



AAVAS FINANCIERS LIMITED

(Formerly known as “Au HOUSING FINANCE LIMITED”)

CIN: L65922RJ2011PLC034297

Registered and Corporate Office: 201-202, 2nd Floor, South End Square,

Mansarovar Industrial Area, Jaipur 302 020, Rajasthan, India

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POSTAL BALLOT NOTICE

(Notice pursuant to Section 110 of the Companies Act, 2013 read with rule 22 of the Companies (Management and Administration) Rules, 2014)

Dear Member(s),

Notice is hereby given pursuant to the provisions of Section 110 and other applicable provisions of the Companies Act, 2013 (“the Act”) read together with Rule 20 and 22 the Companies (Management and Administration) Rules, 2014 (“the Rules”) (including any statutory modification(s) or re-enactment(s) thereof for the time being in force), that the resolutions appended below are proposed to be passed by the members of Aavas Financiers Limited (the “Company”) through postal ballot / electronic voting (“e-voting”).

The explanatory statement pertaining to the resolutions setting out the material facts concerning each item and the reasons thereof is annexed hereto along with a Postal Ballot Form for your consideration.

Members have the option to vote either by means of physical Postal Ballot or through e-voting. Members desiring to exercise their vote by means of physical Postal Ballot are requested to carefully read the instructions printed in this Postal Ballot Notice and Postal Ballot Form and return the Postal Ballot Form duly completed in all respects in the enclosed self-addressed postage pre-paid Business Reply Envelope so as to reach the Scrutinizer not later than 17:00 Hours IST on Sunday, December 30, 2018. Postal Ballot Forms received after said date will be treated as ‘invalid’. Pursuant to Regulation 44 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“LODR”) and Section 108 of the Act read with Rule 20 of the Rules, the Company is also providing e-voting facility for voting electronically on the resolutions proposed in this Postal Ballot Notice.

The Company has engaged the services of Link Intime India Private Limited (“LI IPL”), Registrar and Share Transfer Agent of the Company for providing e-voting facility to the Members of the Company. The e-voting facility is available at the link <https://instavote.linkintime.co.in/>. Members desiring to opt for the e-voting facility are requested to read carefully the related notes to this Postal Ballot Notice and instructions given thereunder.

The Board of Directors of the Company (“the Board”) has appointed Mr. Manoj Maheshwari (Membership No. FCS 3355) Practicing Company Secretary and Partner of V. M. & ASSOCIATES , as the Scrutinizer (“Scrutinizer”) for conducting the postal ballot / e-voting process in accordance with applicable law, in a fair and transparent manner.

The Scrutinizer will submit his report to the Chairman or to any other person of the Company authorized by Chairman after the completion of the scrutiny of the postal ballots (including e-voting). The result of the postal ballot shall be declared on or before Tuesday, January 01, 2019 and communicated to the BSE Limited, National Stock Exchange of India Limited (“Stock Exchanges”) and registrar and share transfer agent and shall also be displayed on the Company’s website at www.aavas.in and on the website of LI IPL i.e. at <https://instavote.linkintime.co.in/>

The resolutions, if approved, will be taken as passed effectively on the last date of receipt of the postal ballot forms and e-voting, i.e. Sunday, December 30, 2018 (“deemed date of passing of the resolutions”)

SPECIAL BUSINESSES:

ITEM NO. 1 – RE-APPOINTMENT OF MR. SUSHIL KUMAR AGARWAL AS WHOLE-TIME 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 in accordance with 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 for the re-appointment of **Mr. Sushil Kumar Agarwal (DIN: 03154532)** as Whole Time Director and Chief Executive Officer (“WTD” and “CEO”) of the company for the period of five years from the expiry of his present term of office, that is, with effect from January 10, 2019 to January 09, 2024 on the following broad terms and conditions including remuneration:

1. Fixed Remuneration:

- (a) Mr. Sushil Kumar Agarwal, from January 10, 2019, shall be entitled to a fixed remuneration upto a maximum of Rs. 2,40,00,000/- (Rupees Two crores and forty lakhs 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, 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 by the NR Committee of the Company 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.

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, subject to the limits prescribed for yearly remuneration payable to managerial personnel under Section 197 read with Schedule V to the Act (including any statutory modification or re-enactment thereof) and/or under any other applicable law(s).

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."

ITEM NO. 2 - RATIFICATION OF PROVISIONS OF ARTICLES OF ASSOCIATION OF THE COMPANY;

To consider and, if thought fit to pass the following Resolution as a **Special Resolution**:

"RESOLVED THAT in accordance with applicable laws including the Companies Act, 2013, as amended, (the "Companies Act"), Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, 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), pursuant to the final observation letter issued by the Securities and Exchange Board of India dated September 07, 2018 in connection with the Initial Public Offer of the Company and subject to such other approvals as may be necessary, consent of members of the company be and is hereby accorded for ratification of Clauses 16.11, 16.12, 16.13, 16.14, 16.15, 16.16, 16.17, 16.18, 16.19 and 16.20 of the part 1 of Articles of Association of Company which are reproduced hereunder:

- 16.11 **Composition of the Board:** The Shareholders shall take all actions, including exercising their votes in relation to the Equity Securities held by them, as may be required to cause any Director nominated by the Lake District and ESCL ("**Promoters**") in accordance with this Article 16 to be duly elected, appointed, removed or replaced, as the case may be, such that the composition of the Board is in accordance with this Article 16.11.

- (a) The Board shall comprise up to 9 (Nine) Directors.
 - (b) On and from the date hereof and until either Lake District or ESCL retains 10% or more of the Share Capital, then such Shareholder shall be entitled to appoint only 1 (One) nominee as a Director to the Board (the “**Shareholder Nominee Director**”, and along with Lake District Nominee Directors and ESCL Nominee Directors, the “**Nominee Directors**”).
 - (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**”).
- 16.12 **Alternate Directors:** Each Shareholder and Director shall be entitled to nominate an alternate Director to act in accordance with the Act. Each Shareholder and Director shall also have a right to withdraw the nominated alternate Director, and nominate another in his or her place. The alternate Director shall (except as regards the power to appoint an alternate Director pursuant to this Article 16.13) be subject in all respects to the terms and conditions existing with reference to the other Directors of the Company and each alternate Director, whilst acting as such, shall exercise and discharge all the functions, powers and duties of the Director he or she represents. Every person acting as alternate Director shall have one vote for each Director for whom he or she acts as alternate (in addition to his or her own vote if he or she is also a Director). Any person appointed as an alternate Director shall vacate his or her office as such alternate Director if and when: (i) the Board removes him or her in accordance with this Article 16.13; or (ii) the Director for whom he or she was an alternate vacates office as Director. A Director shall not be liable for the acts or defaults of any alternate Director appointed by him.
- 16.13 **Chairman of the Board:** The Chairman of the Board shall be appointed by the Board from amongst the Independent Directors.
- 16.14 **Removal / Replacement of Directors:**
- (a) Each Shareholder shall be entitled to seek removal of its Nominee Director by a written notice to such Director and the Company, following which the Company undertakes to do such things as required under Applicable Laws to facilitate such removal.
 - (b) In the event of any vacancy occurring with respect to the position of a Nominee Director, by reason of death, disqualification, resignation, removal or inability to act, the Shareholder who had nominated such Director shall be entitled, subject to Article 16.11, to nominate another person to fill the vacancy.
- 16.15 **Retirement of Directors:** Subject to Applicable Laws, 1 (One) Lake District Nominee Director and 1 (One) ESCL Nominee Directors shall not be required to retire by rotation. In the event that the other Nominee Directors retire by rotation in accordance with the provisions of the Act, subject to Article 16.11, the Shareholders shall ensure and perform all acts including the exercise of the voting rights as may be necessary to ensure that such Nominee Directors are reappointed to the Board.
- 16.16 **Board Meetings:**
- (a) All meetings of the Board shall be convened and conducted in accordance with the provisions of the Act and the Charter Documents (“**Board Meetings**”).
 - (b) Frequency and Location: The Board will meet such that a period of not more than 120 (One Hundred and Twenty) days shall intervene between 2 (Two) consecutive Board Meetings, at such place and in such manner as majority of the Board may from time to time reasonably determine as convenient for the Directors.

(c) **Notice:** A Board Meeting may be called by the Chairman of the Board or any 1 (one) other Director giving notice in writing to the company secretary, or any other Person nominated in this regard by the Board, specifying the date, time and agenda for such meeting. The company secretary (or such nominated person) shall upon receipt of such notice give a copy of such notice to all Directors of such meeting, accompanied by a written agenda specifying the business of such meeting and copies of papers relevant for such meeting. The Company shall ensure that sufficient information is included with such notice to the Directors to enable each Director to make a decision on the issue in question at such meeting. Not less than a minimum 7 (seven) days' prior written notice shall be given to each Director, of any Board Meeting, accompanied by the agenda for the Board Meeting; provided that subject to Applicable Laws, a Board Meeting may be convened at a shorter notice in the event more than 75% of the Directors provide consent in relation to the same and at least one independent director of the Company shall be present at such Board Meeting.

(d) **Voting:** Each Director is entitled to cast 1 (One) vote at any Board Meeting.

16.17 **Resolutions in Writing/Circulation:** Subject to Applicable Laws, a resolution in writing of the Board shall be as valid and effectual as if it had been a resolution passed at a meeting of the Board duly convened and held if the resolution is signed in support thereof by all of the Directors for the time being. Any such resolution bearing the signature of any Director dispatched by facsimile transmission or electronic mail shall constitute a document for this purpose.

16.18 **Video Participation:** Subject to the other terms of these Articles, the Directors may participate and vote in Board Meetings by video conferencing or other audio visual means or any other means of contemporaneous communication, in the manner permitted under Applicable Laws and by the Ministry of Corporate Affairs, from time to time.

16.19 **Directors' Access:** Any Director shall be entitled to examine the books, accounts and records of the Company and shall have, during normal business hours of the Company and with prior reasonable written notice, the right to reasonably inspect the properties and facilities of the Company. The Company shall provide such information relating to its business affairs and financial position may be decided by the Board and as any Director may reasonably require. Subject to Applicable Laws, any Director may provide such information to the Shareholder who has nominated such Director. The relevant Director and Shareholders would be bound by the confidentiality obligations under the Shareholders' Agreement in relation to such information received.

16.20 **Committees of the Board:** Subject to Applicable Laws, each of the Lake District Nominee Directors and the ESCL Nominee Directors shall have the right (but not an obligation) to be appointed as a member of any committee or sub-committee of the Board, *pro rata* to the board representation of each Promoter, subject to a minimum of at least 1 (one) member on the committee. The Shareholders of the Company shall take such actions as may be necessary to enable the relevant Lake District Nominee Directors and the relevant ESCL Nominee Directors to exercise such right.

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."

ITEM NO. 3 - RATIFICATION OF EMPLOYEE STOCK OPTION PLANS OF THE COMPANY ("ESOP-2016");

To consider and, if thought fit to pass the following Resolution as a **Special Resolution:**

"RESOLVED THAT pursuant to the Regulation 12 of the 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 and applicable provisions of the Companies Act, 2013 read with the rules made thereunder (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, “**The ESOP-2016**” of Aavas Financiers Limited, comprising three employee stock options plans, namely: (i) Equity Stock Option Plan for Employees 2016 (“ESOP 2016-I”); (ii) Equity Stock Option Plan for Management Team 2016 (“ESOP 2016-II”); and (iii) Equity Stock Option Plan for Directors 2016 (“ESOP 2016-III”), which was approved and adopted by the Members at the Extraordinary General Meeting of the Company held on February 23, 2017, as amended, be and is hereby ratified.

RESOLVED FURTHER THAT for giving effect to the above resolution, the Board of Directors of the Company including the Nomination and Remuneration Committee or any other committee of Directors duly authorised by the Board, be and is hereby authorized to do all such acts, deeds, matters and things as may be considered necessary or expedient in this regard.”

**By Order of the Board of Directors
For Aavas Financiers Limited**

**Sd/-
Sharad Pathak
Company Secretary and Compliance Officer
(FCS-9587)**

Mumbai, October 26, 2018

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. The explanatory statement pursuant to Section 102 of the Companies Act, 2013 read with Rule 22 of the Companies (Management and Administration) Rules, 2014 in respect to the special business is annexed herewith and forms part of this notice. Notice shall also be available on the website of the Company at www.aavas.in and on the website of LinkIntime India Private Limited (“LIPL”) at <https://instavote.linkintime.co.in>.
2. All documents referred to in this Postal Ballot Notice and Explanatory Statement setting out material facts are available for inspection at the Registered Office of the Company between 11.00 Hours IST to 13.00 Hours IST on any working day (excluding Saturdays, Sundays and holidays) upto the date of the last day of voting through physical Postal Ballot and e-voting i.e. Sunday, December 30, 2018.
3. Pursuant to provisions of the Companies (Management and Administration) Rules, 2014, the Notice is being sent through prescribed mode to all the members of the Company whose name appears in the Register of Members/list of Beneficial Owners as received from National Securities Depository Limited (“NSDL”)/Central Depository Services (India) Ltd (“CDSL”) as on Monday, November 26, 2018 (“cut-off date”). Members who have registered their e-mail IDs with depositories or with the Company are being sent notice of Postal Ballot through e-mail and members who have not registered their e-mail IDs will receive Notice of Postal Ballot, Business Reply Envelope and postal ballot form through courier/speed post.
4. Members who have received Postal Ballot Notice by e-mail and who wish to vote through physical Ballot Form may download the Postal Ballot Form from the weblink in the e-mail or from the ‘Disclosures’ section on the Company’s website – <https://www.aavas.in/investor-relations/disclosure>.

5. Kindly note that the members can opt for only one mode of voting i.e. either by way of Postal Ballot or e-voting. In case members cast their vote through both modes, then voting through remote e-voting shall prevail and voting done through postal ballot form shall be treated as invalid.
6. Each Member's voting rights shall be reckoned in proportion to his/her share of the paid up equity share capital of the Company as on cut-off date, which will only be considered to avail the facility of e-voting / Postal Ballot.
7. Once the vote on a resolution is cast by the member, he shall not be allowed to change it subsequently or cast the vote again.
8. The period for voting through physical Postal Ballot and e-voting starts from Saturday, December 01, 2018 at 09:00 Hours IST and ends on Sunday, December 30, 2018 at 17:00 Hours IST and any Postal Ballots received thereafter shall not be considered and e-voting shall be disabled by LIPL for voting thereafter.
9. A shareholder need not use all the votes or cast all the votes in the same way.
10. Resolution passed by the members through physical Postal Ballot/e-voting is deemed to have been passed as if the same have been passed at a General Meeting of the company.
11. The last date for the receipt of duly completed Postal Ballot Forms or e-voting shall be the date on which the resolution would be deemed to have been passed, if approved by the requisite majority
12. Any query in relation to the resolutions proposed to be passed by Postal Ballot may be addressed to the Company, via email to investorrelations@aavas.in.

Instructions for casting vote electronically on the e-voting platform of Link Intime India Private Limited (LIPL) – InstaVote:

Unit: Aavas Financiers Limited

Event Number: 180174

- **Log-in to e-Voting website of Link Intime India Private Limited ("LIPL")-**
 1. Visit the e-voting system of LIPL. 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 LIPL: <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). <ul style="list-style-type: none"> • 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	Enter the Bank A/C No.as recorded in your demat account or in the company records

Bank A/C No.	for the said demat account -. <ul style="list-style-type: none"> Please enter the DOB/ DOI or Dividend Bank A/C No. in order to register. -.
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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 LIPL.

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 LIPL: <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

ITEM NO. 1

The Members of the Company had vide ordinary resolution passed at the Extra Ordinary General Meeting (‘EGM’) held on March 07, 2016 re-appointed Mr. Sushil Kumar Agarwal as the Whole Time Director and Chief Executive Officer for a period of three years with effect from January 10, 2016 and the said term of appointment of Mr. Sushil Kumar Agarwal is completing on January 09, 2019.

The Board of Directors of the Company (“the Board”) at its Meeting held on October 26, 2018, has on the recommendation of Nomination and Remuneration Committee and subject to approval of members, re-appointed Mr. Sushil Kumar Agarwal as a Whole Time Director and Chief Executive Officer (“WTD” and “CEO”) of the company for a further period of five years from the expiry of his present term with effect from January 10, 2019 to January 09, 2024, on the terms and conditions including remuneration as recommended by the Nomination and Remuneration Committee and set out at Item No. 1 of the accompanying Postal Ballot Notice.

It is proposed to seek the members’ approval in terms of the applicable provisions of the Companies Act, 2013 (“the Act”) for the re-appointment of and remuneration payable to Mr. Sushil Kumar Agarwal as Whole Time Director and Chief Executive Officer of the Company.

Mr. Sushil Kumar Agarwal, age 42 years, 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 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 and has been responsible for the consistently stellar performance of the Company. He has strong business acumen, strategic intelligence and execution abilities and has been associated with the financial services industry for the past 17 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.

The proposed agreement between the Company and Mr. Sushil Kumar Agarwal is available for inspection at the Registered Office of the Company between 11.00 Hours IST to 13.00 Hours IST on any working day (excluding Saturdays, Sundays and holidays) upto the date of the last day of voting through physical Postal Ballot and e-voting.

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 for his re-appointment. 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.

Mr. Sushil Kumar Agarwal is deemed to be interested in the resolution as it pertains to his re-appointment and remuneration payable to him. None of the Directors or Key Managerial Personnel (KMP) or their relatives except Mr. Sushil Kumar Agarwal are concerned or interested, financial or otherwise, in the resolution set out at Item No. 1 of the accompanying Postal Ballot Notice.

The Board accordingly recommends the Ordinary Resolution as set out at Item No. 1 of the accompanying Postal Ballot Notice for the approval of the Members.

Details of Director seeking re-appointment vide this postal ballot 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
Date of Birth	November 17, 1976
DIN	03154532
Age	42 years
Qualification	Chartered Accountant and Company Secretary
Nature of expertise in specific functional areas	He has more than 17 years of experience in the field of Retail Financial Services.
Relationships with other directors and Key Managerial Personnel	None
Directorship and committee membership of other listed companies as of the date	Nil
No. of equity shares held in the Company	32,28,359 equity shares of Rs. 10/- each
Key terms and conditions of re-appointment	The terms and conditions of re-appointment including remuneration are forming part of the resolution set out at Item No. 1 of this Notice.
Remuneration proposed to be paid	
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 2017-18 was Rs. 2.03 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. During the Financial Year 2017-18, 6 (Six) Board Meetings were convened and held and all the 6 (Six) meetings were attended by Mr. Sushil Kumar Agarwal.

ITEM NO. 2

Members of the Company through passing of special resolution at the Extraordinary General Meeting of the Company held on June 11, 2018 have adopted new set of Articles of Association of the Company ("Articles").

Provisions contained in Clauses commencing from 16.11 to 16.20 of the part 1 of the Articles gives certain special rights to promoters of the Company i.e. Lake District Holdings Limited ("Lake District") and Partners Group ESCL Limited ("ESCL"). Salient provisions of aforesaid special rights are as under:

- (i) as long as either of Lake District or ESCL hold 10% or more of the share capital of the Company, such shareholder will have the right to appoint one nominee as a director to the Board; and
- (ii) notwithstanding anything contained in (i) above, until Lake District and ESCL continue to remain 'promoters' of the Company, (a) Lake District will have the right to appoint three nominees as directors on the Board; (b) ESCL will have the right to appoint two nominees as directors on our Board; (c) the chief executive officer of the Company will be appointed and will hold office as a whole-time director of the Company. Further three independent directors will be appointed on Board of the Company in accordance with applicable law.
- (iii) Subject to Applicable Laws, each of the Lake District Nominee Directors and the ESCL Nominee Directors shall have the right (but not an obligation) to be appointed as a member of any committee

or sub-committee of the Board, pro rata to the board representation of each Promoter, subject to a minimum of at least 1 (one) member on the committee.

This is to further inform that SEBI while granting approval for the initial public offer (IPO) of the company suggested that special rights available to certain shareholders coming through the Articles should be exercised post obtaining the approval of shareholders through special resolution, after completion of IPO. Therefore, the Company is seeking approval from the shareholders by a special resolution, so that the above referred provisions of Articles become operational.

Clauses commencing from 16.11 to 16.20 of the part 1 of Articles are reproduced in the resolution set out at Item No. 2 of the accompanying Postal Ballot Notice.

Mr. Nishant Sharma, Mr. Kartikeya Dhruv Kaji and Mr. Ramachandra Kasargod Kamath are representing Lake District and Kedaara Capital Alternative Investment Fund – Kedaara Capital AIF 1 and Mr. Manas Tandon and Mr. Vivek Vig are representing ESCL and Partners Group Private Equity Master Fund LLC to Board of Company in capacity of Non- Executive Nominee Director.

None of the Directors or Key Managerial Personnel (KMP) or their relatives except the directors as mentioned above are concerned or interested, financially or otherwise, in the resolution set out at Item No. 2 of this Notice.

The Board accordingly recommends the Special Resolution as set out at Item No. 2 of the accompanying Postal Ballot Notice for the approval of the Members.

ITEM NO. 3

Members of the Company by passing the special resolution in their meeting held on February 23, 2017 approved the 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”)**

The principle object of ESOP-2016 is to promote the culture of employee ownership and to attract, retain, motivate senior management as well as critical talent of the Company.

Pursuant to a special resolution passed by the Members of the Company on February 22, 2018, ESOP-2016 was amended to make it in compliance with Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 (“**SEBI ESOP Regulations**”). Further, pursuant to a resolution passed by 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.

Members are requested to note that post successful completion of the initial public offering of its equity shares (“IPO”) of the Company, the equity shares of the Company got listed on the BSE Limited and the National Stock Exchange of India Limited on October 08, 2018.

Members are requested to note that in terms of Regulation 12(1) of the SEBI ESOP Regulations read with SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, a company cannot make any fresh grant of options to its employees under any schemes formulated prior to IPO unless such pre-IPO schemes are in conformity with the SEBI ESOP Regulations and such pre-IPO schemes are ratified by its shareholders subsequent to the IPO.

Therefore in compliance with the Regulation 12(1) of the SEBI ESOP Regulations read with SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and other instructions or directions issued by the

Securities and Exchange Board of India in this reference, it is proposed to seek the approval of members to ratify and confirm the ESOP–2016.

Particulars as required under SEBI ESOP Regulations are given below:

a) Identification of Classes of employees entitled to participate in the ESOP–2016

Present and future, permanent employees and directors (whether whole time director or not but excluding independent directors) of the Company as may be determined by the Board or Nomination and Remuneration Committee from time to time, shall be eligible to participate in the ESOP–2016. However, the eligible employees and directors shall be amongst from the following persons:

1. Permanent employees of the Company working in India or outside India;
2. A director of the Company, whether a 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.

Further, the following persons are not eligible to be categorized as eligible employees under the ESOP–2016:

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.

b) Total number of Options to be granted

1. A total of 58,12,595 (Fifty Eight Lakhs Twelve Thousand Five Hundred Ninety Five) options would be available for grant to the eligible employees of the company excluding Independent Directors.
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 2016.
4. The total number of options approved for each of the abovementioned ESOP–2016 are as follows:

S. No.	ESOP-2016	No. of options approved
1	ESOP 2016-I	16,47,901*
2	ESOP 2016-II	34,45,610
3	ESOP 2016-III	7,19,084
	Total Options	58,12,595

* The Members of the Company by passing special resolution at Extra Ordinary General Meeting held on February 22, 2018 have approved to reduce the Share Pool from 16,47,901 to 12,87,901. The reduction in the Share Pool by 3,60,000 shares is against the un-granted options as on February 22, 2018.

c) Implementation of ESOP - 2016

ESOP–2016 shall be implemented directly by the Company through the Nomination and Remuneration Committee of the Company.

d) Administration

All Acts, Deeds, things and matters in connection to ESOP–2016 shall be administered by the Nomination and Remuneration Committee of the Company.

e) 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 be decided by the Nomination and Remuneration Committee from time to time based

upon the performance & loyalty of the employee, but 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 respective ESOP–2016.

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.

f) Maximum Period within which the options shall be vested:

Under the “ESOP–2016”, the vesting will occur in not more than 5 years from the date of grant of option.

g) Lock-in Period:-

The shares issued pursuant to ESOP–2016 shall be under lock-in restrictions if required under any of the applicable laws or if mentioned in the respective plans of ESOP–2016.

h) 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 respective ESOP–2016.

i) Exercise Price or pricing formula:-

S. No.	ESOP-2016	Exercise Price
1	ESOP 2016-I	The employees may exercise the options that have vested at any time during the exercise period by paying the exercise price per share as per valuation report issued by SEBI registered category – I Merchant Banker based on Black- Scholes Option Pricing Formula. The initial grants under the plan were made at Price of INR 215.25 per share and the subsequent grants were made at Price of INR 328 per share.
2	ESOP 2016-II	The employees may exercise the options that have vested at any time during the exercise period by paying the exercise price per share as per valuation report issued by SEBI registered category – I Merchant Banker based on Black- Scholes Option Pricing Formula. The grants under the plan were made at Price of INR 215.25 per share.
3	ESOP 2016-III	The employees may exercise the options that have vested at any time during the exercise period by paying the exercise price per share as per valuation report issued by SEBI registered category – I Merchant Banker based on Black- Scholes Option Pricing Formula. The grants under the plan were made at Price of INR 215.25 per share.

j) 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.

k) 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.

l) 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.

m) 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 case to case basis and shall not exceed the limit prescribed under the applicable laws.

n) 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.

o) 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 – 2016.

A copy of ESOP – 2016 is available for inspection at the Registered Office of the Company between 11.00 Hours IST to 13.00 Hours IST on any working day (excluding Saturdays, Sundays and holidays) upto the date of the last day of voting through physical Postal Ballot and e-voting.

None of the Directors, Key Managerial Personnel, Promoters and their relatives are concerned or interested, financially or otherwise, in this resolution, except to the extent of the stock options that may be granted or vested or exercised by them under the Plan.

The Board accordingly recommends the Special Resolution as set out at Item No. 3 of the accompanying Postal Ballot Notice for the approval of the Members.

**By Order of the Board of Directors
For Aavas Financiers Limited**

**Sd/-
Sharad Pathak
Company Secretary and Compliance Officer
(FCS-9587)**

Mumbai, October 26, 2018

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