of new businesses.

   v. Provisioning for financial implications arising out of unforeseen events and/or contingencies.

   vi. Past dividend trend

   vii. Cost of borrowings

   viii. Other Corporate Action options (For ex. Bonus issue, Buy back of shares)

   ix. Any other factor as deemed fit by the Board

   b. **External Factors**

   The Board shall also consider the below mentioned external factors at the time of taking a decision w.r.t recommendation/declaration of dividend:

   i. Applicable laws and Regulations including taxation laws.

   ii. Economic conditions

   iii. Prevalent market practices of dividend payment in similar industry

2. **Circumstances under which the Shareholders of the Company may or may not expect dividend**

   The decision to recommend/declare the dividend by the Board of Directors shall primarily depend on the factors listed out at point no. 1 above. The decision seeks to balance the dual objectives of appropriately rewarding Shareholders through dividends and retaining profits in order to maintain a healthy capital adequacy ratio to support future growth. However, the Shareholders of the Company may not expect dividend in the below mentioned circumstances:

i. In the event of a growth opportunity where the Company may be required to allocate a significant amount of capital.
ii. In the event of higher working capital requirement for business operations or otherwise.
iii. In the event of inadequacy of cash flow available for distribution.
iv. In the event of inadequacy or absence of profits.

3. Under any other circumstances as may be specified by the Act or any other applicable regulatory provisions or as may be specified under any contractual obligation entered into with the lenders.

4. Manner of utilization of Retained Earnings

The Board of Directors of the Company may recommend/declare dividend out of the profits of the Company or out of the profits for any previous financial year or years or out of free reserves available for distribution of dividend, as per the regulatory provisions after consideration of the factors as stated at point no. 1 above. The Board may retain its earnings in order to make better use of the available funds and increase the value of the Stakeholders in the long run.

5. Manner of Declaration and Payment of Dividend

5.1 Process for approval of Payment of Final Dividend:

Board to recommend quantum of final dividend payable to Shareholders in its meeting in line with applicable laws and rules prescribed thereof, based on the profits arrived at as per the audited financial statements and post Shareholders approval for Dividend in the Annual General Meeting, the same shall be paid to the eligible Shareholders within stipulated timelines as per applicable laws.

5.2 Process for approval of Payment of Interim Dividend:

Board may declare Interim Dividend, one or more times in a financial year, at its complete discretion in line with applicable laws and rules prescribed thereof, out of the surplus in the profit and loss account or out of profits of the financial year for which such interim dividend is sought to be declared or out of profits generated in the financial year till the quarter preceding the date of declaration of the interim dividend.

The Board shall consider the financial results of the Company for the period for which Interim Dividend is to be declared and shall be satisfied that the financial position of the Company justifies and supports the declaration of such Dividend.

The financial results shall take into account the following-

a) Depreciation for the full year;
b) Tax on profits of the Company including deferred tax for full year;
c) Other anticipated losses for the Financial Year;
d) Dividend that would be required to be paid at the fixed rate on preference shares;
e) The Losses incurred, if any, during the current financial year up to the end of the quarter, immediately preceding the date of declaration of Interim Dividend;

In case, where the Company has incurred losses during the current Financial Year up to the end of the quarter immediately preceding the date of declaration of Interim Dividend, such Dividend shall not be declared at a rate higher than average Dividend declared during the immediately preceding three financial years.

6. Other factors to be considered with regard to various classes of shares.

Since the Company has only one class of equity Shareholders, the dividend declared will be distributed equally among all the equity Shareholders, based on their shareholding on the record date.

V. GENERAL

i. Pursuant to the provisions of Section 123 of the Act, Articles of Association of the Company and this Policy, the Board of Directors shall recommend the final dividend, which shall be declared by the Shareholders of the Company at the Annual General Meeting. The Board may also, from time to time, declare interim dividend which shall be subject to confirmation by the Shareholders at the Annual General Meeting.
ii. The Company shall ensure compliance with the Applicable laws w.r.t. payment of dividend to the Shareholders. It shall ensure that the amount

of the dividend, including interim dividend, is deposited by the Company in a Scheduled bank in a separate account within five days from the date of declaration of such dividend.

iii. Due regard shall be given to the restrictions/ covenants contained in any agreement entered into with the lenders of the Company or any other financial covenant as may be specified under any other arrangement/ agreement, if any, before recommending or distributing dividend to the Shareholders.

VI. DISCLOSURES

The Company shall make appropriate disclosures in compliance with the provisions of the Listing Regulations, in particular the disclosures required to be made in the annual report and on the website (www.aavas.in) of the Company.

In case, the Company proposes to declare dividend on the basis of the parameters in addition to those as specified in this Policy and/or proposes to change any of the parameters, the Company shall disclose such changes along with the rationale in the annual report and on its website.

VII. REVIEW AND UPDATES

This policy will be reviewed periodically as and when required and annually by the Board of the Company, further the Board of Directors shall have the right to modify, amend or change any or all clauses of this Policy in accordance with the provisions of the applicable laws/ Acts /Regulations or otherwise.

In case of any amendment(s), clarification(s), circular(s) etc. issued under any Applicable laws/ Regulations, which is not consistent with any of the provisions of this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this Policy shall be deemed to be amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.

Annexure - 6 to the Director's Report

Form AOC-1

(Pursuant to first proviso to sub-section (3) of Section129 read with Rule 5 of Companies (Accounts) Rules, 2014)

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

Part A: -Subsidiaries

S No.	Particulars	Details
1.	Name of the subsidiary	Aavas Finserv Limited
2.	The date since when subsidiary was acquired	Aavas Finserv Limited was not acquired, however it was incorporated on November 30, 2017.
3.	Reporting period for the subsidiary concerned, if different from the holding Company's reporting period	Not applicable
4.	Reporting currency and Exchange rate as on the last date of the relevant financial year in the case of foreign subsidiaries	Not applicable
5.	Share capital	₹450.00 lakh
6.	Reserves and surplus	₹6.08 lakh
7.	Total assets	₹471.56 lakh
8.	Total Liabilities	₹15.48 lakh
9.	Investments	Nil
10.	Turnover	₹20.07 lakh
11.	Profit before taxation	₹15.74 lakh
12.	Provision for taxation	₹3.89 lakh
13.	Profit after taxation	₹11.85 lakh
14.	Proposed Dividend	Nil
15.	Extent of shareholding (in percentage)	100%

Notes: 1. Names of subsidiaries which are yet to commence operations:- Aavas Finserv Limited

2. Names of subsidiaries which have been liquidated or sold during the year:- NIL

Part B:- Associates and Joint Ventures

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

Since the Company does not have any Associate or Joint venture Company the disclosure under this section is not applicable.

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

Sarvesh Warty
Partner
Membership No. 121411

Place: Jaipur
Date: May 03, 2019

For and on behalf of the Board of Directors of
AAVAS FINANCIERS LIMITED

Manas Tandon
(Nominee Director)
DIN-05254602

Sushil Kumar Agarwal
(Managing Director and CEO)
DIN-03154532

Ghanshyam Rawat
(Chief Financial Officer)

Sharad Pathak
(Company Secretary and Compliance Officer)

Annexure – 7

Information under section 197(12) of the Companies Act, 2013 read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

The statement of disclosure of Remuneration under sub-section 12 of Section 197 of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014:

Sr. No.	REQUIREMENTS	DISCLOSURE
1.	Ratio of the remuneration of each director to the median remuneration of the employees of the Company for the financial year 2018-19.	**Executive Directors** Mr. Sushil Kumar Agarwal : 69.30 X **Non- Executive Directors** Mr. Krishan Kant Rathi : 2.29X Mrs. Kalpana Iyer : 2.29X Mr. Sandeep Tandon : 1.89X Mr. Ramachandra Kasargod Kamath : 6.15 X Mr. Vivek Vig :0.63X **Note:-** Mr. Manas Tandon, Mr. Nishant Sharma and Mr. Kartikeya Dhruv Kaji, Non-Executive Nominee Directors of the Company, have not taken any remuneration during the Financial Year 2018-19.
2.	The percentage increase/ (decrease) in remuneration of each Director, Chief Financial Officer, Chief Executive Officer, Company Secretary, if any, in the financial year.	**Directors** Mr. Sushil Kumar Agarwal (Managing Director& CEO) : 8.36% Mr. Krishan Kant Rathi (Independent Director) : 20.83% Mr. Sandeep Tandon (Independent Director) : 200.00% Mrs. Kalpana Iyer (Independent Director) : 31.82% Mr. Ramachandra Kasargod Kamath (Nominee Director) : (2.50%) Mr. Vivek Vig (Nominee Director) : (66.77%) **KMP's Other than Directors** Mr. Ghanshyam Rawat (Chief Financial Officer) : 10.29% Mr. Sharad Pathak (Company Secretary) : 24.82%
3.	The percentage increase in the Median Remuneration of Employees in the Financial Year	26.37 %
4.	No. of Permanent Employees on the Rolls of the Company	2384 (as on March 31, 2019)
5.	Average percentile increases already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration.	The average percentage increase in the remuneration of all employees (other than Key Managerial Personnel's for the FY 2018-19) stood at 27.64% whereas the average percentage increase in the remuneration of Key Managerial Personnel's was at 9.71%. Further there was no exceptional circumstance which warranted an increase in managerial remuneration which was not justified by the overall performance of the Company.

Sr. No.	REQUIREMENTS	DISCLOSURE
6.	Affirmation that the remuneration is as per the remuneration policy of the Company	Yes, it is affirmed that the remuneration is as per the Remuneration Policy of the Company.

Notes:

1. Calculations of remuneration have been made on comparable and annualized basis.
2. The remuneration of KMP's was taken from the Audited financial statements for F.Y. 2018-19.
3. Remuneration comprises of salary (fixed and variable), allowances, perquisites/ taxable value of perquisites but doesn't include perquisite value of ESOPs exercised.
4. Sitting fees paid to the Directors is considered to be part of the remuneration.
5. Percentage increase in remuneration of Mr. Sandeep Tandon, Independent Director accounted relatively higher due to increase in the amount of sitting fees paid to him during the Financial Year 2018-19 consequent upon his appointment as Member of various Board committees.

For and on behalf of the Board of Directors
AAVAS FINANCIERS LIMITED

Sushil Kumar Agarwal
Managing Director & CEO
(DIN: 03154532)

Manas Tandon
Nominee Director
(DIN: 05254602)

Jaipur, May 03, 2019

Registered and Corporate Office:
201-202, 2nd Floor, South End Square,
Mansarovar Industrial Area, Jaipur 302 020, Rajasthan, India
CIN: L65922RJ2011PLC034297
Tel: +91 14 1661 8800 Fax: +91 14 1661 8861
E-mail: investorrelations@aavas.in | Website: www.aavas.in

DISCLOSURES OF EMPLOYEES PURSUANT TO SUB RULE 2 & 3 OF RULE 5 OF COMPANIES (APPOINTMENT & REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014

S. No	Employee Name	Designation	Nature of Employment	Qualificationw	Age (in years)	Total Experience	Previous Employer	Date of Joining	Remuneration received (₹ in lakh)	Percentage of equity shares held (in %)	whether any such employee is a relative of any director (if yes please provide)
1	Mr. Sushil Kumar Agarwal	Managing Director and CEO	Contractual	Chartered Accountant and Company Secretary	42	18 years	ICICI Bank Limited	23-Feb-11	219.88	4.13	No
2	Mr. Ghanshyam Rawat	Chief Financial Officer	Permanent	Chartered Accountant	51	23 years	First Blue Home Finance Limited	1-Jun-14	166.66	1.39	No
3	Mr. Sunku Ram Naresh	Chief Business Officer	Permanent	Bachelor of science and Master of Business Administration - both from Sri Krishnadevaraya University	46	23 years	Bajaj Finance Limited	2-Jun-15	125.48	0.78	No
4	Mr. Ashutosh Atre	Chief Credit Officer	Permanent	Diploma in finance from SVKM's NMIMS University and diploma in mechanical engineering from Madhya Pradesh Board of Technical Education, Bhopal	49	29 years	Equitas Housing Finance Private Limited	14-May-14	84.72	0.22	No
5	Mr. Surendra Kumar Sihag	Senior Vice President – Collection	Permanent	Bachelor of arts and LLB degree - Both from University of Rajasthan and Master of Business Administration from the Periyar University	46	17 years	Bajaj Finance Limited	2-Jan-17	81.65	0.03	No
6	Mr. Avinash Kumar	Chief Technology Officer	Permanent	Post-Graduate Diploma in Management from the Indian Institute of Management, Lucknow and Bachelors of Technology (civil engineering) from Indian Institute of Technology, New Delhi	42	17 years	Infosys Technology Ltd.	1-Sep-17	73.83	0.00	No
7	Mr. Rajeev Sinha	Senior Vice President-Operations	Permanent	B.Sc. and Certified in Management of Customer Relationship from IIM Ahmedabad (EE)	44	19 Years	Indiabulls Housing Finance Limited	4-May-16	61.87	0.02	No
8	Mr. Anurag Srivastava	Senior Vice President - Data Science	Permanent	Master of Arts (economics) from the University of Delhi	39	14 years	Deloitte Special Project India Private Limited	2-Sep-16	56.81	0.01	No
9	Mr. Mukesh Agarwal	Vice President-Accounts	Permanent	Chartered Accountant	43	20 years	D1 Williamson Magor Bio Fuel Ltd	17-Oct-12	54.39	0.02	No
10	Mr. Arvin Jacob	Vice President-Sales	Permanent	B. Com, MBA from NMIMS	45	20 years	GE Money financial services ltd	1-Jul-12	51.15	0.01	No

Notes:

1. Remuneration comprises of salary (fixed and variable), allowances, perquisites/ taxable value of perquisites but doesn't include perquisite value of ESOPs exercised.
2. No employee of the Company, employed throughout the financial year 2018-19 or part thereof, was in receipt of remuneration, at a rate which, in the aggregate, is in excess of that drawn by the Managing Director and CEO and holds by himself or along with his spouse and dependent children, not more than two percent of the equity shares of the Company. However, as on March 31, 2019, Mr. Sushil Kumar Agarwal, Managing Director & CEO holds 4.13% of the shares in the Company and the Company has also made the required disclosures in this regard to the respective stock exchanges.

Annexure-8 Annual Report on Corporate Social Responsibility (CSR) Activities

ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES FOR FINANCIAL YEAR 2018-19

1. A BRIEF OUTLINE OF THE COMPANY'S CSR POLICY, INCLUDING OVERVIEW OF PROJECTS OR PROGRAMS PROPOSED TO BE UNDERTAKEN AND A REFERENCE TO THE WEB-LINK TO THE CSR POLICY AND PROJECTS OR PROGRAMS:

The Company has adopted Corporate Social Responsibility (CSR) Policy approved by CSR Committee and the Board of Directors, in accordance with the provisions of Corporate Social Responsibility under Section 135 of the Act read with the Companies (Corporate Social Responsibility Policy) Rules, 2014 and Schedule VII of the Act.

The Company focuses its CSR efforts on such areas, where it could provide maximum benefits to the society at large and is committed to delivering sustainable solutions to equip and encourage equal opportunity, maximize human and social development and leverage the aspirations of youth, women and vulnerable sections of population. The CSR programs undertaken by the Company largely fall in the areas of: improving awareness of communities towards Education, Health and Sanitation, Safe Drinking Water, Environment Protection, Fauna Welfare, Employment Enhancing Vocational Skill, Promotion of Sports Activity, Gender Equality and Women Empowerment etc.

The Company also intends to undertake such other CSR projects, where societal and community needs are high or in special situations (natural disasters etc.). The Company shall continue its engagement with Stakeholders including NGOs, professional bodies/ forums and the Government and would take up such CSR activities in line with the Government's intent, which are important for the society at large.

The Company has established 'Aavas Foundation' ("The Foundation") as approved by the Board of Directors of the Company to take forward the Company's CSR Vision and implement social programmes in a far more collaborative and participative way. The Foundation was established on March 26, 2019 wherein the Company acts as settlor. Registered Address of the Foundation is 201-202, Southend Square, Mansarovar Industrial Area, Jaipur, Rajasthan, 302020, India.

The Company's CSR Policy is broadly based on the principles of undertaking socially useful programmes for welfare and sustainable development of the community as a whole. The CSR Policy as recommended by the CSR Committee and approved by the Board of the Company is available on the Company's website https://www.aavas.in/csr-policy.

2. COMPOSITION OF THE CSR COMMITTEE:

Mrs. Kalpana Iyer, Chairperson (Independent Director)

Mr. Krishan Kant Rathi, Member (Independent Director)

Mr. Sushil Kumar Agarwal, Member (Managing Director & CEO)

3. AVERAGE NET PROFIT OF THE COMPANY FOR LAST THREE FINANCIAL YEARS: ₹8821.61 lakh

4. PRESCRIBED CSR EXPENDITURE FOR 2018-19 (TWO PERCENT OF THE AMOUNT AS IN ITEM 3 ABOVE): ₹176.43 lakh

5. DETAILS OF CSR SPENT DURING THE FINANCIAL YEAR:

(A) TOTAL AMOUNT TO BE SPENT FOR THE FY 2018-19: ₹268.14 lakh

(B) AMOUNT UNSPENT, IF ANY: ₹136.50 lakh

(C) MANNER IN WHICH THE AMOUNT SPENT DURING THE FINANCIAL YEAR IS DETAILED BELOW:

(All Figures in lakhs)

(1) S. No.	(2) CSR Projects or Activities identified	(3) Sector in which project is covered	(4) Projects or programs 1) Local Area or other 2) State/District where projects undertaken	(5) Amount outlay (budget) project or program–wise	(6) Amount spent on the Project or Programs: Sub-heads: Direct Expenditure on projects and Overheads:	(7) Cumulative expenditure up to the 31st March, 2019	(8) Amount spent Direct or through implementing agency
1	Awareness Drive with Traffic Police, Jaipur to promoting Safe driving and Road Safety Standards during Road Safety Week	Education	Jaipur, Rajasthan	-	1,58,449	2,57,898	Direct Contribution
2	Provisioning of providing financial assistance for welfare of children residing at orphanage	Education	Prayagraj, UP	-	10,00,000	20,000,00	Children National Institute
3	Provisioning of providing Education for Children from Rural, Tribal underprivileged & Socially disadvantaged community to continue their education	Education	Jaipur, Rajasthan	-	3,00,000	3,00,000	All India Movement For Seva
4	Provisioning of providing assistance for charity event for children	Education	Jaipur, Rajasthan	-	25,000	25,000	Jaipur Catholic Welfare Society
5	Provisioning of providing financial assistance to provide Education for Children residing at orphanage	Education	Jaipur, Rajasthan	-	1,08,000	1,08,000	SoS Children's Village of India
6	Provisioning to provide support for Library at Hostel Accommodation cum skill development training Centre	Education	Palghar, Maharashtra	-	5,00,000	5,00,000	Making a Difference Foundation
7	Provisioning to provide Education for Disable children	Education	Delhi		1,00,000	1,00,000	Ekta Shakti Foundation
8	Provisioning To provide assistance for Education for children belonging to marginalized society	Education	Renukoot, Uttar Pradesh		5,00,000	5,00,000	Samanvaya Parivaar
9	To provide support for educating Children belonging from Marginalized Society	Education	Jaipur, Rajasthan	-	50,000	50,000	Jaipur Round Table 233
10	Provisioning of Playing Equipment for Mentally Retarded Children Home	Education	Jamdoli, Rajasthan	-	1,50,000	1,50,000	Human Educational
11	Provisioning for Assisting to implement and develop teaching and nurturing methods	Education	Jaipur, Rajasthan	5,00,000	5,00,000	15,50,000	Abhiyaan Bharat Foundation
12	Cleanliness and Awareness drive for promoting Swacch Bharat Campaign	Healthcare; Education	Jaipur, Rajasthan	-	9,64,012	10,07,912	Contree Foundation
13	Provisioning to provide Education for Under-privileged Children and Provide assistance for Blood Donation Camp	Education; Healthcare	Jaipur, Rajasthan	-	80,000	80,000	LNM Institute of Information and Technology
14	Promoting Stress relieving Techniques and Lifestyle among public	Healthcare	Jaipur, Rajasthan	-	50,000	50,000	Yoga Peace

(All Figures in lakhs)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
S. No.	CSR Projects or Activities identified	Sector in which project is covered	Projects or programs 1) Local Area or other 2) State/District where projects undertaken	Amount outlay (budget) project or program–wise	Amount spent on the Project or Programs: Sub-heads: Direct Expenditure on projects and Overheads:	Cumulative expenditure up to the 31st March, 2019	Amount spent Direct or through implementing agency
15	Provisioning of Safe Drinking Water	HealthCare	Rajasthan	12,00,000	16,43,513	42,10,681	Direct Contribution
16	Promoting yoga among young children in order to encourage them for healthy lifestyle	Healthcare	Jaipur, Rajasthan	-	1,63,500	1,63,500	Jaipur Yoga League
17	Blood donation and Awareness Camp	Healthcare	Jaipur, Rajasthan	-	3,05,712	3,05,712	Institute of Company Secretaries of India
18	Provisioning for healthy meals at schools	Health Care	Jaipur, Rajasthan	5,00,000	5,00,000	14,50,000	Akshay Patra Foundation
19	Provisioning of Benches in Schools, Hospitals and other Public Utility Space at Jaipur	Health Care	Jaipur, Rajasthan	-	1,40,000	1,40,000	Human Educational
20	Provisioning to Educate, Aware and Support Cancer patients through Counseling and Rehabilitation Centre	Health Care	Jaipur, Rajasthan	-	50,000	50,000	Sanjeevani Life Beyond Cancer
21	Provisioning to providing infrastructural and Medical facilities at rural areas	Healthcare	Rural areas of Uttarakashi, Uttarakhand	5,00,000	5,00,000	10,00,000	Swami Shivanand Seva Samiti
22	Provisioning of Bird- Feeder and Water-Bowl at different locations of Jaipur under "Save a Bird" Campaign	Environment Protection	Jaipur, Rajasthan	-	4,00,000	4,00,000	Contree Foundation
23	Promoting National and International recognized sports through sponsoring players and support them to play tournament	Promoting Sports	Jaipur, Rajasthan	-	13,09,000	13,09,000	The Dojo Academy of Martial Arts, Shri O.N. Dixit Memorial Sports and Cultural Society, Support Olympic Win Foundation
24	Provisioning of providing financial assistance to provide Job assistance for Differently abled person (Divyang)	Skill Development	Bangalore, Karnataka	-	5,00,000	5,000,00	Mugavari Foundation
25	Promoting employable specific skill development among young women belonging to marginalized society	Livelihood Enhancement Program; Promoting Gender Equality	Jaipur, Rajasthan	-	5,10,000	5,10,000	Human Educational
26	Provisioning for disaster relief and rehabilitation work in Kerala after floods	Disaster Relief	Kerala	-	7,50,000	7,50,000	Goonj
27	Provisioning for conservation of Cattle Breeds and provide Shelter to them	Animal Welfare	Jaipur, Rajasthan	5,00,000	13,50,030	21,00,030	Hare Krishna Foundation
28	Avian Rescue and Rehabilitation Programme during Kite Festival in Jaipur	Protection of Fauna	Jaipur, Rajasthan	-	1,50,000	1,50,000	Hope and Beyond
	Total			**32,00,000**	**1,31,64,416**	**1,97,17,733**	

6. REASONS FOR SHORT SPENDING THE AMOUNT ON CSR

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

The Company has constituted a separate legal entity named as "Aavas Foundation" to effectively channelize CSR Funds to provide impetus on philanthropic initiatives of the Company. The Company plans to drive CSR initiatives directly as well as through the Aavas Foundation to spend maximum available funds for CSR for promoting growth and equality, responsive to relevant needs of communities in which the Company operates. The Company has been committed to make significant investment in the identified initiatives & programs for which CSR spend is planned over the next few years. This shall enable the Company to build a sustainable and scalable expenditure on CSR which in turn shall absorb the current years unspent part of the CSR expenditure.

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

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

For AAVAS FINANCIERS LIMITED

Krishan Kant Rathi
(Independent Director)
Chairperson of the CSR Committee*
(DIN 00040094)

Sushil Kumar Agarwal
Managing Director & CEO
(DIN 01874130)

Manas Tandon
Nominee Director
(DIN 05254602)

Date: May 03, 2019
Place: Jaipur

*Mrs. Kalpana Iyer, Independent Director & Chairperson of CSR Committee, was not present in CSR Committee and Board Meeting held on May 02, 2019 and May 03, 2019 respectively. Therefore, Mr. Krishan Kant Rathi was appointed as Chairperson for CSR Committee meeting held on May 02, 2019.

Annexure -9 Form No MGT 9

FORM NO. MGT 9

EXTRACT OF ANNUAL RETURN

As on financial year ended on 31.03.2019

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

I. REGISTRATION & OTHER DETAILS:

1	CIN	L65922RJ2011PLC034297
2	Registration Date	23-Feb-2011
3	Name of the Company	AAVAS FINANCIERS LIMITED
4	Category/Sub-category of the Company	Public Company Limited by Shares/ Indian Non-Government Company (registered with National Housing Bank as a Housing Finance Company bearing registration number04.0151.17)
5	Address of the Registered office & contact details	201-202, 2nd Floor, Southend Sqaure, Mansarovar Industrial Area, Jaipur– 302020 (Rajasthan) Telephone: +91 141 6618800 | Fax: +91 141 6618861 E-mail: investorrelations@aavas.in website: www.aavas.in
6	Whether Listed Company	Yes
7	Name, Address & contact details of the Registrar & Transfer Agent, if any.	Link Intime India Private Limited C 101, 247 Park, L.B.S.Marg, Vikhroli (West), Mumbai - 400083.(Maharashtra) Tel: +91 22 4918 6200 Email: rnt.helpdesk@linkintime.co.in website: www.linkintime.co.in

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

S. No.	Name and Description of main products / services	NIC Code of the Product/ services	% to total turnover of the Company
1	Housing Finance	64910	100

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES:

S. No.	Name and address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
1	**Aavas Finserv Limited** 203-205, 2nd Floor, Southend Square, Mansarovar, Industrial Area, Jaipur - 302020(Rajasthan)	U65929RJ2017PLC059623	Subsidiary	100.00	2 (87)

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

(i) Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year [As on 01-April-2018]				No. of Shares held at the end of the year [As on 31-March-2019]				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters**									
(1) Indian									
a) Individual/ HUF	-	-	-	-	-	-	-	-	-
b) Central Govt	-	-	-	-	-	-	-	-	-
c) State Govt(s)	-	-	-	-	-	-	-	-	-
d) Bodies Corp.	-	-	-	-	-	-	-	-	-
e) Banks / FI	-	-	-	-	-	-	-	-	-
f) Any other	-	-	-	-	-	-	-	-	-
Sub Total (A) (1)	-	-	-	-	-	-	-	-	-
(2) Foreign	-	-	-	-	-	-	-	-	-
a) NRI Individuals	-	-	-	-	-	-	-	-	-
b) Other Individuals	-	-	-	-	-	-	-	-	-
c) Bodies Corp.	5,99,05,823	-	5,99,05,823	85.64	4,55,32,830	-	4,55,32,830	58.29	(27.35)
d) Banks/FI	-	-	-	-	-	-	-	-	-
e) Any other	-	-	-	-	-	-	-	-	-
Sub Total (A) (2):	5,99,05,823	-	5,99,05,823	85.64	4,55,32,830	-	4,55,32,830	58.29	(27.35)
Total shareholding of promoter (a)= (a)(1)+(a)(2)	**5,99,05,823**	**-**	**5,99,05,823**	**85.64**	**4,55,32,830**	**-**	**4,55,32,830**	**58.29**	**(27.35)**
B. Public Shareholding*									
1. Institutions									
a) Mutual Funds	-	-	-	-	80,41,474	-	80,41,474	10.30	10.30
b) Banks / FI	50,14,646	100	50,14,746	7.17	56,52,655	-	56,52,655	7.24	0.07
c) Central Govt	-	-	-	-	-	-	-	-	-
d) State Govt(s)	-	-	-	-	-	-	-	-	-
e) Venture Capital Funds	-	-	-	-	-	-	-	-	-
f) Insurance Companies	-	-	-	-	-	-	-	-	-
g) FIIs	-	-	-	-	-	-	-	-	-
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i) Others (Alternative Investment Fund and Foreign Portfolio Investors)	9,45,355	-	9,45,355	1.35	1,11,76,924	-	1,11,76,924	14.31	12.96
Sub-total (B)(1):-	**59,60,001**	**100**	**59,60,101**	**8.52**	**2,48,71,053**	**-**	**2,48,71,053**	**31.84**	**23.32**
2. Non-Institutions									
a) Bodies Corp.									
i) Indian	-	-	-	-	6,48,425	-	6,48,425	0.83	0.83
ii) Overseas	-	-	-	-	-	-	-	-	-
b) Individuals	-	-	-	-	-	-	-	-	-
i) Individual Shareholders holding nominal share capital upto ₹1 lakh	76,219	-	76,219	0.11	5,91,411	-	5,91,411	0.76	0.65
ii) Individual Shareholders holding nominal share capital in excess of ₹1 lakh	40,08,748	-	40,08,748	5.73	63,94,370	-	63,94,370	8.19	2.46
c) Others (specify)	-	-	-	-		-	-	-	-
Trusts					726		726	0.00	0.00
Hindu Undivided Family					15,490		15,490	0.02	0.02
Non Resident Indians (Non Repatriable)					3,590		3,590	0.00	0.00
Non Resident Indians (Repatriable)					8,359		8,359	0.01	0.01
Clearing Member					41,647		41,647	0.05	0.05
Sub-total (B)(2):-	**40,84,967**	**-**	**40,84,967**	**5.84**	**77,04,018**		**77,04,018**	**9.86**	**4.02**

Category of Shareholders	No. of Shares held at the beginning of the year [As on 01-April-2018]				No. of Shares held at the end of the year [As on 31-March-2019]				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
TOTAL PUBLIC SHAREHOLDING (B) = (B) (1) + (B)(2)	1,00,44,968	100	1,00,45,068	14.36	3,25,75,071	-	3,25,75,071	41.71	27.35
C. Shares held by Custodian for GDRs & ADRs	-	-	-	-	-	-	-	-	-
Grand Total (A+B+C)	6,99,50,791	100	6,99,50,891	100	7,81,07,901	-	7,81,07,901	100	0.00

*During the financial year ended March 31, 2019, Kedaara Capital Alternative Investment Fund - Kedaara Capital AIF 1 has been classified in the category of public Shareholder from category of Promoters.

**In the Prospectus of the Company dated October 01, 2018 filed by the Company with Registrar of Companies, Rajasthan at Jaipur, the Company has named Lake District Holdings Limited and Partners Group ESCL Limited as its Promoters.

(ii) Shareholding of Promoters and Promoter Group

S. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the Year
		No. of Shares	% of total Shares of the Company	% of Shares Pledged/ encumbered to total shares	No. of Shares	% of total Shares of the Company	% of Shares Pledged/ encumbered to total shares	
	Promoters*							
1	Lake District Holdings Limited**	3,52,61,756	50.41	-	2,68,01,527	34.31	-	(16.10)
2	Partners Group ESCL Limited**	1,71,27,627	24.49	-	1,30,18,256	16.67	-	(7.82)
	Promoter Group							
3	Partners Group Private Equity (Master Fund), LLC	75,16,440	10.75	-	57,13,047	7.31	-	(3.43)
	Total	**5,99,05,823**	**85.64**	**-**	**4,55,32,830**	**58.29**	**-**	**(27.35)**

*During the financial year ended March 31, 2019, Kedaara Capital Alternative Investment Fund - Kedaara Capital AIF 1 has been classified in the category of public Shareholder from category of Promoters.
**In the Prospectus of the Company dated October 01, 2018 filed by the Company with Registrar of Companies, Rajasthan at Jaipur, the Company has named Lake District Holdings Limited and Partners Group ESCL Limited as its Promoters.

(iii) Change in Promoters* Shareholding

S. No.	Particulars	Date	Reason	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
				No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
1	**Lake District Holdings Limited****						
	At the beginning of the year	-	-	3,52,61,756	50.41	3,52,61,756	50.41
	Changes During the Year:	04-10-2018***	Sale of shares by way of Initial Public Offering (IPO) through Offer for Sale	(84,60,229)	(16.10)	2,68,01,527	34.31
	At the End of the year	**-**	**-**	**2,68,01,527**	**34.31**	**2,68,01,527**	**34.31**

S. No.	Particulars	Date	Reason	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
				No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
2	**Partners Group ESCL Limited****						
	At the beginning of the year	-	-	1,71,27,627	24.49	1,71,27,627	24.49
	Changes During the Year:	04-10-2018***	Sale of shares by way of Initial Public Offering (IPO) through Offer for Sale	(41,09,371)	(7.82)	1,30,18,256	16.67
	At the End of the year			**1,30,18,256**	**16.67**	**1,30,18,256**	**16.67**

*During the financial year ended March 31, 2019, Kedaara Capital Alternative Investment Fund - Kedaara Capital AIF 1 has been classified in the category of public Shareholder from category of Promoters.

**In the Prospectus of the Company dated October 01, 2018 filed by the Company with Registrar of Companies, Rajasthan at Jaipur, the Company has named Lake District Holdings Limited and Partners Group ESCL Limited as its Promoters.

*** Date of allotment of shares to the Public by way of Initial Public Offerings ('IPO') through Offer for Sale by Promoters.

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

S. No.	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares held	% of total shares of the Company	No of Shares	% of total shares of the Company
1	**Au Small Finance Bank Limited**				
	At the Beginning of the Year	50,14,746	7.17	50,14,746	7.17
	Bought during the year	6,36,163	0.07	56,50,909	7.23
	Sold during the year	-	-	-	-
	At the end of the Year	**56,50,909**	**7.23**	**56,50,909**	**7.23**
2	**SBI Mutual Fund under its various scheme**				
	At the Beginning of the Year	-	-	-	-
	Bought during the year	58,95,898	7.55	58,95,898	7.55
	Sold during the year	(5,29,407)	(0.68)	53,66,491	6.87
	At the end of the Year	**53,66,491**	**6.87**	**53,66,491**	**6.87**
3	**DSP Mutual Fund under its various scheme**				
	At the Beginning of the Year	-	-		
	Bought during the year	16,71,320	2.14	16,71,320	2.14
	Sold during the year	(40,610)	(0.05)	16,30,710	2.09
	At the end of the Year	**16,30,710**	**2.09**	**16,30,710**	**2.09**
4	**Buena Vista Asian Opportunities Master Fund Ltd**				
	At the Beginning of the Year	-	-	-	-
	Bought during the year	15,13,310	1.94	15,13,310	1.94
	Sold during the year	-	-	-	-
	At the end of the Year	**15,13,310**	**1.94**	**15,13,310**	**1.94**
5	**Mr. Ghanshyam Rawat**				
	At the Beginning of the Year	5,49,378	0.79	-	-
	Bought during the year	6,34,349	0.73	11,83,727	1.52
	Sold during the year	(1,00,000)	(0.13)	10,83,727	1.39
	At the end of the Year	**10,83,727**	**1.39**	**10,83,727**	**1.39**

S. No.	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares held	% of total shares of the Company	No of Shares	% of total shares of the Company
6	**Amundi Funds SBI FM Equity India**	**-**	**-**		
	At the Beginning of the Year	-	-	-	-
	Bought during the year	12,85,236	1.65	12,85,236	1.65
	Sold during the year	(4,49,236)	(0.58)	8,36,000	1.07
	At the end of the Year	**8,36,000**	**1.07**	**8,36,000**	**1.07**
7	**The Nomura Trust and Banking Co., Ltd As The Trustee of Nomura India Stock Mother Fund**				
	At the Beginning of the Year	-	-	-	-
	Bought during the year	8,17,115	1.05	8,17,115	1.05
	Sold during the year	-	-	-	-
	At the end of the Year	**8,17,115**	**1.05**	**8,17,115**	**1.05**
8	**HSBC Global Investment Funds - Indian Equity**				
	At the Beginning of the Year	-	-	-	-
	Bought during the year	8,84,780	1.13	8,84,780	1.13
	Sold during the year	(87,479)	(0.11)	7,97,301	1.02
	At the end of the Year	**7,97,301**	**1.02**	**7,97,301**	**1.02**
9	**Kotak Funds - India Midcap Fund**				
	At the Beginning of the Year	-	-	-	-
	Bought during the year	8,51,669	1.09	8,51,669	1.09
	Sold during the year	(80,333)	(0.10)	7,71,336	0.99
	At the end of the Year	**7,71,336**	**0.99**	**7,71,336**	**0.99**
10	**Kedaara Capital Alternative Investment Fund - Kedaara Capital AIF 1**				
	At the Beginning of the Year	9,45,355	1.35	9,45,355	1.35
	Bought during the year	-	-	-	-
	Sold during the year	(2,26,816)	(0.43)	7,18,539	0.92
	At the end of the Year	**7,18,539**	**0.92**	**7,18,539**	**0.92**

Notes:

(i) All the shares of the Company are held in dematerialized form and are traded on a daily basis at NSE and BSE and hence, the date wise increase/decrease in shareholding is not indicated.

(ii) The list of top ten Shareholders is derived on the basis of PAN consolidation.

(iii) The above list comprises top 10 Shareholders as on March 31, 2019

(V) Shareholding of Directors and Key Managerial Personnel:

S. No.	For Each of the Directors and KMP	Date	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of shares held	% of total shares of the Company	No of Shares	% of total shares of the Company
1	**Mr. Krishan Kant Rathi (Chairperson and Independent Director)**					
	At the Beginning of the Year	-	35,218	0.05	35,218	0.05
	At the end of the Year	**-**	**35,218**	**0.05**	**35,218**	**0.05**
2	**Mr. Sushil Kumar Agarwal (Managing Director & CEO)**					
	At the Beginning of the Year	-	22,25,186	3.18	22,25,186	3.18
	Conversion of convertible share warrants	08-06-2018	5,29,725	0.35	27,54,911	3.53
	Shares allotted through ESOP Exercise	27-08-2018	13,48,282	1.73	41,03,193	5.25
	Sale of shares by way of Initial Public Offering (IPO) through Offer for Sale	04-10-2018	(8,74,834)	(1.12)	32,28,359	4.13
	At the end of the Year	**-**	**32,28,359**	**4.13**	**32,28,359**	**4.13**
3	**Mr. Sandeep Tandon (Independent Director)**					
	At the Beginning of the Year	-	-	-	-	-
	At the end of the Year	**-**	**-**	**-**	**-**	**-**
4	**Mrs. Kalpana Iyer (Independent Director)**					
	At the Beginning of the Year	-	17,608	0.03	17,608	0.03
	At the end of the Year	**-**	**17,608**	**0.02**	**17,608**	**0.02**
5	**Mr. Ramachandra Kasargod Kamath (Nominee Director)**					
	At the Beginning of the Year	-	35,035	0.05	35,035	0.05
	Shares allotted through ESOP Exercise	21-08-2018	74,905	0.09	1,09,940	0.14
	At the end of the Year	**-**	**1,09,940**	**0.14**	**1,09,940**	**0.14**
6	**Mr. Vivek Vig (Nominee Director)**					
	At the Beginning of the Year	-	3,54,113	0.51	3,54,113	0.51
	Shares allotted through ESOP Exercise	21-08-2018	3,74,523	0.43	7,28,636	0.93
	Sale of shares by way of Initial Public Offering (IPO) through Offer for Sale	04-10-2018	(1,19,963)	(0.15)	6,08,673	0.78
	At the end of the Year	**-**	**6,08,673**	**0.78**	**6,08,673**	**0.78**
7	**Mr. Nishant Sharma (Nominee Director)**					
	At the Beginning of the Year	-	-	-	-	-
	At the end of the Year	**-**	**-**	**-**	**-**	**-**
8	**Mr. Manas Tandon (Nominee Director)**					
	At the Beginning of the Year	-	-	-	-	-
	At the end of the Year	**-**	**-**	**-**	**-**	**-**
9	**Mr. Kartikeya Dhruv Kaji (Nominee Director)**					
	At the Beginning of the Year	-	-	-	-	-
	At the end of the Year	**-**	**-**	**-**	**-**	**-**

S. No.	For Each of the Directors and KMP	Date	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of shares held	% of total shares of the Company	No of Shares	% of total shares of the Company
10	**Mr. Ghanshyam Rawat (Chief Financial Officer)**					
	At the Beginning of the Year	-	5,49,378	0.79	5,49,378	0.79
	Conversion of convertible share warrants	08-06-2018	1,52,820	0.11	7,02,198	0.90
	Shares allotted through ESOP Exercise	27-08-2018	4,81,529	0.62	11,83,727	1.52
	Sale of shares	21-12-2018	(1,00,000)	(0.13)	10,83,727	1.39
	At the end of the Year	**-**	**10,83,727**	**1.39**	**10,83,727**	**1.39**
11	**Mr. Sharad Pathak (Company Secretary and Compliance Officer)**					
	At the Beginning of the Year	-	11,341	0.02	11,341	0.02
	Shares allotted through ESOP Exercise	21-08-2018	4,000	0.00	15,341	0.02
	Allotment in Initial Public Offer	04-10-2018	108	0.00	15,449	0.02
	Sale of shares	29-10-2018	(2,553)	0.00	12,896	0.02
	Sale of shares	30-10-2018	(1,389)	0.00	11,507	0.01
	At the end of the Year	**-**	**11,507**	**0.01**	**11,507**	**0.01**

Notes:

The % change in shareholding despite nil changes during the year is on account of increase in the share capital upon allotment of equity shares by way of fresh issue in the Initial Public Offer ("IPO") of the Company and allotment of Equity Shares to employees who have exercised their Stock options during the year.

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment. (₹ in crore)

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	2638.08	99.48	-	2737.56
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	14.82	2.67	-	17.49
Total (i+ii+iii)	2652.90	102.15	-	2755.05
Change in Indebtedness during the financial year				
* Addition	1265.33	200.00	-	1465.33
* Reduction	(555.38)	(0.94)	-	(556.32)
Net Change	709.95	199.06	-	909.01
Indebtedness at the end of the financial year				
i) Principal Amount	3355.27	297.98	-	3653.25
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	7.58	3.23	-	10.81
Total (i+ii+iii)	3362.85	301.21	-	3664.06

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

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

S. No.	Particulars of Remuneration	Name of MD/WTD/ Manager	Total Amount (₹ in lakh)
	Name	Mr. Sushil Kumar Agarwal	
	Designation	Managing Director and CEO**	
1	Gross salary		
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	219.88	219.88
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961*	-	-
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	-	-
2	Stock Option*	-	-
3	Sweat Equity	-	-
4	Commission	-	-
	- as % of profit	-	-
	- others, specify	-	-
5	Others, please specify	-	-
	Total (A)	**219.88**	**219.88**
	Ceiling as per the Act	In terms of the provisions of the Companies Act, 2013, ("Act') The remuneration payable to any one Managing Director or Whole time Director or Manager shall not exceed 5% of the Net Profits of the Company and if there are more than one such Director remuneration shall not exceed 10% of the net profits to all such Directors and manager taken together. The remuneration paid to Mr. Sushil Kumar Agarwal –Managing Director was well within the limits prescribed under the Section 198 of Act.	

*Excludes perquisites value of ₹2,902.18 lakh towards the stock options exercised during the year.

** Subject to the approval of Shareholders of the Company, Board of Directors of the Company at their meeting held on May 03, 2019 has approved the change in designation of Mr. Sushil Kumar Agarwal to Managing Director and Chief Executive Officer ("MD and CEO") of the Company from Whole Time Director and Chief Executive Officer ("WTD and CEO"), with effect from May 03, 2019 till the expiry of his current term i.e. upto January 09, 2024.

B. Remuneration to other Directors:

S. No.	Particulars of Remuneration	Name of Directors					Total Amount (₹ in lakh)
1	Independent Directors	Mrs. Kalpana Iyer	Mr. Krishan Kant Rathi	Mr.Sandeep Tandon	-		-
	Fee for attending Board & Committee meetings	7.25	7.25	6.00	-		20.50
	Commission	-	-	-	-		-
	Others, please specify	-	-	-	-		-
	Total (1)	**7.25**	**7.25**	**6.00**	**-**		**20.50**
2	Other Non-Executive Directors	Mr.Vivek Vig	Mr. Ramachandra Kasargod Kamath	Mr. Nishant Sharma	Mr.Manas Tandon	Mr.Kartikeya Dhruv Kaji	-
	Fee for attending Board & Committee Meetings	2.00	3.50	-	-	-	5.50
	Commission	-	16.00	-	-	-	16.00

S. No.	Particulars of Remuneration	Name of Directors					Total Amount (₹ in lakh)
	Others, please specify	-	-	-	-	-	-
	Total (2)	**2.00**	**19.50**	**-**	**-**	**-**	**21.50**
	Total (B)=(1+2)						
	Total Managerial Remuneration						**42.00**
	Overall Ceiling as per the Act	In terms of the provisions of the Companies Act, 2013, "Act" the remuneration payable to Directors (other than Executive Directors) shall not exceed 1% of the net profit of the Company, as calculated as per the Act. The remuneration paid to the Directors as listed above were well within the limits prescribed under the Act and approval accorded by the Members of the Company.					

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

S. No.	Particulars of Remuneration	Name of Key Managerial Personnel		Total Amount (₹ in lakh)
	Name	Mr. Ghanshyam Rawat	Mr. Sharad Pathak	
	Designation	CFO	CS	
1	Gross salary			
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	166.66	15.21	181.87
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961*	**-**	**-**	**-**
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	-	-	-
2	Stock Option	-	-	-
3	Sweat Equity	-	-	-
4	Commission	-	-	-
	- as % of profit	-	-	-
	- others, specify	-	-	-
5	Others, please specify	-	-	-
	Total	**166.66**	**15.21**	**181.87**

*excludes perquisite value of ₹1,036.49 lakh in case of Mr. Ghanshyam Rawat and ₹8.61 lakh in case of Mr. Sharad Pathak towards the stock options exercised during the year.

VII. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES

During the year under review, the Company, its Directors or any of its Officers were not liable for any penalty, punishment or any compounding of offences under the Act.

For and on behalf of the Board of Directors

AAVAS FINANCIERS LIMITED

Sushil Kumar Agarwal
Managing Director & CEO
DIN: (03154532)

Manas Tandon
Nominee Director
(DIN: 05254602)

Date: May 03, 2019
Place: Jaipur

Annexure - 10 Form No. AOC.2

FORM NO. AOC.2

(Pursuant to clause (h) of sub-section (3) of section 134 of the Companies Act, 2013
and Rule 8(2) of the Companies (Accounts) Rules, 2014)

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

1. Details of contracts or arrangements or transactions not at arm's length basis: Nil
   (a) Name(s) of the related party and nature of relationship: N.A
   (b) Nature of contracts/arrangements/transactions: N.A
   (c) Duration of the contracts/arrangements/transactions: N.A
   (d) Salient terms of the contracts or arrangements or transactions including the value, if any: N.A
   (e) Justification for entering into such contracts or arrangements or transactions: N.A
   (f) Date(s) of approval by the Board: N.A
   (g) Amount paid as advances, if any: N.A
   (h) Date on which the special resolution was passed in general meeting as required under first proviso to section 188: N.A
2. Details of material contracts or arrangement or transactions at arm's length basis
   (a) Name(s) of the related party and nature of relationship: **Aavas Finserv Limited, Wholly Owned Subsidiary**
   (b) Nature of contracts/arrangements/transactions: **Infrastructure Sharing Agreement**
   (c) Duration of the contracts/arrangements/transactions: **One year**
   (d) Salient terms of the contracts or arrangements or transactions including the value, if any:

Material terms of Agreement-

1. The term of this Agreement shall be one (1) year commencing from April 01, 2018 unless terminated by other provisions of this Agreement.
2. That after the expiry of Term of this Agreement, the Parties may, by mutual consent, extend the term of this Agreement on such terms & conditions as may be agreed upon by the Parties.
3. The office space of the Holding Company shall be used amongst the Subsidiary Company and the Holding Company in a combined/joint manner for the purpose of the carrying on respective business activities by each party.
4. That while carrying out its business activities at the Office Space the subsidiary Company can use the office facilities including furniture's, fixtures, air conditioner, computers, telephone, fax, office equipment etc. ("Facilities") along with the Holding Company.
5. Both the Holding and Subsidiary Company shall carry out their own individual finance activities during the term hereof and shall also carry out all the compliance activities as required to be done as per the applicable law/ statue.

SHARING OF EXPENSES & METHOD OF PAYMENT

6. The Holding Company will recover the actual cost incurred and the cost recovered is on arm's length price and are similar to the cost recover from other parties for the same services if any.

   Methodology for sharing of Infrastructure cost between both the companies is given as under.

   i Sharing of cost at Branches: All branch related cost of any particular branch which is shared by the holding Company with its subsidiary or vice versa shall be shared based on the No. of Employees of each Company operating from the particular Branch.

   ii Sharing of other Infrastructure Cost: Other Infrastructure cost incurred by either Company on behalf of the other shall be debited to the other Company at actuals subject to Goods and Service Tax wherever applicable.

   iii Re-imbursement of Statutory Payment: Any Statutory payment made by either company on behalf of the other company shall be reimbursed as per actuals.

7. Subject to its obligation to share expenses as defined above, each party of this Agreement shall own the accounts receivable generated by it and shall be entitled to all related collections. Each party shall be responsible for billing and collecting its own accounts receivable.
8. That both the parties shall endeavor to identify and incur their own specified capital and revenue expenditure to the extent possible. All the types of specific expenditure shall be incurred, paid and borne by respective parties.
   (a) Date of approval by the Board: **October 26, 2018**
   (b) Amount paid as advances, if any: **Nil**

For and on behalf of the Board of Directors

AAVAS FINANCIERS LIMITED

Sushil Kumar Agarwal
Managing Director & CEO
(DIN: 03154532)

Manas Tandon
Nominee Director
(DIN: 05254602)

Date: May 03, 2019
Place: Jaipur

Annexure-11- Policy on Materiality of Related Party Transactions and on dealing with Related Party Transactions

1. Objective of Policy

The Board of Directors (''the board'') of Aavas Financiers Limited (hereinafter referred to 'the Company' or 'AFL'), in pursuance of Regulation 23 of SEBI LODR Regulations and other applicable provisions, has adopted Related Party Transaction Policy (''this policy'') to regulate the transactions between the Company and its Related Parties. The Board of Directors (the "Board") further recognizes that transaction with related party(s) could raise conflicts of interest and therefore has adopted this Related Party Transaction Policy (this "Policy") to be followed in connection with all related party transactions involving the Company. All Transactions with Related Party shall be subject to review and approval in accordance with the procedures set forth below, inter-alia, the provisions of applicable laws.

2. Definitions

Unless the term(s) otherwise defined, the following terms shall have the following meaning assigned to them wherever appearing in the policy:

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

ii) **"Arm's length transaction"** (Section 188(1)(b) of the Act) Mean transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

iii) **"Audit Committee"** means the committee of Board of Directors of the Company constituted in accordance with the provisions of the Act and Rules made thereunder and SEBI LODR Regulations.

iv) **"Control"**

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

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

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

v) **"Key Managerial Personnel"** or ("KMP") shall have the meaning as defined in the Act.

vi) **Omnibus approval**

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

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

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

(c) the omnibus approval shall specify:

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

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

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

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

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

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

vii) **"Related Party"**

In relation to the Company, means a related party as defined under sub-section (76) of section 2 of the Act or under the applicable accounting standards:

"Provided that any person or entity belonging to the promoter or promoter group of the Company and holding 20% or more of shareholding in the Company shall be deemed to be a related party"

viii) "Related Party Transaction" (hereinafter referred as "RPTs")

As per SEBI LODR Regulations, "related party transaction" means a transfer of resources, services or obligations between a listed entity and a related party, regardless of whether a price is charged and a "transaction" with a related party shall be construed to include a single transaction or a group of transactions in a contract.

As per section 188(1) of the Act related party transaction will include following specific transactions:

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

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

iii) leasing of property of any kind;

iv) availing or rendering of any services;

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

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

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

ix) Relative

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

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

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

xi) "Undertaking" shall mean an undertaking in which the investment of the Company exceeds twenty per cent. of its net worth as per the audited balance sheet of the preceding financial year or an undertaking which generates twenty per cent. of the total income of the Company during the previous financial year

1. Procedures

1.1 Audit Committee

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

- The name of the Related Party and nature of relationship;
- The nature, duration and particulars of the contract or arrangement;
- The material terms of the contract or arrangement including the value, if any;
- Any advance paid or received for the contract or arrangement, if any;
- The manner of determining the pricing and other commercial terms, both included as part of the contract and not considered as part of the contract;
- Whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors; and
- Any other information relevant or important for the Audit Committee to take a decision on the proposed transaction.

1.1.2 All transactions with related party shall require approval of the Audit Committee irrespective of ordinary course of business or arm length basis.

1.1.3 The Related Party Transactions which are not in the ordinary course of business and/or not at arm's length will be reviewed by the Audit Committee and then recommended to the Board of Directors for its approval or recommending to the Shareholders' of company for their approval.

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

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

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

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

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

1.1.9 Audit Committee shall review, at least on a quarterly basis, the details of RPTs entered into by the Company pursuant to each of the omnibus approval given.

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

1.2 Board of Directors

1.2.1 Approval of the Board shall not be required for the RPTs to be entered into in ordinary course of business and at arm's length basis.

1.2.2 All related parties with whom the Company intends to enter into transaction as recommended by Audit Committee and which are other than in ordinary course of business or arm length basis, will require prior approval of the Board of Directors.

1.2.3 The Board of Directors shall review and recommend all transactions in terms of section 188(1) requiring Shareholders' prior approval.

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

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

1.2.6 Following minimum information would be placed before the Board for enabling the Board to consider and approve the Related Party Transaction:

- The Name of the Related Party and nature of relationship;
- The nature, duration and particulars of the contract or arrangement;
- The material terms of the contract or arrangement including the value, if any;

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

- The manner of determining the pricing and other commercial terms, both included as part of the contract and not considered as part of the contract;
- Whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors; and
- Any other information relevant or important for the Audit Committee to take a decision on the proposed transaction.

4. Overall Threshold Limit

4.1.1 Overall threshold limit for related party transaction is ₹10 crore for a financial year.

4.1.2 Any transaction with related party over and above of this threshold limit shall require the prior approval of Board.

5. Approval of Shareholders

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

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

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

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

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

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

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

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

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

5.3. All material related party transactions will require Shareholders' approval and no related party shall vote to approve such resolution in terms of applicable laws as on date of such approval.

5.4. The explanatory statement to be annexed to the notice of general meeting in this regards shall contain following particulars, inter-alia:

i. name of the related party;

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

iii. nature of relationship;

iv. nature, material terms, monetary value and particulars of the contract or arrangement;

v. any other information relevant or important for the members to take a decision on the proposed resolution.

6. Disclosure

Each Director who is, directly or indirectly, concerned or interested in any way in any transaction with the Related Party shall disclose all material information and the nature of his interest in the transaction to the Committee or Board of Directors.

7. Review of Policy

The Board may periodically review this Policy and may recommend amendments to this Policy as it deems appropriate.

8. Administrative Measures

Audit Committee / Board shall institute appropriate administrative measures to provide that all Related Party Transactions are not in violation of, and are reviewed in accordance with, these Policies and Procedures.

The Audit Committee / Board as applicable, shall evaluate such transaction and may decide such action as it may consider appropriate including ratification, revision or termination of the Related Party Transaction.

In connection with such evaluation and review of the Related Party Transaction, the Audit Committee / Board as applicable, shall have the authority to modify or waive any procedural requirements of this Policy.

9. Interpretation

In any circumstance where the terms of these Policies and Procedures differ from any existing or newly enacted law, rule, regulation or standard governing the Company, the law, rule, regulation or standard will take precedence over these policies and procedures until such time as these Policies and Procedures are changed to confirm to the law, rule, regulation or standard.

10. Dissemination of Information

AFL shall upload this Policy on its website i.e www.aavas.in. AFL shall also make relevant disclosures in its Annual Report and maintain such registers as required under the provisions of the Act, Rules made thereunder.

11. Implementation

The policy will be implemented by the management of the Company from the date it is approved by the Board. All Related Party Transaction entered prior to the date of approval of this Policy and Procedures shall be subject to review by the Audit Committee.

12. Exclusion of Policy

This policy shall not be applicable to following related party transactions:

a. Transactions entered into with Related Parties in ordinary course of business and on arm's length basis;

b. Transactions entered into between Holding Company and Wholly Owned Subsidiary Company whose accounts are consolidated with such holding Company and placed before the Shareholders at the general meeting for approval.

BUSINESS RESPONSIBILITY REPORT 2018-19

Preface

As mandated by SEBI, India's top-500 listed entities based on market capitalisation on the BSE and NSE are required to submit a Business Responsibility Report ('BRR') along with their Annual Report. Aavas Financiers Limited has been listed on the BSE Limited ('BSE') and the National Stock Exchange of India Limited ('NSE') since October 08, 2018. The Company is well aware of its business responsibility and would like to communicate the same to the public at large. However, this is the first year that the Company has prepared a Business Responsibility Report, the Company commits that the performance on the BR indicators and principles would be evaluated annually by the Board of Directors. The Business Responsibility Report of the Company is published on an annual basis effective from FY 2018-19, in accordance with SEBI requirements and would be placed on Company's website: www.aavas.in

SECTION A: GENERAL INFORMATION ABOUT THE COMPANY

1. **Corporate Identity Number (CIN) of the Company:** L65922RJ2011PLC034297
2. **Name of the Company:** Aavas Financiers Limited ("Aavas")
3. **Registered and Corporate office:** 201-202, 2nd Floor, South End Square, Mansarovar Industrial Area, Jaipur - 302 020, Rajasthan, India
4. **Website :** www.aavas.in
5. **E-mail ID:** investorrelations@aavas.in
6. **Financial year reported:** 2018-19
7. **Sector(s) that the Company is engaged in (industrial activity code-wise):**

NIC code	Description
64910	Housing Finance Activities

8. **List three key services that the Company provides (as in balance sheet):** The principal business activity of the Company is providing Housing finance for the purchase or construction of residential properties, and for the extension and repair of existing housing units.
9. **Total number of locations where business activity is undertaken by the Company:**
   (a) **Number of International Locations (Provide details of major five):** Nil
   (b) **Number of National Locations:** The Company is operating its business in India in 10 states through 210 branches as on March 31, 2019
10. **Markets served by the Company - local/state/ national/international:** The Company has presence in 10 states of India.

SECTION B: FINANCIAL DETAILS OF THE COMPANY

1. **Paid-up Capital:** ₹78,10,79,010
2. **Total Income:** ₹710.97 crore
3. **Total Comprehensive Income:** ₹176.14 crore
4. **Total Spending on Corporate Social Responsibility (CSR):** Refer to the Annual Report on CSR Activities annexed to the Directors' Report.
5. **List of the activities in which expenditure in 4 above has been incurred:** Refer to the Annual Report on CSR Activities annexed to the Directors' Report

SECTION C: OTHER DETAILS

1. **Does the Company have any subsidiary Company/ Companies?**

   Yes, the Company had one subsidiary as on March 31, 2019, namely, Aavas Finserv Limited.
2. **Do the subsidiary Company/Companies participate in the Business Responsibility (BR) initiatives of the parent company?**

   Aavas Finserv Limited has not started business operations yet, and hence, is not a part of the BR initiatives undertaken by the Company.
3. **Do any other entity/entities (e.g. suppliers, distributors, etc.) that the Company does business with, participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/entities? [Less than 30%, 30-60%, More than 60%**]

   No other entities participate in the BR initiatives of the Company.

SECTION D: BR INFORMATION

1. Details of Director/Directors responsible for BR

S. No.	Particulars	Details
1 (a) Details of Director/Directors responsible for BR		DIN: 03154532 **Mr. Sushil Kumar Agarwal** *Managing Director and CEO* Email ID : ceo@aavas.in Telephone number : 0141-6618839
1	Director Identification Number (DIN)	
2	Name	
3	Designation	
1 (b) Details of the BR head		
1	DIN (if applicable)	
2	Name	
3	Designation	
4	Telephone number	
5	E-mail ID	

2. Principle-wise (as per NVGs) BR policy/policies

a) Details of compliance (reply in Y/N)

S. No.	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
1.	Do you have a policy/policies for all the principles	Y	Y	Y	Y	Y	Y	Y	Y	Y
2.	Has the policy being formulated in consultation with the relevant Stakeholders?	Y	Y	Y	Y	Y	Y	Y	Y	Y
3.	Does the policy conform to any national/international standards?	Y*	Y*	Y*	Y*	Y*	Y*	Y*	Y*	Y*
4.	Has the policy being approved by the Board? If yes, has it been signed by MD/owner/CEO/ appropriate Board Director?	Y	Y	Y	Y	Y	Y	Y	Y	Y
5.	Does the Company have a specified Committee of the Board/Director/Official to oversee the implementation of the policy?	Y	Y	Y	Y	Y	Y	Y	Y	Y
6.	Indicate the link for the policy to be viewed online?	All the policies are available to the employees of the Company. Most of the policies are also available on the Company's website: www.aavas.in								
7.	Has the Policy been formally communicated to all relevant internal and external Stakeholders?	Y	Y	Y	Y	Y	Y	Y	Y	Y
8.	Does the Company have in-house structure to implement the policy/policies?	Y	Y	Y	Y	Y	Y	Y	Y	Y
9.	Does the Company have a Grievance Redressal Mechanism related to the Policy/Policies to address Stakeholders' grievances related to the policy/policies?	Y	Y	Y	Y	Y	Y	Y	Y	Y
10.	Has the Company carried out Independent Audit/ evaluation of the working of this Policy by an Internal or external agency?	Y	Y	Y	Y	Y	Y	Y	Y	Y

*National standards

b) If answer to the question at serial number 1 against any principle, is 'No', please explain why: **Not applicable**

3. **Governance related to BR**
   a) **Indicate the frequency with which the Board of Directors, Committee of the Board or CEO to assess the BR performance of the Company. Within 3 months, 3-6 months, Annually, More than 1 year.**

      The BR performance of the Company is assessed on an annual basis.

   b) **Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published?**

      Since the equity shares of the Company got listed on the stock exchanges during the financial year under review, the Company has started publishing BR report from FY 2018-19 onwards. The same is available on the website of the Company at URL https://www.aavas.in/investor-relations/annual-reports.

SECTION E: PRINCIPLE-WISE PERFORMANCE

PRINCIPLE 1: BUSINESSES SHOULD CONDUCT AND GOVERN THEMSELVES WITH ETHICS, TRANSPARENCY AND ACCOUNTABILITY

1. **Does the policy relating to ethics, bribery and corruption cover only the Company? Yes/ No. Does it extend to the group/joint ventures/ suppliers/contractors/NGOs/others?**

   The Company considers Corporate Governance as an integral part of its business conduct and is committed to uphold the best practices in the area of Corporate Governance, in letter and spirit. The Company believes that good corporate governance is more than just complying with legal and regulatory requirements. The Company has inter alia adopted the following policies to ensure its business conduct in an ethical, transparent and accountable manner:

   i. Customer Grievance Policy
   ii. Fair Practice Code
   iii. Code of Conduct for the Board of Directors and the Senior Management Personnel
   iv. Code of Conduct for Employees
   v. Fit and Proper Criteria for Directors
   vi. Prevention of Insider Trading Policy
   vii. Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information
   viii. Vishakha Policy against Sexual Harassment as required under Sexual Harassment of Women at Workplace (Prevention, Prohibition And Redressal) Act, 2013
   ix. Vigil Mechanism/Whistleblower Policy
   x. Policy on Recording of Investor Communications
   xi. Policy on 'Know Your Customer' and 'Anti-Money Laundering Measures'
   xii. Dividend Distribution Policy

   The Code of Conduct is communicated to all the employees and every new joinee is provided training on the Code of Conduct of the Company. The Company has put in place a Whistle Blower Policy for the Directors and Employees to report genuine concerns or grievances about unethical behaviour, actual or suspected frauds/violations of the Company's Code of Conduct or insider trading related matters, if any.

   The Code of Ethics and Business Policies are applicable to all personnel of the Company as well as consultants, representatives and agents dealing with it.

   There was no case of violation of the Company's Code of Conduct reported during the FY 2018-19. Further, no case was reported under the Policy on Sexual Harassment during the financial year under review.

2. **How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management?**

   No stakeholder complaints were received in the financial year under review except the following:

S. No.	Particulars	Complaints received	Complaints resolved	Pending	Complaint Resolution (%)
1.	Customer complaints	158	156	2*	99
2.	Shareholder complaints	5	5	Nil	100
3.	Complaints received under Whistler Blower Policy / Vigil mechanism	1	1	Nil	100
4.	Complaints relating to sexual harassment	Nil	Nil	Nil	N/A
5.	Complaints relating to Discriminatory employment	Nil	Nil	Nil	N/A
6.	Complaints relating to Child/forced/involuntary labour	Nil	Nil	Nil	N/A

* Complaints which were pending as at March 31, 2019 has since been resolved.

PRINCIPLE 2: TO PROVIDE SERVICES THAT ARE SAFE AND CONTRIBUTE TO SUSTAINABILITY THROUGHOUT THEIR LIFE CYCLE

1. **List up to three of your products or services whose design has incorporated social or environmental concerns, risks and/or opportunities**

   The principal business activity of the Company is providing housing finance to serve the Housing needs of the people in this country, in accordance with the guidelines provided by the National Housing bank (NHB) from time to time. Thus, the Company is not engaged in a business concerning design of products/ services that could raise social concerns, cause economic risks and/or lead to hazardous possibilities.

   Furthermore, the principal business operations of the Company are in sync with the Government of India's vision of 'Housing for All'. The Company focuses on the affordable housing sector, which predominantly comprises of customers belonging to the lower and middle income segments hailing from suburban and rural areas that have limited access to formal banking credit. The Company contributes to social and economic growth by participating "Pradhan Mantri Awas Yojana" of Government of India, which helps customers from the LIG/MIG segments to avail the benefits offered by the Credit Linked Subsidy Scheme (CLSS).

2. **For each such product, provide the following details in respect of resource use (energy, water, raw material etc.) per unit of product (optional):**

   Not Applicable.

3. **Does the Company have procedures in place for sustainable sourcing (including transportation)?**

   Not Applicable.

4. **Has the Company taken any steps to procure goods and services from local & small producers, including communities surrounding their place of work?**

   Not Applicable.

5. **Does the Company have a mechanism to recycle products and waste? If yes what is the percentage of recycling of products and waste (separately as <5%, 5-10%, >10%). Also, provide details thereof, in about 50 words or so.**

   Not Applicable.

PRINCIPLE 3: TO PROMOTE THE WELL-BEING OF ALL EMPLOYEES

Aavas Financiers Limited cares about its employees and their needs and strives to create a more inclusive workplace. The Company lays keen emphasis on nurturing talents by offering its employees a space to explore, learn and grow. The Company is committed to developing the career of its people by defining a growth path for them. The Company motivates its employees to perform passionately with a sense of ownership. Mr. Sushil Kumar Agarwal, Managing Director and CEO of the Company, emphasizes on the fact that employees should be encouraged to take up the activities that foster personal development as well as enhance their health, skill and knowledge.

The Company is committed to provide a work environment that is gender friendly, which ensures that every female employee is treated with dignity, respect and equality. There is zero tolerance towards sexual harassment and any act of sexual harassment invites serious disciplinary action. The Company initiates various employee-engagement initiatives throughout the year for ensuring the well-being of its employees.

i. **Work life Balance:** The Company believes that maintaining a holistic work-life balance is of utmost importance. This ensures that the employees are able to work tirelessly to achieve the desired targets. In a bid to offer its employees a balanced, fulfilling professional life, the Company has fixed a 7.00 pm deadline as office closing hours. The Company wants every employee to spend quality and blissful time with their loved ones for fulfilling a life, therefore Company urges employees to plan their holidays in advance which helps to strike a balance between professional and personal space by optimizing their leisure time without hampering the work.

ii. **Pure Life:** A healthy and motivated workforce is crucial when it comes to achieving the Company's business goals. Ensuring employee well-being is a key focus area for Aavas. The Company organizes various initiatives under its series "Pure Life" which includes regular medical check –ups of employees and their family members by in - house Doctor at Corporate Office, Weight loss Competitions, Annual sport event such as "Khelo Utsav", etc.

iii. **E-Connect :** In line to Company's efforts to smoothen HR Processes and bring all HR Activities related with the employee life cycle on one platform, the Company has implemented a HRMS platform called as "E-connect"

iv. **Human resource activities:** The Company believes that engaged and stimulated minds are the most productive. Consequently, the Company's HR team organizes various events like Women's Day celebrations, Team Outings/ get together, inter department competitions and sport events, among others, to foster all-round development.

v. **Employee Stock Options:** The Company has implemented Employee stock options plan with a view to promote the culture of employee ownership and to attract, retain and motivate employees as well as critical talent of the Company and to give them opportunity to participate and gain from the Company's performance, thereby, acting as a retention tool as well as to align the efforts of such talent towards long term value creation in the organization.

1. **Please indicate the total number of employees –**

   3190 employees as on March 31, 2019

2. **Please indicate the total number of employees hired on temporary/contractual/casual basis –**

   806 contractual employees as on March 31, 2019

3. **Please indicate the number of permanent women employees –**

   153 permanent woman employees as on March 31, 2019

4. **Please indicate the number of permanent employees with disabilities –**

   Nil

5. **Do you have an employee association that is recognised by management?**

   Nil

6. **What percentage of your permanent employees is a member of this recognised employee association?**

   Nil

7. **Please indicate the number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year and pending, as on the end of the financial year.**

Serial number	Category	Number of complaints filed during the financial year	Number of complaints resolved	Pending
1.	Child /forced/involuntary labour	Nil	Nil	Nil
2.	Sexual harassment	Nil	Nil	Nil
3.	Discriminatory employment	Nil	Nil	Nil

8. **What percentage of your under mentioned employees were given safety and skill upgradation training in the last year?**

   The training & learning approach at Aavas is designed to enhance the individual and organizational capabilities needed to execute business in an efficient manner. For new employees, Learning and Development (L&D) deploys induction program known as "Prarambh" to introduce and integrate the new joiners to Aavas culture and its style of working. Further Aavas conducted various training to ensure all its employees are up to date with the existing and new products of the Company. Aavas trained almost 1440 employees during the Financial Year ended March 31, 2019, which included a total of over 300 days of offline training. The L&D team also provides leadership development interventions to those who manage team with Company's Lead 1 program. Along with an online training program known as "FLIP" which has been started to ensure that employees can learn along with their work. This financial year Company has provided FLIP online learning to almost 250 employees. The Company has different Management Development Programs (MDP) with IIM's for management skill development. Continuous learning and development is always first priority at Aavas.

PRINCIPLE 4: BUSINESSES SHOULD RESPECT THE INTERESTS OF, AND BE RESPONSIVE TOWARDS ALL Stakeholders, ESPECIALLY THOSE WHO ARE DISADVANTAGED, VULNERABLE AND MARGINALISED.

The Company has always believed in aligning business practices with societal needs and expectations. The Company treats each and every stakeholder on the basis of the principles of fairness and justice, irrespective of their caste, creed, religion and gender. Identification of vulnerable Stakeholders and the impact the Company has on them is of crucial importance when it comes to developing long-term strategies that create value.

The Company commenced its operations in March 2012 with a focus on serving low and middle income, self-employed customers in the rural and semi-urban markets and have followed an approach of targeting geographies with low credit penetration.

The Company has developed strong relationships with its customers through in-person contact by addressing their financial needs in a timely and requisite manner. It believes that maintaining direct contact with its customers helps mitigate underwriting and default risks, and enables to provide personalized services resulting in a satisfied customer base, increased customer connect and loyalty. The personal contact with customers in rural and semi-urban markets also encourages repeat business and leads to referrals.

1. **Has the Company mapped its internal and external Stakeholders?**

   Yes, the Company has mapped its internal and external Stakeholders.

2. **Out of the above, has the Company identified the disadvantaged, vulnerable and marginalised Stakeholders?**

   Yes.

3. **Are there any special initiatives taken by the Company to engage with the disadvantaged, vulnerable and marginalised Stakeholders. If so, provide details thereof, in about 50 words or so.**

   A large segment of India's rural and semi-urban population is currently unserved or underserved by formal financial institutions comprising of customers without any credit history. As of March 31, 2019, 62.27% of Company's Gross Loan Assets were from customers belonging to the Economically Weaker Section (EWS) and the Low Income Group (LIG), earning less than ₹50,000 per month.

   The Company plans to continue to focus on low and middle income self-employed customers and increase its market share of the existing products in the rural and semi-urban markets of India.

PRINCIPLE 5: BUSINESSES SHOULD RESPECT AND PROMOTE HUMAN RIGHTS

The Company, on its own initiatives, is committed to comply with all human rights and follow it across all Stakeholders associated with the Company. The Company does not employ any forced labour and child labour and is committed to promoting the general equality among the employees.

Aavas Financiers recognises its responsibility as an upholder of human rights within its spheres of influence, which includes:

i. Employees
ii. Customers
iii. Shareholders
iv. Clients and business partners

1. **Does the policy of the Company on human rights cover only the Company or extend to the group/ joint ventures/suppliers/contractors/NGOs/others?**

   The policy of the Company is applicable to both the Company as well as the external Stakeholders.

2. **How many Stakeholders complaints have been received in the past financial year and what percent was satisfactorily resolved by the management?**

   The Company had not received any complaint pertaining to sexual harassment during the year under review. Apart from the said complaint, no other complaint was received pertaining to violation of human rights during the year.

   For details of all the Stakeholders Complaints, it is requested to refer the response on Principle 1.

PRINCIPLE 6: BUSINESS SHOULD RESPECT, PROTECT, AND MAKE EFFORTS TO RESTORE THE ENVIRONMENT

Business should utilise natural and man-made resources in an optimal and responsible manner and ensure environmental sustainability by proactively reducing and managing waste. In this regard, the Company has taken up a number of initiatives.

The operations of the Company, being financial services doesn't require intensive consumption of environmental resources. However, the Company is taking every necessary step for energy conservation and environment protection.

1. **Does the policy related to Principle 6 cover only the Company or extends to the group/joint ventures/ suppliers/contractors/NGOs/others.**

   The policy of the Company is applicable to both the Company as well as the external Stakeholders.

2. **Does the Company have strategies/ initiatives to address global environmental issues such as climate change, global warming, etc.? Y/N. If yes, please give hyperlink for webpage etc.**

   The Company is planning to address environmental issues through its CSR Initiatives. The CSR Policy of the Company can be accessed at https://www.aavas.in/csr-policy.

3. **Does the Company identify and assess potential environmental risks?**

   Yes, the Company assesses potential environmental risks.

4. **Does the Company have any project related to Clean Development Mechanism? If so, provide details thereof, in about 50 words or so. Also, if yes, whether any environmental compliance report is filed?**

   Not Applicable.

5. **Has the Company undertaken any other initiatives on – clean technology, energy efficiency, renewable energy, etc.? Y/N. If yes, please give hyperlink for web page etc.**

   The Company has taken various initiatives, including:

   i. Installing LED lights across all offices and branches
   ii. Switching off major systems at 7 pm to lower electricity consumption

iii. Procurement of Energy Saving Green IT Equipment
iv. Installing High-end Copier Machine in High Print volume in Branches to reduce the Carbon Footprint,
v. Disposal wastage IT assets in an environment friendly way
vi. Paperless Board and Committee Meetings

6. Are the emissions/waste generated by the Company within the permissible limits given by CPCB/SPCB for the financial year being reported?

Not Applicable.

7. Number of show cause/ legal notices received from CPCB/SPCB which is pending (i.e. not resolved to satisfaction) as on end of financial year.

The Company has not received any notice from CPCB / SPCB.

PRINCIPLE 7: BUSINESSES, WHEN ENGAGED IN INFLUENCING PUBLIC AND REGULATORY POLICY, SHOULD DO SO IN A RESPONSIBLE MANNER

The Company engages with industry bodies and associations to influence public and regulatory policies in a responsible manner and advocates best practices for the benefit of the society at large.

1. Is your Company a member of any trade and chamber or association? If yes, name only those major ones that your business deals with:

The Company is a member of the following associations:

a) The Associated Chambers of Commerce & Industry of India (ASSOCHAM)
b) PHD Chamber of Commerce and Industry (PHD Chamber)

2. Have you advocated/lobbied through above associations for the advancement or improvement of public good? Yes/No; if yes specify the broad areas (drop box: governance and administration, economic reforms, inclusive development policies, energy security, water, food security, sustainable business principles, among others)

No.

PRINCIPLE 8: BUSINESSES SHOULD SUPPORT INCLUSIVE GROWTH AND EQUITABLE DEVELOPMENT

In the contemporary dynamic corporate environment, a self-regulating business model helps a company to stay accountable to itself, its Stakeholders as well as public at large. The Company wants to contribute in sustainable and inclusive growth of their Stakeholders by building economic, social and environmental capital and same is reflected in the Corporate Social Responsibility (CSR) policy of the Company. The Company through its CSR initiatives shall continue to enhance value creation in the society and in the community in which it operates, through its services, conduct & initiatives, so as to promote sustainable growth for the society and community, in fulfillment of its role as a Socially Responsible Corporate, with environmental concern.

The Company wants to collaborate with communities and institutions to contribute to the national mission of eradicating poverty and hunger, especially in rural areas, through knowledge sharing, empowering women economically, gender equality, supplementing primary education and participating in rural capacity building programmes and such other initiatives. Equitable development refers to an approach for meeting the needs of the underserved sections of the society. All these philosophies are intrinsically associated with the mission of the Company: 'to empower and upgrade lives of low and middle income customers by providing them accessible home loans and setting pioneering benchmarks in unserved and underserved markets.' As a means to this end, the Company has undertaken several initiatives in the realm of CSR, including:

i. Women's Economic Empowerment;
ii. Skilling and Vocational Training;
iii. Health and Sanitation;
iv. Promotion of Sports;
v. Safe Drinking Water;
vi. Education;
vii. Environment Protection;
viii. Fauna Welfare

1. Does the Company have specified programmes/ initiatives/projects in pursuit of the policy related to Principle 8? If yes details thereof.

Yes, the Company's approach for taking forward such programmes/Initiatives/Projects are given in the CSR Policy (https://www.aavas.in/csr-policy). Projects implemented by the Company in FY 2018-19 and Project wise CSR expenditure is given in **"Annexure-8"** of the Directors' Report.

The Company also partners with Government of India to provide home loan for customers from the LIG/ MIG segments under Pradhan Mantri Awas Yojna for distributing Credit Link Subsidy Scheme (CLSS). Also, the Company has a policy to give priority in sanctioning those loans, where female member of the family acts as the Applicant/Co-Applicant for the loan. This helps in promoting the Economic and Social empowerment for women.

2. **Are the programmes/projects undertaken through in-house team/own foundation/ external NGO/government structures/any other organisation?**

   The Company is directly involved in implementing and executing its various CSR projects. Apart from that, Company also engages external NGO and Organisations for the areas in which it lacks expertise but projects are monitored and supervised by in-house teams only. The Company has also set up its own foundation, Aavas Foundation for implementing such programmes/projects.

3. **Have you done any impact assessment of your initiative?**

   Yes, at periodic intervals, CSR Committee and the Board of Directors are apprised with the progress and updates of the CSR initiatives undertaken as per the guidelines of Schedule VII of the Act.

4. **What is your Company's direct contribution to community development projects - Amount in INR and the details of the projects undertaken?**

   Refer **"Annexure-8"** of the Directors' Report where, community development projects are part of CSR Expenditure.

5. **Have you taken steps to ensure that this community development initiative is successfully adopted by the community? Please explain in 50 words, or so.**

   The Company believes in constructive implementation in behavioural change among communities towards the facilities developed. The Company engages with several Stakeholders at the grass-root level to bring the change in behaviour and build capacities of communities. These Stakeholders, which includes NGOs and other institutions engage with the community and suggest methods to bring participation of the communities. In this way not only the community benefits but they also actively participate, which in turn helps the Company to evolve and sustain its projects.

PRINCIPLE 9: BUSINESSES SHOULD ENGAGE WITH AND PROVIDE VALUE TO THEIR CUSTOMERS AND CONSUMERS IN A RESPONSIBLE MANNER

The Company has a vision for enriching lives of people by enabling them to achieve their dream of owning a home with a tagline "SAPNE AAPKE, SAATH HAMAARA". We strive to provide the best and delightful experiences to our customers at every interaction.

The Company believes in sourcing customers directly, and maintaining on-going relationships and contact with them. A majority of the customers of the Company are borrowers who have been referred to, by its existing or former customers and its branches act as a single point of contact for them.

1. **What percentage of Customer complaints/ Consumer cases are pending as on the end of Financial Year.**

   For the Financial Year 2018-19, the Company has resolved 99% of the complaints received.

2. **Does the Company display product information on the product label, over and above what is mandated as per local laws? Yes/No/N.A./Remarks (additional information)**

   The Company is engaged in providing Housing Finance; therefore this does not apply to it.

   However, the Company communicates all features, charges, terms and conditions relating to its products to the customers before financing and same are also displayed on the website of the Company.

3. **Is there any case filed by any stakeholder against the Company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behaviour during the last five years and pending as on end of financial year? If so, provide details thereof, in about 50 words or so.**

   No

4. **Did your Company carry out any consumer survey/ consumer satisfaction trends?**

   Yes, the Company has a structured clinical Customer Survey/ C-Sat process within the organization, which is executed in a two fold manner, one is through 100% Customer Engagement during on-boarding through welcome calling process, which is internal and secondly an external independent agency Survey for C-Sat which is an on-going process and is conducted on quarterly basis. The external survey is conducted by NFX Digital, a leading Survey Agency, which surveys the mix of NOB (Newly On-boarded) and Vintage Customers separately. The VOC (voice of customer) survey is also conducted which provides insights for improvement and leads to Value Creation mapping for Customers of Company.

INDEPENDENT AUDITOR'S REPORT

To
the Members of
Aavas Financiers Limited

Report on the Audit of the Standalone Ind AS Financial Statements

Opinion

We have audited the accompanying standalone Ind AS financial statements of Aavas Financiers Limited ("the Company"), which comprise the Balance sheet as at March 31 2019, the Statement of Profit and Loss, including the Statement of Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone Ind AS financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2019, its profit including other comprehensive income its cash flows and the changes in equity for the year ended on that date.

Basis for Opinion

We conducted our audit of the standalone Ind AS financial statements in accordance with the Standards on Auditing (SAs), as specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the Standalone Ind AS Financial Statements' section of our report. We are independent of the Company in accordance with the 'Code of Ethics' issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone Ind AS financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone Ind AS financial statements for the financial year ended March 31, 2019. These matters were addressed in the context of our audit of the standalone Ind AS financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have determined the matters described below to be the key audit matters to be communicated in our report. We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the standalone Ind AS financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the standalone Ind AS financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying standalone Ind AS financial statements.

<table>
<tr><th>Key audit matters</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Impairment of financial assets (expected credit loss) (as described in note 4 of the standalone Ind AS financial statements)</td></tr>
<tr><td>Ind AS 109 requires the Company to provide for impairment of its financial assets using the expected credit loss (‘ECL’) approach involving an estimation of probability of loss on the financial assets over their life, considering reasonable and supportable information about past events, current conditions and forecasts of future economic conditions which could impact the credit quality of the Company’s financial assets. In the process, a significant degree of judgement has been applied by the management in respect of following matters:

a) The Company has grouped its loan portfolio under risk-based categories determined using Company’s risk-management framework. Loans grouped under a particular category are assumed to represent a homogenous pool thereby expected to demonstrate similar credit characteristics.
b) Staging of loans and estimation of behavioral life.
c) Estimation of expected loss from historical observations.
d) Estimation of losses in respect of those groups of loans which had no/ minimal defaults in the past.

The Company has developed models that derive key assumptions used within the provision calculation such as probability of default (PD) and loss given default (LGD). The output of these models is then applied to the provision calculation with other information including and the exposure at default (EAD).

Considering the significance of such provision to the overall financial statements and the degree of management’s judgment, any error or misstatement in such estimate may give rise to a material misstatement of the Ind AS financial statements or omission of any disclosure required by the standards. Therefore, it is considered as a key audit matter.</td><td>• Our audit procedures included considering the Company's accounting policies for impairment of financial instruments and assessing compliance with the policies in terms of Ind AS 109.

• We have assessed the assumptions used by the Company for grouping and staging of loan portfolio into various categories and default buckets and their appropriateness for determining the probability-weighted default (PD) and loss-given default (LGD) rates.

• We have tested the operating effectiveness of the controls for staging of loans based on their past-due status. We also tested a sample of stage 1 and Stage 2 loans to assess whether any loss indicators were present requiring them to be classified under stage 2 or 3.

• We have performed sample testing of the input data used for determining the PD and LGD rates and agreed the data with the underlying books of accounts and records.

• We have tested the arithmetical accuracy of computation of ECL provision performed by the Company.

• We have assessed that the assumptions used by the management for estimation of allowance for expected credit losses as at March 31, 2019 are presented and disclosed in the Ind AS financial statements.</td></tr>
</table>

Information Technology ("IT") systems and controls	
Our audit procedures have a focus on IT systems and controls due to the pervasive nature and complexity of the IT environment, the large volume of transactions processed in numerous locations daily and the reliance on automated and IT dependent manual controls. Due to the pervasive nature and complexity of the IT environment, we have ascertained IT systems and controls as a key audit matter.	• In assessing the reliability of electronic data processing, we included specialized IT auditors as part of the audit team. • We tested the design and operating effectiveness of the IT general controls (logical access, changes management and aspects of IT operational controls). This included testing that requests for access to systems were reviewed and authorised. • We tested the Company's periodic review of access rights. We inspected requests of changes to systems for appropriate approval and authorisation. • We considered the control environment relating to various interfaces, configuration and other application layer controls identified as key to our audit. • Where deficiencies were identified, we tested compensating controls or performed alternate procedures.
Transition to Ind AS (as described in note 32 of the standalone Ind AS financial statements)	
Ind AS is applicable to the Company with effect from April 1, 2018. Accordingly, the Company has prepared financial statements which comply with Ind AS for the year ended March 31, 2019. In preparing these financial statements, the Company's opening balance sheet under Ind AS was prepared as at 1 April 2017, the Company's date of transition to Ind AS. For the years till year ended March 31, 2018, the Company had prepared its financial statements in accordance with Indian GAAP or previous GAAP. Given complexity of implementation of Ind AS framework, transition from Indian GAAP to Ind AS has material impact over the financial statements of the Company and requires application of significant judgment and estimates with regards to the measurement of loan and advances, measurement of expected credit losses, accounting for ESOP cost, accounting for assignment and securitisation of loans and application of effective interest rate. Further, the management has exercised significant judgement for giving an appropriate effect of principles of First-time Adoption of Indian Accounting Standards (Ind AS 101), as at transition date and to determine the impact of the new accounting framework on certain accounting and disclosure requirements prescribed under extant National Housing Bank ('NHB') directions. Given that judgements of the management on first time adoptions could have material implications on the financial statements, the transition to Ind AS was considered as a key audit matter.	• We read the Ind AS impact assessment performed by the management to identify areas which were impacted on account of Ind AS transition; • We understood the financial statement closure process and the controls established by the Company for transition to Ind AS; • Read and assessed the changes made to the accounting policies due to the requirements of the new financial reporting framework; • We have assessed the judgement applied by the Company in determining its business model for classification of financial assets. • We have assessed the exemption availed by the management in applying the first-time adoption principles of Ind AS 101. • We have assessed the judgements applied by the Company in respect of areas such as where the accounting treatment adopted or the disclosures made under the new accounting framework were different from the extant NHB directions. • We have performed test of details by inspection of contracts, documents and policies to assess the Ind AS adjustments. • We have tested arithmetical accuracy of the Ind AS adjustments. • We have assessed the disclosures with respect to the transition in accordance with the requirement of Ind AS 101, with respect to the previous year presented.

De-recognition of financial assets (as described in note 42 of the standalone Ind AS financial statements)	
During the year, the Company has assigned loans amounting to ₹762.68 crore for managing its funding requirements and recorded a net income of ₹78.28 crores and corresponding un-winding of excess interest spread receivable of ₹35.96 crores. As per Ind AS 109, de-recognition of loans transferred by the Company through assignment is based on the 'risk and reward' model and a 'control' model. If de-recognition criteria are met, the financial assets transferred are de-recognized and difference between carrying value and consideration including the present value of interest payments that it would not give up (excess interest spread receivable) is recorded as income in the statement of profit and loss. The Company also records a servicing asset and servicing liability at their fair value for the right retained for servicing the financial asset for the service contract and the related costs to be incurred. There are assumptions made with respect to the remaining tenor of the financial assets assigned and other factors which could materially impact the fair valuation as well the excess interest spread. Accordingly, de-recognition of financial assets was considered as a key audit matter.	• We have examined the terms of assignment agreements on a sample basis to evaluate whether the de-recognition criteria have been applied by the Company. • We have assessed the significant estimates and judgments, including the discount rate and expected remaining life of the portfolio transferred used by the Company for computation of excess interest spread receivable servicing asset and servicing liability. • We have tested the arithmetical accuracy of computation of the excess interest spread receivable, servicing asset and servicing liability. • We have assessed the disclosures included in the Ind AS financial statements with respect to de-recognition in accordance with the requirements of Ind AS 109 and Ind AS 107.

Other Information

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Annual report, but does not include the standalone Ind AS financial statements and our auditor's report thereon.

Our opinion on the standalone Ind AS financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the standalone Ind AS financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management for the Standalone Ind AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone Ind AS financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Standalone Ind AS Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone Ind AS financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone Ind AS financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the standalone Ind AS financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the standalone Ind AS financial statements, including the disclosures, and whether the standalone Ind AS financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone Ind AS financial statements for the financial year ended March 31, 2019 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the "**Annexure 1**" a statement on the matters specified in paragraphs 3 and 4 of the Order.

2. As required by Section 143(3) of the Act, we report that:

   (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

   (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;

   (c) The Balance Sheet, the Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;

   (d) In our opinion, the aforesaid standalone Ind AS financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended;

   (e) On the basis of the written representations received from the directors as on March 31, 2019 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2019 from being appointed as a director in terms of Section 164 (2) of the Act;

   (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company with reference to these standalone Ind AS financial statements and the operating effectiveness of such controls, refer to our separate Report in "**Annexure 2**" to this report;

   (g) In our opinion, the managerial remuneration for the year ended March 31, 2019 has been paid / provided by the Company to its directors in accordance with the provisions of section 197 read with Schedule V to the Act;

   (h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:

      i. The Company does not have any pending litigations which would impact its financial position. Refer Note 36 in the financial statements;

      ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses. Refer Note 31 in the financial statements;

      iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For S.R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm Registration Number: 101049W/E300004

per Sarvesh Warty
Partner
Membership Number: 121411

Place of Signature: Jaipur
Date: May 03, 2019

Annexure 1 referred to in paragraph 1 under the heading "Report on other legal and regulatory requirements" of our report of even date

Re: Aavas Financiers Limited

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) All fixed assets were physically verified by the management in the previous year in accordance with a planned programme of verifying them once in two years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.

(c) According to the information and explanations given by the management, the title deeds of immovable properties included in property, plant and equipment are held in the name of the Company.

(ii) The Company's business does not involve inventories and, accordingly, the requirements under clause 3 (ii) of the Order are not applicable to the Company and hence not commented upon.

(iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Accordingly, the provisions of clause 3(iii) (a), (b) and (c) of the Order are not applicable to the Company and hence not commented upon.

(iv) In our opinion and according to the information and explanations given to us, there are no loans, investments, guarantees, and securities given in respect of which provisions of section 185 and 186 of the Act are applicable and hence not commented upon.

(v) The Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.

(vi) To the best of our knowledge and as explained, the Central Government has not specified the maintenance of cost records under section 148(1) of the Act, for the services of the Company.

(vii) (a) Undisputed statutory dues including provident fund, employees' state insurance, income-tax, value added tax, goods and service tax, cess and other statutory dues have generally been regularly deposited with the appropriate authorities though there has been a slight delay in a few cases. The provisions relating to duty of excise and sales-tax are 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, service tax, sales-tax, duty of custom, duty of excise, value added tax, goods and service tax, cess and other statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

(c) According to the information and explanations given to us, there are no dues of income tax, sales-tax, service tax, customs duty, excise duty, value added tax and cess which have not been deposited on account of any dispute.

(viii) In our opinion and according to the information and explanations given by the management, the Company has not defaulted in repayment of loans or borrowing to a financial institution, bank or government or dues to debenture holders.

(ix) In our opinion and according to the information and explanations given by the management, the Company has utilized the monies raised by way of initial public offer and debt instruments in the nature of Non-convertible debentures for the purposes for which they were raised.

Further, monies raised by the Company by way of term loans were applied for the purpose for which those were raised, though idle/surplus funds which were not required for immediate utilization were gainfully invested in liquid investments payable on demand. The maximum amount of idle/surplus funds invested during the year was ₹409 crores, of which ₹ Nil was outstanding at the end of the year.

(x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud by the Company or no material fraud on the Company by the officers and employees of the Company has been noticed or reported during the year.

(xi) According to the information and explanations given by the management, the managerial remuneration has been paid and provided in accordance with the requisite approvals mandated by the provisions of section 197, read with Schedule V to the Act.

(xii) In our opinion, the Company is not a nidhi company. Therefore, the provisions of clause 3(xii) of the Order are not applicable to the Company and hence not commented upon.

(xiii) According to the information and explanations given by the management, transactions with the related parties are in compliance with section 177 and 188 of the Act where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards.

(xiv) According to the information and explanations given to us and on an overall examination of the balance sheet, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and hence, reporting requirements under clause 3(xiv) are not applicable to the Company and, not commented upon.

(xv) According to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with the directors as referred to in section 192 of the Act.

(xvi) According to the information and explanations given to us, the provisions of section 45-IA of the Reserve Bank of India Act, 1934 are not applicable to the Company.

For S.R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm Registration Number: 101049W/E300004

per Sarvesh Warty
Partner
Membership Number: 121411

Place of Signature: Jaipur
Date: May 03, 2019

Annexure 2 referred in paragraph 2(f) under the heading "Report on other legal and regulatory requirements of our report of even date

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of Aavas Financiers Limited ("the Company") as of March 31, 2019 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting with reference to these standalone financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing as specified under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting with reference to these standalone financial statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls over financial reporting with reference to these standalone financial statements and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting with reference to these standalone financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls over financial reporting with reference to these standalone financial statements.

Meaning of Internal Financial Controls Over Financial Reporting With Reference to these Financial Statements

A company's internal financial control over financial reporting with reference to these standalone financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting with reference to these standalone financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorisations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting With Reference to these Standalone Financial Statements

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

Opinion

In our opinion, the Company has, in all material respects, adequate internal financial controls over financial reporting with reference to these standalone financial statements and such internal financial controls over financial reporting with reference to these standalone financial statements were operating effectively as at March 31, 2019, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For S.R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm Registration Number: 101049W/E300004

per Sarvesh Warty
Partner
Membership Number: 121411

Place of Signature: Jaipur
Date: May 03, 2019

Standalone Balance Sheet as at March 31, 2019

(₹ in lakh)

Particulars	Notes	As at March 31, 2019	As at March 31, 2018	As at April 01, 2017
ASSETS				
Financial assets				
Cash and cash equivalents	2	15,966.22	35,848.71	26,860.13
Bank balance other than cash and cash equivalents	2	51,948.61	20,647.40	716.60
Derivative financial instruments	3	87.86	-	-
Loans	4	4,72,449.00	3,33,341.82	2,20,941.72
Investments	5	450.00	450.00	-
Other financial assets	6	16,359.12	10,881.66	6,791.79
Non-financal assets				
Current tax assets (net)		1,707.41	-	-
Property, plant and equipment	7(a)	1,922.97	1,545.44	869.24
Intangible assets under development	7(b)	9.08	3.27	13.53
Other intangible assets	7(c)	359.12	297.08	147.67
Other non-financial assets	8	434.61	385.18	87.70
Assets held for sale	9	988.79	609.75	549.94
TOTAL		5,62,682.79	4,04,010.31	2,56,978.32
LIABILITIES AND EQUITY				
LIABILITIES				
Financial liabilities				
Derivative financial instruments	3	-	161.74	216.96
Payables	10			
(I) Trade payables				
(i) total outstanding dues of micro enterprises and small enterprises		-	-	-
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises		949.25	912.91	758.95
Debt securities	11	43,705.08	38,819.83	33,444.32
Borrowings (other than debt securities)	12	3,11,661.71	2,24,988.15	1,50,156.01
Subordinated liabilities	13	9,958.30	9,948.04	2,973.50
Other financial liabilities	14	7,163.18	7,993.67	5,936.10
Non-financial liabilities				
Current tax liabilities (net)		-	51.65	16.53
Provisions	15	443.05	318.53	195.78
Deferred tax liabilities (net)	16	4,274.93	1,135.24	1,528.17
Other non-financial liabitilies	17	831.36	690.14	399.13
Equity				
Equity share capital	18	7,810.79	6,917.28	5,816.36
Other equity	19	1,75,885.14	1,12,073.13	55,536.51
TOTAL		5,62,682.79	4,04,010.31	2,56,978.32
Summary of significant accounting policies	1			

The accompanying notes are an integral part of the financial statements

As per our report of even date

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

per Sarvesh Warty
Partner
Membership No. 121411

Place: Jaipur
Date: May 03, 2019

For and on behalf of the Board of Directors of
AAVAS FINANCIERS LIMITED

Manas Tandon
(Nominee Director)

Sushil Kumar Agarwal
(Whole Time Director & CEO)

Ghanshyam Rawat
(Chief Financial Officer)

Sharad Pathak
(Company Secretary & Compliance Officer)

Standalone Statement of profit and loss for the year ended March 31, 2019

(₹ in lakh)

Particulars	Notes	For the year ended March 31, 2019	For the year ended March 31, 2018
Revenue from operations			
Interest income	20	59,354.82	39,261.15
Fees and commission income	21	2,602.73	1,921.58
Net gain on derecognition of financial instruments under amortised cost category		7,828.01	6,016.73
Net gain on fair value changes	22	1,211.42	2,154.45
Total revenue from operations		**70,996.98**	**49,353.91**
Other income	23	100.27	90.58
Total income		**71,097.25**	**49,444.49**
Expenses			
Finance costs	24	25,536.71	19,308.76
Fees and commission expense	25	492.20	384.94
Impairment on financial instruments	26	889.77	258.87
Employee benefits expense	27	11,723.54	11,154.21
Depreciation, amortization and impairment	7(a) & 7(c)	972.34	562.66
Other expenses	28	5,713.47	4,344.52
Total expenses		**45,328.03**	**36,013.96**
Profit/(loss) before tax		**25,769.22**	**13,430.53**
Tax expense:	16		
(1) Current tax		5,038.29	4,517.89
(2) Deferred tax		3,139.70	(396.69)
Profit/(loss) for the year		**17,591.23**	**9,309.33**
Other comprehensive income			
a) Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit liability	27	35.07	10.83
Income tax effect	16	(12.25)	(3.75)
b) Items that will be reclassified to profit or loss		-	-
Other comprehensive income , net of income tax		**22.82**	**7.08**
Total comprehensive income for the year		**17,614.05**	**9,316.41**
Earnings per equity share	29		
Basic (₹)		23.65	15.90
Diluted (₹)		23.08	15.24
Nominal value per share (₹)		10.00	10.00
Summary of significant accounting policies	1		

The accompanying notes are an integral part of the financial statements

As per our report of even date

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

per Sarvesh Warty
Partner
Membership No. 121411

Place: Jaipur
Date: May 03, 2019

For and on behalf of the Board of Directors of
AAVAS FINANCIERS LIMITED

Manas Tandon
(Nominee Director)

Sushil Kumar Agarwal
(Whole Time Director & CEO)

Ghanshyam Rawat
(Chief Financial Officer)

Sharad Pathak
(Company Secretary & Compliance Officer)

Statement of Changes in Equity for the year ended March 31, 2019

a. Equity Share Capital (₹ in lakh)

Particulars	Amount
Balance as at April 01, 2017	**5,816.36**
Shares issued during the year ended March 31, 2018	1,100.92
Balance as at March 31, 2018	**6,917.28**
Shares issued during the year ended March 31, 2019	893.51
Balance as at March 31, 2019	**7,810.79**

b. Other Equity (₹ in lakh)

Equity Component of compounded financial instruments	Reserves and surplus				Money received against share warrants	Total
	Securities premium account	Share based payments reserve	Special Reserve	Retained earnings		
Balance as at April 01, 2017	39,134.15	194.36	2,803.77	13,404.23	-	55,536.51
Profit for the year (A)	-	-	-	9,309.33	-	9,309.33
Other comprehensive income for the year (B)	-	-	-	7.08	-	7.08
Total comprehensive income for the year (A+B)	-	-	-	9,316.41	-	9,316.41
Transfer to special reserve u/s 36(1)(viii) of Income Tax Act, 1961	-	-	2,016.85	(2,016.85)	-	-
Issue of share warrants	-	-	-	-	24.00	24.00
Issue of share capital	42,992.30	-	-	-	-	42,992.30
Transaction cost	(1.21)	-	-	-	-	(1.21)
Share based payments	-	4,205.12	-	-	-	4,205.12
Share options exercised during the year	1,114.62	(1,114.62)	-	-	-	-
Balance as at March 31, 2018	**83,239.86**	**3,284.86**	**4,820.62**	**20,703.79**	**24.00**	**1,12,073.13**
Profit for the year (C)	-	-	-	17,591.23	-	17,591.23
Other comprehensive income for the year (D)	-	-	-	22.82	-	22.82
Total comprehensive income for the year (C+D)	-	-	-	17,614.05	-	17,614.05
Transfer to Special reserve u/s 29C of The National Housing Bank Act, 1987 read with 36 (1) (viii) of income tax Act. 1961	-	-	3,522.81	(3,522.81)	-	-
Issue of share capital	46,643.86	-	-	-	(24.00)	46,619.86
Transaction cost	(1,107.92)	-	-	-	-	(1,107.92)
Share based payments	-	686.02	-	-	-	686.02
Share options exercised during the year	3,228.53	(3,228.53)	-	-	-	-
Balance as at March 31, 2019	**1,32,004.33**	**742.35**	**8,343.43**	**34,795.03**	**-**	**1,75,885.14**

As per our report of even date

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

per Sarvesh Warty
Partner
Membership No. 121411

Place: Jaipur
Date: May 03, 2019

For and on behalf of the Board of Directors of
AAVAS FINANCIERS LIMITED

Manas Tandon
(Nominee Director)

Sushil Kumar Agarwal
(Whole Time Director & CEO)

Ghanshyam Rawat
(Chief Financial Officer)

Sharad Pathak
(Company Secretary & Compliance Officer)

Standalone Cash flow statement for the year ended March 31, 2019

(₹ in lakh)

	Particulars	Notes	Year ended March 31, 2019	Year ended March 31, 2018
A	**Cash flow from operating activities:**			
	Net profit before tax as per statement of profit and loss		**25,769.22**	**13,430.53**
	Adjustments for			
	Depreciation and amortisation	7(a), 7(c)	972.34	562.66
	Expenses incurred on increase in authorised capital and issue of shares		-	19.00
	Provision for expected credit loss (ECL)		563.25	76.35
	Provision for employee benefits		155.11	120.14
	Derivative mark to market gain		(28.97)	(55.22)
	Provision for CSR expenditure		44.79	35.95
	Share based payments		686.02	4,205.12
	Operating profit before working capital changes		**28,161.76**	**18,394.53**
	Changes in working capital			
	Increase in financial and other assets		(1,48,151.39)	(1,09,812.46)
	Decrease in financial and other liabilities		(808.29)	2,311.56
	Total of changes in working capital		**(1,48,959.68)**	**(1,07,500.90)**
	Direct taxes paid		**(6,809.60)**	**(4,184.64)**
	Net cash flow used in operating activities (A)		**(1,27,607.52)**	**(93,291.01)**
B	**Cash flow from investing activities:**			
	Inflow (outflow) on account of :			
	Investment in Subsidiary company	5	-	(450.00)
	Investment in fixed deposits		(31,301.20)	(19,930.80)
	Purchase of Property, plant and equipment (including capital work-in-progress)/ intangible assets	7	(1,427.34)	(1,378.17)
	Sale of Property, plant and equipment (including capital work-in-progress)		9.62	0.17
	Net cash flow used in investing activities (B)		**(32,718.92)**	**(21,758.80)**
C	**Cash flow from financing activities:**			
	Issue of equity shares (including share premium)		47,513.36	44,117.35
	Share / debenture issue expenses		(1,292.90)	(318.34)
	Proceeds from borrowings		1,46,533.36	1,27,673.45
	Repayment of borrowings		(52,309.87)	(47,434.07)
	Net Cash flow from financing activities (C)		**1,40,443.95**	**1,24,038.39**
	Net increase/(decrease) in cash and cash equivalents (A+B+C)		**(19,882.49)**	**8,988.58**

Standalone Cash flow statement for the year ended March 31, 2019

(₹ in lakh)

Particulars	Notes	Year ended March 31, 2019	Year ended March 31, 2018
Cash and cash equivalents as at the beginning of the year		35,848.71	26,860.13
Cash and cash equivalents at the end of the year	2	**15,966.22**	**35,848.71**
Components of cash and cash equivalents			
Cash on hand		202.00	190.75
Balance in franking machine*		0.95	0.95
Balance with banks			
In current accounts		3,872.39	13,657.01
In cash credit		645.06	500.00
In deposit account		11,245.82	21,500.00
Total cash and cash equivalents	2	**15,966.22**	**35,848.71**
Operational Cash Flow from Interest			
Interest Received		55,936.64	38,286.67
Interest Paid		(21,524.00)	(18,631.90)
Summary of significant accounting policies	1		

* The Company can utilize the balance towards stamping of loan agreements executed with their borrowers and also for the agreements executed by the Company for its own borrowings.

Note:-

1. Cash flow statement has been prepared under indirect method as set out in the IND AS 7 "Cash Flow Statement".
2. Previous year figures have been regrouped/ reclassified wherever applicable.

As per our report of even date

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

per Sarvesh Warty
Partner
Membership No. 121411

Place: Jaipur
Date: May 03, 2019

For and on behalf of the Board of Directors of
AAVAS FINANCIERS LIMITED

Manas Tandon
(Nominee Director)

Sushil Kumar Agarwal
(Whole Time Director & CEO)

Ghanshyam Rawat
(Chief Financial Officer)

Sharad Pathak
(Company Secretary & Compliance Officer)

Notes to the Standalone Financial Statements for the year ended March 31, 2019

A. Corporate Information

AAVAS FINANCIERS 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 as a housing finance company with National Housing Bank (NHB) vide Registration No. 04.0151.17 and is engaged in the long term financing activity in the domestic markets to provide housing finance.

B. Basis of preparation of financial statements

a) Basis of preparation

The standalone financial statements of the Company have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time).

For all years up to and including the year ended 31 March 2018, the Company prepared its financial statements in accordance with accounting standards notified under the section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 (Indian GAAP or previous GAAP). These financial statements for the year ended 31 March 2019 are the first which has prepared in accordance with Ind AS by the Company. The standalone financial statements have been prepared on a historical cost basis, except for, derivative financial instruments and other financial assets held for trading and all of which have been measured at fair value. The standalone financial statements are presented in Indian Rupees (INR) and all values are rounded to the nearest lakh, except when otherwise indicated.

Disclosures as required in terms of Housing Finance Companies – Corporate Governance (National Housing Bank) Directions, 2018 NHB(ND)/DRS/REG/MC-07/2018, 02 July, 2018 have been prepared on the basis of previous GAAP pursuant to the NHB circular no. NHB (ND)/DRS/Policy Circular No.89/2017-18 dated June 14, 2018, which have been presented solely based on the information compiled by the Management.

b) Basis of measurement

The financial statements have been prepared on an accrual basis as a going concern and under the historical cost convention, except for foreign currency borrowings denominated in INR that are measured at fair value at the end of each reporting date as required under relevant Ind AS.

1 Summary of significant accounting policies

1.1 Use of estimates

The preparation of financial statements in conformity with the Ind AS requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the accompanying disclosure and the disclosure of contingent liabilities, at the end of the reporting year. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised. 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 years.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

1.1.1 Business Model Assessment

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Company considers the frequency, volume and timing of sales in prior years, the reason for such sales, and its

Notes to the Standalone Financial Statements for the year ended March 31, 2019

expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an holistic assessment of how company's stated objective for managing the financial assets is achieved and how cash flows are realised. Therefore, the Company considers information about past sales in the context of the reasons for those sales, and the conditions that existed at that time as compared to current conditions.

Based on this assessment and future business plans of the Company, the management has measured its financial assets at amortised cost as the asset is held within a business model whose objective is to collect contractual cash flows, and the contractual terms of the financial asset give rise to cash flows that are solely payments of principle and interest ('the 'SPPI criterion')."

1.1.2 Defined employee benefit assets and liabilities

The cost of the defined benefit gratuity plan and other post-employment benefits and the present value of the gratuity obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

1.1.3 Impairment losses on financial assets

The measurement of impairment losses across all categories of financial assets except assets valued at Fair value through P&L (FVTPL), requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Company's Expected credit loss (ECL) calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Company's model, which assigns Probability of default (PD)s
- The Company's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a Lifetime expected credit loss (LTECL) basis
- The segmentation of financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and, economic inputs, and the effect on PDs, Exposure at default (EAD)s and Loss given default (LGD)s
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

1.1.4 Share-based payments

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them.

1.1.5 Fair value measurement:

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the

Notes to the Standalone Financial Statements for the year ended March 31, 2019

DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

1.1.6 Effective Interest rate method

The Company's EIR methodology, recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected behavioural life of loans and recognises the effect of potentially different interest rates charged at various stages and other characteristics of the product life cycle (including prepayments and penalty interest and charges). This estimation, by nature, requires an element of judgement regarding the expected behaviour and life-cycle of the instruments, as well expected changes to the Company's base rate and other fee income/expense that are integral parts of the instrument.

1.2 Cash and cash equivalents

Cash and cash equivalent comprises cash in hand, demand deposits and time deposits with original maturity of less than three months held with bank, debit balance in cash credit account and balance in franking machine.

1.3 Revenue recognition

1.3.1 Interest and similar income

Interest income, for all financial instruments measured either at amortised cost or at fair value through other comprehensive income, is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter year, where appropriate, to the gross carrying amount of the financial asset. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable and are an integral part of the EIR, but not future credit losses.

The Company calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets. When a financial asset becomes credit-impaired and is, therefore, regarded as 'Stage 3', the Company calculates interest income by applying the effective interest rate to the net amortised cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Company reverts to calculating interest income on a gross basis.

1.3.2 Other charges and other interest

1.3.2.1 Overdue interest in respect of loans is recognized upon realisation.

1.3.2.2 Other ancillary charges are recognized upon realisation.

1.3.3 Commission on Insurance Policies

Commission on insurance policies sold is recognised on accrual basis when the Company under its agency code sells the insurance policies.

1.3.4 Dividend income

Dividend income is recognized when the Company's right to receive the payment is established, it is probable that the economic benefits associated with the dividend will flow to the entity and the amount of the dividend can be measured reliably. This is generally when shareholders approve the dividend .

1.4 Foreign currency

The Company's financial statements are presented in Indian Rupees (INR) which is also the Company's functional currency.

Transactions in foreign currencies are initially recorded by the Company at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Notes to the Standalone Financial Statements for the year ended March 31, 2019

Income and expenses in foreign currencies are initially recorded by the Company at the exchange rates prevailing on the date of the transaction.

Foreign currency denominated monetary assets and liabilities are translated at the functional currency spot rates of exchange at the reporting date and exchange gains and losses arising on settlement and restatement are recognized in the statement of profit and loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognized in OCI or profit or loss, respectively).

1.5 Operating Leases

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor are recognized as operating leases. The Company has ascertained that the payments to the lessor are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases and therefore, the lease payments are recognized as per terms of the lease agreement in the Statement of Profit and Loss.

1.6 Property, plant and equipment (PPE) and Intangible assets

PPE

PPE are stated at cost (including incidental expenses directly attributable to bringing the asset to its working condition for its intended use) less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Subsequent expenditure related to PPE is capitalized only when it is probable that future economic benefits associated with these will flow to the Company and the cost of item can be measured reliably. Other repairs and maintenance costs are expensed off as and when incurred.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit and loss when the asset is derecognised.

Intangible assets

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

1.7 Depreciation and amortization

Depreciation

Depreciation is provided over the useful life of the asset as per Schedule-II of Companies Act 2013 and depreciation rates have been worked out by applying written down value method. The Company has used the following useful lives to provide depreciation on its PPE.

PPE	Useful Life (In Years)
Freehold Land	NIL
Building	60
Furniture and fixtures	10
Office equipment	5
Motor Vehicles	8
Servers	6
Computers and printers	3

Notes to the Standalone Financial Statements for the year ended March 31, 2019

All fixed assets individually costing ₹5,000/- or less are fully depreciated in the year of installation/purchase.

Amortization

Intangible assets are amortized on a straight line basis over the estimated useful economic life. The Company estimates the useful life of an intangible asset will not exceed four years from the date when the asset is available for use. If the persuasive evidence exists to the affect that useful life of an intangible asset exceeds four years, the Company amortizes the intangible asset over the best estimate of its useful life.

1.8 Impairment of non-financial assets

The carrying amount of assets is reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets, net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. In determining net selling price, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

1.9 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.The expense relating to any provision is presented in the statement of profit and loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

1.10 Contingent liabilities and assets

The Company does not recognize a contingent liability but discloses its existence in the financial statements Contingent liability is disclosed in the case of:

- A present obligation arising from past events, when it is not probable that an outflow of resources will not be required to settle the obligation.
- A present obligation arising from past events, when no reliable estimate is possible.
- A possible obligation arising from past events, unless the probability of outflow of resources is remote.

Contingent liabilities are reviewed at each balance sheet date. Contingent assets are not recognised. A contingent asset is disclosed, as required by Ind AS 37, where an inflow of economic benefits is probable.

1.11 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 expense, 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

Notes to the Standalone Financial Statements for the year ended March 31, 2019

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.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through OCI in the year in which they occur. Remeasurements are not reclassified to profit or loss in subsequent years.

Past service costs are recognised in Profit or Loss on the earlier of: The date of the plan amendment or curtailment, and The date that the Company recognises related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognises the following changes in the net defined benefit obligation as an expense in the statement of profit and loss:

Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and Net interest expense or income

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.

1.12 Taxes

Tax expense comprises current and deferred tax.

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities in accordance with Income tax Act, 1961. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Current income tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Current tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Notes to the Standalone Financial Statements for the year ended March 31, 2019

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

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 taxes relate to the same taxable entity and the same taxation authority.

1.13 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 year. Partly paid equity shares are treated as a fraction of an equity share to the extent that they are entitled to participate in dividends relative to a fully paid equity share during the reporting year.

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

1.14 Share based payments

Equity-settled share based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share based payments transactions are set out in Note 30.

The fair value determined at the grant date of the equity-settled share based payments is expensed on a straight line basis over the vesting year, based on the Company`s estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting year, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in Statement of Profit and Loss such that the cumulative expenses reflects the revised estimate, with a corresponding adjustment to the Share Based Payments Reserve.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

1.15 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

1.15.1 Financial Assets

1.15.1.1 Initial recognition and measurement

Financial assets, with the exception of loans and advances to customers, are initially recognised on the trade date, i.e., the date that the Company becomes a party to the contractual provisions of the instrument. Loans and advances to customers are recognised when funds are disbursed to the customers. The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention when acquiring them. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

1.15.1.2 Classification and Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Debt instruments at amortised cost
- Debt instruments at fair value through other comprehensive income (FVTOCI)

Notes to the Standalone Financial Statements for the year ended March 31, 2019

- Debt instruments and equity instruments at fair value through profit or loss (FVTPL)
- Equity instruments measured at fair value through other comprehensive income (FVTOCI)

1.15.1.3 Debt instruments at amortised costs

A 'debt instrument' is measured at the amortised cost if both the following conditions are met:

- The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
- Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in interest income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit and loss.

1.15.1.4 Debt instruments at FVTOCI

A 'debt instrument' is classified as at the FVTOCI if both of the following criteria are met:

- The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and
- The asset's contractual cash flows represent SPPI.

Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognized in the other comprehensive income (OCI). However, the Company recognizes interest income, impairment losses & reversals and foreign exchange gain or loss in the P&L. On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from the equity to P&L. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method.

1.15.1.5 Debt instruments at FVTPL

FVTPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorization as at amortized cost or as FVTOCI, is classified as at FVTPL.

In addition, the Company may elect to designate a debt instrument, which otherwise meets amortized cost or FVTOCI criteria, as at FVTPL. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch'). Debt instruments included within the FVTPL category are measured at fair value with all changes recognized in the P&L.

1.15.1.6 Equity Investments

All equity investments in scope of Ind AS 109 are measured at fair value. Equity instruments which are held for trading classified as at FVTPL. For all other equity instruments, the Company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The Company makes such election on an instrument-by- instrument basis. The classification is made on initial recognition and is irrevocable.

If the Company decides to classify an equity instrument as at FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognized in the OCI. There is no recycling of the amounts from OCI to P&L, even on sale of investment. However, the Company may transfer the cumulative gain or loss within equity.

Notes to the Standalone Financial Statements for the year ended March 31, 2019

Equity instruments included within the FVTPL category are measured at fair value with all changes recognized in the P&L.

The Company has accounted for its investments in Subsidiary at cost less impairment loss (if any).

1.15.2 Financial Liabilities

1.15.2.1 Initial recognition and measurement

Financial liabilities are classified and measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for trading or it is designated as on initial recognition. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and derivative financial instruments.

1.15.2.2 Classification and Subsequent measurement - Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by Ind AS 109. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied. For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risk are recognized in OCI. These gains/ loss are not subsequently transferred to P&L. However, the Company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the statement of profit and loss.

1.15.2.3 Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit and loss. This category generally applies to borrowings.

1.15.3 Derivative financial instruments

The Company holds derivative to mitigate the risk of changes in exchange rates on foreign currency exposures as well as interest fluctuations. The counterparty for these contracts is generally a bank.

Financial assets or financial liabilities, at fair value through profit or loss

This category has derivative financial assets or liabilities which are not designated as hedges. Any derivative that is not designated a hedge is categorized as a financial asset or financial liability, at fair value through profit or loss.

Derivatives not designated as hedges are recognized initially at fair value and attributable transaction costs are recognized in net profit in the Statement of Profit and Loss when incurred. Subsequent to initial recognition, these derivatives are measured at fair value through profit or loss and the resulting exchange gains or losses are included in Statement of Profit and Loss.

Notes to the Standalone Financial Statements for the year ended March 31, 2019

1.15.4 Reclassification of financial assets and liabilities

The Company doesn't reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Company acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified.

1.15.5 De-recognition of financial assets and liabilities

1.15.5.1 Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is de-recognised when the rights to receive cash flows from the financial asset have expired. The Company also de-recognised the financial asset if it has transferred the financial asset and the transfer qualifies for de recognition.

The Company has transferred the financial asset if, and only if, either:

- It has transferred its contractual rights to receive cash flows from the financial asset or
- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement."

Pass-through arrangements are transactions whereby the Company retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Company has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates.
- The Company cannot sell or pledge the original asset other than as security to the eventual recipients.
- The Company has to remit any cash flows it collects on behalf of the eventual recipients without material delay.

In addition, the Company is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the year between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:

- The Company has transferred substantially all the risks and rewards of the asset or
- The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The Company considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Company has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Company's continuing involvement, in which case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Notes to the Standalone Financial Statements for the year ended March 31, 2019

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Company could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Company would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.15.5.2 Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

1.16 Impairment of financial assets

1.16.1 Overview of the ECL principles

The Company is recording the allowance for expected credit losses for all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts, (in this section all referred to as 'financial instruments'). Equity instruments are not subject to impairment under Ind AS 109.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL) as outlined in Note 1.16.2. The Company's policies for determining if there has been a significant increase in credit risk are set out in Note 4(a)(4)(v).

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on collective basis, depending on the nature of the underlying portfolio of financial instruments. The Company's policy for grouping financial assets measured on a collective basis is explained in Note 4(a)(4)(vi).

The Company has established a policy to perform an assessment, at the end of each reporting year, of whether a financial instrument's credit risk has increased significantly since initial recognition. This is further explained in Note4(a)(4)(v).

Based on the above process, the Company group its loans into Stage 1, Stage 2, Stage 3, as described below:

Stage 1: When loans are first recognised, the group recognises an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2 or Stage 3.

Stage 2: When a loan has shown a significant increase in credit risk since origination, the group records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.

Stage 3: Loans considered credit-impaired (as outlined in Note 4(a)(4)(i). The group records an allowance for the LTECLs.

Notes to the Standalone Financial Statements for the year ended March 31, 2019

For financial assets for which the Company has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

1.16.2 The calculation of ECLs

The Company calculates ECLs based on a probability-weighted scenarios and historical data to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- PD - The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed year, if the facility has not been previously derecognised and is still in the portfolio.
- EAD - The Exposure at Default is an exposure at a default date. The EAD is further explained in Note 4(a)(4)(iii).
- LGD - The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD. The LGD is further explained in Note 4(a)(4)(iv).

The maximum year for which the credit losses are determined is the expected life of a financial instrument.

Provisions for ECLs for undisbursed loan commitments are assessed as set out in Note 4(a)(3).

The mechanics of the ECL method are summarised below:

Stage 1: The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Company calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to an EAD and multiplied by the expected LGD.

Stage 2: When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. The mechanics are similar to those explained above, but PDs and LGDs are estimated over the lifetime of the instrument.

Stage 3: For loans considered credit-impaired (as defined in Note 4(a)(4)(i)), the Company recognizes the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

Loan commitments: When estimating LTECLs for undisbursed loan commitments, the Company estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan.

For loan commitments, the ECL is recognised within Provisions.

1.16.3 Forward looking information

While estimating the expected credit losses, the Company reviews macro-economic developments occurring in the economy and market it operates in. On a periodic basis, the Company analyses if there is any relationship

Notes to the Standalone Financial Statements for the year ended March 31, 2019

between key economic trends like GDP, Property Price Index, Unemployment rates, Benchmark rates set by the Reserve Bank of India, inflation etc. with the estimate of PD, LGD determined by the Company based on its internal data. While the internal estimates of PD, LGD rates by the Company may not be always reflective of such relationships, temporary overlays are embedded in the methodology to reflect such macro-economic trends reasonably.

1.16.4 Collateral repossessed

In its normal course of business, the Company does not physically repossess properties or other assets in its retail portfolio, but generally engages external or internal agents to recover funds generally at auctions to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, the residential properties under legal repossession processes are not recorded on the balance sheet and are treated as assets held for sale at (i) fair value less cost to sell or (ii) principle outstanding, whichever is less, at the repossession date.

1.16.5 Write-offs

Financial assets are written off either partially or in their entirety only when the Company has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to Statement of profit and loss account.

1.17 Fair value measurement

The Company measures financial instruments, such as, derivatives at fair value at each balance sheet date using valuation techniques.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

In the principal market for the asset or liability, or

In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Notes to the Standalone Financial Statements for the year ended March 31, 2019

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting year.

1.18 Dividend

The Company recognises a liability to make cash distributions to equity holders when the distribution is authorised and the distribution is no longer at the discretion of the Company. Final dividends on shares are recorded as a liability on the date of approval by the shareholders and interim dividends are recorded as a liability on the date of declaration by the Company's Board of Directors.

1.19 Standard issued but not yet effective

Ind AS 116 : Leases

In March 2019, the Ministry of Corporate Affairs issued the Companies (Indian Accounting Standards) (Amendments) Rules, 2019, notifying Ind AS 116, 'Leases'. Ind AS 116 replaces Ind AS 17 'Leases'. Ind AS 116 is effective for annual years beginning on or after 1st April, 2019.

Ind AS 116 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under Ind AS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Company is evaluating the requirements of Ind AS 116 and its effect on the financial statements .

Notes to the Standalone Financial Statements for the year ended March 31, 2019

2. Cash and cash equivalents

(₹ in lakh)

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 01, 2017
Cash and cash equivalents			
Cash on hand (refer note 2(a))	202.95	191.70	178.63
Balance with banks			
In Current accounts	3,872.39	13,657.01	3,866.29
In Cash credit accounts	645.06	500.00	2,315.21
In Deposits with original maturity of less than three months	11,245.82	21,500.00	20,500.00
	15,966.22	**35,848.71**	**26,860.13**
Bank balances other than above			
Deposit with original maturity of more than 12 months (refer note 2(b))	1,173.61	1,147.30	716.60
Deposit with original maturity of more than 3 months less than 12 months	50,775.00	19,500.10	-
	51,948.61	**20,647.40**	**716.60**
Total	**67,914.83**	**56,496.11**	**27,576.73**

2(a) Cash on hand includes of ₹0.95 lakh (P.Y. ₹0.95 lakh) balance of franking machine.

2(b) Other Bank Balance in deposit accounts include deposits under lien aggregating to ₹1173.61 lakh (P.Y. ₹1147.30 lakh) towards the first loss guarantee provided by the Company under the securitization agreements.

3. Derivative financial instruments

(₹ in lakh)

Particulars	Notional amounts	Fair Value - Assets	Fair Value - Liabilities
As at March 31, 2019			
Part I			
Currency Derivatives:			
Currency swaps (refer note 3(a))	3,125.00	87.86	-
Part II			
Included in above (Part I) are derivatives held for hedging and risk management purposes as follows:			
Undesignated derivatives	3,125.00	87.86	-
Total derivative financial instruments	**3,125.00**	**87.86**	**-**
As at March 31, 2018			
Part I			
Currency Derivatives:			
Currency swaps (refer note 3(a))	5,058.33	-	161.74

Notes to the Standalone Financial Statements for the year ended March 31, 2019

Part II			
Included in above (Part I) are derivatives held for hedging and risk management purposes as follows:			
Undesignated derivatives	5,058.33	-	161.74
Total derivative financial instruments	**5,058.33**	**-**	**161.74**
As at April 01, 2017			
Part I			
Currency Derivatives:			
Currency swaps (refer note 3(a))	5,800.00	-	216.96
Part II			
Included in above (Part I) are derivatives held for hedging and risk management purposes as follows:			
Undesignated derivatives	5,800.00	-	216.96
Total derivative financial instruments	**5,800.00**	**-**	**216.96**

3(a) The Company uses Cross Currency swaps to manage its foreign currency risk arising from borrowings in foreign currencies. This contract has not been designated in a hedging relationship and are entered into for periods consistent with exposure of the underlying transactions.

4. Loans

(₹ in lakh)

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 01, 2017
At amortised cost			
Loan assets	4,73,725.65	3,34,159.12	2,21,696.12
Total Gross	**4,73,725.65**	**3,34,159.12**	**2,21,696.12**
Less: Impairment loss allowance	(1,276.65)	(817.30)	(754.40)
Total Net	**4,72,449.00**	**3,33,341.82**	**2,20,941.72**
Secured by tangible assets (Property including land and building)	4,73,725.65	3,34,159.12	2,21,696.12
Total Gross	**4,73,725.65**	**3,34,159.12**	**2,21,696.12**
Less: Impairment loss allowance	(1,276.65)	(817.30)	(754.40)
Total Net	**4,72,449.00**	**3,33,341.82**	**2,20,941.72**
Loans in India			
Public Sector	-	-	-
Others	4,73,725.65	3,34,159.12	2,21,696.12
Total Gross	**4,73,725.65**	**3,34,159.12**	**2,21,696.12**
Less: Impairment loss allowance	(1,276.65)	(817.30)	(754.40)
Total Net	**4,72,449.00**	**3,33,341.82**	**2,20,941.72**

i) Loans and receivables are non-derivative financial assets which generate a fixed or variable interest income for the Company. The carrying value may be affected by changes in the credit risk of the counterparties.

Notes to the Standalone Financial Statements for the year ended March 31, 2019

ii) Loans granted by the Company are secured by equitable mortgage/registered mortgage of the property and/or undertaking to create a security and/or personal guarantees and/or hypothecation of assets and/or assignments of life insurance policies. The process of security creation was in progress for loans to the extent of ₹15,376.85 lakh at March 31, 2019 (P.Y. ₹17,058.52 lakh)

iii) Loans sanctioned but undisbursed amount is ₹25,211.36 lakh as on March 31, 2019 (P.Y. ₹28,725.99 lakh)

iv) The Company is not granting any loans against gold jewellery as collateral.

v) The Company has assigned a pool of certain loans amounting to ₹76,268.14 lakh (P.Y. ₹48,584.04 lakh) by way of a direct assignment transaction. These loan assets have been de-recognised from the loan portfolio of the Company as the sale of loan assets is an absolute assignment and transfer on a 'no-recourse' basis. The Company continues to act as a servicer to the assignment transaction on behalf of assignee. In terms of the assignment agreement, the Company pays to assignee, on a monthly basis, the pro-rata collection amounts.

During the year the Company has securitised assets amounting to ₹Nil (P.Y. ₹10,767.38 lakh). These loan assets have not been de-recognised from the loan portfolio of the Company as these does not meet the de-recognition criteria. The Company is responsible for collection and servicing of this loan portfolio on behalf of buyers/investors. In terms of the said securitisation agreements, the Company pays to buyer/investor on monthly basis the prorated collection amount as per individual agreement terms.

vi) The Company has granted certain loans to staff amounting to ₹1,282.69 lakh as on March 31,2019 (P.Y. ₹415.13 lakh).

vii) Loan assets include three loans which became doubtful due to fraudlent misrepresentation by the borrowers and same has been provided for.

Break up of financial assets carried at amortised cost (₹ in lakh)

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 01, 2017
Loans (Note 4)	4,72,449.00	3,33,341.82	2,20,941.72
Other financial assets (Note 6)	16,359.12	10,881.66	6,791.79
Total financial assets carried at amortised cost	**4,88,808.12**	**3,44,223.48**	**2,27,733.51**

4(a)(1) Impairment allowance for loans and advances to customers

The table below shows the credit quality and the maximum exposure to credit risk excluding Excess Interest Spread (EIS) receivable as on March 31, 2019 based on the Company's risk assessment model and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the Company's risk assessment model are explained in Note 4(a)(4)(vii) and policies on whether ECL allowances are calculated on an individual or collective basis are set out in Note 4(a)(4)(vi).

(₹ in lakh)

Risk Categorization	Housing-Salaried	Housing-Self employed	Non Housing-Salaried	Non Housing-Self employed	Total
High_Risk	1,309.69	29,586.78	355.54	7,909.46	39,161.47
Medium_Risk	33,286.63	28,869.00	6,859.37	15,389.94	84,404.94
Low_Risk	1,05,629.62	1,68,041.58	19,576.91	56,911.13	3,50,159.24
Grand Total	**1,40,225.94**	**2,26,497.36**	**26,791.82**	**80,210.53**	**4,73,725.65**

Notes to the Standalone Financial Statements for the year ended March 31, 2019

4(a)(2)(i) Housing-Salaried lending

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to Housing- Salaried lending is, as follows:

(₹ in lakh)

Particulars	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 01 April 2017	62,681.00	1,686.66	436.40	64,804.06
New assets originated	58,303.72	-	-	58,303.72
Assets derecognised or repaid	(23,078.79)	(503.42)	(306.31)	(23,888.52)
Transfers from Stage 1	(1,332.87)	1,101.53	231.34	-
Transfers from Stage 2	567.78	(676.15)	108.37	-
Transfers from Stage 3	13.08	-	(13.08)	-
As at March 31, 2018	**97,153.92**	**1,608.62**	**456.72**	**99,219.26**

Particulars	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 01 April 2018	97,153.92	1,608.62	456.72	99,219.26
New assets originated	69,358.31	-	-	69,358.31
Assets derecognised or repaid	(27,787.56)	(388.77)	(175.30)	(28,351.63)
Transfers from Stage 1	(953.35)	755.89	197.46	-
Transfers from Stage 2	531.72	(639.17)	107.45	-
Transfers from Stage 3	39.34	90.09	(129.43)	-
As at March 31, 2019	**1,38,342.38**	**1,426.66**	**456.90**	**1,40,225.94**

Particulars	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 01 April 2017	72.59	11.21	69.82	153.62
New assets originated	75.24	-	-	75.24
Assets derecognised or repaid	(27.73)	(3.67)	(49.00)	(80.40)
Transfers from Stage 1	(10.66)	7.02	37.01	33.37
Transfers from Stage 2	0.60	(4.31)	17.34	13.63
Transfers from Stage 3	0.01	-	(2.09)	(2.08)
As at March 31, 2018	**110.05**	**10.25**	**73.08**	**193.38**

Particulars	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 01 April 2018	110.05	10.25	73.08	193.38
New assets originated	79.59	-	-	79.59
Assets derecognised or repaid	(36.28)	(3.06)	(22.14)	(61.48)
Transfers from Stage 1	(6.84)	4.46	35.74	33.36
Transfers from Stage 2	0.57	(3.77)	19.45	16.25
Transfers from Stage 3	0.04	0.53	(23.43)	(22.86)
As at March 31, 2019	**147.13**	**8.41**	**82.70**	**238.24**

Notes to the Standalone Financial Statements for the year ended March 31, 2019

4(a)(2)(ii) Housing-Self Employed lending

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to Housing- Self Employed lending is, as follows:

(₹ in lakh)

Particulars	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 01 April 2017	1,05,788.16	5,991.47	1,233.15	1,13,012.78
New assets originated	87,765.02	-	-	87,765.02
Assets derecognised or repaid	(44,814.87)	(2,243.06)	(1,030.62)	(48,088.55)
Transfers from Stage 1	(3,718.03)	3,259.89	458.14	-
Transfers from Stage 2	1,458.37	(1,861.57)	403.20	-
Transfers from Stage 3	59.10	-	(59.10)	-
As at March 31, 2018	**1,46,537.75**	**5,146.73**	**1,004.77**	**1,52,689.25**

Particulars	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 01 April 2018	1,46,537.75	5,146.73	1,004.77	1,52,689.25
New assets originated	1,20,516.18	-	-	1,20,516.18
Assets derecognised or repaid	(44,852.15)	(1,496.81)	(359.11)	(46,708.07)
Transfers from Stage 1	(3,142.01)	2,573.88	568.13	-
Transfers from Stage 2	1,332.65	(1,760.59)	427.94	-
Transfers from Stage 3	58.68	100.27	(158.95)	-
As at March 31, 2019	**2,20,451.10**	**4,563.48**	**1,482.78**	**2,26,497.36**

Particulars	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 01 April 2017	224.37	67.03	197.30	488.70
New assets originated	211.51	-	-	211.51
Assets derecognised or repaid	(93.21)	(22.34)	(164.90)	(280.45)
Transfers from Stage 1	(30.72)	38.85	73.31	81.44
Transfers from Stage 2	3.14	(22.19)	64.51	45.46
Transfers from Stage 3	0.13	-	(9.46)	(9.33)
As at March 31, 2018	**315.22**	**61.35**	**160.76**	**537.33**

Particulars	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 01 April 2018	315.22	61.35	160.76	537.33
New assets originated	368.33	-	-	368.33
Assets derecognised or repaid	(90.18)	(16.75)	(43.90)	(150.83)
Transfers from Stage 1	(108.57)	31.45	185.55	108.43
Transfers from Stage 2	2.95	(21.51)	77.46	58.90
Transfers from Stage 3	0.13	1.23	(28.77)	(27.41)
As at March 31, 2019	**487.88**	**55.77**	**351.10**	**894.75**

Notes to the Standalone Financial Statements for the year ended March 31, 2019

4(a)(2)(iii) Non-Housing-Salaried lending

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to Non-Housing-Salaried lending is, as follows:

(₹ in lakh)

Particulars	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 01 April 2017	11,985.72	110.05	38.69	12,134.46
New assets originated	12,889.21	-	-	12,889.21
Assets derecognised or repaid	(3,778.84)	(49.28)	(28.74)	(3,856.86)
Transfers from Stage 1	(245.76)	231.05	14.71	-
Transfers from Stage 2	46.41	(47.03)	0.62	-
Transfers from Stage 3	6.16	-	(6.16)	-
As at March 31, 2018	**20,902.90**	**244.79**	**19.12**	**21,166.81**

Particulars	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 01 April 2018	20,902.90	244.79	19.12	21,166.81
New assets originated	16,667.51	-	-	16,667.51
Assets derecognised or repaid	(10,997.90)	(32.73)	(11.87)	(11,042.50)
Transfers from Stage 1	(218.47)	199.22	19.25	-
Transfers from Stage 2	46.99	(100.19)	53.20	-
Transfers from Stage 3	-	2.81	(2.81)	-
As at March 31, 2019	**26,401.03**	**313.90**	**76.89**	**26,791.82**

Particulars	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 01 April 2017	11.20	0.55	6.19	17.94
New assets originated	8.06	-	-	8.06
Assets derecognised or repaid	(6.62)	(0.36)	(4.60)	(11.58)
Transfers from Stage 1	(1.02)	0.73	2.35	2.06
Transfers from Stage 2	0.03	(0.15)	0.10	(0.02)
Transfers from Stage 3	0.00	-	(0.98)	(0.98)
As at March 31, 2018	**11.65**	**0.77**	**3.06**	**15.48**

Particulars	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 01 April 2018	11.65	0.77	3.06	15.48
New assets originated	10.82	-	-	10.82
Assets derecognised or repaid	(5.86)	(0.15)	(1.75)	(7.76)
Transfers from Stage 1	(1.22)	0.58	3.48	2.84
Transfers from Stage 2	0.03	(0.29)	9.63	9.37
Transfers from Stage 3	-	0.01	(0.51)	(0.50)
As at March 31, 2019	**15.42**	**0.92**	**13.91**	**30.25**

Notes to the Standalone Financial Statements for the year ended March 31, 2019

4(a)(2)(iv) Non-Housing-Self Employed lending

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to Non-Housing- Self Employed lending is, as follows:

(₹ in lakh)

Particulars	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 01 April 2017	30,821.91	760.60	162.32	31,744.83
New assets originated	40,564.82	-	-	40,564.82
Assets derecognised or repaid	(10,919.84)	(175.38)	(130.63)	(11,225.85)
Transfers from Stage 1	(789.78)	743.29	46.49	-
Transfers from Stage 2	220.29	(227.53)	7.24	-
Transfers from Stage 3	17.38	-	(17.38)	-
As at March 31, 2018	**59,914.78**	**1,100.98**	**68.04**	**61,083.80**

Particulars	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 01 April 2018	59,914.78	1,100.98	68.04	61,083.80
New assets originated	53,927.88	-	-	53,927.88
Assets derecognised or repaid	(34,360.30)	(412.20)	(28.65)	(34,801.15)
Transfers from Stage 1	(1,081.63)	951.29	130.34	-
Transfers from Stage 2	252.74	(306.44)	53.70	-
Transfers from Stage 3	10.36	2.60	(12.96)	-
As at March 31, 2019	**78,663.83**	**1,336.23**	**210.47**	**80,210.53**

Particulars	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 01 April 2017	60.11	8.04	25.98	94.13
New assets originated	38.36	-	-	38.36
Assets derecognised or repaid	(42.02)	(4.98)	(20.90)	(67.90)
Transfers from Stage 1	(2.20)	3.89	7.43	9.12
Transfers from Stage 2	0.20	(1.19)	1.16	0.17
Transfers from Stage 3	0.02	-	(2.78)	(2.76)
As at March 31, 2018	**54.47**	**5.76**	**10.89**	**71.12**

Particulars	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 01 April 2018	54.47	5.76	10.89	71.12
New assets originated	55.65	-	-	55.65
Assets derecognised or repaid	(31.97)	(2.64)	(3.76)	(38.37)
Transfers from Stage 1	(9.13)	4.31	23.59	18.77
Transfers from Stage 2	0.22	(1.39)	9.72	8.55
Transfers from Stage 3	0.01	0.01	(2.35)	(2.33)
As at March 31, 2019	**69.25**	**6.05**	**38.09**	**113.39**

Notes to the Standalone Financial Statements for the year ended March 31, 2019

4(a)(3) Loan commitments

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to loan commitments is, as follows:

(₹ in lakh)

Particulars	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 01 April 2017	15,540.00	175.30	32.54	15,747.84
New assets originated	25,482.28	-	-	25,482.28
Assets disbursed or cancelled	(12,318.23)	(155.60)	(30.30)	(12,504.13)
Transfers from Stage 1	(141.03)	141.03	-	-
Transfers from Stage 2	11.50	(13.93)	2.43	-
As at March 31, 2018	**28,574.52**	**146.80**	**4.67**	**28,725.99**

Particulars	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 01 April 2018	28,574.52	146.80	4.67	28,725.99
New assets originated	20,894.89	-	-	20,894.89
Assets disbursed or cancelled	(24,336.76)	(70.33)	(2.43)	(24,409.52)
Transfers from Stage 1	(123.69)	93.30	30.39	-
Transfers from Stage 2	37.00	(37.00)	-	-
As at March 31, 2019	**25,045.96**	**132.77**	**32.63**	**25,211.36**

Particulars	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 01 April 2017	26.93	1.81	5.21	33.95
New assets originated	39.74	-	-	39.74
Assets disbursed or cancelled	(21.29)	(1.59)	(4.85)	(27.73)
Transfers from Stage 1	(0.34)	1.51	-	1.17
Transfers from Stage 2	0.02	(0.15)	0.39	0.26
As at March 31, 2018	**45.06**	**1.58**	**0.75**	**47.39**

Particulars	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 01 April 2018	45.06	1.58	0.75	47.39
New assets originated	37.92	-	-	37.92
Assets disbursed or cancelled	(37.66)	(0.76)	(0.34)	(38.76)
Transfers from Stage 1	(0.64)	0.79	5.50	5.65
Transfers from Stage 2	0.08	(0.42)	-	(0.34)
As at March 31, 2019	**44.76**	**1.19**	**5.91**	**51.86**

4(a)(4) Impairment assessment

The references below show where the Company's impairment assessment and measurement approach is set out in these notes. It should be read in conjunction with the Summary of significant accounting policies.

Notes to the Standalone Financial Statements for the year ended March 31, 2019

4(a)(4)(i) Definition of default

The Company considers a financial instrument as defaulted and considered it as Stage 3 (credit-impaired) for ECL calculations in all cases, when the borrower becomes more than 90 days past due on its contractual payments. The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed year, if the facility has not been previously derecognised and is still in the portfolio.

4(a)(4)(ii) The Company's process for managing risk

Credit risk is the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company's main income generating activity is lending to customers and therefore credit risk is a principal risk. Credit risk mainly arises from loans and advances to customers , investments in debt securities and derivatives that are an asset position. The Company considers all elements of credit risk exposure such as counterparty default risk, geographical risk and sector risk for risk management purposes.

4(a)(4)(iii) Exposure at default

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.

To calculate the EAD for a Stage 1 loan, the Company assesses the possible default events within 12 months for the calculation of the 12mECL. For Stage 2 and Stage 3 financial assets, the exposure at default is considered for events over the lifetime of the instruments.

4(a)(4)(iv) Loss given default

The Company segments its retail lending products into smaller homogeneous portfolios (housing and non housing), based on key characteristics that are relevant to the estimation of future cash flows. The data applied is collected loss data and involves a wider set of transaction characteristics (e.g., product type, wider range of collateral types) as well as borrower characteristics.

4(a)(4)(v) Significant increase in credit risk

The Company continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Company assesses whether there has been a significant increase in credit risk since initial recognition. The Company considers an exposure to have significantly increased in credit risk when contractual payments are more than 30 days past due.

When estimating ECLs on a collective basis for a group of similar assets, the Company applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.

4(a)(4)(vi) Grouping financial assets measured on a collective basis

As explained in Note 1.16, the Company calculates ECLs on collective basis on following asset classes:

- Housing-Salaried lending
- Housing-Self Employed lending
- Non Housing-Salaried lending
- Non Housing-Self Employed lending

The Company groups these exposure into smaller homogeneous portfolios, based on a combination of internal and external characteristics of the loans, as described below:

For housing- salaried & self-employed lending these are:

- Product type
- Customer type

Notes to the Standalone Financial Statements for the year ended March 31, 2019

For non-housing salaried & self-employed salaried lending these are:

- Product type
- Customer type

4(a)(4)(vii) Risk assessment model

The Company has designed and operates its risk assessment model that factors in both quantitative as well as qualitative information on the loans and the borrowers. The model uses historical empirical data to arrive at factors that are indicative of future credit risk and segments the portfolio on the basis of combinations of these parameters into smaller homogenous portfolios from the perspective of credit behaviour.

4(a)(5) Collateral

The Company holds collateral to mitigate credit risk associated with financial assets.The main types of collateral and the types of assets these are associated with are listed in the table below. The collateral presented relates to instruments that are measured at amortised cost.

(₹ in lakh)

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 01, 2017
Residential properties (Amount of collateral)	15,23,753.91	10,83,585.53	7,15,128.52

The Company did not hold any financial instrument for which no loss allowance is recognised because of collateral at March 31, 2019. There was no change in the Company's collateral policy or collateral quality during the year.

Refer note 44(C) for risk concentration based on Loan to value (LTV).

5. Investments

Particulars	Amortised Cost	At fair Value				Others*	Total
		Through other comprehensive income	Through profit or loss	Designated at fair value through profit or loss	Subtotal		
As at March 31, 2019							
Aavas Finserv Limited (Subsidiary Company)	-	-	-	-	-	450.00	450.00
Total (A)	**-**	**-**	**-**	**-**	**-**	**450.00**	**450.00**
Investments outside India	-	-	-	-	-	-	-
Investments in India	-	-	-	-	-	450.00	450.00
Total (B)	**-**	**-**	**-**	**-**	**-**	**450.00**	**450.00**
Total (A) to tally with (B)	**-**	**-**	**-**	**-**	**-**	**450.00**	**450.00**
Less: Allowance for Impairment loss (C)	-	-	-	-	-	-	-
Total Net D = (A) -(C)	**-**	**-**	**-**	**-**	**-**	**450.00**	**450.00**
As at March 31, 2018							
Aavas Finserv Limited (Subsidiary Company)	-	-	-	-	-	450.00	450.00
Total (A)	**-**	**-**	**-**	**-**	**-**	**450.00**	**450.00**

Notes to the Standalone Financial Statements for the year ended March 31, 2019

Particulars	Amortised Cost	At fair Value				Others*	Total
		Through other comprehensive income	Through profit or loss	Designated at fair value through profit or loss	Subtotal		
Investments outside India	-	-	-	-	-	-	-
Investments in India	-	-	-	-	-	450.00	450.00
Total (B)	**-**	**-**	**-**	**-**	**-**	**450.00**	**450.00**
Total (A) to tally with (B)	**-**	**-**	**-**	**-**	**-**	**450.00**	**450.00**
Less: Allowance for Impairment loss (C)	-	-	-	-	-	-	-
Total Net D = (A) -(C)	**-**	**-**	**-**	**-**	**-**	**450.00**	**450.00**
As at April 01, 2017							
Aavas Finserv Limited (Subsidiary Company)	-	-	-	-	-	-	-
Total (A)	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Investments outside India	-	-	-	-	-	-	-
Investments in India	-	-	-	-	-	-	-
Total (B)	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A) to tally with (B)	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Less: Allowance for Impairment loss (C)	-	-	-	-	-	-	-
Total Net D = (A) -(C)	**-**	**-**	**-**	**-**	**-**	**-**	**-**

* The Company has accounted for its investments in Subsidiary at cost less impairment loss (if any).

6. Other financial assets

(₹ in lakh)

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 01, 2017
Interest accrued on Bank Deposits	937.16	51.69	9.08
Security Deposit	539.84	150.45	100.48
EIS Receivable (Refer note 6(a))	14,911.60	10,679.52	6,682.23
Total Gross	**16,388.60**	**10,881.66**	**6,791.79**
Less: Impairment loss allowance (on EIS Receivable assets)	(29.48)	-	-
Total Net	**16,359.12**	**10,881.66**	**6,791.79**

6(a) Under Ind AS, with respect to Assignment deals, Company has created an Excess Interest Spread (EIS) receivable, with corresponding credit to Statement of Proft and loss for the year, which has been computed by discounting EIS to present value.

Notes to the Standalone Financial Statements for the year ended March 31, 2019

7(a) Property, plant and equipment

(₹ in lakh)

	Building and premises	Computers and printers	Furniture and fixtures	Motor vehicles	Office equipment	Land	Total
Cost							
At April 1, 2017	445.72	404.75	355.46	66.87	120.55	-	1,393.35
Purchase	28.54	405.06	402.63	177.27	148.92	4.95	1,167.37
Disposals	-	(0.52)	-	-	(0.25)	-	(0.77)
At March 31, 2018	**474.26**	**809.29**	**758.09**	**244.14**	**269.22**	**4.95**	**2,559.95**
Purchase	-	349.61	463.81	190.52	229.75	-	1,233.69
Disposals	-	(4.23)	(0.23)	(35.90)	(1.46)	-	(41.82)
At March 31, 2019	**474.26**	**1,154.67**	**1,221.67**	**398.76**	**497.51**	**4.95**	**3,751.82**
Depreciation							
At April 1, 2017	82.75	220.35	129.23	32.37	59.41	-	524.11
Charge for the year	18.37	217.81	153.89	33.20	67.48	-	490.75
Disposals	-	(0.35)	-	-	-	-	(0.35)
At March 31, 2018	**101.12**	**437.81**	**283.12**	**65.57**	**126.89**	**-**	**1,014.51**
Charge for the year	18.16	353.96	248.02	70.62	157.32	-	848.08
Disposals	-	(3.99)	(0.23)	(28.18)	(1.33)	-	(33.73)
At March 31, 2019	**119.28**	**787.78**	**530.91**	**108.01**	**282.88**	**-**	**1,828.86**
Net Block							
At March 31, 2018	**373.14**	**371.48**	**474.97**	**178.57**	**142.33**	**4.95**	**1,545.44**
At March 31, 2019	**354.98**	**366.90**	**690.76**	**290.75**	**214.63**	**4.95**	**1,922.97**

7(b) Intangible assets under development

	Software	Total
Gross block		
At April 1, 2017	13.53	13.53
Capitalised during the year	13.53	13.53
Purchase	3.27	3.27
At March 31, 2018	3.27	3.27
Capitalised during the year	-	-
Purchase	5.81	5.81
At March 31, 2019	**9.08**	**9.08**

Notes to the Standalone Financial Statements for the year ended March 31, 2019

7(c) Other Intangible assets

(₹ in lakh)

	Software	Total
Gross block		
At April 1, 2017	178.53	178.53
Purchase	221.32	221.32
Disposals	-	-
At March 31, 2018	399.85	399.85
Purchase	186.30	186.30
Disposals	-	-
At March 31, 2019	**586.15**	**586.15**
Amortization		
At April 1, 2017	30.86	30.86
Charge for the year	71.91	71.91
At March 31, 2018	**102.77**	**102.77**
Charge for the year	124.26	124.26
At March 31, 2019	**227.03**	**227.03**
Net block		
At March 31, 2018	**297.08**	**297.08**
At March 31, 2019	**359.12**	**359.12**

8. Other non-financial assets

(₹ in lakh)

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 01, 2017
Prepaid Expenses	101.22	66.16	26.43
Adavance to staff	75.91	71.45	25.28
Advance to vendors	94.90	116.28	33.51
GST Input	22.22	-	-
Other Recoverable	140.36	131.29	2.48
Total	**434.61**	**385.18**	**87.70**

9. Assets held for sale

(₹ in lakh)

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 01, 2017
Assets held for sale (Refer note 9(a))	988.79	609.75	549.94
Total	**988.79**	**609.75**	**549.94**

Notes to the Standalone Financial Statements for the year ended March 31, 2019

9(a). Assets obtained by taking possession of collateral

The Company obtained the following assets during the year by taking possession of collateral held as security against loans and advances and held at the year end. The Company's policy is to realise collateral on a timely basis. The Company does not use non-cash collateral for its operations.

(₹ in lakh)

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 01, 2017
Properties	988.79	609.75	549.94
Total assets obtained by taking possession of collateral	**988.79**	**609.75**	**549.94**

10. Payables

(₹ in lakh)

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 01, 2017
Trade Payables			
Total outsanding dues of Micro Enterprises and Small Enterprises	-	-	-
Total outsanding dues of Creditors other than Micro Enterprises and Small Enterprises	949.25	912.91	758.95
Total	**949.25**	**912.91**	**758.95**

11. Debt Securities

(₹ in lakh)

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 01, 2017
At amortised cost			
Secured			
Debentures (Refer note 11.1)	23,865.37	38,819.83	33,444.32
Unsecured			
Debentures (Refer note 11.1)	19,839.71	-	-
Total	**43,705.08**	**38,819.83**	**33,444.32**
Debt securities in India	23,865.37	38,819.83	33,444.32
Debt securities outside India	19,839.71	-	-
Total	**43,705.08**	**38,819.83**	**33,444.32**

Notes to the Standalone Financial Statements for the year ended March 31, 2019

11.1 Detail of Redeemable Non-Convertible Debentures (inclusive of Interest accrued on debentures)

(₹ in lakh)

Sr. No.	ISIN No.	Date of allotment	Date of redemption	Nominal value per debenture	Total number of debentures	Rate of Interest p.a.	Face value	As at March 31, 2019	As at March 31, 2018	Secured/ Unsecured	Terms of redemption
1	INE216P07076	15-Jul-15	20-Jun-18	10	100	10.70%	1,000	-	1,075.34	Secured	Redeemable at par*
2	INE216P07084	15-Jul-15	17-Oct-18	10	200	10.70%	2,000	-	2,151.56	Secured	Redeemable at par**
3	INE216P07092	31-Jul-15	17-Oct-18	10	300	10.70%	3,000	-	3,212.36	Secured	Redeemable at par**
4	INE216P07100	02-Sep-16	20-Mar-20	10	500	10.30%	5,000	5,011.75	5,008.38	Secured	Redeemable at par
5	INE216P07142	10-Oct-16	10-Oct-18	10	1,000	9.00%	10,000	-	10,412.61	Secured	Redeemable at par**
6	INE216P07126	20-Dec-16	19-Oct-20	10	500	9.80%	5,000	5,129.27	5,115.57	Secured	Redeemable at par
7	INE216P07134	18-Jul-17	18-May-22	10	1,300	8.61%	13,000	13,276.76	13,242.07	Secured	Redeemable at par
8	INE216P08017	22-Dec-17	22-Dec-23	10	1,000	9.49%	10,000	10,223.02	10,218.53	Unsecured	Redeemable at par
9	INE216P07159	17-Apr-18	17-Apr-23	10	100	9.10%	1,000	1,036.90	-	Secured	Redeemable at par
10	LRN-201812124	20-Dec-18	20-Dec-25	100	200	9.23%	20,000	19,898.43	-	Unsecured	Redeemable at par
	Total							**54,576.13**	**50,436.42**		

*Redeemed during the year

**Early redemption during the year

12. Borrowings

(₹ in lakh)

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 01, 2017
At amortised cost			
Secured			
Term loans (refer note 12.7)			
From National Housing Bank (NHB) (Refer note 12.1)	89,720.72	36,509.84	17,304.29
From Banks (Refer note 12.2)	2,04,003.56	1,68,765.66	1,14,832.14
From Financial institutions (Refer note 12.3)	61.45	1,775.16	2,545.69
Others			
Cash Credit (refer note 12.4)	5,733.63	3,251.30	7,903.48
Others (refer note 12.5)	12,142.35	14,686.19	7,570.41
Total	**3,11,661.71**	**2,24,988.15**	**1,50,156.01**
Borrowings in India	3,11,661.71	2,24,988.15	1,50,156.01
Borrowings outside India	-	-	-
Total	**3,11,661.71**	**2,24,988.15**	**1,50,156.01**

Notes to the Standalone Financial Statements for the year ended March 31, 2019

12.1 Secured term loans from National Housing Bank carry rate of interest in the range of 4.61% to 9.40% p.a. The loans are having tenure of 10 to 15 years from the date of disbursement and are repayable in quarterly instalments. These loans are secured by hypothecation (exclusive charge) of the loans given by the Company. Loans from National Housing Bank to the extent of ₹Nil (P.Y. ₹9,994.93 lakh) have been guaranteed by corporate guarantee of AU Small Finance Bank Limited.

12.2 Secured term loans from Banks include loans from various banks and carry rate of interest in the range of 8.30% to 10.20% p.a. The loans are having tenure of 3 to 15 years from the date of disbursement and are repayable in monthly or quarterly or yearly instalments. These loans are secured by hypothecation (exclusive charge) of the loans given by the Company. Secured term loan from banks include auto loans of ₹204.42 lakh (P.Y. ₹167.27 lakh) carrying rate of interest in the range of 8.40% to 10.50% p.a. which are secured by hypothecation of Company's vehicles.

12.3 Loans from financial institutions include auto loans of ₹61.45 lakh (P.Y. ₹27.43 lakh)

12.4 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 8.35% to 11.20%

12.5 Other borrowings includes associated liabilities to securitized asset that has been re-recognised due to non fulfillment of derecognition criteria as per Ind AS.

12.6 Changes in liabilities arising from financing activities (₹ in lakh)

Particulars	As at March 31, 2018	Cash flows	Other*	As at March 31, 2019
Debt securities	38,819.83	5,000.00	(114.75)	43,705.08
Borrowings	2,24,988.15	89,223.48	(2,549.92)	3,11,661.71
Subordinate liabilities	9,948.04	(0.00)	10.26	9,958.30
Total	**2,73,756.02**	**94,223.48**	**(2,654.41)**	**3,65,325.09**

*Other column includes amortisation of transaction cost.

Notes to the Standalone Financial Statements for the year ended March 31, 2019

12.7 Terms of repayment of long term borrowings outstanding as at March 31, 2019

(₹in lakh)

Particulars	Interest rate	Due within 1 year		Due 1 to 2 years		Due 2 to 3 years		Due 3 to 4 years		Due 4 to 5 years		Due 5 to 10 years		Above 10 years		Total	
Original maturity of loan		No. of install-ments	Amount	No. of install-ments	Amount	No. of install-ments	Amount	No. of install-ments	Amount	No. of install-ments	Amount	No. of install-ments	Amount	No. of install-ments	Amount	No. of install-ments	Amount
Monthy repayment schedule	8%-10%	519	8,859.08	499	10,546.14	400	9,749.00	202	8,760.03	64	5,931.79	117	5,843.23	22	631.06	1,823	50,320.33
Above 3 years	10%-12%	5	1.50	-	-	-	-	-	-	-	-	-	-	-	-	5	1.50
Quarterly repayment schedule	4%-6%	20	2,734.76	28	4,273.42	28	4,273.42	28	4,273.42	28	4,273.42	74	10,155.96	20	2,586.39	226	32,570.79
Above 3 years	6%-8%	15	978.77	20	1,305.03	20	1,305.04	20	1,305.04	20	1,305.04	99	6,414.27	37	1,526.37	231	14,139.56
	8%-10%	238	27,237.36	243	24,867.99	213	23,120.25	197	21,339.38	184	20,167.76	482	62,939.69	99	11,362.16	1,656	1,91,034.59
Half yearly repayment schedule Above 3 years	8%-10%	-	-	-	-	-	-	2	4,991.11	2	4,991.11	4	9,982.22	-	-	8	19,964.44
Yearly repayment schedule Above 3 years	8%-10%	2	986.39	1	499.11	1	499.11	1	499.11	1	499.11	2	2,495.53	-	-	8	5,478.36
At the end of tenure	8%-10%	1	4,991.11	1	4,991.11	-	-	1	12,976.88	2	10,980.44	-	-	-	-	5	33,939.54
Above 3 years	10%-12%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total		800	45,788.97	792	46,482.80	662	38,946.82	451	54,144.97	301	48,148.67	778	97,830.90	178	16,105.98	3,962	3,47,449.11

Notes to the Standalone Financial Statements for the year ended March 31, 2019

13. Subordinated Liabilities

(₹ in lakh)

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 01, 2017
At Amortised cost			
Debentures (Refer note 11.1)	9,958.30	9,948.04	-
Loan from bank	-	-	2,973.50
Total	**9,958.30**	**9,948.04**	**2,973.50**
Subordinated Liabilities in India	9,958.30	9,948.04	2,973.50
Subordinated Liabilities Outside India	-	-	-
Total	**9,958.30**	**9,948.04**	**2,973.50**

14. Other financial liabilities

(₹ in lakh)

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 01, 2017
Interest accrued but not due			
From non convertible debentures	589.31	1,401.70	1,782.23
From unsecured non convertible debentures	323.44	266.85	-
From Bank- term Loan	168.07	68.68	139.61
From Financial Institution- term Loan	0.39	11.63	16.05
Due to assignees towards collections in derecognised assets	2,452.23	3,036.45	2,519.96
Employee benefits payable	1,195.16	586.24	524.50
Others	2,434.58	2,622.12	953.75
Total	**7,163.18**	**7,993.67**	**5,936.10**

(₹ in lakh)

Break up of financial liabilities carried at amortised cost	As at March 31, 2019	As at March 31, 2018	As at April 01, 2017
Payables (note 10)	949.25	912.91	758.95
Debt Securities (note 11)	43,705.08	38,819.83	33,444.32
Borrowings (note 12)	3,11,661.71	2,24,988.15	1,50,156.01
Subordinated Liabilities (note 13)	9,958.30	9,948.04	2,973.50
Other financial liabilities (note 14)	7,163.18	7,993.67	5,936.10
Total	**3,73,437.52**	**2,82,662.60**	**1,93,268.88**

Notes to the Standalone Financial Statements for the year ended March 31, 2019

15. Provisions

(₹ in lakh)

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 01, 2017
Provision for employee benefits			
Leave availment	97.23	83.40	49.39
Gratuity	293.96	187.74	112.44
ECL on undisbursed loan commitment	51.86	47.39	33.95
Total	**443.05**	**318.53**	**195.78**

16. Tax Expenses

The major components of income tax expense for the year ended March 31, 2019

Profit or loss section

Particulars	Year ended March 31, 2019	Year ended March 31, 2018
Current income tax:		
Current income tax charge	5,038.29	4,517.89
Adjustments in respect of current income tax of previous year		
Deferred tax:		
Relating to origination and reversal of temporary differences	3,139.70	(396.69)
Income tax expense reported in the statement of profit or loss	**8,177.99**	**4,121.20**
OCI		
Deferred tax related to items recognised in OCI during the year:		

Particulars	Year ended March 31, 2019	Year ended March 31, 2018
Net loss/(gain) on re-measurements of defined benefit plans	12.25	3.75
Income tax charged to OCI	**12.25**	**3.75**

Reconciliation of tax expense and the accounting profit multiplied by India's domestic tax rate for March 31, 2019:

Particulars	Year ended March 31, 2019	Year ended March 31, 2018
Accounting profit before tax from continuing operations	25,769.22	13,430.53
Profit/(loss) before tax from a discontinued operation	-	-
Accounting profit before income tax	**25,769.22**	**13,430.53**
Tax at statutory Income Tax rate of 34.94% (P.Y. 34.61%)	9,004.80	4,648.04
Expenses Disallowed in Income tax Act	61.65	28.81
Other permanent differnece	(92.02)	(54.43)
Expenses Disallowed u/s 43B of Income tax Act	4.83	11.77
Provision for special reserve u/s 29C of NHB Act	(1,105.84)	(697.99)
Incremental defered tax liabilities /(assets) on account of Finaniclal assets and other items	304.56	185.00
Tax at effective Income Tax rate of 31.74% (P.Y. 30.69%)	8,177.99	4,121.20
Tax on Other comprehensive income (b)	12.25	3.75
Total Tax expenses at effective tax rate of 31.78% (P.Y. 30.71%) (a+b)	**8,190.24**	**4,124.95**

Notes to the Standalone Financial Statements for the year ended March 31, 2019

(₹ in lakh)

Deferred tax liabilities/(assets)	As at March 31, 2019	As at March 31, 2018	As at April 01, 2017
Deferred tax liability			
Unamortized Borrowings cost	129.07	175.94	116.08
Upfront EIS income	5,210.71	3,695.97	2,312.58
Other adjustments	10.13	-	69.45
Gross deferred tax liability	**5,349.91**	**3,871.91**	**2,498.11**
Deferred tax asset			
Expected credit loss (ECL)	(344.91)	(299.25)	(310.37)
Unamortized Processing fee	(397.49)	(708.57)	(521.58)
Fair Valuation of SARFAESI	(53.20)	(29.11)	(27.56)
Provision for gratuity and Leave availment	(136.70)	(93.84)	(56.01)
Difference between tax depreciation and depreciation/ amortization charged for the financial reporting	(142.68)	(13.35)	12.83
ESOPs	-	(1,522.57)	(67.26)
Other adjustments	-	(69.98)	-
Gross deferred tax asset	**(1,074.98)**	**(2,736.67)**	**(969.94)**
Net Deferred Tax Liability	**4,274.93**	**1,135.24**	**1,528.17**

Deferred Tax charged to statement of profit and loss account	Year ended March 31, 2019		Year ended March 31, 2018	
	Profit and Loss	OCI	Profit and Loss	OCI
Unamortized Borrowings cost	(46.88)	-	59.86	-
Upfront EIS income	1,514.74	-	1,383.38	-
Expected credit loss (ECL)	(45.65)	-	11.11	-
Unamortized Processing fee	311.08	-	(186.99)	-
Difference between tax depreciation and depreciation/ amortization charged for the financial reporting	(129.33)	-	(26.18)	-
ESOPs	1,522.57	-	(1,455.31)	-
Other adjustments	13.16	12.25	(182.57)	3.75
Deferred Tax charged to statement of profit and loss account	**3,139.70**	**12.25**	**(396.69)**	**3.75**

Notes to the Standalone Financial Statements for the year ended March 31, 2019

17. Other Non-financial Liabilities

(₹ in lakh)

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 01, 2017
Statutory Dues Payable	157.41	331.38	103.53
Provision for Expenses	601.93	313.46	243.28
Others	72.02	45.30	52.32
Total	**831.36**	**690.14**	**399.13**

18. Equity share capital

(₹ in lakh)

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

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 01, 2017
Authorized share Capital			
85,000,000 (P.Y. 85,000,000) Equity Shares of ₹10/- each	8,500.00	8,500.00	6,500.00
	8,500.00	8,500.00	6,500.00
Issued, Subscribed & Paid up capital			
Issued and Subscribed Capital			
78,107,901 (P.Y. 69,950,891) Equity Shares of ₹10/- each	7,810.79	6,995.09	5,873.97
Called-Up and Paid Up Capital			
Fully Paid-Up			
78,107,901 (P.Y. 68,798,297) Equity Shares of ₹10/- each	7,810.79	6,879.83	5,801.96
Partly Called-Up and Paid Up Capital			
Nil (P.Y. 7,20,094) Equity Shares of ₹10/- each, fully Paid up	-	28.80	14.40
Nil (P.Y. 4,32,500) Equity Shares of ₹10/- each, fully Paid up	-	8.65	-
Total	**7,810.79**	**6,917.28**	**5,816.36**

18.1 The reconciliation of equity shares outstanding at the beginning and at the end of the reporting year.

Particulars	As at March 31, 2019		As at March 31, 2018		As at April 01, 2017	
	No. of shares	₹ In lakh	No. of shares	₹ In lakh	No. of shares	₹ In lakh
Equity Share at the beginning of year	6,99,50,891	6,917.28	5,87,39,657	5,816.36	3,83,83,334	3,838.33
Add:						
Equity Share Allotted during year						
Shares issued during the year*	43,84,897	438.49	2,64,662	26.47	49,78,050	497.81
Partly paid up Shares issued during the year	-	-	4,32,500	8.65	1,62,602	3.25
Bonus Shares issued during the year	-	-	-	-	53,66,658	536.67
Right Shares issued during the year	-	-	92,91,521	929.15	92,91,521	929.15
Partly paid up Right Shares issued during the year	-	-	-	-	5,57,492	11.15
Shares issued under ESOP	29,72,113	297.21	12,22,551	122.25	-	-
Shares issued persuant to conversion of convertible share warrants**	8,00,000	80.00	-	-	-	-
Call money received on 7,20,094 @ ₹6 per share	-	43.21	-	14.40	-	-
Call money received on 4,32,500 @ ₹8 per share	-	34.60	-	-	-	-
Equity share at the end of year	**7,81,07,901**	**7,810.79**	**6,99,50,891**	**6,917.28**	**5,87,39,657**	**5,816.36**

Notes to the Standalone Financial Statements for the year ended March 31, 2019

*The Company had made an Initial Public Offer (IPO) during the year ended 31st March, 2019, for 1,99,79,503 equity shares of ₹10 each, comprising of 43,84,897 fresh issue of equity shares by the Company and 1,55,94,606 equity shares offered for sale by Selling shareholders. The equity shares were issued at a price of ₹821 per share (including premium of ₹811 per share). Out of the total proceeds from the IPO of ₹1,64,031.72 lakh, the Company's share was ₹36,000.00 lakh from the fresh issue of 43,84,897 equity shares. Fresh equity shares were allotted by the Company on 4th October 2018 and the shares of the Company were listed on the stock exchanges on 8th October 2018.

Expenses incurred by the Company aggregating to ₹998.72 lakh, in connection with IPO have been adjusted towards share premium account.

**During the financial year 2018-19 , the Company has converted 360,000 and 440,000 convertible warrants into the equity shares at a Issue Price of ₹328.00 and 430.50 per warrant respectively .

18.2 Shares held by holding Company

Name of the shareholder	As at March 31, 2019		As at March 31, 2018		As at April 01, 2017	
	No. of shares	% of holding	No. of shares	% of holding	No. of shares	% of holding
Lake District Holdings Limited	NA*	NA*	3,52,61,756	50.41%	3,03,76,454	51.71%
26,801,527 Equity Shares of ₹10/- each fully paid						
Total	**NA**	**NA**	**3,52,61,756**	**50.41%**	**3,03,76,454**	**51.71%**

*The Company ceased to be a holding Company from 9th June 2018

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.

18.3 Details of shareholders holding more than 5% shares in the Company

Name of the shareholder	As at March 31, 2019		As at March 31, 2018		As at April 01, 2017	
	No. of shares	% of holding	No. of shares	% of holding	No. of shares	% of holding
Lake District Holdings Limited	2,68,01,527	34.31%	3,52,61,756	50.41%	3,03,76,454	51.71%
26,801,527 Equity Shares of ₹10/- each fully paid						
Partners Group ESCL Limited	1,30,18,256	16.67%	1,71,27,627	24.49%	1,47,54,698	25.12%
13,018,256 Equity Shares of ₹10/- each fully paid						
Partners Group Private Equity Master Fund LLC	57,13,047	7.31%	75,16,440	10.74%	64,75,083	11.02%
5,713,047 Equity Shares of ₹10/- each fully paid						
AU Small Finance Bank Limited	56,50,909	7.23%	50,14,746	7.17%	43,41,149	7.39%
5,650,909 Equity Shares of ₹10/- each fully paid						
SBI Mutual Fund under its various scheme	53,66,491	6.87%	-	0.00%	-	0.00%
5,366,491 Equity Shares of ₹10/- each fully paid						
Total	5,65,50,230	72.39%	6,49,20,569	92.81%	5,59,47,384	95.24%

As per records of the Company, including its register of shareholders/ members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownerships of shares.

Notes to the Standalone Financial Statements for the year ended March 31, 2019

18.4 Rights, preferences and restrictions attached to shares

Equity shares:

The Company has one class of equity shares having a par value of ₹10 per share. Each shareholder is eligible for one vote per share held. The dividend as and when proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

18.5 Aggregate number of bonus shares issued during the year of five years immediately preceding the reporting date

Particulars	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015
Equity shares allotted as fully paid bonus shares by capitalization of securities premium	-	-	53,66,658	-	-

18.6 For details of shares reserved for issue under the employee stock option plan (ESOP) of the Company, refer note 30

19. Other equity

(₹ in lakh)

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 01, 2017
Share Premium Account (refer note 19.1)	1,32,004.34	83,239.86	39,134.15
Special reserve u/s 29C of The National Housing Bank Act, 1987 read with 36 (1) (viii) of income tax Act. 1961(refer note 19.1)	8,343.42	4,820.62	2,803.77
Share Based Payments Reserve (refer note 19.1)	742.34	3,284.86	194.36
Money received against share warrants (refer note 19.1)	-	24.00	-
Retained earnings	34,795.04	20,703.79	13,404.23
Total	**1,75,885.14**	**1,12,073.13**	**55,536.51**

19.1 Nature and purpose of reserve

Share Premium Account

Share Premium Account is used to record the premium on issue of shares. The reserve is utilised in accordance with provisions of the Companies Act, 2013.

Special reserve

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 196, is considered to be an eligible transfer. During the year ended March 31, 2019, The Company has transferred an amount of ₹3164.62 lakh (P.Y. ₹2016.85 lakh) to special reserve in terms of Section 36(1) (viii) of the Income Tax Act 1961 considered eligible for special reserve u/s 29C of NHB Act 1987 and also transferred an amount of 358.19 lakh (P.Y. ₹Nil) to the Reserve in terms of Section 29C of the National Housing Bank ("NHB") Act, 1987.

Share Based Payments Reserve

This Reserve relates to stock options granted by the Company to employees under various ESOP Schemes. This Reserve is transferred to Securities Premium Account on exercise of vested options.

Notes to the Standalone Financial Statements for the year ended March 31, 2019

Money received against share warrants

During the financial year 2017-18, the Company had issued 360,000 and 440,000 convertible warrants at a Issue Price of ₹328.00 and 430.50 per warrant respectively upon receipt of ₹3 per warrant , with a right exercisable by the warrant holder to convert each warrant with one equity share of the Company of face value ₹10/- each at a premium of ₹318.00 and ₹420.50 as the case may be, any time before the expiry of 5 years from the date of allotment or the filing of red herring prospectus with SEBI in accordance with applicable laws or any other year specified by Board, whichever is earlier, of the said convertible warrants.

During the financial year 2018-19, the Company has converted 360,000 and 440,000 convertible warrants into the equity shares at a Issue Price of ₹328.00 and 430.50 per warrant respectively.

20. Interest income

(₹ in lakh)

Particulars	Year ended March 31, 2019			Year ended March 31, 2018		
	On financial assets measured at fair value through OCI	On financial assets measured at Amortised cost	Interest income on financial assets classified at fair value through profit and loss	On financial assets measured at fair value through OCI	On financial assets measured at Amortised cost	Interest income on financial assets classified at fair value through profit and loss
Interest on Loans (Refer note 20(a))	-	55,978.31	-	-	39,109.53	-
Interest on deposits with Banks	-	3,376.51	-	-	131.25	-
Interest income on Inter-corporate deposits	-	-	-	-	12.71	-
Interest income on CP	-	-	-	-	-	7.66
Total	**-**	**59,354.82**	**-**	**-**	**39,253.49**	**7.66**

20(a) Loan origination income included in Interest income on Loan is disclosed net of the direct incremental costs of ₹2,687.17 lakh for year ended March 31, 2019 (P.Y. ₹1,656.08 lakh) associated with the origination of the underlying loans.

21. Fees and commission Income

(₹ in lakh)

Particulars	Year ended March 31, 2019	Year ended March 31, 2018
Insurance commission	233.78	20.77
Other fee income	2,368.95	1,900.81
Total	**2,602.73**	**1,921.58**

Notes to the Standalone Financial Statements for the year ended March 31, 2019

22. Net gain/(loss) on fair value changes

(₹ in lakh)

Particulars	Year ended March 31, 2019	Year ended March 31, 2018
a) Net gain/(loss) on financial instruments at fair value through profit and loss		
i) On trading portfolio		
Investments	1,182.45	2,117.25
b) Others		
Derivatives	28.97	37.20
Total Net gain/(loss) on fair value changes	**1,211.42**	**2,154.45**
Fair value changes		
Realised	1,182.45	2,117.25
Unrealised- MTM gain	28.97	37.20
Total Net gain/(loss) on fair value changes	**1,211.42**	**2,154.45**

23. Other income

(₹ in lakh)

Particulars	Year ended March 31, 2019	Year ended March 31, 2018
Net gain on derecognition of property, plant and equipment	1.64	1.55
Other income	98.63	89.03
Total	**100.27**	**90.58**

24. Finance Costs

(₹ in lakh)

Particulars	Year ended March 31, 2019		Year ended March 31, 2018	
	On financial liabilities measured at fair value through Profit or loss	On financial assets measured at Amortised cost	On financial liabilities measured at fair value through Profit or loss	On financial assets measured at Amortised cost
Interest on borrowings	-	24,515.36	-	18,349.09
Discount on Commercial Papers	-	-	74.51	-
Interest on Securitsed pool	-	1,021.35	-	885.16
Total	**-**	**25,536.71**	**74.51**	**19,234.25**

25. Fees and commission expense

(₹ in lakh)

Particulars	Year ended March 31, 2019	Year ended March 31, 2018
Resource mobilisation expenses	288.83	234.52
Bank charges and commission	85.89	74.25
Brokerage Commission	117.48	76.17
Total	**492.20**	**384.94**

Notes to the Standalone Financial Statements for the year ended March 31, 2019

26. Impairment on financial instruments

(₹ in lakh)

Particulars	Year ended March 31, 2019		Year ended March 31, 2018	
	On financial assets measured at fair value through OCI	On financial assets measured at Amortised cost	On financial assets measured at fair value through OCI	On financial assets measured at Amortised cost
Loan Assets	-	563.25	-	76.30
Write offs	-	326.52	-	182.57
Total	**-**	**889.77**	**-**	**258.87**

27. Employee Benefits Expenses

(₹ in lakh)

Particulars	Year ended March 31, 2019	Year ended March 31, 2018
Salaries and wages	10,281.55	6,463.76
Contribution to provident and other funds	445.84	267.48
Share Based Payments to employees	686.02	4,205.12
Staff welfare expenses	310.13	217.85
Total	**11,723.54**	**11,154.21**

Gratuity and other post-employment benefit plans

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service is eligible for gratuity on cessation of employment and it is computed at 15 days salary (last drawn salary) for each completed year of service subject to such limit as prescribed by The Payment of Gratuity Act, 1972 as amended from time to time.

The following tables summarize the components of net benefits expense recognized in the statement of profit and loss and the funded status and amounts recognized in the balance sheet for the respective plans.

Statement of profit and loss

Net employee benefit expense recognized in the employee cost

(₹ in lakh)

Particulars	Year ended March 31, 2019	Year ended March 31, 2018
Current service cost	132.55	84.91
Interest cost	14.55	8.43
Return on plan assets	-	-
Net remeasurement (gain) / loss recognized in the year	-	-
Net expense	**147.10**	**93.34**

Notes to the Standalone Financial Statements for the year ended March 31, 2019

Remeasurement (gains)/ loss recognised in other comprehensive income:

(₹ in lakh)

Particulars	Year ended March 31, 2019	Year ended March 31, 2018
Remeasurement (gain) / loss on obligations arising from changes in experience adjustments	(35.07)	(10.82)
Remeasurement (gain) / loss on obligations arising from changes in financial assumptions	-	-
Remeasurement (gain) / loss arising during the year	**(35.07)**	**(10.82)**

Balance Sheet
Net defined benefit liability

(₹ in lakh)

Particulars	Year ended March 31, 2019	Year ended March 31, 2018
Present value of defined benefit obligation	293.96	187.74
Fair value of plan assets	-	-
Plan liability	**293.96**	**187.74**

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

(₹ in lakh)

Particulars	Year ended March 31, 2019	Year ended March 31, 2018
Opening defined benefit obligation	187.74	112.44
Current service cost	132.55	84.91
Interest cost	14.55	8.43
Benefits paid during the year	(5.81)	(7.22)
Remeasurement (gain)/loss on obligation	(35.07)	(10.82)
Closing defined benefit obligation	**293.96**	**187.74**

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

(₹ in lakh)

Particulars	Year ended March 31, 2019	Year ended March 31, 2018
Discount rate	7.72%	7.75%
Salary escalation rate	6.50%	7.00%
Employee Turnover	age 30 = 5%	age 30 = 5%
	age 31-40 = 3%	age 31-40 = 3%
	age 41-50 = 2%	age 41-50 = 2%
	age 51 & above=1%	age 51 & above=1%

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

Notes to the Standalone Financial Statements for the year ended March 31, 2019

Experience adjustment for the reported years are as below: (₹ in lakh)

Particulars	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015
Defined benefit obligation	293.96	187.74	112.44	68.98	39.34
Plan assets	-	-	-	-	-
Surplus	293.96	187.74	112.44	68.98	39.34
Experience adjustments on plan liabilities	(35.07)	(10.82)	(16.81)	(7.37)	(3.82)
Experience adjustments on plan assets	-	-	-	-	-

Sensitivity Analysis:

A quantitative sensitivity analysis for significant assumption is as shown below:

(₹ in lakh)

Particulars	As at March 31, 2019	As at March 31, 2018
a) Effect of 1% change in assumed discount rate		
- 1% increase	255.64	162.38
- 1% decrease	341.06	219.13
(b) Effect of 1% change in assumed salary escalation rate		
- 1% increase	341.41	219.13
- 1% decrease	254.75	161.95

Other Benefits

The Company has provided for compensatory leaves which can be availed and not encashed as per policy of the Company as present value obligation of the benefit at related current service cost measured using the Projected Unit Credit Method on the basis of an actuarial valuation.

28. Other expenses

(₹ in lakh)

Particulars	Year ended March 31, 2019	Year ended March 31, 2018
Advertisement and publicity	295.86	448.11
AMC charges	57.06	44.51
Auditor's remuneration (note 28(a))	47.01	22.49
Commission to directors	17.44	23.51
Communication Costs	237.32	178.84
CSR expenses	176.43	100.16
Directors Sitting Fees	28.34	19.45
Electricity and water	214.47	119.32
Fee & subscription	1.22	1.87
General Office Expenses	192.61	119.97

Notes to the Standalone Financial Statements for the year ended March 31, 2019

28. Other expenses (Contd.)

(₹ in lakh)

Particulars	Year ended March 31, 2019	Year ended March 31, 2018
Legal and Professional charges	723.63	548.85
Manpower management cost	1,941.04	1,414.96
Postage & courier expenses	131.23	85.32
Printing and stationery	103.23	77.72
Rates & Taxes Expenses	23.42	32.87
Rent	761.66	492.40
Repairs and maintenance	241.04	173.28
Travelling and Conveyance	520.46	440.89
Total	**5,713.47**	**4,344.52**

28(a) Auditor's remuneration

(₹ in lakh)

Particulars	Year ended March 31, 2019	Year ended March 31, 2018
Audit fees	36.79	18.50
Tax audit fees	2.18	1.50
Other services	8.04	2.49
	47.01	**22.49**

29. Earning per share

(₹ in lakh)

Particulars	Year ended March 31, 2019	Year ended March 31, 2018
Following reflects the profit and share data used in EPS computations:		
Basic		
Weighted average number of equity shares for computation of Basic EPS (in lakh)	743.87	585.66
Net profit for calculation of basic EPS (₹ in lakh)	17,591.23	9,309.33
Basic earning per share (In ₹)	**23.65**	**15.90**
Diluted		
Weighted average number of equity shares for computation of Diluted EPS (in lakh)	762.10	610.96
Net profit for calculation of Diluted EPS (₹ in lakh)	17,591.23	9,309.33
Diluted earning per share (In ₹)	**23.08**	**15.24**
Nominal value of equity shares (In ₹)	**10.00**	**10.00**

Notes to the Standalone Financial Statements for the year ended March 31, 2019

30 Stock options

I The Company has formulated various share-based payment schemes for its employees (Plan I), management team (Plan II) and directors (Plan III). Details of all grants in operation during the Year ended March 31, 2019 are as given below:

Particulars	ESOP 2016 I (a)	ESOP 2016 I (b)	ESOP 2016 II	ESOP 2016 III
Scheme Name	Equity stock option plan for Employees 2016 (ESOP 2016 I)	Equity stock option plan for Employees 2016 (ESOP 2016 I)	Equity stock option plan for Management team 2016 (ESOP 2016 II)	Equity stock option plan for Directors 2016 (ESOP 2016 III)
No. of options approved*	12,87,901		34,45,610	7,19,084
Date of grant	23-Feb-17	24-Jan-18	23-Feb-17	23-Feb-17
No. of options granted	9,80,118	4,24,687	34,45,610	7,19,084
Exercise price per option (in ₹)	215.25	328	215.25	215.25
Method of settlement	Equity	Equity	Equity	Equity
Vesting year and conditions	A) 50% options to vest as per stipulated vesting schedule ("Fixed Vesting") B) 50% options to vest as per stipulated vesting schedule on fulfillment of stipulated conditions ("Conditional Vesting")			
A) Fixed Vesting year is as follows on following dates :-				
1st vesting "12 months from the date of grant"	98,012	42,469	Refer note A	71,908
2nd vesting "On expiry of four months from the 1st vesting date"	98,012	NA	-	71,908
2nd vesting "On expiry of one year from the 1st vesting date"	NA	42,469	-	NA
3rd vesting "On expiry of one year from the 2nd vesting date"	98,012	42,469	-	Refer note B
4th vesting "On expiry of one year from the 3rd vesting date"	98,012	42,469	-	-
5th vesting "On expiry of one year from the 4th vesting date"	98,011	42,469	-	-
B) Conditional Vesting	Linked with conditions over the next five years as stipulated in respective stock option plan		Refer note A	Linked with conditions over the next five years as stipulated in respective stock option plan (Refer note B)
Exercise year	Four years from the date of each vesting			

*After adjusting subsequent cancellations, if any

Notes to the Standalone Financial Statements for the year ended March 31, 2019

Note:

A. During year ended March 31, 2018, pursuant to the the Board approval dated January 25, 2018, all options granted under Management team 2016 (ESOP 2016 II) plan were vested with immediate effect with no further conditions attached to them.

B. During Year ended March 31, 2019, pursuant to the the Board approval dated June 08, 2018, last three tranches of options related to fixed vesting (2,15,724 options) and 25% of performance options (89,886 options) granted under Directors 2016 (ESOP 2016 III) plan were vested on June 30, 2018 subject to lock in conditions as prescribed in stock plan.

II. Computation of fair value of options granted during the Year ended March 31, 2019

Nil options granted during the Year ended March 31, 2019

Computation of fair value of options granted during year ended March 31, 2018

Plan I : The weighted average fair value of stock options granted during the year was ₹153.51 (Plan I (b)).

The Black-Scholes Model has been used for computing the weighted average fair value considering the following:

Particulars	Plan I (b)
Share price on the date of grant (₹)	316.3
Exercise price (₹)	328.00
Expected volatility (%)	45.50%
Life of the options granted (years)	
First Vesting	3 years
Second Vesting	4 years
Third Vesting	5 years
Forth Vesting	6 years
Fifth Vesting	7 years
Risk-free interest rate (%)	7.42%
Expected dividend rate (%)	0%
Fair value of the option (₹)	Tranche 1 - 118.09 Tranche 2 - 138.24 Tranche 3 - 155.03 Tranche 4 - 171.35 Tranche 5 - 184.83

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a year similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

Notes to the Standalone Financial Statements for the year ended March 31, 2019

III. Reconciliation of options

Particulars	ESOP 2016 I (a)	ESOP 2016 I (b)	ESOP 2016 II	ESOP 2016 III
Year ended March 31, 2019				
Options outstanding at April 1, 2018	8,63,214	4,24,687	22,23,059	7,19,084
Granted during the year	-	-	-	-
Forfeited during the year	4,388	-	-	-
Exercised during the year	2,99,626	-	22,23,059	4,49,428
Expired / lapsed during the year	82,739	2,500	-	-
Outstanding at March 31, 2019	4,76,461	4,22,187	-	2,69,656
Exercisable at March 31, 2019	4,604	84,436	-	-
Weighted average remaining contractual life (in years)	3.10	5.80	-	2.34
Weighted average share price at the time of exercise*	430.50	-	430.50	430.50
Particulars	ESOP 2016 I (a)	ESOP 2016 I (b)	ESOP 2016 II	ESOP 2016 III
Year ended March 31, 2018				
Options outstanding at April 1, 2017	9,80,118	-	34,45,610	7,19,084
Granted during the year	-	4,24,687	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	12,22,551	-
Expired / lapsed during the year	1,16,904	-	-	-
Outstanding at March 31, 2018	8,63,214	4,24,687	22,23,059	7,19,084
Exercisable at March 31, 2018	1,54,608	-	22,23,059	71,908
Weighted average remaining contractual life (in years)	5.38	6.82	2.52	6.30
Weighted average share price at the time of exercise*	-	-	301.00	-

* Disclosure of weighted average share price at the time of exercise is applicable only for plans where there has been an exercise of options in current financial year.

31. Hedging activities and derivatives

Derivatives not designated as hedging instruments

The Company uses foreign currency denominated borrowings and Cross Currency Swaps to manage some of its transaction exposures. The Cross Currency Swaps are not designated as cash flow hedges and are entered into for years of generally 34 to 36 months.

32. First-time adoption of Ind AS

These financial statements, for the year ended 31 March 2019, are the first financial statements the Company has prepared in accordance with Ind AS. For years up to and including the year ended 31 March 2018, the Company prepared its financial statements in accordance with accounting standards notified under section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 (Indian GAAP or previous GAAP).

Notes to the Standalone Financial Statements for the year ended March 31, 2019

Accordingly, the Company has prepared financial statements which comply with Ind AS applicable for years ending on 31 March 2019, together with the comparative year data as at and for the year ended 31 March 2018, as described in the summary of significant accounting policies. In preparing these financial statements, the Company's opening balance sheet was prepared as at 1 April 2017, the Company's date of transition to Ind AS. This note explains the principal adjustments made by the Company in restating its Indian GAAP financial statements, including the balance sheet as at 1 April 2017 and the financial statements as at and for the year ended 31 March 2018.

Exemptions applied

Ind AS 101 allows first-time adopters certain exemptions from the retrospective application of certain requirements under Ind AS. The Company has applied the following exemptions/exceptions:

Use of Estimates

The estimates at April 1, 2017, March 31, 2018 and March 31, 2019 are consistent with those made for the same dates in accordance with Indian GAAP apart from the following adjustments, where application of Indian GAAP did not require estimation:

- Fair valuation of financials instruments carried at FVTPL

- Impairment of financial assets based on Expected Credit Loss (ECL) model

- Determination of discounted value for financial instruments carried at amortized cost

The estimates used by the Company to present these amounts in accordance with Ind AS reflect conditions at April 1, 2017 the date of transition to Ind AS, and as of March 31, 2018.

Mandatory exemptions :

Classification and measurement of financial assets

The Company has classified the financial assets in accordance with Ind AS 109 on the basis of facts and circumstances that exist at the date of transition to Ind AS.

Impairment of financial assets

The Company has applied the exception related impairment of financial assets given in Ind AS 101. It has used reasonable and supportable information that is available without undue cost or effort to determine the credit risk at the date that financial assets were initially recognized and compared that to the credit risk as at April 1, 2017.

De-recognition of financial assets and liabilities

The Company has elected to apply the de-recognition provisions of Ind AS 109 prospectively from the date of transition to Ind AS, except for securitisation deals since the information needed to apply Ind AS 109 was available at the time of initially accounting for these securitisation deals.

Optional exemptions :

Arrangements containing a lease:

Appendix C to Ind AS 17 requires an entity to assess whether a contract or arrangement contains a lease. In accordance with Ind AS 17, this assessment should be carried out at the inception of the contract or arrangement. However, the Company has used Ind AS 101 exemption and assessed all arrangements based for embedded leases based on conditions in place as at the date of transition.

Fair value measurement of financial assets or financial liabilities

The Company has elected to apply Ind AS 109 to day one gain or loss provisions prospectively to transactions occurring on or after the date of transition to Ind AS.

Notes to the Standalone Financial Statements for the year ended March 31, 2019

32a. Reconciliation of Equity as at April 01, 2017

(₹ in lakh)

Particulars	Notes	Indian GAAP	Ind AS Adjustments	Ind AS
ASSETS				
Financial assets				
Cash and cash equivalents		26,860.13	-	26,860.13
Bank balance other than cash and cash equivalents		716.60	-	716.60
Loans	i	2,14,293.10	6,648.62	2,20,941.72
Investments		77.96	(77.96)	-
Other financial assets	ii	109.56	6,682.23	6,791.79
		2,42,057.35	**13,252.89**	**2,55,310.24**
Non-financal assets				
Property, plant and equipment		869.24	-	869.24
Intangible assets under development		13.53	-	13.53
Other intangible assets		147.67	-	147.67
Other non-financial assets		87.70	-	87.70
Assets held for sale		629.58	(79.64)	549.94
		1,747.72	**(79.64)**	**1,668.08**
		2,43,805.07	**13,173.25**	**2,56,978.32**
LIABILITIES AND EQUITY				
LIABILITIES				
Financial liabilities				
Derivative financial instruments		-	216.96	216.96
Payables		758.95	-	758.95
Debt securities	iv	33,500.00	(55.68)	33,444.32
Borrowings (other than debt securities)	iv	1,42,838.85	7,317.16	1,50,156.01
Subordinated liabilities	iv	3,000.00	(26.50)	2,973.50
Other financial liabilities		5,936.10	-	5,936.10
		1,86,033.90	**7,451.94**	**1,93,485.84**
Non-financial liabilities				
Current tax liabilities (net)		16.53	-	16.53
Provisions		161.83	33.95	195.78
Deferred tax liabilities (net)	vi	616.78	911.39	1,528.17
Other non-financial liabitilies		343.36	55.77	399.13
		1,138.50	**1,001.11**	**2,139.61**
Equity				
Equity share capital		5,816.36	-	5,816.36
Other equity		50,816.31	4,720.20	55,536.51
		56,632.67	**4,720.20**	**61,352.87**
		2,43,805.07	**13,173.25**	**2,56,978.32**

Notes to the Standalone Financial Statements for the year ended March 31, 2019

32b Reconciliation of Equity as at March 31, 2018

(₹ in lakh)

Particulars	Notes	Indian GAAP	Ind AS Adjustments	Ind AS
ASSETS				
Financial assets				
Cash and cash equivalents		35,848.71	-	35,848.71
Bank balance other than cash and cash equivalents		20,647.40	-	20,647.40
Loans	i	3,19,483.77	13,858.05	3,33,341.82
Investments		1,405.66	(955.66)	450.00
Other financial assets	ii	202.15	10,679.51	10,881.66
		3,77,587.69	**23,581.90**	**4,01,169.59**
Non-financal assets				
Property, plant and equipment		1,545.44	-	1,545.44
Intangible assets under development		3.27	-	3.27
Other intangible assets		297.08	-	297.08
Other non-financial assets		385.18	-	385.18
Assets held for sale		693.88	(84.13)	609.75
		2,924.85	**(84.13)**	**2,840.72**
		3,80,512.54	**23,497.77**	**4,04,010.31**
LIABILITIES AND EQUITY				
LIABILITIES				
Financial liabilities				
Derivative financial instruments		-	161.74	161.74
Payables		912.91	-	912.91
Debt securities	iv	39,000.00	(180.17)	38,819.83
Borrowings (other than debt securities)	iv	2,10,578.22	14,409.93	2,24,988.15
Subordinated liabilities	iv	10,000.00	(51.96)	9,948.04
Other financial liabilities		7,993.67	-	7,993.67
		2,68,484.80	**14,339.54**	**2,82,824.34**
Non-financial liabilities				
Current tax liabilities (net)		51.65	-	51.65
Provisions		271.14	47.39	318.53
Deferred tax liabilities (net)	vi	1,175.88	(40.64)	1,135.24
Other non-financial liabitilies		681.92	8.22	690.14
		2,180.59	**14.97**	**2,195.56**
Equity				
Equity share capital		6,917.28	-	6,917.28
Other equity		1,02,929.87	9,143.26	1,12,073.13
		1,09,847.15	**9,143.26**	**1,18,990.41**
		3,80,512.54	**23,497.77**	**4,04,010.31**

Notes to the Standalone Financial Statements for the year ended March 31, 2019

32c Reconciliation of profit or loss for the Year ended March 31, 2018 (₹ in lakh)

Particulars	Notes	Indian GAAP	Ind AS Adjustments	Ind AS
Revenue from operations				
Interest income		42,512.69	(3,251.54)	39,261.15
Fees and commission income		1,003.95	917.63	1,921.58
Net gain on derecognition of financial instruments under amortised cost category		-	6,016.73	6,016.73
Net gain on fair value changes		2,117.25	37.20	2,154.45
Total revenue from operations		**45,633.89**	**3,720.02**	**49,353.91**
Other income		90.58	-	90.58
Total income		**45,724.47**	**3,720.02**	**49,444.49**
Expenses				
Finance costs		18,442.88	865.88	19,308.76
Fees and commission expense		538.62	(153.68)	384.94
Impairment on financial instruments	i	190.41	68.46	258.87
Employee benefits expense	iii	7,335.95	3,818.26	11,154.21
Depreciation, amortization and impairment		562.66	-	562.66
Other expenses		4,478.63	(134.11)	4,344.52
Total expenses		**31,549.15**	**4,464.81**	**36,013.96**
Profit before tax		**14,175.32**	**(744.79)**	**13,430.53**
Tax expense:				
(1) Current tax		4,322.94	194.95	4,517.89
(2) Deferred tax		559.09	(955.78)	(396.69)
Total tax expenses		**4,882.03**	**(760.83)**	**4,121.20**
Profit for the year		**9,293.29**	**16.04**	**9,309.33**
Other comprehensive income	viii			
a) Items that will not be reclassified to profit or loss				
Remeasurements of defined benefit liability	vii	-	10.83	10.83
Income tax effect		-	(3.75)	(3.75)
b) Items that will be reclassified to profit or loss				
Other comprehensive Income, net of income tax		**-**	**7.08**	**7.08**
Total comprehensive Income for the year		**9,293.29**	**23.12**	**9,316.41**

Notes to the Standalone Financial Statements for the year ended March 31, 2019

32d Footnotes to the reconciliation of equity as at April 01, 2017 and March 31, 2018 and profit or loss for the Year ended March 31, 2018.

i Loans and advances

(i) Under Indian GAAP, the Company has created provision for loans and advances based on the Guidelines on prudential norms issued by National Housing Bank. Under Ind AS, impairment allowance has been determined based on Expected Loss model (ECL). Due to ECL model, the Company impaired its loans and advances by ₹817.30 lakh as on March 31, 2018 (₹754.40 lakh as on April 01, 2017) as against Provision made under Indian GAAP by ₹1,273.85 lakh as on March 31, 2018 (₹1,261.48 lakh as on April 01, 2017). In addition, ECL on undisbursed loan commitment has also been determined as per Ind AS for ₹47.39 lakh as on March 31, 2018 (₹33.95 lakh as on April 01, 2017). The differential impact has been adjusted in Profit and loss during the year.

(ii) Under Indian GAAP, transaction costs incurred in connection with loans and advances are amortised upfront and charged to profit or loss for the year. Under Ind AS, transaction costs are included in the initial recognition amount of financial asset measured at amortised cost and charged to profit or loss using the effective interest method.

(iii) The Company has securtised certain assets and under Indian GAAP, it has derecognised those assets in the books. However, as per Ind AS, the Company has not transferred substantially all the risks and rewards, the asset has been re-recognised, and the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

(iv) Under Indian GAAP, the Company has transferred certain assets to asset reconstruction company which has been de-recognised from the loan portfolio of the Company. Under Ind AS, the the Company has re-recognised the assets and also recognised an associated liability to the extent of the rights and obligations retained by the Company.

ii Other financial assets

Under Ind AS, with respect to Assignment deals, Company has created an Interest only strip receivable amounting to ₹10,679.52 lakh as on March 31, 2018 (₹6,682.22 lakh as on April 01, 2017) with corresponding credit to Proft and loss for the year, which has been computed by discounting Excess Interest Spread (EIS) to present value. Necessary adjustment with respect to credit risk has also been made.

iii Share based payments

Under Indian GAAP, the Company recognised only the intrinsic value for the share based payments plans as an expense. Ind AS requires the fair value of the share options to be determined using an appropriate pricing model recognised over the vesting year. An additional expense of ₹4,205.12 lakh has been recognised in profit or loss for the year ended March 31, 2018. Share options totalling ₹19.44 lakh which were granted before and still not vested at 1 April 2017, have been recognised as a separate component of equity in SBP reserve against retained earnings at 1 April 2017.

iv Borrowings, Debt securities and Subordinate liabilities

Under Indian GAAP, transaction costs incurred in connection with borrowings, debt securities and subordinate liabilities are amortised upfront and charged to profit or loss for the year. Under Ind AS, transaction costs are included in the initial recognition amount of financial liability and charged to profit or loss using the effective interest method.

v Cross Currency Swaps (CCS) not designated as hedging instruments

Under the previous GAAP, the Company has considered the critical terms of the CCS and those of the principal term loan are same, based on the internal assessment carried out by the management, the net impact of the marked to market valuation of the CCS, net of gain/loss on the underlying loan, is not expected to be material and accordingly no adjustment has been made in the financial statements.

Under Ind AS, derivative which are not designated as hedging instruments are fair valued with resulting changes being recognised in Retained earnings/profit or loss.

Notes to the Standalone Financial Statements for the year ended March 31, 2019

vi **Deferred tax**

Indian GAAP requires deferred tax accounting using the income statement approach, which focuses on differences between taxable profits and accounting profits for the year. Ind AS 12 requires entities to account for deferred taxes using the balance sheet approach, which focuses on temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base. The application of Ind AS 12 approach has resulted in recognition of deferred tax on new temporary differences which was not required under Indian GAAP.

In addition, the various transitional adjustments lead to temporary differences. According to the accounting policies, the Group has to account for such differences. Deferred tax adjustments are recognised in correlation to the underlying transaction either in retained earnings or a separate component of equity. The net impact on deferred tax liabilities is of negative of ₹40.65 lakh as on March 31, 2018

Ind AS does not require the creation of DTL on the amount transferred to the Special Reserve. Accordingly, DTL created on special reserve as at March 31, 2017 is reversed and the charge through the Statement of Profit and Loss Account in earlier years is also reversed.

vii **Remeasurements of post employement benefit plans**

Under Ind AS, remeasurements i.e. actuarial gain and losses on the net defined liability are recognised in other comprehensive income instead of profit or loss. Under the previous GAAP, these measurements were forming part of the profit or loss for the year. Though there is no imapct on the total equity as at March 31, 2018.

viii **Other comprehensive income**

Under Indian GAAP, the Company has not presented other comprehensive income (OCI) separately. Hence, it has reconciled Indian GAAP profit or loss to profit or loss as per Ind AS. Further, Indian GAAP profit or loss is reconciled to total comprehensive income as per Ind AS.

ix **Statement of cash flows**

The transition from Indian GAAP to Ind AS has not had a material impact on the statement of cash flows.

x **Figures under previous GAAP have been regrouped/ reclassified for Ind AS purpose wherever applicable.**

33. Segment information

The Company has only one reportable business segment, i.e. lending to borrowers, which have similar nature of products and services, type/class of customers and the nature of the regulatory environment (which is banking), risks and returns for the purpose of Ind AS 108 on 'Segment Reporting' specified under section 133 of the Companies Act 2013, read with Rule 7 of the Companies (Accounts] Rules, 2014 . Accordingly, the amounts appearing in the financial statements relate to the Company's single business segment.

The Company has been granted Certificate of Registration (No. 08.0095.11) to commence/carry on the business as a housing finance company without accepting public deposits by National Housing Bank on August 04, 2011 and got a revised Certificate of Registration (02.0104.13) after conversion of Company from a private limited company to a public limited company on February 08, 2013. Further, the name of our company was changed to AAVAS FINANCIERS LIMITED, pursuant to a Shareholders resolution passed at the EOGM held on February 23, 2017. A fresh certificate of incorporation consequent to such change of name was issued on March 29, 2017 by the Registrar of companies, Jaipur and subsequently the revised certificate of Registration (No.04.0151.17) was issued on April 19, 2017 by National Housing Bank.

Notes to the Standalone Financial Statements for the year ended March 31, 2019

34. Related party

a. Names of related parties identified in accordance with Ind AS -24 "Related Party Disclosures" (with whom there were transactions during the current year/previous year)

1. Entities where control exists:

Holding Company

Lake District Holdings Limited - (Upto 8th June 2018)

Shareholders having Substantial interest

Lake District Holdings Limited - (From 8th June 2018)

Partners Group ESCL Limited - (upto 4th October 2018)

Wholly owned Subsidiary Company

Aavas Finserv Limited - (From 30th November 2017)

2. Key Management Personnel

Mr. Krishan Kant Rathi	Chairperson and Independent Director
Mr. Sushil Kumar Agarwal	Whole Time Director and Chief Executive Officer
Mrs. Kalpana Iyer	Independent Director
Mr. Sandeep Tandon	Independent Director (From 27th July, 2017)
Mr. Ramachandra Kasargod Kamath	Non-Executive Nominee Director
Mr. Vivek Vig	Non-Executive Nominee Director
Mr. Ghanshyam Rawat	Chief Financial Officer
Mr. Sharad Pathak	Company Secretary & Compliance Officer

3. Enterprises under significant influence of the Key Management Personnel
Aavas foundation (From 26th March 2019)

4. Relatives of Key Managerial Personnel
Mrs. Veenakumari Tandon (Mother of Mr. Sandeep Tandon)

Notes to the Standalone Financial Statements for the year ended March 31, 2019

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

(₹ in lakh)

Name of related party	Nature of transactions	March 31, 2019			March 31, 2018		
		Amount received	Amount paid	Outstanding balance	Amount received	Amount paid	Outstanding balance
Lake District Holdings Limited	Issue of Equity shares	-	-	-	21,031.23	-	-
Partners Group ESCL Limited	Issue of Equity shares	-	-	-	10,215.46	-	-
Aavas Finserv Limited	Reimbursement of expenses	4.98	-	12.41	7.43	-	7.43
Aavas Finserv Limited	Reimbursement of Statutory payments	1.94	-	1.94	-	-	-
Aavas Finserv Limited	Issue of Equity shares	-	-	-	-	450.00	-
Mr. Krishan Kant Rathi	Issue of Equity shares	-	-	-	120.36	-	-
	Sitting fees	-	7.90	-	-	5.44	-
	Commission	-	-	-	-	1.09	-
Mr. Sushil Kumar Agarwal	Issue of Equity shares and Share warrants	5,784.82	-	-	1,893.81	-	-
	Remuneration	-	219.88	-	-	202.90	-
	Share based Payment	-	-	-	-	2,153.13	-
Mrs. Kalpana Iyer	Issue of Equity shares	-	-	-	60.18	-	-
	Sitting fees	-	7.90	-	-	5.98	-
Mr. Sandeep Tandon	Sitting fees	-	6.54	-	-	2.18	-
Mr. Ramachandra Kasargod Kamath	Issue of Equity shares	161.23	-	-	135.20	-	-
	Share based Payment	-	51.05	-	-	43.38	-
	Sitting fees	-	3.82	-	-	2.59	-
	Commission	-	17.44	-	-	19.15	-
Mr. Vivek Vig	Issue of Equity shares	806.16	-	-	524.46	-	-
	Share based Payment	-	255.24	-	-	216.88	-
	Sitting fees	-	2.18	-	-	3.26	-
	Commission	-	-	-	-	3.27	-
Mr. Ghanshyam Rawat	Issue of Equity shares and Share warrants	1,936.11	-	-	669.62	-	-
	Remuneration	-	166.66	-	-	151.10	-
	Share based Payment	-	-	-	-	768.98	-
Mr. Sharad pathak	Issue of Equity shares	37.47	-	-	8.68	-	-
	Remuneration	-	15.21	-	-	12.18	-
	Share based Payment	-	5.07	-	-	4.95	-
Aavas Foundation	Contribute as a Settler	-	0.11	-	-	-	-
Mrs. Veenakumari Tandon	Issue of Equity shares	-	-	-	601.83	-	-

Note :The remuneration to the key managerial personnel does not include the provisions made for gratuity and leave benefits, as they are determined on an actuarial basis for the Company as a whole.

Notes to the Standalone Financial Statements for the year ended March 31, 2019

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

There are no amounts that need to be disclosed in accordance with the Micro Small and Medium Enterprise Development Act, 2006 (the 'MSMED') pertaining to micro or small enterprises. for the year ended March 31, 2019 (no supplier has intimated the Company about its status as micro or small enterprises or its registration with the appropriate authority under MSMED)

36. The Company's pending litigations comprise of claims against the Company primarily by the customers. The Company has reviewed all its pending litigations and proceedings and has adequately provided for where provisions are required and disclosed the contingent liabilities where applicable, in its financial statements. The Company does not expect the outcome of these proceedings to have a material adverse effect on its financial statements of the Company as at March 31, 2019.

37. Commitments and contingencies

a The Company has taken various premises under operating lease. The future minimum lease payments are given below:

(₹ in lakh)

Particulars	Year ended March 31, 2019	Year ended March 31, 2018
Within one year	147.93	140.47
Later than one year but not later than five years	144.65	235.53
Later than five years	-	-
Total	**292.58**	**376.00**
The total of minimum lease payments recognized in the Statement of Profit and Loss for the year	**761.66**	**492.40**
Total of future minimum sub-lease payments expected to be received under non-cancellable sub-leases		
Sub-lease amounts recognized in the Statement of Profit and Loss for the year		
Contingent (usage based) lease payments recognized in the Statement of Profit and Loss for the year		

b Capital and other commitments:

Particulars	As at March 31, 2019		
	Estimated Project cost	Paid during the year	Balance Payable
Property, plant and equipment	74.40	21.13	53.27
Particulars	**As at March 31, 2018**		
	Estimated Project cost	Paid during the year	Balance Payable
Property, plant and equipment	58.56	26.20	32.36
Particulars	**As at April 01, 2017**		
	Estimated Project cost	Paid during the year	Balance Payable
Property, plant and equipment	-	-	-

Refer note 4(iii) for undisbursed commitment relating to loans.

c There are no Contingent Liability as on March 31, 2019 (March 31, 2018 ₹ Nil and April 01, 2017 ₹ Nil)

d There are numerous interpretative issues relating to the Supreme Court (SC) judgement on PF dated 28th February, 2019. As a matter of caution, the Company has made a provision on a prospective basis from the date of the SC order. The Company will update its provision, on receiving further clarity on the subject.

Notes to the Standalone Financial Statements for the year ended March 31, 2019

38. Expenditure in Foreign currency

(₹ in lakh)

Particulars	Year ended March 31, 2019	Year ended March 31, 2018
Interest paid	452.71	-
Other Expenses	156.15	-

39. CSR expenses

Operating expenses include 131.64 lakh for the Year ended March 31, 2019 (P.Y. ₹64.25 lakh) towards Corporate Social Responsibility (CSR), in accordance with Companies Act, 2013. Gross Amount required to be spent by the Company during the year is ₹176.43 lakh. (P.Y. ₹100.20 lakh).

The details of amount spent during the respective year towards CSR are as under: (₹ in lakh)

Name of related party	March 31, 2019			March 31, 2018		
	Amount Spent	Amount unpaid/ Provision	Total	Amount Spent	Amount unpaid/ Provision	Total
1. Construction/acquisition of any asset	Nil	Nil	Nil	Nil	Nil	Nil
2. On purposes other than above	131.64	Nil	131.64	64.25	Nil	64.25

40. Fair values

Set out below, is a comparison by class of the carrying amounts and fair value of the Company's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

(₹ in lakh)

Particulars	March 31, 2019		March 31, 2018		April 01, 2017	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Financial Assets						
Loans (Fixed rate)	2,04,260.27	2,04,809.37	1,56,774.58	1,58,071.48	96,264.28	96,921.05
Non-Financial Assets						
Assets held for sale	1,141.02	988.79	693.88	609.75	629.58	549.94
Financial liability						
Borrowings (Fixed rate)	1,46,747.72	1,47,232.79	88,401.84	88,555.93	49,531.29	50,584.23

Valuation techniques

The management assessed that cash and cash equivalents, investments, other financial assets, trade payables, derivative financial instruments, and other financial liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

Loans - The fair value of fixed rate loans are determined by discounting expected future contractual cash flows using current market interest rates charged to similar ctegories of new loans. The fair value of floating rate loans are deemed to be equivalent to the carrying value.

Notes to the Standalone Financial Statements for the year ended March 31, 2019

Assets held for sale - Real estate properties are valued on the basis of a well progressed sale process with price quotes from real estate agents. Further, real estate properties upto ₹1,000.00 lakh are classified as level 2 in below on the basis of a well progressed sale process with price quotes from real estate agents.

Borrowings - The fair value of certain fixed rate borrowings is determined by discounting expected future contractual cash flows using current market interest rates charged for similar new loans. The fair value of floating rate borrowings are deemed to be equivalent to the carrying value.

41. Fair value hierarchy

The following table provides the fair value measurement hierarchy of the Company's assets and liabilities.

Fair value hierarchy has been defined in Note 1.17.

(₹ in lakh)

Particulars	Fair value			
	March 31, 2019			
	Level 1	Level 2	Level 3	Total
Financial Assets				
Loans (Fixed rate)	-	2,04,809.37	-	2,04,809.37
Non-Financial Assets				
Assets held for sale	-	988.79	-	988.79
Financial liability				
Borrowings (Fixed rate)	-	1,47,232.79	-	1,47,232.79

Particulars	Fair value			
	March 31, 2018			
	Level 1	Level 2	Level 3	Total
Financial Assets				
Loans (Fixed rate)	-	1,58,071.48	-	1,58,071.48
Non-Financial Assets				
Assets held for sale	-	609.75	-	609.75
Financial liability				
Borrowings (Fixed rate)	-	88,555.93	-	88,555.93

Particulars	Fair value			
	April 01, 2017			
	Level 1	Level 2	Level 3	Total
Financial Assets				
Loans (Fixed rate)	-	96,921.05	-	96,921.05
Non-Financial Assets				
Assets held for sale	-	549.94	-	549.94
Financial liability				
Borrowings (Fixed rate)	-	50,584.23	-	50,584.23

Notes to the Standalone Financial Statements for the year ended March 31, 2019

41.1 There have been no transfers between Level 1, Level 2 and Level 3 for the year ended March 31, 2019, March 31, 2018 and April 1, 2017.

42. Transfer of Financial assets

Transfers of financial assets that are not derecognised in their entirety

Securitisation:

The Company uses securitisations as a source of finance. Such transactions generally result in the transfer of contractual cash flows from portfolios of financial assets to holders of issued debt securities. Securitisation has resulted in the continued recognition of the securitised assets.

The table below outlines the carrying amounts and fair values of all financial assets transferred that are not derecognised in their entirety and associated liabilities.

(₹ in lakh)

Loans and advances measured at amortised cost	As at March 31, 2019	As at March 31, 2018
Carrying amount of transferred assets measured at amortised cost	12,559.27	15,441.09
Carrying amount of associated liabilities	(12,051.26)	(14,815.73)

The carrying amount of above assets and liabilities is a reasonable approximation of fair value.

Assignment Deal:

During the year ended March 31, 2019, the Company has sold some loans and advances measured at amortised cost as per assignment deals, as a source of finance. As per the terms of these deals, since substantial risk and rewards related to these assets were transferred to the buyer, the assets have been decognised from the Company's balance sheet.

The management has evaluated the impact of assignment transactions done during the year for its business model. Based on the future business plan, the Company business model remains to hold the assets for collecting contractual cash flows.

The table below summarises the carrying amount of the derecognised financial assets measured at amortised cost and the gain on derecognition, per type of asset.

(₹ in lakh)

Loans and advances measured at amortised cost	Year ended March 31, 2019	Year ended March 31, 2018
Carrying amount of derecognised financial assets	76,268.14	48,584.04
Gain from derecognition	7,828.01	6,016.73

Other transfers:

During the year the Company has transferred certain assets amounting to ₹ Nil (P.Y. ₹249.71 lakh) to an asset reconstruction Company. These assets have been de-recognised from the loan portfolio of the Company to the extent of cash consideration received. The Company continues to act as a servicer for the portfolio of such assets. There was no gain recorded from the assets transferred.

Notes to the Standalone Financial Statements for the year ended March 31, 2019

43. Capital management:

For the purpose of the Company's capital management, capital includes issued equity capital, share premium and all other equity reserves attributable to the equity holders of the Company net of intangible assets. The primary objective of the Company's capital management is safety and security of share capital and maximize the shareholder value.

The Company manages its capital structure in light of changes in economic conditions and the requirements of the financial covenants. The Company monitors capital using a gearing ratio, which is total debt divided by net worth. The Company's policy is to keep the gearing ratio at reasonable level of 6-8 times in imminent year while the Housing Finance Companies (National Housing Bank) Directions, 2010 (the "NHB Directions") currently permits HFCs to borrow up to 16 times of their net owned funds ("NOF"). The Company includes with in debt, its all interest bearing loans and borrowings.

Debt to net worth ratio

(₹ in lakh)

Particulars	As at March 31, 2019	As at March 31, 2018
Debts	3,66,406.30	2,75,504.87
Net worth	1,83,327.73	1,18,690.06
Debt to Net worth (in times)	**2.00**	**2.32**

In order to achieve this overall objective, the Company's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches in the financial covenants of any interest-bearing loans and borrowing in the current year.

44. Financial risk management objectives and policies

The Company's Principal financial liabilities comprise loans and borrowings. The main purpose of these financial liabilities is to finance the Company's operations. At the other hand company's Principal financial assets include loans and cash and cash equivalents that derive directly from its operations.

As a lending institution, Company is exposed to various risks that are related to lending business and operating environment. The Principal Objective in Company 's risk management processes is to measure and monitor the various risks that Company is subject to and to follow policies and procedures to address such risks. Company 's risk management framework is driven by Board and its subcommittees including the Audit Committee, the Asset Liability Management Committee and the Risk Management Committee. Company gives due importance to prudent lending practices and have implemented suitable measures for risk mitigation, which include verification of credit history from credit information bureaus, personal verification of a customer's business and residence, technical and legal verifications, conservative loan to value, and required term cover for insurance. The major types of risk Company face in businesses are liquidity risk, credit risk, interest rate risk.

(A) Liquidity risk

Liquidity Risk refers to the risk that the Company can not meet its financial obligations. The objective of Liquidity risk management is to maintain sufficient liquidity and ensure that funds are available for use as per requirement. The unavailability of adequate amount of funds at optimum cost and co-terminus tenure to repay the financial liabilities and further growth of business resultantly may face an Asset Liability Management (ALM) mismatch caused by a difference in the maturity profile of Company assets and liabilities. This risk may arise from the unexpected increase in the cost of funding an asset portfolio at the appropriate maturity and the risk of being unable to liquidate a position in a timely manner and at a reasonable price. The Company manages liquidity risk by maintaining adequate cash reserves and undrwan credit facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The Company has given cash collateral for the securitisation transactions and do not expect any net cash outflow and hence

Notes to the Standalone Financial Statements for the year ended March 31, 2019

guarantees given for securitisation transactions have not been shown as part of below table. Further, undisbursed loan amount being cancellable in nature are not disclosed as part of below mentioned maturity profile.

The table below summarises the maturity profile of the undiscounted cash flows of the Company's financial liabilities.

(₹ in lakh)

Maturity profile of Financial liabilities as on March 31, 2019			
Particulars	Borrowings	Payables	Other Financial liabilities
1 Day to 31 Days / One month	3,772.69	949.25	4,344.89
Over 1 month to 2 month	3,462.43	-	811.45
Over 2 month to 3 month	6,705.45	-	1,956.85
Over 3 month to 6 month	19,814.27	-	-
Over 6 month to 1 year	49,393.08	-	50.00
Over 1 year to 3 years	1,33,902.76	-	-
Over 3 year to 5 years	1,32,706.36	-	-
Over 5 year to 7 years	81,035.31	-	-
Over 7 year to 10 years	41,330.44	-	-
Over 10 years	19,502.25	-	-
Total	4,91,625.04	949.25	7,163.19

(B) Credit risk

Credit Risk arises from the risk of loss that may occur from the default of Company's customers under loan agreements. Customer defaults and inadequate collateral may lead to higher NPAs. Company address credit risks by using a set of credit norms and policies, which are approved by Board and backed by analytics and technology. Company has implemented a structured and standardized credit approval process, including customer selection criteria, comprehensive credit risk assessment and cash flow analysis, which encompasses analysis of relevant quantitative and qualitative information to ascertain the credit worthiness of a potential customer. Actual credit exposures, credit limits and asset quality are regularly monitored and analysied at various levels. Company has created a robust credit assessment and underwriting practice that enables to fairly price credit risks.

The Company has created more than 60 templates of customer profiles through its experience over the years, with risk assessment measures for each geography in which it operates. The Company continuously seek to develop and update such profiles in order to identify and source reliable customers and improve efficiencies. The Company also conduct an analysis of the existing cash flow of customer’s business to assess their repayment abilities. The Company has implemented a four prong system of credit assessment comprising underwriting, legal assessments, technical assessments and a risk containment unit.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk was ₹488,637.25 lakh and ₹344,838.64 lakh as of March 31, 2019 and March 31, 2018 respectively, being the total of the carrying amount of Loan assets and EIS receivable.

(C) Analysis of risk concentration

The Company’s concentrations of risk are managed based on Loan to value (LTV) segregation as well as geographical spread. The following tables stratify credit exposures from housing and other loans to customers by range of loan-to-value (LTV) ratio

Notes to the Standalone Financial Statements for the year ended March 31, 2019

.LTV is calculated as the ratio of gross amount of the loan - or the amount committed for loan commitments - to the value of the collateral. The value of the collateral for housing and other loans is based on collateral value at origination.

Loans to customers:

LTV wise bifurcation: (₹ in lakh)

LTV bucket	Stage 1	Stage 2	Stage 3	Total
0%-40%	1,36,017.43	2,082.60	337.22	1,38,437.25
41%-60%	1,66,577.76	2,615.07	531.83	1,69,724.66
61%-80%	1,44,619.81	2,720.62	1,319.97	1,48,660.40
More than 80%	16,643.34	221.97	38.03	16,903.34
Total	**4,63,858.34**	**7,640.26**	**2,227.05**	**4,73,725.65**

Customer profile (₹ in lakh)

Customer profile	Stage 1	Stage 2	Stage 3	Total
Housing:				
Salaried	1,38,342.38	1,426.65	456.91	1,40,225.94
Self Employed	2,20,451.10	4,563.48	1,482.78	2,26,497.36
Non-Housing:				
Salaried	26,401.03	313.90	76.89	26,791.82
Self Employed	78,663.83	1,336.23	210.47	80,210.53
Total	**4,63,858.34**	**7,640.26**	**2,227.05**	**4,73,725.65**

Loan Commitments:

LTV wise bifurcation: (₹ in lakh)

LTV bucket	Stage 1	Stage 2	Stage 3	Total
0%-40%	6,880.84	25.25	4.67	6,910.76
41%-60%	10,815.88	52.52	6.50	10,874.90
61%-80%	6,423.65	49.56	21.46	6,494.67
More than 80%	925.59	5.44	-	931.03
Total	**25,045.96**	**132.77**	**32.63**	**25,211.36**

Customer profile (₹ in lakh)

Customer profile	Stage 1	Stage 2	Stage 3	Total
Salaried	8,460.93	60.04	15.31	8,536.28
Self Employed	16,585.03	72.73	17.32	16,675.08
Total	**25,045.96**	**132.77**	**32.63**	**25,211.36**

(D) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market factors. Such changes in the values of financial instruments may result from changes in the interest rates, credit,

Notes to the Standalone Financial Statements for the year ended March 31, 2019

liquidity and other market changes. The Company's exposure to market risk is primarily on account of interest rate risk.

(I) Interest Rate Risk:-

The Company is subject to interest rate risk, primarily since it lends to customers at rates and for maturity years that may differ from funding sources. Interest rates are highly sensitive to many factors beyond control, including the monetary policies of of the Reserve Bank of India, deregulation of the financial sector in India, domestic and international economic and political conditions, inflation and other factors. In order to manage interest rate risk, the Company seek to optimize borrowing profile between short-term and long-term loans. The Company adopts funding strategies to ensure diversified resource-raising options to minimize cost and maximize stability of funds. Assets and liabilities are categorized into various time buckets based on their maturities and Asset Liability Management Committee supervise an interest rate sensitivity report periodically for assessment of interest rate risks.

Due to the very nature of housing finance, the Company is exposed to moderate to higher Interest Rate Risk. This risk has a major impact on the balance sheet as well as the income statement of the Company. Interest Rate Risk arises due to:

i) Changes in Regulatory or Market Conditions affecting the interest rates

ii) Short term volatility

iii) Prepayment risk translating into a reinvestment risk

iv) Real interest rate risk

In short run, change in interest rate affects Company's earnings (measured by NII or NIM) and in long run it affects Market Value of Equity (MVE) or net worth. It is essential for the Company to not only quantify the interest rate risk but also to manage it proactively. The Company mitigates its interest rate risk by keeping a balanced portfolio of fixed and variable rate loans and borrowings. Further Company carries out Earnings at risk analysis and maturity gap analysis at quarterly intervals to quantify the risk.

Interest Rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates (all other variables being constant) of the Company's statement of profit and loss:

(₹ in lakh)

Particulars	Basis Points	Effect on Profit before tax
Loans		
Increase in basis points	50	1,751.25
Decrease in basis points	-50	(1,747.48)
Borrowings		
Increase in basis points	50	941.73
Decrease in basis points	-50	(941.73)

(II) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign currency rates. The Company's exposure to the risk of changes in foreign exchange rates relates primary to the foreign currency borrowings taken from bank.

Notes to the Standalone Financial Statements for the year ended March 31, 2019

(E) Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and system or from external events. Operational risk is associated with human error, system failures and inadequate procedures and controls. It is the risk of loss arising from the potential that inadequate information system; technology failures, breaches in internal controls, fraud, unforeseen catastrophes, or other operational problems may result in unexpected losses or reputation problems. Operational risk exists in all products and business activities.

The Company recognizes that operational risk event types that have the potential to result in substantial losses includes Internal fraud, External fraud, employment practices and workplace safety, clients, products and business practices, business disruption and system failures, damage to physical assets, and finally execution, delivery and process management.

The Company cannot expect to eliminate all operational risks, but it endeavours to manage these risks through a control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, such as the use of internal audit.

45. Additional information required in terms of Housing Finance Companies – Corporate Governance (National Housing Bank) Directions, 2018 NHB(ND)/DRS/REG/MC-07/2018, 02 July, 2018 have been prepared on the basis of previous GAAP pursuant to the NHB circular no. NHB (ND)/DRS/Policy Circular No.89/2017-18 dated June 14, 2018 is given in Annexure 1, which have been presented solely based on the information compiled by the Management.

46. Previous year figures have been regrouped/ reclassified wherever applicable.

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

per Sarvesh Warty
Partner
Membership No. 121411

Place: Jaipur
Date: May 03, 2019

For and on behalf of the Board of Directors of
AAVAS FINANCIERS LIMITED

Manas Tandon
(Nominee Director)

Sushil Kumar Agarwal
(Whole Time Director & CEO)

Ghanshyam Rawat
(Chief Financial Officer)

Sharad Pathak
(Company Secretary & Compliance Officer)

Annexure 1 to Note No. 45 to the financial statement

for the year ended March 31, 2019

A.1 Capital

(₹ in lakh)

Particulars	Year ended March 31, 2019	Year ended March 31, 2018
CRAR (%)	67.77%	61.55%
CRAR - Tier I capital (%)	64.25%	55.94%
CRAR - Tier II capital (%)	3.52%	5.61%
Amount of subordinated debt raised as Tier- II Capital	8,000.00	10,000.00
Amount raised by issue of perpetual Debt instruments	0.00	0.00

A.2 Reserve Fund u/s 29C of NHB Act, 1987

(₹ in lakh)

Particulars	Year ended March 31, 2019	Year ended March 31, 2018
Statutory Reserve u/s 29C of the National Housing Bank Act, 1987		
Opening Balance	4,820.62	2,803.77
Additional during the year	3,522.80	2,016.85
Appropriation during the year	-	-
Closing Balance	8,343.42	4,820.62

Particulars	Year ended March 31, 2019	Year ended March 31, 2018
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	4,820.62	2,803.77
c) Total	**4,820.62**	**2,803.77**
Addition /Appropriation / Withdrawal during the year		
Add:		
a) Amount transferred u/s 29C of the NHB Act, 1987	358.18	-
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	3,164.62	2,016.85
Less:		
a) Amount appropriated from the Statutory Reserve u/s 29C of the NHB Act, 1987	-	-
b) Amount withdrawn from the Special Reserve u/s 36(1)(viii) of Income Tax Act, 1961 which has been taken into account for the purpose of provision ul s 29C of the NHB Act, 1987	-	-

Annexure 1 to Note No. 45 to the financial statement

for the year ended March 31, 2019

Particulars	Year ended March 31, 2019	Year ended March 31, 2018
Balance at the end of the year		
a) Statutory Reserve u/s 29C of the National Housing Bank Act, 1987	358.18	-
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	7,985.24	4,820.62
c) Total	8,343.42	4,820.62

A.3 Investments

(₹ in lakh)

Particulars	Year ended March 31, 2019	Year ended March 31, 2018
Value of Investment		
Gross Value of Investment	**1,288.31**	**1,405.67**
In India	1,288.31	1,405.67
Outside India	-	-
Provision for Depreciation	**41.29**	**41.29**
In India	41.29	41.29
Outside India	-	-
Net Value of Investment	**1,247.02**	**1,364.38**
In India	1,247.02	1,364.38
Outside India	-	-
Movement of Provision held towards depreciation on Investment	-	-
Opening Balance	**41.29**	**-**
Add: Provisions made during the year	-	41.29
Less: Write off/Write Back Excess provision during the year	-	-
Closing Balance	**41.29**	**41.29**

A.4 Derivatives

1) The Company has no transactions/exposure in derivatives in the current and previous year.

2) The Company has no unhedged foreign currency exposure on March 31, 2019 (P.Y. ₹ Nil)

Annexure 1 to Note No. 45 to the financial statement

for the year ended March 31, 2019

A.5 Securitisation

(₹ in lakh)

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

Particulars	As at March 31, 2019	As at March 31, 2018
No of SPVs sponsored by the HFC for securitisation transactions	2	2
Total amount of securitised assets as per books of the SPVs sponsored	12,559.27	15,441.09
Total amount of exposures retained by the HFC towards the MRR as on the date of balance sheet		
(I) Off-balance sheet exposures towards Credit Concentration		
First Loss	-	-
Others	-	-
(II) On-balance sheet exposures towards Credit Concentration		
First Loss (In the form of Fixed Deposits)	1,147.30	1,147.30
Series A PTCs	508.01	625.36
Amount of exposures to securitisation transactions other than MRR		
(I) Off-balance sheet exposures towards Credit Concentration		
a) Exposure to own securitizations		
First Loss	-	-
Others (Guarantees provided by banks on behalf of the Company*)	430.70	430.70
b) Exposure to third party securitisations		
First Loss	-	-
Others	-	-
(II) On-balance sheet exposures towards Credit Concentration		
a) Exposure to own securitisations		
First Loss	-	-
Others	-	-
b) Exposure to third party securitisations		
First Loss	-	-
Others	-	-

* Second Loss facility

Annexure 1 to Note No. 45 to the financial statement

for the year ended March 31, 2019

b. Details of Financial Assets sold to Securitisation / Reconstruction Company for Asset Reconstruction (₹ in lakh)

Particulars	Year ended March 31, 2019	Year ended March 31, 2018
Number of accounts	-	326.00
Aggregate value (net of provisions) of accounts sold to SC / RC	-	2,024.47
Aggregate consideration	-	2,202.00
Additional consideration realized in respect of accounts transferred in earlier years	-	-
Aggregate gain/loss over net book value	-	177.53

c. Details of Assignment transactions undertaken by company (₹ in lakh)

Particulars	Year ended March 31, 2019	Year ended March 31, 2018
Number of accounts	7,013	4,640
Aggregate value (net of provisions) of accounts assigned	68,016.41	43,725.64
Aggregate consideration	68,016.41	43,725.64
Additional consideration realized in respect of accounts transferred in earlier years	-	-
Aggregate gain/loss over net book value	-	-

d. Details of non-performing financial assets purchased/sold

1) Details of non-performing financial assets purchased:

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

2) Details of non-performing financial assets sold:

(₹ in lakh)

Particulars	Year ended March 31, 2019	Year ended March 31, 2018
Number of accounts sold	-	326.00
Aggregate outstanding	-	2,497.05
Aggregate consideration received	-	2,202.00

Annexure 1 to Note No. 45 to the financial statement

for the year ended March 31, 2019

A.6 Asset liability management

(₹ in lakh)

Maturity pattern of certain items of assets and liabilities as on March 31, 2019*

Particulars	Liabilities			Assets		
	Borrowings from banks	Market borrowings	Foreign currency Liability	Advance	Investments	Fixed Deposits**
1 Day to 31 Days / One month	1,561.82	1.26	-	6,131.51	-	-
Over 1 month to 2 month	1,443.15	1.27	-	6,174.92	2.00	11,245.82
Over 2 month to 3 month	4,519.24	1.28	-	6,162.38	1.97	-
Over 3 month to 6 month	10,298.84	3.90	-	19,074.48	336.31	-
Over 6 month to 1 year	28,522.53	5,008.05	-	37,635.67	12.61	50,775.00
Over 1 year to 3 years	80,546.43	5,035.29	-	1,40,453.17	57.23	-
Over 3 year to 5 years	68,465.55	24,010.40	10,000.00	1,17,981.41	66.55	-
Over 5 year to 7 years	54,990.30	-	10,000.00	89,569.28	78.48	-
Over 7 year to 10 years	33,157.75	-	-	35,231.93	101.22	-
Over 10 years	16,234.66	-	-	-	631.94	-
Total	**2,99,740.27**	**34,061.45**	**20,000.00**	**4,58,414.75**	**1,288.31**	**62,020.82**

Maturity pattern of certain items of assets and liabilities as on March 31, 2018*

Particulars	Liabilities			Assets		
	Borrowings from banks	Market borrowings	Foreign currency Liability	Advance	Investments	Fixed Deposits**
1 Day to 31 Days / One month	1,253.08	-	-	4,135.89	2.09	4,100.00
Over 1 month to 2 month	1,401.05	-	-	4,145.16	2.12	2,500.00
Over 2 month to 3 month	2,364.03	1,200.00	-	4,103.53	2.14	14,900.00
Over 3 month to 6 month	5,947.29	200.00	-	12,064.97	6.56	19,500.00
Over 6 month to 1 year	18,564.68	5,400.00	-	23,070.05	13.69	-
Over 1 year to 3 years	60,142.68	20,950.00	-	79,442.85	394.29	-
Over 3 year to 5 years	47,061.54	13,000.00	-	61,611.96	77.88	-
Over 5 year to 7 years	37,654.88	10,000.00	-	46,365.36	92.27	-
Over 7 year to 10 years	28,432.05	-	-	45,757.60	138.45	-
Over 10 years	6,006.73	-	-	36,539.02	676.18	-
Total	**2,08,828.01**	**50,750.00**	**-**	**3,17,236.39**	**1,405.67**	**41,000.00**

* Classification of assets and liabilities under different maturity buckets is based on the same estimates and assumptions as used by the Company for compiling the return submitted to NHB.

** Fixed desposits included in cash and bank balance other than those pledged towards first loss guarantee have been disclosed in the above table as these are considered as investment of surplus funds held by the Company for the purpose of this disclosure.

Annexure 1 to Note No. 45 to the financial statement

for the year ended March 31, 2019

A.7 Exposure

(₹ in lakh)

a. Exposures to real estate sector

Category	As at March 31, 2019	As at March 31, 2018
(A) Direct exposure-		
i) Residential mortgages :		
Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented. Individual housing loans upto ₹15 lakh : ₹2,31,005.12 lakh (P.Y. ₹1,55,181.39 lakh)	4,57,347.77	3,16,503.80
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;	1,066.98	732.60
iii) Investments in mortgage backed securities (MBS) and other securitized exposures		
(a) Residential	508.01	625.37
(b) Commercial real estate.	Nil	Nil
(B) Indirect exposure		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	Nil	Nil

b. Exposure to Capital Market
The Company has no exposure to capital market directly or indirectly in the current and previous year.

c. Details of financing of parent company products
There is no financing of parent company products.

d. Details of Single Borrower Limit (SGL) / Group Borrower Limit (GBL) exceeded by the HFC
The Company has not exceeded the Single Borrower Limit and Group Borrower Limit as prescribed by NHB.

e. Unsecured Advances
The Company has not financed any unsecured advances against intangible securities such as rights, licenses, authority etc as collateral security.

A.8 Registration obtained from other Financial sector regulators

The Company has not obtained registration from other Financial sector regulators

A.9 Disclosure of penalties imposed by NHB and other regulators

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

Annexure 1 to Note No. 45 to the financial statement

for the year ended March 31, 2019

A.10 Ratings assigned by credit rating agencies and migration of ratings during the year:

During the year, CARE has upgraded Long term rating to AA-/ Stable from A+/ Positive and reaffirmed highest short term rating of A1+ to the Company. ICRA has upgraded our long term ratings from A+/ Stable to A+/ Positive and reaffirmed highest short term rating of A1+ to the Company

Aavas Financiers Limited Ratings are as under :

Term/Instrument	CARE	ICRA
Long term	AA- /Stable	A+/ Positive
Short term	A1 +	A1+

A.11 Provisions and Contingencies

(₹ in lakh)

Break up of "Provisions and Contingencies"shown under the head Expenditure in Profit and Loss Account	Year ended March 31, 2019	Year ended March 31, 2018
1. Provisions for depreciation on investment	-	-
2. Provision made towards Income tax	6,905.72	4,322.94
3. Provision towards NPA	221.77	(161.77)
4. Provision for Standard Assets (with details like teaser loan , CRE , CRE-RH etc.)	353.44	132.86
5. Other Provision and contingencies (with details)	-	-
6. Provision for investments	-	41.29

(₹ in lakh)

Break up of Loan & Advances and Provisions thereon	Housing		Non-Housing	
	As at March 31, 2019	As at March 31, 2018	As at March 31, 2019	As at March 31, 2018
Standard Assets	-		-	
a) Total Outstanding Amount (refer note 1)	3,37,906.38	2,26,587.52	1,23,804.12	93,059.69
b) Provisions made	873.30	616.92	468.73	371.67
Sub-Standard Assets				
a) Total Outstanding Amount	932.02	870.50	273.98	98.41
b) Provisions made	195.72	182.81	57.54	20.66
Doubtful Assets - Category - I				
a) Total Outstanding Amount	214.46	81.24	17.41	8.02
b) Provisions made	80.42	30.46	6.53	3.01
Doubtful Assets - Category - II				
a) Total Outstanding Amount	50.50	10.25	3.86	0.74
b) Provisions made	32.32	6.56	2.47	0.47

Annexure 1 to Note No. 45 to the financial statement

for the year ended March 31, 2019

Break up of Loan & Advances and Provisions thereon	Housing		Non-Housing	
	As at March 31, 2019	As at March 31, 2018	As at March 31, 2019	As at March 31, 2018
Doubtful Assets - Category - III				
a) Total Outstanding Amount	-	-	-	-
b) Provisions made	-	-	-	-
Loss Assets				
a) Total Outstanding Amount	86.70	-	4.05	-
b) Provisions made	86.70	-	4.05	-
TOTAL				
a) Total Outstanding Amount	3,39,190.06	2,27,549.51	1,24,103.42	93,166.86
b) Provisions made	1,268.46	836.75	539.32	395.81

Note:

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

A.12 Draw Down from Reserves

There has been no draw down from reserves during the year ended March 31, 2019 (P.Y. ₹ Nil)

A.13 Concentration of Advances, Exposures and NPAs

(₹ in lakh)

Particulars	As at March 31, 2019	As at March 31, 2018
Concentration of Advances		
Total Loans & Advances to twenty largest borrowers	6,039.75	5,440.04
(%) of Loans & Advances to twenty largest borrowers to Total Advances of the HFC	1.32%	1.71%
Total Advances	**4,58,414.75**	**3,17,236.40**
Concentration of all Exposures (including off-balance sheet exposure)		
Total Exposures to twenty largest borrowers/Customers	6,659.50	5,969.72
(%) of Exposures to twenty largest borrowers/Customers to Total Exposures of the HFC on borrowers/customers	1.02%	1.36%
Total Exposures	**6,51,753.22**	**4,39,507.03**
Concentration of NPAs		
Total Exposures to top ten NPA accounts	400.21	334.83

Annexure 1 to Note No. 45 to the financial statement

for the year ended March 31, 2019

Sector-Wise NPAs

Sector	% of NPAs to total Advances in that sector	
	As at March 31, 2019	As at March 31, 2018
A. Housing Loans:		
1 Individuals	0.38%	0.43%
2 Builders/Project Loans	0.00%	0.00%
3 Corporates	0.00%	0.00%
4 Others (specify)	0.00%	0.00%
B. Non Housing Loans:		
1 Individuals	0.24%	0.12%
2 Builders/Project Loans	0.00%	0.00%
3 Corporates	0.00%	0.00%
4 Others (specify)	0.00%	0.00%

A.14 Movement of NPAs

(₹ in lakh)

Particulars	As at March 31, 2019	As at March 31, 2018
(I) Net NPAs to Net Advances (%)	0.24%	0.26%
(II) Movement of NPAs (Gross)		
a) Opening Balance	1069.14	1,692.06
b) Additions during the year	1273.49	967.30
c) Reductions during the year	(759.66)	(1,590.22)
d) Closing Balance	**1582.97**	**1,069.14**
(III) Movement of Net NPAs		
a) Opening Balance	825.17	1,286.32
b) Additions during the year	875.88	746.50
c) Reductions during the year	(583.82)	(1,207.65)
d) Closing Balance	**1117.23**	**825.17**
(IV) Movement of Provisions for NPAs (excluding provisions on standard assets)		
a) Opening Balance	243.97	405.74
b) Provisions made during the year	397.61	220.80
c) Write-off/Write-Back of excess provisions	(175.84)	(382.57)
d) Closing Balance	**465.74**	**243.97**

Annexure 1 to Note No. 45 to the financial statement

for the year ended March 31, 2019

A.15 Overseas Assets

The Company does not have any overseas assets.

A.16 Off-Balance Sheet SPVs sponsored (which are required to be consolidated as per accounting Norms)

The Company does not have any off balance sheet Special Purpose Vehicle (SPV) which are required to be consolidated as per accounting norms.

A.17 Customers Complaints

Particulars	As at March 31, 2019	As at March 31, 2018
No. of complaints pending at the beginning of the year	0	7
No. of complaints received during the year	158	203
No. of complaints redressed during the year	156	210
No. of complaints pending at the end of the year	2*	0

*Complaints uploaded on NHB-GRIDS, where company provides redressal to customer from their end. All complaints at NHB GRIDS Portal have been redressed by the Company but 7 complaints are pending to be closed by NHB-GRIDS.

For and on behalf of the Board of Directors of
AAVAS FINANCIERS LIMITED

Manas Tandon
(Nominee Director)

Sushil Kumar Agarwal
(Whole Time Director & CEO)

Place: Jaipur
Date: May 03, 2019

Ghanshyam Rawat
(Chief Financial Officer)

Sharad Pathak
(Company Secretary & Compliance Officer)

INDEPENDENT AUDITOR'S REPORT

To
the Members of
Aavas Financiers Limited

Report on the Consolidated Ind AS Financial Statements

Opinion

We have audited the accompanying consolidated Ind AS financial statements of Aavas Financiers Limited (hereinafter referred to as "the Holding Company"), its subsidiary (the Holding Company and its subsidiary together referred to as "the Group"), comprising of the consolidated Balance Sheet as at March 31, 2019, the consolidated Statement of Profit and Loss including other comprehensive income, the consolidated Cash Flow Statement, the consolidated Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated Ind AS financial statements").

Basis for Opinion

We conducted our audit of the consolidated Ind AS financial statements in accordance with the Standards on Auditing (SAs), as specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the Consolidated Ind AS Financial Statements' section of our report. We are independent of the Group in accordance with the 'Code of Ethics' issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the consolidated Ind AS financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated Ind AS financial statements for the financial year ended March 31, 2019. These matters were addressed in the context of our audit of the consolidated Ind AS financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have determined the matters described below to be the key audit matters to be communicated in our report. We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated Ind AS financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated Ind AS financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated Ind AS financial statements.

<table>
<tr><th>Key audit matters</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Impairment of financial assets (expected credit loss) (as described in note 4 of the standalone Ind AS financial statements)</td></tr>
<tr><td>Ind AS 109 requires the Group to provide for impairment of its financial assets using the expected credit loss (‘ECL’) approach involving an estimation of probability of loss on the financial assets over their life, considering reasonable and supportable information about past events, current conditions and forecasts of future economic conditions which could impact the credit quality of the Group’s financial assets. In the process, a significant degree of judgement has been applied by the management in respect of following matters:

a) The Holding Company has grouped its loan portfolio under risk-based categories determined using Holding Company’s risk-management framework. Loans grouped under a particular category are assumed to represent a homogenous pool thereby expected to demonstrate similar credit characteristics.

b) Staging of loans and estimation of behavioural life

c) Estimation of expected loss from historical observations.

d) Estimation of losses in respect of those groups of loans which had no/ minimal defaults in the past.

The Holding Company has developed models that derive key assumptions used within the provision calculation such as probability of default (PD) and loss given default (LGD). The output of these models is then applied to the provision calculation with other information including and the exposure at default (EAD).

Considering the significance of such provision to the overall financial statements and the degree of management’s judgment, any error or misstatement in such estimate may give rise to a material misstatement of the Ind AS financial statements or omission of any disclosure required by the standards. Therefore, it is considered as a key audit matter.</td><td>• Our audit procedures included considering the Group's accounting policies for impairment of financial instruments and assessing compliance with the policies in terms of Ind AS 109.

• We have assessed the assumptions used by the Holding Company for grouping and staging of loan portfolio into various categories and default buckets and their appropriateness for determining the probability-weighted default (PD) and loss-given default (LGD) rates.

• We have tested the operating effectiveness of the controls for staging of loans based on their past-due status. We also tested a sample of Stage 1 and Stage 2 loans to assess whether any loss indicators were present requiring them to be classified under Stage 2 or 3.

• We have performed sample testing of the input data used for determining the PD and LGD rates and agreed the data with the underlying books of accounts and records.

• We have tested the arithmetical accuracy of computation of ECL provision performed by the Holding Company.

• We have assessed that the assumptions used by the management for estimation of allowance for expected credit losses as at March 31, 2019 are presented and disclosed in the Ind AS financial statements.</td></tr>
<tr><td colspan="2">Information Technology (“IT”) systems and controls</td></tr>
</table>

Our audit procedures have a focus on IT systems and controls due to the pervasive nature and complexity of the IT environment, the large volume of transactions processed in numerous locations daily and the reliance on automated and IT dependent manual controls. Due to the pervasive nature and complexity of the IT environment, we have ascertained IT systems and controls as a key audit matter.	• In assessing the reliability of electronic data processing, we included specialized IT auditors as part of the audit team. • We tested the design and operating effectiveness of the IT general controls (logical access, changes management and aspects of IT operational controls). This included testing that requests for access to systems were reviewed and authorised. • We tested the Holding Company's periodic review of access rights. We inspected requests of changes to systems for appropriate approval and authorisation. • We considered the control environment relating to various interfaces, configuration and other application layer controls identified as key to our audit. • Where deficiencies were identified, we tested compensating controls or performed alternate procedures.
Transition to Ind AS (as described in note 31 of the standalone Ind AS financial statements)	
Ind AS is applicable to the Group with effect from April 1, 2018. Accordingly, the Group has prepared financial statements which comply with Ind AS for the year ended March 31, 2019. In preparing these financial statements, the Group's opening balance sheet under Ind AS was prepared as at 1 April 2017, the Group's date of transition to Ind AS. For the years till year ended March 31, 2018, the Group had prepared its financial statements in accordance with Indian GAAP or previous GAAP. Given complexity of implementation of Ind AS framework, transition from Indian GAAP to Ind AS has material impact over the financial statements of the Holding Company and requires application of significant judgment and estimates with regards to the measurement of loan and advances, measurement of expected credit losses, accounting for ESOP cost, accounting for assignment and securitisation of loans and application of effective interest rate. Further, the management has exercised significant judgement for giving an appropriate effect of principles of First-time Adoption of Indian Accounting Standards (Ind AS 101), as at transition date and to determine the impact of the new accounting framework on certain accounting and disclosure requirements prescribed under extant National Housing Bank ('NHB') directions. Given that judgements of the management on first time adoptions could have material implications on the financial statements, the transition to Ind AS was considered as a key audit matter.	• We read the Ind AS impact assessment performed by the management to identify areas which were impacted on account of Ind AS transition; • We understood the financial statement closure process and the controls established by the Group for transition to Ind AS; • Read and assessed the changes made to the accounting policies due to the requirements of the new financial reporting framework; • We have assessed the judgement applied by the Holding Company in determining its business model for classification of financial assets. • We have assessed the exemption availed by the management in applying the first-time adoption principles of Ind AS 101. • We have assessed the judgements applied by the Holding Company in respect of areas such as where the accounting treatment adopted or the disclosures made under the new accounting framework were different from the extant NHB directions. • We have performed test of details by inspection of contracts, documents and policies to assess the Ind AS adjustments. • We have tested arithmetical accuracy of the Ind AS adjustments. • We have assessed the disclosures with respect to the transition in accordance with the requirement of Ind AS 101, with respect to the previous year presented.
De-recognition of financial assets (as described in note 42 of the standalone Ind AS financial statements)	

During the year, the Holding Company has assigned loans amounting to ₹762.68 crore for managing its funding requirements and recorded a net income of ₹78.28 crores and corresponding un-winding of Excess interest spread receivable of ₹35.96 crores. As per Ind AS 109, de-recognition of loans transferred by the Holding Company through assignment is based on the 'risk and reward' model and a 'control' model. If de-recognition criteria are met, the financial assets transferred are de-recognized and difference between carrying value and consideration including the present value of interest payments that it would not give up (excess interest spread receivable) is recorded as income in the statement of profit and loss. The Holding Company also records a servicing asset and servicing liability at their fair value for the right retained for servicing the financial asset for the service contract and the related costs to be incurred. There are assumptions made with respect to the remaining tenor of the financial assets assigned and other factors which could materially impact the fair valuation as well the excess interest spread. Accordingly, de-recognition of financial assets was considered as a key audit matter.	• We have examined the terms of assignment agreements on a sample basis to evaluate whether the de-recognition criteria have been applied by the Holding Company. • We have assessed the significant estimates and judgments, including the discount rate and expected remaining life of the portfolio transferred used by the Holding Company for computation of excess interest spread receivable servicing asset and servicing liability. • We have tested the arithmetical accuracy of computation of the excess interest spread receivable, servicing asset and servicing liability. • We have assessed the disclosures included in the Ind AS financial statements with respect to de-recognition in accordance with the requirements of Ind AS 109 and Ind AS 107.

Other Information

The Holding Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Annual report, but does not include the consolidated Ind AS financial statements and our auditor's report thereon.

Our opinion on the consolidated Ind AS financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated Ind AS financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Management's Responsibility for the Consolidated Ind AS Financial Statements

The Holding Company's Board of Directors is responsible for the preparation of these consolidated Ind AS financial statements in terms of the requirement of the Companies Act, 2013 ("the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance including other comprehensive income, consolidated cash flows and consolidated statement of changes in equity of the Group in accordance with accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under Section 133 of the Act, read with the Companies (Indian Accounting Standard) Rules, 2015, as amended. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated Ind AS financial statements by the Directors of the Holding Company, as aforesaid.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated Ind AS financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India, as specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in sub-paragraph (a) of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated Ind AS financial statements.

Report on Other Legal and Regulatory Requirements

As required by section 143 (3) of the Act, we report, to the extent applicable, that:

(a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit of the aforesaid consolidated Ind AS financial statements;

(b) In our opinion proper books of account as required by law relating to preparation of the aforesaid consolidation of the financial statements have been kept so far as it appears from our examination of those books;

(c) The consolidated Balance Sheet, consolidated Statement of Profit and Loss including the Statement of Other Comprehensive Income, the consolidated Cash Flow Statement and consolidated Statement of Changes in Equity dealt with by this Report are in agreement with the books of account maintained for the purpose of preparation of the consolidated Ind AS financial statements;

(d) In our opinion, the aforesaid consolidated Ind AS financial statements comply with the Indian Accounting Standards specified under section 133 of the Act, read with Companies (Indian Accounting Standard) Rules, 2015, as amended;

(e) On the basis of the written representations received from the directors of the Holding Company as on March 31, 2019 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors who are appointed under Section 139 of the Act, of its subsidiary company, incorporated in India, none of the directors of the Group's company, incorporated in India is disqualified as on March 31, 2019 from being appointed as a director in terms of Section 164 (2) of the Act.

(f) With respect to the adequacy and the operating effectiveness of the internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements of the Holding Company and its subsidiary company incorporated in India, refer to our separate report in "Annexure 1" to this report;

(g) In our opinion, the managerial remuneration for the year ended March 31, 2019 has been paid / provided by the Holding Company and its subsidiary incorporated in India to their directors in accordance with the provisions of section 197 read with Schedule V to the Act;

(h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:

i. The Group does not have any pending litigations as at March 31, 2019 which would impact its consolidated financial position;

ii. The Group did not have any material foreseeable losses in long-term contracts including derivative contracts during the year ended March 31, 2019.

iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Holding Company and its subsidiary incorporated in India during the year ended March 31, 2019.

For S.R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm Registration Number: 101049W/E300004

per Sarvesh Warty
Partner
Membership Number: 121411

Place of Signature: Jaipur
Date: May 03, 2019

Annexure 1 to the Independent Auditors' Report

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

In conjunction with our audit of the consolidated financial statements of Aavas Financiers Limited as of and for the year ended March 31, 2019, we have audited the internal financial controls over financial reporting of Aavas Financiers Limited (hereinafter referred to as the "Holding Company") and its subsidiary companies which are companies incorporated in India, as of that date.

Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the Holding Company and its subsidiary company, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Holding Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditor's Responsibility

Our responsibility is to express an opinion on the Group's internal financial controls over financial reporting with reference to these consolidated financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, both, issued by Institute of Chartered Accountants of India, and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting with reference to these consolidated financial statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls over financial reporting with reference to these consolidated financial statements and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting with reference to these consolidated financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls over financial reporting with reference to these consolidated financial statements.

Meaning of Internal Financial Controls Over Financial Reporting With Reference to these Consolidated Financial Statements

A company's internal financial control over financial reporting with reference to these consolidated financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting with reference to these consolidated financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorisations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting With Reference to these Consolidated Financial Statements

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

Opinion

In our opinion, the Holding Company and its subsidiary company, which are companies incorporated in India, have, maintained in all material respects, adequate internal financial controls over financial reporting with reference to these consolidated financial statements and such internal financial controls over financial reporting with reference to these consolidated financial statements were operating effectively as at March 31, 2019, based on the internal control over financial reporting criteria established by the Holding Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For S.R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm Registration Number: 101049W/E300004

per Sarvesh Warty
Partner
Membership Number: 121411

Place of Signature: Jaipur
Date: May 03, 2019

Consolidated Balance Sheet as at March 31, 2019

(₹ in lakh)

Particulars	Notes	As at March 31, 2019	As at March 31, 2018	As at April 01, 2017
ASSETS				
Financial assets				
Cash and cash equivalents	2	15,966.22	35,848.71	26,860.13
Bank balance other than cash and cash equivalents	2	52,415.38	21,097.40	716.60
Derivative financial instruments	3	87.86	-	-
Loans	4	4,72,449.00	3,33,341.81	2,20,941.72
Other financial assets	5	16,348.94	10,876.63	6,791.79
Non-financal assets				
Current tax assets (net)		1,707.73	0.27	-
Property, plant and equipment	6(a)	1,922.97	1,545.44	869.24
Intangible assets under development	6(b)	9.08	3.27	13.53
Other intangible assets	6(c)	359.12	297.08	147.67
Other non-financial assets	7	434.92	385.18	87.70
Assets held for sale	8	988.79	609.75	549.94
TOTAL		5,62,690.01	4,04,005.54	2,56,978.32
LIABILITIES AND EQUITY				
LIABILITIES				
Financial liabilities				
Derivative financial instruments	3	-	161.74	216.96
Payables	9			
(I) Trade payables				
(i) total outstanding dues of micro enterprises and small enterprises		-	-	-
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises		950.24	913.91	758.95
Debt securities	10	43,705.08	38,819.83	33,444.32
Borrowings (other than debt securities)	11	3,11,661.72	2,24,988.15	1,50,156.01
Subordinated liabilities	12	9,958.30	9,948.04	2,973.50
Other financial liabilities	13	7,163.18	7,993.67	5,936.10
Non-financial liabilities				
Current tax liabilities (net)		-	51.65	16.53
Provisions	14	443.05	318.53	195.78
Deferred tax liabilities (net)	15	4,274.93	1,135.24	1,528.17
Other non-financial liabitilies	16	831.50	690.14	399.13
Equity				
Equity share capital	17	7,810.79	6,917.29	5,816.36
Other equity	18	1,75,891.22	1,12,067.35	55,536.51
TOTAL		5,62,690.01	4,04,005.54	2,56,978.32
Summary of significant accounting policies	1			

The accompanying notes are an integral part of the financial statements

As per our report of even date

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

per Sarvesh Warty
Partner
Membership No. 121411

Place: Jaipur
Date: May 03, 2019

For and on behalf of the Board of Directors of AAVAS FINANCIERS LIMITED

Manas Tandon
(Nominee Director)

Sushil Kumar Agarwal
(Whole Time Director & CEO)

Ghanshyam Rawat
(Chief Financial Officer)

Sharad Pathak
(Company Secretary & Compliance Officer)

Consolidated Statement of profit and loss for the year ended March 31, 2019

(₹ in lakh)

Particulars	Notes	For the year ended March 31, 2019	For the year ended March 31, 2018
Revenue from operations			
Interest income	19	59,374.89	39,263.81
Fees and commission income	20	2,602.73	1,921.58
Net gain on derecognition of financial instruments under amortised cost category		7,828.01	6,016.73
Net gain on fair value changes	21	1,211.42	2,154.45
Total revenue from operations		**71,017.05**	**49,356.57**
Other income	22	100.27	90.58
Total income		**71,117.32**	**49,447.15**
Expenses			
Finance costs	23	25,536.71	19,308.76
Fees and commission expense	24	492.20	384.94
Impairment on financial instruments	25	889.77	258.87
Employee benefits expense	26	11,723.54	11,154.21
Depreciation, amortization and impairment	6(a) & 6(c)	972.34	562.66
Other expenses	27	5,717.79	4,352.95
Total expenses		**45,332.35**	**36,022.39**
Profit/(loss) before tax		**25,784.97**	**13,424.76**
Tax expense:	15		
(1) Current tax		5,042.18	4,517.89
(2) Deferred tax		3,139.70	(396.69)
Profit/(loss) for the year		**17,603.09**	**9,303.56**
Other comprehensive income			
a) Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit liability	26	35.07	10.83
Income tax effect	15	(12.25)	(3.75)
b) Items that will be reclassified to profit or loss			
Other comprehensive income , net of income tax		**22.82**	**7.08**
Total comprehensive income for the year		**17,625.91**	**9,310.64**
Earnings per equity share	28		
Basic (₹)		23.66	15.89
Diluted (₹)		23.10	15.23
Nominal value per share (₹)		10.00	10.00
Summary of significant accounting policies	1		

The accompanying notes are an integral part of the financial statements

As per our report of even date

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

For and on behalf of the Board of Directors of
AAVAS FINANCIERS LIMITED

per Sarvesh Warty
Partner
Membership No. 121411

Manas Tandon
(Nominee Director)

Sushil Kumar Agarwal
(Whole Time Director & CEO)

Place: Jaipur
Date: May 03, 2019

Ghanshyam Rawat
(Chief Financial Officer)

Sharad Pathak
(Company Secretary
& Compliance Officer)

Consolidated Statement of Changes in Equity for the year ended March 31, 2019

a. Equity Share Capital

(₹ in lakh)

Particulars	Amount
Balance as at April 01, 2017	**5,816.36**
Shares issued during the year ended March 31, 2018	1,100.93
Balance as at March 31, 2018	**6,917.29**
Shares issued during the year ended March 31, 2019	893.50
Balance as at March 31, 2019	**7,810.79**

b. Other Equity

(₹ in lakh)

Equity Component of compounded financial instruments	Reserves and surplus				Money received against share warrant	Total
	Securities premium account	Share based payments reserve	Special Reserve	Retained earnings		
Balance as at April 01, 2017	39,134.15	194.36	2,803.77	13,404.23	-	55,536.51
Profit for the year (A)	-	-	-	9,303.56	-	9,303.56
Other comprehensive income for the year (B)	-	-	-	7.08	-	7.08
Total comprehensive income for the year (A+B)	-	-	-	9,310.64	-	9,310.64
Transfer to special reserve u/s 36(1)(viii) of Income Tax Act, 1961	-	-	2,016.85	(2,016.85)	-	-
Issue of share warrants	-	-	-	-	24.00	24.00
Issue of share capital	42,992.30	-	-	-	-	42,992.30
Transaction cost	(1.21)	-	-	-	-	(1.21)
Share based payments	-	4,205.12	-	-	-	4,205.12
Share options exercised during the year	1,114.62	(1,114.62)	-	-	-	-
Balance as at March 31, 2018	**83,239.86**	**3,284.86**	**4,820.62**	**20,698.01**	**24.00**	**1,12,067.35**
Profit for the year (C)	-	-	-	17,603.09	-	17,603.09
Other comprehensive income for the year (D)	-	-	-	22.82	-	22.82
Total comprehensive income for the year (C+D)	-	-	-	17,625.91	-	17,625.91
Transfer to Special reserve u/s 29C of The National Housing Bank Act, 1987 read with 36 (1) (viii) of income tax Act. 1961	-	-	3,525.18	(3,525.18)	-	-
Issue of share capital	46,643.86	-	-	-	(24.00)	46,619.86
Transaction cost	(1,107.92)	-	-	-	-	(1,107.92)
Share based payments	-	686.02	-	-	-	686.02
Share options exercised during the year	3,228.53	(3,228.53)	-	-	-	-
Balance as at March 31, 2019	**1,32,004.33**	**742.35**	**8,345.80**	**34,798.74**	**-**	**1,75,891.22**

As per our report of even date

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

For and on behalf of the Board of Directors of
AAVAS FINANCIERS LIMITED

per Sarvesh Warty
Partner
Membership No. 121411

Manas Tandon
(Nominee Director)

Sushil Kumar Agarwal
(Whole Time Director & CEO)

Place: Jaipur
Date: May 03, 2019

Ghanshyam Rawat
(Chief Financial Officer)

Sharad Pathak
(Company Secretary & Compliance Officer)

Consolidated Cash flow statement for the year ended March 31, 2019

(₹ in lakh)

	Particulars	Notes	Year ended March 31, 2019	Year ended March 31, 2018
A	**Cash flow from operating activities:**			
	Net profit before tax as per statement of profit and loss		**25,784.97**	**13,424.76**
	Adjustments for			
	Depreciation and amortisation	6(a), 6(c)	972.34	562.66
	Expenses incurred on increase in authorised capital and issue of shares		-	19.00
	Provision for expected credit loss (ECL)		563.25	76.35
	Provision for employee benefits		155.11	120.14
	Derivative mark to market gain		(28.97)	(55.22)
	Provision for CSR expenditure		44.79	35.95
	Share based payments		686.02	4,205.12
	Operating profit before working capital changes		**28,177.51**	**18,388.76**
	Changes in working capital			
	Increase in financial and other assets		(1,48,148.55)	(1,09,815.12)
	Decrease in financial and other liabilities		(808.16)	2,319.99
	Total of changes in working capital		**(1,48,956.71)**	**(1,07,495.13)**
	Direct taxes paid		(6,811.54)	(4,184.64)
	Net cash flow used in operating activities (A)		**(1,27,590.74)**	**(93,291.01)**
B	**Cash flow from investing activities:**			
	Inflow (outflow) on account of :			
	Investment in fixed deposits		(31,317.97)	(20,380.80)
	Purchase of Property, plant and equipment (including capital work-in-progress)/ intangible assets	6	(1,427.34)	(1,378.17)
	Sale of Property, plant and equipment (including capital work-in-progress)		9.62	0.17
	Net cash flow used in investing activities (B)		**(32,735.69)**	**(21,758.80)**
C	**Cash flow from financing activities:**			
	Issue of equity shares (including share premium)		47,513.35	44,117.35
	Share / debenture issue expenses		(1,292.90)	(318.34)
	Proceeds from borrowings		1,46,533.36	1,27,673.45
	Repayment of borrowings		(52,309.87)	(47,434.07)
	Net Cash flow from financing activities (C)		**1,40,443.94**	**1,24,038.39**

Consolidated Cash flow statement for the year ended March 31, 2019

(₹ in lakh)

Particulars	Notes	Year ended March 31, 2019	Year ended March 31, 2018
Net increase/(decrease) in cash and cash equivalents (A+B+C)		**(19,882.49)**	**8,988.58**
Cash and cash equivalents as at the beginning of the year		35,848.71	26,860.13
Cash and cash equivalents at the end of the year	2	15,966.22	35,848.71
Components of cash and cash equivalents			
Cash on hand		202.00	190.75
Balance in franking machine*		0.95	0.95
Balance with banks			
In current accounts		3,872.39	13,657.01
In cash credit		645.06	500.00
In deposit account		11,245.82	21,500.00
Total cash and cash equivalents	2	**15,966.22**	**35,848.71**
Operational Cash Flow from Interest			
Interest Received		55,936.64	38,286.67
Interest Paid		(21,524.00)	(18,631.90)
Summary of significant accounting policies	1		

The accompanying notes are an integral part of the financial statements

As per our report of even date

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

per Sarvesh Warty
Partner
Membership No. 121411

Place: Jaipur
Date: May 03, 2019

For and on behalf of the Board of Directors of
AAVAS FINANCIERS LIMITED

Manas Tandon
(Nominee Director)

Sushil Kumar Agarwal
(Whole Time Director & CEO)

Ghanshyam Rawat
(Chief Financial Officer)

Sharad Pathak
(Company Secretary & Compliance Officer)

Notes to the Consolidated Financial Statements for the year ended March 31, 2019

A. Corporate Information

AAVAS FINANCIERS LIMITED (formerly known as "Au HOUSING FINANCE LIMITED")("the Company") is a public limited Company domiciled in India and incorporated under the provisions of the Companies Act, 1956. The Company is registered as a housing finance company with National Housing Bank (NHB) vide Registration No. 04.0151.17 and is engaged in the long term financing activity in the domestic markets to provide housing finance.

AAVAS FINSERV LIMITED ("the subsidiary") is a public limited Company domiciled in India and incorporated under the provisions of the Companies Act, 2013. The Company has been incorporated during the year on November 30, 2017 to carry on the business of financing by way of lending/hire-purchase and to provide on lease, sub-lease or on hire, including but not limited to, all type of vehicles, automobiles, industrial plant and machinery, office equipment, movable and immovable assets, building, real estate, household and domestic appliances and equipment, furniture, fixtures, finishing items and all type of machinery, etc. The Company has neither obtained Certificate of Registration from Reserve Bank of India nor has commenced any business activity during the year ending March 31, 2019.

B. Basis of preparation of financial statements

a) Basis of preparation

The consolidated financial statements relates to Aavas financiers limited ("the Company") and its subsidiary company i.e. Aavas finserv limited (hereinafter collectively referred to as the 'Group').

The consolidated financial statements of the Company have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time).

For all periods up to and including the year ended 31 March 2018, the Company prepared its financial statements in accordance with accounting standards notified under the section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 (Indian GAAP or previous GAAP). These financial statements for the year ended 31 March 2019 are the first which has prepared in accordance with Ind AS by the group. The consolidated financial statements have been prepared on a historical cost basis, except for fair value through other comprehensive income (FVOCI) instruments, derivative financial instruments, other financial assets held for trading and financial assets and liabilities designated at fair value through profit or loss (FVTPL), all of which have been measured at fair value. Further the carrying values of recognised assets and liabilities that are hedged items in fair value hedges, and otherwise carried at amortised cost, are adjusted to record changes in fair value attributable to the risks that are being hedged.

b) Presentation of financial statements

Financial assets and financial liabilities are generally reported gross in the balance sheet. They are only offset and reported net when, in addition to having an unconditional legally enforceable right to offset the recognised amounts without being contingent on a future event, the parties also intend to settle on a net basis in all of the following circumstances:

- The normal course of business
- The event of default
- The event of insolvency or bankruptcy of the Group and/or its counterparties

Derivative assets and liabilities with master netting arrangements are only presented net when they satisfy the eligibility of netting for all of the above criteria and not just in the event of default.

Notes to the Consolidated Financial Statements for the year ended March 31, 2019

C. **Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Company and its subsidiary as at 31 March 2019 including controlled structured entities. The Company consolidates a subsidiary when it controls it. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including :

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Company's voting rights and potential voting rights
- The size of the Company's holding of voting rights relative to the size and dispersion of the holdings of the other voting rights holders

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Company gains control until the date the Company ceases to control the subsidiary.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. If a member of the Company uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that Company member's financial statements in preparing the consolidated financial statements to ensure conformity with the Company's accounting policies.

The financial statements of all entities used for the purpose of consolidation are drawn up to same reporting date as that of the parent company, i.e., year ended on 31 March. When the end of the reporting period of the parent is different from that of a subsidiary, the subsidiary prepares, for consolidation purposes, additional financial information as of the same date as the financial statements of the parent to enable the parent to consolidate the financial information of the subsidiary, unless it is impracticable to do so.

Consolidation procedure:

(a) Combine like items of assets, liabilities, equity, income, expenses and cash flows of the parent with those of its subsidiary. For this purpose, income and expenses of the subsidiary are based on the amounts of the assets and liabilities recognised in the consolidated financial statements at the acquisition date.

(b) Offset (eliminate) the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary. Business combinations policy explains how to account for any related goodwill.

(c) Eliminate in full intraCompany assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Company (profits or losses resulting from intraCompany transactions that are recognised in assets, such as inventory and fixed assets, are eliminated in full). IntraCompany losses may indicate an impairment that requires recognition in the consolidated financial statements. Ind AS 12 Income Taxes applies to temporary differences that arise from the elimination of profits and losses resulting from intraCompany transactions.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

Notes to the Consolidated Financial Statements for the year ended March 31, 2019

When necessary, adjustments are made to the financial statements of subsidiary to bring their accounting policies in line with the Company's accounting policies. All intra-Company assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Company are eliminated in full on consolidation.

D. Basis of measurement

The financial statements have been prepared on an accrual basis as a going concern and under the historical cost convention, except for foreign currency borrowings denominated in INR that are measured at fair value at the end of each reporting date as required under relevant Ind AS.

1 Summary of significant accounting policies

1.1 Use of estimates

The preparation of financial statements in conformity with the Ind AS requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the accompanying disclosure and the disclosure of contingent liabilities, at the end of the reporting year. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised. 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 years.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

1.1.1 Business Model Assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Group considers the frequency, volume and timing of sales in prior years, the reason for such sales, and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an holistic assessment of how Group 's stated objective for managing the financial assets is achieved and how cash flows are realised. Therefore, the Group considers information about past sales in the context of the reasons for those sales, and the conditions that existed at that time as compared to current conditions.

Based on this assessment and future business plans of the Group , the management has measured its financial assets at amortised cost as the asset is held within a business model whose objective is to collect contractual cash flows, and the contractual terms of the financial asset give rise to cash flows that are solely payments of principle and interest ('the 'SPPI criterion').

1.1.2 Defined employee benefit assets and liabilities

The cost of the defined benefit gratuity plan and other post-employment benefits and the present value of the gratuity obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

1.1.3 Impairment losses on financial assets

The measurement of impairment losses across all categories of financial assets except assets valued at Fair value through P&L (FVTPL), requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

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The group's Expected credit loss (ECL) calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The group's model, which assigns Probability of default (PD)s
- The group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a Lifetime expected credit loss (LTECL) basis
- The segmentation of financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and, economic inputs, and the effect on PDs, Exposure at default (EAD)s and Loss given default (LGD)s
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

1.1.4 Share-based payments

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them.

1.1.5 Fair value measurement:

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

1.1.6 Effective Interest rate method

The Group 's EIR methodology, recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected behavioural life of loans and recognises the effect of potentially different interest rates charged at various stages and other characteristics of the product life cycle (including prepayments and penalty interest and charges). This estimation, by nature, requires an element of judgement regarding the expected behaviour and life-cycle of the instruments, as well expected changes to the Group 's base rate and other fee income/expense that are integral parts of the instrument.

1.2 Cash and cash equivalents

Cash and cash equivalent comprises cash in hand, demand deposits and time deposits with original maturity of less than three months held with bank, debit balance in cash credit account and balance in franking machine.

1.3 Revenue recognition

1.3.1 Interest and similar income

Interest income, for all financial instruments measured either at amortised cost or at fair value through other comprehensive income, is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter year, where appropriate, to the gross carrying amount of the financial asset. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes

Notes to the Consolidated Financial Statements for the year ended March 31, 2019

any fees or incremental costs that are directly attributable and are an integral part of the EIR, but not future credit losses.

The Group calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets. When a financial asset becomes credit-impaired and is, therefore, regarded as 'Stage 3', the Group calculates interest income by applying the effective interest rate to the net amortised cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Group reverts to calculating interest income on a gross basis.

1.3.2 Other charges and other interest

1.3.2.1 Overdue interest in respect of loans is recognized upon realisation.

1.3.2.2 Other ancillary charges are recognized upon realisation.

1.3.3 Commission on Insurance Policies

Commission on insurance policies sold is recognised on accrual basis when the Group under its agency code sells the insurance policies.

1.3.4 Dividend income

Dividend income is recognized when the Group's right to receive the payment is established, it is probable that the economic benefits associated with the dividend will flow to the entity and the amount of the dividend can be measured reliably. This is generally when shareholders approve the dividend.

1.4 Foreign currency

The Group's financial statements are presented in Indian Rupees (INR) which is also the Group's functional currency.

Transactions in foreign currencies are initially recorded by the Group at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Income and expenses in foreign currencies are initially recorded by the Group at the exchange rates prevailing on the date of the transaction.

Foreign currency denominated monetary assets and liabilities are translated at the functional currency spot rates of exchange at the reporting date and exchange gains and losses arising on settlement and restatement are recognized in the statement of profit and loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognized in OCI or profit or loss, respectively).

1.5 Operating Leases

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor are recognized as operating leases. The Group has ascertained that the payments to the lessor are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases and therefore, the lease payments are recognized as per terms of the lease agreement in the Statement of Profit and Loss.

1.6 Property, plant and equipment (PPE) and Intangible assets

PPE

PPE are stated at cost (including incidental expenses directly attributable to bringing the asset to its working condition for its intended use) less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price

Notes to the Consolidated Financial Statements for the year ended March 31, 2019

and any attributable cost of bringing the asset to its working condition for its intended use. Subsequent expenditure related to PPE is capitalized only when it is probable that future economic benefits associated with these will flow to the Group and the cost of item can be measured reliably. Other repairs and maintenance costs are expensed off as and when incurred.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit and loss when the asset is derecognised.

Intangible assets

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

1.7 Depreciation and amortization

Depreciation

Depreciation is provided over the useful life of the asset as per Schedule-II of Companies Act 2013 and depreciation rates have been worked out by applying written down value method. The Company has used the following useful lives to provide depreciation on its PPE.

PPE	Useful Life (In Years)
Freehold Land	NIL
Building	60
Furniture and fixtures	10
Office equipment	5
Motor Vehicles	8
Servers	6
Computers and printers	3

All fixed assets individually costing ₹5,000/- or less are fully depreciated in the year of installation/purchase.

Amortization

Intangible assets are amortized on a straight line basis over the estimated useful economic life. The Group estimates the useful life of an intangible asset will not exceed four years from the date when the asset is available for use. If the persuasive evidence exists to the affect that useful life of an intangible asset exceeds four years, the Group amortizes the intangible asset over the best estimate of its useful life.

1.8 Impairment of non-financial assets

The carrying amount of assets is reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets, net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. In determining net selling price, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

1.9 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation

Notes to the Consolidated Financial Statements for the year ended March 31, 2019

and a reliable estimate can be made of the amount of the obligation.The expense relating to any provision is presented in the statement of profit and loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

1.10 Contingent liabilities and assets

The Group does not recognize a contingent liability but discloses its existence in the financial statements Contingent liability is disclosed in the case of:

- A present obligation arising from past events, when it is not probable that an outflow of resources will not be required to settle the obligation.
- A present obligation arising from past events, when no reliable estimate is possible.
- A possible obligation arising from past events, unless the probability of outflow of resources is remote.

Contingent liabilities are reviewed at each balance sheet date. Contingent assets are not recognised. A contingent asset is disclosed, as required by Ind AS 37, where an inflow of economic benefits is probable.

1.11 Retirement and other employee benefits

Retirement benefit in the form of provident fund is a defined contribution scheme. The Group has no obligation, other than the contribution payable to the provident fund. The Group recognizes contribution payable to the provident fund scheme as an expense, 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 Group 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.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through OCI in the year in which they occur. Remeasurements are not reclassified to profit or loss in subsequent years.

Past service costs are recognised in Profit or Loss on the earlier of: The date of the plan amendment or curtailment, and The date that the Group recognises related restructuring costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation as an expense in the statement of profit and loss:

Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and Net interest expense or income

Accumulated leave, which is expected to be utilized within the next 12 months, is treated as short-term employee benefit. The Group 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 Group treats accumulated leave expected to be carried forward beyond twelve months, as long term employee benefit for measurement purposes.

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1.12 Taxes

Tax expense comprises current and deferred tax.

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities in accordance with Income tax Act, 1961. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Current income tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Current tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

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 taxes relate to the same taxable entity and the same taxation authority.

1.13 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 year. Partly paid equity shares are treated as a fraction of an equity share to the extent that they are entitled to participate in dividends relative to a fully paid equity share during the reporting year.

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

1.14 Share based payments

Equity-settled share based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share based payments transactions are set out in Note 29.

The fair value determined at the grant date of the equity-settled share based payments is expensed on a straight line basis over the vesting year, based on the group`s estimate of equity instruments that will eventually vest, with a

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corresponding increase in equity. At the end of each reporting year, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in Statement of Profit and Loss such that the cumulative expenses reflects the revised estimate, with a corresponding adjustment to the Share Based Payments Reserve.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

1.15 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

1.15.1 Financial Assets

1.15.1.1 Initial recognition and measurement

Financial assets, with the exception of loans and advances to customers, are initially recognised on the trade date, i.e., the date that the Group becomes a party to the contractual provisions of the instrument. Loans and advances to customers are recognised when funds are disbursed to the customers. The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention when acquiring them. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

1.15.1.2 Classification and Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Debt instruments at amortised cost
- Debt instruments at fair value through other comprehensive income (FVTOCI)
- Debt instruments and equity instruments at fair value through profit or loss (FVTPL)
- Equity instruments measured at fair value through other comprehensive income (FVTOCI)

1.15.1.3 Debt instruments at amortised costs

A 'debt instrument' is measured at the amortised cost if both the following conditions are met:

- The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
- Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

  After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in interest income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit and loss.

1.15.1.4 Debt instruments at FVTOCI

A 'debt instrument' is classified as at the FVTOCI if both of the following criteria are met:

The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and

The asset's contractual cash flows represent SPPI.

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Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognized in the other comprehensive income (OCI). However, the Group recognizes interest income, impairment losses & reversals and foreign exchange gain or loss in the P&L. On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from the equity to P&L. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method.

1.15.1.5 Debt instruments at FVTPL

FVTPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorization as at amortized cost or as FVTOCI, is classified as at FVTPL.

In addition, the Group may elect to designate a debt instrument, which otherwise meets amortized cost or FVTOCI criteria, as at FVTPL. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch'). Debt instruments included within the FVTPL category are measured at fair value with all changes recognized in the P&L.

1.15.1.6 Equity Investments

All equity investments in scope of Ind AS 109 are measured at fair value. Equity instruments which are held for trading classified as at FVTPL. For all other equity instruments, the Group may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The Group makes such election on an instrument-by- instrument basis. The classification is made on initial recognition and is irrevocable.

If the Group decides to classify an equity instrument as at FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognized in the OCI. There is no recycling of the amounts from OCI to P&L, even on sale of investment. However, the Group may transfer the cumulative gain or loss within equity.

Equity instruments included within the FVTPL category are measured at fair value with all changes recognized in the P&L.

The Group has accounted for its investments in Subsidiary at cost less impairment loss (if any).

1.15.2 Financial Liabilities

1.15.2.1 Initial recognition and measurement

Financial liabilities are classified and measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for trading or it is designated as on initial recognition. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and derivative financial instruments.

1.15.2.2 Classification and Subsequent measurement - Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by Ind AS 109. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

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Gains or losses on liabilities held for trading are recognised in the profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied. For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risk are recognized in OCI. These gains/ loss are not subsequently transferred to P&L. However, the Group may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the statement of profit and loss.

1.15.2.3 Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit and loss. This category generally applies to borrowings.

1.15.3 Derivative financial instruments

The Group holds derivative to mitigate the risk of changes in exchange rates on foreign currency exposures as well as interest fluctuations. The counterparty for these contracts is generally a bank.

Financial assets or financial liabilities, at fair value through profit or loss

This category has derivative financial assets or liabilities which are not designated as hedges. Any derivative that is not designated a hedge is categorized as a financial asset or financial liability, at fair value through profit or loss.

Derivatives not designated as hedges are recognized initially at fair value and attributable transaction costs are recognized in net profit in the Statement of Profit and Loss when incurred. Subsequent to initial recognition, these derivatives are measured at fair value through profit or loss and the resulting exchange gains or losses are included in Statement of Profit and Loss.

1.15.4 Reclassification of financial assets and liabilities

The Group doesn’t reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Group acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified.

1.15.5 De-recognition of financial assets and liabilities

1.15.5.1 Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of a Group of similar financial assets) is de-recognised when the rights to receive cash flows from the financial asset have expired. The Group also de-recognised the financial asset if it has transferred the financial asset and the transfer qualifies for de recognition.

The Group has transferred the financial asset if, and only if, either:

- It has transferred its contractual rights to receive cash flows from the financial asset or
- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement.

Pass-through arrangements are transactions whereby the Group retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

Notes to the Consolidated Financial Statements for the year ended March 31, 2019

- The Group has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates.
- The Group has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates.
- The Group cannot sell or pledge the original asset other than as security to the eventual recipients.
- The Group has to remit any cash flows it collects on behalf of the eventual recipients without material delay.

In addition, the Group is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the year between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:

- The Company has transferred substantially all the risks and rewards of the asset or
- The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The Group considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Group has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the group's continuing involvement, in which case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Group could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Group would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.15.5.2 Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

1.16 Impairment of financial assets

1.16.1 Overview of the ECL principles

The Group is recording the allowance for expected credit losses for all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts, (in this section all referred to as 'financial instruments'). Equity instruments are not subject to impairment under Ind AS 109.

Notes to the Consolidated Financial Statements for the year ended March 31, 2019

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL) as outlined in Note 1.16.2. The group's policies for determining if there has been a significant increase in credit risk are set out in Note 4(a)(4)(v).

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on collective basis, depending on the nature of the underlying portfolio of financial instruments. The group's policy for grouping financial assets measured on a collective basis is explained in Note 4(a)(4)(vi).

The Group has established a policy to perform an assessment, at the end of each reporting year, of whether a financial instrument's credit risk has increased significantly since initial recognition. This is further explained in Note4(a)(4)(v).

Based on the above process, the Company group its loans into Stage 1, Stage 2, Stage 3, as described below:

Stage 1: When loans are first recognised, the group recognises an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2 or Stage 3.

Stage 2: When a loan has shown a significant increase in credit risk since origination, the group records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.

Stage 3: Loans considered credit-impaired (as outlined in Note 4(a)(4)(i). The group records an allowance for the LTECLs.

For financial assets for which the Company has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

1.16.2 The calculation of ECLs

The Group calculates ECLs based on a probability-weighted scenarios and historical data to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- PD - The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed year, if the facility has not been previously derecognised and is still in the portfolio.
- EAD - The Exposure at Default is an exposure at a default date. The EAD is further explained in Note 4(a)(4)(iii).
- LGD - The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD. The LGD is further explained in Note 4(a)(4)(iv).

The maximum year for which the credit losses are determined is the expected life of a financial instrument.

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Provisions for ECLs for undisbursed loan commitments are assessed as set out in Note 4(a)(3).

The mechanics of the ECL method are summarised below:

Stage 1: The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Company calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to an EAD and multiplied by the expected LGD.

Stage 2: When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. The mechanics are similar to those explained above, but PDs and LGDs are estimated over the lifetime of the instrument.

Stage 3: For loans considered credit-impaired (as defined in Note 4(a)(4)(i)), the Company recognizes the lifetime expected credit losses for these loans.

The method is similar to that for Stage 2 assets, with the PD set at 100%.

Loan commitments: When estimating LTECLs for undisbursed loan commitments, the Group estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan.

For loan commitments, the ECL is recognised within Provisions.

1.16.3 Forward looking information

While estimating the expected credit losses, the Group reviews macro-economic developments occurring in the economy and market it operates in. On a periodic basis, the Group analyses if there is any relationship between key economic trends like GDP, Property Price Index, Unemployment rates, Benchmark rates set by the Reserve Bank of India, inflation etc. with the estimate of PD, LGD determined by the Group based on its internal data. While the internal estimates of PD, LGD rates by the Group may not be always reflective of such relationships, temporary overlays are embedded in the methodology to reflect such macro-economic trends reasonably.

1.16.4 Collateral repossessed

In its normal course of business, the Group does not physically repossess properties or other assets in its retail portfolio, but generally engages external or internal agents to recover funds generally at auctions to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, the residential properties under legal repossession processes are not recorded on the balance sheet and are treated as assets held for sale at (i) fair value less cost to sell or (ii) principle outstanding, whichever is less, at the repossession date.

1.16.5 Write-offs

Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to Statement of profit and loss account.

1.17 Fair value measurement

The Group measures financial instruments, such as, derivatives at fair value at each balance sheet date using valuation techniques.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly

Notes to the Consolidated Financial Statements for the year ended March 31, 2019

transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

In the principal market for the asset or liability, or

In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting year.

1.18 Dividend

The Group recognises a liability to make cash distributions to equity holders when the distribution is authorised and the distribution is no longer at the discretion of the group. Final dividends on shares are recorded as a liability on the date of approval by the shareholders and interim dividends are recorded as a liability on the date of declaration by the group's Board of Directors

1.19 Standard issued but not yet effective

Ind AS 116 : Leases

In March 2019, the Ministry of Corporate Affairs issued the Companies (Indian Accounting Standards) (Amendments) Rules, 2019, notifying Ind AS 116, 'Leases'. Ind AS 116 replaces Ind AS 17 'Leases'. Ind AS 116 is effective for annual years beginning on or after 1st April, 2019.

Ind AS 116 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under Ind AS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group is evaluating the requirements of Ind AS 116 and its effect on the financial statements.

Notes to the Consolidated Financial Statements for the year ended March 31, 2019

2. Cash and cash equivalents

(₹ in lakh)

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 01, 2017
Cash and cash equivalents			
Cash on hand (refer note 2(a))	202.95	191.70	178.63
Balance with banks			
In Current accounts	3,872.39	13,657.01	3,866.29
In Cash credit accounts	645.06	500.00	2,315.21
In Deposits with original maturity of less than three months	11,245.82	21,500.00	20,500.00
	15,966.22	**35,848.71**	**26,860.13**
Bank balances other than above			
Deposit with original maturity of more than 12 months (refer note 2(b))	1,173.61	1,147.30	716.60
Deposit with original maturity of more than 3 months less than 12 months	51,241.77	19,950.10	-
	52,415.38	**21,097.40**	**716.60**
Total	**68,381.60**	**56,946.11**	**27,576.73**

2(a) Cash on hand includes of ₹0.95 lakh (P.Y. ₹0.95 lakh) balance of franking machine.

2(b) Other Bank Balance in deposit accounts include deposits under lien aggregating to ₹1173.61 lakh (P.Y. ₹1147.30 lakh) towards the first loss guarantee provided by the Group under the securitization agreements.

3. Derivative financial instruments

(₹ in lakh)

Particulars	Notional amounts	Fair Value - Assets	Fair Value - Liabilities
As at March 31, 2019			
Part I			
Currency Derivatives:			
Currency swaps (refer note 3(a))	3,125.00	87.86	-
Part II			
Included in above (Part I) are derivatives held for hedging and risk management purposes as follows:			
Undesignated derivatives	3,125.00	87.86	-
Total derivative financial instruments	**3,125.00**	**87.86**	**-**
As at March 31, 2018			
Part I			
Currency Derivatives:			
Currency swaps (refer note 3(a))	5,058.33	-	161.74

Notes to the Consolidated Financial Statements for the year ended March 31, 2019

Part II			
Included in above (Part I) are derivatives held for hedging and risk management purposes as follows:			
Undesignated derivatives	5,058.33	-	161.74
Total derivative financial instruments	**5,058.33**	**-**	**161.74**
As at April 01, 2017			
Part I			
Currency Derivatives:			
Currency swaps (refer note 3(a))	5,800.00	-	216.96
Part II			
Included in above (Part I) are derivatives held for hedging and risk management purposes as follows:			
Undesignated derivatives	5,800.00	-	216.96
Total derivative financial instruments	**5,800.00**	**-**	**216.96**

3(a) The Group uses Cross Currency swaps to manage its foreign currency risk arising from borrowings in foreign currencies. This contract has not been designated in a hedging relationship and are entered into for periods consistent with exposure of the underlying transactions.

4. Loans

(₹ in lakh)

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 01, 2017
At amortised cost			
Loan assets	4,73,725.65	3,34,159.11	2,21,696.12
Total Gross	**4,73,725.65**	**3,34,159.11**	**2,21,696.12**
Less: Impairment loss allowance	(1,276.65)	(817.30)	(754.40)
Total Net	**4,72,449.00**	**3,33,341.81**	**2,20,941.72**
Secured by tangible assets (Property including land and building)	4,73,725.65	3,34,159.11	2,21,696.12
Total Gross	**4,73,725.65**	**3,34,159.11**	**2,21,696.12**
Less: Impairment loss allowance	(1,276.65)	(817.30)	(754.40)
Total Net	**4,72,449.00**	**3,33,341.81**	**2,20,941.72**
Loans in India			
Public Sector	-	-	-
Others	4,73,725.65	3,34,159.11	2,21,696.12
Total Gross	**4,73,725.65**	**3,34,159.11**	**2,21,696.12**
Less: Impairment loss allowance	(1,276.65)	(817.30)	(754.40)
Total Net	**4,72,449.00**	**3,33,341.81**	**2,20,941.72**

i) Loans and receivables are non-derivative financial assets which generate a fixed or variable interest income for the group. The carrying value may be affected by changes in the credit risk of the counterparties.

Notes to the Consolidated Financial Statements for the year ended March 31, 2019

ii) Loans granted by the Group are secured by equitable mortgage/registered mortgage of the property and/or undertaking to create a security and/or personal guarantees and/or hypothecation of assets and/or assignments of life insurance policies. The process of security creation was in progress for loans to the extent of ₹15,376.85 lakh at March 31, 2019 (P.Y. ₹17,058.52 lakh)

iii) Loans sanctioned but undisbursed amount is ₹25,211.36 lakh as on March 31, 2019 (P.Y. ₹28,725.99 lakh)

iv) The Group is not granting any loans against gold jewellery as collateral.

v) The Group has assigned a pool of certain loans amounting to ₹76,268.14 lakh (P.Y. ₹48,584.04 lakh) by way of a direct assignment transaction. These loan assets have been de-recognised from the loan portfolio of the Group as the sale of loan assets is an absolute assignment and transfer on a 'no-recourse' basis. The Group continues to act as a servicer to the assignment transaction on behalf of assignee. In terms of the assignment agreement, the Group pays to assignee, on a monthly basis, the pro-rata collection amounts

During the year the Group has securitised assets amounting to ₹ Nil (P.Y. ₹10,767.38 lakh). These loan assets have not been de-recognised from the loan portfolio of the Group as these does not meet the de-recognition criteria. The Group is responsible for collection and servicing of this loan portfolio on behalf of buyers/investors. In terms of the said securitisation agreements, the Group pays to buyer/investor on monthly basis the prorated collection amount as per individual agreement terms.

vi) The Group has granted certain loans to staff amounting to ₹1,282.69 lakh as on March 31,2019 (P.Y. ₹415.13 lakh)

vii) Loan assets include three loans which became doubtful due to fraudlent misrepresentation by the borrowers and same has been provided for.

Break up of financial assets carried at amortised cost (₹ in lakh)

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 01, 2017
Loans (Note 4)	4,72,449.00	3,33,341.81	2,20,941.72
Other financial assets (Note 5)	16,348.94	10,876.63	6,791.79
Total financial assets carried at amortised cost	**4,88,797.94**	**3,44,218.44**	**2,27,733.51**

4(a)(1) Impairment allowance for loans and advances to customers

The table below shows the credit quality and the maximum exposure to credit risk excluding Excess Interest Spread (EIS) receivable as on March 31, 2019 based on the group's risk assessment model and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the group's risk assessment model are explained in Note 4(a)(4)(ii) and policies on whether ECL allowances are calculated on an individual or collective basis are set out in Note 4(a)(4)(vi).

(₹ in lakh)

Risk Categorization	Housing-Salaried	Housing-Self employed	Non Housing-Salaried	Non Housing-Self employed	Total
High_Risk	1,309.69	29,586.78	355.54	7,909.46	39,161.47
Medium_Risk	33,286.63	28,869.00	6,859.37	15,389.94	84,404.94
Low_Risk	1,05,629.62	1,68,041.58	19,576.91	56,911.13	3,50,159.24
Grand Total	**1,40,225.94**	**2,26,497.36**	**26,791.82**	**80,210.53**	**4,73,725.65**

Notes to the Consolidated Financial Statements for the year ended March 31, 2019

4(a)(2)(i) Housing-Salaried lending

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to Housing- Salaried lending is, as follows:

(₹ in lakh)

Particulars	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 01 April 2017	62,681.00	1,686.66	436.40	64,804.06
New assets originated	58,303.72	-	-	58,303.72
Assets derecognised or repaid	(23,078.79)	(503.42)	(306.31)	(23,888.52)
Transfers from Stage 1	(1,332.87)	1,101.53	231.34	-
Transfers from Stage 2	567.78	(676.15)	108.37	-
Transfers from Stage 3	13.08	-	(13.08)	-
As at March 31, 2018	**97,153.92**	**1,608.62**	**456.72**	**99,219.26**

Particulars	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 01 April 2018	97,153.92	1,608.62	456.72	99,219.26
New assets originated	69,358.31	-	-	69,358.31
Assets derecognised or repaid	(27,787.56)	(388.77)	(175.30)	(28,351.63)
Transfers from Stage 1	(953.35)	755.89	197.46	-
Transfers from Stage 2	531.72	(639.17)	107.45	-
Transfers from Stage 3	39.34	90.09	(129.43)	-
As at March 31, 2019	**1,38,342.38**	**1,426.66**	**456.90**	**1,40,225.94**

Particulars	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 01 April 2017	72.59	11.21	69.82	153.62
New assets originated	75.24	-	-	75.24
Assets derecognised or repaid	(27.73)	(3.67)	(49.00)	(80.40)
Transfers from Stage 1	(10.66)	7.02	37.01	33.37
Transfers from Stage 2	0.60	(4.31)	17.34	13.63
Transfers from Stage 3	0.01	-	(2.09)	(2.08)
As at March 31, 2018	**110.05**	**10.25**	**73.08**	**193.38**

Particulars	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 01 April 2018	110.05	10.25	73.08	193.38
New assets originated	79.59	-	-	79.59
Assets derecognised or repaid	(36.28)	(3.06)	(22.14)	(61.48)
Transfers from Stage 1	(6.84)	4.46	35.74	33.36
Transfers from Stage 2	0.57	(3.77)	19.45	16.25
Transfers from Stage 3	0.04	0.53	(23.43)	(22.86)
As at March 31, 2019	**147.13**	**8.41**	**82.70**	**238.24**

Notes to the Consolidated Financial Statements for the year ended March 31, 2019

4(a)(2)(ii) Housing-Self Employed lending

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to Housing- Self Employed lending is, as follows:

(₹ in lakh)

Particulars	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 01 April 2017	1,05,788.16	5,991.47	1,233.15	1,13,012.78
New assets originated	87,765.02	-	-	87,765.02
Assets derecognised or repaid	(44,814.87)	(2,243.06)	(1,030.62)	(48,088.55)
Transfers from Stage 1	(3,718.03)	3,259.89	458.14	-
Transfers from Stage 2	1,458.37	(1,861.57)	403.20	-
Transfers from Stage 3	59.10	-	(59.10)	-
As at March 31, 2018	**1,46,537.75**	**5,146.73**	**1,004.77**	**1,52,689.25**

Particulars	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 01 April 2018	1,46,537.75	5,146.73	1,004.77	1,52,689.25
New assets originated	1,20,516.18	-	-	1,20,516.18
Assets derecognised or repaid	(44,852.15)	(1,496.81)	(359.11)	(46,708.07)
Transfers from Stage 1	(3,142.01)	2,573.88	568.13	-
Transfers from Stage 2	1,332.65	(1,760.59)	427.94	-
Transfers from Stage 3	58.68	100.27	(158.95)	-
As at March 31, 2019	**2,20,451.10**	**4,563.48**	**1,482.78**	**2,26,497.36**

Particulars	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 01 April 2017	224.37	67.03	197.30	488.70
New assets originated	211.51	-	-	211.51
Assets derecognised or repaid	(93.21)	(22.34)	(164.90)	(280.45)
Transfers from Stage 1	(30.72)	38.85	73.31	81.44
Transfers from Stage 2	3.14	(22.19)	64.51	45.46
Transfers from Stage 3	0.13	-	(9.46)	(9.33)
As at March 31, 2018	**315.22**	**61.35**	**160.76**	**537.33**

Particulars	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 01 April 2018	315.22	61.35	160.76	537.33
New assets originated	368.33	-	-	368.33
Assets derecognised or repaid	(90.18)	(16.75)	(43.90)	(150.83)
Transfers from Stage 1	(108.57)	31.45	185.55	108.43
Transfers from Stage 2	2.95	(21.51)	77.46	58.90
Transfers from Stage 3	0.13	1.23	(28.77)	(27.41)
As at March 31, 2019	**487.88**	**55.77**	**351.10**	**894.75**

Notes to the Consolidated Financial Statements for the year ended March 31, 2019

4(a)(2)(iii) Non-Housing-Salaried lending

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to Non-Housing-Salaried lending is, as follows:

(₹ in lakh)

Particulars	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 01 April 2017	11,985.72	110.05	38.69	12,134.46
New assets originated	12,889.21	-	-	12,889.21
Assets derecognised or repaid	(3,778.84)	(49.28)	(28.74)	(3,856.86)
Transfers from Stage 1	(245.76)	231.05	14.71	-
Transfers from Stage 2	46.41	(47.03)	0.62	-
Transfers from Stage 3	6.16	-	(6.16)	-
As at March 31, 2018	**20,902.90**	**244.79**	**19.12**	**21,166.81**

Particulars	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 01 April 2018	20,902.90	244.79	19.12	21,166.81
New assets originated	16,667.51	-	-	16,667.51
Assets derecognised or repaid	(10,997.90)	(32.73)	(11.87)	(11,042.50)
Transfers from Stage 1	(218.47)	199.22	19.25	-
Transfers from Stage 2	46.99	(100.19)	53.20	-
Transfers from Stage 3	-	2.81	(2.81)	-
As at March 31, 2019	**26,401.03**	**313.90**	**76.89**	**26,791.82**

Particulars	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 01 April 2017	11.20	0.55	6.19	17.94
New assets originated	8.06	-	-	8.06
Assets derecognised or repaid	(6.62)	(0.36)	(4.60)	(11.58)
Transfers from Stage 1	(1.02)	0.73	2.35	2.06
Transfers from Stage 2	0.03	(0.15)	0.10	(0.02)
Transfers from Stage 3	0.00	-	(0.98)	(0.98)
As at March 31, 2018	**11.65**	**0.77**	**3.06**	**15.48**

Particulars	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 01 April 2018	11.65	0.77	3.06	15.48
New assets originated	10.82	-	-	10.82
Assets derecognised or repaid	(5.86)	(0.15)	(1.75)	(7.76)
Transfers from Stage 1	(1.22)	0.58	3.48	2.84
Transfers from Stage 2	0.03	(0.29)	9.63	9.37
Transfers from Stage 3	-	0.01	(0.51)	(0.50)
As at March 31, 2019	**15.42**	**0.92**	**13.91**	**30.25**

Notes to the Consolidated Financial Statements for the year ended March 31, 2019

4(a)(2)(iv) Non-Housing-Self Employed lending

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to Non-Housing- Self Employed lending is, as follows:

(₹ in lakh)

Particulars	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 01 April 2017	30,821.91	760.60	162.32	31,744.83
New assets originated	40,564.82	-	-	40,564.82
Assets derecognised or repaid	(10,919.84)	(175.38)	(130.63)	(11,225.85)
Transfers from Stage 1	(789.78)	743.29	46.49	-
Transfers from Stage 2	220.29	(227.53)	7.24	-
Transfers from Stage 3	17.38	-	(17.38)	-
As at March 31, 2018	**59,914.78**	**1,100.98**	**68.04**	**61,083.80**

Particulars	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 01 April 2018	59,914.78	1,100.98	68.04	61,083.80
New assets originated	53,927.88	-	-	53,927.88
Assets derecognised or repaid	(34,360.30)	(412.20)	(28.65)	(34,801.15)
Transfers from Stage 1	(1,081.63)	951.29	130.34	-
Transfers from Stage 2	252.74	(306.44)	53.70	-
Transfers from Stage 3	10.36	2.60	(12.96)	-
As at March 31, 2019	**78,663.83**	**1,336.23**	**210.47**	**80,210.53**

Particulars	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 01 April 2017	60.11	8.04	25.98	94.13
New assets originated	38.36	-	-	38.36
Assets derecognised or repaid	(42.02)	(4.98)	(20.90)	(67.90)
Transfers from Stage 1	(2.20)	3.89	7.43	9.12
Transfers from Stage 2	0.20	(1.19)	1.16	0.17
Transfers from Stage 3	0.02	-	(2.78)	(2.76)
As at March 31, 2018	**54.47**	**5.76**	**10.89**	**71.12**

Particulars	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 01 April 2018	54.47	5.76	10.89	71.12
New assets originated	55.65	-	-	55.65
Assets derecognised or repaid	(31.97)	(2.64)	(3.76)	(38.37)
Transfers from Stage 1	(9.13)	4.31	23.59	18.77
Transfers from Stage 2	0.22	(1.39)	9.72	8.55
Transfers from Stage 3	0.01	0.01	(2.35)	(2.33)
As at March 31, 2019	**69.25**	**6.05**	**38.09**	**113.39**

Notes to the Consolidated Financial Statements for the year ended March 31, 2019

4(a)(3) Loan commitments

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to loan commitments is, as follows:

(₹ in lakh)

Particulars	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 01 April 2017	15,540.00	175.30	32.54	15,747.84
New assets originated	25,482.28	-	-	25,482.28
Assets disbursed or cancelled	(12,318.23)	(155.60)	(30.30)	(12,504.13)
Transfers from Stage 1	(141.03)	141.03	-	-
Transfers from Stage 2	11.50	(13.93)	2.43	-
As at March 31, 2018	**28,574.52**	**146.80**	**4.67**	**28,725.99**

Particulars	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 01 April 2018	28,574.52	146.80	4.67	28,725.99
New assets originated	20,894.89	-	-	20,894.89
Assets disbursed or cancelled	(24,336.76)	(70.33)	(2.43)	(24,409.52)
Transfers from Stage 1	(123.69)	93.30	30.39	-
Transfers from Stage 2	37.00	(37.00)	-	-
As at March 31, 2019	**25,045.96**	**132.77**	**32.63**	**25,211.36**

Particulars	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 01 April 2017	26.93	1.81	5.21	33.95
New assets originated	39.74	-	-	39.74
Assets disbursed or cancelled	(21.29)	(1.59)	(4.85)	(27.73)
Transfers from Stage 1	(0.34)	1.51	-	1.17
Transfers from Stage 2	0.02	(0.15)	0.39	0.26
As at March 31, 2018	**45.06**	**1.58**	**0.75**	**47.39**

Particulars	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 01 April 2018	45.06	1.58	0.75	47.39
New assets originated	37.92	-	-	37.92
Assets disbursed or cancelled	(37.66)	(0.76)	(0.34)	(38.76)
Transfers from Stage 1	(0.64)	0.79	5.50	5.65
Transfers from Stage 2	0.08	(0.42)	-	(0.34)
As at March 31, 2019	**44.76**	**1.19**	**5.91**	**51.86**

Notes to the Consolidated Financial Statements for the year ended March 31, 2019

4(a)(4) Impairment assessment

The references below show where the Group's impairment assessment and measurement approach is set out in these notes. It should be read in conjunction with the Summary of significant accounting policies.

4(a)(4)(i) Definition of default

The group considers a financial instrument as defaulted and considered it as Stage 3 (credit-impaired) for ECL calculations in all cases, when the borrower becomes more than 90 days past due on its contractual payments. The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed year, if the facility has not been previously derecognised and is still in the portfolio.

4(a)(4)(ii) The group's process for managing risk

Credit risk is the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss to the group. The group's main income generating activity is lending to customers and therefore credit risk is a principal risk. Credit risk mainly arises from loans and advances to customers , investments in debt securities and derivatives that are an asset position. The Group considers all elements of credit risk exposure such as counterparty default risk, geographical risk and sector risk for risk management purposes.

4(a)(4)(iii) Exposure at default

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.

To calculate the EAD for a Stage 1 loan, the Company assesses the possible default events within 12 months for the calculation of the 12mECL. For Stage 2 and Stage 3 financial assets, the exposure at default is considered for events over the lifetime of the instruments.

4(a)(4)(iv) Loss given default

The group segments its retail lending products into smaller homogeneous portfolios (housing and non housing), based on key characteristics that are relevant to the estimation of future cash flows. The data applied is collected loss data and involves a wider set of transaction characteristics (e.g., product type, wider range of collateral types) as well as borrower characteristics.

4(a)(4)(v) Significant increase in credit risk

The Company continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Company assesses whether there has been a significant increase in credit risk since initial recognition. The Company considers an exposure to have significantly increased in credit risk when contractual payments are more than 30 days past due.

When estimating ECLs on a collective basis for a group of similar assets, the Company applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.

4(a)(4)(vi) Grouping financial assets measured on a collective basis

As explained in Note 1.16, the Company calculates ECLs on collective basis on following asset classes:

- Housing-Salaried lending
- Housing-Self Employed lending
- Non Housing-Salaried lending
- Non Housing-Self Employed lending

The group classified these exposure into smaller homogeneous portfolios, based on a combination of internal and external characteristics of the loans, as described below:

Notes to the Consolidated Financial Statements for the year ended March 31, 2019

For housing- salaried & self-employed lending these are:

- Product type
- Customer type

For non-housing salaried & self-employed salaried lending these are:

- Product type
- Customer type

4(a)(4)(vii) Risk assessment model

The group has designed and operates its risk assessment model that factors in both quantitative as well as qualitative information on the loans and the borrowers. The model uses historical empirical data to arrive at factors that are indicative of future credit risk and segments the portfolio on the basis of combinations of these parameters into smaller homogenous portfolios from the perspective of credit behaviour.

4(a)(5) Collateral

The group holds collateral to mitigate credit risk associated with financial assets.The main types of collateral and the types of assets these are associated with are listed in the table below. The collateral presented relates to instruments that are measured at amortised cost.

(₹ in lakh)

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 01, 2017
Residential properties (Amount of collateral)	15,23,753.91	10,83,585.53	7,15,128.52

The group did not hold any financial instrument for which no loss allowance is recognised because of collateral at March 31, 2019. There was no change in the group's collateral policy or collateral quality during the year.

Refer note 44(C) for risk concentration based on Loan to value(LTV).

5. Other financial assets

(₹ in lakh)

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 01, 2017
Interest accrued on Bank Deposits	940.84	54.09	9.08
Security Deposit	525.98	143.02	100.48
EIS Receivable (Refer note 6(a))	14,911.60	10,679.52	6,682.23
Total Gross	**16,378.42**	**10,876.63**	**6,791.79**
Less: Impairment loss allowance (on EIS Receivable assets)	(29.48)	-	-
Total Net	**16,348.94**	**10,876.63**	**6,791.79**

5(a) Under Ind AS, with respect to Assignment deals, Group has created an Excess Interest Spread (EIS) receivable , with corresponding credit to Statement of Proft and loss for the year, which has been computed by discounting EIS to present value.

Notes to the Consolidated Financial Statements for the year ended March 31, 2019

6(a) Property, plant and equipment

(₹ in lakh)

	Building and premises	Computers and printers	Furniture and fixtures	Motor vehicles	Office equipment	Land	Total
Cost							
At April 1, 2017	445.72	404.75	355.46	66.87	120.55	-	1,393.35
Purchase	28.54	405.06	402.63	177.27	148.92	4.95	1,167.37
Disposals	-	(0.52)	-	-	(0.25)	-	(0.77)
At March 31, 2018	**474.26**	**809.29**	**758.09**	**244.14**	**269.22**	**4.95**	**2,559.95**
Purchase	-	349.61	463.81	190.52	229.75	-	1,233.69
Disposals	-	(4.23)	(0.23)	(35.90)	(1.46)	-	(41.82)
At March 31, 2019	**474.26**	**1,154.67**	**1,221.67**	**398.76**	**497.51**	**4.95**	**3,751.82**
Depreciation							
At April 1, 2017	82.75	220.35	129.23	32.37	59.41	-	524.11
Charge for the year	18.37	217.81	153.89	33.20	67.48	-	490.75
Disposals	-	(0.35)	-	-	-	-	(0.35)
At March 31, 2018	**101.12**	**437.81**	**283.12**	**65.57**	**126.89**	**-**	**1,014.51**
Charge for the year	18.16	353.96	248.02	70.62	157.32	-	848.08
Disposals	-	(3.99)	(0.23)	(28.18)	(1.33)	-	(33.73)
At March 31, 2019	**119.28**	**787.78**	**530.91**	**108.01**	**282.88**	**-**	**1,828.86**
Net Block							
At March 31, 2018	**373.14**	**371.48**	**474.97**	**178.57**	**142.33**	**4.95**	**1,545.44**
At March 31, 2019	**354.98**	**366.90**	**690.76**	**290.75**	**214.63**	**4.95**	**1,922.97**

6(b) Intangible assets under development

(₹ in lakh)

	Software	Total
Gross block		
At April 1, 2017	13.53	13.53
Capitalised during the year	13.53	13.53
Purchase	3.27	3.27
At March 31, 2018	**3.27**	**3.27**
Capitalised during the year	-	-
Purchase	5.81	5.81
At March 31, 2019	**9.08**	**9.08**

Notes to the Consolidated Financial Statements for the year ended March 31, 2019

6(c) Other Intangible assets

(₹ in lakh)

	Software	Total
Gross block		
At April 1, 2017	178.53	178.53
Purchase	221.32	221.32
Disposals	-	-
At March 31, 2018	399.85	399.85
Purchase	186.30	186.30
Disposals	-	-
At March 31, 2019	586.15	586.15
Amortization		
At April 1, 2017	30.86	30.86
Charge for the year	71.91	71.91
At March 31, 2018	102.77	102.77
Charge for the year	124.26	124.26
At March 31, 2019	227.03	227.03
Net block		
At March 31, 2018	297.08	297.08
At March 31, 2019	359.12	359.12

7. Other non-financial assets

(₹ in lakh)

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 01, 2017
Prepaid Expenses	101.22	66.16	26.43
Adavance to staff	75.91	71.45	25.28
Advance to vendors	94.90	116.28	33.51
GST Input	22.53	-	-
Other Recoverable	140.36	131.29	2.48
Total	434.92	385.18	87.70

8. Assets held for sale

(₹ in lakh)

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 01, 2017
Assets held for sale (Refer note 8(a))	988.79	609.75	549.94
Total	988.79	609.75	549.94

Notes to the Consolidated Financial Statements for the year ended March 31, 2019

8(a). Assets obtained by taking possession of collateral

The Group obtained the following assets during the year by taking possession of collateral held as security against loans and advances and held at the year end. The group's policy is to realise collateral on a timely basis. The Group does not use non-cash collateral for its operations.

(₹ in lakh)

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 01, 2017
Properties	988.79	609.75	549.94
Total assets obtained by taking possession of collateral	**988.79**	**609.75**	**549.94**

9. Payables

(₹ in lakh)

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 01, 2017
Trade Payables			
Total outsanding dues of Micro Enterprises and Small Enterprises	-	-	-
Total outsanding dues of Creditors other than Micro Enterprises and Small Enterprises	950.24	913.91	758.95
Total	**950.24**	**913.91**	**758.95**

10. Debt Securities

(₹ in lakh)

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 01, 2017
At amortised cost			
Secured			
Debentures (Refer note 10.1)	23,865.37	38,819.83	33,444.32
Unsecured			
Debentures (Refer note 10.1)	19,839.71	-	-
Total	**43,705.08**	**38,819.83**	**33,444.32**
Debt securities in India	23,865.37	38,819.83	33,444.32
Debt securities outside India	19,839.71	-	-
Total	**43,705.08**	**38,819.83**	**33,444.32**

Notes to the Consolidated Financial Statements for the year ended March 31, 2019

10.1 Detail of Redeemable Non-Convertible Debentures (inclusive of Interest accrued on debentures) (₹ in lakh)

Sr. No.	ISIN No.	Date of allotment	Date of redemption	Nominal value per debenture	Total number of debentures	Rate of Interest p.a.	Face value	As at March 31, 2019	As at March 31, 2018	Secured/ Unsecured	Terms of redemption
1	INE216P07076	15-Jul-15	20-Jun-18	10	100	10.70%	1,000	-	1,075.34	Secured	Redeemable at par*
2	INE216P07084	15-Jul-15	17-Oct-18	10	200	10.70%	2,000	-	2,151.56	Secured	Redeemable at par**
3	INE216P07092	31-Jul-15	17-Oct-18	10	300	10.70%	3,000	-	3,212.36	Secured	Redeemable at par**
4	INE216P07100	02-Sep-16	20-Mar-20	10	500	10.30%	5,000	5,011.75	5,008.38	Secured	Redeemable at par
5	INE216P07142	10-Oct-16	10-Oct-18	10	1,000	9.00%	10,000	-	10,412.61	Secured	Redeemable at par**
6	INE216P07126	20-Dec-16	19-Oct-20	10	500	9.80%	5,000	5,129.27	5,115.57	Secured	Redeemable at par
7	INE216P07134	18-Jul-17	18-May-22	10	1,300	8.61%	13,000	13,276.76	13,242.07	Secured	Redeemable at par
8	INE216P08017	22-Dec-17	22-Dec-23	10	1,000	9.49%	10,000	10,223.02	10,218.53	Unsecured	Redeemable at par
9	INE216P07159	17-Apr-18	17-Apr-23	10	100	9.10%	1,000	1,036.90	-	Secured	Redeemable at par
10	LRN-201812124	20-Dec-18	20-Dec-25	100	200	9.23%	20,000	19,898.43	-	Unsecured	Redeemable at par
	Total							54,576.13	50,436.42		

*Redeemed during the year

**Early redemption during the year

11. Borrowings

(₹ in lakh)

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 01, 2017
At amortised cost			
Secured			
Term loans (refer note 11.7)			
From National Housing Bank (NHB) (Refer note 11.1)	89,720.72	36,509.84	17,304.29
From Banks (Refer note 11.2)	2,04,003.57	1,68,765.66	1,14,832.14
From Financial institutions (Refer note 11.3)	61.45	1,775.16	2,545.69
Others			
Cash Credit (refer note 11.4)	5,733.63	3,251.30	7,903.48
Others (refer note 11.5)	12,142.35	14,686.19	7,570.41
Total	**3,11,661.72**	**2,24,988.15**	**1,50,156.01**
Borrowings in India	3,11,661.72	2,24,988.15	1,50,156.01
Borrowings outside India	-	-	-
Total	**3,11,661.72**	**2,24,988.15**	**1,50,156.01**

11.1 Secured term loans from National Housing Bank carry rate of interest in the range of 4.61% to 9.40% p.a. The loans are having tenure of 10 to 15 years from the date of disbursement and are repayable in quarterly instalments. These loans are secured by hypothecation (exclusive charge) of the loans given by the group. Loans from National Housing Bank to the extent of ₹ Nil (P.Y. ₹9,994.93 lakh) have been guaranteed by corporate guarantee of AU Small Finance Bank Limited.

Notes to the Consolidated Financial Statements for the year ended March 31, 2019

11.2 Secured term loans from Banks include loans from various banks and carry rate of interest in the range of 8.30% to 10.20% p.a. The loans are having tenure of 3 to 15 years from the date of disbursement and are repayable in monthly or quarterly or yearly instalments. These loans are secured by hypothecation (exclusive charge) of the loans given by the group. Secured term loan from banks include auto loans of ₹204.42 lakh (P.Y. ₹167.27 lakh) carrying rate of interest in the range of 8.40% to 10.50% p.a. which are secured by hypothecation of group's vehicles.

11.3 Loans from financial institutions include auto loans of ₹61.45 lakh (P.Y. ₹27.43 lakh)

11.4 Cash credit borrowings from bank are secured against hypothecation of housing loans given by the group, are repayable on demand and carry interest rates ranging from 8.35% to 11.20%.

11.5 Other borrowings includes associated liabilities to securitized asset that has been re-recognised due to non fulfillment of derecognition criteria as per Ind AS.

11.6 Changes in liabilities arising from financing activities (₹ in lakh)

Particulars	As at March 31, 2018	Cash flows	Other*	As at March 31, 2019
Debt securities	38,819.83	5,000.00	(114.75)	43,705.08
Borrowings	2,24,988.15	89,223.47	(2,549.90)	3,11,661.72
Subordinate liabilities	9,948.04	(0.00)	10.26	9,958.30
Total	**2,73,756.02**	**94,223.47**	**(2,654.39)**	**3,65,325.10**

*Other column includes amortisation of transaction cost.

Notes to the Consolidated Financial Statements for the year ended March 31, 2019

11.7 Terms of repayment of long term borrowings outstanding as at March 31, 2019

(₹ in lakh)

Particulars	Interest rate	Due within 1 year		Due 1 to 2 years		Due 2 to 3 years		Due 3 to 4 years		Due 4 to 5 years		Due 5 to 10 years		Above 10 years		Total	
Original maturity of loan		No. of install-ments	Amount	No. of install-ments	Amount	No. of install-ments	Amount	No. of install-ments	Amount	No. of install-ments	Amount	No. of install-ments	Amount	No. of install-ments	Amount	No. of install-ments	Amount
Monthy repayment schedule	8%-10%	519	8,859.08	499	10,546.14	400	9,749.00	202	8,760.03	64	5,931.79	117	5,843.23	22	631.06	1,823	50,320.33
Above 3 years	10%-12%	5	1.50	-	-	-	-	-	-	-	-	-	-	-	-	5	1.50
Quarterly repayment schedule	4%-6%	20	2,734.76	28	4,273.42	28	4,273.42	28	4,273.42	28	4,273.42	74	10,155.96	20	2,586.39	226	32,570.79
Above 3 years	6%-8%	15	978.77	20	1,305.03	20	1,305.04	20	1,305.04	20	1,305.04	99	6,414.27	37	1,526.37	231	14,139.56
	8%-10%	238	27,237.36	243	24,867.99	213	23,120.25	197	21,339.38	184	20,167.76	482	62,939.69	99	11,362.16	1,656	1,91,034.59
Half yearly repayment schedule Above 3 years	8%-10%	-	-	-	-	-	-	2	4,991.11	2	4,991.11	4	9,982.22	-	-	8	19,964.44
Yearly repayment schedule Above 3 years	8%-10%	2	986.39	1	499.11	1	499.11	1	499.11	1	499.11	2	2,495.53	-	-	8	5,478.36
At the end of tenure	8%-10%	1	4,991.11	1	4,991.11	-	-	1	12,976.88	2	10,980.44	-	-	-	-	5	33,939.54
Above 3 years	10%-12%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total		800	45,788.97	792	46,482.80	662	38,946.82	451	54,144.97	301	48,148.67	778	97,830.90	178	16,105.98	3,962	3,47,449.11

Notes to the Consolidated Financial Statements for the year ended March 31, 2019

12. Subordinated Liabilities

(₹ in lakh)

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 01, 2017
At Amortised cost			
Debentures (Refer note 10.1)	9,958.30	9,948.04	-
Loan from bank	-	-	2,973.50
Total	**9,958.30**	**9,948.04**	**2,973.50**
Subordinated Liabilities in India	9,958.30	9,948.04	2,973.50
Subordinated Liabilities Outside India	-	-	-
Total	**9,958.30**	**9,948.04**	**2,973.50**

13. Other financial liabilities

(₹ in lakh)

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 01, 2017
Interest accrued but not due			
From non convertible debentures	589.31	1,401.70	1,782.23
From unsecured non convertible debentures	323.44	266.85	-
From Bank- term Loan	168.07	68.68	139.61
From Financial Institution- term Loan	0.39	11.63	16.05
Due to assignees towards collections in derecognised assets	2,452.23	3,036.45	2,519.96
Employee benefits payable	1,195.16	586.24	524.50
Others	2,434.58	2,622.12	953.75
Total	**7,163.18**	**7,993.67**	**5,936.10**

Break up of financial liabilities carried at amortised cost

(₹ in lakh)

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 01, 2017
Payables (note 9)	950.24	913.91	758.95
Debt Securities (note 10)	43,705.08	38,819.83	33,444.32
Borrowings (note 11)	3,11,661.72	2,24,988.15	1,50,156.01
Subordinated Liabilities (note 12)	9,958.30	9,948.04	2,973.50
Other financial liabilities (note 13)	7,163.18	7,993.67	5,936.10
Total	**3,73,438.52**	**2,82,663.60**	**1,93,268.88**

Notes to the Consolidated Financial Statements for the year ended March 31, 2019

14. Provisions

(₹ in lakh)

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 01, 2017
Provision for employee benefits			
Leave availment	97.23	83.40	49.39
Gratuity	293.96	187.74	112.44
ECL on undisbursed loan commitment	51.86	47.39	33.95
Total	**443.05**	**318.53**	**195.78**

15. Tax Expenses

The major components of income tax expense for the year ended March 31, 2019

Profit or loss section

Particulars	Year ended March 31, 2019	Year ended March 31, 2018
Current income tax:		
Current income tax charge	5,042.18	4,517.89
Adjustments in respect of current income tax of previous year		
Deferred tax:		
Relating to origination and reversal of temporary differences	3,139.70	(396.69)
Income tax expense reported in the statement of profit or loss	**8,181.88**	**4,121.20**
OCI		
Deferred tax related to items recognised in OCI during the year:		

Particulars	Year ended March 31, 2019	Year ended March 31, 2018
Net loss/(gain) on re-measurements of defined benefit plans	12.25	3.75
Income tax charged to OCI	**12.25**	**3.75**

Reconciliation of tax expense and the accounting profit multiplied by India's domestic tax rate for March 31, 2019:

Particulars	Year ended March 31, 2019	Year ended March 31, 2018
Accounting profit before tax from continuing operations	25,784.97	13,430.53
Profit/(loss) before tax from a discontinued operation	-	-
Accounting profit before income tax	**25,784.97**	**13,430.53**
Tax at statutory Income Tax rate of 34.94% (P.Y. 34.61%)	9,010.30	4,648.04
Expenses Disallowed in Income tax Act	60.04	28.81
Other permanent differnece	(92.02)	(54.43)
Expenses Disallowed u/s 43B of Income tax Act	4.83	11.77
Provision for special reserve u/s 29C of NHB Act	(1,105.84)	(697.99)
Incremental defered tax liabilities /(assets) on account of Finaniclal assets and other items	304.57	185.00
Tax at effective Income Tax rate of 31.74% (P.Y. 30.69%)	8,181.88	4,121.20
Tax on Other comprehensive income (b)	12.25	3.75
Total Tax expenses at effective tax rate of 31.78% (P.Y. 30.71%) (a+b)	**8,194.13**	**4,124.95**

Notes to the Consolidated Financial Statements for the year ended March 31, 2019

(₹ in lakh)

Deferred tax liabilities/(assets)	As at March 31, 2019	As at March 31, 2018	As at April 01, 2017
Deferred tax liability			
Unamortized Borrowings cost	129.07	175.94	116.08
Upfront EIS income	5,210.71	3,695.97	2,312.58
Other adjustments	10.13	-	69.45
Gross deferred tax liability	**5,349.91**	**3,871.91**	**2,498.11**
Deferred tax asset			
Expected credit loss (ECL)	(344.91)	(299.25)	(310.37)
Unamortized Processing fee	(397.49)	(708.57)	(521.58)
Fair Valuation of SARFAESI	(53.20)	(29.11)	(27.56)
Provision for gratuity and Leave availment	(136.70)	(93.84)	(56.01)
Difference between tax depreciation and depreciation/ amortization charged for the financial reporting	(142.68)	(13.35)	12.83
ESOPs	-	(1,522.57)	(67.26)
Other adjustments	-	(69.98)	-
Gross deferred tax asset	**(1,074.98)**	**(2,736.67)**	**(969.94)**
Net Deferred Tax Liability	**4,274.93**	**1,135.24**	**1,528.17**

Deferred tax charged to statement of profit & loss account	Year ended March 31, 2019		Year ended March 31, 2018	
	Profit and Loss	OCI	Profit and Loss	OCI
Unamortized Borrowings cost	(46.88)	-	59.86	-
Upfront EIS income	1,514.75	-	1,383.37	-
Expected credit loss (ECL)	(45.65)	-	11.11	-
Unamortized Processing fee	311.08	-	(186.99)	-
Difference between tax depreciation and depreciation/amortization charged for the financial reporting	(129.33)	-	(26.18)	-
ESOPs	1,522.57	-	(1,455.31)	-
Other adjustments	13.16	12.25	(182.57)	3.75
Deferred Tax charged to statement of profit and loss account	**3,139.70**	**12.25**	**(396.69)**	**3.75**

Notes to the Consolidated Financial Statements for the year ended March 31, 2019

16. Other Non-financial Liabitilies

(₹ in lakh)

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 01, 2017
Statutory Dues Payable	157.55	331.38	103.53
Provision for Expenses	601.93	313.46	243.28
Others	72.02	45.30	52.32
Total	**831.50**	**690.14**	**399.13**

17. Equity share capital

(₹ in lakh)

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

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 01, 2017
Authorized share Capital			
85,000,000 (P.Y. 85,000,000) Equity Shares of ₹10/- each	8,500.00	8,500.00	6,500.00
	8,500.00	**8,500.00**	**6,500.00**
Issued, Subscribed & Paid up capital			
Issued and Subscribed Capital			
78,107,901 (P.Y. 69,950,891) Equity Shares of ₹10/- each	7,810.79	6,995.09	5,873.97
Called-Up and Paid Up Capital			
Fully Paid-Up			
78,107,901 (P.Y. 68,798,297) Equity Shares of ₹10/- each	7,810.79	6,879.84	5,801.96
Partly Called-Up and Paid Up Capital			
Nil (P.Y. 7,20,094) Equity Shares of ₹10/- each, fully Paid up	-	28.80	14.40
Nil (P.Y. 4,32,500) Equity Shares of ₹10/- each, fully Paid up	-	8.65	-
Total	**7,810.79**	**6,917.29**	**5,816.36**

17.1 The reconciliation of equity shares outstanding at the beginning and at the end of the reporting year.

Particulars	As at March 31, 2019		As at March 31, 2018		As at April 01, 2017	
	No. of shares	₹ In lakh	No. of shares	₹ In lakh	No. of shares	₹ In lakh
Equity Share at the beginning of year	6,99,50,891	6,917.29	5,87,39,657	5,816.36	3,83,83,334	3,838.33
Add:						
Equity Share Allotted during year						
Shares issued during the year*	43,84,897	438.48	2,64,662	26.47	49,78,050	497.81
Partly paid up Shares issued during the year	-	-	4,32,500	8.65	1,62,602	3.25
Bonus Shares issued during the year	-	-	-	-	53,66,658	536.67
Right Shares issued during the year	-	-	92,91,521	929.16	92,91,521	929.15
Partly paid up Right Shares issued during the year	-	-	-	-	5,57,492	11.15
Shares issued under ESOP	29,72,113	297.21	12,22,551	122.25	-	-
Shares issued persuant to conversion of convertible share warrants**	8,00,000	80.00	-	-	-	-
Call money received on 7,20,094 @ ₹6 per share	-	43.21	-	14.40	-	-
Call money received on 4,32,500 @ ₹8 per share	-	34.60	-	-	-	-
Equity share at the end of year	**7,81,07,901**	**7,810.79**	**6,99,50,891**	**6,917.29**	**5,87,39,657**	**5,816.36**

Notes to the Consolidated Financial Statements for the year ended March 31, 2019

*The Company had made an Initial Public Offer (IPO) during the year ended 31st March, 2019, for 1,99,79,503 equity shares of ₹10 each, comprising of 43,84,897 fresh issue of equity shares by the Company and 1,55,94,606 equity shares offered for sale by Selling shareholders. The equity shares were issued at a price of ₹821 per share (including premium of ₹811 per share). Out of the total proceeds from the IPO of ₹1,64,031.72 lakh, the Company's share was ₹36,000.00 lakh from the fresh issue of 43,84,897 equity shares. Fresh equity shares were allotted by the Company on 4th October 2018 and the shares of the Company were listed on the stock exchanges on 8th October 2018.

Expenses incurred by the Company aggregating to ₹998.72 lakh, in connection with IPO have been adjusted towards share premium account.

**During the financial year 2018-19 , the Company has converted 360,000 and 440,000 convertible warrants into the equity shares at a Issue Price of ₹328.00 and 430.50 per warrant respectively .

17.2 Shares held by holding Company

Name of the shareholder	As at March 31, 2019		As at March 31, 2018		As at April 01, 2017	
	No. of shares	% of holding	No. of shares	% of holding	No. of shares	% of holding
Lake District Holdings Limited	NA*	NA*	3,52,61,756	50.41%	3,03,76,454	51.71%
26,801,527 Equity Shares of ₹10/- each fully paid						
Total	NA	NA	3,52,61,756	50.41%	3,03,76,454	51.71%

*The Company ceased to be a holding company from 9th June 2018

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.

17.3 Details of shareholders holding more than 5% shares in the group

Name of the shareholder	As at March 31, 2019		As at March 31, 2018		As at April 01, 2017	
	No. of shares	% of holding	No. of shares	% of holding	No. of shares	% of holding
Lake District Holdings Limited	2,68,01,527	34.31%	3,52,61,756	50.41%	3,03,76,454	51.71%
26,801,527 Equity Shares of ₹10/- each fully paid						
Partners Group ESCL Limited	1,30,18,256	16.67%	1,71,27,627	24.49%	1,47,54,698	25.12%
13,018,256 Equity Shares of ₹10/- each fully paid						
Partners Group Private Equity Master Fund LLC	57,13,047	7.31%	75,16,440	10.74%	64,75,083	11.02%
5,713,047 Equity Shares of ₹10/- each fully paid						
AU Small Finance Bank Limited	56,50,909	7.23%	50,14,746	7.17%	43,41,149	7.39%
5,650,909 Equity Shares of ₹10/- each fully paid						
SBI Mutual Fund under its various scheme	53,66,491	6.87%	-	0.00%	-	0.00%
5,366,491 Equity Shares of ₹10/- each fully paid						
Total	5,65,50,230	72.39%	6,49,20,569	92.81%	5,59,47,384	95.24%

As per records of the Company, including its register of shareholders/ members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownerships of shares.

Notes to the Consolidated Financial Statements for the year ended March 31, 2019

17.4 Rights, preferences and restrictions attached to shares

Equity shares:

The Company has one class of equity shares having a par value of ₹10 per share. Each shareholder is eligible for one vote per share held. The dividend as and when proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

17.5 Aggregate number of bonus shares issued during the year of five years immediately preceding the reporting date

Particulars	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015
Equity shares allotted as fully paid bonus shares by capitalization of securities premium	-	-	53,66,658	-	-

17.6 For details of shares reserved for issue under the employee stock option plan (ESOP) of the Company, refer note 29

18. Other equity

(₹ in lakh)

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 01, 2017
Share Premium Account (refer note 18.1)	1,32,004.33	83,239.86	39,134.15
Special reserve u/s 29C of The National Housing Bank Act, 1987 read with 36 (1) (viii) of income tax Act. 1961(refer note 18.1)	8,345.80	4,820.62	2,803.77
Share Based Payments Reserve (refer note 18.1)	742.35	3,284.86	194.36
Money received against share warrants (refer note 18.1)	-	24.00	-
Retained earnings	34,798.74	20,698.01	13,404.23
Total	**1,75,891.22**	**1,12,067.35**	**55,536.51**

18.1 Nature and purpose of reserve

Share Premium Account

Share Premium Account is used to record the premium on issue of shares. The reserve is utilised in accordance with provisions of the Companies Act, 2013.

Special reserve

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. During the year ended March 31, 2019, The Company has transferred an amount of ₹3164.62 lakh (P.Y. ₹2016.85 lakh) to special reserve in terms of Section 36(1) (viii) of the Income Tax Act 1961 considered eligible for special reserve u/s 29C of NHB Act 1987 and also transferred an amount of 360.56 lakh (P.Y. ₹ Nil) to the Reserve in terms of Section 29C of the National Housing Bank ("NHB") Act, 1987.

Share Based Payments Reserve

This Reserve relates to stock options granted by the Group to employees under various ESOP Schemes. This Reserve is transferred to Securities Premium Account on exercise of vested options.

Notes to the Consolidated Financial Statements for the year ended March 31, 2019

Money received against share warrants

During the financial year 2017-18, the Company had issued 360,000 and 440,000 convertible warrants at a Issue Price of ₹328.00 and 430.50 per warrant respectively upon receipt of ₹3 per warrant , with a right exercisable by the warrant holder to convert each warrant with one equity share of the Company of face value ₹10/- each at a premium of ₹318.00 and ₹420.50 as the case may be, any time before the expiry of 5 years from the date of allotment or the filing of red herring prospectus with SEBI in accordance with applicable laws or any other year specified by Board, whichever is earlier, of the said convertible warrants.

During the financial year 2018-19, the Company has converted 360,000 and 440,000 convertible warrants into the equity shares at a Issue Price of ₹328.00 and 430.50 per warrant respectively.

19. Interest income

Particulars	Year ended March 31, 2019			Year ended March 31, 2018		
	On financial assets measured at fair value through OCI	On financial assets measured at Amortised cost	Interest income on financial assets classified at fair value through profit and loss	On financial assets measured at fair value through OCI	On financial assets measured at Amortised cost	Interest income on financial assets classified at fair value through profit and loss
Interest on Loans (Refer note 19(a))	-	55,978.31	-	-	39,109.53	-
Interest on deposits with Banks	-	3,396.58	-	-	133.91	-
Interest income on Inter-corporate deposits	-	-	-	-	12.71	-
Interest income on CP	-	-	-	-	-	7.66
Total	**-**	**59,374.89**	**-**	**-**	**39,256.15**	**7.66**

19(a) Loan origination income included in Interest income on Loan is disclosed net of the direct incremental costs of ₹2,687.17 lakh for year ended March 31, 2019 (P.Y. ₹1,656.08 lakh) associated with the origination of the underlying loans..

20. Fees and commission Income

(₹ in lakh)

Particulars	Year ended March 31, 2019	Year ended March 31, 2018
Insurance commission	233.78	20.77
Other fee income	2,368.95	1,900.81
Total	**2,602.73**	**1,921.58**

Notes to the Consolidated Financial Statements for the year ended March 31, 2019

21. Net gain/(loss) on fair value changes

(₹ in lakh)

Particulars	Year ended March 31, 2019	Year ended March 31, 2018
a) Net gain/(loss) on financial instruments at fair value through profit and loss		
i) On trading portfolio		
Investments	1,182.45	2,117.25
b) Others		
Derivatives	28.97	37.20
Total Net gain/(loss) on fair value changes	**1,211.42**	**2,154.45**
Fair value changes		
Realised	**1,182.45**	**2,117.25**
Unrealised- MTM gain	**28.97**	**37.20**
Total Net gain/(loss) on fair value changes	**1,211.42**	**2,154.45**

22. Other income

(₹ in lakh)

Particulars	Year ended March 31, 2019	Year ended March 31, 2018
Net gain on derecognition of property, plant and equipment	1.64	1.55
Other income	98.63	89.03
Total	**100.27**	**90.58**

23. Finance Costs

(₹ in lakh)

Particulars	Year ended March 31, 2019		Year ended March 31, 2018	
	On financial assets measured at fair value through profit or loss	On financial assets measured at Amortised cost	On financial assets measured at fair value through profit or loss	On financial assets measured at Amortised cost
Interest on borrowings	-	24,515.36	-	18,349.09
Discount on Commercial Papers	-	-	74.51	-
Interest on Securitsed pool	-	1,021.35	-	885.16
Total	-	**25,536.71**	**74.51**	**19,234.25**

24. Fees and commission expense

(₹ in lakh)

Particulars	Year ended March 31, 2019	Year ended March 31, 2018
Resource mobilisation expenses	288.83	234.52
Bank charges and commission	85.89	74.25
Brokerage Commission	117.48	76.17
Total	**492.20**	**384.94**

Notes to the Consolidated Financial Statements for the year ended March 31, 2019

25. Impairment on financial instruments

(₹ in lakh)

Particulars	Year ended March 31, 2019		Year ended March 31, 2018	
	On financial assets measured at fair value through OCI	On financial assets measured at Amortised cost	On financial assets measured at fair value through OCI	On financial assets measured at Amortised cost
Loan Assets	-	563.25	-	76.30
Write offs	-	326.52	-	182.57
Total	**-**	**889.77**	**-**	**258.87**

26. Employee Benefits Expenses

(₹ in lakh)

Particulars	Year ended March 31, 2019	Year ended March 31, 2018
Salaries and wages	10,281.55	6,463.76
Contribution to provident and other funds	445.84	267.48
Share Based Payments to employees	686.02	4,205.12
Staff welfare expenses	310.13	217.85
Total	**11,723.54**	**11,154.21**

Gratuity and other post-employment benefit plans

The Group has a defined benefit gratuity plan. Every employee who has completed five years or more of service is eligible for gratuity on cessation of employment and it is computed at 15 days salary (last drawn salary) for each completed year of service subject to such limit as prescribed by The Payment of Gratuity Act, 1972 as amended from time to time.

The following tables summarize the components of net benefits expense recognized in the statement of profit and loss and the funded status and amounts recognized in the balance sheet for the respective plans.

Statement of profit and loss

Net employee benefit expense recognized in the employee cost

(₹ in lakh)

Particulars	Year ended March 31, 2019	Year ended March 31, 2018
Current service cost	132.55	84.91
Interest cost	14.55	8.43
Return on plan assets	-	-
Net remeasurement (gain) / loss recognized in the year	-	-
Net expense	**147.10**	**93.34**

Notes to the Consolidated Financial Statements for the year ended March 31, 2019

Remeasurement (gains)/ loss recognised in other comprehensive income:

(₹ in lakh)

Particulars	Year ended March 31, 2019	Year ended March 31, 2018
Remeasurement (gain) / loss on obligations arising from changes in experience adjustments	(35.07)	(10.83)
Remeasurement (gain) / loss on obligations arising from changes in financial assumptions	-	-
Remeasurement (gain) / loss arising during the year	**(35.07)**	**(10.83)**

Balance Sheet

Net defined benefit liability

(₹ in lakh)

Particulars	Year ended March 31, 2019	Year ended March 31, 2018
Present value of defined benefit obligation	293.96	187.74
Fair value of plan assets	-	-
Plan liability	**293.96**	**187.74**

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

(₹ in lakh)

Particulars	Year ended March 31, 2019	Year ended March 31, 2018
Opening defined benefit obligation	187.74	112.44
Current service cost	132.55	84.91
Interest cost	14.55	8.43
Benefits paid during the year	(5.81)	(7.21)
Remeasurement (gain)/loss on obligation	(35.07)	(10.83)
Closing defined benefit obligation	**293.96**	**187.74**

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

(₹ in lakh)

Particulars	Year ended March 31, 2019	Year ended March 31, 2018
Discount rate	7.72%	7.75%
Salary escalation rate	6.50%	7.00%
Employee Turnover	age 30 = 5%	age 30 = 5%
	age 31-40 = 3%	age 31-40 = 3%
	age 41-50 = 2%	age 41-50 = 2%
	age 51 & above=1%	age 51 & above=1%

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

Notes to the Consolidated Financial Statements for the year ended March 31, 2019

Experience adjustment for the reported years are as below: (₹ in lakh)

Particulars	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015
Defined benefit obligation	293.96	187.74	112.44	68.98	39.34
Plan assets	-	-	-	-	-
Surplus	293.96	187.74	112.44	68.98	39.34
Experience adjustments on plan liabilities	(35.07)	(10.83)	(16.81)	(7.37)	(3.82)
Experience adjustments on plan assets	-	-	-	-	-

Sensitivity Analysis:

A quantitative sensitivity analysis for significant assumption is as shown below:

(₹ in lakh)

Particulars	As at March 31, 2019	As at March 31, 2018
a) Effect of 1% change in assumed discount rate		
- 1% increase	255.64	162.38
- 1% decrease	341.06	219.13
(b) Effect of 1% change in assumed salary escalation rate		
- 1% increase	341.41	219.13
- 1% decrease	254.75	161.95

Other Benefits

The group has provided for compensatory leaves which can be availed and not encashed as per policy of the group as present value obligation of the benefit at related current service cost measured using the Projected Unit Credit Method on the basis of an actuarial valuation.

27. Other expenses

(₹ in lakh)

Particulars	Year ended March 31, 2019	Year ended March 31, 2018
Advertisement and publicity	295.86	448.11
AMC charges	57.06	44.51
Auditor's remuneration (note 27(a))	48.19	23.49
Commission to directors	17.44	23.51
Communication Costs	237.32	178.84
CSR expenses	176.43	100.16
Directors Sitting Fees	28.34	19.45
Electricity and water	214.47	119.32
Fee & subscription	1.22	1.87
General Office Expenses	192.61	119.97

Notes to the Consolidated Financial Statements for the year ended March 31, 2019

27. Other expenses (Contd.)

(₹ in lakh)

Particulars	Year ended March 31, 2019	Year ended March 31, 2018
Legal and Professional charges	726.77	556.28
Manpower management cost	1,941.04	1,414.96
Postage & courier expenses	131.23	85.32
Printing and stationery	103.23	77.72
Rates & Taxes Expenses	23.42	32.87
Rent	761.66	492.40
Repairs and maintenance	241.04	173.28
Travelling and Conveyance	520.46	440.89
Total	**5,717.79**	**4,352.95**

27(a) Auditor's remuneration

(₹ in lakh)

Particulars	Year ended March 31, 2019	Year ended March 31, 2018
Audit fees	37.97	19.50
Tax audit fees	2.18	1.50
Other services	8.04	2.49
Total	**48.19**	**23.49**

28. Earning per share

(₹ in lakh)

Particulars	Year ended March 31, 2019	Year ended March 31, 2018
Following reflects the profit and share data used in EPS computations:		
Basic		
Weighted average number of equity shares for computation of Basic EPS (in lakh)	743.87	585.66
Net profit for calculation of basic EPS (₹in lakh)	17,603.09	9,303.56
Basic earning per share (In ₹)	**23.66**	**15.89**
Diluted		
Weighted average number of equity shares for computation of Diluted EPS (in lakh)	762.10	610.96
Net profit for calculation of Diluted EPS (₹in lakh)	17,603.09	9,303.56
Diluted earning per share (In ₹)	**23.10**	**15.23**
Nominal value of equity shares (In ₹)	**10.00**	**10.00**

Notes to the Consolidated Financial Statements for the year ended March 31, 2019

29. Stock options

I. The Group has formulated various share-based payment schemes for its employees (Plan I), management team (Plan II) and directors (Plan III). Details of all grants in operation during the Year ended March 31, 2019 are as given below:

Particulars	ESOP 2016 I (a)	ESOP 2016 I (b)	ESOP 2016 II	ESOP 2016 III
Scheme Name	Equity stock option plan for Employees 2016 (ESOP 2016 I)	Equity stock option plan for Employees 2016 (ESOP 2016 I)	Equity stock option plan for Management team 2016 (ESOP 2016 II)	Equity stock option plan for Directors 2016 (ESOP 2016 III)
No. of options approved*	12,87,901		34,45,610	7,19,084
Date of grant	23-Feb-17	24-Jan-18	23-Feb-17	23-Feb-17
No. of options granted	9,80,118	4,24,687	34,45,610	7,19,084
Exercise price per option (in ₹)	215.25	328	215.25	215.25
Method of settlement	Equity	Equity	Equity	Equity
Vesting year and conditions	A) 50% options to vest as per stipulated vesting schedule ("Fixed Vesting") B) 50% options to vest as per stipulated vesting schedule on fulfillment of stipulated conditions ("Conditional Vesting")			
A) Fixed Vesting year is as follows on following dates :-				
1st vesting "12 months from the date of grant	98,012	42,469	Refer note A	71,908
2nd vesting "On expiry of four months from the 1st vesting date"	98,012	NA	-	71,908
2nd vesting "On expiry of one year from the 1st vesting date"	NA	42,469	-	NA
3rd vesting "On expiry of one year from the 2nd vesting date"	98,012	42,469	-	Refer note B
4th vesting "On expiry of one year from the 3rd vesting date"	98,012	42,469	-	-
5th vesting "On expiry of one year from the 4th vesting date"	98,011	42,469	-	-
B) Conditional Vesting	Linked with conditions over the next five years as stipulated in respective stock option plan		Refer note A	Linked with conditions over the next five years as stipulated in respective stock option plan (Refer note B)
Exercise year	Four years from the date of each vesting			

*After adjusting subsequent cancellations, if any

Notes to the Consolidated Financial Statements for the year ended March 31, 2019

Note:

A. During year ended March 31, 2018, pursuant to the the Board approval dated January 25, 2018, all options granted under Management team 2016 (ESOP 2016 II) plan were vested with immediate effect with no further conditions attached to them.

B. During Year ended March 31, 2019, pursuant to the the Board approval dated June 08, 2018, last three tranches of options related to fixed vesting (2,15,724 options) and 25% of performance options (89,886 options) granted under Directors 2016 (ESOP 2016 III) plan were vested on June 30, 2018 subject to lock in conditions as prescribed in stock plan.

II. Computation of fair value of options granted during the Year ended March 31, 2019

Nil options granted during the Year ended March 31, 2019

Computation of fair value of options granted during year ended March 31, 2018

Plan I : The weighted average fair value of stock options granted during the year was ₹153.51 (Plan I (b)).

The Black-Scholes Model has been used for computing the weighted average fair value considering the following:

Particulars	Plan I (b)
Share price on the date of grant (₹)	316.3
Exercise price (₹)	328.00
Expected volatility (%)	45.50%
Life of the options granted (years)	
First Vesting	3 years
Second Vesting	4 years
Third Vesting	5 years
Forth Vesting	6 years
Fifth Vesting	7 years
Risk-free interest rate (%)	7.42%
Expected dividend rate (%)	0%
Fair value of the option (₹)	Tranche 1 - 118.09 Tranche 2 - 138.24 Tranche 3 - 155.03 Tranche 4 - 171.35 Tranche 5 - 184.83

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a year similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

Notes to the Consolidated Financial Statements for the year ended March 31, 2019

III. Reconciliation of options

Particulars	ESOP 2016 I (a)	ESOP 2016 I (b)	ESOP 2016 II	ESOP 2016 III
Year ended March 31, 2019				
Options outstanding at April 1, 2018	8,63,214	4,24,687	22,23,059	7,19,084
Granted during the year	-	-	-	-
Forfeited during the year	4,388	-	-	-
Exercised during the year	2,99,626	-	22,23,059	4,49,428
Expired / lapsed during the year	82,739	2,500	-	-
Outstanding at March 31, 2019	4,76,461	4,22,187	-	2,69,656
Exercisable at March 31, 2019	4,604	84,436	-	-
Weighted average remaining contractual life (in years)	3.10	5.80	-	2.34
Weighted average share price at the time of exercise*	430.50	-	430.50	430.50
Particulars	ESOP 2016 I (a)	ESOP 2016 I (b)	ESOP 2016 II	ESOP 2016 III
Year ended March 31, 2018				
Options outstanding at April 1, 2017	9,80,118	-	34,45,610	7,19,084
Granted during the year	-	4,24,687	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	12,22,551	-
Expired / lapsed during the year	1,16,904	-	-	-
Outstanding at March 31, 2018	8,63,214	4,24,687	22,23,059	7,19,084
Exercisable at March 31, 2018	1,54,608	-	22,23,059	71,908
Weighted average remaining contractual life (in years)	5.38	6.82	2.52	6.30
Weighted average share price at the time of exercise*	-	-	301.00	-

* Disclosure of weighted average share price at the time of exercise is applicable only for plans where there has been an exercise of options in current financial year.

30. Hedging activities and derivatives

Derivatives not designated as hedging instruments

The Group uses foreign currency denominated borrowings and Cross Currency Swaps to manage some of its transaction exposures. The Cross Currency Swaps are not designated as cash flow hedges and are entered into for years of generally 34 to 36 months.

31. First-time adoption of Ind AS

hese financial statements, for the year ended 31 March 2019, are the first financial statements the Group has prepared in accordance with Ind AS. For years up to and including the year ended 31 March 2018, the Group prepared its financial statements in accordance with accounting standards notified under section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 (Indian GAAP or previous GAAP).

Notes to the Consolidated Financial Statements for the year ended March 31, 2019

Accordingly, the Group has prepared financial statements which comply with Ind AS applicable for years ending on 31 March 2019, together with the comparative year data as at and for the year ended 31 March 2018, as described in the summary of significant accounting policies. In preparing these financial statements, the group's opening balance sheet was prepared as at 1 April 2017, the group's date of transition to Ind AS. This note explains the principal adjustments made by the Group in restating its Indian GAAP financial statements, including the balance sheet as at 1 April 2017 and the financial statements as at and for the year ended 31 March 2018.

Exemptions applied

Ind AS 101 allows first-time adopters certain exemptions from the retrospective application of certain requirements under Ind AS. The Group has applied the following exemptions/exceptions:

Use of Estimates

The estimates at April 1, 2017, March 31, 2018 and March 31, 2019 are consistent with those made for the same dates in accordance with Indian GAAP apart from the following adjustments, where application of Indian GAAP did not require estimation:

- Fair valuation of financials instruments carried at FVTPL
- Impairment of financial assets based on Expected Credit Loss (ECL) model
- Determination of discounted value for financial instruments carried at amortized cost

The estimates used by the Group to present these amounts in accordance with Ind AS reflect conditions at April 1, 2017 the date of transition to Ind AS, and as of March 31, 2018.

Mandatory exemptions :

Classification and measurement of financial assets

The group has classified the financial assets in accordance with Ind AS 109 on the basis of facts and circumstances that exist at the date of transition to Ind AS.

Impairment of financial assets

The Group has applied the exception related impairment of financial assets given in Ind AS 101. It has used reasonable and supportable information that is available without undue cost or effort to determine the credit risk at the date that financial assets were initially recognized and compared that to the credit risk as at April 1, 2017.

De-recognition of financial assets and liabilities

The Group has elected to apply the de-recognition provisions of Ind AS 109 prospectively from the date of transition to Ind AS, except for securitisation deals since the information needed to apply Ind AS 109 was available at the time of initially accounting for these securitisation deals.

Optional exemptions :

Arrangements containing a lease:

Appendix C to Ind AS 17 requires an entity to assess whether a contract or arrangement contains a lease. In accordance with Ind AS 17, this assessment should be carried out at the inception of the contract or arrangement. However, the Company has used Ind AS 101 exemption and assessed all arrangements based for embedded leases based on conditions in place as at the date of transition.

Fair value measurement of financial assets or financial liabilities

The Group has elected to apply Ind AS 109 to day one gain or loss provisions prospectively to transactions occurring on or after the date of transition to Ind AS.

Notes to the Consolidated Financial Statements for the year ended March 31, 2019

31a. Reconciliation of Equity as at April 01, 2017 (₹ in lakh)

Particulars	Notes	Indian GAAP	Ind AS Adjustments	Ind AS
ASSETS				
Financial assets				
Cash and cash equivalents		26,860.13	-	26,860.13
Bank balance other than cash and cash equivalents		716.60	-	716.60
Loans	i	2,14,293.10	6,648.62	2,20,941.72
Investments		77.96	(77.96)	-
Other financial assets	ii	109.56	6,682.23	6,791.79
		2,42,057.35	**13,252.89**	**2,55,310.24**
Non-financal assets				
Property, plant and equipment		869.24	-	869.24
Intangible assets under development		13.53	-	13.53
Other intangible assets		147.67	-	147.67
Other non-financial assets		87.70	-	87.70
Assets held for sale		629.58	(79.64)	549.94
		1,747.72	**(79.64)**	**1,668.08**
		2,43,805.07	**13,173.25**	**2,56,978.32**
LIABILITIES AND EQUITY				
LIABILITIES				
Financial liabilities				
Derivative financial instruments		-	216.96	216.96
Payables		758.95	-	758.95
Debt securities	iv	33,500.00	(55.68)	33,444.32
Borrowings (other than debt securities)	iv	1,42,838.85	7,317.16	1,50,156.01
Subordinated liabilities	iv	3,000.00	(26.50)	2,973.50
Other financial liabilities		5,936.10	-	5,936.10
		1,86,033.90	**7,451.94**	**1,93,485.84**
Non-financial liabilities				
Current tax liabilities (net)		16.53	-	16.53
Provisions		161.83	33.95	195.78
Deferred tax liabilities (net)	vi	616.78	911.39	1,528.17
Other non-financial liabitilies		343.36	55.77	399.13
		1,138.50	**1,001.11**	**2,139.61**
Equity				
Equity share capital		5,816.36	-	5,816.36
Other equity		50,816.31	4,720.20	55,536.51
		56,632.67	**4,720.20**	**61,352.87**
		2,43,805.07	**13,173.25**	**2,56,978.32**

Notes to the Consolidated Financial Statements for the year ended March 31, 2019

31b Reconciliation of Equity as at March 31, 2018 (₹ in lakh)

Particulars	Notes	Indian GAAP	Ind AS Adjustments	Ind AS
ASSETS				
Financial assets				
Cash and cash equivalents		35,848.71	-	35,848.71
Bank balance other than cash and cash equivalents		21,097.40	-	21,097.40
Loans	i	3,19,483.76	13,858.05	3,33,341.81
Investments		955.66	(955.66)	-
Other financial assets	ii	197.12	10,679.51	10,876.63
		3,77,582.65	**23,581.90**	**4,01,164.55**
Non-financal assets				
Current tax assets (net)		0.27	-	0.27
Property, plant and equipment		1,545.44	-	1,545.44
Intangible assets under development		3.27	-	3.27
Other intangible assets		297.08	-	297.08
Other non-financial assets		385.18	-	385.18
Assets held for sale		693.88	(84.13)	609.75
		2,925.12	**(84.13)**	**2,840.99**
		3,80,507.77	**23,497.77**	**4,04,005.54**
LIABILITIES AND EQUITY				
LIABILITIES				
Financial liabilities				
Derivative financial instruments		-	161.74	161.74
Payables		913.91	-	913.91
Debt securities	iv	39,000.00	(180.17)	38,819.83
Borrowings (other than debt securities)	iv	2,10,578.22	14,409.93	2,24,988.15
Subordinated liabilities	iv	10,000.00	(51.96)	9,948.04
Other financial liabilities		7,993.67	-	7,993.67
		2,68,485.80	**14,339.54**	**2,82,825.34**
Non-financial liabilities				
Current tax liabilities (net)		51.65	-	51.65
Provisions		271.14	47.39	318.53
Deferred tax liabilities (net)	vi	1,175.88	(40.64)	1,135.24
Other non-financial liabitilies		681.92	8.22	690.14
		2,180.59	**14.97**	**2,195.56**
Equity				
Equity share capital		6,917.29	-	6,917.29
Other equity		1,02,924.09	9,143.26	1,12,067.35
		1,09,841.38	**9,143.26**	**1,18,984.64**
		3,80,507.77	**23,497.77**	**4,04,005.54**

Notes to the Consolidated Financial Statements for the year ended March 31, 2019

31c Reconciliation of profit or loss for the Year ended March 31, 2018 (₹ in lakh)

Particulars	Notes	Indian GAAP	Ind AS Adjustments	Ind AS
Revenue from operations				
Interest income		42,515.35	(3,251.54)	39,263.81
Fees and commission income		1,003.95	917.63	1,921.58
Net gain on derecognition of financial instruments under amortised cost category		-	6,016.73	6,016.73
Net gain on fair value changes		2,117.25	37.20	2,154.45
Total revenue from operations		**45,636.55**	**3,720.02**	**49,356.57**
Other income		90.58	-	90.58
Total income		**45,727.13**	**3,720.02**	**49,447.15**
Expenses				
Finance costs		18,442.88	865.88	19,308.76
Fees and commission expense		538.62	(153.68)	384.94
Impairment on financial instruments	i	190.41	68.46	258.87
Employee benefits expense	iii	7,335.95	3,818.26	11,154.21
Depreciation, amortization and impairment		562.66	-	562.66
Other expenses		4,487.06	(134.11)	4,352.95
Total expenses		**31,557.58**	**4,464.81**	**36,022.39**
Profit before tax		**14,169.55**	**(744.79)**	**13,424.76**
Tax expense:				
(1) Current tax		4,322.94	194.95	4,517.89
(2) Deferred tax		559.09	(955.78)	(396.69)
Total tax expenses		**4,882.03**	**(760.83)**	**4,121.20**
Profit for the year		**9,287.52**	**16.04**	**9,303.56**
Other comprehensive income	viii			
a) Items that will not be reclassified to profit or loss				
Remeasurements of defined benefit liability	vii	-	10.83	10.83
Income tax effect		-	(3.75)	(3.75)
b) Items that will be reclassified to profit or loss				
Other comprehensive Income, net of income tax		-	7.08	7.08
Total comprehensive Income for the year		9,287.52	23.12	9,310.64

Notes to the Consolidated Financial Statements for the year ended March 31, 2019

31d Footnotes to the reconciliation of equity as at April 01, 2017 and March 31, 2018 and profit or loss for the Year ended March 31, 2018.

i Loans and advances

((i) Under Indian GAAP, the Group has created provision for loans and advances based on the Guidelines on prudential norms issued by National Housing Bank. Under Ind AS, impairment allowance has been determined based on Expected Loss model (ECL). Due to ECL model, the Group impaired its loans and advances by ₹817.30 lakh as on March 31, 2018 (₹754.40 lakh as on April 01, 2017) as against Provision made under Indian GAAP by ₹1,273.85 lakh as on March 31, 2018 (₹1,261.48 lakh as on April 01, 2017). In addition, ECL on undisbursed commitment has also been determined as per Ind AS for ₹47.39 lakh as on March 31, 2018 (₹33.95 lakh as on April 01, 2017). The differential impact has been adjusted in Profit and loss during the year.

(ii) Under Indian GAAP, transaction costs incurred in connection with loans and advances are amortised upfront and charged to profit or loss for the year. Under Ind AS, transaction costs are included in the initial recognition amount of financial asset measured at amortised cost and charged to profit or loss using the effective interest method.

(iii) The Group has securtised certain assets and under Indian GAAP, it has derecognised those assets in the books. However, as per Ind AS, the Group has not transferred substantially all the risks and rewards, the asset has been re-recognised, and the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

(iv) Under Indian GAAP, the Group has transferred certain assets to asset reconstruction Group which has been de-recognised from the loan portfolio of the group. Under Ind AS, the the Group has re-recognised the assets and also recognised an associated liability to the extent of the rights and obligations retained by the group.

ii Other financial assets

Under Ind AS, with respect to Assignment deals, Group has created an Interest only strip receivable amounting to ₹10,679.52 lakh as on March 31, 2018 (₹6,682.22 lakh as on April 01, 2017) with corresponding credit to Proft and loss for the year, which has been computed by discounting Excess Interest Spread (EIS) to present value. Necessary adjustment with respect to credit risk has also been made.

iii Share based payments

Under Indian GAAP, the Group recognised only the intrinsic value for the share based payments plans as an expense. Ind AS requires the fair value of the share options to be determined using an appropriate pricing model recognised over the vesting year. An additional expense of ₹4,205.12 lakh has been recognised in profit or loss for the year ended March 31, 2018. Share options totalling ₹19.44 lakh which were granted before and still not vested at 1 April 2017, have been recognised as a separate component of equity in SBP reserve against retained earnings at 1 April 2017.

iv Borrowings, Debt securities and Subordinate liabilities

Under Indian GAAP, transaction costs incurred in connection with borrowings, debt securities and subordinate liabilities are amortised upfront and charged to profit or loss for the year. Under Ind AS, transaction costs are included in the initial recognition amount of financial liability and charged to profit or loss using the effective interest method.

v Cross Currency Swaps (CCS) not designated as hedging instruments

Under the previous GAAP, the Group has considered the critical terms of the CCS and those of the principal term loan are same, based on the internal assessment carried out by the management, the net impact of the marked to market valuation of the CCS, net of gain/loss on the underlying loan, is not expected to be material and accordingly no adjustment has been made in the financial statements.

Under Ind AS, derivative which are not designated as hedging instruments are fair valued with resulting changes being recognised in Retained earnings/profit or loss.

Notes to the Consolidated Financial Statements for the year ended March 31, 2019

vi Deferred

Indian GAAP requires deferred tax accounting using the income statement approach, which focuses on differences between taxable profits and accounting profits for the year. Ind AS 12 requires entities to account for deferred taxes using the balance sheet approach, which focuses on temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base. The application of Ind AS 12 approach has resulted in recognition of deferred tax on new temporary differences which was not required under Indian GAAP.

In addition, the various transitional adjustments lead to temporary differences. According to the accounting policies, the Group has to account for such differences. Deferred tax adjustments are recognised in correlation to the underlying transaction either in retained earnings or a separate component of equity. The net impact on deferred tax liabilities is of negative of ₹40.65 lakh as on March 31, 2018.

Ind AS does not require the creation of DTL on the amount transferred to the Special Reserve. Accordingly, DTL created on special reserve as at March 31, 2017 is reversed and the charge through the Statement of Profit and Loss Account in earlier years is also reversed.

vii Remeasurements of post employement benefit plans

Under Ind AS, remeasurements i.e. actuarial gain and losses on the net defined liability are recognised in other comprehensive income instead of profit or loss. Under the previous GAAP, these measurements were forming part of the profit or loss for the year. Though there is no imapct on the total equity as at March 31, 2018.

viii Other comprehensive income

Under Indian GAAP, the Group has not presented other comprehensive income (OCI) separately. Hence, it has reconciled Indian GAAP profit or loss to profit or loss as per Ind AS. Further, Indian GAAP profit or loss is reconciled to total comprehensive income as per Ind AS.

ix Statement of cash flows

The transition from Indian GAAP to Ind AS has not had a material impact on the statement of cash flows.

x Figures under previous GAAP have been regrouped/reclassified for Ind AS purpose wherever applicable.

32. Segment information

The Company has only one reportable business segment, i.e. lending to borrowers, which have similar nature of products and services, type/class of customers and the nature of the regulatory environment (which is banking), risks and returns for the purpose of Ind AS 108 on 'Segment Reporting' specified under section 133 of the Companies Act 2013, read with Rule 7 of the Companies (Accounts] Rules, 2014. Accordingly, the amounts appearing in the financial statements relate to the Company’s single business segment.

The Company has been granted Certificate of Registration (No. 08.0095.11) to commence/carry on the business as a housing finance Company without accepting public deposits by National Housing Bank on August 04, 2011 and got a revised Certificate of Registration (02.0104.13) after conversion of Company from a private limited Company to a public limited Company on February 08, 2013. Further, the name of our Company was changed to AAVAS FINANCIERS LIMITED, pursuant to a Shareholders resolution passed at the EOGM held on February 23, 2017. A fresh certificate of incorporation consequent to such change of name was issued on March 29, 2017 by the Registrar of companies, Jaipur and subsequently the revised certificate of Registration (No.04.0151.17) was issued on April 19, 2017 by National Housing Bank.

Notes to the Consolidated Financial Statements for the year ended March 31, 2019

33. Related party

a. Names of related parties identified in accordance with Ind AS -24 "Related Party Disclosures" (with whom there were transactions during the current year/previous year)

1. Entities where control exists:

Holding Company

Lake District Holdings Limited - (Upto 8th June 2018)

Shareholders having Substantial interest

Lake District Holdings Limited - (From 8th June 2018)

Partners Group ESCL Limited - (upto 4th October 2018)

2. Key Management Personnel

Mr. Krishan Kant Rathi	Chairperson and Independent Director
Mr. Sushil Kumar Agarwal	Whole Time Director and Chief Executive Officer
Mrs. Kalpana Iyer	Independent Director
Mr. Sandeep Tandon	Independent Director (From 27th July, 2017)
Mr. Ramachandra Kasargod Kamath	Non-Executive Nominee Director
Mr. Vivek Vig	Non-Executive Nominee Director
Mr. Ghanshyam Rawat	Chief Financial Officer
Mr. Sharad Pathak	Company Secretary & Compliance Officer

3. Enterprises under significant influence of the Key Management Personnel
Aavas Foundation (From 26th March 2019)

4. Relatives of Key Managerial Personnel
Mrs. Veenakumari Tandon (Mother of Mr. Sandeep Tandon)

Notes to the Consolidated Financial Statements for the year ended March 31, 2019

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

(₹ in lakh)

Name of related party	Nature of transactions	March 31, 2019			March 31, 2018		
		Amount received	Amount paid	Outstanding balance	Amount received	Amount paid	Outstanding balance
Lake District Holdings Limited	Issue of Equity shares	-	-	-	21,031.23	-	-
Partners Group ESCL Limited	Issue of Equity shares	-	-	-	10,215.46	-	-
Mr. Krishan Kant Rathi	Issue of Equity shares	-	-	-	120.36	-	-
	Sitting fees	-	7.90	-	-	5.44	-
	Commission	-	-	-	-	1.09	-
Mr. Sushil Kumar Agarwal	Issue of Equity shares and Share warrants	5,784.82	-	-	1,893.81	-	-
	Remuneration	-	219.88	-	-	202.90	-
	Share based Payment	-	-	-	-	2,153.13	-
Mrs. Kalpana Iyer	Issue of Equity shares	-	-	-	60.18	-	-
	Sitting fees	-	7.90	-	-	5.98	-
Mr. Sandeep Tandon	Sitting fees	-	6.54	-	-	2.18	-
Mr. Ramachandra Kasargod Kamath	Issue of Equity shares	161.23	-	-	135.20	-	-
	Share based Payment	-	51.05	-	-	43.38	-
	Sitting fees	-	3.82	-	-	2.59	-
	Commission	-	17.44	-	-	19.15	-
Mr. Vivek Vig	Issue of Equity shares	806.16	-	-	524.46	-	-
	Share based Payment	-	255.24	-	-	216.88	-
	Sitting fees	-	2.18	-	-	3.26	-
	Commission	-	-	-	-	3.27	-
Mr. Ghanshyam Rawat	Issue of Equity shares and Share warrants	1,936.11	-	-	669.62	-	-
	Remuneration	-	166.66	-	-	151.10	-
	Share based Payment	-	-	-	-	768.98	-
Mr. Sharad pathak	Issue of Equity shares	37.47	-	-	8.68	-	-
	Remuneration	-	15.21	-	-	12.18	-
	Share based Payment	-	5.07	-	-	4.95	-
Aavas Foundation	Contribute as a Settler	-	0.11	-	-	-	-
Mrs. Veenakumari Tandon	Issue of Equity shares	-	-	-	601.83	-	-

Note :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 Group as a whole.

Notes to the Consolidated Financial Statements for the year ended March 31, 2019

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

There are no amounts that need to be disclosed in accordance with the Micro Small and Medium Enterprise Development Act, 2006 (the 'MSMED') pertaining to micro or small enterprises. for the year ended March 31, 2019 (no supplier has intimated the Group about its status as micro or small enterprises or its registration with the appropriate authority under MSMED).

35. The group's pending litigations comprise of claims against the Group primarily by the customers. The Group has reviewed all its pending litigations and proceedings and has adequately provided for where provisions are required and disclosed the contingent liabilities where applicable, in its financial statements. The Group does not expect the outcome of these proceedings to have a material adverse effect on its financial statements of the Group as at March 31, 2019.

36. Commitments and contingencies

a The Group has taken various premises under operating lease. The future minimum lease payments are given below:

(₹ in lakh)

Particulars	Year ended March 31, 2019	Year ended March 31, 2018
Within one year	147.93	140.47
Later than one year but not later than five years	144.65	235.53
Later than five years	-	-
Total	**292.58**	**376.00**
The total of minimum lease payments recognized in the Statement of Profit and Loss for the year	**761.66**	**492.40**
Total of future minimum sub-lease payments expected to be received under non-cancellable sub-leases		
Sub-lease amounts recognized in the Statement of Profit and Loss for the year		
Contingent (usage based) lease payments recognized in the Statement of Profit and Loss for the year		

b Capital and other commitments:

Particulars	As at March 31, 2019		
	Estimated Project cost	Paid during the year	Balance Payable
Property, plant and equipment	74.40	21.13	53.27
Particulars	As at March 31, 2018		
	Estimated Project cost	Paid during the year	Balance Payable
Property, plant and equipment	58.56	26.20	32.36
Particulars	As at April 01, 2017		
	Estimated Project cost	Paid during the year	Balance Payable
Property, plant and equipment	-	-	-

Refer note 4(iii) for undisbursed commitment relating to loans.

c There are no Contingent Liability as on March 31, 2019 (March 31, 2018 ₹ Nil and April 01, 2017 ₹ Nil)

d There are numerous interpretative issues relating to the Supreme Court (SC) judgement on PF dated 28th February, 2019. As a matter of caution, the Company has made a provision on a prospective basis from the date of the SC order. The Company will update its provision, on receiving further clarity on the subject.

Notes to the Consolidated Financial Statements for the year ended March 31, 2019

37. Expenditure in Foreign currency

(₹ in lakh)

Particulars	Year ended March 31, 2019	Year ended March 31, 2018
Interest paid	452.71	-
Other Expenses	156.15	-

38. CSR expenses

Operating expenses include 131.64 lakh for the Year ended March 31, 2019 (P.Y. ₹64.25 lakh) towards Corporate Social Responsibility (CSR), in accordance with Companies Act, 2013. Gross Amount required to be spent by the Group during the year is ₹176.43 lakh. (P.Y. ₹100.20 lakh).

The details of amount spent during the respective year towards CSR are as under: (₹ in lakh)

Name of related party	March 31, 2019			March 31, 2018		
	Amount Spent	Amount unpaid/ Provision	Total	Amount Spent	Amount unpaid/ Provision	Total
1. Construction/acquisition of any asset	Nil	Nil	Nil	Nil	Nil	Nil
2. On purposes other than above	131.64	Nil	131.64	64.25	Nil	64.25

39. Statutory Company information

(₹ in lakh)

Name of the entity in the Group	As at March 31, 2019		For the year ended March 31, 2019					
	Net Assets, i.e., total assets minus total liabilities		Share in profit and Loss		Share in other comprehensive income		Share in total comprehensive income	
	As % of consolidated net assets	Amount	As % of consolidated profit & loss	Amount	As % of consolidated other comprehensive income	Amount	As % of total other comprehensive income	Amount
Parent								
Aavas Financiers Limited		1,83,695.93		17,591.23		22.82		17,614.05
Less: Inter Company elimination		(450.00)		-		-		-
Net of Elimination	99.75%	1,83,245.93	99.93%	17,591.23	100.00%	22.82	99.93%	17,614.05
Subsidiary								
Indian								
Aavas Finserv Limited	0.25%	456.08	0.07%	11.86	0.00%	-	0.07%	11.86
Total	100.00%	1,83,702.01	100.00%	17,603.09	100.00%	22.82	100.00%	17,625.91

Name of the entity in the Group	As at March 31, 2018		For the year ended March 31, 2018					
	Net Assets, i.e., total assets minus total liabilities		Share in profit and Loss		Share in other comprehensive income		Share in total comprehensive income	
	As % of consolidated net assets	Amount	As % of consolidated profit & loss	Amount	As % of consolidated other comprehensive income	Amount	As % of total other comprehensive income	Amount
Parent								
Aavas Financiers Limited		1,18,990.41		9,309.33		7.08		9,316.41
Less: Inter Company elimination		(450.00)		-		-		-
Net of Elimination	99.63%	1,18,540.41	100.06%	9,309.33	100.00%	7.08	100.06%	9,316.41
Subsidiary								
Indian								
Aavas Finserv Limited	0.37%	444.23	-0.06%	(5.77)	0.00%	-	-0.06%	(5.77)
Total	100.00%	1,18,984.64	100.00%	9,303.56	100.00%	7.08	100.00%	9,310.64

Notes to the Consolidated Financial Statements for the year ended March 31, 2019

40. Fair values

Set out below, is a comparison by class of the carrying amounts and fair value of the Company's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

(₹ in lakh)

Particulars	March 31, 2019		March 31, 2018		April 01, 2017	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Financial Assets						
Loans (Fixed rate)	2,04,260.27	2,04,809.37	1,56,774.58	1,58,071.48	96,264.28	96,921.05
Non-Financial Assets						
Assets held for sale	1,141.02	988.79	693.88	609.75	629.58	549.94
Financial liability						
Borrowings (Fixed rate)	1,46,747.72	1,47,232.79	88,401.84	88,555.93	49,531.29	50,584.23

Valuation techniques

The management assessed that cash and cash equivalents, investments, other financial assets, trade payables, derivative financial instruments, and other financial liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

Loans - The fair value of fixed rate loans are determined by discounting expected future contractual cash flows using current market interest rates charged to similar ctegories of new loans. The fair value of floating rate loans are deemed to be equivalent to the carrying value.

Assets held for sale - Real estate properties are valued on the basis of a well progressed sale process with price quotes from real estate agents. Further, real estate properties upto ₹1,000.00 lakh are classified as level 2 in below on the basis of a well progressed sale process with price quotes from real estate agents.

Borrowings - The fair value of certain fixed rate borrowings is determined by discounting expected future contractual cash flows using current market interest rates charged for similar new loans. The fair value of floating rate borrowings are deemed to be equivalent to the carrying value.

41. Fair value hierarchy

The following table provides the fair value measurement hierarchy of the Company's assets and liabilities.

Fair value hierarchy has been defined in Note 1.17.

(₹ in lakh)

Particulars	Fair value			
	March 31, 2019			
	Level 1	Level 2	Level 3	Total
Financial Assets				
Loans (Fixed rate)	-	2,04,809.37	-	2,04,809.37
Non-Financial Assets				
Assets held for sale	-	988.79	-	988.79
Financial liability				
Borrowings (Fixed rate)	-	1,47,232.79	-	1,47,232.79

Notes to the Consolidated Financial Statements for the year ended March 31, 2019

(₹ in lakh)

Particulars	Fair value			
	March 31, 2018			
	Level 1	Level 2	Level 3	Total
Financial Assets				
Loans (Fixed rate)	-	1,58,071.48	-	1,58,071.48
Non-Financial Assets				
Assets held for sale	-	609.75	-	609.75
Financial liability				
Borrowings (Fixed rate)	-	88,555.93	-	88,555.93

(₹ in lakh)

Particulars	Fair value			
	April 01, 2017			
	Level 1	Level 2	Level 3	Total
Financial Assets				
Loans (Fixed rate)	-	96,921.05	-	96,921.05
Non-Financial Assets				
Assets held for sale	-	549.94	-	549.94
Financial liability				
Borrowings (Fixed rate)	-	50,584.23	-	50,584.23

41.1 There have been no transfers between Level 1, Level 2 and Level 3 for the year ended March 31, 2019, March 31, 2018 and April 1, 2017.

42. Transfer of Financial assets

Transfers of financial assets that are not derecognised in their entirety

Securitisation:

The Group uses securitisations as a source of finance. Such transactions generally result in the transfer of contractual cash flows from portfolios of financial assets to holders of issued debt securities. Securitisation has resulted in the continued recognition of the securitised assets.

The table below outlines the carrying amounts and fair values of all financial assets transferred that are not derecognised in their entirety and associated liabilities.

(₹ in lakh)

Loans and advances measured at amortised cost	As at March 31, 2019	As at March 31, 2018
Carrying amount of transferred assets measured at amortised cost	12,559.27	15,441.09
Carrying amount of associated liabilities	(12,051.26)	(14,815.73)

The carrying amount of above assets and liabilities is a reasonable approximation of fair value.

Assignment Deal:

During the year ended March 31, 2019, the Company has sold some loans and advances measured at amortised cost as per assignment deals, as a source of finance. As per the terms of these deals, since substantial risk and rewards related to these assets were transferred to the buyer, the assets have been decognised from the Company's balance sheet.

Notes to the Consolidated Financial Statements for the year ended March 31, 2019

The management has evaluated the impact of assignment transactions done during the year for its business model. Based on the future business plan , the Company business model remains to hold the assets for collecting contractual cash flows.

The table below summarises the carrying amount of the derecognised financial assets measured at amortised cost and the gain on derecognition, per type of asset.

(₹ in lakh)

Loans and advances measured at amortised cost	Year ended March 31, 2019	Year ended March 31, 2018
Carrying amount of derecognised financial assets	76,268.14	48,584.04
Gain from derecognition	7,828.01	6,016.73

Other transfers:

During the year the Group has transferred certain assets amounting to ₹ Nil (P.Y. ₹249.71 lakh) to an asset reconstruction group. These assets have been de-recognised from the loan portfolio of the Group to the extent of cash consideration received . The Group continues to act as a servicer for the portfolio of such assets. There was no gain recorded from the assets transferred.

43. Capital management:

For the purpose of the group’s capital management, capital includes issued equity capital, share premium and all other equity reserves attributable to the equity holders of the Group net of intangible assets. The primary objective of the group’s capital management is safety and security of share capital and maximize the shareholder value.

The Group manages its capital structure in light of changes in economic conditions and the requirements of the financial covenants. The Group monitors capital using a gearing ratio, which is total debt divided by net worth. The group’s policy is to keep the gearing ratio at reasonable level of 6-8 times in imminent year while the Housing Finance Companies (National Housing Bank) Directions, 2010 (the “NHB Directions”) currently permits HFCs to borrow up to 16 times of their net owned funds (“NOF”). The Group includes with in debt, its all interest bearing loans and borrowings.

Debt to net worth ratio

(₹ in lakh)

Particulars	As at March 31, 2019	As at March 31, 2018
Debts	3,66,406.31	2,75,504.87
Net worth	1,83,333.81	1,18,684.30
Debt to Net worth (in times)	**2.00**	**2.32**

In order to achieve this overall objective, the group’s capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches in the financial covenants of any interest-bearing loans and borrowing in the current year.

44. Financial risk management objectives and policies

The group’s Principal financial liabilities comprise loans and borrowings. The main purpose of these financial liabilities is to finance the group’s operations. At the other hand group’s Principal financial assets include loans and cash and cash equivalents that derive directly from its operations.

As a lending institution, Group is exposed to various risks that are related to lending business and operating environment. The Principal objective in Group 's risk management processes is to measure and monitor the various risks that Group is subject to and to follow policies and procedures to address such risks. Group 's risk management framework is driven by Board and

Notes to the Consolidated Financial Statements for the year ended March 31, 2019

its subcommittees including the Audit Committee, the Asset Liability Management Committee and the Risk Management Committee. Group gives due importance to prudent lending practices and have implemented suitable measures for risk mitigation, which include verification of credit history from credit information bureaus, personal verification of a customer's business and residence, technical and legal verifications, conservative loan to value, and required term cover for insurance. The major types of risk Group face in businesses are liquidity risk, credit risk, interest rate risk.

(A) Liquidity risk

Liquidity Risk refers to the risk that the Group can not meet its financial obligations. The objective of Liquidity risk management is to maintain sufficient liquidity and ensure that funds are available for use as per requirement. The unavailability of adequate amount of funds at optimum cost and co-terminus tenure to repay the financial liabilities and further growth of business resultantly may face an Asset Liability Management (ALM) mismatch caused by a difference in the maturity profile of Group assets and liabilities. This risk may arise from the unexpected increase in the cost of funding an asset portfolio at the appropriate maturity and the risk of being unable to liquidate a position in a timely manner and at a reasonable price. The Group manages liquidity risk by maintaining adequate cash reserves and undrwan credit facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The Group has given cash collateral for the securitisation transactions and do not expect any net cash outflow and hence guarantees given for securitisation transactions have not been shown as part of below table. Further, undisbursed loan amount being cancellable in nature are not disclosed as part of below mentioned maturity profile.

The table below summarises the maturity profile of the undiscounted cash flows of the Group 's financial liabilities.

(₹ in lakh)

Maturity profile of Financial liabilities as on March 31, 2019			
Particulars	Borrowings	Payables	Other Financial liabilities
1 Day to 31 Days / One month	3,772.69	950.24	4,344.89
Over 1 month to 2 month	3,462.43	-	811.45
Over 2 month to 3 month	6,705.45	-	1,956.85
Over 3 month to 6 month	19,814.27	-	-
Over 6 month to 1 year	49,393.08	-	50.00
Over 1 year to 3 years	1,33,902.76	-	-
Over 3 year to 5 years	1,32,706.36	-	-
Over 5 year to 7 years	81,035.31	-	-
Over 7 year to 10 years	41,330.44	-	-
Over 10 years	19,502.25	-	-
Total	**4,91,625.04**	**950.24**	**7,163.19**

(B) Credit risk

Credit Risk arises from the risk of loss that may occur from the default of group's customers under loan agreements. Customer defaults and inadequate collateral may lead to higher NPAs. Group address credit risks by using a set of credit norms and policies, which are approved by Board and backed by analytics and technology. Group has implemented a structured and standardized credit approval process, including customer selection criteria, comprehensive credit risk assessment and cash flow analysis, which encompasses analysis of relevant quantitative and qualitative information to ascertain the credit worthiness of a potential customer. Actual credit exposures, credit limits and asset quality are regularly monitored and analysied at various levels. Group has created a robust credit assessment and underwriting practice that enables to fairly price credit risks.

Notes to the Consolidated Financial Statements for the year ended March 31, 2019

The Group has created more than 60 templates of customer profiles through its experience over the years, with risk assessment measures for each geography in which it operates. The Group continuously seek to develop and update such profiles in order to identify and source reliable customers and improve efficiencies. The Group also conduct an analysis of the existing cash flow of customer's business to assess their repayment abilities. The Group has implemented a four prong system of credit assessment comprising underwriting, legal assessments, technical assessments and a risk containment unit.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk was ₹488,637.25 lakh and ₹344,838.64 lakh as of March 31, 2019 and March 31, 2018 respectively, being the total of the carrying amount of loan assets and EIS receivable.

(C) Analysis of risk concentration

The group's concentrations of risk are managed based on Loan to value (LTV) segregation as well as geographical spread. The following tables stratify credit exposures from housing and other loans to customers by range of loan-to-value (LTV) ratio. LTV is calculated as the ratio of gross amount of the loan - or the amount committed for loan commitments - to the value of the collateral. The value of the collateral for housing and other loans is based on collateral value at origination.

Loans to customers:

LTV wise bifurcation: (₹ in lakh)

LTV bucket	Stage 1	Stage 2	Stage 3	Total
0%-40%	1,36,017.43	2,082.60	337.22	1,38,437.25
41%-60%	1,66,577.76	2,615.07	531.83	1,69,724.66
61%-80%	1,44,619.81	2,720.62	1,319.97	1,48,660.40
More than 80%	16,643.34	221.97	38.03	16,903.34
Total	**4,63,858.34**	**7,640.26**	**2,227.05**	**4,73,725.65**

Customer profile

Customer profile	Stage 1	Stage 2	Stage 3	Total
Housing:				
Salaried	1,38,342.38	1,426.65	456.91	1,40,225.94
Self Employed	2,20,451.10	4,563.48	1,482.78	2,26,497.36
Non-Housing:				
Salaried	26,401.03	313.90	76.89	26,791.82
Self Employed	78,663.83	1,336.23	210.47	80,210.53
Total	**4,63,858.34**	**7,640.26**	**2,227.05**	**4,73,725.65**

Loan Commitments:

LTV wise bifurcation:

LTV bucket	Stage 1	Stage 2	Stage 3	Total
0%-40%	6,880.84	25.25	4.67	6,910.76
41%-60%	10,815.88	52.52	6.50	10,874.90
61%-80%	6,423.65	49.56	21.46	6,494.67
More than 80%	925.59	5.44	-	931.03
Total	**25,045.96**	**132.77**	**32.63**	**25,211.36**

Notes to the Consolidated Financial Statements for the year ended March 31, 2019

Customer profile (₹ in lakh)

Customer profile	Stage 1	Stage 2	Stage 3	Total
Salaried	8,460.93	60.04	15.31	8,536.28
Self Employed	16,585.03	72.73	17.32	16,675.08
Total	**25,045.96**	**132.77**	**32.63**	**25,211.36**

(D) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market factors. Such changes in the values of financial instruments may result from changes in the interest rates, credit, liquidity and other market changes. The group's exposure to market risk is primarily on account of interest rate risk.

(I) Interest Rate Risk:-

The Group is subject to interest rate risk, primarily since it lends to customers at rates and for maturity years that may differ from funding sources. Interest rates are highly sensitive to many factors beyond control, including the monetary policies of of the Reserve Bank of India, deregulation of the financial sector in India, domestic and international economic and political conditions, inflation and other factors. In order to manage interest rate risk, the Group seek to optimize borrowing profile between short-term and long-term loans. The Group adopts funding strategies to ensure diversified resource-raising options to minimize cost and maximize stability of funds. Assets and liabilities are categorized into various time buckets based on their maturities and Asset Liability Management Committee supervise an interest rate sensitivity report periodically for assessment of interest rate risks.

Due to the very nature of housing finance, the Group is exposed to moderate to higher Interest Rate Risk. This risk has a major impact on the balance sheet as well as the income statement of the Group. Interest Rate Risk arises due to:

i) Changes in Regulatory or Market Conditions affecting the interest rates

ii) Short term volatility

iii) Prepayment risk translating into a reinvestment risk

iv) Real interest rate risk.

In short run, change in interest rate affects group's earnings (measured by NII or NIM) and in long run it affects Market Value of Equity (MVE) or net worth. It is essential for the Group to not only quantify the interest rate risk but also to manage it proactively. The Group mitigates its interest rate risk by keeping a balanced portfolio of fixed and variable rate loans and borrowings. Further Group carries out Earnings at risk analysis and maturity gap analysis at quarterly intervals to quantify the risk.

Interest Rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates (all other variables being constant) of the Company's statement of profit and loss:

(₹ in lakh)

Particulars	Basis Points	Effect on Profit before tax
Loans		
Increase in basis points	50	1,751.25
Decrease in basis points	-50	(1,747.48)
Borrowings		
Increase in basis points	50	941.73
Decrease in basis points	-50	(941.73)

Notes to the Consolidated Financial Statements for the year ended March 31, 2019

(II) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign currency rates. The Company's exposure to the risk of changes in foreign exchange rates relates primary to the foreign currency borrowings taken from bank.

(E) Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and system or from external events. Operational risk is associated with human error, system failures and inadequate procedures and controls. It is the risk of loss arising from the potential that inadequate information system; technology failures, breaches in internal controls, fraud, unforeseen catastrophes, or other operational problems may result in unexpected losses or reputation problems. Operational risk exists in all products and business activities.

The Group recognizes that operational risk event types that have the potential to result in substantial losses includes Internal fraud, External fraud, employment practices and workplace safety, clients, products and business practices, business disruption and system failures, damage to physical assets, and finally execution, delivery and process management.

The Group cannot expect to eliminate all operational risks, but it endeavours to manage these risks through a control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, such as the use of internal audit.

45. Previous year figures have been regrouped/ reclassified wherever applicable.

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

per Sarvesh Warty
Partner
Membership No. 121411

Place: Jaipur
Date: May 03, 2019

For and on behalf of the Board of Directors of
AAVAS FINANCIERS LIMITED

Manas Tandon
(Nominee Director)

Sushil Kumar Agarwal
(Whole Time Director & CEO)

Ghanshyam Rawat
(Chief Financial Officer)

Sharad Pathak
(Company Secretary & Compliance Officer)

AAVAS FINANCIERS LIMITED

CIN: L65922RJ2011PLC034297

Registered and Corporate Office: 201-202, 2nd Floor, South End Square,
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Tel: +91 14 1661 8800 Fax: +91 14 1661 8861

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NOTICE

NOTICE is hereby given that the **Ninth Annual General Meeting** of the Members of **Aavas Financiers Limited** will be held on Thursday, August 01, 2019 at 3:30 P.M. at Clarks Brij Convention Centre (CBCC), Hotel Clarks Amer, Jawahar Lal Nehru Marg, Near Jaipur Airport, Jaipur-302018 (Rajasthan) to transact the following business:

ORDINARY BUSINESS

1. To consider and adopt:

   (a) The audited financial statements of the Company for the financial year ended March 31, 2019 together with the reports of the Board of Directors and Auditors thereon; and

   (b) The audited consolidated financial statements for the financial year ended March 31, 2019 together with the report of the Auditors thereon.

2. To appoint a Director in place of Mr. Ramachandra Kasargod Kamath (DIN: 01715073), who retires by rotation and being eligible, offers himself for re-appointment as Director.

3. To appoint a Director in place of Mr. Vivek Vig (DIN: 01117418), who retires by rotation and being eligible, offers himself for re-appointment as Director.

SPECIAL BUSINESS

4. **To approve alteration in Articles of Association of the Company**

   To consider and, if thought fit, to pass the following resolution as a Special Resolution:

   "RESOLVED THAT pursuant to the provisions of Section 14 and other applicable provisions, if any, of the Companies Act, 2013, read with the rules notified thereunder (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) and subject to such other approvals ,consents, permissions, sanctions as may be necessary, consent of the Members of the Company be and is hereby accorded for substitution of existing clause 16.11 (c) of the part 1 of Articles of Association ("Articles") of the Company with the following clause:

   Clause 16.11 (c) of the Articles

   Notwithstanding Clause 16.11 (b) above, on and from the date hereof and until such time that Lake District and ESCL continue to remain 'promoters' of the Company (i) Lake District shall have the right to nominate 3 (Three) Directors to the Board (collectively, the "Lake District Nominee Directors"); (ii) ESCL shall have the right to nominate 2 (Two) Directors to the Board (together, the "ESCL Nominee Directors"); and (iii) the Chief Executive Officer of the Company may be appointed and hold office as Managing Director or Whole Time Director of the Company or with such other designation as the Board or Shareholders may decide in accordance with the provisions of the Act. 3 (Three) independent Directors shall be appointed to the Board in accordance with Applicable Laws (the "Independent Directors").

   RESOLVED FURTHER THAT for the purpose of giving effect to the aforesaid resolution, the Board of Directors of the Company be and is hereby authorized to do all such acts, deeds and things, as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in this regard."

5. To approve change in designation of Mr. Sushil Kumar Agarwal from 'Whole Time Director and Chief Executive Officer' to 'Managing Director and Chief Executive Officer' of the Company

To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 196, 197, 198 and 203 read with Schedule V and other applicable provisions of the Companies Act, 2013 ("the Act") and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, Articles of Association of the Company, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force), Housing Finance Companies – Corporate Governance (National Housing Bank) Directions, 2016 issued by the National Housing Bank ("NHB"), as recommended by Nomination and Remuneration Committee and Board of Directors of the Company and subject to such other approvals as may be necessary, consent of Members of the Company be and is hereby accorded to change the designation of Mr. Sushil Kumar Agarwal (DIN: 03154532) to **Managing Director and Chief Executive Officer ("MD and CEO") of the Company** from Whole Time Director and Chief Executive Officer ("WTD and CEO"), with effect from May 03, 2019 till the expiry of his current term i.e. upto January 09, 2024.

RESOLVED FURTHER THAT the Existing terms and conditions of appointment including remuneration of Mr. Sushil Kumar Agarwal as Whole Time Director and Chief Executive Officer, which have been approved by the Members of the Company by means of Postal Ballot on December 30, 2018 and which are further reproduced hereunder for reference of Members, will continue to be the same or remain unchanged except his designation to MD and CEO of the Company.

The Broad terms and conditions including remuneration for appointment of Mr. Sushil Kumar Agarwal as Managing Director and Chief Executive Officer ("MD" and "CEO") are as following:

1. Fixed Remuneration:
   (a) Mr. Sushil Kumar Agarwal, from May 03, 2019, shall be entitled to a fixed remuneration upto a maximum of ₹2,40,00,000/- (Rupees Two crore and forty lakh only) per annum ("Fixed Remuneration Limit").

   (b) The Board of Directors of the Company ("Board") on the basis of recommendation of Nomination and Remuneration Committee of the Company ("NR Committee") shall have the authority to grant such increments to Mr. Sushil Kumar Agarwal and/or revise the Salary and/or its components thereof, from time to time during the term of his employment, provided such increment and/or revision is carried out within the Fixed Remuneration Limit and subject to the provisions of Section 197, 198 of the Act read with Schedule V to the Act (including any statutory modification(s) or re-enactment(s) thereof for the time being in force). For the purpose of this clause, the term "Salary" shall mean and include: (i) basic salary payable to Mr. Sushil Kumar Agarwal; (ii) Company's contribution to provident fund as per the provisions of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952; and (iii) Company's contribution to gratuity fund as per provisions of the Payment of Gratuity Act, 1972.

2. Perquisites and Allowances
   (a) Mr. Sushil Kumar Agarwal shall, in addition to the Fixed Remuneration, be eligible for perquisites and allowances as per the policies of the Company, amended from time to time ("Perquisites") provided such perquisites and allowances does not exceed the overall ceiling prescribed under Section 197 of the Act read with Schedule V to the Act (including any statutory modification or re-enactment thereof) ("Perquisites Ceiling").

   (b) In addition to the Perquisites, Mr. Sushil Kumar Agarwal shall also be entitled to the following benefits, which shall not be included while computing the aforementioned Perquisites Ceiling:

      i. Contribution to provident fund, superannuation or annuity fund which are not taxable under the provisions of the Income Tax Act, 1961;

      ii. Gratuity payable which shall not exceed half of one month's basic salary of the Director for each completed year of service as per the rules and policies of the Company.

      iii. Leave and leave encashment as per the rules of the Company.

3. Performance Linked Bonus
   (a) In addition to Total Fixed Remuneration, Mr. Sushil Kumar Agarwal shall also be entitled to

performance linked bonus of such amount as may be recommended by the NR Committee and approved by the Board for each Financial Year or part thereof, within the overall limits as specified under Section 197 of the Act read with Schedule V to the Act (including any statutory modification or re-enactment thereof) and other applicable provisions (if any) of the Act, after taking into consideration various criteria, including the performance of Mr. Sushil Kumar Agarwal and the performance of the Company ("Performance Linked Bonus").

(b) The total Performance Linked Bonus of a financial year shall not exceed 100% of the Total Fixed Remuneration of such financial year.

(c) For the purpose of this clause, the term "Total Fixed Remuneration" shall mean the aggregate of and shall include, during a financial year: (a) all fixed components (including Salary) of Mr.Sushil Kumar Agarwal's remuneration; and (b) value of all allowances and perquisites payable by the Company to Mr. Sushil Kumar Agarwal as per Company's policy in force from time to time. It is hereby clarified that the Total Fixed Remuneration shall not include Performance Linked Bonus.

4. Other Terms and Conditions

(a) Mr. Sushil Kumar Agarwal shall discharge his duties as MD and CEO, assigned to him from time to time or vested upon him by the Articles of Association of the Company, Board of the Company and/or under the Act, in good faith in order to promote the objects of the Company for the benefit of its members as a whole, and in the best interests of the Company, its employees, the shareholders, the community and for the protection of environment.

(b) Mr. Sushil Kumar Agarwal may be granted stock options as per ESOP Schemes of the Company.

(c) Mr. Sushil Kumar Agarwal shall not be liable to retire by rotation as per the provisions of the Act.

(d) If, in any financial year, the Company has no profits or its profits are inadequate, then the foregoing remuneration and other benefits payable to Mr. Sushil Kumar Agarwal shall be paid by the Company in accordance with the provisions of Schedule V of the Act.

(e) Mr. Sushil Kumar Agarwal shall be entitled to receive from the Company, reimbursement for expenses which are genuinely and actually incurred by him in efficient discharge of his duties and which are wholly, necessarily and exclusively incurred for or in connection with the Business and affairs of the Company.

(f) Mr. Sushil Kumar Agarwal shall be entitled to resign from the office of MD and CEO of the Company at any time by providing prior written notice of 6 (six) months along with the reasons of such resignation, to the Company. Similarly, the Company may terminate the employment of the Director with the Company at any time by providing prior written notice of 6 (six) months to the Director.

RESOLVED FURTHER THAT the Board of Directors of the Company reserves the right to alter, vary or modify, from time to time, the provisions and terms relating to the foregoing remuneration and other benefits granted to Mr. Sushil Kumar Agarwal, as the Board deems fit, within the limits mentioned above and subject to limits prescribed for yearly remuneration payable to managerial personnel under Section 197 read with Schedule V to the Act.

RESOLVED FURTHER THAT for the purpose of giving effect to the aforesaid resolution, the Board of Directors of the Company be and is hereby authorized to do all such acts, deeds and things, as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in the said regard."

6. **To approve increase in the borrowing powers in excess of Paid-up Share Capital , Free Reserve and Securities Premium of the Company under section 180(1)(c) of the Companies Act, 2013**

To consider and, if thought fit, to pass the following resolution as a **Special Resolution**:

"RESOLVED THAT in supersession of all the earlier resolution(s) passed in this regard and pursuant to the provisions of Section 180(1)(c) and other applicable provisions, if any, of the Companies Act, 2013 and the rules framed thereunder (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) and as per the applicable directions/ guidelines issued by the Reserve Bank of India ("RBI") or National Housing Bank ("NHB") and the relevant provisions of the Articles of Association of the Company and all other applicable rules, laws and acts (if any) and subject to all other requisite approvals, permissions and sanctions and subject to such conditions as may be prescribed by any of the concerned authorities (if any), the consent of the Members of the Company be and is hereby accorded to the Board of Directors (hereinafter referred to as the "the Board" which term shall be deemed to include Executive Committee thereof, which the Board have constituted/reconstituted or hereinafter constitute/ reconstitute to exercise its powers including the powers conferred by this resolution) for borrowing from time to time as they may think fit, any sum or sums of money not exceeding ₹10,000 crore (Rupees Ten thousand crore only) (including the money already borrowed by the Company) in Indian Rupees or in any foreign currency(ies) on such terms and conditions as the Board may deem fit, whether the same may be secured or unsecured and if secured, whether domestic or international, whether by way of mortgage, charge or hypothecation, pledge or otherwise in any way whatsoever, on, over or in any respect of all, or any of the Company's assets and effects or properties including stock in trade (receivables), notwithstanding that the money to be borrowed together with the money already borrowed by the Company (apart from the temporary loans obtained from the Company's Bankers in the ordinary course of business) and remaining un-discharged at any given time, exceed the aggregate, for the time being, of the paid up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, and securities premium provided that the total borrowing limit shall be within the limits as prescribed under the Housing Finance Companies (NHB) Directions, 2010 issued by NHB.

RESOLVED FURTHER THAT the Board be and is hereby authorized for borrowing from time to time as it may think fit, any sum or sums of money but not exceeding ₹10,000 crore (Rupees Ten thousand crore only) in Indian Rupees or equivalent thereof in any foreign currency(ies) in aggregate (including the monies already borrowed by the Company) and on such terms and conditions as the Board may deem fit, by way of loans or in any other form whatsoever , or issue of Bonds and/or Debentures or other Securities or Term Loans, Cash Credit facilities or other facilities in form of debt in the nature of Debentures, Commercial Papers and the like to Bank(s), Financial or other Institution(s), Mutual Fund(s), Non-Resident Indians (NRIs), Foreign Institutional Investors (FIIs) or any other person(s), body(ies) corporate, etc., whether Shareholder of the Company or not, provided that the total borrowing limit shall be within the limits as prescribed under the Housing Finance Companies (NHB) Directions, 2010.

RESOLVED FURTHER THAT for the purpose of giving effect to the aforesaid resolution, the Board of Directors of the Company be and is hereby authorized to do all such acts, deeds and things, as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in the said regard."

7. **To approve creation of charges on assets of the Company under section 180(1)(a)of the Companies Act, 2013 to secure borrowings made/to be made under section 180(1)(c) of the Companies Act, 2013**

To consider and, if thought fit, to pass the following resolution as a **Special Resolution**:

"RESOLVED THAT pursuant to the provisions of Section 180(1)(a) and other applicable provisions, if any, of the Companies Act, 2013 and the rules framed thereunder (including any statutory modification(s) or re-enactment(s) thereof for the time being in force)and as per the directions/ guidelines issued by the Reserve Bank of India ("RBI") or National Housing Bank ("NHB") and relevant provisions of the Articles of Association of the Company, and all other applicable rules, laws and acts (if any) and subject to all other requisite approvals, permissions and sanctions and subject to such conditions as may be prescribed by any of the concerned authorities (if any), the consent of the Members of the Company be and is hereby accorded to the Board of Directors (hereinafter referred to as the "the Board" which term shall be deemed to include Executive Committee thereof, which the Board have constituted/reconstituted or hereinafter constitute/ reconstitute to exercise its powers including the powers conferred by this resolution) to the creation of mortgage and/or charge (s) and/or hypothecate any of movable and / or immovable properties of the Company including receivables in the form of book debts, wherever situated both present and future or on 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), 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, to or 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 ₹10,000 crore (Rupees Ten thousand crore 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 for the purpose of giving effect to the aforesaid resolution, the Board of Directors of the Company be and is hereby authorized to do all such acts, deeds and things, as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in the said regard."

8. **To approve issuance of Non-Convertible Debentures, in one or more tranches /issuances on Private Placement Basis**

To consider and, if thought fit, to pass the following resolution as a **Special Resolution**:

"RESOLVED THAT pursuant to the provisions of section 42, 71 and all other applicable provisions, if any, of the Companies Act, 2013 ("the Act") and Rules made there under, Housing Finance Companies Issuance of Non-Convertible Debentures on private placement basis (NHB) Directions, 2014 as amended from time to time, Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 (including any statutory modification(s)or re-enactment(s) thereof for the time being in force) and other applicable SEBI regulations and guidelines, the provisions of Articles of Association of the Company and subject to such applicable laws, rules and regulations and guidelines, the consent of the Members of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include Executive Committee thereof which the Board have constituted / reconstituted or hereinafter constitute/reconstitute to exercise its powers including the powers conferred by this Resolution) for making offers and/or invitations and / or issue, in one or more tranches, Non-convertible Debentures (NCDs) including but not limited to subordinate debentures, bonds, and/or other debt securities etc. on private placement basis, during the period of one year from the date of passing of the Special Resolution by the Members in this Annual General Meeting, for amount not exceeding ₹3,000 crore (Rupees Three thousand crore only) on such terms and conditions and at such times at par or at such premium, as may be decided by the Board to such person(s) , including one or more company(ies), bodies corporate(s), statutory corporations, commercial banks, lending agencies, financial institutions, insurance companies, mutual funds, pension/provident funds and individuals, as the case may be or such other person(s) as the Board may decide so for onward lending business of the Company and general corporate purposes and on the following terms:

(i) The Company shall issue the Non-Convertible Debentures for deployment of funds on its own balance sheet, not to facilitate the resource requests of group entities/parent Company/associates of the Company.

(ii) The Board shall have the sole discretion to deal with the unsubscribed portion of the Debenture Issue on such terms and conditions as it may deem fit.

RESOLVED FURTHER THAT the aggregate amount of funds to be raised by issue of NCDs, subordinate debentures, bonds, and/or other debt securities etc. shall not exceed the overall borrowing limits of the Company, as approved or may be approved by the Members of Company from time to time.

RESOLVED FURTHER THAT for the purpose of giving effect to the aforesaid resolution, the Board of Directors of the Company be and is hereby authorized to do all such acts, deeds and things, as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in the said regard."

9. **To approve fixing of Commission payable to Non-Executive Directors of the Company**

To consider and, if thought fit, to pass the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT pursuant to Section 197, 198, and all other applicable provisions of the Companies Act, 2013 ("the Act") and Rules made there under, the Securities and Exchange Board of India (Listing Obligations and

Disclosure Requirements) Regulations, 2015 (including any statutory modification(s)or re-enactment(s) thereof for the time being in force), the Articles of Association of the Company, Consent of the Members of the Company be and is hereby accorded to pay to its Directors (other than the Managing Director and Whole-time Director of the Company) ("the Non-Executive Directors") for a period of 5 years commencing from April 1, 2019 to March 31, 2024, such sum by way of commission as the Board of Directors may from time to time determine based on performance and guidelines framed by the Board of Directors for this purpose, provided however that the commission paid to such Directors in any financial year shall not exceed one percent of the net profits of the Company in terms of Section 197 of the Act, and computed in the manner referred to in Section 198 of the Act.

RESOLVED FURTHER THAT the aforesaid Commission to be paid to the Non-Executive Directors shall be in addition to the sitting fees being paid/payable for attending the meetings of the Board of Directors ("Board") of the Company and its Committees thereof, as may be decided by Board from time to time.

RESOLVED FURTHER THAT for the purpose of giving effect to the aforesaid resolution, the Board of the Company be and is hereby authorized to do all such acts, deeds and things, as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in the said regard."

10. **To approve "Equity Stock Option Plan For Employees 2019" ("ESOP-2019") of Aavas Financiers Limited**

To consider and, if thought fit, to pass the following resolution as a **Special Resolution**:

"**RESOLVED THAT** pursuant to provisions of Section 62(1)(b) and other applicable provisions, if any, of the Companies Act, 2013 read with the rules made thereunder, provisions of Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force), as per the provisions of Memorandum of Association and Articles of Association of the Company, and subject to such other approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed while granting such approvals, permissions and sanctions, "Equity Stock Option Plan for Employees 2019" (hereinafter referred to as "ESOP-2019") of Aavas Financiers Limited be and is hereby approved for formulation and implementation, and the Board of Directors of the Company (hereinafter referred to as "the Board" which terms shall be deemed to include the Nomination and Remuneration Committee of the Board) be and is hereby authorized to create, grant, offer, issue and allot, at any time, to the benefit of such person(s), who are permanent employees of the Company (present or future), options exercisable into not more than 3,00,000 (Three lakh) Equity Shares of ₹10/- each of the Company under the ESOP-2019, on such terms and conditions as may be fixed in accordance with applicable law.

RESOLVED FURTHER THAT each option would be exercised for one Equity Share of the face value of ₹10/- each fully paid-up on payment of the requisite exercise price to the Company, provided that in case the Equity Shares are either sub-divided or consolidated, then the number of shares to be allotted under the Scheme shall automatically be adjusted to ensure there is no change in the economic value for the option holder, without affecting any other rights or obligations of the said allottees.

RESOLVED FURTHER THAT the Board be and is hereby authorized to issue and allot Equity Shares upon exercise of options from time to time in accordance with the ESOP-2019 and such Equity Shares hall rank Pari- Passu with all the existing Equity Shares of the Company.

RESOLVED FURTHER THAT the number of Equity shares to be allotted under the ESOP-2019 shall automatically stand augmented or reduced, as the case may be, in the same proportion as the present face value of ₹10/- per Equity Share bears to the revised face value of the Equity Shares consequent to any corporate action(s) such as Right Issue/ Bonus Issue/ Merger/ De-Merger/ Sub-Division/ Splitting etc. of Equity Shares of the Company.

RESOLVED FURTHER THAT the Board be and is hereby authorized to take necessary steps for listing of the shares allotted under the Scheme on the Stock Exchanges.

RESOLVED FURTHER THAT for the purpose of giving effect to the aforesaid resolution, the Board of the Company be and is hereby authorized to do all such acts, deeds and things, as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in this regard."

By Order of the Board of Directors
For Aavas Financiers Limited

Sharad Pathak
Company Secretary and Compliance Officer
(FCS-9587)

Jaipur, June 19, 2019
Registered and Corporate Office:
201-202, 2nd Floor, South End Square,
Mansarovar Industrial Area, Jaipur 302 020, Rajasthan, India
CIN: L65922RJ2011PLC034297
Tel: +91 14 1661 8800 Fax: +91 14 1661 8861
E-mail: investorrelations@aavas.in|Website: www.aavas.in

NOTES:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING ("AGM") MAY APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE INSTRUMENT APPOINTING THE PROXY TO BE VALID SHALL BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY AT LEAST FORTY EIGHT HOURS BEFORE THE TIME FOR CONVENING THE MEETING. A PERSON SHALL ACT AS A PROXY FOR NOT MORE THAN FIFTY MEMBERS AND HOLDING IN THE AGGREGATE NOT MORE THAN 10% (TEN PERCENT) OF THE TOTAL SHARE CAPITAL OF THE COMPANY CARRYING VOTING RIGHTS. A MEMBER HOLDING MORE THAN 10% (TEN PERCENT) OF THE TOTAL SHARE CAPITAL OF THE COMPANY CARRYING VOTING RIGHTS MAY APPOINT A SINGLE PERSON AS PROXY AND SUCH PERSON SHALL NOT ACT AS A PROXY FOR ANY OTHER PERSON OR SHAREHOLDER. A COPY OF PROXY FORM FOR THE AGM IS ENCLOSED**.
2. Members/proxies/authorised representatives are requested to bring their duly filled in attendance slips enclosed herewith to attend the meeting mentioning therein details of their DP and Client ID / Folio No.
3. Corporate Members intending to send their authorised representatives to attend and vote at the meeting are requested to send to the Company a certified copy of the Board resolution or upload it on the e-voting portal authorising their representative to vote on their behalf at the AGM.
4. During the period beginning 24 hours before the time fixed for the commencement of the AGM and until the conclusion of the Meeting, a Member would be entitled to inspect the proxies lodged during the business hours of the Company, provided that not less than three days of notice in writing is given to the Company.
5. The relevant details as required under the Regulation 36(3) Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI LODR Regulations") and Secretarial Standard on General Meetings issued by the Institute of Company Secretaries of India ('SS-2') in respect of appointment / re-appointment of Directors are furnished and forms part of this Notice as Annexure-I.
6. In case of joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.
7. The explanatory statement pursuant to section 102 of the Companies Act, 2013 ("the Act") in respect of Special businesses set out in Notice above is annexed hereto.
8. A Member's voting rights shall be in proportion to his/her share of the paid up Equity Share Capital of the Company as on Friday, July 26, 2019 ('cut-off date').

A person whose name is recorded in the Register of Members of the Company or in the Register of Beneficial Owners maintained by the depositories as on the 'cut-off date only' shall be entitled to avail the facility of e-voting as well as voting in the AGM. A person who is not a Member as on the cut-off date should treat this Notice for information purposes only.

9. The Notice of AGM will be sent to those Members / beneficial owners whose name will appear in the Register of Members / list of beneficiaries received from the depositories as on Tuesday, June 25, 2019.

10. The Members vide resolution dated July 26, 2017 had appointed M/s. S. R. Batliboi & Associates LLP, chartered accountants (Firm Registration No: 101049W/ E300004), as Statutory Auditors of the Company to hold office till the conclusion of the 12th Annual General Meeting of the Company to be held in the Calendar Year 2022, subject to ratification of such appointment by Members at every AGM. The requirement of ratification by Members at every AGM is omitted vide notification dated May 7, 2018 issued by the Ministry of Corporate Affairs. Accordingly, the Board has not recommended any ratification for the appointment of Statutory Auditors, However the Board has noted the confirmation received from M/s S.R. Batliboi & Associates LLP, Chartered Accountants, to the effect that their appointment is in compliance of Sections 139 and 141 of the Act and rules made thereunder.

11. The certificate from Statutory Auditors of the Company certifying that the Company's Employees Stock Option Schemes are being implemented in accordance with the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 ("SEBI SBEB Regulations") and in accordance with the resolutions passed by the Members of the Company, will be available for inspection by the Members at the AGM.

12. As an eco-friendly measure intending to benefit the society at large, we request you to be part of the e-initiative and register your e-mail address to receive all communication and documents including annual reports from time to time in electronic form to the e-mail address provided by you. Members may send such communication to their respective Depository Participants (DPs).

13. Members are requested to intimate changes, if any, pertaining to their name, postal address, email address, telephone/ mobile numbers, Permanent Account Number (PAN), mandates, nominations, power of attorney, bank details such as, name of the bank and branch details, bank account number, MICR code, IFSC code, etc., to their DPs.

14. Copies of the Annual Report-2018-19, Notice of the 9th AGM along with attendance slip and proxy form are being sent to all the Members whose e-mail IDs are registered with the Company / DPs for communication purposes unless any Member has requested for a hard copy of the same. For Members who have not registered their e-mail IDs, physical copies of the aforesaid documents are being sent in the permitted mode.

15. Members may also note that the Notice of the 9th AGM and the Annual Report-2018-19 will also be available on the Company's website www.aavas.in and on the website of Link Intime India Private Limited ("LIIPL") at https://instavote.linkintime.co.in for their download. The physical copies of the aforesaid documents including the relevant documents referred to in the Notice and the explanatory statement will also be available for inspection at the Company's Registered Office between 11.00 A.M. to 1.00 P.M. on any working day (excluding Saturdays, Sundays and holidays) up to the date of AGM. Even after registering for e-communication, Members are entitled to receive such communication in physical form, upon making a request for the same, by post free of cost. For any communication, the Members may also send requests to the Company's e-mail id: investorrelations@aavas.in.

16. Members desirous of obtaining any information / clarification relating to the accounts are requested to submit their query in writing to the Company well in advance so as to enable the Management to keep the information ready.

17. Members can avail the facility of nomination in respect of shares held by them in physical form pursuant to the provisions of Section 72 of the Act read with Rule 19(1) of the Companies (Share Capital and Debentures) Rules, 2014. Members desiring to avail this facility may contact their respective DPs for recording their Nomination.

18. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members are, therefore, requested to submit their PAN details to their DPs with whom they are maintaining their demat accounts.

19. The route map showing directions to reach the venue of the 9th AGM is annexed to this Notice as Annexure-II.

20. Voting through electronic means

i. In compliance with the provisions of Section 108 of the Act, read with Rule 20 of the Companies (Management and Administration) Rules, 2014, as amended from time to time, and Regulation 44 of the SEBI LODR Regulations, the Members are provided with the facility to cast their vote electronically, through the e-voting facility provided by Link Intime India Private Limited ("LIIPL"), Registrar and Share Transfer Agent of the Company, on all the resolutions set forth in this Notice. The instructions for e-voting are given herein below.

ii. The e-voting facility will be available during the following period:

   Commencement of e-voting: From Sunday, July 28, 2019 at 9:00 A.M. (IST)

   End of e-voting: Upto Wednesday, July 31, 2019 at 5:00 P.M. (IST)

   The remote e-voting will not be allowed beyond the aforesaid date and time and the e- voting module shall be disabled by LIIPL upon expiry of aforesaid period.

iii. Any person, who acquires shares of the Company and becomes Member of the Company after dispatch of AGM Notice and holding shares as of the cut-off date, i.e. Friday, July 26, 2019, may refer to this Notice, posted on Company's website at www.aavas.in for detailed procedure with regard to e-voting. The Notice shall also be available at https://instavote.linkintime.co.in.

iv. The Board of Directors of the Company ("the Board") has appointed Mr. Manoj Maheshwari (Membership No. FCS 3355) Practicing Company Secretary and Partner of M/s V. M. & ASSOCIATES, as the Scrutinizer ("Scrutinizer") to scrutinize the voting at the AGM and e-voting process in a fair and transparent manner.

v. The facility for voting, either through electronic voting system or poll paper, shall also be made available at the AGM and the Members attending the AGM, who have not already cast their vote by e-voting, may exercise their right to vote at the AGM.

vi. The Members who have cast their vote by e-voting prior to the AGM may also attend the AGM but shall not be entitled to cast their vote again.

vii. A Member can vote either by e-voting or at the AGM. In case a Member votes by both the modes then the votes cast through remote e-voting shall prevail and the votes cast at the AGM shall be considered invalid.

viii. The details of the process and manner for e-voting are explained herein below:

   Instructions for casting vote electronically on the e-voting platform of Link Intime India Private Limited (LIIPL) – InstaVote:

   Unit: Aavas Financiers Limited   Event Number: 190074

- **Log-in to e-Voting website of Link Intime India Private Limited ("LIIPL")**

   1. Visit the e-voting system of LIIPL. Open web browser by typing the following URL: https://instavote.linkintime.co.in.

   2. Click on "Login" tab, available under 'Shareholders' section.

   3. Enter your User ID, password and image verification code (CAPTCHA) as shown on the screen and click on "SUBMIT".

   4. Your User ID details are given below:

   a. **Shareholders holding shares in demat account with NSDL:** Your User ID is 8 Character DP ID followed by 8 Digit Client ID

   b. **Shareholders holding shares in demat account with CDSL:** Your User ID is 16 Digit Beneficiary ID

   5. Your Password details are given below:

   If you are using e-Voting system of LIIPL: https://instavote.linkintime.co.in for the first time or if you are holding shares in physical form, you need to follow the steps given below:

   Click on "Sign Up" tab available under 'Shareholders' section register your details and set the password of your choice and confirm (The password should contain minimum 8 characters, at least one special character, at least one numeral, at least one alphabet and at least one capital letter).

	For Shareholders holding shares in Demat Form -
PAN	Enter your 10 digit alpha-numeric PAN issued by Income Tax Department (applicable for both demat Shareholders as well as physical Shareholders). • Members who have not updated their PAN with depository Participant or in the Company record are requested to use the sequence number which is printed on Ballot Form / Attendance Slip indicated in the PAN Field.
DOB/ DOI	Enter the DOB (Date of Birth)/ DOI (Date of Incorporation) as recorded with depository participant or in the Company record for the said demat account or folio number in dd/mm/yyyy format.
Dividend Bank A/C No.	Enter the Bank A/C No.as recorded in your demat account or in the Company records for the said demat account -. • Please enter the DOB/ DOI or Dividend Bank A/C No. in order to register.

If Shareholders holding shares in Demat Form have forgotten password:

Enter User ID, select Mode and Enter Image Verification code (CAPTCHA). Click on "SUBMIT".

In case Shareholder is having valid email address, Password will be sent to the Shareholders registered e-mail address. Else, Shareholder can set the password of his/her choice by providing the information about the particulars of the Security Question & Answer, PAN, DOB/ DOI, Dividend Bank A/C No. etc. and confirm. (The password should contain minimum 8 characters, at least one special character, at least one numeral, at least one alphabet and at least one capital letter)

NOTE: The password is to be used by demat Shareholders for voting on the resolutions placed by the Company in which they are a Shareholder and eligible to vote, provided that the Company opts for e-voting platform of LIIPL.

It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.

- Cast your vote electronically-

6. After successful login, you will be able to see the notification for e-voting on the home page of INSTA Vote. Select/ View "Event No" of the Company, you choose to vote.
7. On the voting page, you will see "Resolution Description" and against the same the option "Favour/ Against" for voting.

   Cast your vote by selecting appropriate option i.e. Favour/Against as desired.

   Enter the number of shares (which represents no. of votes) as on the cut-off date under 'Favour/Against'. You may also choose the option 'Abstain' and the shares held will not be counted under 'Favour/Against'.
8. If you wish to view the entire Resolution details, click on the 'View Resolutions' File Link.
9. After selecting the appropriate option i.e. Favour/ Against as desired and you have decided to vote, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "YES", else to change your vote, click on "NO" and accordingly modify your vote.
10. Once you confirm your vote on the resolution, you will not be allowed to modify or change your vote subsequently.
11. You can also take the printout of the votes cast by you by clicking on "Print" option on the Voting page.

    - General Guidelines for Shareholders-
      - Institutional Shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodian are required to log on to e-Voting system of LIIPL: https://instavote.linkintime.co.in and register themselves as **'Custodian / Mutual Fund / Corporate Body'.**

        They are also required to upload a scanned certified true copy of the board resolution / authority letter/power of attorney etc. together with attested specimen signature of the duly authorised representative(s) in PDF format in the **'Custodian / Mutual Fund / Corporate Body'** login for the Scrutinizer to verify the same.
      - During the voting period, Shareholders can login any number of time till they have voted on the resolution(s) for a particular "Event".
      - Shareholders holding multiple folios/demat account shall choose the voting process separately for each of the folios/demat account.

    In case the Members have any queries or issues regarding e-voting, please refer the Frequently Asked Questions **("FAQs")** and Instavote e-Voting manual available at https://instavote.linkintime.co.in, under Help section or write an email to enotices@linkintime.co.in or Call us :- **Tel : 022 - 49186000**.

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

The following Statement sets out all material facts relating to the Special Business mentioned in the accompanying Notice:

The following Statement sets out all material facts relating to the Special Business mentioned in the accompanying Notice:

ITEM NO. 4

Members are to be informed that this Notice of AGM proposes Ordinary Resolution as set out at Item No. 5 of this Notice for the approval of the Members with respect to the change in designation of Mr. Sushil Kumar Agarwal (DIN: 03154532) to Managing Director and Chief Executive Officer ("MD and CEO") of the Company from Whole Time Director and Chief Executive Officer ("WTD and CEO").

In order to facilitate aforesaid change in designation of Mr. Agarwal, the Company considered and evaluated the need of amendment in the Articles of Association ("Articles") of the Company due to following facts:

The Existing provision of clause 16.11 (c) of Articles states that the **"Chief Executive Officer of the Company shall be appointed and hold office as a Whole Time Director"**.

Therefore the following clause is required to be amended for facilitating the change in designation of Mr. Agarwal and in this relation following amendment/substitution in Articles is proposed hereunder for approval of Members of the Company:

Clause 16.11 - Composition of the Board

Clause No.	Existing/Original Clause	Proposed/substituted Clause
16.11 (c)	Notwithstanding Clause 16.11 (b) above, on and from the date hereof and until such time that Lake District and ESCL continue to remain 'promoters' of the Company (i) Lake District shall have the right to nominate 3 (Three) Directors to the Board (collectively, the "Lake District Nominee Directors"); (ii) ESCL shall have the right to nominate 2 (Two) Directors to the Board (together, the "ESCL Nominee Directors"); and (iii) **the Chief Executive Officer of the Company shall be appointed and hold office as a Whole Time Director**. 3 (Three) independent Directors shall be appointed to the Board in accordance with Applicable Laws (the "Independent Directors").	Notwithstanding Clause 16.11 (b) above, on and from the date hereof and until such time that Lake District and ESCL continue to remain 'promoters' of the Company (i) Lake District shall have the right to nominate 3 (Three) Directors to the Board (collectively, the "Lake District Nominee Directors"); (ii) ESCL shall have the right to nominate 2 (Two) Directors to the Board (together, the "ESCL Nominee Directors"); and (iii) **the Chief Executive Officer of the Company may be appointed and hold office as Managing Director or Whole Time Director of the Company or with such other designation as the Board or Shareholders may decide in accordance with the provisions of the Act**. 3 (Three) independent Directors shall be appointed to the Board in accordance with Applicable Laws (the "Independent Directors").

Further, in terms of Section 14 of the Companies Act, 2013, approval of Members in General Meeting by way of Special Resolution is required to alter Articles of the Company.

The Board accordingly recommends the Special Resolution as set out at Item No. 4 of the Notice for the approval of the Members.

Copy of the existing Articles, copy of altered Articles indicating the proposed amendments and other allied documents, if any, being referred in this resolution would be available for inspection by the Members as per details mentioned in note no. 15 to the accompanying notice of the Annual General Meeting.

None of the Directors or Key Managerial Personnel (KMP) of the Company or their relatives except Mr. Sushil Kumar Agarwal are concerned or interested, financially or otherwise, in the resolution set out at Item No. 4 of the accompanying Notice.

ITEM NO. 5

The Members of the Company have vide ordinary resolution passed by means of Postal Ballot on December 30, 2018, re-appointed Mr. Sushil Kumar Agarwal as the Whole Time Director and Chief Executive Officer ("WTD" and "CEO") of the Company for a period of five years with effect from January 10, 2019 to January 09, 2024.

Under the leadership of Mr. Sushil Kumar Agarwal, the Company consistently made stellar performance over the period of time. He has strong business acumen, strategic intelligence and execution abilities and has been associated with the financial services industry for the past 18 years. He has been instrumental in various strategic growth initiatives, innovations including implementation of automated, digitized and other technology-enabled platforms and proprietary tools, to strengthen company's offerings and derive greater operational, cost and management efficiencies. Under his leadership, the Company has showed sizeable growth in terms of revenue, profitability and other benchmarks.

Company has delivered yet another strong financial performance in financial year 2018-19 in addition CARE Ratings Limited has upgraded the Company's long term credit rating to CARE AA- with Stable outlook.

On the recommendation of Nomination and Remuneration Committee, Board in its meeting held on May 03, 2019 has approved to change the designation of Mr. Sushil Kumar Agarwal (DIN: 03154532) to Managing Director and Chief Executive Officer ("MD and CEO") of the Company from Whole Time Director and Chief Executive Officer ("WTD and CEO"), with effect from May 03, 2019 till the expiry of his current term i.e. upto January 09, 2024.

It is proposed to seek the Member's approval in terms of the applicable provisions of the Companies Act, 2013 ("the Act") to change the designation of Mr. Sushil Kumar Agarwal as MD and CEO the Company.

Mr. Sushil Kumar Agarwal, age 42 years, is a qualified Chartered Accountant and had secured tenth rank in his final examination. Further, he is a qualified Company Secretary. He was previously associated with Au Small Finance Bank Limited as its Business Head – SME & Mortgages. Mr. Agarwal has previously also worked with ICICI Bank Limited as its chief manager and with Kotak Mahindra Primus Limited as an assistant manager. Mr. Sushil Kumar Agarwal has been associated with the Company since its incorporation in 2011.

It hereby further clarified that existing terms and conditions of appointment including remuneration of Mr. Sushil Kumar Agarwal as Whole Time Director and Chief Executive Officer, which have already been approved by the Members of the Company by means of Postal Ballot on December 30, 2018 and which are further reproduced in resolution set out at item no 5, for Member's reference, will continue to be the same or remain unchanged except change in his designation to MD and CEO of the Company.

The proposed agreement between the Company and Mr. Sushil Kumar Agarwal is available for inspection as per details mentioned in note no. 15 to the accompanying Notice of the Annual General Meeting.

Mr. Sushil Kumar Agarwal satisfies all the conditions set out in Part-I of Schedule V and Section 196 (3) of the Act for being eligible to be designated as Managing Director and Chief Executive Officer of the Company. He is not disqualified from being appointed as Director in terms of Section 164 of the Act and is not debarred from holding the office of director by virtue of any SEBI order or any other such authority.

None of the Directors or Key Managerial Personnel (KMP) of the Company or their relatives except Mr. Sushil Kumar Agarwal are concerned or interested, financial or otherwise, in the resolution set out at Item No. 5 of the accompanying Notice.

The Board accordingly recommends the Ordinary Resolution as set out at Item No. 5 of the Notice for the approval of the Members.

ITEM NO. 6 & 7

The Board of Directors ("Board") of the Company envisages requirements of funds in future. As per the provisions of Section 180(1)(c) of the Companies Act, 2013 ("Act"), the Board can borrow money subject to the condition 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) shall not exceed the aggregate, for the time being, of the paid-up capital and free reserves, that is to say, reserves not set apart for any specific purpose and securities premium unless the Members have authorized the Board to borrow the monies up to some higher limits.

Further as per Paragraph 3(2) of "The Housing Finance Companies (NHB) Directions, 2010" No housing finance company can have its total Borrowing limit in aggregate, in excess of sixteen times of its Net Owned Fund (NOF).

Hence, it is proposed to empower and authorize the Board of Directors of the Company to borrow money from any Bank(s), Financial Institutions (FIs,), Foreign Institutional Investors (FII's), Bodies Corporate or Business Associates or any other person/s or entity/ies etc., in excess of paid up capital and free reserves and securities premium of the Company by a sum not exceeding ₹10,000 crore (Rupees Ten thousand crore only) for the purposes of business activities of the Company, provided that the total borrowing limit shall always be within the limits as prescribed under the Housing Finance Companies (NHB) Directions, 2010.

The resolution as set out at item no. 6 of the Notice is placed for your approval by way of special resolution of the aforesaid limits of borrowing by the Board upto an amount not exceeding ₹10,000 crore (Rupees Ten thousand crore only) or equivalent thereof in any foreign currency(ies).

With a view to meet fund requirements for the aforesaid purpose, the Company would be required to borrow funds from time to time by way of loans or in any other form whatsoever including but not limited to issue of bonds, debentures or other securities.

The said borrowings/ issue of securities may be required to be secured by way of mortgage / charge over all or any part of the movable and / or immovable properties of the Company and as per the provisions of Section 180 (1) (a) of the Act, the mortgage or charge on all or any part of the movable and /or immovable properties of the Company, may be deemed as disposal of the whole, or substantially the whole, of the undertaking of the Company and hence the approval of the Members of the Company is required by way of an Special Resolution as set out at item no. 7 of the Notice.

As per Section 180(1)(a) and 180(1)(c) and other applicable provisions of the Act, approval of the Members is being sought by way of passing Special Resolution. Hence, the Board of Directors recommends passing of the enabling Special Resolutions set out at item No. 6 and 7 of the Notice.

None of the Directors or Key Managerial Personnel (KMP) of the Company or their relatives are in any way, concerned or interested, financially or otherwise, in the resolutions set out at Item No. 6 and 7 of the accompanying Notice.

ITEM NO. 8

Your Company has been issuing debentures, which may be referred to as one of the option for raising money from time to time, for onward lending business of the Company and general corporate purposes, on terms and conditions as are appropriate and in the best interest of the Company and in due compliance with the applicable provisions of the Companies Act, 2013 ("the Act"), SEBI (Issue and Listing of Debt Securities) Regulation 2008, Debt Listing Agreement and Guidelines as issued by National Housing Board etc. Accordingly, the Company, subject to the approval of Members, proposes to issue Non-convertible Debentures to various person(s) on private placement basis, at such terms and conditions and at such price(s) in compliance with the requirements of regulatory authorities, if any and as may be finalized by the Board and/or Committee of Board. The amount to be raised by way of issue of Non-convertible Debentures on a private placement basis however shall not exceed ₹3,000 crore (Rupees Three thousand crore only) in aggregate. The aforesaid borrowings are within overall borrowing limits authorized by Members. It may be noted that that as per Rule 14 of Companies (Prospectus and Allotment of Securities) Second amendment Rules, 2018 read with Section 42 of the Act, allows a company to pass a previous special resolution once in a year for all the offer or invitation for Non-Convertible Debentures to be made during the year through a private placement basis in one or more tranches. Therefore Consent of the Members is accordingly sought in connection with the aforesaid issue of debentures/ bonds from time to time and they are requested to authorize the Board (including any Committee of the Board) to issue Non-convertible Debentures on private placement basis of ₹3,000 crore (Rupees Three thousand crore) as stipulated above, in one or more tranches, during the period of one year from the date of passing of the Resolution set out at Item No. 8 of this Notice, within the overall borrowing limits of the Company, as approved by the Members from time to time.

The Board accordingly recommends the Special Resolution as set out at Item No. 8 of the Notice for the approval of the Members.

None of the Directors or Key Managerial Personnel (KMP) of the Company or their relatives except Mr. Sushil Kumar Agarwal are concerned or interested, financial or otherwise, in the resolution set out at Item No. 4 of the accompanying Notice.

ITEM NO. 9

The Members of the Company had at the AGM held on July 11, 2015, accorded their consent for payment of commission to the Non-Executive Directors of the Company not exceeding 1 per cent of the net profits of the Company in any financial year (computed in the manner provided in Sections 197 and 198 of the Companies Act, 2013 ("the Act"), for each of five years commencing from August 29, 2014. The validity of the aforesaid resolution passed by the Members would expire on August 28, 2019.

In accordance with Section 197 of the Act, the remuneration payable to Directors who are neither Managing Directors nor Whole Time Directors shall not exceed

i) One percent (1%) of the net profits of the Company, if there is a Managing Director or Whole-time Director or Manager;

ii) Three percent (3%) of the net profits in any other case.

Further Regulation 17 (6) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI LODR Regulations) provides that the Board of Directors ("Board") shall recommend all fees or compensation, if any, paid to Non-Executive Directors, and shall require approval of Members in general meeting.

The Non-Executive Directors are persons of eminence and bring a wide range of expertise and rich experience to the Board across a wide spectrum of functional areas such as marketing, technology, corporate strategy, and finance. Further under the Act and SEBI LODR Regulations, the role, responsibilities and legal liability of the Members of Board have substantially increased requiring them not only use intensive skills but also devote considerable time in the process or orderly conduct of various affairs of the Company.

The Board is of the view that it is necessary that adequate compensation be given to the Non-Executive Directors so as to compensate them for their time and efforts. The quantum of commission payable per annum as a whole to Non-Executive Directors and individually to each Director would be determined and recommended by the Nomination and Remuneration Committee and approved by the Board. The quantum of commission payable would, inter alia, depend on performance and guidelines framed by the Board for this purpose, provided however that the commission paid to such Directors in any financial year shall not exceed one percent of the net profits of the Company in terms of Section 197 of the Act, and computed in the manner referred to in Section 198 of the Act.

In this regard consent of the Members is sought for renewal of the resolution for a further period of 5 years commencing from April 01, 2019, for payment of commission not exceeding one per cent of the net profits of the Company calculated in accordance with the provisions of the Act, to be paid and distributed amongst the Non-Executive Directors of the Company.

It is hereby clarified that the payment of aforesaid Commission will be in addition to the sitting fees payable to the Non-Executive Directors for attending Board/Committee Meetings, as may be decided by the Nomination and Remuneration Committee/Board, from time to time, in accordance with the applicable provisions of the Act.

None of the Directors or Key Managerial Personnel (KMP) of the Company or their relatives except all Non-Executive Directors of the Company are concerned or interested, financially or otherwise, in the resolution.

The Board of Directors recommends resolution set out at Item No. 9 for your consideration and approval by way of Ordinary Resolution.

ITEM NO. 10

The Company intends to formulate and implement "Equity Stock Option Plan for Employees 2019" ("ESOP-2019") of Aavas Financiers Limited.

The principle object of ESOP-2019 is to promote the culture of employee ownership and to attract, retain, motivate senior management as well as critical talent of the Company and to give them opportunity to participate and gain from the Company's performance, thereby, acting as a retention tool as well as to align the efforts of such talent towards long term value creation in the organization. Under the ESOP-2019, options are proposed to be issued to employees fulfilling the criteria; each stock option would give right to the option holder to subscribe one Equity Share.

The Members are informed that the Company intends to offer not more than 3,00,000 (Three lakh) Equity Shares of face value ₹10 each of the Company under the ESOP-2019 by way of grant of Options which will be granted directly by the Company. The Plan will be administered by the Nomination and Remuneration Committee of Board of Directors ("Board").

ESOP-2019 has been prepared and formulated in compliance with provisions of the Companies Act, 2013 ("the Act") and Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 ("SEBI SBEB Regulations").

Particulars of disclosures as required under Rule 12 of the Companies (Share Capital and Debentures) Rules, 2014 and SEBI ESOP Regulations are given below:

a) **Total number of Options to be granted**
   1. A total of 3,00,000(Three lakh) options would be available for grant to the eligible employees of the Company under the ESOP-2019.
   2. Each option when exercised would give the option holder a right to get one fully paid Equity Share of the Company.
   3. In cases where options, whether vested or unvested, lapse or expire or are forfeited for any reason under the applicable laws, the Nomination and Remuneration Committee may re-issue the options to other eligible employees. The options so issued shall be subject to the terms and conditions of the ESOP-2019.

b) **Identification of Classes of employees entitled to participate in the ESOP-2019**
   For the purpose of the ESOP-2019, the eligible employees shall be amongst from the following persons:
   1. A permanent employee of the Company working in India or outside India; or
   2. A Director of the Company, whether Whole Time Director or not but excluding an Independent Director; or
   3. An employee as defined in above clause (1) or (2) of a subsidiary of the Company, in India or outside India, or of a Holding Company of the Company, if any;

   Further, the following persons are not eligible to be categorized as eligible employees under the ESOP–2019:
   1. An employee who is a promoter of the Company or belongs to the promoter group; or
   2. A director of the Company, who either by himself or through his relatives or through any body corporate, directly or indirectly holds more than 10% of the outstanding Equity Shares of the Company.

Following the above conditions, the eligibility to participate in the Plan is further subject to such criteria as may be decided by the Nomination and Remuneration Committee at its own discretion, including, but not limited to the date of joining of the Employee with the Company, grade of the Employee, performance evaluation, period of service with the Company, criticality or any other criteria, as the Nomination and Remuneration Committee determines.

c) **Requirements of Vesting and period of Vesting (not less than 1 year)**

   The options granted shall vest so long as the employee continues to be in the employment of the Company.

   The vesting period shall not be less than 1 year from date of grant of options. The vesting may happen in one or more tranches. The detailed terms and conditions of vesting are mentioned in the ESOP-2019.

   The Nomination and Remuneration Committee may, at its sole & absolute discretion, lay down performance metrics which shall inter-alia include business performance and achievement of set business targets on the achievement of which such options would vest, the detailed terms and conditions relating to such performance-based vesting and the proportion in which options granted would vest.

d) **Maximum Period within which the options shall be vested**
   Under the "ESOP–2019", the vesting will occur in not more than 5 years from the date of grant of option.

e) **Conditions under which Vested Options may lapse**
   In case of termination of employment of the employee 'for cause', the vested options may lapse. The events included under 'for cause' are specifically mentioned in the ESOP-2019.

f) **Exercise Price or pricing formula**
   The Exercise Price shall be the closing price of the Shares of the Company on the Stock Exchange with the higher trading volume on the trading day immediately preceding the date of Grant.

g) **Exercise Period and process of exercise**
   The vested options shall be eligible for exercise on and from the date of vesting. The exercise period shall be four (4) years from the date of vesting of options except in case of termination without cause and resignation by the employee.

   The employee can exercise stock options at any time after the vesting date either in full or in tranches by making full payment of exercise price and applicable taxes and by execution of such documents as may be prescribed by the Nomination and Remuneration Committee, from time to time. The options shall lapse if not exercised within the specified exercise period.

h) Exercise Period for Vested Options in Case of Termination of or Resignation from Employment
The exercise period for vested options in case of termination of employment 'without cause' or resignation from employment is 90 days from the date of termination or resignation as the case may be.

i) Appraisal process for determining the eligibility of the Eligible Employees
The process for determining the eligibility of the Eligible Employees will be specified by the Nomination and Remuneration Committee and will be based on designation; period of service, loyalty, value addition, designation, present & past contribution, band, performance linked parameters such as work performance and such other criteria as may be determined by the Nomination and Remuneration Committee at its sole discretion, from time to time.

j) Maximum number of options to be granted per Eligible Employee and in aggregate
Maximum number of options to be granted to an Eligible Employees will be determined by the Nomination and Remuneration Committee on a case to case basis and shall not exceed the limit prescribed under the applicable laws.

k) Implementation and Administration of ESOP-2019
ESOP-2019 shall be implemented directly by the Company through the Nomination and Remuneration Committee of the Board. Further, all acts, deeds, things and matters in connection to ESOP-2019 shall be administered by the Nomination and Remuneration Committee of the Board.

l) Source of acquisition of shares under the ESOP-2019
Equity Shares shall be allotted to the eligible employees exercising their Options by way of a primary issuance.

m) Amount of loan to be provided for implementation of the Scheme(s) by the Company to the trust, its tenure, utilization, repayment terms, etc.
Not applicable

n) Maximum percentage of secondary acquisition:
Not applicable

o) Compliance with Accounting Policies
The Company shall comply with the disclosures, the accounting policies and other requirements as may be prescribed under the applicable laws from time to time.

p) Method of valuation of options
The Company shall adopt the fair value Method by using Black- Scholes Option Pricing Formula for determining the value of an option granted under the ESOP-2019.

As the ESOP-2019 would require issue of further Equity Shares, in terms of Sections 62(1)(b) and rules made thereunder and all other applicable provisions, if any, of the Act, as amended and the SEBI SBEB Regulations, consent of the Members of the Company is required by passing a Special Resolution in a General Meeting.

A draft copy of the ESOP-2019 is available for inspection as per details mentioned in note no. 15 to the accompanying Notice of the Annual General Meeting.

None of the Directors or Key Managerial Personnel (KMP) of the Company and their relatives are, in any way, concerned or interested, financially or otherwise, in the resolution set out at Item No. 10 of the accompanying Notice, except to the extent of the stock options that may be granted to them under ESOP-2019.

The Board of Directors recommends resolution set out at Item No. 10 for your consideration and approval by way of Special Resolution.

By Order of the Board of Directors
For Aavas Financiers Limited

Sharad Pathak
Company Secretary and Compliance Officer
(FCS-9587)

Jaipur, June 19, 2019
Registered and Corporate Office:
201-202, 2nd Floor, South End Square,
Mansarovar Industrial Area,Jaipur 302 020, Rajasthan, India
CIN: L65922RJ2011PLC034297
Tel: +91 14 1661 8800 Fax: +91 14 1661 8861
E-mail: investorrelations@aavas.in|Website: www.aavas.in

Annexure-I

Details of Directors seeking Appointment/re-appointment vide this Notice (pursuant to Regulation 36 (3) of SEBI (Listing Obligations and Disclosure Requirements), Regulation, 2015 and Secretarial Standard on General Meetings issued by Institute of Company Secretaries of India (ICSI) :

Name of Director	Mr. Sushil Kumar Agarwal	Mr. Ramachandra Kasargod Kamath	Mr. Vivek Vig
Date of Birth	November 17, 1976	November 19, 1955	December 06, 1962
DIN	01715073	03154532	01117418
Age	42 years	64 years	57 years
Qualification	Mr. Agarwal is a qualified Chartered Accountant and Company Secretary.	Mr. Kamath holds a bachelor's degree in Commerce from the University of Mysore. He is an honorary Fellow of Indian Institute of Banking and Finance. Further, Mr. Kamath is a certified associate of the Indian Institute of Bankers.	Mr. Vig holds a post-graduate diploma in Management from Indian Institute of Management at Bangalore
Brief Resume and Experience	Mr. Sushil Kumar Agarwal has been associated with our Company since its incorporation in 2011. Mr. Agarwal was previously associated with Au Small Finance Bank as its Business Head – SME & Mortgages. He has previously also worked with ICICI Bank Limited as its Chief Manager and with Kotak Mahindra Primus Limited as an Assistant Manager. He has more than 18 years of experience in the field of Retail Financial Services.	Mr. Ramachandra Kasargod Kamath is a Non-Executive Nominee Director appointed on the Board of the Company by Lake District Holdings Limited and Kedaara Capital Alternative Investment Fund – Kedaara Capital AIF 1. He has more than 42 years of experience in the field of Banking and finance. Mr. Kamath was previously associated with Corporation Bank as its General Manager; and with Punjab National Bank as its Chairman and Managing Director. He has also served as the Chairman and Managing Director of Allahabad Bank and as Executive Director of Bank of India.	Mr. Vivek Vig is a Non-Executive Nominee Director appointed on the Board of the Company by Partners Group ESCL Limited and Partners Group Private Equity Master Fund LLC. He has more than 30 years of experience in the field of Retail Banking and finance. Mr. Vig has previously served as the Managing Director and Chief Executive Officer of Destimoney Enterprises Limited and was a sponsor investor and Director in PNB Housing Finance Limited. Further, he was previously associated with the Centurion Bank of Punjab (which was subsequently merged with HDFC Bank) as its Country Head – Retail Bank. Additionally, in the past, he has also been associated with Citibank N.A., where he has held various positions across the consumer bank in India, Poland, Taiwan and as Country Head in Turkey and Saudi Arabia.
Nature of expertise in specific functional areas	Retail Financial Services	Banking, Finance, Risk Management and Corporate Governance	• Business Builder – identify opportunities for growth. • Formulate and guide the credit architecture, risk metrics and Analytics. • Integrate various functions under common vision and values. • Guide and mentor CEOs and senior management to perform to potential.

Relationships with other directors and Key Managerial Personnel	None	None	None
Directorship held in other Listed Companies in India	Nil	I. Centrum Capital limited II. New Opportunity Consultancy Private Limited III. Spandana Sphoorty Financial Limited	Nil
Membership / Chairmanship of Committees in other Companies in India	Nil	Membership I. Manipal Technologies Limited - Audit Committee - CSR Committee - Nomination and Remuneration Committee II. Spandana Sphoorty Financial Limited - Stakeholders Relationship Committee - CSR Committee - Risk Management Committee III. New Opportunity Consultancy Private Limited - Audit Committee - Nomination and Remuneration Committee	Nil
No. of Equity shares held in the Company (As on March 31, 2019)	32,28,359 Equity Shares of ₹10/- each	1,09,940 Equity Shares of ₹10/- each	6,08,673 Equity Shares of ₹10/- each
Key terms and conditions of re-appointment	The terms and conditions of appointment including remuneration are forming part of the resolution set out at Item No. 5 of this Notice.	Re-appointment as Non-Executive Nominee Director liable to retire by rotation	Re-appointment as Non-Executive Nominee Director liable to retire by rotation
Remuneration proposed to be paid		Sitting Fees for attending the meetings of the Board of Directors and profit related commission as approved by the Members from time to time.	Sitting Fees for attending the meetings of the Board of Directors and Committees / other meetings thereof and profit related commission as approved by the Members from time to time.
Date of first appointment on board, last drawn remuneration and number of board meetings attended	Mr. Sushil Kumar Agarwal has been associated with the Company as Director since its incorporation i.e. February 23, 2011. The remuneration paid to Mr. Sushil Kumar Agarwal in Financial Year 2018-19 was ₹2.20 crore which 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 and perquisites value towards the stock options exercised during the year. During the Financial Year 2018-19, 10 (Ten) Board Meetings were convened and held and all the 10 (Ten) meetings were attended by Mr. Sushil Kumar Agarwal.	Mr. Kamath has been associated with the Company as Non-Executive Nominee Director from July 14, 2016. During the Previous financial year Mr. Kamath was paid sitting fees amounting to ₹3.5 lakh and profit linked commission amounting to ₹16 lakh. During the Financial Year 2018-19, 10 (Ten) Board Meetings were convened and held and the 7 (Seven) meetings were attended by Mr. Kamath.	Mr. Vig has been associated with the Company as Non-Executive Nominee Director from July 14, 2016. During the Previous financial year Mr. Vig was paid sitting fees amounting to ₹2 lakh. During the Financial Year 2018-19, 10 (Ten) Board Meetings were convened and held and 4 (Four) meetings were attended by Mr. Vig.

Aavas
FINANCIERS LTD

SAPNE AAPKE, SAATH HAMAARA

SAPNE AAPKE, SAATH HAMAARA

AAVAS FINANCIERS LIMITED

CIN: L65922RJ2011PLC034297
Registered and Corporate Office: 201-202, 2nd Floor, South End Square,
Mansarovar Industrial Area, Jaipur 302 020, Rajasthan, India
Tel: +91 14 1661 8800 Fax: +91 14 1661 8861
E-mail: investorrelations@aavas.in|Website: www.aavas.in

FORM NO. MGT-11

PROXY FORM

[Pursuant to Section 105(6) of the Companies Act, 2013 and Rule 19(3) of the Companies (Management and Administration) Rules, 2014]

Name of the member(s): ____________________

Registered Address: ____________________

E-mail ID: ____________________ Folio No. / DP ID & Client ID: ____________________

I/We, being the Member(s) holding ____________ no. of shares of the above named Company, hereby appoint

1. Name: ____________________ Address: ____________________

   E-mail ID: ____________________ Signature ____________________ or failing him/her

2. Name: ____________________ Address: ____________________

   E-mail ID: ____________________ Signature ____________________ or failing him/her

3. Name: ____________________ Address: ____________________

   E-mail ID: ____________________ Signature ____________________ as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 9th Annual General Meeting of the Company, to be held on Thursday, August 01, 2019 at 3:30 P.M. at Clarks Brij Convention Centre (CBCC), Hotel Clarks Amer, Jawahar Lal Nehru Marg, Near Jaipur Airport, Jaipur-302018 (Rajasthan) and at any adjournment thereof in respect of such resolutions as are indicated below:

Resolution No.	Resolution	For	Against
1.	To consider and adopt:		
	a. The audited financial statements of the Company for the financial year ended March 31, 2019 together with the reports of the Board of Directors and Auditors thereon; and		
	b. The audited consolidated financial statements for the financial year ended March 31, 2019 together with the report of the Auditors thereon.		
2.	To appoint a Director in place of Mr. Ramachandra Kasargod Kamath (DIN: 01715073), who retires by rotation and being eligible, offers himself for re-appointment as Director.		
3.	To appoint a Director in place of Mr. Vivek Vig (DIN: 01117418), who retires by rotation and being eligible, offers himself for re-appointment as Director.		
4.	To approve Alteration in Articles of Association of the Company.		
5.	To approve change in designation of Mr. Sushil Kumar Agarwal from 'Whole Time Director and Chief Executive Officer' to 'Managing Director and Chief Executive Officer' of the Company.		
6.	To approve increase in the borrowing powers in excess of Paid-up Share Capital , Free Reserve and Securities Premium of the Company under section 180(1)(c) of the Companies Act, 2013.		
7.	To approve creation of charges on assets of the Company under section 180(1)(a) of the Companies Act, 2013 to secure borrowings made/to be made under section 180(1)(c) of the Companies Act, 2013.		
8.	To approve issuance of Non-Convertible Debentures, in one or more tranches / issuances on Private Placement Basis.		
9.	To approve fixing of Commission payable to Non-Executive Directors of the Company.		
10.	To approve "Equity Stock Option Plan For Employees 2019" ("ESOP-2019") of Aavas Financiers Limited.		

Signed this ___________________________ day of____________2019

Signature of Shareholder____

Signature of Proxyholder(s)____

Affix Revenue Stamp

Notes:

1. 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.
2. Those Members who have multiple folios with different joint holders may use copies of this Attendance Slip/Proxy Form.

AAVAS FINANCIERS LIMITED

CIN: L65922RJ2011PLC034297
Registered and Corporate Office: 201-202, 2nd Floor, South End Square,
Mansarovar Industrial Area, Jaipur 302 020, Rajasthan, India
Tel: +91 14 1661 8800 Fax: +91 14 1661 8861
E-mail: investorrelations@aavas.in|Website: www.aavas.in

ATTENDANCE SLIP

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

I hereby record my presence at the **9TH ANNUAL GENERAL MEETING** of the Company held on Thursday, August 01, 2019 at 3:30 P.M. at Clarks Brij Convention Centre (CBCC), Hotel Clarks Amer, Jawahar Lal Nehru Marg, Near Jaipur Airport, Jaipur-302018 (Rajasthan).

Folio No. / DP ID & Client ID: ....

Name of the Member: ....

No. of Shares held: ....

Name of Proxyholder: ....

....

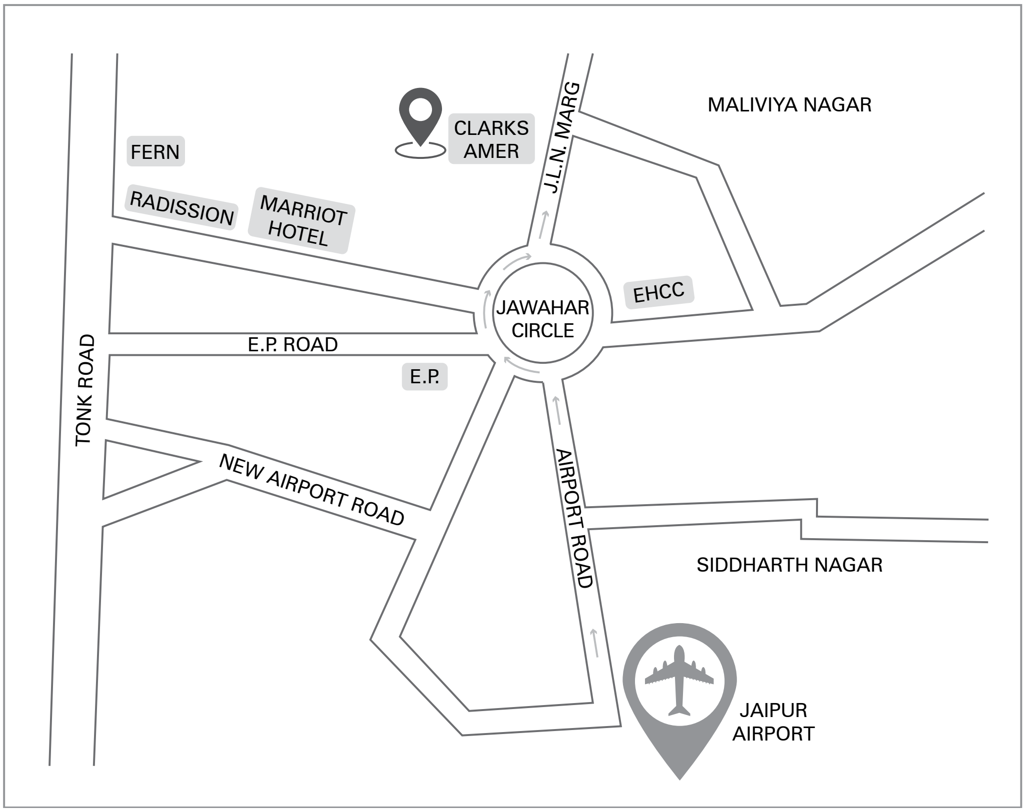
Signature of Member/Proxy holder /Joint Member(s)

Notes:

1. Only Member/Proxyholder can attend the Meeting.
2. Member/Proxyholder should bring his/her copy of the Annual Report for reference at the Meeting.

Annexure-II

ROUTE MAP TO AGM VENUE



9TH ANNUAL GENERAL MEETING

Date & Time: Thursday, August 01, 2019 at 3:30 P.M.

Venue: Clarks Brij Convention Centre (CBCC),
Hotel Clarks Amer, Jawahar Lal Nehru Marg,
Near Jaipur Airport, Jaipur-302018 (Rajasthan)

Forward-looking statement

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

A TRISYS PRODUCT
info@trisyscom.com

AAVAS FINANCIERS LIMITED
CIN No. L65922RJ2011PLC034297

Regd. & Corp. Office:
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