Fullerton Grihashakti
Iraada hai toh Raasta hai

BUYING A
COMMERCIAL PROPERTY

BUYING A NEW OR
RESALE HOME

LOAN AGAINST
PROPERTY

HOME
IMPROVEMENT

CREATING VALUE.
FULFILLING DREAMS.

Annual Report **2018-19**

Fullerton Grihashakti

Iraada hai toh Raasta hai

BUYING A COMMERCIAL PROPERTY

BUYING A NEW OR RESALE HOME

LOAN AGAINST PROPERTY

HOME IMPROVEMENT

GRIHASHAKTI
Fullerton India Home Finance Co. Ltd.

Annual Report **2018-19**

To view
Annual Report 2018-19 Online, visit:
https://www.grihashakti.com/

CREATING VALUE. FULFILLING DREAMS.

This fiscal year has brought about a new round of value creation for all stakeholders at Grihashakti. By building on our foundations in technology; customer service; tailor made products; and our growing network, we have delivered on growth targets set out for FY2019, continuing our legacy of crossing new milestones year after year.

Our newly operational dedicated call centre has taken customer care to the next level. Adding to our team size has helped us meet the growing demands of India's housing finance sector, and strengthened our distribution capacity. And we have further expanded our presence in North India with the rollout of independent branches, strengthening our brand.

Serving our customers with passion and commitment has always been the hallmark of all our offerings. With this approach, we aim to build long and meaningful relationships while continuing on our journey of growth. By enhancing how we serve each and every customer, we are creating value, and fulfilling their dream of owning a home.

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A. Board of Directors:

1. **Anindo Mukherjee,**
   Chairman
2. **Rakesh Makkar,**
   Chief Executive Officer & Whole-time Director
3. **Ms. Rajashree Nambiar,**
   Non - Executive Director
4. **Dr. Milan Shuster,**
   Independent Director
5. **Renu Challu,**
   Independent Director

B. Chief Financial Officer:

Mr. Pankaj Malik

C. Company Secretary:

Ms. Seema Sarda

D. Statutory Auditor:

B S R & Co. LLP

E. Bankers

Axis Bank Limited
Bank of Baroda
BNP Paribas
Canara Bank
DCB Bank Limited
HDFC Bank Limited
International Finance Corporation
Kotak Mahindra Bank
Standard Chartered Bank
State Bank of India
State Bank of Mauritius Ltd
Syndicate Bank
The Federal Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Union Bank of India

F. Rating Agency

CARE

G. Registered Office:

Megh Towers, Third Floor, New No. 165, Old No.307, Poonamallee High Road, Maduravoyal, Chennai- 600095

H. Corporate Office:

Floor 5 & 6, B Wing, Supreme Business Park, Supreme City, Behind lake Castle, Powai, Mumbai - 400 076

At a Glance

Grihashakti, Fullerton India Home Finance Co. Ltd is a wholly owned subsidiary of Fullerton India Credit Company Limited and offers loans to salaried and self-employed individuals and organisations. Launched in December 2015 and head-quartered in Mumbai, the company with its 82 branches caters to the housing finance needs of customers across India.

Building a home of your own is a common aspiration, and we at Grihashakti help you realise this dream. Be it the purchase of a new home or a residential plot, Grihashakti is your perfect companion to help you build your dream home.

Apart from the purchase of a new home, we also provide loans for home improvement, home construction and home extension. Our other services include - loan against property; and loans for new or resale commercial property, commercial plot and construction of a commercial property.

Our parent, Fullerton India Credit Company Limited (Fullerton India) is one of India's leading Non-Banking Finance Companies (NBFC) with a network of over 626 branches that serves over 2.8 million customers.

The company has successfully and strongly established itself across 22 states and 3 union territories, reaching out to 600 towns and over 58,000 villages in the country.

2015

YEAR OF LAUNCH

82

BRANCHES

16,500

CUSTOMER BASE

773

EMPLOYEES

Building a home of your own is a common aspiration, and we at Grihashakti help you realise this dream. Be it the purchase of a new home or a residential plot, Grihashakti is your perfect companion to help you build your dream home.

Letter from the Chief Executive Officer & Whole Time Director

> Our motto 'Irada Hai to Rasta Hai' has guided our journey as we take on the challenges of changing technology and market dynamics.

Dear Shareholders,

We are pleased to share our growth progress in FY2019. It has been an encouraging year for us at Fullerton Grihashakti, where we undertook a series of initiatives to improve our performance and offer value to our customers. During FY2019, the organisation has grown in terms of size, geographical presence, infrastructure and capabilities. Our Assets Under Management grew by 61% year-on-year (y-o-y) from ₹ 19,022 million to close to ₹ 30,645 million.

Through our mission of, "Iraada Hai to Rasta Hai", we worked towards achieving our objective of enabling our customers to own the home of their dreams. We embarked on a digital journey, to make the process of customer on-boarding, servicing and loan management, a seamless and transparent process, keeping in mind the expectations of our customers and the growing demands on their time. By capitalising on our technology enabled processes, we were able to improve efficiency and provide a superior customer experience. A combination of robust digital strategy and strong governing policies has helped us enhance our customer life cycle.

We also increased our market presence by expanding our footprints into new markets and wider customer segments, which in turn will bring in more opportunities for growth. To meet these requirements, we invested in our distribution network and built organisational capabilities, while offering the relevant products and services to these markets. With the necessary impetus from the policy makers, we expect growth to continue in the affordable segment and show progress in semi-urban and Tier 2 & Tier 3 markets. We are better prepared, and today, we have 82 independent and fully operational branches. Simultaneously, we are more focused on our people and have invested into hiring new talent along with providing necessary training, which has increased our productivity across all departments.

At Fullerton Grihashakti, we are leveraging Data and Analytics to help us drive innovation in the sector by building enterprise-wide analytics capability, that is now woven into the key business processes. This has helped us with effective decision making through information led predictions and pattern recognition technologies. It has facilitated us to identify and improve our portfolio performance; and manage risks and governance. We are just at the beginning of a wave of innovation based on data and powerful analytics, with much more to come.

Despite the liquidity crisis in the industry last year, we delivered in the challenging operating environment and dealt with the emerging risk factors. We also raised equity capital from our parent company, which was a positive tranche in our growth initiative. All this was reinforced with innovation, execution excellence, best-in-class corporate governance and conservative risk management framework (covering market, credit, liquidity & operational risk). This framework governs policies, procedures and systems to monitor, review and report key risks. Over the year, the measures we undertook have helped the organisation to manage risk and strengthen the credit policy to generate business to commensurate with the risk appetite.

During FY2019, even though the market was facing tough times, we were able to maintain healthy asset quality. This has helped us in differentiating ourselves with other Housing Finance Companies in the market.

Going forward, the organisation will build upon the newly enhanced capacities and grow its portfolio with a focus on differential customer experience. It includes propositions like technology enabled distribution platform, seamless customer acquisition and servicing channel, speedy loan disbursement and deeper engagement. As we work towards this, we would like to thank all those who have believed and invested in us. We stand driven by our values, initiatives and a wide set of products and services to serve our customers and stakeholders better. We are grateful to the regulators, our bankers and financial institutions for their continuous support. We will continue to work on our people and processes, use technology to enhance distribution and ensure higher customer engagement.

Sincerely,

Rakesh Makkar
Chief Executive Officer &
Whole Time Director

Board of Directors

Rakesh Makkar

Chief Executive Officer and Whole-time Director

Mr. Makkar comes with over two decades of expertise in establishing new and successful businesses; managing large and multi-pronged distribution networks; and developing unique and customer-centric products - all within a robust Risk Management framework. Prior to assuming the role of CEO at Grihashakti, he spearheaded Business, Marketing & CSR functions at Fullerton India. Before joining Fullerton India, Mr. Makkar held the position of President and Chief Distribution Officer at DHFL. It has been Mr. Makkar's forte to set up new finance companies and scale up business volumes. Prior to his stint with DHFL, he was the CEO at Future Money (Capital First) and was a part of the senior leadership team at Citigroup India. Not only is he a national rank holder at the Institute of Chartered Accountants of India but also a Certified International Credit and Risk trainer within Citigroup. He also holds a Masters from the Institute of Management Technology, Ghaziabad and Bachelors from Delhi University.

Anindo Mukherjee

Chairman, Non-Executive Director

Mr. Mukherjee is the Chairman of Grihashakti and Non-Executive Director at Fullerton India. He has more than 25 years of banking experience. He also heads the Integrated Risk Management function at Fullerton Financial Holdings Pte. Ltd. (FFH), Singapore. Prior to joining FFH, Mr. Mukherjee was responsible for the Risk Management, Legal and Compliance functions at Fullerton India. Before Fullerton India, he was with Standard Chartered Bank, where he was the Regional Credit Officer for the Consumer Business in India & South Asia. Mr. Mukherjee has had exposure across a variety of international and private banks, including Bank of America, ABN AMRO Bank and HDFC Bank.

Rajashree Nambiar

Non-Executive Director

Ms. Nambiar is the Non-Executive Director at Grihashakti. She is also the Chief Executive Officer and Managing Director at Fullerton India where she is responsible for the overall corporate strategy of the Company and its subsidiaries. Prior to joining Fullerton India, Ms. Nambiar served as the CEO and Executive Director of India Infoline Finance Ltd, the NBFC arm of IIFL group. At IIFL Finance, she successfully developed and executed on a long term business strategy focused on diversification of the retail segment into retail housing, commercial vehicles, Gold loans and SME loans; she has created a robust organisational structure with centers of excellence for core functions, and a strong future leadership pipeline. During her stint, IIFL Finance has shown strong year on year profitability with doubling of the book in a short span of 3 years. Prior to joining IIFL, Ms. Nambiar spent 22 years with Standard Chartered Bank within the retail segment where she held various management roles such as Head of Branch Banking, Country Head of Distribution and General Manager - Distribution & Alternate Channels, India & South Asia. Her last position at the Bank was as Head of Retail Products for India & South Asia. Ms. Nambiar is an MBA from Jamnalal Bajaj Institute of Management Studies.

Renu Challu

Independent Director

Ms. Challu, is a seasoned banker with decades of experience in Banking. She was associated with the State Bank of India (SBI) for more than 38 years, serving in different geographies around the country and in USA. She pioneered consumer financing and tech driven retail initiatives by SBI and held policy making positions in various verticals of the Bank. Some of the leadership positions held in the SBI Group include President & COO at SBI Capital Markets, MD and CEO at SBI DFHI, MD at State Bank of Hyderabad (SBH) and DMD Corporate Strategy & New Business Development at SBI. She serves as an Independent Director on the boards of many other companies. She is an MA in Economics (Gold Medalist) from University of Lucknow.

Dr. Milan Shuster

Independent Director

Dr. Shuster, is a professional with several decades of experience in the banking sector. He has served in various capacities at Asian Development Bank, ING Bank, National Bank of Canada and Nippon Credit Bank. After working as the President and CEO of P.T. Bank PDFCI, Indonesia, he held several stints at Bank Danamon Indonesia. He became its president and CEO and later its Independent Commissioner. He holds a PhD in international Law and Economics from Oxford University, Master of Law from London School of Economics, Bachelor of Law from University of Western Ontario and Bachelor of Business Administration from Ivey Business School

We believe in adopting and adhering to the best recognised corporate governance practices and continuously benchmark ourselves against each such practice.

Leadership Team

Rakesh Makkar

Chief Executive Officer & Whole-time Director

Mr. Makkar comes with over two decades of expertise in establishing new and successful businesses; managing large and multi-pronged distribution networks; and developing unique and customer-centric products - all within a robust Risk Management framework. Prior to assuming the role of CEO at Grihashakti, Rakesh spearheaded Business, Marketing & CSR functions at Fullerton India. Before joining Fullerton India, Rakesh held the position of President and Chief Distribution Officer at DHFL. It has been Mr. Makkar's forte to set up new finance companies and scale up business volumes. Prior to his stint with DHFL, he has been a part of senior leadership at various organisations including Capital First, Citi Financial Consumer Finance India Ltd and Bank of America. Not only is Mr. Makkar a national rank holder at the Institute of Chartered Accountants of India but also a Certified International trainer within Citigroup. He also holds a Masters from the Institute of Management Technology, Ghaziabad and Bachelors from Delhi University.

Pankaj Malik

Chief Financial Officer

Mr. Malik is the CFO and Chief Compliance Officer of Fullerton India Credit Company Limited. He also holds the position of Chief Financial Officer at Fullerton India Home Finance Company Limited. Prior to joining Fullerton in Sep 2007, Pankaj was associated with COLT Telecom, an affiliate of Fidelity international, as the Financial Controller-cum-Company Secretary. In his earlier stints, he had been associated with GE Commercial Financial and Motherson Sumi Systems Limited in various capacities. Mr. Malik is a Chartered Accountant, Company Secretary and Cost Accountant from India and Certified Public Accountant from the State of Colorado, the USA.

Parag Shah

Chief Risk Officer

Mr. Parag Shah is the Chief Risk Officer for Fullerton India Home Finance Company Ltd. He is responsible for leading a large team of credit underwriters, collections, technical managers and assessing and managing enterprise - wide risks covering various risks such as credit, market, operations etc., across all geographies. In his experience spanning over 23 years, Mr. Shah has held diverse roles in various facets of banking, including business strategy, risk and corporate finance. A Chartered Accountant, a lawyer and an MBA from JBIMS and various international courses including from the Harvard Business School, he specialises in assets across Corporate, SME, Retail and Rural banking. Prior to joining Fullerton India, Parag worked with ICICI Bank for over 17 years in diverse roles including corporate banking, strategy, rural banking, policy development & management of stressed assets and with IDFC Bank in leadership roles within wholesale banking and risk management.

Shyam Reddipalli

GM - Head Distribution and Products

Mr. Shyam Reddipalli is the Head of Distribution and Products at Fullerton India Home Finance Company Limited. He has over 23 years of experience spanning across banking and financial services, with a proven track record of driving market share, revenues and growing bottom line focused large businesses for Indian & Foreign Retail Banks. He has held many senior roles & large responsibilities as well as played a strategic role in managing and successfully deploying the Retail, SME and Credit bureau portfolios.

Prior to joining Fullerton India Home Finance Company Limited, Shyam has held senior leadership positions with CIBIL, Standard Chartered Bank, IDBI Bank & ING Vysya Bank. A recipient of multiple National & International Level achievement awards. He is an alumni of Osmania University with Law & Management Degrees.

Every member of our leadership team is well qualified, of proven competence, and possess the highest level of personal and professional ethics, integrity and values.

Simple and Seamless Digital Experience

The increased focus on digitisation and the Government's drive for expanding financial inclusion are setting the scene for another expansion in India's Housing Finance ecosystem. Aided and abetted by the exponential penetration of mobile smart phones and easier access to internet data, India is increasingly moving towards universal digital options, as seen in more advanced economies.

Customers of 'today' expect a fast, seamless and hassle free experience to loan services, at the time, place or channel of their choice. They look for a similar digital experience to those offered by other industries, such as retail and travel. To deliver this digital experience, we implemented several technological upgrades throughout our business workflows during the year. These measures now allow us to serve more customers with efficiency and convenience, while also strengthening our backend operations.

The traditional mortgage lending processes require a large amount of paperwork and manual interventions at every step, which translates into reduced efficiency and high cost of operations. Our continuous endeavour is to deliver a delightful customer experience. This approach has helped us to identify gaps and re-engineer our processes. We have undertaken initiatives to improvise customer experience at every stage of loan application. The process gaps are identified and fixed as necessary. Presently, around 90% of all customer interaction are resolved within TAT.

To enable faster response rate, digital touch-points are offered to the customer. Grihashakti has a wide network of 82 branches. This is complimented with self-help portal, customer service helpline for quicker resolution of customer queries. Currently, almost half of the document related customer requests are fulfilled through digital channels.

We also introduced a Sales Performance Enabler and Engagement Driver – SPEED. SPEED is a mobile application equipped with digital tools for obtaining verified customer data directly from the source, be it government records, bank account, or credit bureau. It has a scorecard based, business rule engine enabling automated risk grading mechanism. This instantly grades the loan applications and provides an in-principle approval. The entire process occurs real-time and empowers our frontline sales team to provide an in-principle credit decision at the point-of-sale itself.

All customers meeting the norms can be approved and processed straight through without diluting the risk, fraud verification and income assessment checks. No other assessment is required on CIBIL records or demographic parameters with policy remaining unchanged. SPEED app is currently available for salaried customers and would be extended for our self-employed customers. This app is important for directly sourcing customers through our Direct Sales Team.

In fiscal 2019, we implemented an automated risk grading mechanism for customers, based on an analytics driven digital scorecard and business rule engine. This enables our team to perform instant risk grading and eligibility calculation for any of our customers. We also launched a new channel for digital business by partnering with some of the biggest online aggregators in

the country. By expanding our distribution, sales and project financing teams, we also gained the ability to reach out to more customers.

With an aim to leverage new technologies and alternate data analytics of our partners, our digitisation strategy is aligned with our desire for collaboration and synergy. Going forward, we also plan to be able to maintain a leaner organisational structure, which should further bring down the processing costs of loan management; help us analyse our customers better; and enhance our cross-selling opportunities.

Using Analytics for an Effective Debt Collection Mechanism

While Collections is often seen as a final step in the loan cycle, it actually plays a much more integral role to the overall process. We understand our customers' needs or issues, and by being sensitive towards them, we ensure smooth and timely collection mechanisms.

With increasing technological advances, the collections process has now evolved and includes analytics and machine learning functions. These powerful digital innovations are transforming collections operations and enabling us to improve performance at a lower cost.

With the help of collection analytics, we are able to develop various customer segments based on their repayment ability or probability of default. These data segmentations assist in implementing the requisite collection intensity, thereby increasing collection efficiency and improving customer experience. Additionally, we also receive valuable information about the customer's repayment history which helps in developing specific litigation strategies for various stages of collections.

Analytic Tools have thus become the key determinant in matters pertaining to core operations, risk projection and customer relationship management. Using the qualitative inputs, we are able to mitigate risk, reduce operational cost and enable faster rollout of appropriate products to the targeted customer groups.

Moreover, during the year we were notified under 'The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest, Act 2002' broadly known as 'SARFAESI Act'. Post setting up internal processes, actions were initiated on the NPA pool from Q1FY19 onwards for enforcement of the company's rights as Secured Creditor in loan facilities.

This process has helped to improve the efficiency of the collections team within the NPA pool in particular. Currently, the accounts are in various stages of the SARFAESI process. Court orders are being granted for taking physical possession of assets and this will eventually lead to asset disposal and improvement in overall recovery from these accounts.

Key Highlights

- **Early warning system (EWS) collects and analyses large amounts of data to identify whether clients are exposed to potential risks. These help in applying the requisite collection intensity and legal strategy to expedite due collections**
- **Focus on Front End Collections**
- **Dedicated calling staff and feet on ground ensure collection efficiency**
- **Dedicated legal team to enhance collections intensity**


3 min ago
Evolution
Metric
Actual vs Target
Actual
Target
Products positioning
Revenue
$3.4M
82.0%
Profit
$1.2M
108.7%
Avg. Order Size
$850.3
71.0%
On Time Delivery
96.0%
96.0%
New Customers
15432
145.0%
Cust. Satisfaction
98.3%
105.1%
Sales per countries
Top 8 products
#84430
#48943
#33980
#00324
#03437
#94021
#21389
#02489

Optimally Leveraging Analytics to Manage Risk Better

The Indian housing finance sector is facing a myriad of challenges. These include evolving customer needs; increasing transaction volumes; massive competition across the industry; increased high-tech financial crimes; and the rapid change in technology. Managing these challenges requires timely and increasingly deep insights on risks, customer relationships, costs, revenues and liquidity positions.

Evolving from basic reporting to descriptive analysis, Grihashakti has invested in a technology and analytics platform for risk identification and management. These analytics capabilities have given us great insights into managing various risks faced in operations, regulatory compliance, cyber security, lending and credit.

Leveraging the rich customer data from bureaus, as well as internal sources, we have assessed different stages of the customer lifecycle. This is a perfect example in which data mining and analytics have helped us to use the behaviour data of our customers as an important input for mitigating default risk.

As risk management is an integral part of the Company's business strategy, we are able to manage credit, market, operational, fraud, legal and compliance risks with the help of a well-developed, large dedicated risk management team.

Key Highlights

- **Implementation of application scorecards to evaluate risk profile of customers.**
- **To manage customer satisfaction and attrition, we developed calculators to assess life-time profitability and to gauge possible repricing.**
- **To enable differential collections treatment as per customer risk profile, advanced machine learning models have been developed to segment the portfolio into different risk segments.**
- **Periodically stress test of the HFC portfolio is carried out to assess its resilience to external shocks.**

We believe that the investment and adoption of modern risk management capabilities found in analytics is an opportunity, not a burden or an expense. Analytics, dashboards, modelling capabilities and high-performance risk monitoring are key to our effective risk management programme.

CORPORATE REVIEW

FINANCIAL STATEMENTS

STATUTORY REPORTS

Directors' Report

Dear Shareholders,

Your Directors have pleasure in presenting their 9th Annual Report together with the audited financial statements for the financial year (FY) ended on 31 March, 2019.

1. Background

Your Company, Fullerton India Home Finance Company Limited ("FIHFCL"), is a wholly owned subsidiary of Fullerton India Credit Company Limited ("FICCL") and is registered with the National Housing Bank (NHB) as a non-deposit taking Housing Finance Company.

2. Industry and Economic Scenario

India is the world's third largest economy after US and China in purchasing parity terms with a population of more than 1.2 billion. Over the past decade, the country's rapid economic growth has been accompanied by robust domestic consumption, implementation of structural reforms and easing of infrastructure bottlenecks. In October 2018, India has moved up 23 positions to be placed at 77th on World Bank's Ease of Doing Business.

Housing Sector - has been one of the driving factors in India's progress creating jobs and expediting infrastructure development. With reforms such as RERA, Insolvency and Bankruptcy Code 2018, setting up of a dedicated Affordable Housing Fund, amendment in RBI's ECB (External Commercial Borrowings) policy, real estate players have been able to realign themselves to tap into the opportunities available in affordable and mid-segment housing. In fiscal 2019, construction sector comprising construction of buildings, roads and railways has shown an impressive growth at 8.9%, due to massive thrust to rural housing under Pradhan Mantri Awas Yojana.

By 2021, India's emerging and middle-class segments combined will comprise nearly 900 million population and will open up new opportunities for housing finance industry. A growing middle class with larger disposable income will be the primary demand driver for the sector. Other than affordable and mid-segment housing, evolving segments such as student housing and co-living are increasingly attracting investors. With a millennial population of over 400 million, these housing models hold significant potential in the Indian market.

3. Financial Results

During the year, the Company had adopted Indian Accounting Standards (Ind AS) as notified by the Ministry of Corporate Affairs with effect from 1 April, 2018, with a transition date of 1 April, 2017. The financial statements for the year ended 31 March, 2019 are prepared under Ind-AS.

(₹ in crores)

Particulars	31 Mar, 2018	31 Mar, 2019
Total Income	136.90	329.80
Less: Expenditures	140.33	326.84
Profit/(Loss) Before Tax	**(3.43)**	**2.96**
Provision for tax	(7.67)	2.48
Net Profit/(Loss) after tax	**4.24**	**0.48**
Add: Balance brought forward from previous year	(17.57)	(15.53)
Transfer to Reserve Fund under section 29C of NHB Act, 1987	(2.20)	(0.11)
Balance Carried to Balance Sheet	(15.53)	(15.16)
Paid up capital	**195.27**	**245.36**

** Previous year's figures have been regrouped based on current year's classification*

During the year under review the disbursements were at ₹ 1,458 crores (decrease of 3% over previous year) due to money market turmoil and liquidity squeeze.

With assets under management (AUM) of ₹ 3,065 crores (~61% over the previous fiscal), the company was able to achieve its milestone of crossing AUM ₹ 3,000 crores. The Company strategically launched new products to strengthen its business model and continue its growth momentum.

Gross income registered an increase of 141% and was at ₹ 330 crores (₹ 137 crores during FY 2018)

Directors' Report *(contd...)*

Net interest income was at ₹ 124 crores 78% increase over last year (₹ 70 crores during FY 2018). Non-interest expenditure was at ₹ 99 crores (an increase of 90% over last fiscal year). The Company continued to expand its distribution network and investment in human resources. As on 31 March, 2019, the Company was operating from 82 Branches, covering 14 states. The Company has opened 22 new standalone branches during FY 2019.

Profit before tax was ₹ 2.96 crores (Loss of ₹ 3.43 crores in FY 2018). The Company's income tax charges were at ₹ 2.48 crores (₹ -7.67 crores in FY 2018) resulting in Profit after tax of ₹ 0.48 crores (profit of ₹ 4.24 crores in FY 2018).

4. State Of Company's Affairs And Future Outlook

A detailed overview of the state of affairs of the Company and future outlook is provided in the 'Management Discussion and Analysis' section, enclosed as Annexure I to this report.

5. Transfer to Reserves

In accordance with the provisions of Section 29C of the National Housing Bank Act, 1987, every Housing Finance Company is required to transfer at least 20% of its net profits every year to a reserve fund. During the year, in compliance with the said requirement, the Company had transferred an amount of ₹ 0.1 crores to Reserve Fund. (FY 2018 ₹ 2.20 crores)

6. Share Capital

During the FY 2019, 5,00,83,473 Equity Shares of ₹ 10/- each were allotted at premium of ₹ 19.95/- per share, aggregating to ₹ 150 crores to M/s. Fullerton India Credit Company Limited on rights basis.

The paid up equity share capital of the Company as on 31 March, 2019 was ₹ 2,45,35,69,160/- divided into 24,53,56,916 equity shares of ₹ 10/- each.

7. Dividend

The Company has reported surplus, but with a view to conserve resources, your Directors do not recommend any dividend on equity shares of the Company for the year ended 31 March, 2019.

8. Change(S) In The Nature Of Business

During the year under review there was no change in the nature of business of the Company.

9. Finance

During the year under review, the Company met its funding requirements through a mix of equity capital and borrowing from banks and capital markets. The total borrowings of the Company stood at ₹ 2,732 crores (₹ 1,328 crores as at 31 March, 2018), of which Bank Loans were at ₹ 1,937 crores (₹ 853 crores as at March 2018), Commercial papers were at ₹ 82 crores (₹ 105 crores as at March 2018), non-convertible debentures were at ₹ 713 crores (₹ 370 crores as at 31 March, 2018). Company resorted to alternative funding sources like asset sell downs (assignments) to the tune of ₹ 71 crores and capital infusion from its parent company of ₹ 150 crores during the FY 2019.

In terms of para 15 of the Housing Finance Companies issuance of Non-convertible debentures on private placement basis (NHB) Directions, 2014, the total number of non-convertible debentures which have not been claimed by the investors or not paid by the housing finance company after the date on which the non-convertible debentures became due for redemption were NIL, and the total amount in respect of such debentures remaining unclaimed or unpaid beyond the date on referred hereinbefore was NIL.

10. Risk Management

Risk management is an integral part of the Company's business strategy. The Board of Directors of the Company oversees the risk management framework of the Company through regular and proactive intervention by senior management personnel.

The objective of the risk framework is to ensure that the Company underwrites to prudent risk standards, focuses on its target segment and delivers sustainable profitability. The risk management infrastructure operates through five key principles viz.

- Independent governance and risk management oversight;
- An overarching risk appetite statement, that defines the shape of the portfolio, delivering predictable returns through economic cycles, and optimising enterprise-wide risk-return and capital deployment;
- Establishment of forward looking risk assessment with pre-emptive credit and liquidity interventions, to ensure early action in the event of emerging market adversity;
- Maintenance of well-documented credit risk policies and credit programs with performance guardrails;
- Extensive use of credit bureau as an integral part of the decision making processes.

At the core of the risk management function is the Chief Risk Officer (CRO) of the Company who is inter alia supported by a team of underwriters, a policy team, collection and other segment specialists who are responsible for overseeing and managing risk function. The senior management is responsible for ensuring that the appropriate methodology, processes and systems are in place for monitoring, identifying and reviewing the risks associated with the business of the Company.

In accordance with Housing Finance Companies – Corporate Governance (NHB) Directions, 2016, the Company has a Board Committee known as the Risk Oversight Committee. The Committee oversees the processes of risk assessment and minimisation, monitors risk management plans and carries out such other functions as may be directed by the Board. Refer the Corporate Governance report for the terms of reference of the Committee.

The specific objectives of the Risk Oversight Committee of the Company include:

- To ensure that all the current and future material risk exposures of the Company are identified, assessed, quantified, appropriately mitigated and managed;
- To establish a framework for the Company's risk management process and ensure Company wide implementation;
- To ensure systematic and uniform assessment of risks related to the Company;
- To enable compliance with appropriate regulations, wherever applicable, through the adoption of best-in-class practices; and,
- To assure business growth along with financial stability.

You are requested to refer to the 'Management Discussion and Analysis', enclosed as Annexure I to this report, for more details on the matter.

11. Internal Financial Controls

During the year under review, the Company undertook an evaluation of internal financial controls, in accordance with the criteria established under the Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organisations of the Treadway Commission. The identified process maps, key controls, risk registers and control matrices were tested by the management team for existence and checking effectiveness of control based on samples; remedial action had been taken or agreed upon where control weaknesses were identified. Based on the results of the said tests, the management team believes adequate internal financial controls exist in relation to its Financial Statements.

12. Human Resources

The Company's employee strength stood 773 as at 31 March, 2019. All employees have gone through detailed induction training to equip them with the necessary organisational knowhow to deliver their roles. The debt recovery team has periodically undergone mandatory training as prescribed by the National Housing Bank and conducted by Indian Institute of Banking & Finance.

13. Compliance

The Company had complied and continues to comply with all applicable provisions of the Companies Act, 2013, and the National Housing Bank Act, 1987, the National Housing Bank (NHB) Directions, and other applicable rules/ regulations/ guidelines issued by various regulatory and/or statutory authorities from time to time.

The Capital Adequacy Ratio ("CAR") (as per I GAAP) of the Company was 21.6% as on 31 March, 2019, as against CAR of 12.0% prescribed by the NHB.

14. Directors and Key Managerial Personnel

The Company's Board lays down the strategic objectives of the Company and guides the management in meeting its goal of aligning the interests of the shareholders with that of the promoters.

The following changes have taken place in the Board during the FY 2018-19:

(i) Appointment of Director:

Name	Category	Date of appointment
Ms. Rajashree Nambiar	Non Executive Director	30 October, 2018

(ii) Resignation of Director:

Name	Category	Date of appointment
Mr. Kenneth Ho	Non Executive Director	26 October, 2018

In accordance with Section 152 of the Companies Act, 2013 and the Articles of Association of the Company, Mr. Anindo Mukherjee is liable to retire by rotation at the forthcoming annual general meeting of the Company, and he being eligible, has

Directors' Report *(contd...)*

offered himself for re-appointment. Your Directors recommend his re-appointment to the office of Director of the Company.

The Board of Directors had appointed Ms. Rajashree Nambiar as an Additional Director of the Company with effect from 30 October, 2018. In terms of Section 160 of the Companies Act, 2013, her term of office is up to the date of the ensuing Annual General Meeting. Your Directors recommend her appointment to the office of Director of the Company, liable to retire by rotation.

The shareholders of the Company may refer to the notice of the Annual General Meeting and report on Corporate Governance of the Company for brief profile of Mr. Anindo Mukherjee and Ms. Rajashree Nambiar.

The Company has received declarations from independent directors that they meet the criteria for independence as provided in Section 149(6) of the Companies Act, 2013.

The following changes took place in the key managerial personnel of the Company during the year under review:

Name	Category	Date of resignation/ appointment
Ms. Seema Sarda	Company Secretary & Compliance Officer	05 September, 2018 (A)
Mr. Jitendra Maheshwari	Company Secretary	15 June, 2018 (R)

A – Appointment; R – Resignation

The following are the key managerial personnel of the Company, as recorded by the Board as on 31 March, 2019:

Key Managerial Personnel	Designation
Mr. Rakesh Makkar	CEO & Whole-time Director
Mr. Pankaj Malik	Chief Financial Officer
Ms. Seema Sarda	Company Secretary & Compliance Officer

15. Number of Meetings of Board of Directors

The Board of Directors of the Company met four times during the year:

i. 17 May, 2018

ii. 05 September, 2018

iii. 10 December, 2018

iv. 12 March, 2019

The time gap between two board meeting was less than 120 days and at least one meeting was held every quarter.

16. Board Evaluation

In accordance with the provisions of the Companies Act, 2013, the Independent Directors met separately to review the performance of Non-Independent Directors, Chairperson of the Company, the Board as a whole and the flow of information between the Board and the management.

The Board completed the annual evaluation of its own performance, the individual Directors (including the Chairman) as well as an evaluation of the working of all Board Committees. The Board was assisted by the Nomination and Remuneration Committee ("NRC"). The performance evaluation was carried out by seeking inputs from all the Directors/Members of the Committees.

17. Managerial Remuneration

The information in respect of employees of the Company required pursuant to Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014 forms part of this Annual Report. However, in terms of Section 136 of the Companies Act 2013, the Annual Reports are being sent to the Members and others entitled thereto, excluding such information. The said information is available for inspection at the registered office of the Company during working hours. If any Member is interested in obtaining a copy thereof, such Member may write to the Company Secretary in this regard.

18. Audit Committee

The details of constitution, terms of reference etc. of the Audit Committee are mentioned in Report on Corporate Governance, enclosed as Annexure II to this report.

19. Nomination and Remuneration Committee

The details of constitution, terms of reference etc. of the Nomination and Remuneration Committee are mentioned in Report on Corporate Governance, enclosed as Annexure II to this report.

The Company has laid out clear guidelines approved by the Board for 'fit and proper' criteria for appointment of directors in accordance with the

Companies Act, 2013. Further in terms of charter of the nomination and remuneration committee, policy on remuneration of directors, key managerial personnel and other employees have been put in place, incorporating principles of fairness, pay for performance, a sufficient balance in rewarding short and long term objectives reflected in the pay mix of fixed and variable pay, meeting the financial viability of the Company.

20. Details Of Subsidiaries

The Company did not have any subsidiary during the year under review.

21. Statutory Auditors

Your Company had appointed M/s BSR & Co. LLP, Chartered Accountants (ICAI Firm Registration No. 101248W/W-100022) as its statutory auditors to hold office from the conclusion of 7th Annual General Meeting until the conclusion of the 11th Annual General Meeting of the Company. They continue to be the Statutory Auditors of the Company.

22. Secretarial Auditors

During the year under review, M/s Vinod Kothari & Company, Practicing Company Secretaries (Unique Code P1996WB042300) continued to function as the Secretarial Auditors of the Company. They had conducted secretarial audit in accordance with provisions of Section 204 of the Companies Act, 2013 and issued a Secretarial Audit Report. Copy of the report is attached as Annexure IV to this report. The report does not contain any qualification or reservation or any adverse remarks and is self-explanatory.

23. Response to Auditor's Report

There were no qualifications, reservation or adverse remark or disclaimer, made by the statutory auditors in their report.

24. Vigil Mechanism

The Company has a whistle-blower policy in place as part of the vigil mechanism for reporting of genuine concerns by any stakeholder. The policy, displayed on the website of the Company, provides an opportunity for anyone to report their concerns to the management about any actual or suspected unethical behaviour, fraud or violation of the Company's Code of Conduct. This policy also provides safeguards against victimisation of stakeholders, who report their concerns. The whistle-blower policy comprehensively covers processes for receiving, analysing, investigating, inquiring, taking corrective action and reporting of the issues raised. The policy can be accessed at https://www.grihashakti.com/corporate-governance.aspx. An update on whistleblower cases and investigation conducted thereon is presented to the Audit Committee on a quarterly basis.

25. Extract Of The Annual Return

The Extract of Annual Return as provided under Section 92 of the Companies Act, 2013, and as prescribed in Form No. MGT-9 of the rules prescribed under Chapter VII relating to Management and Administration under the Companies Act, 2013, is appended as Annexure V.

26. Material Changes And Commitments, If Any, Affecting The Financial Position Of The Company Which Have Occurred Between The End Of The Financial Year Of The Company To Which The Financial Statements Relate And The Date Of The Report

There have been no such material changes and commitments affecting the financial position of the Company which have occurred during the said period.

27. Details Of Significant And Material Orders Passed By The Regulators/ Courts/Tribunals Impacting The Going Concern Status And The Company's Operations In Future

There were no significant and material orders passed by the regulators/courts/ tribunals impacting the going concern status of the Company and its operations in future.

28. Particulars Of Loans/ Advances/ Investments Outstanding During The Financial Year

The disclosures relating to particulars of loans/ advances/investments outstanding as per Regulation 53(f) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 are as under:

Directors' Report *(contd...)*

A. With respect to Holding Company

Sr. No.	In the books of the Company in capacity of	Disclosures of amounts at the year end and the maximum amount of loans/advances/investments outstanding during the year	Disclosure
1.	Holding Company	Loans and advances in the nature of loans to subsidiaries by name and amount	Nil
		Loans and advances in the nature of loans to associates by name and amount: (i) No repayment schedule or repayment beyond seven years; or (ii) No interest or interest below section 186 of the Companies Act, 2013 by name and amount.	
		Loans and advances in the nature of loans to firms/companies in which Directors are interested by name and amount	
2.	Subsidiary	Same disclosures as applicable to the parent company in the accounts of subsidiary company	Nil
3.	Holding Company	Investments by the loanee (borrower) in the shares of parent company and subsidiary company, when the company has made a loan or advance in the nature of loan.	Nil

B. Cash Flow statement has been included in the financial statements.

29. Deposits

The Company did not hold any public deposits at the beginning of the year nor has it accepted any public deposits during the year under review.

30. Details of Loans, Guarantees and Investments

The provisions of Section 186 of the Companies Act, 2013 pertaining to giving of loans, guarantees, providing security in connection with a loan and acquisition of securities of any body-corporate are not applicable to the Company as the Company is a Housing Finance Company.

31. Particulars Of Contracts Or Arrangements With Related Parties

All contracts/ arrangements/ transactions entered into/ by the Company during the financial year under review with related parties were on arms' length basis and in the ordinary course of business of the Company. There were no materially significant related party transactions made by the Company with its promoters, directors, key managerial personnel or other designated persons, which may have potential conflict with the interest of the Company at large. All related party transactions had been placed before the Audit Committee and the Board for approval. The policy on related party transactions, as approved by the Board is available on the website of the Company at https://www.grihashakti.com/corporate-governance.aspx.

32. Corporate Governance

A detailed report on Corporate Governance and copy of the Certification of the Chief Executive Officer and Chief Financial Officer of the Company are provided as Annexures II and III to this report respectively.

33. Management Discussion and Analysis

A detailed review of the operations, financial performance, risk management, outlook, among others, is provided under the section 'Management discussion and analysis' enclosed as Annexure I to this report.

34. Fraud Reporting

The Company reports occurrence of frauds to the National Housing Bank every quarter in terms of the NHB regulations. The details of the frauds occurred during the quarter are placed before first Audit Committee meeting held after the end of each quarter. There were 2 instances of fraud cases, which were reported to the Board during the year. The Company has taken appropriate action in these cases. No material frauds were reported by the Auditors, during the financial year.

35. Revision Of Financial Statements Or Board's Report

There have been no revisions in the financial statements or Board's Report.

36. Details Of Debenture Trustees

The details of the entities which acted as the debenture trustees for the debenture holders in Fullerton India Home Finance Company Limited during the year are as under:

Sr. No.	Trustee	Contact details
1	Catalyst Trusteeship Limited	GDA House, Plot No.85, Bhusari Colony, Paud Road, Pune – 411038 Phone: 020 25280081 Extension: 107 Fax: 020 25280275

37. Credit Rating

The credit rating details of the Company as on 31 March, 2019 were as follows:

Particulars	For the year ended 31 March, 2019	For the year ended 31 March, 2018
Long-term Debt programme	CARE AA+ with stable outlook	CARE AA+ with stable outlook
Commercial Paper	CARE A1+	CARE A1+

38. Conservation Of Energy, Technology Absorption And Foreign Exchange Earnings And Outgo

The provisions relating to conservation of energy and technology absorption do not apply as the Company is a Housing Finance Company.

However, the Company adopts usage of information technology along with its parent company and is prudent in utilising non-renewable resources.

During the year under review foreign exchange outflow was ₹ 8.75 Lakhs.

39. Disclosure under the Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013

The Company has adopted a policy on prevention, prohibition and redressal of sexual harassment at the workplace in line with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the rules thereunder. During the year under review, no cases had been reported under the provisions and guidelines of the said policy.

40. Directors' Responsibility Statement

As per the provisions of Section 134(3)(c) read with Section 134(5) of the Companies Act, 2013, your Directors confirm that:

(i) in the preparation of the annual accounts for the year ended 31 March, 2019, the applicable accounting standards had been followed along with proper explanation relating to material departures;

(ii) the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit and loss of the Company for that period;

(iii) the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

(iv) the Directors had prepared the annual accounts on a going concern basis;

(v) 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;

(vi) 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.

41. Acknowledgment

Your directors would like to place on record, their gratitude for the cooperation and guidance received from all the statutory bodies, especially the National Housing Bank. The directors also thank the shareholders, clients, vendors, investors and other stakeholders for placing their faith in the Company and contributing to its growth. We would also like to appreciate the hard work put in by all our employees, and we look forward to their continuing patronage, going forward.

On behalf of the Board of Directors

Sd/-
Anindo Mukherjee
Chairman

Place: Mumbai
Date: 28 May, 2019

Annexure I

Management Discussion & Analysis

Rising disposable incomes, a young demographic population, and greater affordability are expected to catalyse growth in the housing finance industry.

Economic Overview and Outlook

Global growth slowed down sharply from 4% in 2017 to 3.8% in first half of 2018, dropping to 3.2% in second half. While the momentum in the United States remained steady at 2.9% led by government spending and private consumption, growth has weakened in other major economies.

In the Euro area, growth hit a four-year low of 1.8% on softening intra-euro-area trade and contracting manufacturing activity. In the United Kingdom (UK), growth was slowest since 2012 at 1.4% at the back of uncertainty over Brexit, with industrial production contracting during the period September-January. Japan's gross domestic product (GDP) moderated to 0.8%. Among emerging markets, China clocked its slowest GDP growth in the past three decades, at 6.6%. China's growth declined following regulatory tightening to rein in shadow banking, slowdown in manufacturing and an increase in trade tensions with the United States.

Inflation continued to remain low in major developed economies and key emerging markets due to muted growth and subdued commodity prices. Consequently, the monetary policy stances of the US Fed and central banks in other major advanced economies have turned dovish.

%	2018E	2019P	2020P
World Output	3.6	3.3	3.6
Advanced Economies	2.2	1.8	1.7
US	2.9	2.3	1.9
Euro Area	1.8	1.3	1.5
Germany	1.5	0.8	1.4
Japan	0.8	1	0.5
UK	1.4	1.2	1.4
Emerging Markets	4.5	4.4	4.8
Russia	2.3	1.6	1.7
China	6.6	6.3	6.1
India	**7.1**	**7.3**	**7.5**
Brazil	1.1	2.1	2.5

Source: IMF, World Economic Outlook

In India, domestic production has decelerated, affected by a slowdown in consumption demand, despite support from robust growth in roads and affordable housing segments. The growth is projected to pick up with the support of fiscal spending, recovery in industrial investment, robust consumption and an expansionary monetary policy (source: IMF).

Since August 2018, consumer price index (CPI)-based inflation has remained below the RBI's medium-term target of 4%, reaching a 19-month low of 1.9% in January. Food inflation, with 40% weight in Consumer Price Index (CPI), dropped from 4.9% to 0.2% during fiscals 2016 to 2019. Since food has been the main driver of low inflation so far, uptick in food prices can start exerting upside pressure on headline inflation. At the same time, the budgetary allocations for income support schemes would add an upside to inflation.

In India, important steps have been taken to accelerate resolution of non-performing assets under a simplified bankruptcy framework, for strengthening goods and services tax compliance and increasing transparency and

discipline in the real estate sector through Real Estate Regulation and Development Act (RERA). These efforts can be reinforced by continued implementation of structural and financial sector reforms to incentivise job creation so as to absorb the country's large demographic dividend. In the near term, continued efforts are essential to bring down the country's elevated public debt and enhancing governance of public sector banks.

Housing Finance Industry in India

The housing sector can create positive multiplier effects in employment and income generation in India by pushing up the demand in sectors such as cement and steel, thereby improving the investment climate in the economy.

As India marches ahead to become the third-largest economy by 2027 with $6 trillion GDP (source: Morgan Stanley), the latent demand for residential and commercial real estate will grow manifold. The catalyst for the growth of housing finance industry will be rising disposable incomes, young demographic population and greater affordability. Growth will be mainly supported by fiscal and tax incentives and deeper finance penetration in Tier 2 and 3 cities.

Demand for cement in India grew at around 4% annually in recent years, but a 9% compound annual growth rate in property volume could drive up the demand for cement, with annual growth accelerating to 5.5% to 6%, according to Morgan Stanley. Similarly, with mortgage volumes expected to rise, housing finance companies could draw more investment interest.

Moreover, rapid urbanisation will add fuel to the growth engine of housing finance industry. While it may have taken nearly 40 years (from 1971 to 2008) for India's urban population to rise by nearly 230 million; it will take only half that

7.5%

INDIA'S PROJECTED GDP FOR 2020

Annexure I

Management Discussion & Analysis *(contd...)*

time to add the next 250 million (source: McKinsey Global Institute, 2010). The surge in urban migrant workforce consequently presents a large opportunity for development of affordable housing in India.

To bridge the gap between demand and supply of urban housing and to cater to all segments of the population, several policy initiatives (National Housing Policy, 1994; Jawaharlal Nehru National Urban Renewal Mission, 2005; Rajiv Awas Yojana 2013) have been undertaken. The Pradhan Mantri Awas Yojana (PMAY) launched in 2015 – the PMAY-Urban (PMAY-U) subsumes all the previous urban housing schemes and aims at 'Housing for All' to be achieved by the year 2022. The total housing shortage envisaged to be addressed through the PMAY-U is 20 million.

Under PMAY-U, more than 6.29 million houses have been sanctioned up to November 2018 (source: JM Financial, India Strategy, December 2018). Out of this, 1.15 million have been built, that is 18% of the number of sanctioned houses in last three years. The government has aided states with around ₹ 780 billion; while the total investment done by the government in projects under this scheme is around ₹ 3.4 trillion. According to CRISIL Research, the construction opportunity is of approximately 4 billion square feet over the life of PMAY-U, which would translate into 90-100 million incremental jobs over the execution period (not factoring in some repetitive jobs continuing after the completion of a project).

After the initial teething issues due to policy implementations such as RERA and GST, the real estate sector showed signs of recovery. Incentives for affordable housing coupled with lower GST rate has increased demand for this segment. During the year, residential launches across top eight Indian cities increased by 75% to cross 180,000 units (source: IBEF).

However, the real estate sector continues to face headwinds such as unavailability of land, delays in project schedules, rising construction costs resulting in low yields. With enactment of RERA, which emphasises on accountability and timely delivery, construction and delivery of projects on time has become prime priority for developers. This has led the way for the adoption of modern technologies and digitalisation in real estate sector.

The government and market regulators have also undertaken a slew of measures to address the constraints faced by real estate developers and housing finance companies.

Recent Developments

- Enhanced Home Loan limit under Priority Sector Lending (PSL) - Housing loan limit for eligibility under PSL was increased from ₹ 28 lakh to ₹ 35 lakh in metropolitan centres and from ₹ 20 lakh to ₹ 25 lakh in other centres. The ceiling on cost of eligible dwelling units was also revised from ₹ 35 lakh to ₹ 45 lakh in metropolitan areas and from ₹ 25 lakh to ₹ 30 lakh in other areas. The limits were revised in order to bring convergence between PSL guidelines for housing loans and the affordable housing scheme under the Pradhan Mantri Awas Yojana (PMAY). The limits for housing loans extended under PSL by Urban Cooperative Banks were raised from ₹ 25 lakh to ₹ 28 lakh. Furthermore, the loans sanctioned for Low Income Group (LIG)/Economically Weaker Sections (EWS) housing projects where the total cost does not exceed ₹ 10 lakh per dwelling unit, were also included under PSL.
- Home buyers recognised as financial creditors – Home buyers would be treated at par with the financial institutions to receive their share in case of insolvency proceedings under the Insolvency and Bankruptcy Code, 2018 (Ordinance). The amendment is also is in sync with RERA, in case of any delay from the developer, the allottee has the right to demand for a refund of the entire amount with interest.
- CLSS scheme extended till March 2020 - The government has extended the interest subsidy scheme till March 2020 for first-time buyers who have annual income between ₹ 6 lakh and ₹ 18 lakh. Government increased carpet area for middle class houses eligible for CLSS interest subsidy to 160 sq. m. for MIG -I and 200 sq. m. for MIG-II.
- Order issued by the Department of Town and Country Planning (DTCP) clarified that builders cannot levy External Development Charges (EDC) separately on affordable group housing owners.
- GST on under-construction flats slashed to 5%, affordable housing to 1% - The GST Council slashed tax rates for under-construction flats to 5% and affordable homes to 1%, effective 1 April, 2019. Currently, the Goods and Services Tax (GST) is levied at 12% with input tax credit (ITC) on payments made for under-construction property

or ready-to-move-in flats, where the completion certificate is not issued at the time of sale. For affordable housing units, the existing tax rate is 8%.

	Extant	Proposed
Affordable Housing	8%	1%
Others	12%	5%
Input Tax Credit	Yes	No

250 MILLION

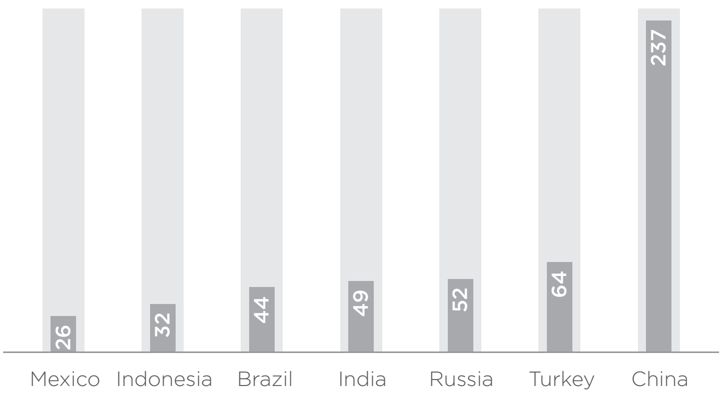
PROJECTED INCREASE IN INDIA'S URBAN POPULATION OVER NEXT 20 YEARS

Opportunities

Financial Under Penetration In India

Lack of access to formal credit is illustrated when we compare India's credit-to-GDP ratio to that of advanced economies - UK's 171%, US's 152% and Australia's 197% (source: RBI, Dec-2017). As per RBI estimates, the informal economy employs nearly 50% of India's workforce. With democratisation and formalisation of credit, there will be equitable, affordable and timely access to credit to larger sections of Indian society, especially the underserved informal economy. In this context, Non-Banks in India including Housing Finance Companies (HFCs) have served the unbanked customers by pioneering retail loans in Tier 2-3 cities, offering asset-backed lending, lending against securities and micro-finance.

Credit-to-GDP Ratio % - Emerging Markets (Dec-18)



Source: IMF, Dec-18

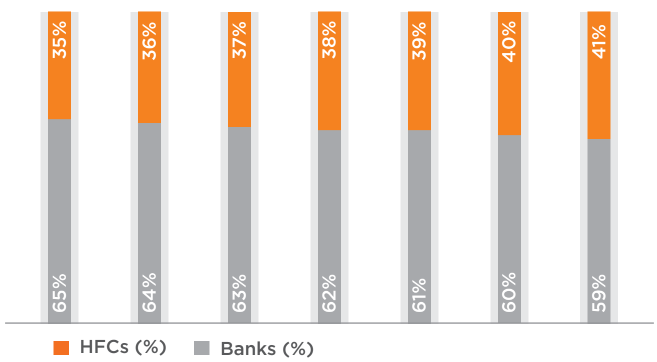
In terms of Mortgage as a percentage to nominal GDP, India (10%) ranks far lower than Malaysia (32%) and developed markets such as US (63%), UK (68%) highlighting the scope and need for development of housing finance market in India (source: HDFC).

Primary drivers for growth of HFCs have been deep presence in untapped markets, sharp focus on individual loans, strong origination skills and superior customer service. CRISIL estimates the housing portfolio of HFCs' total outstanding to clock 18-19% CAGR, growing from ₹ 6.3 trillion in fiscal 2018 to ₹ 14.8 trillion in fiscal 2023.

Annexure I

Management Discussion & Analysis *(contd...)*

Retail Housing Finance - Market Share



Source: CRISIL, RBI, NHB

HFCs to remain competitive in the housing market and their market share is expected to increase

Growth in housing units in Tier 2-3 cities, urbanisation, greater transparency on account of new regulations, and strong government focus, will aid growth prospects. Additionally, HFCs can leverage well-distributed branch networks to offer superior customer service.

Policy Support

Measures are being taken to spur growth in the housing sector through fiscal and tax incentives, subsidies, and most importantly, institutional funding:

- The Smart City Project, where there is a plan to build 100 smart cities, is a prime opportunity for development of housing infrastructure in the country.
- For 'Housing for All' mission, implementation strategy was built under programmes like In-situ Slum Redevelopment (ISSR), affordable housing through Credit Linked Subsidy Scheme (CLSS), Public Private Partnership (PPP), and subsidy for beneficiary-led individual house construction. As of January 2019, about 377,022 individuals have used the subsidy under CLSS (source: Grand Thorton).
- RERA was aimed at ensuring accountability and infusing transparency and uniformity in practices prevalent in the real estate sector. More than 34,674 real estate projects and 26,882 real estate agents have registered under RERA across the country (source: Grand Thorton)
- Regulators (RBI for banks, and NHB for HFCs) have progressively reduced the risk weights for housing loans - the risk weights for individual housing loans has been reduced to 50% from 75% for home loans above ₹ 7.5 million thereby freeing up the capital.
- The grant of infrastructure status to affordable housing has given impetus to the sector by facilitating access to low cost and long-term capital. The accordance of infrastructure status to affordable housing will help developers to mobilise funds from different channels, viz., external commercial borrowings (ECB), foreign venture capital investors (FVCI) and foreign portfolio investors (FPIs).
- National Urban Housing Fund approved with an outlay of ₹ 6,00,000 million (US$ 9.27 billion) was launched in February 2018 with the objective to provide financing support.

Growing Investor Interest

India is a part of the global trend towards increasing urbanisation, in which more than half of world's population is living in cities and towns. Census 2011 states that 31% of India's population, 377 million people live in urban areas. The development of housing sector is expected to bring US$1.3 trillion investment (source: NHB).

Infrastructure Investment Trust (InvIT) and Real Estate Investment Trust (REITs) have been introduced for the market development of monetising vehicles in India. SEBI in February 2017 notified norms allowing mutual funds to make investments in such entities. In March 2019, first REIT, Embassy Office Parks was launched in India with issue size of ₹ 47.5 billion. REITs in India are estimated to create an opportunity worth ₹ 1.25 trillion (close to US$ 20 billion) (source: IBEF).

Policy support through fiscal and tax incentives, subsidies, and institutional funding is expected to help growth in the housing sector.

According to data released by Department of Industrial Policy and Promotion (DIPP), the construction development sector in India has received close to US$ 25 billion Foreign Direct Investment (FDI) equity inflows in the period April 2000-December 2018. Furthermore, segments such as affordable housing, warehousing, hospitality and retail are offering wider opportunities to investors.

Indian real estate focused platforms or Joint Ventures, aimed at building long-term partnership with developers across various real estate asset classes, have cumulatively raised US$6 billion since 2012 till March 2019 (source: JLL). Key examples of real estate investment platform funds or JVs are given below:

- Qatar Investment Authority-RMZ Corp raised US$300 million in 2013
- Standard Chartered – Tata Realty and Infrastructure committed US$450 million in 2016
- APG Asset Management N.V. – Godrej Fund Management raised capital worth $450 million for Godrej Build to Core-I Fund in 2018

Within the overall residential space, affordable housing has 71% share of the total financing committed by these platform funds totalling to US$1.6 billion raised. Recent transactions in the affordable segment includes Prestige Estate Project Ltd. and HDFC Capital Advisors together committing ₹ 2.5 billion.

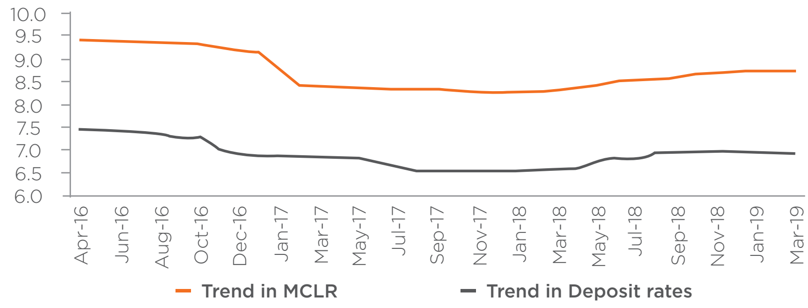
Threats

High borrowing rates

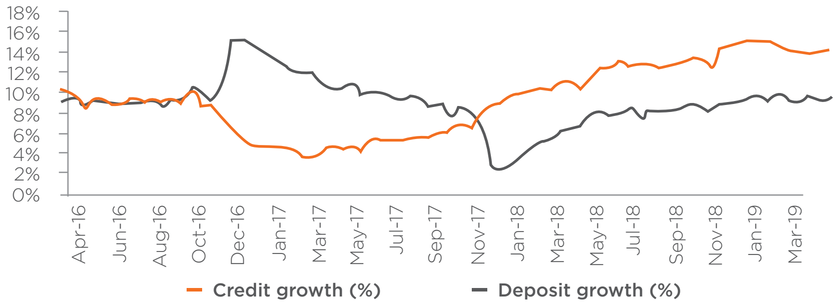
Non - banks including housing finance companies (HFC) have maintained their growth momentum from past years into first half of fiscal 2019. ICRA estimated the total housing credit outstanding at around ₹ 17.2 trillion as on 30 June, 2018. Owing to falling interest rate environment and ease in access to market borrowings over past couple of years, Housing Finance Companies (HFCs) and Non-Bank Financial Companies enjoyed lower cost of borrowing. Some non-banks had migrated toward shorter-tenure borrowings as there was significant rate differential between shorter-tenure and longer-tenure borrowings. This created an ALM mismatch in the shorter tenure bucket.

With the reversal in interest rate cycle, non-banks faced challenges on the liability side. During the fiscal year, Commercial Papers/Non Convertible Debentures (CP/NCDs) and bank's Marginal Cost of funds based lending rate (MCLR) (one year) have increased by more than 100 bps and 25 bps, respectively (source: CRISIL). As conventional sources of resource mobilisation came under pressure, the cost of funds for NBFCs increased, putting pressure on margins.

MCLR and Deposit Rate of Banks



Credit and Deposit growth of Banks (on-year)



Source: CRISIL

In January 2019, Reserve Bank of India (RBI) reduced the ECB maturity tenure, increased borrowing limits and removed qualification restrictions permitting NBFCs and HFCs to borrow from overseas in order to alleviate liquidity concerns in the market.

Non-banks (housing finance companies and non-banking finance companies) opted to securitise receivables after September 2018. Increased availability of eligible assets was supported by RBI's notification relaxing guidelines on minimum holding period requirement (till May-

Annexure I

Management Discussion & Analysis *(contd...)*

19) in securitisation transactions. Retail securitisation volume doubled to an all-time high of ₹ 1,900 billion in fiscal 2019, compared with ₹ 850 billion in fiscal 2018 (source: CRISIL). Direct assignments (DAs) accounted for 64% of total volume. Mortgage-backed transactions originated housing finance companies and invested in primarily by public sector banks accounted for a bulk of the DA volume.

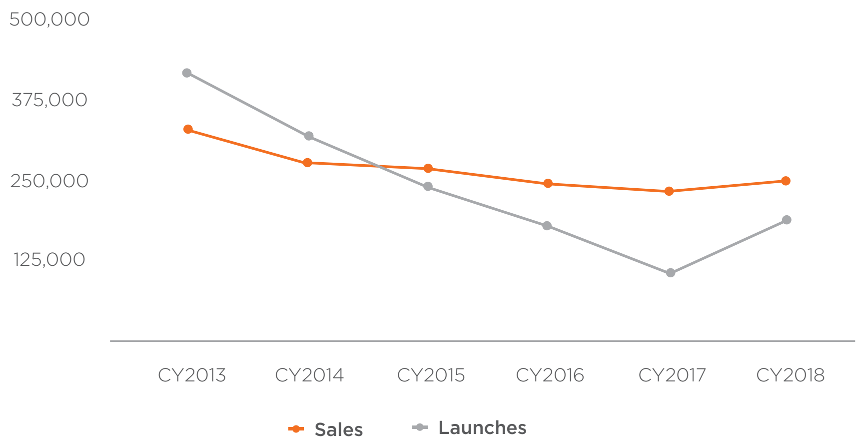
21%

CAGR (2013-2018) IN LOANS OUTSTANDING OF HFCS

Construction Delays

The real estate sector began to show signs of recovery with increase in sales and new launches. For the first time in this decade, both sales and new launches witnessed year-on-year growth during calendar year 2018.

All India Annual residential Data



Source: Knight Frank

The growth in residential prices in most of the top eight cities of India has been below retail inflation growth in the last four years, and the gap has progressively increased since H12016. This has helped to keep the drop-in sales muted and reduced unsold inventory levels by 29% in the past three years. Importantly, the reduction in prices has improved affordability (source: Knight Frank).

However, the challenging macro-economic environment and tight liquidity since September 2018 has impacted fund flow to real estate developers. Lack of liquid funds will indent the prospects of several developers causing delays in their project delivery timelines, thereby hurting investor sentiment. Moreover, limited access to capital will push the cost of funds, further shrinking developer margins. Many small developers may go for consolidation of projects with bigger developers to meet construction deadlines. While developers may look to complete existing projects instead of new launches, buyer inertia could significantly impact their prospects in near to medium team.

Credit Deterioration

Poor sentiment in the real estate sector and the liquidity crunch can weaken the performance of construction finance portfolio, given the pressure on real estate developers. Asset quality will also need to be closely monitored in the LAP portfolio, given the possibility of risk build-up due to a potential drop in property prices, particularly in high loan-to-value and high-yield buckets.

In individual housing loan segment, as the demand comes from first-time buyers, portfolio quality has remained stable historically. However, within the affordable home loan market, the credit underwriting process differs in terms of field investigations, income i.e., cash-flow assessment, deeper understanding of borrower business model, location specific sourcing and collateral valuation. HFCs deploy resources from local geographies for smoother recovery and collection mechanism. In self-employed segment, where borrower cash-flow is irregular, slowdown in the economy (poor monsoon, reduction in private investment) could impact repayment schedule.

Product Segmentation - Housing Finance in India

Home Loans

CRISIL Research estimates that home loans outstanding of housing finance companies (HFCs) grew at a compounded annual growth rate (CAGR) of 21% to ₹ 6.3 trillion between fiscals 2013 and 2018.

The housing finance industry remains concentrated, with top five players accounting for more than 80% of outstanding loans as of March 2018. However, the extent of concentration has reduced with mid and small-sized HFCs (having started offering home loans in the past 4-5 years) are growing faster, albeit on a low base.

With rapid urbanisation and latent demand emerging from tier 2-3 and smaller cities, newer entrants are focusing on these markets to bridge the demand-supply gap and establishing their presence. HFCs have also gained from the capitalisation issues faced by Public Sector Banks.

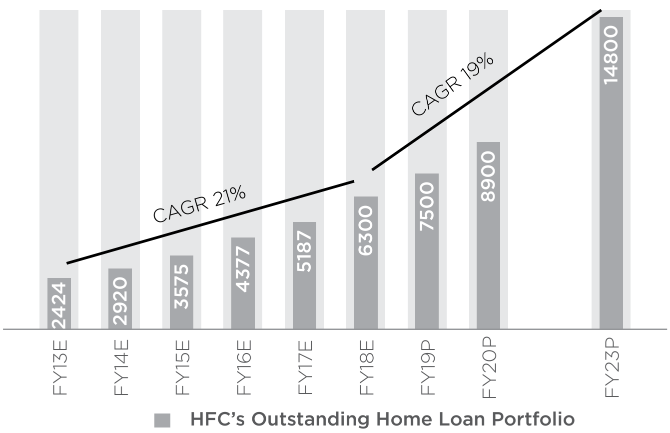
Underpenetrated market for home loans in Tier 2-3 towns

Cities	Growth in past 2 years	Outstanding Loan Share
Top 10	9%	48%
Rest of India	16-18%	52%

Note: Data is for Scheduled Commercial Banks; FY 2018 estimated. Source: RBI, CRISIL

Driven by policy impetus, expansion in tier 2-3 locations, and rising disposable incomes, housing portfolio of HFCs' is projected to clock 18-19% CAGR, growing from ₹ 6.3 trillion in FY18 to ₹ 14.8 trillion by FY23.*

HFC's Outstanding Home Loan Portfolio (In Billion)



**Source: CRISIL*

Loan against Property

Availability of capital at the right time during the growth cycle of micro, small and medium enterprises (MSMEs) is important. Despite contributing significantly to India's growth, a large majority of MSMEs are still excluded from the formal financial sector. Due to insufficient assets, low capital base, non-availability of valid business records and local presence, access to finance is a major stumbling block for the MSME sector.

Loan against Property (LAP) is availed of by mortgaging a property (residential or commercial) with the lender. LAP forms 19% of HFC's total loan outstanding as at FY18 compared with 12% in FY15, emerging as one of fastest growing segment for NBFCs. HFCs have gained market share because of their aggressive approach and by leveraging their strong capability of property appraisal. Increase in formalisation of the economy, rise in loan-to-value ratios, and greater penetration beyond top 10 cities have supported LAP disbursements.

CRISIL Research estimates the total outstanding LAP to have grown at a compounded annual growth rate (CAGR) of 25% over the past 5 years to reach close to ₹ 4.0 trillion by March 2018. Growth was led by increase in product awareness coupled with increase in financier's willingness to lend. HFCs offer relatively lower turnaround time, bear lower interest rate than personal loans, and requires less documentation compared with other secured SME products.

Going forward, driven by product/ process innovation, last mile connects and space created in the market by public sector banks put under the PCA plan by RBI, growth prospects of HFCs remain favourable. CRISIL Research projects the LAP market outstanding will grow at a healthy 16-18% CAGR over the next 2 years and touch ₹ 5.4 trillion by fiscal 2020.

Construction Finance

The growth of the housing finance industry over the coming years is a function of growth in both the supply side and the demand side. Banks and HFCs have been playing a key role in not just the demand side, but also the supply side. The demand side is addressed by offering retail loans to individuals in the low, middle and high income households. The supply side is addressed by offering construction finance to developers. Developers who build residential projects need funds to complete their projects. Several banks and HFCs offer construction finance to developers to complete their projects, which helps developers meet their timelines and make the units available for sale.

Policy reforms such as the Real Estate (Regulations and Development) Act, 2016 (RERA), Goods and Services Tax Act (GST) and the Benami Transactions (Prohibition) Amendment Act, 2016 has aided increase in transparency and rebuilding buyer confidence.

With the government announcing GST rate cuts for residential properties in Feb 2019, the GST taxation gap between an under-construction and completed property has been narrowed, and this could result in a pick-up in demand for under-construction properties as well.

Annexure I

Management Discussion & Analysis *(contd...)*

Business Update

Grihashakti, Fullerton India Home Finance Co. Ltd is a wholly owned subsidiary of Fullerton India Credit Company Limited. Started in December 2015, your Company caters to the housing finance needs of customers across India. Head-quartered in Mumbai, your Company has established customer connect in 82 branches present across India.

Your Company offers wide variety of products to home buyers such as loans for new/resale home, home improvement & home extension, home construction, loan against property, loans for commercial property, construction finance, Lease Rental Discounting.

During the fiscal year, assets under management grew by 61% year-on-year (y-o-y) to close to ₹ 30,645 million. The asset growth was supported by expansion in our branch network, employee base and channel partners. As of period ended 31 March, 2019, your Company has tied up with ~600 active channel partners. Your Company witnessed 73% year-on-year (y-o-y) increase in active number of accounts and 89% increase in operating profit to ₹ 465 million.

Despite a challenging business environment in the second half of the year, gross disbursals exceeded ₹ 18,000 million. The entire portfolio is primarily collateralised against residential properties with 87% share; of this, 72% is self-occupied.

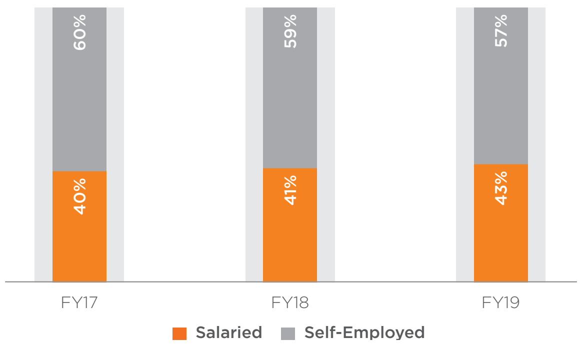
Our rapidly expanding customer base is served by 773 plus full-time employees with critical hiring completed in risk, collections and customer service.

Product and Customer Bifurcation

Your Company's business is a healthy mix of housing and non-housing lending products. The housing business constituted 60% of the disbursals in FY2019, while the non-housing business mainly comprised Loan against Property. During the year, your Company has extended its product suite to offer wide range of offerings to its customers. This included Government housing finance, Non-Resident Indians (NRI) home loans, Swift balance transfer and Lease Rental Discounting (LRD). During the year, your Company has commenced approved project financing to gain access to larger retail client base through alliances in prominent locations.

In terms of its customer profile, your Company has maintained a balance between salaried and self-employed customers. The sourcing composition in terms of units during FY2019 included 43% salaried customers and 57% self-employed customers.

Customer Profile



We have taken on multiple initiatives to offer simple, efficient and seamless experiences to our customers.

Home Loans - Your Company has presence across Tier 1, 2 and 3 locations, with majority of the portfolio originating from Tier 2-3 cities. Your Company will continue to invest in its branch network for a wider reach and greater accessibility. Given the under-penetrated market, your Company aims to capitalise the demand for home loans from the aspiring young population with increasing disposable income from the Tier 2-3 locations.

LAP – The products offered by your Company include working capital loans, business loans to MSMEs, individual loans secured against property as collateral. Your Company aims to target high growth in relatively less competitive markets in Tier 2-3 locations, where the value of the underlying property is substantially lower compared to metros and Tier 1 cities given lower levels of competition and better margins.

Period ended 31 March, 2019	Home Loans	LAP
AUM (million)	17,902	12,565
Loan rates (%)	10-14%	12-16%
Average ticket sizes (million)	2.0-2.5	<2.0
End Use	Residential real estate	MSME Working capital
Tenure (Years)	20-30 years	15 years
Pre-payment penalty	None	2%-5%
Sourcing	All (Shift towards in-house sourcing)	Primarily direct selling agents
Valuation of property	Lower of Estimated and Transaction Value	Lower of Estimated and Transaction Value

Note – Construction Finance is not represented in AUM

Digitisation

Your Company has undertaken multiple initiatives to offer simple, efficient and seamless experience to customers.

During the year, your Company launched Grihashakti SPEED – a Mobility Sourcing Solution for sales frontline offering instant, in-principle approval to customers at the point of sale. The application has been developed with capabilities to obtain digitally verified customer data directly from source. The digitally equipped mobile application will further enhance customer experiences and significantly improve the turnaround time.

Your Company implemented an automated risk grading mechanism for customers based on analytics-driven digital scorecard and business rule engine, which enables our sales team to perform instant risk-grading and in-principle eligibility calculation of customers.

Your Company has launched a new channel for digital business by partnering with some of the biggest online aggregators in the country. The business strategy is aligned with our enhanced focus on collaboration and synergy, and allows us to leverage new technologies and alternate data analytics of our partners.

Besides new business initiatives, your Company is also focused on automation of processes and continuous review of systems for fraud and risk control. For the same, multiple projects are underway.

Annexure I

Management Discussion & Analysis *(contd...)*

Your Company manages credit, market, operational, fraud, legal and compliance risks with the help of a well-developed, large dedicated risk management team.

Risk Management

Risk Management is an important and integral part of the Company's business strategy. The Risk Management oversight structure comprises the Risk oversight committee as well the Committee of the Board. The Risk Oversight Committee of the Board is set up primarily to assist the Board in its oversight of specific risks, review of policies, monitoring of risk appetite statement, review and assess the portfolio health and provides oversight of risk across the organisation.

Your Company manages credit, market, operational, fraud, legal and compliance risks with the help of a well-developed, large dedicated risk management team. During the year, your Company has undertaken important process/policy enhancements and governance mechanisms to identify and control risk as well as improve employee efficiency.

The Credit Risk Management includes maintaining credit policies which define customer selection and assessment criteria, program limits and Delegation of Authority ("DoA") metrics, etc. and also covers risk assessment for new product offerings include pilot programs to test new geographies and/or scenarios.

Over the last year your company has taken several measures that have helped the company to contain risks, improving its servicing to customers, and manage delinquencies better.

Strengthened credit underwriting framework : Your Company has strengthened the credit policy to generate business commensurate with the risk appetite and geographies it is present. A Credit Committee has been formed to decide and decision the high value transactions. The Credit Committee comprises various members including the Chief Executive Officer & Chief Risk Officer.

Furthermore, your Company has adopted a customised approach towards risk and collateral management. Geography specific collateral policies have been implemented in the some states such as Madhya Pradesh, Punjab, Haryana and Delhi NCR. Secondly, city wise limits based on classification of cities, have been set for loan amounts depending on the market size and the value of properties offered as security in that geography.

Your Company has also invested in new test / pilot programs to explore certain unchartered segments and have aligned product variants as per customer needs. Your Company has also enhanced controls on seller verification and balance transfer.

Streamlined client on-boarding and origination process: Your Company has made significant investments in technology, to strengthen our systems and enhance our customer servicing capabilities. To deliver superior customer experience and faster turn-around-time, your Company launched a mobile app for digital sourcing. During the year, work has also commenced to encode policy rules through a Business Risk Engine. This will improve data quality, business governance and would also boost credit & sales productivity.

Critical deviations are reviewed and approved by senior and industry experienced members of the underwriting team. In the past year, multiple trainings have been conducted to improve the quality of underwriting.

Improved Mechanism To Track Portfolio Quality:

Your Company continues to focus on refining systems and processes to monitor and improve portfolio quality. Delinquencies are being tracked regularly and analysis is being shared with the senior management and the various committees of the Board. A detailed framework has also been prepared to track early delinquencies and channelise collection efforts across the teams. The key risk metrics are monitored regularly, and deviations are discussed with management to decide on the course of remedial action. Based on portfolio performance and credit behaviour of the past portfolio, your Company has undertaken measures to improve credit policy and monitoring mechanism.

Senior Leadership Hiring And Team Building:

Your Company has strengthened collections team by recruiting 80-member team managed by industry experienced leadership. The front-end calling team has also been set up for customer support and timely service.

Invested in Risk Analytics:

Your Company has invested in technology and analytics platform for risk identification and management. Advanced techniques leveraging rich customer data from bureaus as well as from internal sources is assessed across different stages of the customer lifecycle. In addition, analysis basis past customer behaviour data acts as an input in formulation of credit policies to mitigate default risk.

Your Company has implemented application scorecards to evaluate risk profile of customers. After the customer is on-boarded, in order to manage customer satisfaction and attrition, analytics team has developed calculators to assess lifetime profitability and to gauge possible re-pricing.

Further, advanced machine learning models have been developed to segment the portfolio into different risk segments to enable differential collections treatment as per customer risk profile.

Also, periodically stress testing of the HFC portfolio is carried out to assess resilience of the portfolio to external shocks.

SARFAESI Act update:

Your Company was notified in Q4FY18 under The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest, Act 2002 broadly known as 'SARFAESI Act'. Post setting up internal processes, actions were initiated on the NPA pool from Q1FY19 onwards for enforcement of the company's rights as Secured Creditor in loan facilities. This process has helped to improve the efficiency of the collections team within the NPA pool in particular. Currently, the accounts are in various stages of the SARFAESI process. Court orders are being granted for taking physical possession of assets and this will eventually lead to asset disposal and improvement in overall recovery from these accounts.

Funding and Liquidity Management

Ensuring adequate liquidity for business and debt servicing remains the key focus area to the treasury. Borrowing from banks remains the majority of your Company's borrowing, providing stability and renewability to the funding profile. Long term capital market borrowings helped increasing the long-term funding source. During the year, your Company sold pools, with the underlying assets being home loans and loans against property under the direct assignment route, thereby broad basing its funding sources and providing capital release. The strong management of borrowing activity was ensured through various levels of supervision and Board oversight as funding and liquidity are key aspects of the company's overall growth trajectory.

A healthy pipeline of bank funding is always maintained to add resilience to the funding profile. Furthermore, for efficiency, pool sales and capital

773

TOTAL NUMBER OF EMPLOYEES

Annexure I

Management Discussion & Analysis *(contd...)*

market sources are tapped as and when they suit the funding profile.

Your Company maintained adequate liquidity buffers in high quality liquid assets to remain funded for lending and repayments. Throughout the year, liquidity maintained was in excess of regulatory requirements. Diversification and maintenance of adequate liquidity remained key objectives. New and well-capitalised lenders were added over the year to create durable and renewable funding sources.

Capital Adequacy Ratio

Your Company has received a total infusion of ₹ 5,100 million from its parent – Fullerton India Credit Company Limited. The Capital Adequacy Ratio of the Company is at 21.6% as against the mandatory requirement of 12% prescribed by National Housing Bank.

Human Resource Management

Your Company believes in creating an ecosystem of growth and development for its employees built on a foundation of trust, transparency and meritocracy. To support the fast-paced growth, your Company has recruited talent with strong ethics and deep domain knowledge. Your Company recognises people as a source of competitive advantage and believes in nurturing their skillsets in this dynamic business environment. Importantly, supervisors are encouraged to dedicate time to mentor their team. During the year, your Company provided on-the-job training to the branch employees in the areas of product, processes, systems and compliance.

Cautionary Statement

This document contains statements about expected future events, financial and operating results of Grihashakti, 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 entirely by the assumptions, qualifications and risk factors referred to in the management's discussion and analysis of Grihashakti's Annual Report, FY2019.

Standalone financials as per IND AS

Analysis of the Financial Statements

During the year, the Company has adopted Indian Accounting Standards (IND AS) as notified by the Ministry of Corporate Affair with effect from 1 April, 2018, with a transition date of 1 April, 2017. These financial statements for the year ended 31 March 2019 are the first financial statements the Company has prepared under IND AS. The financial statements for the year ended 31 March 2018 have been restated in accordance with IND AS for comparative information.

As at 31 March, 2019, the Assets Under Management (AUM) of the business was ₹ 306,451 Lakhs, crossing a major milestone of ₹ 300,000 Lakhs during FY 2018-19. The Company's book size increased by ₹ 116,235 Lakhs from ₹ 190,216 Lakhs in FY 2017-18 to ₹ 306,451 Lakhs in FY 2018-19.

Gross Income increased by 141% and stood at ₹ 32,980 Lakhs (FY 2017-18: ₹ 13,690 Lakhs). The Company's Profit before tax increased by 186% ₹ 296 Lakhs (FY 2017-18: Loss of ₹ 343 Lakhs) and the Profit after tax decreased by 89% to ₹ 48 lakhs (FY 2017-18: ₹ 424 Lakhs) mostly on account of timing difference in taxable income and book profit.

Operating Results Information (₹ Lakhs)

₹ in lakh, except percentages

Particulars	FY2018	FY2019	% change
Interest Income	12,955	30,762	>100%
Interest Expense	5,993	18,388	>100%
Net interest income	6,962	12,374	77.7%
Non-interest income			
- Fee income[1]	151	359	>100%
- Net gain on fair value changes on financial assets measured at FVTPL-Unrealised	1	49	>100%
- Net gain on fair value changes on financial assets measured at FVTPL-Realised	235	1,023	>100%
- Other income[2]	348	787	>100%
Operating income	7,697	14,592	89.6%
Operating expenses	5,233	9,945	90.0%
Operating profit	2,464	4,647	88.7%
Provisions and write-offs (net of write-backs)	2,807	4,351	55.1%
Profit before tax	(343)	296	>100%
Tax, including deferred tax	767	(248)	>100%
Profit after tax	424	48	(88.7%)

Note:
1. *Includes Commission on General Insurance / Sale of Third Party Products.*
2. *Includes Ancillary Income from operations e.g. foreclosure, application fees etc.*

Net interest income and spread analysis

₹ in lakh, except percentages

Particulars	FY2018	FY2019	% change
Interest income	12,955	30,762	>100%
Interest expense	5,993	18,388	>100%
Net Interest income	6,962	12,374	77.8%
Average interest-earning assets[1]	1,28,878	2,70,111	>100%
Average interest-bearing liabilities	69,987	2,09,889	>100%
Net interest margin[2]	5.4%	4.6%	80 bps

Note:
1. *Average interest - earning assets composed of average daily balances of interest-earning portfolio loans (net of write-offs) and interest bearing investments*
2. *Net interest margin equals to net interest income*

Annexure I

Management Discussion & Analysis *(contd...)*

Gross interest income increased by 137% and stood at ₹ 30,762 Lakhs (₹ 12,955 Lakhs in FY2018) due to increase in average interest-earning assets by more than 100%.

Average interest bearing liabilities increased by 200%, while average interest earning assets increased by 110% (due to lower disbursals in Q3FY19) resulting decrease in net interest margin by 80 bps.

Average Earning Assets increased by 110%, from ₹ 128,878 Lakhs in FY2018 to ₹ 2,70,111 Lakhs in FY2019. Growth was contributed by Housing loans, Loans against property and Developer Funding.

The following table sets forth the trend of average interest-earning assets and average interest-bearing liabilities.

₹ in lakh, except percentages

Particulars	FY2018	FY2019	% change
Advances	1,14,719	2,60,949	>100%
Interest earning investments	9,245	6,601	(28.6%)
Other interest earning assets	4,914	2,561	(47.9%)
Total interest earning assets	**1,28,878**	**2,70,111**	**>100%**

Details of interest bearing liabilities:

₹ in lakh, except percentages

Particulars	FY2018	FY2019	% change
Bank Loans	47,920	1,34,233	>100%
Non-Convertible Debentures	17,153	60,047	>100%
Commercial Paper	4,914	15,610	>100%
Borrowings	**69,987**	**2,09,890**	**>100%**

Note: Average balances are the daily averages of balances.

Non-interest income

The following tables set forth the principal components of non-interest income.

₹ in lakh, except percentages

Particulars	FY2018	FY2019	% change
Fee income[1]	151	359	>100%
Net gain on fair value changes on financial assets measured at FVTPL-Unrealised Gain	1	49	>100%
Net gain on fair value changes on financial assets measured at FVTPL- Realised Gain	235	1,023	>100%
Other income[2]	348	787	>100%
Total Non-Interest Income	**735**	**2,218**	**>100%**

Notes:

1. ***Fee Income includes Commission on General Insurance / IHO.***
2. ***Other Income includes foreclosure income, application fees forming part of ancillary income from operations.***

Fee income includes Commission income from IHO Card ₹ 52 Lakhs and income from insurance partners commission of ₹ 307 Lakhs. Net gain on fair value change on financial assets includes realised and unrealised gains. Increase in realised gain was largely due to increase in holding period of investment for maintaining higher liquidity buffer during the liquidity crisis period.

Non-interest expense

The following table sets forth the principal components of non-interest expense.

₹ in lakh, except percentages

Particulars	FY2018	FY2019	% change
Employee benefit expense	2,966	5,662	90.9%
Depreciation	42	234	>100%
Other administrative expenses	2,225	4,049	82.2%
Total non-interest expense	**5,233**	**9,945**	**90.0%**
Provisions and write-offs	2,807	4,351	55.1%

Employee expenses for FY2019 increased by 91% over FY2018 due to an increase in employee's strength of 48%

from 521 to 773. Employee costs as a percentage to total non-interest expenses remains in line with previous year at the year 57%.

During the year, company has added 22 new standalone branches for its business expansion and aspires to scale up the business through strategic initiatives. Other administrative expenses have increased by 82.2%% to reach ₹ 4,049 Lakhs in 2019 (₹ 2,222 Lakhs in FY2018) reflects the business expansion and growth plan.

Provisions and write-off consisting of bad debt write off (net of recoveries), expected credit loss (ECL) on Stage 3, Stage 1 & 2 assets and provision for diminishing investment value. Impairment on financials assets increased from ₹ 2,807 Lakhs to ₹ 4,351 Lakhs for FY2019.

Financial condition

Assets

The following table sets forth the principal components of assets.

₹ in lakh, except percentages

Particulars	At 31 March, 2018	At 31 March, 2019	% change
Cash and Bank Balances	5,705	14,467	>100%
Investments	4,742	31,238	>100%
- Certificate of Deposits / NCD's	4,742	26,234	>100%
- Other investments	-	5,004	100%
Advances (Net of Provisions)	187,488	296,731	58.3%
Property, plant and equipment (including intangibles)	149	1,094	>100%%
Income tax Asset (net)	32	329	>100%
Deferred tax Asset (net)	1,287	1,497	16.4%
Other assets	767	1,406	83.3%
Total assets	**200,170**	**346,762**	**73.2%**

Note: All amounts have been rounded off to the nearest Lakhs.

Total assets increased 73.2 % from ₹ 200,170 Lakhs at 31 March 2018 to ₹ 346,762 Lakhs at 31 March 2019, primarily due to an increase in portfolios loans. Investments including Cash & banks have increased from ₹ 10,447 Lakhs at 31 March 2018 to ₹ 45,705 lakhs at 31 March 2019 mainly to maintain higher liquidity post market turmoil and liquidity squeeze.

Total Advances have grown 58.3 % from ₹ 187,488 Lakhs at 31 March 2018 to ₹ 296,731 Lakhs at 31 March 2019.

Asset quality and composition

The following table sets forth, at the dates indicated, the composition of outstanding portfolio.

₹ in lakh, except percentages

Particulars	31 March, 2018		31 March, 2019	
	Total Advances	% of Total Advances	Total Advances	% of Total Advances
Housing Loans	111,437	58.6%	1,75,916	58.7%
Non- Housing Loans	78,779	41.4%	1,21,738	40.7%
Developer Funding	-		1,786	0.6%
Total portfolio	**190,216**	**100.0%**	**2,99,440**	**100.0%**

The Company focuses broadly on Housing Loans, Loan against property. During year, company has taken new initiatives through launching Developer Funding,

Classification of loans

The Company classifies assets as performing and non-performing as per IND AS 109. An asset is classified as non-performing / Stage 3 assets if any amount of interest or principal remains overdue for period of 90 days or more.

In accordance with IND AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the financial assets. At 31 March 2019, total general provision held against Stage 1 & Stage 2 assets was ₹ 2,038 Lakhs compared with ₹ 1,635 Lakhs at 31 March 2018.

The ratio of GNPA increased to 2.07% in FY19 as against 1.51% in FY18. Net NPAs increased to 1.63% (IND AS-

Annexure I

Management Discussion & Analysis *(contd...)*

1.23%) as at FY19 from 0.90 % (IND AS-0.63%) as at FY18. During FY 2019, the Company write-off NPAs (net of recoveries) with an aggregate amount of ₹ 3,099 Lakhs compared to ₹ 41 Lakhs during FY2018. Company's provision coverage ratio (i.e. total provisions made against NPAs and prudential write-offs as a percentage of gross NPAs and prudential write-offs) at 31 March 2019 is 47.8% (IND AS-60.7%).

Liabilities

The following table sets forth the principal components of liabilities (including capital and reserves).

₹ in lakh, except percentages

Liabilities	At 31 March, 2018	At 31 March, 2019	% change
Equity Share Capital	19,527	24,536	25.7%
Reserves	15,149	25,169	66.1%
Borrowings	133,871	276,099	>100%
- Bank Loans	85,373	193,358	>100%
- Non-Convertible Debentures	38,346	74,988	95.6%
- Commercial Paper	10,152	7,753	(23.6%)
Other liabilities	31,623	20,958	(33.7%)
Total liabilities	**200,170**	**346,762**	**73.2%**

Note: All amounts have been rounded off to the nearest Lakhs.

Total liabilities (including capital and reserves) increased 73.2% from ₹ 200,170 Lakhs at 31 March 2018 to ₹ 346,762 Lakhs at 31 March 2019. During the year, capital was injected amounted ₹ 15,000 Lakhs in September 18 from its parent company Fullerton India Credit Company Limited.

Prudent asset liability management (ALM) with continued focus on raising long term debts and a judicious mix of borrowings between banks; capital markets have helped Company to maintain its cost of borrowings. As of 31 March 2019, total borrowings stood at ₹ 276,099 Lakhs.

The Company continues to closely monitor liquidity in the market and as a part of its ALCO strategy, maintains a liquidity to reduce this risk by maintaining adequate liquidity buffer. Despite headwinds of market liquidity squeeze in FY 2019, the company with its robust ALM policy and management able to face challenge and strongly bounced back with strong disbursals in last quarter of the year. The Company has assigned ₹ 7,144 Lakhs of its receivables during the FY 2019

Key ratios

The following table sets forth key financial ratios:

₹ in lakh, except percentages

Particulars	FY2018	FY2019
Capital Adequacy – Total (%)	24.2	21.6
Return on average equity (%)1	1.4	-
Return on average assets (%)2	0.5	-
Debt Equity Ratio	3.9	5.5
Interest Coverage Ratio	0.9	1.0
Earnings per share	0.2	0.0
Book value per share	17.7	22.6
Cost to income (%)3	68.0	68.6

Notes

1. ***Return on average equity is the ratio of the net profit after tax to the averages of monthly balances of equity share capital and reserves.***
2. ***Return on average assets is the ratio of net profit after tax to average monthly balances of total assets.***
3. ***Cost represents operating expense. Income represents net interest income plus non-interest income.***

The total capital adequacy ratio, computed in accordance with NHB guidelines, decreased by 3.6% and was at 21.6% as at 31 March 2019, with a Tier-1 capital adequacy ratio of 21.1% compared to a total capital adequacy ratio of 24.2% and Tier-1 capital adequacy ratio of 23.5% as at 31 March 2018.

Interest Coverage ratio stood at 1x against the previous year 0.9x, During the year, company's interest coverage ratio have improved. Debt Equity ratio increased to 5.5x from 3.9x due to higher borrowings to fuel the business growth and its expansion plan.

Annexure II

Report on Corporate Governance

I. Corporate Governance Philosophy and Practice

Fullerton India Home Finance Company Ltd (FIHFCL) believes in adopting and adhering to the best recognised corporate governance practices and continuously benchmarks itself against each such practice. It also understands and respects its fiduciary role and responsibility towards its shareholders, customers, employees and other stakeholders and strives hard to meet their expectations.

The Company believes that best board practices and transparent disclosures are necessary for creating shareholders' value. The Company has infused the philosophy of corporate governance into all its activities. The philosophy on corporate governance is an important tool for shareholders' protection and maximisation of their long term values. The cardinal principles such as independence, accountability, responsibility, transparency, fair and timely disclosures, credibility, etc., serve as the means for implementing the philosophy of corporate governance in letter and spirit. In addition to compliance with regulatory requirements, FIHFCL endeavors to ensure highest standards of ethical and responsible conduct.

The Company continuously focuses on upgrading its governance practices and systems to effectively meet the new challenges faced by the Company. It is focused on raising the standards of corporate governance and adopting best systems and procedures. It is also committed to achieve and maintain the highest standards of corporate governance by timely and accurate disclosure of information regarding the performance of the Company.

The constitution of the Board and its Committees are in compliance with the provisions of the Companies Act, 2013 and the NHB regulations. The Company has complied with the Housing Finance Companies – Corporate Governance (NHB) Regulations, 2016 and the applicable provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter "LODR, 2015").

II. Board of Directors

The Corporate Governance principles of the Company ensure that the Board remains informed, independent and provides necessary guidance to the Company. Further the Board is fully aware of its fiduciary responsibilities and recognises its responsibilities to stakeholders to uphold the highest standards in all matters concerning FIHFCL.

All the Directors of the Company are well qualified persons of proven competence and possess the highest level of personal and professional ethics, integrity and values. The Directors exercise their objective judgment independently. The Board is committed towards representing the long term interests of its stakeholders. The Board members actively participate in all strategic issues which are crucial for the long term development of the organisation.

As on date, the Board comprises five Directors, with one Executive Director (CEO & Wholetime Director), two Independent Directors and two Non-Executive Directors. The Chairman of the Board is a Non-Executive Director.

None of the Independent and Non-Executive Directors have any material pecuniary relationship or transactions with the Company.

Four board meetings were held during the year on:

i. 17 May, 2018
ii. 05 September, 2018
iii. 10 December, 2018 and
iv. 12 March, 2019

The time gap between any two meetings was less than 120 days and at least one meeting was held every quarter.

As a matter of good governance, the dates of the Board meetings are fixed in advance for the full calendar year to enable maximum attendance and participation from all the Directors. The relevant background materials of the agenda item are distributed in advance of the meetings. All material information is presented for meaningful deliberations at the meeting. The Board on a continuous basis reviews the actions and decisions taken by it and by the Committees constituted by it.

The Board members meet the senior management personnel from time to time.

The names of the Directors, attendance at Board Meetings and Annual General Meeting during the year, the number of other Directorships and Committee Memberships held by them as on 31 March, 2019 are as follows:

Annexure II

Report on Corporate Governance *(contd...)*

Name of the Director	Category of Directorship (i)	Board meetings attended out of 4 held	Attendance at the last AGM held on 06 July, 2018	Number of other* Directorships		Number of Committee memberships (iv)
				in other Indian public limited companies (ii)	in other Companies (iii)	
Mr. Rakesh Makkar	ED	4/4	Yes	Nil	1	Nil
Mr. Anindo Mukherjee	Chairman, NED	4/4	No	2	7	1
Mr. Kenneth Ho (Resigned w.e.f. 26 October, 2018)	NED	2/4	No	Nil	1	Nil
Dr. Milan Shuster	ID	4/4	No	1	Nil	1
Ms. Renu Challu	ID	4/4	No	6	Nil	5
Ms. Rajashree Nambiar (Appointed as Non-executive Director w.e.f. 30 October, 2018)	NED	2/4	No	1	Nil	Nil

Notes: * "Others" excludes the Company itself

i. ***Category of Directorship:***

MD – Managing Director

ED – Executive Director

NED – Non Executive Director

ID – Independent Director

ii. ***Comprises public limited companies incorporated in India.***

iii. ***Other Companies Comprises private limited companies incorporated in India, foreign companies and Section 8 companies.***

iv. ***Only membership/chairmanship of the Audit Committee and Shareholders'/Investors Grievance Committee held in public limited companies have been considered.***

v. ***None of the Directors of the Company hold Directorship in more than 10 Public Companies or is a member in more than 10 Committees or acts as Chairman of more than 5 Committees across all companies in which he or she is a Director.***

Separate Meeting of Independent Directors

During the year under review, in line with requirements of schedule IV to the Companies Act, 2013 read with the provisions of Section 149(8) of the Companies Act, 2013, the independent directors of the Company had a separate meeting on 12 March, 2019 without the presence of the management team and non-independent directors of the Company.

Regularisation of appointment of Additional Director

The Board had appointed Ms. Rajashree Nambiar as an Additional Director of the Company with effect from 30 October, 2018. In terms of Section 160 of the Companies Act, 2013, her term of office is up to the date of the ensuing Annual General Meeting. The Company has received her consent to act as a Director, if appointed, and that she is not disqualified under sub-section (2) of section 164 of the Companies Act, 2013. Brief profile of Ms. Nambiar is as under:

Ms. Nambiar is Chief Executive Officer and Managing Director at Fullerton India Credit Company Limited. (Company's holding Company). In this role, she is responsible for the overall corporate strategy of the Company and its subsidiaries. Prior to joining Fullerton India, Ms. Nambiar served as the CEO and Executive Director of India Infoline Finance Ltd, the NBFC arm of IIFL group. At IIFL Finance, she successfully developed and executed on a long term business strategy focused on diversification of the retail segment into retail housing, commercial vehicles, Gold loans and SME loans; she has created a robust organisational structure with centers of excellence for core functions, and a strong future leadership pipeline. During her stint, IIFL Finance has shown strong year on year profitability with doubling of the book in a short span of 3 years. Prior to joining IIFL, Ms. Nambiar spent 22 years with Standard Chartered Bank within the retail segment where she held various management roles such as Head of Branch Banking, Country Head of Distribution and General Manager - Distribution & Alternate Channels, India & South Asia. Her last position at the Bank was as Head of Retail Products for India & South Asia. Ms. Nambiar is an MBA from Jamnalal Bajaj Institute of Management Studies.

Ms. Nambiar does not hold any shares in the Company.

Director seeking reappointment

Mr. Anindo Mukherjee will be retiring at the forthcoming annual general meeting of the Company. He being eligible has offered himself for re-appointment. The brief profile of Mr. Anindo Mukherjee is as under:

Mr. Anindo Mukherjee was appointed as an Additional Director (Non-Executive Director) of the Company with effect from 13 December 2017. Currently he also holds the position of the Non-Executive Director in Fullerton India Credit Company Limited (the Company's holding company).

Mr. Anindo Mukherjee has more than 25 years of banking experience. He is presently the Chairman of the Company and Non-Executive Director of Fullerton India Credit Company Limited. He also heads the Integrated Risk Management function at Fullerton Financial Holdings Pte. Ltd. (FFH), Singapore. Prior to joining FFH, Mr. Mukherjee was responsible for the Risk Management, Legal and Compliance functions in Fullerton India. Before Fullerton India, he was with Standard Chartered Bank, where he was the Regional Credit Officer for the Consumer Business in India & South Asia. Mr. Mukherjee had exposure across a variety of international and private banks, including Bank of America, ABN AMRO Bank and HDFC Bank.

Mr. Anindo Mukherjee does not hold any shares in the Company.

III. Board Committees

(a) Audit Committee

Terms of Reference

The powers and terms of reference of the Audit Committee are comprehensive and include the requirements as set by Section 177 of the Companies Act, 2013. The Committee is vested with necessary powers as defined in its charter to achieve its objectives. The role of the Committee in brief includes the following:

- To review appointment, removal, remuneration and terms of appointment of internal and external auditors;
- To monitor the auditors' independence and performance, and effectiveness of internal and external audit process
- To review financial statements and to oversee the financial reporting process;
- Examination of the internal and external auditors' reports and findings
- Reviewing the adequacy, sufficiency, appropriateness and compliance of internal control systems
- To review and approve related party transactions of the company
- To conduct scrutiny of inter-corporate loans and investments
- To approve valuation of undertakings or assets or net worth of a company or its liabilities
- To oversee the vigil mechanism
- To approve provision of any other services by auditors apart from audit

Composition

The Audit Committee currently comprises of two independent directors and one non-executive director. All the members of the Audit Committee are financially literate and persons of proven competence and integrity. The Company Secretary acts as the Secretary to the Committee. The Statutory Auditors and Internal Auditors are invited to the meeting to bring out the issues which they may have with regards to finance, operations, processes, systems and other allied matters.

The Audit Committee Meeting was held five times during the year on the following dates and the necessary quorum was present at the meeting.

i. 17 May, 2018
ii. 05 September, 2018
iii. 31 October, 2018
iv. 10 December, 2018 and
v. 12 March, 2019

The details of the composition of the Committee and attendance at its Meetings are set out in the following table:

Name of Member	Number of Meetings Attended
Ms. Renu Challu	5/5
Mr. Anindo Mukherjee	5/5
Dr. Milan Shuster	5/5

The proceeding of the Audit Committee Meetings was noted by the Board of Director at its meeting.

(b) Risk Oversight Committee

The Company has a comprehensive, well-established and detailed risk management framework. The Company especially focuses on improving sensitivity to assessment of risks and improving methods of computation of risk weights, processes and procedures. The Company has constituted a Risk Oversight Committee to identify, review and control key risk areas, across the entire organisation as per the requirements of NHB guidelines.

Terms of Reference

Risk Oversight Committee is a dedicated Board-level committee that monitors the risk management in the Company. The risk assessment and mitigation procedures are reviewed by the Board periodically. The role of the Committee in brief includes the following:

- Oversee the development of risk policies and strategies
- Implement risk policies relevant to all business units
- Ensure that all activities are in compliance with the Prudential Regulations and also within the framework of the policies and controls established by the relevant units of the Company
- Formulate the policy for the consideration of the Board on client profile, products and risk return matrix on the asset side
- Studying the market with regards to interest rate risk, currency risk and other financial risks
- Formulating the policy on raising the resources based on the perceived risk parameters
- Sanction of the credit limits within ceiling prescribed by the Board
- Determining the terms of the sanction such as the interest rate, security, repayment, documents, etc. within the overall credit policy of the company

The Risk Oversight Committee (ROC) controls and manages the inherent risks relating to the Company's activities in the following categories:

- Credit Risk
- Market Risk/Liquidity Risk
- Liquidity Risk Management
- Currency Risk
- Interest Rate Risk
- Operational Risk
- Regulatory/Reputational Risk, etc.

Composition

The Risk Oversight Committee currently comprises of two Independent Director and one Non-Executive Director.

Meetings

The Risk Oversight Committee meetings were held on the following dates and the necessary quorum was present at all the meetings:

i. 17 May, 2018
ii. 05 September, 2018
iii. 10 December, 2018 and
iv. 12 March, 2019

The details of the composition of the Committee and attendance at its Meetings are set out in the following table:

Name of Member	Number of Meetings Attended
Mr. Kenneth Ho, Chairman (resigned w.e.f. 26 October, 2018)	2/4
Mr. Rakesh Makkar (resigned w.e.f. 05 September, 2018)	2/4
Ms. Renu Challu	4/4
Dr. Milan Shuster (appointed w.e.f. 05 September, 2018)	2/4
Ms. Rajashree Nambiar (appointed w.e.f. 30 October, 2018)	2/4

The proceedings of the Risk Oversight Committee Meetings were noted by the Board of Directors at its meetings. The Company Secretary acts as secretary to the Committee.

(c) Nomination and Remuneration Committee

Terms of Reference

The Company has a Nomination & Remuneration Committee (NRC) pursuant to the requirements of Section 178 of the Companies Act, 2013 and NHB guidelines. The Committee is vested with necessary powers, as per its Charter approved by the Board.

The Terms of Reference of Nomination and Remuneration Committee in brief are as under:

Nomination Functions:

- Review the structure, size and composition of the Board
- Formulate the criteria for determining qualifications, positive attributes and independence of directors

- Be responsible for identifying and nominating for the approval of the Board, persons who are qualified to become directors and who are "fit and proper" and may be appointed in senior management in accordance with the criteria laid down
- Carry out evaluation of the Directors' performance
- Evaluate suitable candidates and approve the appointment of the managing director, key managerial personnel and the Company's leadership team members
- Formulate plans for succession of the managing director, key managerial personnel and the leadership team members
- Re-appoint any non-executive director at the conclusion of his or her specified term of office
- Recommend re-election of director retiring by rotation

Remuneration Functions:

- Finalise a policy, relating to the remuneration for the directors, key managerial personnel and other employees
- Determine the remuneration payable to the directors
- Recommend the compensation for the managing director, key managerial personnel and each of the leadership team members
- Review deployment of key Human Capital strategies and tools.

Composition

The Nomination and Remuneration Committee currently comprises of two independent directors and one non-executive Director.

Meetings

The Nomination and Remuneration Committee meeting was held three times during the year on the following dates and the necessary quorum was present at the meeting.

i. 17 May, 2018

ii. 10 December, 2018 and

iii. 12 March, 2019

The Committee meets on need basis.

The details of the composition of the Committee and attendance at its meetings are set out in the following table:

Name of Member	Number of Meetings Attended
Dr. Milan Shuster, Chairman	3/3
Ms. Renu Challu	3/3
Mr. Anindo Mukherjee	3/3

The proceeding of the Nomination and Remuneration Committee meeting was noted by the Board of Directors at its meeting

(d) IT Strategy Committee Meeting

The Company has an IT Strategy Committee to comply with the requirements of National Housing Bank ("NHB"), in its master circular on IT Framework for the HFC's in June, 2018. The Committee is vested with necessary powers, as laid down in its charter to achieve its objectives.

Terms of Reference

The Terms of Reference of the IT Strategy Committee in brief are as under:

- Reviewing and approving IT strategy and other IT policy documents
- Monitoring IT processes, and practices
- Monitoring IT investments, budgets and plans
- Reviewing cyber security matters
- Reviewing outsourced strategies and processes
- Reviewing business continuity preparedness and contingency plans
- Reviewing all other matters related to IT Governance

Composition

The IT Strategy Committee currently comprises of one independent director and two Non-Executive Director.

Meetings

The IT Strategy Committee was constituted during the year and hence meetings yet to commence.

Besides the above committees, your Company formed Wilful Defaulters Review Committee in terms of NHB guidelines on wilful defaulters. The Company Secretary acts as Secretary to this Committee. This Committee meets on need basis. Since no circumstances arose requiring meeting, the Committee did not meet during the last fiscal year.

Your Company has other management committees such as Asset Liability (Management) Committee (ALCO) formed as per the circular NHB/ND/DRS/Pol No. 35/ 2010-11 dated 11 October, 2010 issued by the National Housing Bank (NHB), as amended from time to time.

Report on Corporate Governance *(contd...)*

IV. Code of Conduct

The Company adopted the code of conduct approved by the Board of Directors which is binding on the employees of the Company and the same has been complied with.

V. Directors & Officers Liability Insurance coverage

The Company's holding company viz. Fullerton India Credit Company Limited has obtained Directors and Officers Liability Insurance coverage from HDFC Ergo General Insurance Company Ltd to the extent of ₹ 20 crores along with entity cover under Employees' Practices Liability and any other legal action that might be initiated against the Directors & Officers. The said policy cover extends to this Company as well.

VI. General Body Meetings

The details of the General Body Meetings held in the last three financial years are given below:

General Body Meeting	Day, Date	Time	Venue
Extra ordinary General Meeting	Friday, 22 April, 2016	11:30 AM	Corp Office: Floor 6, B Wing, Supreme Business Park, Supreme City, Behind Lake Castle, Powai, Mumbai – 400076
Annual General Meeting	Wednesday, 14 July, 2016	2:30 PM	Regd. Office: Megh Towers, 3rd Floor, Old No. 307, New No. 165, Poonamallee High Road, Maduravoyal, Chennai – 600095
Extra ordinary General Meeting	Tuesday, 18 October, 2016	11:30 AM	Corp Office: Floor 6, B Wing, Supreme Business Park, Supreme City, Behind Lake Castle, Powai, Mumbai – 400076
Extra-ordinary General Meeting	Wednesday, 26 April, 2017	11:30 AM	Corp Office: Floor 6, B Wing, Supreme Business Park, Supreme City, Behind Lake Castle, Powai, Mumbai – 400076
Annual General Meeting	Wednesday, 12 July, 2017	11:00 AM	Regd. Office: Megh Towers, 3rd Floor, Old No. 307, New No. 165, Poonamallee High Road, Maduravoyal, Chennai – 600095
Extra-ordinary General Meeting	Thursday, 15 March, 2018	11:30 AM	Corp Office: Floor 6, B Wing, Supreme Business Park, Supreme City, Behind Lake Castle, Powai, Mumbai – 400076
Extra-ordinary General Meeting	Thursday, 26 April, 2018	11:00 AM	Corp Office: Floor 6, B Wing, Supreme Business Park, Supreme City, Behind Lake Castle, Powai, Mumbai – 400076
Annual General Meeting	Friday, 06 July, 2018	2:30 PM	Regd. Office: Megh Towers, 3rd Floor, Old No. 307, New No. 165, Poonamallee High Road, Maduravoyal, Chennai – 600095
Extra-ordinary General Meeting	Friday, 04 January, 2019	11:30 AM	Corp Office: Floor 6, B Wing, Supreme Business Park, Supreme City, Behind Lake Castle, Powai, Mumbai – 400076

The details of the special resolutions passed in General Meetings held in the previous three financial years are given below:

General Body Meeting	Day, Date	Resolution
Extra ordinary General Meeting	Friday, 22 April, 2016	1. To approve power to borrow funds pursuant to the provisions of section 180(1)(c) of the Companies Act, 2013, not exceeding ₹ 2,000 Crores 2. To approve the power to create charge on the assets of the company pursuant to section 180(1)(a) of the Companies Act, 2013 3. To approve issuance of debt securities pursuant to the provisions of section 42 and 71 of the Companies Act, 2013 on private placement basis not exceeding ₹ 1000 crores. 4. To approve issuance of subordinated debt qualifying to raise Tier II capital not exceeding ₹ 300 crores.
Annual General Meeting	Tuesday, 14 July, 2016	No special resolutions passed
Extra ordinary General Meeting	Tuesday, 18 October, 2016	1. To Appoint Mr. Anand Natarajan as Managing Director
Extra-ordinary General Meeting	Wednesday, 26 April, 2017	1. To approve power to borrow funds pursuant to the provisions of section 180(1)(c) of the Companies Act, 2013, not exceeding ₹ 2,500 crores 2. To approve the power to create charge on the assets of the company pursuant to section 180(1)(a) of the Companies Act, 2013 3. To approve issuance of debt securities pursuant to the provisions of section 42 and 71 of the Companies Act, 2013 on private placement basis not exceeding ₹ 1000 crores. 4. To approve issuance of subordinated debt qualifying to raise Tier II capital not exceeding ₹ 300 crores.
Annual General Meeting	Wednesday, 12 July, 2017	1. To reappoint Ms. Renu Challu as an Independent Director 2. To reappoint Dr. Milan Shuster as an Independent Director
Extra ordinary General Meeting	Thursday, 15 March, 2018	No special resolution was passed
Extra ordinary General Meeting	Thursday, 26 April, 2018	1. To approve power to borrow funds pursuant to the provisions of section 180(1)(c) of the Companies Act, 2013, not exceeding ₹ 5000 Crores 2. To approve the power to create charge on the asset of the company pursuant to 180(1)(a) of the Companies Act, 2013 3. To approve issuance of debt securities pursuant to the provisions of section 42 and 71 of the Companies Act, 2013 on private placement basis not exceeding ₹ 2,500 Crores. 4. To approve issuance of subordinated debt qualifying to raise Tier II capital not exceeding ₹ 300 crores.
Annual General Meeting	Friday, 06 July, 2018	1. To appoint Mr. Anindo Mukherjee (DIN 00019375) as Director of the Company
Extra-ordinary General Meeting	Friday, 04 January, 2019	1. Payment of remuneration to Whole Time Director in excess of limits prescribed in Schedule V to the Companies Act, 2013

All the resolutions were passed by show of hands and no resolutions were passed by postal ballot.

VII. Disclosures

i. Disclosures on materially significant related party transactions that may have potential conflict with the interests of company at large:

   The particulars of the transactions between the company and 'related parties' are provided at Note No. 35 in Notes to accounts published elsewhere in the Annual Report. None of the transactions are likely to have any conflict with Company's interest.

ii. Details of non-compliance by the company, penalties, strictures imposed on the company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years – NIL

VIII. CEO/CFO Certificate:

The CEO and the CFO of the Company have certified to the Board with regard to the financial statements and other matters. This certificate is included as Annexure III to the Directors' Report.

Annexure III

Certification by Chief Executive Officer (CEO) and Chief Financial Officer (CFO)

To,
The Shareholders and the Board of Directors
Fullerton India Home Finance Company Limited

We, Rakesh Makkar, Chief Executive Officer & Whole-time Director and Pankaj Malik, Chief Financial Officer, of Fullerton India Home Finance Company Limited, to the best of our knowledge and belief, certify that:

a. We have reviewed the financial statements and the cash flow statements for the year ended 31 March, 2019 (hereinafter referred to as the year) and that to the best of our knowledge and belief:

   i. These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;

   ii. These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

b. There are no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's internal policies

c. We accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and have taken requisite steps to rectify these deficiencies.

d. We have indicated to the Auditors and the Audit Committee;

   i. Significant changes in internal control over financial reporting during the year; and

   ii. Significant changes in accounting policies during the year and the same have been disclosed in the notes to the financial statements.

e. There had been 2 instance of fraud reported by the Company to the Board. The Company has taken appropriate action against the same. The Company is registered as a non-deposit-taking housing finance company.

Sd/-
Rakesh Makkar
CEO & Wholetime Director

Sd/-
Pankaj Malik
Chief Financial Officer

Place: Mumbai
Date: 28 May, 2019

Annexure IV
Form No. MR-3

Secretarial Audit Report

for the financial year ended 31 March, 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 Board of Directors,
Fullerton India Home Finance Company Limited

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **Fullerton India Home Finance Company Limited** (hereinafter called "the Company"). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company (as per Annexure I, hereinafter referred to as "Books and Papers")and also the information provided by the Company, its officers, agents and authorised representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the period covered by our audit, that is to say, from 01 April, 2018 to 31 March, 2019 (hereinafter referred to as "financial year under review"), 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 and Papers maintained by the Company for the financial year under review according to the provisions of:

1. The Companies Act, 2013 ("the Act") and the rules made thereunder;
2. The Depositories Act, 1996 and the regulations and bye-laws framed thereunder;
3. Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment and External Commercial Borrowing;

The following Regulations and Guidelines prescribed under Securities and Exchange Board of India Act, 1992 ('SEBI Act');

a. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
b. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
c. The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;
d. The Securities and Exchange Board of India (Debenture Trustee) Regulations, 1993 (in relation to obligations of Issuer Company);

Specific Laws applicable as mentioned hereunder:

a. National Housing Bank Act, 1987;
b. The Housing Finance Companies (NHB) Directions, 2010;
c. Housing Finance Companies – Auditor's Report (National Housing Bank) Directions, 2016
d. Guidelines on KYC and ALM Measures;
e. Returns to be submitted by HFC;
f. Guidelines for Asset Liability Management System in Housing Finance Companies;
g. Housing Finance Companies – Corporate Governance (National Housing Bank) Directions, 2016;
h. Housing Finance Companies issuance of Non-Convertible Debentures on private placement basis (NHB) Directions, 2014;
i. Guidelines on Fair Practices Code (FPC) for all HFCs;
j. Miscellaneous Circulars;
k. Policy Circulars.
l. Insurance Regulatory and Development Authority of India (Registration of Corporate Agents) Regulations, 2015.

We have also examined compliance with the applicable clauses of Secretarial Standards 1 and 2 issued by the Institute of Company Secretaries of India;

We report that during the financial year under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards etc. mentioned above.

Management Responsibility:

i. Maintenance of secretarial records is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit;
ii. We have followed the audit practices and the 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;

iii. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company or examined any books, information or statements other than Books and Papers;

iv. We have not examined any other specific laws except as mentioned above;

v. Wherever required, we have obtained the Management Representation about the compliance of laws, rules and regulation and happening of events etc.;

vi. 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 procedure on test basis;

vii. 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.

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 financial year 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, and 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 dissenting members' views were not required to be captured and recorded as part of the minutes as there were no such instance.

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 financial year under review, the Company has not incurred any specific event/ action listed below that can have a major bearing on the company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc., except as follows:

i. Right Issue of Equity Shares

During the period under review, 50,083,473 equity shares of face value of ₹ 10 at a premium of ₹ 19.95 per share were allotted on 28 September, 2018 for cash, aggregating to ₹ 1,500,000,017 to Fullerton India Credit Company Limited.

ii. Private Placement of Secured Non-Convertible Debentures

During the period under review, the Company has allotted secured NCDs from Series 6 to Series 11 amounting to ₹ 343 crore.

iii. Increase of borrowing limit to ₹ 5,000 Crores:

Special resolution, in terms of section 180 (1) (a) & (c) was passed in the extraordinary general meeting held on 26 April, 2018 to affirm the borrowing powers of the Company to the extent of ₹ 5,000 crores as per details provided in the resolution passed.

For **M/s Vinod Kothari & Company**
Company Secretaries in Practice

Sd/-
Vinita Nair
Partner
Membership No: A31669
CP No.: 11902

Place: Mumbai
Date: 18 May, 2019

List of Documents

1. Corporate Matters

1.1 Minutes books of the following were provided:

   1.1.1 Board Meeting;

   1.1.2 Audit Committee;

   1.1.3 Nomination and Remuneration Committee;

   1.1.4 Risk Oversight Committee;

   1.1.5 Asset Liability Management Committee;

   1.1.6 General Meeting;

1.2 Notice and agenda for Board and Committee Meetings;

1.3 Financial Statements for FY ending 2018;

1.4 Disclosures under Act, 2013 and Rules made thereunder;

1.5 Policies framed under Act, 2013 and NHB regulations for HFCs;

1.6 Forms and returns filed with the ROC & NHB & IRDA;

1.7 Registers maintained under Companies Act, 2013;

Annexure V
Form No. MGT-9

Extract of Annual Return

as on the financial year ended on 31 March, 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	U65922TN2010PLC076972
2.	Registration Date	12/08/2010
3.	Name of the Company	Fullerton India Home Finance Company Limited
4.	Category/Sub-category of the Company:	Category: Company Limited Shares Sub-category: Indian Non- Government company
5.	Address of the Registered office & contact details	Megh Towers, Third Floor, Old No-307,New No-165, Poonamallee High Road, Maduravoyal, Chennai, Tamil Nadu- 600095. Phone No.: 044 42886534 Email ID: Secretarial@fullertonindia.com
6.	Whether listed company	Yes*
7.	Name, Address & contact details of the Registrar & Transfer Agent, if any.	Link Intime India Private LimitedC-101, 1st Floor, 247 Park, Lal Bahadur Shastri Marg, Vikhroli (West) Mumbai – 400083. Toll free no. (India): 1800 1020 878 Telephone: 022 - 4918 6270 Fax: 022 - 4918 6060 email: rnt.helpdesk@linkintime.co.in Website: https://www.linkintime.co.in

**Non-convertible debentures (NCD) of the Company are listed on National Stock Exchange of India Ltd.*

II. Principal Business activities of the Company

All the business activities contributing 10 % or more of the total turnover of the company shall be stated.

Sl. No.	Name and Description of main products / services	NIC Code of the Product/service	% to total turnover of the company
1	Housing Finance Business	65922	100

III. Particulars of Holding, Subsidiary and Associate Companies

Sl. No.	Name and Address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
1	Fullerton India Credit Company Limited	U65191TN1994PLC079235	Holding	100	Section 2(46)

Annexure V
Form No. MGT-9

Extract of Annual Return *(contd...)*

as on the financial year ended on 31 March, 2019

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				No. of Shares held at the end of the year				%Change during the. year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a) Individual/ HUF	0	0	0	0	0	0	0	0	0
b) Central Govt	0	0	0	0	0	0	0	0	0
c) State Govt(s)	0	0	0	0	0	0	0	0	0
d) Bodies Corporate	0	19,52,73,443	19,52,73,443	100	24,53,56,910	6	24,53,56,916	100	25.65
e) Banks / FI	0	0	0	0	0	0	0	0	0
f) Any other	0	0	0	0	0	0	0	0	0
Sub-total (A)(1)	**0**	**19,52,73,443**	**19,52,73,443**	**100**	**24,53,56,910**	**6**	**24,53,56,916**	**100**	**25.65**
(2) Foreign									
a) NRIs -Individuals	0	0	0	0	0	0	0	0	0
b) Other -Individuals	0	0	0	0	0	0	0	0	0
c) Bodies Corporate	0	0	0	0	0	0	0	0	0
d) Banks / FI	0	0	0	0	0	0	0	0	0
e) Any other	0	0	0	0	0	0	0	0	0
Sub-total (A)(2)	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total shareholding of Promoter (A)=(A)(1) + (A)(2)	**0**	**19,52,73,443**	**19,52,73,443**	**100**	**24,53,56,910**	**6**	**24,53,56,916**	**100**	**25.65**
B. Public Shareholding									
(1) Institutions									
a) Mutual Funds/ UTI	0	0	0	0	0	0	0	0	0
b) Banks / FI	0	0	0	0	0	0	0	0	0
c) Central Govt	0	0	0	0	0	0	0	0	0
d) State Govt(s)	0	0	0	0	0	0	0	0	0
e) Venture Capital Funds	0	0	0	0	0	0	0	0	0
f) Insurance Companies	0	0	0	0	0	0	0	0	0
g) FIIs	0	0	0	0	0	0	0	0	0
h) Foreign Venture Capital Funds	0	0	0	0	0	0	0	0	0
i) Others (specify)	0	0	0	0	0	0	0	0	0
Sub-total (B)(1)	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
2. Non-Institutions									
a) Bodies Corp.									
i) Indian	0	0	0	0	0	0	0	0	0
ii) Overseas	0	0	0	0	0	0	0	0	0
b) Individuals									
i) Individual shareholders holding nominal share capital upto ₹ 1 lakh	0	0	0	0	0	0	0	0	0
ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	0	0	0	0	0	0	0	0	0
c) Others (specify)									
Non Resident Indians	0	0	0	0	0	0	0	0	0

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				%Change during the. year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
Overseas Corporate Bodies	0	0	0	0	0	0	0	0	0
Foreign Nationals	0	0	0	0	0	0	0	0	0
Foreign Portfolio Investor -Corporate	0	0	0	0	0	0	0	0	0
Market Maker	0	0	0	0	0	0	0	0	0
Clearing Members	0	0	0	0	0	0	0	0	0
Directors/ Relatives	0	0	0	0	0	0	0	0	0
Trusts	0	0	0	0	0	0	0	0	0
Sub-total (B)(2)	0	0	0	0	0	0	0	0	0
Total Public Shareholding (B)=(B)(1)+ (B)(2)	0	0	0	0	0	0	0	0	0
C. Shares held by Custodian for GDRs & ADRs	0	0	0	0	0	0	0	0	0
Grand Total (A+B+C)	0	19,52,73,443	19,52,73,443	100	24,53,56,910	6	24,53,56,916	100	25.65

ii) Shareholding of Promoter-

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in share holding 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	
1	*M/s. Fullerton India Credit Company Limited	19,52,73,443	100	-	24,53,56,916	100	-	25.65

** 6 (Six Shares) Held by Individuals as Nominee Shareholders of M/s. Fullerton India Credit Company Limited.*

iii) Change in Promoters' Shareholding

Sl. No.	Particulars	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.	At the beginning of the year	19,52,73,443	100	0	0
	Date wise Increase / ~~Decrease~~ in Promoters Shareholding during the year specifying the reasons for increase / ~~Decrease~~ :	5,00,83,473 (Shares allotted on 28 September, 2018 through rights issue.)	20.41	24,53,56,916	100
	At the end of the year	-	-	24,53,56,916	100

Annexure V
Form No. MGT-9

Extract of Annual Return *(contd...)*

as on the financial year ended on 31 March, 2019

iv) Shareholding Pattern of top ten Shareholders: Other than Directors, Promoters and Holders of GDRs and ADRs):

There are no Shareholders other than Promoters.

Sl. No.	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year		Shareholding at the end of the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1.	-	-	-	-	-

v) Shareholding of Directors and Key Managerial Personnel:

None of the shares held by Directors or Key Managerial Personnel

Sl. No.	Shareholding of each Directors and each Key Managerial Personnel	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.	At the beginning of the year	-	-	-	-
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase /decrease (e.g. allotment / transfer / bonus/ sweat equity etc.):	-	-	-	-
	At the end of the year	-	-	-	-
2.	At the beginning of the year	-	-	-	-
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase /decrease (e.g. allotment / transfer / bonus/ sweat equity etc.):	-	-	-	-
	At the end of the year	-	-	-	-
3.	At the beginning of the year	-	-	-	-
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase /decrease (e.g. allotment / transfer / bonus/ sweat equity etc.):	-	-	-	-
	At the end of the year	-	-	-	-

V. Indebtedness

Indebtedness of the Company including interest outstanding/accrued but not due for payment, for FY 2018-2019

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total in (₹) Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	12,22,50,00,000	1,05,00,00,000	-	13,27,50,00,000
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	15,91,77,407	-	-	15,91,77,407
Total (i+ii+iii)	12,38,41,77,407	1,05,00,00,000	-	13,43,41,77,407
Change in Indebtedness during the financial year				
* Addition	15,33,00,00,000	3,57,00,00,000	-	18,90,00,00,000
* Reduction	1,05,00,00,001	3,80,00,00,000	-	4,85,00,00,001
Net Change	14,27,99,99,999	(23,00,00,000)	-	14,04,99,99,999
Indebtedness at the end of the financial year				
i) Principal Amount	26,50,49,99,999	82,00,00,000	-	27,32,49,99,999
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	38,43,25,026	-	-	38,43,25,026
Total (i+ii+iii)	26,88,93,25,026	82,00,00,000	-	27,70,93,25,026

VI. Remuneration of Directors and Key Managerial Personnel-

A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

Sl. No.	Particulars of Remuneration	Mr. Rakesh Makkar (Whole-time Directors)	Total Amount (In ₹)
1	Gross salary		
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	25272224	25272224
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	642576	642576
	(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-	7,28,616	728616
	(i) Co's Contribution to PF[3]		
	(ii) Incentive Accrued [4]		
	(iii) Superannuation [5]		
	Total (A)	26643416	26643416

Annexure V
Form No. MGT-9

Extract of Annual Return *(contd...)*

as on the financial year ended on 31 March, 2019

B Remuneration to other directors

1. Independent Directors

Sl. No.	Particulars of Remuneration	Name of Directors		Total Amount (₹)
		Dr. Milan Robert Shuster	Ms. Renu Challu	
	Fee for attending Board Committee Meetings	8,75,000	9,75,000	18,50,0000
	Commission	-	-	-
	Others, please specify	-	-	-
	Total (B)(1)	8,75,000	9,75,000	18,50,0000

2 Other Non-Executive Directors

Sl. No.	Particulars of Remuneration	Name of Directors			Total Amount
		Mr. Kenneth Ho	Mr. Anindo Mukherjee	Ms. Rajashree Nambiar	
	Fee for attending Board/ Committee Meetings	-	-	-	-
	Commission	-	-	-	-
	Others, please specify	-	-	-	-
	Total (B)(2)	-	-	-	-
	Total (B)=(B)(1)+(B)(2)	-	-	-	-

**Remuneration/fees not paid to Non-Executive Directors*

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

Sl. No.	Particulars of Remuneration	Key Managerial Personnel			Total (In ₹)
		Mr. Pankaj Malik (CFO)	*Mr. Jitendra Maheshwari (CS)	**Ms. Seema Sarda (CS)	
			Apr – Jun 18	Sep – Mar 19	
	Gross salary				
1	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	NIL	685463	2519842	3205305
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	NIL	-	-	-
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	NIL	-	-	-
2	Stock Option	NIL	-	-	-
3	Sweat Equity	NIL	-	-	-
4	Commission - as % of profit - others, specify.	NIL	-	-	-
5	Others, please specify Co's Contribution to PF	NIL	31500	76312	107812
	Total	NIL	716963	2596154	3313117

**Mr. Jitendra Maheshwari, Company Secretary of the Company has resigned w.e.f. 15 June, 2018.*
***Ms. Seema Sarda appointed as Company Secretary w.e.f. 05 September, 2018.*

VII. Penalties / Punishment/ Compounding of Offences:

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment/ Compounding fees imposed	Authority [RD / NCLT/ COURT]	Appeal made, if any (give Details)
A. Company					
Penalty					
Punishment			NIL		
Compounding					
B. Directors					
Penalty					
Punishment			NIL		
Compounding					
C. Other Officers in default					
Penalty					
Punishment			NIL		
Compounding					

CORPORATE REVIEW

STATUTORY REPORTS

FINANCIAL STATEMENTS

Independent Auditor's Report

To the Members of
Fullerton India Home Finance Company Limited

Report On The Audit Of The Financial Statements

Opinion

We have audited the accompanying financial statements of Fullerton India Home Finance Company Limited (the 'Company'), which comprise the Balance Sheet as at 31 March, 2019, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of the 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 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 Indian Accounting Standards specified under Section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015 as amended ('Ind AS') and other accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March, 2019, and its profit and other comprehensive income, the changes in equity and cash flows for the year ended on that date.

Basis For Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) 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 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 (the 'ICAI') together with the ethical requirements that are relevant to our audit of these 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 ICAI Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters:

Key Audit Matter	How The Matter Was Addressed In Our Audit
Transition date accounting – adoption of new accounting framework (Ind AS) Refer to the accounting policies in the Financial Statements: Significant accounting policies -Basis of preparation and Note 34 to the financial statements: "First time adoption of Ind AS"	
Effective 1 April 2018, the Company adopted the Ind AS notified by the Ministry of Corporate Affairs with the transition date of 1 April 2017. The following are the major impact areas for the Company upon transition: • Classification and measurement of financial assets and financial liabilities • Measurement of loan losses (expected credit losses) • Accounting for loan fees and costs • Additional disclosures as per the requirements of the new financial reporting framework	Our key audit procedures included: **Design / controls** • Assessed the design, implementation and operating effectiveness of key internal financial controls over management's evaluation of transition date choices and exemptions availed in line with the principles under Ind AS 101. • We have also noticed the approvals of Audit Committee for the choices and exemptions made by the Company for compliance/acceptability under Ind AS 101.

Independent Auditor's Report *(contd...)*

Key Audit Matter	How The Matter Was Addressed In Our Audit
Transition to the new financial reporting framework (Ind AS) is an intricate process involving multiple decision points for management i.e: Ind AS 101, First Time Adoption prescribes choices and exemptions for first time application of Ind AS principles at the transition date. We identified the transition date accounting as a key audit matter because of the significant degree of management judgment in the first time application of Ind AS principles as at the transition date particularly in the areas noted above and the additional disclosures associated with transition to Ind AS.	**Substantive tests** • Evaluated management's transition date choices and exemptions for compliance / acceptability under Ind AS 101; • Understood the methodology implemented by management to give impact on the transition; • Test checked the computations associated with the transition adjustments; • Assessed areas of significant estimates and management judgement in line with principles under Ind AS; • Compared the reasonableness of management assumptions in respect of classification and measurement of financial instruments, expected credit loss model, cash settled share based payments, etc.

Impairment Of Portfolio Loans

Refer to the accounting policies in "Note 1.C.2 to the Standalone Financial Statements: Impairment and write off", "Note 1.B.v to the Standalone Financial Statements: Significant Accounting Policies- use of estimates and judgments", Note 28 to the Standalone Financial Statements: Impairment on financial instruments" and "Note 48 to the Standalone Financial Statements: Financial Risk Management – Credit Risk"

Subjective Estimate Recognition and measurement of impairment on portfolio loans involves significant management judgement. With the applicability of Ind AS 109 credit loss assessment is now based on Expected Credit Loss (ECL) model. The Company's impairment allowance is derived from estimates including historical default and loss ratios. Management exercises judgement in determining the quantum of loss based on a range of factors. The most significant factors are : • Segmentation of loan book • Loan staging criteria • Calculation of probability of default / Loss given default • Consideration of probability weighted scenarios and forward looking macro-economic factors including use of management overlay There is a significant increase in the data inputs required for the computation of ECL. This increases the risk of completeness and accuracy of the data that has been used as a basis of assumptions in the model. Use of alternative data points further increases management's judgment and estimates thereof. Given the size of loan portfolio relative to the balance sheet and the impact of impairment allowance on the financial statements, we have considered impairment of portfolio loans as a key audit matter.	Our audit procedures included: **Design / Controls** • Understood management's new / revised processes and system implemented in relation to impairment allowance; • Assessed the design and operating effectiveness of key internal financial controls over impairment allowance calculation including governance controls over the development of the ECL model; • Test checked management review controls over measurement of impairment allowances and disclosures in financial statements. **Substantive Tests** • Evaluated the appropriateness of the impairment principles based on the requirements of Ind AS 109, our business understanding and industry practice; • Engaged our financial risk modelling specialists to test the methodology of the ECL model and reasonableness of assumptions used; • Performed test of details over calculation of impairment allowance to check reasonableness of assumptions used in the ECL model; • Re-performed calculation of ECL model on test check basis; • Evaluated management's judgment in the determination of ECL including methodology, segmentation, economic factors, period of historical loss rates used and loss emergence periods; • Evaluated the adequacy of disclosures relating to ECL.

Key Audit Matter	How The Matter Was Addressed In Our Audit
Information Technology **IT systems and controls relating to Loan Management System** The Company's processes on sanctions, disbursements and recovery of portfolio loans are highly dependent on the automated controls in information systems, such that there exists a risk that gaps in the IT control environment could result in the financial accounting and reporting records being materially misstated. The Company uses Loan Management Systems to manage its portfolio loans. Due to the large transaction volumes and the increasing challenge to protect the integrity of the Company's systems and data, controls over data integrity has become more significant. We have focused on program development, user access management, change management, segregation of duties and system application controls over loan management systems. We have identified 'IT system and controls' as key audit matters since the Company relies on automated processes and controls for recording of portfolio loans.	Our audit procedures to assess the IT system controls relating to Loan Management System included the following: • Evaluated the design of General IT controls i.e. access management, change management, program development and computer operations and IT application controls i.e. controls on system generated reports and system / application processing over key financial accounting and reporting related to loans. • Tested a sample of key internal financial controls operating over the information technology in relation to Loan Management System, including granting access right, new user creation, removal of user rights and preventative controls designed to enforce segregation of duties and system change management. • Engaged our IT and Data & Analytics specialists to evaluate the design, implementation and operating effectiveness of the significant accounts related selected IT automated controls which are core to automated computation carried out by the IT system and the consistency of data transmission. • Other areas that were independently assessed included password policies, controls over changes to applications and databases and that business users, developers and production support did not have access to change applications, the operating system or databases in the production environment.

Other Information

The Company's management and Board of Directors are responsible for the other information. The other information comprises the information included in the Director's report and management discussion & analysis section – "Analysis of the Financial Statements", but does not include the financial statements and our auditor's report thereon.

Our opinion on the 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 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 Financial Statements

The Company's management and Board of Directors are responsible for the matters stated in Section 134 (5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the state of affairs, profit / loss and other comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Ind AS specified under Section 133 of the Act read with relevant rules issued thereunder. 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 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

Independent Auditor's Report *(contd...)*

and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management and Board of Directors are 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.

Board of Directors is also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibility For The Audit Of The Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 with reference to financial statements 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 financial statements, including the disclosures, and whether the 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 financial statements of the current period 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

As required by the Companies (Auditor's Report) Order, 2016 ('the Order') issued by the Central Government of India in terms of Section 143 (11) of the Act, we give in the "Annexure A", a statement on the matters specified in paragraph 3 and 4 of the Order, to the extent applicable.

(A) 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 Other Comprehensive Income), Statement of Changes in Equity and the Statement of Cash Flows dealt with by this report are in agreement with the books of account;

d) in our opinion, the aforesaid financial statements comply with the Ind AS specified under Section 133 of the Act read with relevant rules issued thereunder;

e) on the basis of the written representations received from the Directors as on 31 March, 2019 and taken on record by the Board of Directors, none of the Directors are disqualified as on 31 March, 2019 from being appointed as a Director in terms of Section 164 (2) of the Act and

f) with respect to the adequacy of the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate report in "Annexure B".

(B) 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, in our opinion and to the best of our information and according to the explanations given to us:

i. the Company has disclosed the impact of pending litigation as at 31 March, 2019 on its financial position in the financial statements – refer note 40 to the financial statements;

ii. the Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;

iii. there were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company and

iv. the disclosures in the financial statements regarding holdings as well as dealings in specified bank notes during the period from 8 November, 2016 to 30 December, 2016 have not been made in these financial statements since they do not pertain to the financial year ended 31 March, 2019.

(C) With respect to the matter to be included in the Auditor's Report under Section 197(16) of the Act:

In our opinion and according to the information and explanations given to us and as per the special resolution passed by the Company as at its extra ordinary general meeting, as further explained in note 35 to the financial statements, the remuneration paid by the Company to its Directors during the current year is in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act. The Ministry of Corporate Affairs has not prescribed other details under Section 197 (16) of the Act which are required to be commented upon by us.

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W/W-100022

Sd/-
Milind Ranade
Partner
Membership No: 100564

Place: Mumbai
Date: 28 May, 2019

Annexure A to the Independent Auditor's Report – 31 March, 2019

(Referred to in our report of even date)

i.

(a) According to the information and explanations given to us, the Company has maintained proper records showing full particulars, including quantitative details and situation of property, plant and equipment.

(b) According to the information and explanations given to us, the Company has a regular programme of physical verification of its property, plant and equipment by which all the property, plant and equipment are verified annually. In our opinion, this periodicity of physical verification 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 to us, the title deeds of immovable properties recorded as property, plant and equipment in the books of account of the Company are held in the name of the Company.

ii. The Company is in the business of providing housing finance services and consequently, does not hold any inventories. Thus, paragraph 3 (ii) of the Order is not applicable to the Company.

iii. According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, limited liability partnerships or other parties covered in the register maintained under Section 189 of the Act. Thus, paragraph 3 (iii) of the Order is not applicable to the Company.

iv. According to the information and explanations given to us, the Company has not advanced any loan, given any guarantee or provided any security in connection with loan to any of its Directors or to any person in whom the Director is interested. The Company has complied with the provisions of Section 186 of the Act, with respect to the investments made, as applicable.

v. In our opinion and according to the information and explanations given to us, the Company has not accepted deposits as per the directives issued by Reserve Bank of India and the provisions of Sections 73 to 76 or any other relevant provisions of the Act and Rules framed there under. Thus, paragraph 3 (v) of the Order is not applicable to the Company.

vi. The Central Government has not prescribed the maintenance of cost records under Section 148 (1) of the Act, for any of the services rendered by the Company. Accordingly, paragraph 3 (vi) of the Order is not applicable to the Company.

vii.

(a) According to the information and explanations given to us and on the basis of our examination of the books of account, amounts deducted / accrued in the books of account in respect of undisputed statutory dues including employee's state insurance, income tax, goods and services tax, cess and other material statutory dues have been regularly deposited during the year by the Company with the appropriate authorities except provident fund which is deposited with appropriate authority with few delays. As explained to us, the Company did not have any dues on account of sales tax, wealth tax, duty of customs, duty of excise and value added tax. According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employee's state insurance, income tax, goods and services tax, cess and other material statutory dues were in arrears as at 31 March, 2019 for a period of more than six months from the date they became payable.

(b) According to the information and explanations given to us, there are no dues of provident fund, income tax, goods and services tax, employee's state insurance cess and other material statutory dues which have not been deposited by the Company on account of disputes.

viii. On the basis of examination of relevant records and according to the information and explanations given to us, the Company has not defaulted in repayment of loans or borrowing to financial institution, bank or debenture holders. During the year, the Company did not have any loans or borrowing from the government.

ix. According to the information and explanations given to us, the Company has not raised any money by way of initial public offer or further public offer.

Further, monies raised by the Company by way of debt instruments and term loans were applied for the purpose for which those were raised, though idle / surplus funds which were not required for immediate utilisation were invested in liquid assets.

x. During the course of our examination of the books and records of the Company, carried out in accordance with generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud by the Company or on the Company by its officer or employees, noticed or reported during the year, now have been informed of such case by the management.

xi. According to the information and explanations given to us and as per the special resolution passed at its extra ordinary general meeting, as further explained in Note 35 to the financial statements, the Company has paid / provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.

xii. According to the information and explanations given to us, the Company is not a Nidhi Company as per the Act. Thus, paragraph 3 (xii) of the Order is not applicable to the Company.

xiii. According to the information and explanations given to us and based on our examination of the records of the Company, transactions entered into by the Company with the related parties are in compliance with Sections 177 and 188 of the Act, where applicable and details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.

xiv. According to the information and explanations given to us and based on our examination of the records, the Company has not made preferential allotment or private placement of shares or allotted fully or partly convertible debentures during the year. Thus, paragraph 3 (xiv) of the Order is not applicable to the Company.

xv. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with Directors or person connected with him. Thus, paragraph 3(xv) of the Order is not applicable to the Company.

xvi. According to the information and explanations given to us and based on our examination of the records of the Company, the Company being a housing finance company is registered with National Housing Bank and is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934.

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W/W-100022

Sd/-
Milind Ranade
Partner
Membership No: 100564

Place: Mumbai
Date: 28 May, 2019

Annexure B to the Independent Auditor's Report – 31 March, 2019

(Referred to in our report of even date)

Report on the Internal Financial Controls with reference to the financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ('the Act')

(Referred to in paragraph (A.f.) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Opinion

We have audited the internal financial controls with reference to financial statements of Fullerton India Home Finance Company Limited (the 'Company') as of 31 March, 2019 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

In our opinion, the Company has, in all material respects, adequate internal financial controls with reference to financial statements and such internal financial controls were operating effectively as at 31 March, 2019, based on the internal financial controls with reference to financial statements 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 (the 'Guidance Note').

Management's Responsibility For Internal Financial Controls

The Company's management and Board of Directors are responsible for establishing and maintaining internal financial controls based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note. 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 Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing prescribed under Section 143 (10) of the Act, to the extent applicable to an audit of internal financial controls with reference to financial statements. 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 with reference to financial statements were established and maintained and whether 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 with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of such internal financial controls, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal financial control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls with reference to financial statements.

Meaning Of Internal Financial Controls With Reference To Financial Statements

The company's internal financial controls with reference to financial statements is a process designed to provide a 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 controls with reference to 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 With Reference To Financial Statements

Because of the inherent limitations of internal financial controls with reference to 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 with reference to financial statements to future periods are subject to the risk that the internal financial controls with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W/W-100022

Sd/-
Milind Ranade
Partner
Membership No: 100564

Place: Mumbai
Date: 28 May, 2019

Balance sheet

as at 31 March, 2019

	Note	As at 31 March, 2019 (₹ lakhs)	As at 31 March, 2018 (₹ lakhs)	As at 01 April, 2017 (₹ lakhs)
ASSETS				
Financial assets				
Cash and cash equivalents	2	9,461	349	1,603
Bank balances other than cash and cash equivalents	3	5,006	5,356	4,545
Investments	4	31,238	4,742	28,648
Trade receivables	5	62	26	-
Other financial assets	6	521	394	87
Loans and advances	7	296,731	187,488	46,873
		343,019	**198,355**	**81,756**
Non financial assets				
Current tax assets	8	329	32	9
Deferred tax asset (net)	9	1,497	1,287	-
Other non-financial assets	10	823	347	41
Property, plant and equipment	11	1,010	139	53
Intangible assets	12	84	10	13
		3,743	**1,815**	**116**
Total Assets		**346,762**	**200,170**	**81,872**
LIABILITIES AND EQUITY				
Liabilities				
Financial liabilities				
Trade payables	13			
i) total outstanding dues to micro enterprises and small enterprises		-	-	-
ii) total outstanding dues to creditors other than micro enterprises and small enterprises		782	452	334
Debt Securities	14	74,988	38,346	-
Borrowings	15	201,111	95,525	34,638
Other financial liabilities	16	19,252	30,504	12,301
		296,133	**164,827**	**47,273**
Non financial liabilities				
Current tax liabilities	17	7	65	-
Provisions	18	94	59	39
Other non-financial liabilities	19	823	543	317
		924	**667**	**356**
Equity				
Equity share capital	20	24,536	19,527	19,527
Other equity	21	25,169	15,149	14,716
		49,705	**34,676**	**34,243**
Total liabilities and equity		**346,762**	**200,170**	**81,872**
Summary of significant accounting policies and accompanying notes which form an integral part of the financial statements	1-50			

As per our report of even date attached.
For B S R & Co. LLP
Chartered Accountants
ICAI Firm Registration No.: 101248W/W-100022

Sd/-
Milind Ranade
Partner
Membership No.: 100564

For and on behalf of the Board of Directors of Fullerton India Home Finance Company Limited

Sd/-
Anindo Mukherjee
Chairman
DIN : 00019375

Sd/-
Rakesh Makkar
CEO & Whole Time Director
DIN : 01225230

Sd/-
Pankaj Malik
Chief Financial Officer

Sd/-
Seema Sarda
Company Secretary
ICSI Reg. No. : A-15056

Place: Mumbai
Date: 28 May, 2019

Fullerton Grihashakti
Iraada hai toh Raasta hai

Statement of Profit and Loss

for the year ended 31 March, 2019

	Note	Year ended 31 March, 2019 (₹ lakhs)	Year ended 31 March, 2018 (₹ lakhs)
Revenue from operations			
Interest income	22	30,762	12,955
Commission income	23	359	151
Net gain on financial assets at FVTPL	24	1,072	236
Ancillary income	25	545	219
Total revenue from operations		**32,738**	**13,561**
Other income	26	242	129
Total Income		**32,980**	**13,690**
Expenses			
Finance costs	27	18,388	5,993
Impairment on financial instruments	28	4,351	2,807
Employee benefits expense	29	5,662	2,966
Depreciation, amortisation and impairment	11&12	234	42
Other expenses	30	4,049	2,225
Total expenses		**32,684**	**14,033**
Profit before tax		296	(343)
Tax expense	31		
Current tax		458	524
Adjustment of tax relating to earlier periods		-	-
Deferred tax expense / (credit)		(210)	(1,291)
		248	(767)
Net profit after tax		**48**	**424**
Other comprehensive income / (loss)	32		
Items that will not be reclassified to profit or loss, net of tax			
Re-measurement of gain/loss on defined benefit plans		(19)	9
Income tax relating to above		-	-
Other comprehensive loss		**(19)**	**9**
Total comprehensive income		**29**	**433**
Earnings per equity share:	33		
Basic earnings per share		0.02	0.22
Diluted earnings per share		0.02	0.22
Face value per share (in ₹)		10.00	10.00
Summary of significant accounting policies and accompanying notes which form an integral part of the financial statements	1-50		

As per our report of even date attached.
For B S R & Co. LLP
Chartered Accountants
ICAI Firm Registration No.: 101248W/W-100022

Sd/-
Milind Ranade
Partner
Membership No.: 100564

For and on behalf of the Board of Directors of Fullerton India Home Finance Company Limited

Sd/-
Anindo Mukherjee
Chairman
DIN : 00019375

Sd/-
Rakesh Makkar
CEO & Whole Time Director
DIN : 01225230

Sd/-
Pankaj Malik
Chief Financial Officer

Sd/-
Seema Sarda
Company Secretary
ICSI Reg. No. : A-15056

Place: Mumbai
Date: 28 May, 2019

Statement of Cash Flow

for the year ended 31 March, 2019

		Year ended 31 March, 2019 (₹ lakhs)	Year ended 31 March, 2018 (₹ lakhs)
A.	CASH FLOW FROM OPERATING ACTIVITIES		
	Profit before tax	296	(343)
	Adjustments for :		
	Financial asset measured at amortised cost	(821)	(357)
	Financial liabilities measured at amortised cost	2	(44)
	Depreciation, amortisation and impairment	234	42
	Interest income on fixed deposits, bonds and investments	(694)	(921)
	Disocunt on commercial papers	1,281	353
	Net (gain)/loss on financial assets at FVTPL	(1,072)	(2)
	Impairment on financial instruments	4,251	2,807
	Write off of fixed assets & intangible assets	1	-
	Fair valuation of SAR liability	321	20
	Amortisation of ancillary borrowing costs	-	20
	Operating profit before working capital changes	**3,799**	**1,575**
	Adjustments for working capital:		
	- (Increase)/decrease in loans and advances	(111,112)	(147,861)
	- (Increase)/ decrease in other Assets (Financials & Non - Financial assets)	(319)	2,355
	- (Increase)/decrease in trade receivables	(36)	-
	- Increase/(decrease) in other liabilities (Provision and Financial & Non- Financial liabilities)	(10,608)	21,498
	Cash (used)/generated from operating activities	**(118,276)**	**(122,433)**
	Income tax paid (net)	(1000)	(477)
	Net cash (used)/generated from operating activities (A)	**(119276)**	**(122,910)**
B.	CASH FLOW FROM INVESTING ACTIVITIES		
	Purchase of property plant and equipment and intangibles	(1,180)	(125)
	Purchase of investments	(1,715,647)	(411,500)
	Sale/maturity of investments	1,689,250	436,363
	Fixed deposit placed during the year	(6,500)	(1,567)
	Fixed deposit matured during the year	6,567	1,000
	Interest received on fixed deposits and bonds	486	100
	Interest received on investments	440	-
	Net cash (used)/generated from investing activities (B)	**(26,584)**	**24,271**

Statement of Cash Flow *(contd...)*

for the year ended 31 March, 2019

		Year ended 31 March, 2019 (₹ lakhs)	Year ended 31 March, 2018 (₹ lakhs)
C.	CASH FLOW FROM FINANCING ACTIVITIES		
	Proceeds from issuance of share capital (including share premium)	15,000	-
	Proceeds from borrowings from banks and financial institutions	189,000	101,175
	Repayment of borrowings from banks and financial institutions	(48,500)	(3,750)
	Payment of ancillary borrowing costs	(528)	(40)
	Net cash (used)/generated in financing activities (C)	**154,972**	**97,385**
	Net increase / (decrease) in cash and cash equivalents [D = (A+B+C)]	10,640	(1,254)
	Cash and cash equivalents as at the beginning of the period (E)	349	1,603
	Closing balance of cash and cash equivalents (D+E)	**9,461**	**349**
	Components of cash and cash equivalents:		
	Cash on hand	-	-
	Balances with banks		
	- in current accounts	9,461	349
	- in fixed deposit with maturity less than 3 months	-	-
	Cash and cash equivalents	**9,461**	**349**

Note:
The cash flow statement has been prepared under the indirect method as set out in Indian Accounting Standard (Ind AS 7) statement of cash flows. Effective 1 April, 2017, the Company adopted the amendment to Ind AS 7, which require the entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes, suggesting inclusion of a reconciliation between the opening and closing balances in the Balance Sheet for liabilities arising from financing activities, to meet the disclosure requirement. The adoption of amendment did not have any material impact on the financial statements. (Refer note 15 (b) for net debt reconciliation)

As per our report of even date attached.
For B S R & Co. LLP
Chartered Accountants
ICAI Firm Registration No.: 101248W/W-100022

Sd/-
Milind Ranade
Partner
Membership No.: 100564

For and on behalf of the Board of Directors of
Fullerton India Home Finance Company Limited

Sd/-
Anindo Mukherjee
Chairman
DIN : 00019375

Sd/-
Rakesh Makkar
CEO & Whole Time Director
DIN : 01225230

Sd/-
Pankaj Malik
Chief Financial Officer

Sd/-
Seema Sarda
Company Secretary
ICSI Reg. No. : A-15056

Place: Mumbai
Date: 28 May, 2019

Statement of Changes in Equity
for the year ended 31 March, 2019

A. Equity share capital

Particulars	Number of shares	Amount (₹ lakhs)
Equity share of ₹ 10 each fully paid up as at 1 April, 2017	195,273,443	19,527
Changes during the year	-	-
Equity share of ₹ 10 each fully paid up as at 31 March, 2018	195,273,443	19,527
Changes during the year	50,083,473	5,009
Equity share of ₹ 10 each fully paid up as at 31 March, 2019	245,356,916	24,536

B. Other equity

(Amount in ₹ lakhs)

Particulars	Reserves and surplus					Items of OCI	Total
	General Reserve	Capital Reserve	Securities premium	Reserve Fund under Section 29C(i) of the NHB Act, 1987	Retained Earnings	Re-measurement of defined benefit plan	
Opening balance as at 01 April, 2017	**-**	**-**	**16,473**	**-**	**(1,757)**	**-**	**14,716**
Reversed/ (utilised) for debenture issue costs	-	10	(10)	-	-	-	-
Transferred from retained earnings to reserve fund	-	-	-	220	(220)	-	-
Profit for the year	-	-	-	-	424	-	424
Other comprehensive income for the year	-	-	-	-	-	9	9
Closing balance as at 31 March, 2018	**-**	**10**	**16,463**	**220**	**(1,553)**	**9**	**15,149**
Transferred from retained earnings to reserve fund	-	-	-	11	(11)	-	-
Securities Premium on shares issued	-	-	9,991	-	-	-	9,991
Profit for the year	-	-	-	-	48	-	48
Other comprehensive income for the year	-	-	-	-	-	(19)	(19)
Closing balance as at 31 March, 2019	**-**	**10**	**26,454**	**231**	**(1,516)**	**(10)**	**25,169**

As per our report of even date attached.
For B S R & Co. LLP
Chartered Accountants
ICAI Firm Registration No.: 101248W/W-100022

Sd/-
Milind Ranade
Partner
Membership No.: 100564

For and on behalf of the Board of Directors of Fullerton India Home Finance Company Limited

Sd/-
Anindo Mukherjee
Chairman
DIN : 00019375

Sd/-
Rakesh Makkar
CEO & Whole Time Director
DIN : 01225230

Sd/-
Pankaj Malik
Chief Financial Officer

Sd/-
Seema Sarda
Company Secretary
ICSI Reg. No. : A-15056

Place: Mumbai
Date: 28 May, 2019

Notes to Financial Statements

for the year ended 31 March, 2019

1. Notes to Financial Statements

A. Company Information

Fullerton India Home Finance Company Limited ('the Company') is a public limited Company domiciled in India and incorporated under the provisions of Companies Act, 1956. The Company is a Housing finance Company ('HFC') registered vide Registration number 07.0122.15 dated 14 July, 2015 with the National Housing Board ('NHB'). Registered address of the Company is Fullerton India Home Finance Company Limited, 3rd Floor, No 165, Megh Towers, Poonamallee High Road, Maduravoyal, Chennai. The Company provides loans to customers for purchase of new home, home improvement loans, home construction, home extensions, loans against property (collectively referred to as "Portfolio Loans").

As at 31 March, 2019, Fullerton India Credit Limited, the holding Company owned 100% of the Company's equity share capital.

B. Basis Of Preparation

I. Statement Of Compliance

These financial statements have been prepared, on a going concern basis, in accordance with the Indian Accounting Standards (Ind AS) as per the Companies (Indian Accounting Standards) Rules, 2015, as amended by the Companies (Indian Accounting Standards) Rules, 2016, notified under Section 133 of the Companies Act, 2013 (the "Act"), other relevant provisions of the Act, guidelines issued by the NHB Directions 2010 as applicable to an HFCs and other accounting principles generally accepted in India.

The financial statements up to and for the year ended 31 March, 2018 were prepared in accordance with accounting standards notified under Section 133 of the Act, the relevant rules thereunder, other relevant provisions of the Act and guidelines issued by the NHB as applicable to an HFCs (Previous GAAP).

These are the first Ind AS financial statements of the Company prepared in accordance with Ind AS. Ind AS 101, First-time Adoption of Indian Accounting Standards has been applied. Refer note 34 for an explanation of how the transition from Previous GAAP to Ind AS has affected the Company's previously reported financial position, financial performance and cash flows.

Ii. Presentation Of Financial Statements

The balance sheet, the statement of profit and loss and the statement of changes in equity are presented in the format prescribed in the Schedule III vide their Notification G.S.R. 1022(E) dated 11 October, 2018 for Non – Banking Financial Companies in Division III to the Act. The statement of cash flow has been presented as per the requirements of Ind AS 7 "Statement of Cash Flows".

The Company presents its balance sheet in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date and more than 12 months after the reporting date is presented in Note 49.

Iii. Functional And Presentation Currency

Indian rupees is the Company's functional currency and the currency of the primary economic environment in which the Company operates. Accordingly, the management has determined that financial statements are presented in Indian Rupees. All amounts have been rounded off to the nearest lakhs upto two decimal places, unless otherwise indicated.

Iv. Basis Of Measurement

The financial statements have been prepared on the historical cost basis except for the following items:

Items	Measurement basis
Certain financial instruments (as explained in the accounting policies below)	Fair value
Net defined benefit (asset)/ liability	Fair value of plan assets less present value of defined benefit obligations
Liabilities for cash settled share based payments	Fair value

V. Use Of Estimates And Judgments

The preparation of financial statements in conformity with Ind AS requires management to make estimates, assumptions and exercise judgement in applying the accounting policies that affect the reported amount of assets, liabilities and disclosure of contingent liabilities at the date of financial statements and the reported amounts of income and expenses during the year.

The Management believes that these estimates are prudent and reasonable and are based upon the Management's best knowledge of current events and actions. Actual results could differ from these estimates and differences between actual results and estimates are recognised in the periods in which the results are known or materialised.

Notes to Financial Statements
for the year ended 31 March, 2019

Assumptions and estimation uncertainties

Information about critical judgments, assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 March, 2019 is included in the following notes to the policy :

Note 1.C.2 – financial instruments – Fair values, risk management and impairment of financials assets

Note 1.C.7 – recognition of deferred tax assets;

Note 1.C.8 – estimates of useful lives and residual value of property, plant and equipment and intangible assets;

Note 1.C.9 – Impairment test of non-financial assets : key assumptions underlying recoverable amounts including the recoverability of expenditure on intangible assets;

Note 1.C.10 – measurement of defined benefit obligation : key actuarial assumptions and cash settled – share based payments and

Note 1.C.11 – recognition and measurement of provisions and contingencies : key assumptions about the likelihood and magnitude of an outflow of resources, if any

Vi. Measurement Of Fair Values

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Company has an established control framework with respect to the measurement of fair values. Measurement of fair value includes determining appropriate valuation techinques.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

Valuation models that employ significant unobservable inputs require a higher degree of judgment and estimation in the determination of fair value. Judgment and estimation are usually required for selection of the appropriate valuation methodology, determination of expected future cash flows on the financial instrument being valued, determination of probability of counterparty default and selection of appropriate discount rates.

The management regularly reviews significant unobservable inputs and valuation adjustments.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques. When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes to accounts:

Note 48 - Financial instruments - Fair values and risk management

Note 38 - Cash settled share based payments

C. Significant Accounting Policies

1. Revenue Recognition

Interest income

The Company calculates interest income using the Effective Interest Rate (EIR) method.

The effective interest rate method

Interest income is recorded using the effective interest rate (EIR) method for all financial instruments measured at amortised cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial instrument.

The EIR (and therefore, the amortised cost of the asset) is calculated by taking into account any discount or premium on acquisition, commission, fees and costs incremental and directly attributable to the specific lending arrangement.

The Company recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the financial asset. The future cash flows are estimated taking into account all the contractual terms of the asset. If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk. The adjustment is booked as a positive or negative adjustment to the carrying amount of the asset in the balance sheet with an increase or reduction in interest income. The adjustment is subsequently amortised through Interest income in the statement of profit and loss.

When a financial asset becomes credit-impaired subsequent to initial recognition, the Company calculates interest income by applying the effective interest rate to the amortised cost (net of provision) 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.

Interest income on financial assets classified as FVTPL is recognised at contractual interest rate of financial instruments.

Penal/additional interest on default in payment of dues by customer is recognised on realisation basis.

Fee income

Loan processing fee/document fees/stamp fees which are integral part of financials assets are recognised through effective interest rate over the term of the loan. For the agreements foreclosed or transferred through assignment, the unamortised portion of the fee is recognised as income to the Statement of profit and loss at the time of such foreclosure/transfer through assignment. Applications fee is recognised at the commencement of the contracts. Additional charges such as penal, dishonor, foreclosure charges, delayed payment charges etc. are recognised on realisation basis.

Dividend income

Dividend income is recognised as and when the right to receive payment is established.

Net gain from financial assets at FVTPL

The realised gain from financial instruments at FVTPL represents the difference between the carrying amount of a financial instrument at the beginning of the reporting period, or the transaction price if it was purchased in the current reporting period, and its settlement price.

The unrealised gain represents the difference between the carrying amount of a financial instrument at the beginning of the period, or the transaction price if it was purchased in the current reporting period, and its carrying amount at the end of the reporting period.

Rendering of services

The Company recognises revenue from contracts with customers based on a five step model as set out in Ind AS 115 to determine when to recognise revenue and at what amount.

Revenue is measured based on the consideration specified in the contract with a customer and excludes amounts collected on behalf of third parties. Revenue from contracts with customers is recognised when services are provided and it is highly probable that a significant reversal of revenue is not expected to occur.

If the consideration promised in a contract includes a variable amount, an entity estimates the amount of consideration to which it will be entitled in exchange for rendering the promised services to a customer. An amount of consideration can vary because of discounts, rebates, refunds, credits, price concessions, incentives, performance bonuses, or other similar items. The promised consideration can also vary if an entitlement to the consideration is contingent on the occurrence or non-occurrence of a future event.

Commission income

Commission income earned for the services rendered are recognised on accrual basis, while rate conversion charges are recognised upfront based on event occurrence.

2. Financial Instruments

- **Recognition and initial measurement**

  Financial assets and liabilities are recognsied when the Company becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are initially measured at fair value on trade date basis. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value measured on initial recognition of

Notes to Financial Statements

for the year ended 31 March, 2019

financial assets or financial liability. Transaction costs of financial instrument carried at fair value through profit or loss are expensed in profit or loss.

- **Classification and subsequent measurement**

Financial assets

The Company subsequently classifies its financial assets in the following measurement categories:

- amortised cost;
- Fair value through profit or loss
- fair value through other comprehensive income

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the Company changes its business model for managing financial assets.

A financial assets is measured at amortised cost using Effective Interest Rate (EIR) method if it meets both of the following conditions :

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI (designated as FVOCI – equity investment). This election is made an investment – by – investment basis.

All financials assets not classified and measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate the financials assets that otherwise meets the requirements to be measured at amortised cost or at FVOCI or at FVTPL, if doing so eliminates or significantly reduces the accounting mismatch that would otherwise arise.

Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice.
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectation about future sales activity.]

At initial recognition of a financial asset, the Company determines whether newly recognised financial assets are part of an existing business model or whether they reflect a new business model. The Company reassess its business models each reporting period to determine whether the business models have changed since the preceding period.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. That principal amount may change over the life of the financial assets (e.g. if there are payments of principal). Amount 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable interest rate features;

- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets.

Contractual cash flows that are SPPI are consistent with a basic lending arrangement. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI.

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in the statement of profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in the statement of profit or loss. Any gain or loss on derecognition is recognised in the statement of profit or loss.
Financial assets (other than Equity Investments) at FVOCI	Financial assets that are held within a business model whose objective is achieved by both, selling financial assets and collecting contractual cash flows that are solely payments of principal and interest, are subsequently measured at fair value through other comprehensive income. Fair value movements are recognised in the other comprehensive income (OCI). Interest income measured using the EIR method and impairment losses, if any are recognised in the statement of Profit and Loss. On derecognition, cumulative gain or loss previously recognised in OCI is reclassified from the equity to 'other income' in the statement of Profit and Loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in the Statement of Profit and Loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are not reclassified to profit or loss.

Financial liabilities and equity instruments

Debt and equity instruments that are issued are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received.

Financial liabilities are subsequent measured at the amortised cost using the effective interest method, unless at initial recognition, they are classified as fair value through profit and loss. Interest expense and foreign exchange gains and losses are recognised in the Statement of Profit and Loss. Any gain or loss on derecognition is also recognised as profit or loss respectively.

- **Reclassification**

  If the business model under which the Company holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Company's financial assets. Changes in contractual cash flows are considered under the accounting policy on Modification and derecognition of financial assets described below.

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for the year ended 31 March, 2019

- **De-recognition**

  Financial Assets, modification and transfer

  The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred.

  A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. In addition, the introduction or adjustment of existing covenants of an existing loan would constitute a modification even if these new or adjusted covenants do not yet affect the cash flows immediately but may affect the cash flows depending on whether the covenant is or is not met (e.g. a change to the increase in the interest rate that arises when covenants are breached).

  When t0he Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that 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. 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 that the Company could be required to repay.

  Profit/premium arising at the time of assignment of portfolio loans, is recognised as an upfront gain/loss. Interest on retained portion of assigned portfolio is recognised basis Effective Interest Rate. Service fee received is accounted for based on the terms of underlying deal structure of transaction.

  Financial liabilities

  The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

  The Company also derecognises a financial liability when its terms are modified and the cash flows under the modified terms are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised as profit or loss.

- **Offsetting of financial instruments**

  Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

- **Impairment and write off**

  In accordance with Ind AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the financial assets that are measured at amortised cost along with related undrawn commitments.

  Undrawn loan commitments are commitments under which, over the duration of the commitment, the Company is required to provide a loan with pre-specified terms to the customer. Commitment starts from the date of the sanction letter till the the amount is fully drawn down by the customer.

  The Company recognises loss allowances using the expected credit loss (ECL) model for the financial assets which are not fair valued through profit or loss. For recognition of impairment loss on financial assets ,the Company determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If, in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, the Company reverts to recognising impairment loss allowance based on 12-month ECL.

Notes to Financial Statements
for the year ended 31 March, 2019

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial assets. The 12-month ECL is a portion of the lifetime ECL which results from default events that are possible within 12 months after the reporting date.

Measurement of expected credit losses

Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows which the Company expects to receive) discounted at an approximation to the EIR.

The Company has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. Company also considers the peers data points to benchmark assessment of expected credit loss.

The Company measures ECL on a collective basis for portfolios of loans that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the assets expected cash flows using the assets EIR, regardless of whether it is measured on an individual basis or a collective basis.

Presentation of allowance for expected credit losses in the balance sheet

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. ECL impairment loss allowance (or reversal) recognised during the period is recognised as income/ expense in the statement of profit and loss.

Write off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the counter party does not have assets or sources of income that could generate cash flows to repay the amounts. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

- **Collateral valuation and repossession**

  To mitigate the credit risk on financial assets, the Company seeks to use collateral, where possible as per the Board approved Credit Policy. The Company provides fully secured, partially secured and unsecured loans to customers. The parameters relating to acceptability and valuation of each type of collateral is a part of the Credit Policy of the Company.

  In its normal course of business, the Company does not physically repossess properties in its retail portfolio. For other collaterals, the Company liquidates the assets and recovers the amount due against the loan. Any surplus funds are returned to the customers/obligors.

3. Cash And Cash Equivalents

Cash and cash equivalents for the purpose of the cash flow statement comprise of the cash on hand, call deposits and other short term, highly liquid securities with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Cash and cash equivalents consists of balances with banks which are unrestricted for withdrawal and usage.

4. Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at inception of the lease. The arrangement is, or contains, a lease if fulfillment of the arrangement is dependent on the use of specific asset or assets and the arrangement conveys a right to use the assets or assets, even if the right is not explicitly specified in an arrangement.

Operating lease

Leases where the lessor effectively retains substantially all risks and benefits incidental to ownership of the asset are classified as Operating lease.

Company as a lessee

Operating lease payments (net of any incentive received from the lessor) are recognised as an expense in the Statement of Profit and Loss on a straight line basis over the lease term unless the payments are structured to increase in line with general inflation to compensate for the lessor's expected inflationary cost.

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5. Borrowing Costs

Borrowing cost is calculated using effective interest rate on the amortised cost of the instrument. EIR includes interest and amortisation of ancillary costs, incurred in connection with the borrowing of funds. Other borrowing costs are recognised as an expense in the period in which they are incurred.

6. Foreign Currency

Transactions in foreign currency are recorded at exchange rate prevailing on the date of transaction. Exchange differences, if any, arising out of foreign exchange transactions settled during the period are recognised in the Statement of Profit and Loss. Foreign currency denominated monetary assets and liabilities are translated at the exchange rate prevailing on the Balance sheet date and exchange gain or loss arising restatement is recognised in the Statement of Profit and Loss.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined.

All resulting exchange differences are recognised in other comprehensive income.

7. Income Taxes

Income tax expense comprises current tax expenses, net change in the deferred tax assets or liabilities during the year and any adjustment to the tax payable or receivable in respect of previous years. Current and deferred taxes are recognised in the Statement of profit and loss, except when they relate to business combinations or to an item that are recognised in Other comprehensive income or directly in Equity, in which case, the current and deferred tax are also recognised in Other comprehensive income or directly in Equity respectively.

Current Income taxes

The current income tax includes income taxes payable by the Company computed in accordance with the tax laws applicable in the jurisdiction in which the Company generate taxable income and any adjustment to the tax payable or receivable in respect of previous years.

The amount of current tax reflects the best estimate of the tax amount expected to be paid or received after considering the uncertainty, if any, related to income taxes. It is measured using tax rates (and tax laws) enacted or substantively enacted by the reporting date.

Current tax assets and current tax liabilities are offset only if there is a legally enforceable right to set off the recognised amounts, and it is intended to realise the asset and settle the liability on a net basis or simultaneously.

Deferred income taxes

Deferred income tax is recognised using Balance sheet approach. Deferred income tax assets and liabilities are recognised for deductible and taxable temporary differences arising between the tax base of assets and liabilities and their carrying amount.

Deferred tax is not recognised for:

- temporary differences arising on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss at the time of the transaction;
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be reversed or settled. Deferred tax asset are recognised to the extent 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 are reviewed at each reporting date and reduced to the extent that it is no longer probable sufficient taxable profit will be available to allow part of deferred income tax assets to be utilised. At each reporting date, the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax asset to the extent that it has become reasonably certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset deferred tax assets and liabilities.

Deferred tax assets include Minimum Alternate Tax (MAT) paid in accordance with the tax laws in India which is likely to give future economic benefit in the form of availability of setoff against future income tax liability. Accordingly, MAT is recognised as deferred tax assets in the Balance sheet when the assets can be measured reliably and it is probable that the

Notes to Financial Statements

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future economic benefit associated with the asset will be realised.

Goods and services tax input credit

Goods and services tax input credit is recognised in the books of accounts in the period in which the supply of goods or service received is recognised and when there is no uncertainty in availing/utilising the credits.

Expenses and assets are recognised net of the goods and services tax/value added taxes paid, except:

- When the tax incurred on a purchase of assets or receipt of services is not recoverable from the taxation authority, in which case, the tax paid is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of tax included

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

8. Property Plant And Equipment (Including Capital Work-In-Progress) And Intangible Assets

Recognition and measurement

Property, plant and equipment and intangible assets are measured at cost, less accumulated depreciation and accumulated impairment losses, if any.

Cost of an item of property, plant and equipment comprises its purchase price(after deducting trade discounts and rebates) including import duties and non-refundable taxes, any directly attributable cost of bringing the item to its working condition for its intended use and estimated costs of dismantling and removing the item and restoring the site on which it is located.

Intangible assets are initially measured at cost. Subsequently, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any.

Assets acquired which are not ready for intended use as on the reporting date are classified under Capital work in progress.

Any gain or loss arising from disposal of an item of property, plant and equipment and intangible assets is recognised as profit or loss respectively.

Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company. All other expenditure is recognised in the Statement of Profit and Loss as incurred.

Depreciation/Amortisation

Depreciation on Property, plant and equipment is provided on straight-line basis as per the estimated useful life of the assets as determined by the management, which is in line with Schedule II of the Companies Act, 2013 except for certain assets as stated below.

	Useful life estimated by the Company (in years)	Useful Life as per Schedule II (in years)
Computer Server and Other Accessories *	4	6
Computer Desktop and Laptops *	3	3
Furniture and Fixtures *	5	10
Office Equipment's *	5	5
Handheld devices *	2	5
Vehicles *	4	8

* Useful life of the assets has been assessed based on internal assessment, taking into account the nature of the asset, the estimated usage of the asset, the operating conditions of the asset, past history of replacement, anticipated technological changes, manufacturers warranties and maintenance support, etc.

Notes to Financial Statements

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Leasehold improvements are amortised over the period of the lease subject to a maximum lease period of 66 months.

Depreciation/Amortisation on addition/ disposable is provided on a pro-rata basis i.e from/upto the date on which asset is ready to use /disposed off.

Intangible Assets

Intangible assets are initially measured at cost. Subsequently, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any.

Intangible assets are amortised using the straight line method over a period of five years commencing from the date on which such asset is first installed.

9. Impairment on Non Financials Assets

The carrying amount of the non-financial assets other than deferred tax are reviewed at each Balance Sheet date if there is any indication of impairment based on internal / external factors. For the purpose of assessing impairment, the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets is considered as a cash generating unit.

If any indication of impairment exists, an estimate of the recoverable amount of the individual asset/cash generating unit is made. The recoverable amount of the assets/ Cash generating unit is estimated as the higher of net selling price and its value in use. Asset/cash generating unit whose carrying value exceeds their recoverable amount are written down to the recoverable amount by recognising the impairment loss as an expense in the Statement of Profit and Loss. After impairment, depreciation / amortisation is provided on the revised carrying amount of the asset over its remaining useful life.

The Company reviews at each reporting date, whether there is any indication that the loss has decreased or no longer exists. A previously recognised impairment loss is increased or reversed depending on changes in circumstances. However, the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation / amortisation if there were no impairment.

10. Employee Benefits

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid, if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the amount of obligation can be estimated reliably.

Defined Contribution Plans

Contributions to defined contribution schemes includes employees' state insurance, superannuation scheme, employee pension scheme. A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into an account with a separate entity and has no legal or constructive obligation to pay further amounts. The Company makes specified periodic contributions to the credit of the employees' account with the Employees' Provident Fund Organisation. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in the Statement of Profit and Loss in the periods during which the related services are rendered by employees.

Defined Benefit Plans

Gratuity

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of the defined benefit obligation is performed periodically by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan ('the asset ceiling'). In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements.

Re-measurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised

Notes to Financial Statements

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in Other Comprehensive Income (OCI). The Company determines the net interest expense /income on the net defined benefit liability/ asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability/ asset, taking into account any changes in the net defined benefit liability /asset during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in the Statement of Profit or Loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service ('past service cost' or 'past service gain') or the gain or loss on curtailment is recognised immediately in the Statement of Profit or Loss. The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Other long term employee benefits

The Company's net obligation in respect of long-term employee benefits other than post-employment benefits, which do not fall due wholly within 12 months after the end of the period in which the employees render the related services, is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The obligation is measured on the basis of an independent actuarial valuation using the projected unit credit method.

Phantom Plan

For cash-settled share based payments, the fair value of the amount payable to employees is recognised as 'employee benefit expenses' with a corresponding increase in liabilities, over the vesting period on straight line basis. The liability is re-measured at each reporting period up to, and including the settlement date, with changes in fair value recognised in employee benefits expenses. Refer Note 38 for details.

11. Provisions (Other Than For Employee Benefits), Contingent Liabilities, Contingent Assets And Commitments

A provision is recognised when an enterprise has a present legal or constructive obligation as a result of past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates.

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Company does not recognise a contingent liability but discloses its existence in the financial statements.

The Company operates in a regulatory and legal environment that, by nature, has an inherent risk of litigation to its operations and in the ordinary course of the Company's business. Given the subjectivity and uncertainty of determining the probability and amount of losses, the Company takes into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents.

Contingent assets are neither recognised nor disclosed in the financial statements. However, it is disclosed only when an inflow of economic benefits is highly probable.

Commitments include the amount of purchase order (net of advances) issued to the counterparties for supplying/development of asset and amount of undisbursed portfolio loans.

Provisions, contingent assets, contingent liabilities and commitments are reviewed at each reporting date.

12. Earnings Per Share

Basic earnings per share are computed by dividing profit after tax (excluding other comprehensive income) attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year.

Diluted earnings per share is computed by dividing profit after tax (excluding other comprehensive income) attributable to the equity shareholders as adjusted for dividend, interest and other charges to expense or

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income relating to the dilutive potential equity shares, by the weighted average number of shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on conversion of all dilutive potential equity shares. Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the profit per share.

13. Operating Segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (CODM). The CODM's function is to allocate the resources of the Company and assess the performance of the operating segments of the Company.

14. Dividend On Equity Shares

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. As per the corporate laws in India, a distribution is authorised when it is approved by the shareholders except in case of interim dividend. A corresponding amount is recognised directly in equity.

D. Recent Accounting Development

Standards Issued But Not Yet Effective

Following are the new standards and amendments to existing standards (as notified by Ministry of Corporate Affairs (MCA) on 30 March, 2019 as part of the Companies (Ind AS) Amendment Rules, 2019) which are effective for the annual period beginning from 01 April, 2019. The Company intends to adopt these standards and amendments from the effective date.

Ind AS 116 – Leases:

Ind AS 116 is applicable for financial reporting periods beginning on or after 01 April, 2019 and replaces existing lease accounting guidance, namely Ind AS 17 Leases. Ind AS 116 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use ("ROU") asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The nature of expenses related to those leases will change as Ind AS 116 replaces the operating lease expense (i.e. rent) with depreciation charge for ROU assets and interest expense on lease liabilities. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

The Company plans to apply Ind AS 116 on 01 April, 2019, using the prospective approach. Therefore, the ROU asset is measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet immediately before the date of initial application

The Company is in the process of analysing the impact of new lease standard on its financial statements.

Amendments To Existing Ind As:

The following amended standards are not expected to have a significant impact on the Company's financial statements. This assessment is based on currently available information and is subject to changes arising from further reasonable and supportable information being made available to the Company when it adopts the respective amended standards.

i. Amendment to Ind AS 12 Income Taxes:

Income tax consequences of distribution of profits (i.e dividends), including payments on financial instruments classified as equity, should be recognised when a liability to pay dividend is recognised.

The income tax consequences should be recognised in profit or loss, other comprehensive income or equity according to where the past transactions or events that generated distributable profits were originally recognised.

Appendix C has been added to Ind AS 12 which seeks to bring clarity to the accounting for uncertainties on income tax treatments that are yet to be accepted by tax authorities and to reflect it in the measurement of current and deferred taxes.

ii. Amendments to Ind AS 109 Financial Instruments:

A financial asset would be classified and measured at amortised cost or at Fair Value through Other Comprehensive Income (FVOCI) if its contractual cash flows are solely in the nature of principle and interest on the principle amount outstanding (SPPI criterion).

An exception has been prescribed to the classification and measurement requirements with respect to the SPPI criterion for financial assets that:

- Have a prepayment feature which results in a negative compensation.

Notes to Financial Statements

for the year ended 31 March, 2019

- Apart from the prepayment feature, other features of the financial asset would have contractual cash flows which would meet the SPPI criterion, and

- The fair value of the prepayment feature is insignificant when the entity initially recognises the financial asset. If this is impracticable to assess based on facts and circumstances that existed on initial recognition of the asset, then the exception would not be available.

Such financial assets could be measured at amortised cost or at FVOCI based on the business model within which they are held.

iii. Amendments to Ind AS 19 Employee Benefits

When a defined benefit plan is amended, curtailed or settled, entities would be required to use updated actuarial assumptions to determine its current service cost and net interest for the remainder of the annual reporting period (post the plan amendment, curtailment or settlement).

The effect of the asset ceiling would not be considered while calculating the gain or loss on any settlement of the plan. Subsequently, it would be recognised in other comprehensive income.

iv. Amendments to Ind AS 23 Borrowing costs

Borrowing cost eligible for capitalisation

- Clarification that in computing the capitalisation rate for funds borrowed generally, the Company should exclude borrowing costs applicable to borrowings made specifically for obtaining a qualifying asset, only until the asset is ready for its intended use or sale. Borrowing costs related to specific borrowings that remain outstanding after the related qualifying asset is ready for intended use or for sale would subsequently be considered as part of the general borrowing cost of the Company.

- Transitional provision: The Company applying Ind AS 23 should apply the amendments to the borrowing costs incurred on or after the date the Company first applies the amendments.

The amendments that are not yet effective, made to the the following existing standards, does not have any impact on the Company's financial statements :

- Ind AS 28 Investments in associates and joint ventures

- Ind AS 103 Business Combinations and

- Ind AS 111 Joint arrangements

2. Cash And Cash Equivalents

Particulars	As at 31 March, 2019 (₹ lakhs)	As at 31 March, 2018 (₹ lakhs)	As at 01 April, 2017 (₹ lakhs)
Cash on hand	-	-	-
Balances with banks			
- in current accounts	9,461	349	503
- in deposit with maturity less than 3 months	-	-	1,100
Total	**9,461**	**349**	**1,603**

3. Bank Balances Other Than Cash And Cash Equivalents

Particulars	As at 31 March, 2019 (₹ lakhs)	As at 31 March, 2018 (₹ lakhs)	As at 01 April, 2017 (₹ lakhs)
Deposit with maturity of more than 3 month but less than 12 months	5	-	-
Deposit with maturity of more than 12 months	5,001	5,356	4,545
Total	**5,006**	**5,356**	**4,545**

Notes to Financial Statements
for the year ended 31 March, 2019

4. Investments

Particulars	As at 31 March, 2019 (₹ lakhs)	As at 31 March, 2018 (₹ lakhs)	As at 01 April, 2017 (₹ lakhs)
Measured at fair value through profit and loss			
Units of Mutual funds			
93,604.460 (31 March, 2018: Nil; 1 April, 2017: Nil) units of ₹ 1,000 each in DSP Liquidity Fund Option - Direct Plan - Growth	2,503	-	-
66,116.578 (31 March, 2018: Nil; 1 April, 2017: Nil) units of ₹ 10 each in Kotak Liquid - Direct Plan - Growth	2,502	-	-
Measured at fair value through profit and loss			
Unquoted: Certificate of deposits			
5,000 (31 March, 2018: 2,500; 1 April, 2017: 2,500) units of ₹ 100,000 each of Axis Bank Limited	4,869	2,348	2,469
5,000 (31 March, 2018: 2,500; 1 April, 2017: 7,500) units of ₹ 100,000 each of ICICI Bank Limited	4,813	2,394	7,319
7,500 (31 March, 2018: Nil; 1 April, 2017: 3,000) units of ₹ 100,000 each of IDFC Bank Limited	7,142	-	2,964
10,000 (31 March, 2018: Nil; 1 April, 2017: Nil) units of ₹ 100,000 each of INDUSIND BANK	9,409	-	-
Nil (31 March, 2018: Nil; 1 April, 2017: 5,000) units of ₹ 100,000 each of NABARD	-	-	4,731
Nil (31 March, 2018: Nil; 1 April, 2017: 2,500) units of ₹ 100,000 each of Kotak Mahindra Bank Limited	-	-	2,469
Nil (31 March, 2018: Nil; 1 April, 2017: 2,500) units of ₹ 100,000 each of Credit Suisse	-	-	2,469
Nil (31 March, 2018: Nil; 1 April, 2017: 4,000) units of ₹ 100,000 each of SIDBI	-	-	3,760
Nil (31 March, 2018: Nil; 1 April, 2017: 2,500) units of ₹ 100,000 each of HDFC Bank	-	-	2,467
Total	**31,238**	**4,742**	**28,648**

5. Trade Receivables

Particulars	As at 31 March, 2019 (₹ lakhs)	As at 31 March, 2018 (₹ lakhs)	As at 01 April, 2017 (₹ lakhs)
Receivables considered good - Secured	-	-	-
Receivables considered good - Unsecured	62	26	-
Less: Provision for impairment	**-**	**-**	**-**
Total	**62**	**26**	**-**

No trade or other receivable are due from directors or other officers of the Company either severally or jointly with any other person. Also, no trade or other receivables are due from firms or private companies respectively in which any director is a partner, a director or a member.

Notes to Financial Statements

for the year ended 31 March, 2019

6. Other Financial Assets

Particulars	As at 31 March, 2019 (₹ lakhs)	As at 31 March, 2018 (₹ lakhs)	As at 01 April, 2017 (₹ lakhs)
Security Deposits	108	2	-
Interest Accrued on Investment	210	158	16
Others	203	234	71
Total	**521**	**394**	**87**

7. Loans and Advances

Particulars	As at 31 March, 2019 (₹ lakhs)	As at 31 March, 2018 (₹ lakhs)	As at 01 April, 2017 (₹ lakhs)
Loans carried at amortised cost			
(i) Loans repayable on Demand	-	-	-
(ii) Portfolio Loans*	301,309	190,814	47,434
Total Gross	**301,309**	**190,814**	**47,434**
Less- Impairment allowance	(4,578)	(3,326)	(561)
Total Net	**296,731**	**187,488**	**46,873**
(i) Secured by tangible assets	296,731	187,488	46,873
(ii) Secured by intangible assets	-	-	-
(iii) Covered by Bank/Government Guarantees	-	-	-
(iv) Unsecured	-	-	-
Total (B)-Gross	**296,731**	**187,488**	**46,873**
Less: Impairment loss allowance			
Total (B)-Net	**296,731**	**187,488**	**46,873**

** All the loans are disbursed in India and there are no loans issued to public sector.*

8. Current tax assets

Particulars	As at 31 March, 2019 (₹ lakhs)	As at 31 March, 2018 (₹ lakhs)	As at 01 April, 2017 (₹ lakhs)
Advance tax (net of provision)	329	32	9
Total	**329**	**32**	**9**

Advance tax (net of provision) of ₹ 32 lakhs for FY 2018 has been reclassified from Provision for tax (net of advance tax).

Notes to Financial Statements

for the year ended 31 March, 2019

9. Deferred Tax (Net)

Particulars	As at 31 March, 2019 (₹ lakhs)	As at 31 March, 2018 (₹ lakhs)	As at 01 April, 2017 (₹ lakhs)
Deferred tax asset arising on account of :			
Impact of expenditure charged to the statement of profit and loss in the current year but allowed for tax purposes on payment basis	27	11	-
Provision for diminution in the value of investments	-	2	
Impact on application of expected credit loss on financial assets	1,284	1,052	-
Rent Equalisation reserve	6	-	-
Processing fee and LOC adjustments related to financial assets at amortised cost	479	305	-
Provision for expenses disallowed as per Income-tax Act, 1961	109	-	-
Fair valuation of SAR liability	-	6	-
Provision for security deposits	1	-	-
Preliminary expenses	14	33	-
Total deferred tax assets (A)	**1,920**	**1,409**	**-**
Deferred tax liability arising on account of :			
Difference in book value of PPE	8	6	-
Borrowing cost adjustments related to financial liabilities at amortised cost	164	40	-
Fair valuation of loans assigned	184	-	-
Special Reserve created as per section 29C of NHB Act, 1987 and claimed as deduction u/s 36 (1) (viii) of Income Tax Act, 1961	67	76	-
Total deferred tax liabilities (B)	**423**	**122**	**-**
Deferred tax assets (net) (A-B)	**1,497**	**1,287**	**-**

10. Other Non-Financial Assets

Particulars	As at 31 March, 2019 (₹ lakhs)	As at 31 March, 2018 (₹ lakhs)	As at 01 April, 2017 (₹ lakhs)
Advances recoverable in cash or in kind or for value to be received	84	33	9
Surplus in gratuity fund			
Prepayments	187	49	16
Capital advances	1	-	6
Advances to employees	2	1	0
Others	549	264	10
Total	**823**	**347**	**41**

Notes to Financial Statements
for the year ended 31 March, 2019

11. Property, Plant and Equipment

(₹ lakhs)

Particulars	Office Equipments	Furniture & Fixtures	Computers & Accessories	Leasehold Improvements	Vehicles	Land *	Total
Gross block							
Balance as at 01 April, 2017	-	13	40	-	-	-	53
Additions	1	24	43	6	45	6	125
Deletions	-	-	-	-	-	-	-
Balance as at 31 March, 2018	**1**	**37**	**83**	**6**	**45**	**6**	**178**
Additions	125	407	265	287	8	-	1,092
Deletions	-	(2)	-	-	-	-	(2)
Balance as at 31 March, 2019	**126**	**442**	**348**	**293**	**53**	**6**	**1,268**
Accumulated depreciation							
Balance as at 01 April, 2017	-	-	-	-	-	-	-
Depreciation charge	1	9	23	1	5	-	39
Deletions	-	-	-	-	-	-	-
Balance as at 31 March, 2018	1	9	23	1	5	-	39
Depreciation charge	16	55	89	49	11	-	220
Deletions	-	(1)	-	-	-	-	(1)
Balance as at 31 March, 2019	**17**	**63**	**112**	**50**	**16**	**-**	**258**
Net block							
Balance as at 01 April, 2017	-	13	40	-	-	-	53
Balance as at 31 March, 2018	0	28	60	5	40	6	139
Balance as at 31 March, 2019	109	379	236	243	37	6	1,010

**Pledged as security against secured non -convertible debenture.*

The Company has availed the deemed cost exemption as per Ind AS 101 in relation to the Property Plant and Equipment as on the date of transition (01 April, 2017) and hence the net block of carrying amount as at 31 March, 2017 has been considered as the gross block of carrying amount on the date of transition. Refer note below for the gross block value and the accumulated depreciation as at 31 March, 2017 under the previous GAAP.

Notes to Financial Statements

for the year ended 31 March, 2019

Particulars	Gross block (₹ lakhs)	Accumulated depreciation (₹ lakhs)	Net block (₹ lakhs)
Property, plant and equipment			
Furniture & fixtures	15	2	13
Computer & accessories	61	21	40
Total	**76**	**23**	**53**

As per management assessment there are no probable scenario in which the recoverable amount of asset would decrease below the carrying amount of asset. Consequently no impairment required.

12. Intangible Assets

Particulars	Computer Software	Total (₹ lakhs)
Gross block		
Balance as at 01 April, 2017	13	13
Additions	-	-
Deletions	-	-
Balance as at 31 March, 2018	**13**	**13**
Additions	88	88
Deletions	-	-
Balance as at 31 March, 2019	**101**	**101**
Amortisation		
Balance as at 01 April, 2017	-	-
Amortisation	3	3
Deletions	-	-
Balance as at 31 March, 2018	**3**	**3**
Amortisation	14	14
Deletions	-	-
Balance as at 31 March, 2019	**17**	**17**
Net block		
Balance as at 01 April, 2017	**13**	**13**
Balance as at 31 March, 2018	**10**	**10**
Balance as at 31 March, 2019	**84**	**84**

The Company has availed the deemed cost exemption as per Ind AS 101 in relation to the Intangible assets as on the date of transition (01 April, 2017) and hence the net block of carrying amount as at 31 March, 2017 has been considered as the gross block of carrying amount on the date of transition. Refer note below for the gross block value and the accumulated depreciation as at 31 March, 2017 under the previous GAAP.

Particulars	Gross block	Accumulated depreciation	Net block (₹ lakhs)
Intangible assets			
Computer software	14	1	13

As per management assessment there are no probable scenario in which the recoverable amount of asset would decrease below the carrying amount of asset. Consequently no impairment required.

Notes to Financial Statements
for the year ended 31 March, 2019

13. Trade Payables*

Particulars	As at 31 March, 2019 (₹ lakhs)	As at 31 March, 2018 (₹ lakhs)	As at 01 April, 2017 (₹ lakhs)
Due to micro and small enterprises (refer Note 54)	-	-	-
Due to creditors other than micro and small enterprises	782	452	334
Total	782	452	334

**Other payable of FY 2018 : ₹ 452 lakhs, FY 2017: ₹ 334 lakhs has been reclassified to Trade payables.*

14. Debt Securities

Particulars	As at 31 March, 2019 (₹ lakhs)	As at 31 March, 2018 (₹ lakhs)	As at 01 April, 2017 (₹ lakhs)
At amortised cost			
Non- convertible debentures (secured)*	74,988	38,346	-
Total	74,988	38,346	-

**Non- Convertible Debentures are secured by first pari passu charge over all loan receivables and immovable property.*

The funds raised by the Company during the year by issue of Secured / Unsecured Non-Convertible Debentures / bonds were utilised for the purpose intended, i.e. towards lending, financing, to refinance the existing indebtedness of the Company or for long-term working capital, in compliance with applicable laws.

15. Borrowings

Particulars	As at 31 March, 2019 (₹ lakhs)	As at 31 March, 2018 (₹ lakhs)	As at 01 April, 2017 (₹ lakhs)
At amortised cost			
Term loans from bank (secured)*	193,358	85,372	32,263
Other Loans			
Commercial papers (unsecured)#	7,753	10,153	2,375
Total	201,111	95,525	34,638

**Indian rupee loan from banks are secured by first pari passu charge over all loan receivables.*

#Commercial paper carries interest in the range of 9.50% to 9.65% p.a. and tenure of 90 to 365 days fully payable at maturity. The interest rate is on XIRR basis.

(b) Net Debt Reconciliation

Particulars	As at 31 March, 2019 (₹ lakhs)	As at 31 March, 2018 (₹ lakhs)	As at 01 April, 2017 (₹ lakhs)
Borrowings	201,111	95,525	34,638
Debt securities	74,988	38,346	-
Less: Cash and cash equivalents	(9,461)	(349)	(1,603)
Net Debt	266,638	133,522	33,035

Notes to Financial Statements
for the year ended 31 March, 2019

Changes in financial liabilities arising from financing activities

Particulars	Borrowings	Debt securities (₹ lakhs)
Balance as at 1 April, 2017	**34,638**	**-**
Receipts	64,750	37,000
Repayment	(3,750)	-
Finance costs*	4,633	1,360
Finance costs paid	(4,746)	(14)
Balance as at 31 March, 2018	**95,525**	**38,346**
Receipts	154,700	34,300
Repayment	(48,500)	-
Finance costs*	13,882	4,506
Finance costs paid	(14,498)	(2,164)
Balance as at 31 March, 2019	**201,111**	**74,988**

***Finance cost includes interest accrued but not due.**

Terms of repayment of non-convertible debentures as on 31 March, 2019

Original maturity of loan (in no. of days)	Rate of interest	Due within 1 year (₹ lakhs)	Due 1 to 2 Years (₹ lakhs)	Due 2 to 3 Years (₹ lakhs)	More than 3 Years (₹ lakhs)	Total
Issued at par and redeemable at par						
731-1095	08% - 09%	-	5,000	-	-	5,000
	09% - 11 %	-	17,500	-	-	17,500
1096-1460	07% - 08%	-	13,000	-	-	13,000
	08% - 09%	-	-	15,000	-	15,000
	09% - 11 %	-	-	7,500	-	7,500
More than 1460	08% - 09%	-	-	-	10,800	10,800
	09% - 11 %	-	-	-	2,500	2,500
Total		**-**	**35,500**	**22,500**	**13,300**	**71,300**

Terms of repayment of non-convertible debentures as on 31 March, 2018

Original maturity of loan (in no. of days)	Rate of interest	Due within 1 year (₹ lakhs)	Due 1 to 2 Years (₹ lakhs)	Due 2 to 3 Years (₹ lakhs)	More than 3 Years (₹ lakhs)	Total
Issued at par and redeemable at par						
731-1095	08% - 09%	-	-	5,000	-	5,000
1096-1460	07% - 08%	-	-	13,000	-	13,000
	08% - 09%	-	-	-	15,000	15,000
	08% - 09%	-	-	-	4,000	4,000
Total		**-**	**-**	**18,000**	**19,000**	**37,000**

Notes to Financial Statements
for the year ended 31 March, 2019

Terms of repayment of term loans as on 31 March, 2019

		Due within 1 year		Due 1 to 2 Years		Due 2 to 3 Years		More than 3 Years		Total
Original maturity of loan (in no. of days)	Rate of interest	No. of install-ments	₹ lakhs	No. of install-ments	₹ lakhs	No. of install-ments	₹ lakhs	No. of install-ments	₹ lakhs	₹ lakhs
Quarterly repayment schedule										
More than 1460	08% - 09%	3	2,500	4	3,333	4	3,333	14	10,834	20,000
	09% - 11%	14	3,167	16	4,833	16	4,833	36	9,667	22,500
Half yearly repayment schedule										
366-730	09% - 11%	1	250	-	-	-	-	-	-	250
731-1095	09% - 11%	8	4,833	-	-	2	2,500	4	5,000	12,333
1096-1460	08% - 09%	4	1,666	4	1,667	-	-	-	-	3,333
	09% - 11%	-	-	1	833	2	1,667	4	2,500	5,000
More than 1460	08% - 09%	19	7,000	20	8,667	21	10,334	37	16,708	42,709
	09% - 11%	6	3,000	21	9,667	29	17,042	45	27,916	57,625
Yearly repayment schedule										
731-1095	08% - 09%	1	5,000	1	5,000	-	-	-	-	10,000
More than 1460	09% - 11%	1	6,667	1	6,667	1	6,666	-	-	20,000
Total		**57**	**34,083**	**68**	**40,667**	**75**	**46,375**	**140**	**72,625**	**1,93,750**

Terms of repayment of term loans as on 31 March, 2018

		Due within 1 year		Due 1 to 2 Years		Due 2 to 3 Years		More than 3 Years		Total
Original maturity of loan (in no. of days)	Rate of interest	No. of install-ments	₹ lakhs	No. of install-ments	₹ lakhs	No. of install-ments	₹ lakhs	No. of install-ments	₹ lakhs	₹ lakhs
Quarterly repayment schedule										
More than 1460	08% - 09%	-	-	4	700	4	700	12	2,100	3,500
Half yearly repayment schedule										
731-1095	08% - 09%	10	4,666	11	5,584	-	-	-	-	10,250
1096-1460	08% - 09%	4	1,667	4	1,666	4	1,667	-	-	5,000
More than 1460	07% - 08%	1	1,000	2	2,000	2	2,000	5	5,000	10,000
	08% - 09%	7	2,375	13	5,041	14	7,542	20	11,542	26,500
Yearly repayment schedule										
731-1095	08% - 09%	-	-	2	5,000	1	5,000	-	-	10,000
More than 1460	08% - 09%	-	-	1	6,666	1	6,667	1	6,667	20,000
Total		**22**	**9,708**	**37**	**26,657**	**26**	**23,576**	**38**	**25,309**	**85,250**

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for the year ended 31 March, 2019

Terms of repayment of term loans as on 1 April, 2017

		Due within 1 year		Due 1 to 2 Years		Due 2 to 3 Years		More than 3 Years		Total
Original maturity of loan (in no. of days)	Rate of interest	No. of install-ments	₹ lakhs	No. of install-ments	₹ lakhs	No. of install-ments	₹ lakhs	No. of install-ments	₹ lakhs	₹ lakhs
Half yearly repayment schedule										
731-1095	09% - 11%	2	1,250	7	4,333	-	-	8	4,417	10,000
More than 1460	08% - 09%	-	-	4	1,625	7	5,958	14	11,917	19,500
	09% - 11%	-	-	2	417	2	417	2	416	1,250
Yearly repayment schedule										
731-1095	09% - 11%	-	-	1	500	2	1,000	-	-	1,500
Total		**2**	**1,250**	**14**	**6,875**	**11**	**7,375**	**24**	**16,750**	**32,250**

Note : The above disclosures are based on face value of non-convertible debentures / principal amounts of term loans as per terms of issue / contract and outstanding as at respective reporting dates.

Particulars of Secured Redeemable Non-convertible Debentures:

(₹ lakhs)

Particulars	Face Value	Quantity as at 31 March, 2019	Date of Redemption	As at 31 March, 2019	As at 31 March, 2018	As at 01 April, 2017
9.25% Series-9	10	250	08-Aug-25	2,500	-	-
8.75% Series-6	10	680	28-May-23	6,800	-	-
8.05% Series-2	10	400	24-Mar-23	4,000	4,000	-
9.2% Series-8	10	750	28-Jul-21	7,500	-	-
8.05% Series-5	10	500	20-Apr-21	5,000	5,000	-
8.48% Series-7	10	1,000	20-Apr-21	10,000	10,000	-
9.68% Series-10	10	1,250	24-Mar-21	12,500	-	-
9.67% Series-11	10	500	22-Mar-21	5,000	-	-
7.95% Series-4	10	300	26-Nov-20	3,000	3,000	-
7.95% Series-3	10	1,000	28-Aug-20	10,000	10,000	-
8.25% Series-1	10	500	27-May-20	5,000	5,000	-
Total				**71,300**	**37,000**	**-**

16. Other Financials Liabilities

Particulars	As at 31 March, 2019 (₹ lakhs)	As at 31 March, 2018 (₹ lakhs)	As at 01 April, 2017 (₹ lakhs)
Employee benefits and other payables	1,109	553	393
Book overdraft	16,050	28,621	11,624
Payable towards asset assignment / securitisation	203	-	-
Others*	1,890	1,330	284
Total	**19,252**	**30,504**	**12,301**

**Other payable of FY 2018 : ₹ 452 lakhs, FY 2017: ₹ 334 lakhs has been reclassified to Trade payables.*

Notes to Financial Statements

for the year ended 31 March, 2019

17. Current Tax Liabilities

Particulars	As at 31 March, 2019 (₹ lakhs)	As at 31 March, 2018 (₹ lakhs)	As at 01 April, 2017 (₹ lakhs)
Provision for Income Tax (net of advance tax)	7	65	-
Total	7	65	-

18. Provisions

Particulars	As at 31 March, 2019 (₹ lakhs)	As at 31 March, 2018 (₹ lakhs)	As at 01 April, 2017 (₹ lakhs)
Provision for employee benefits			
- Provision for gratuity	85	50	22
- Provision for leave benefits	9	9	17
Total	94	59	39

19. Other Non-Financial Liabilities

Particulars	As at 31 March, 2019 (₹ lakhs)	As at 31 March, 2018 (₹ lakhs)	As at 01 April, 2017 (₹ lakhs)
Statutory dues	182	138	85
Others	641	405	232
Total	823	543	317

20. Share Capital

Particulars	As at 31 March, 2019 (₹ lakhs)	As at 31 March, 2018 (₹ lakhs)	As at 01 April, 2017 (₹ lakhs)
Equity shares Capital (Authorised)	150,000	150,000	150,000
1,500,000,000 (31 March, 2018: 1,500,000,000; 1 April, 2017: 1,500,000,000) equity shares of ₹ 10 each			
Issued, subscribed and fully paid up	24,536	19,527	19,527
245,356,916 (31 March, 2018: 195,273,443; 1 April, 2017: 195,273,443) Equity shares of ₹ 10 each fully paid			

(a) Reconciliation of equity shares outstanding at the beginning and at the end of the reporting period

Particulars	As at 31 March, 2019		As at 31 March, 2018		As at 01 April, 2017	
	Number	Amount (₹ lakhs)	Number	Amount (₹ lakhs)	Number	Amount (₹ lakhs)
Balance at the beginning of the year	195,273,443	19,527	195,273,443	19,527	195,273,443	19,527
Add :Shares issued during the year	50,083,473	5,009	-	-	-	-
Balance at the end of the year	**245,356,916**	**24,536**	**195,273,443**	**19,527**	**195,273,443**	**19,527**

(b) Terms/right attached to equity shares:

The Company has only one class of equity shares having a par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share. Any Dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. Dividend is declared and paid in Indian

Notes to Financial Statements
for the year ended 31 March, 2019

rupees. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all the preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

(c) Shares held by holding Company

Out of equity shares issued by the Company, shares held by its holding Company, ultimate holding Company and their subsidiaries/associates are as below:

Particulars	As at 31 March, 2019		As at 31 March, 2018		As at 01 April, 2017	
	Number	Amount (₹ lakhs)	Number	Amount (₹ lakhs)	Number	Amount (₹ lakhs)
Fullerton India Credit Company Limited, the holding company and its nominees 245,356,916 (31 March, 2018: 195,273,443; 1 April, 2017: 195,273,443) equity shares of ₹ 10 each fully paid)	245,356,916	24,536	195,273,443	19,527	195,273,443	19,527

(d) Shareholders holding more than 5% of the shares in the Company

Particulars	As at 31 March, 2019		As at 31 March, 2018		As at 01 April, 2017	
Equity shares of ₹ 10 each fully paid	Number	% of holding	Number	% of holding	Number	% of holding
Fullerton India Credit Company Limited, the holding company and its nominees	245,356,916	100%	195,273,443	100%	195,273,443	100%

(e) Shareholders holding more than 5% of the shares in the Company

The Company has not issued any bonus shares or shares for consideration other than cash nor has there been any buyback of shares during five years immediately preceding 31 March, 2019.

21. Other Equity

Particulars	As at 31 March, 2019 (₹ lakhs)	As at 31 March, 2018 (₹ lakhs)	As at 01 April, 2017 (₹ lakhs)
Capital Reserve	10	10	-
Securities premium	26,454	16,463	16,473
Reserve Fund under Section 29C(i) of the NHB Act, 1987	231	220	-
Items of OCI	(10)	9	-
Surplus in the statement of profit and loss	(1,516)	(1,553)	(1,757)
Total	**25,169**	**15,149**	**14,716**

(Refer Statement of Change in Equity for the year ended 31 March, 2019 for movement in Other Equity)

Nature and purpose of reserves

(i) General Reserve

Pursuant to the provisions of Companies Act 1956, the Company had transferred a portion of profit of the Company before declaring dividend to general reserve. However mandatory transfer to general reserve is not required under Companies Act, 2013.

Notes to Financial Statements
for the year ended 31 March, 2019

(ii) Capital Reserve

Capital Reserve is created on account of reversal of debenture issue costs charged to securities premium under previous GAAP. The same shall be utilised as per the provisions of Companies Act, 2013.

(iii) Securities Premium

Securities premium is used to record the premium on issue of shares. The reserve is utilised in accordance with the provisions of the Companies Act, 2013.

(iv) Reserve Fund under Section 29C(i) of the NHB Act, 1987

The Company is required to create a fund by transferring not less than 20% its net profit every year as disclosed in the statement of profit and loss account and before any dividend is declared. The fund shall be utilised for the purpose as may be specified by the National Housing Bank from time to time and every such appropriation shall be reported to the National Housing Bank within 21 days from the date of such withdrawal.

(v) Retained Earnings & Surplus in the statement of profit and loss

Retained earnings are profit that the Company has earned to date, less any dividend or other distributions paid to the shareholders, net of utilisation as permitted under applicable law.

22. Interest Income

Particulars	For the year ended 31 March, 2019 (₹ lakhs)	For the year ended 31 March, 2018 (₹ lakhs)
On Loans	30,068	12,034
On Bank Deposits	203	343
On Investments	491	578
Total	**30,762**	**12,955**

23. Fee and Commission Income

Particulars	For the year ended 31 March, 2019 (₹ lakhs)	For the year ended 31 March, 2018 (₹ lakhs)
Fees and Commission Income	359	151
Total	**359**	**151**

24. Net Gain on Financial Assets at FVTPL

Particulars	For the year ended 31 March, 2019 (₹ lakhs)	For the year ended 31 March, 2018 (₹ lakhs)
Realised Gain	1023	235
Unrealised Gain	49	1
Total	**1072**	**236**

Notes to Financial Statements
for the year ended 31 March, 2019

25. Ancillary Income

Particulars	For the year ended 31 March, 2019 (₹ lakhs)	For the year ended 31 March, 2018 (₹ lakhs)
Other fee income	545	219
Total	545	219

26. Other Income

Particulars	For the year ended 31 March, 2019 (₹ lakhs)	For the year ended 31 March, 2018 (₹ lakhs)
Security Deposits	7	-
Miscellaneous income	235	129
Total	242	129

27. Finance Cost

Particulars	For the year ended 31 March, 2019 (₹ lakhs)	For the year ended 31 March, 2018 (₹ lakhs)
On financial liabilities measured at amortised cost		
Borrowings	13,842	4,510
Debt securities	4,506	1,360
Bank charges and others	40	123
Total	18,388	5,993

28. Impairment on Financial Instruments

Particulars	For the year ended 31 March, 2019 (₹ lakhs)	For the year ended 31 March, 2018 (₹ lakhs)
Bad debts and Write off (net of recovery)	3,099	42
Provision for loans and advances	1,252	2 765
Total	4,351	2,807

**Bad debts and write offs are offset by recovery of 2,455 lakhs (FY 2018: Nil lakhs)*

29. Employee Benefits Expense

Particulars	For the year ended 31 March, 2019 (₹ lakhs)	For the year ended 31 March, 2018 (₹ lakhs)
Salaries, bonus and allowances	5,010	2,761
Share based payment to employees and directors	321	20
Contribution to provident and other funds	184	100
Gratuity expense (refer note 37)	37	14
Staff welfare and training expenses	110	71
Total	5,662	2,966

Notes to Financial Statements
for the year ended 31 March, 2019

30. Other Expenses

Particulars	For the year ended 31 March, 2019 (₹ lakhs)	For the year ended 31 March, 2018 (₹ lakhs)
Printing and stationery	63	35
Rent	387	58
Rates and taxes	2	1
Business promotion expenses	154	35
Legal charges	68	5
Professional charges	1,618	1,055
Collection expenses	112	47
Courier charges	22	2
Repairs and maintenance		
Office premises	81	20
Others	3	4
Directors' sitting fees	19	20
Travelling expenses	160	108
Telecommunication expenses	74	10
Payment to auditor (refer details below)	31	16
Electricity charges	31	0
Security charges	62	2
Recruitment expenses	55	48
Training expenses	9	21
Fees and subscription	3	-
Miscellaneous expenses	1,094	738
Write off of fixed assets and intangible assets	1	-
Total	**4,049**	**2,225**

Professional fees payable to auditors		
Statutory Audit fee	13	9
Tax Audit fee	2	2
Limited review fee	3	2
In other capacity		
- Certification matter & others	12	2
- Reimbursement of expenses	1	1
Total	**31**	**16**

Notes to Financial Statements
for the year ended 31 March, 2019

31. Tax Expense

(a) Amount recognised in the statement of profit and loss

Particulars	For the year ended 31 March, 2019 (₹ lakhs)	For the year ended 31 March, 2018 (₹ lakhs)
Current tax for the year	458	524
Adjustment of tax relating to earlier periods		
Current tax expense (A)	**458**	**524**
Deferred taxes for the year		
(Increase)/decrease in deferred tax assets	(511)	(1,409)
Increase/(decrease) in deferred tax liabilities	301	118
Net deferred tax Asset (B)	**(210)**	**(1,291)**
Total Income Tax Expense (A+B)	**248**	**(767)**

(b) Amount recognised in Other Comprehensive Income

Particulars	For the year ended 31 March, 2019 (₹ lakhs)	For the year ended 31 March, 2018 (₹ lakhs)
Items that will not be reclassified to profit or loss		
Actuarial loss on defined benefit obligations (net of tax)	(19)	9
Total	**(19)**	**9**

(c) Tax reconciliation (for profit and loss)

Particulars	For the year ended 31 March, 2019 (₹ lakhs)	For the year ended 31 March, 2018 (₹ lakhs)
Net Profit / (Loss) before OCI as per PL	296	(343)
Income tax @ Statutory Tax Rate of 29.12%	86	(100)
Tax effects of:		
Items which are taxed at different rates	156	(671)
Net expenses that are not deductible in determining taxable profit	9	(1)
Deductible expenses debited to OCI	-	2
Recognition of previously unrecognised temporary differences	(3)	3
Income tax expenses reported in PL	**248**	**(767)**
Tax Rate Effective*	83.85%	223.55%

**In FY 2018-19 the Govt. enacted or a change in national income tax rate by increasing health and education cess tax from 3% to 4%, accordingly income tax rate has been increased from 28.32% in FY 2017-18 to 29.12% in FY 2018-19*

Notes to Financial Statements
for the year ended 31 March, 2019

Significant components and movement in deferred tax assets and liabilities

(₹ lakhs)

Particulars	As at 31 March, 2018	Recognised in Profit and loss	Recognised in OCI	Recognised in equity	As at 31 March, 2019
Deferred tax liabilities on account of:					
Difference in book value of PPE	6	2	-	-	8
Borrowing cost adjustments related to financial liabilities at amortised cost	40	124	-	-	164
Fair valuation of loans assigned	-	184	-	-	184
Provision for security deposits	-	-	-	-	-
Special Reserve created as per section 29C of NHB Act, 1987 and claimed as deduction u/s 36 (1) (viii) of Income Tax Act, 1961	76	(9)	-	-	67
Deferred Tax Liability (A)	**122**	**301**	**-**	**-**	**423**
Deferred tax assets on account of:					
Impact on application of expected credit loss on financial assets	1,052	232	-	-	1,284
Processing fee and LOC adjustments related to Financial assets at amortised cost	305	174	-	-	479
Impact of expenditure under Section 43B of Income Tax Act, 1961	11	125	-	-	136
Fair valuation of SAR liability	6	(6)	-	-	-
Provision for security deposits	-	1	-	-	1
Rent equalisation reserve	-	6	-	-	6
MTM on investments	2	(2)	-	-	-
Preliminary expenses	33	(19)	-	-	14
Deferred tax assets (B)	**1,409**	**511**	**-**	**-**	**1,920**
Net Deferred Tax Assets (B – A)	**1,287**	**210**	**-**	**-**	**1,497**

Notes to Financial Statements
for the year ended 31 March, 2019

(₹ lakhs)

Particulars	As at 31March, 2017	Recognised in Profit and loss	Recognised in OCI	Recognised in equity	As at 31March, 2018
Deferred tax liabilities on account of:					
Difference in book value of PPE	-	6	-	-	6
Borrowing cost adjustments related to financial liabilities at amortised cost	-	36	-	4	40
Special Reserve created as per section 29C of NHB Act, 1987 and claimed as deduction u/s 36 (1) (viii) of Income Tax Act, 1961	-	76	-	-	76
Deferred Tax Liability (A)	**-**	**118**	**-**	**4**	**122**
Deferred tax assets on account of:					
Impact on application of expected credit loss on financial assets	-	1,052	-	-	1,052
Processing fees and LOC adjustments related to financial assets at amortised cost	-	305	-	-	305
Impact of expenditure under Section 43B of Income Tax Act, 1961	-	11	-	-	11
Fair valuation of SAR liability	-	6	-	-	6
Provision for security deposits	-	-	-	-	-
MTM on investments	-	2	-	-	2
Preliminary expenses	-	33	-	-	33
Deferred Tax Assets (B)	**-**	**1,409**	**-**	**-**	**1,409**
Net Deferred Tax Assets (B – A)	**-**	**1,291**	**-**	**(4)**	**1,287**

32. Amount Recognised in Other Comprehensive Income

Particulars	For the year ended 31 March, 2019 (₹ lakhs)	For the year ended 31 March, 2018 (₹ lakhs)
Items that will not be reclassified to profit & loss		
Actuarial gain / (loss) on defined benefit obligations (net of tax)	(19)	9
Total	**(19)**	**9**

Notes to Financial Statements
for the year ended 31 March, 2019

33. Earnings Per Share

Particulars	For the year ended 31 March, 2019 (₹ lakhs)	For the year ended 31 March, 2018 (₹ lakhs)
Net Profit after tax attributable to equity holders (₹ lakhs)	48	424
Weighted average number of equity shares for Basic earnings per share	220,383,787	195,273,443
Weighted average number of equity shares for Diluted earnings per share	220,383,787	195,273,443
Earnings per Share		
Basic earnings per share ₹	0.02	0.22
Diluted earnings per share ₹	0.02	0.22
Nominal value of shares ₹ 10 each (Previous year: ₹ 10 each)		

The Company has not issued any potential equity shares. Accordingly diluted EPS is equal to basic EPS

34. First Time Adoption of Ind AS

These are the Company's first separate financial statements prepared in accordance with Ind AS. For the period upto and including the year ended 31 March, 2018, the Company has prepared its financial statements in accordance with Previous GAAP.

The accounting policies set out in Note 1 have been applied in preparing the financial statements for the year ended 31 March, 2019, the comparative information presented in these financial statements as at and for the year ended 31 March, 2018 and in the preparation of an opening Ind AS balance sheet at 1 April, 2017 (the date of transition). This note explains the principle adjustments made by the Company in restating its Previous 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.

Optional exemptions availed and mandatory exceptions

In preparing these Ind AS financial statements, the Company has availed certain exemptions and exceptions in accordance with Ind AS 101, as explained below. The resulting difference between the carrying values of the assets and liabilities in the financial statements as at the transition date under Ind AS and Previous GAAP is recognsied directly in equity (retained earnings or another appropriate category of equity).

An explanation of how the transition from previous GAAP to Ind AS has affected the Company's financial position, financial performance and cash flows is as follows:

A. Exceptions and exemptions availed

(I) Ind AS Mandatory Exceptions

Estimates

On assessment of the estimates made under the Previous GAAP financial statements, the Company has concluded that there is no necessity to revise the estimates under Ind AS. However, estimates that were required under Ind AS but not required under Previous GAAP are made by the Company for the relevant reporting dates reflecting conditions existing as at that date.

Classification and measurement of financial assets

The Company has determined the classification and measurement of financial assets based on facts and circumstances that existed on the date of transition.

De-recognition of financial assets and liabilities

The Company has applied the de-recognition provisions of Ind AS 109 prospectively from the date of transition to Ind AS.

Stock appreciation rights

The Company has elected to apply Ind AS 102 Share-based payment to SAR that were unvested and unexercised on the date of transition to Ind AS.

Notes to Financial Statements

for the year ended 31 March, 2019

Impairment of financial assets

The Company has applied the impairment related requirements of Ind AS 109 retrospectively from the transition date.

(II) Ind AS Optional Exemption Availed

Deemed cost - Property Plant and Equipment and Other Intangible Assets

The Company has elected to continue with the carrying value for all of its Property, Plant and Equipment and Intangible Assets as recognised in the financial statements as at the date of transition to Ind AS, measured as per the previous GAAP and use that as its deemed cost as at the date of transition.

B. Reconciliations between Previous GAAP and Ind AS

For the purposes of reporting as set out in Note 1B, the Company has transitioned its basis of accounting from Previous GAAP to Ind AS. The accounting policies set out in note 1C have been applied in preparing the financial statements for the year ended March, 31, 2019, the comparative information presented in these financial statements for the year ended March, 31, 2018 and in the preparation of an opening Ind AS balance sheet at 01 April, 2017 (the 'transition date').

In preparing the opening Ind AS balance sheet, amounts reported in financial statements prepared in accordance with Previous GAAP have been adjusted. An explanation of how the transition from Previous GAAP to Ind AS has affected the financial performance, financial position and cash flows is set out in the following tables and the notes that accompany the tables.

B.1 Reconciliation between Previous GAAP and Ind AS

i) Effect of Ind AS adoption on the balance sheet as at shown below:

	As at 1 April, 2017 (₹ lakhs)			As at 31 March, 2018 (₹ lakhs)		
Particulars	Previous GAAP*	Adjustments	Amount IND AS	Previous GAAP*	Adjustments	Amount under IND AS
ASSETS						
Financial assets						
Cash and cash equivalents	1,603	-	1,603	349	-	349
Bank balances other than cash and cash equivalents	4,545	-	4,545	5,356	-	5,356
Investments	28,657	(9)	28,648	4,750	(8)	4,742
Trade receivables	-	-	-	26	-	26
Other financial assets	87	-	87	394	-	394
Loans and advances	46,947	(74)	46,873	1,88,571	(1,083)	1,87,488
Total Financial assets	**81,839**	**(83)**	**81,756**	**1,99,446**	**(1,091)**	**1,98,355**
Non- Financial assets						
Current tax assets (net)	9	-	9	32	-	32
Deferred tax asset (net)	-	-	-	981	306	1,287
Property, plant and equipment	53	-	53	139	-	139
Intangibles assets	13	-	13	10	-	10
Other Non-Financial assets	41	-	41	347	-	347
Total Non-Financial assets	116	-	116	1,509	306	1,815
Total Assets	**81,955**	**(83)**	**81,872**	**2,00,955**	**(785)**	**2,00,170**

Notes to Financial Statements

for the year ended 31 March, 2019

Particulars	As at 1 April, 2017 (₹ lakhs) Previous GAAP*	Adjustments	Amount IND AS	As at 31 March, 2018 (₹ lakhs) Previous GAAP*	Adjustments	Amount under IND AS
LIABILITIES AND EQUITY						
Liabilities						
Financial liabilities						
Trade payables	334	-	334	452	-	452
Debt Securities	-	-	-	38,404	(58)	38,346
Borrowings	34,638	-	34,638	95,525	-	95,525
Other financial liabilities	12,295	6	12,301	30,483	21	30,504
Total Financial Liability	**47,267**	**6**	**47,273**	**1,64,864**	**(37)**	**1,64,827**
Non-Financial liabilities						
Current tax liabilities (net)	-	-	-	65	-	65
Provisions	39	-	39	59	-	59
Other Non-Financial liabilities	317	-	317	543	-	543
Total Non-Financial Liability	**356**	**-**	**356**	**667**	**-**	**667**
Equity						
Equity share capital	19,527	-	19,527	19,527	-	19,527
Other equity	14,805	(89)	14,716	15,897	(748)	15,149
	34,332	**(89)**	**34,243**	**35,424**	**(748)**	**34,676**
Total Liabilities and Equity	**81,955**	**(83)**	**81,872**	**2,00,955**	**(785)**	**2,00,170**

** The Previous GAAP figures have been reclassified to conform to Ind AS presentation requirements for the purpose of this note.*

ii) Effect of Ind AS adoption on statement of profit and loss for the year ended 31 March, 2018

Particulars	Previous GAAP*	Adjustments	Amount under IND AS
Revenue from operations			
Interest income	12,833	122	12,955
Fees and commission income	151	-	151
Net gain on fair value changes	235	1	236
Ancillary income	219	-	219
Total revenue from operations	**13,438**	**123**	**13,561**
Other income	129	-	129
Total Income	**13,567**	**123**	**13,690**
Expenses			
Finance costs	6,037	(44)	5,993
Impairment on financial instruments	1,675	1,132	2,807

Notes to Financial Statements

for the year ended 31 March, 2019

Particulars	Previous GAAP*	Adjustments	Amount under IND AS
Employee benefits expense	2,943	23	2,966
Depreciation, amortisation and impairment	42	-	42
Other expenses	2,225	-	2,225
Total expenses	**12,922**	**1,111**	**14,033**
Profit before tax	645	(988)	(343)
Tax expense			
(i) Current tax	524	-	524
(ii) Adjustment of tax relating to earlier periods	-	-	-
(iii) Deferred tax expense / (credit)	(981)	(310)	(1,291)
Net profit after tax	**1,102**	**(678)**	**424**
Other comprehensive income / (loss)			
Items that will not be reclassified to profit or loss, net of tax			
Re-measurement of defined benefit plan (net of tax)	-	9	9
Other comprehensive income / (loss) for the year, net of tax	**-**	**9**	**9**
Total comprehensive income	**1,102**	**(669)**	**433**

iii) Reconciliation of equity from previous GAAP to IND AS

(₹ lakhs)

Particulars		Equity as at	
	Note	31 March, 2018	01 April, 2017
Equity as per previous GAAP		35,424	34,332
GAAP adjustments:			
Impact on recognition of financial assets and financial liabilities at amortised cost by application of Effective interest rate:			
- Financial assets	(a)	122	-
- Financial liabilities	(b)	58	-
Impact on application of expected credit loss on financial assets	(c)	(1,206)	(74)
Fair valuation of investments	(d)	(8)	(9)
Fair valuation of SAR liability	(e)	(21)	(6)
Deferred tax adjustments on above	(g)	307	-
Total - GAAP adjustments		**(748)**	**(89)**
Equity as per IND AS		**34,676**	**34,243**

Notes to Financial Statements
for the year ended 31 March, 2019

Reconciliation of total comprehensive income from previous GAAP to IND AS

Particulars	Note	Equity as at 31 March, 2018
Net profit for the period as per previous GAAP		1,102
GAAP adjustments:		
Impact on recognition of financial assets and financial liabilities at amortised cost by application of Effective interest rate:		
- Financial assets	(a)	122
- Financial liabilities	(b)	45
Impact on application of expected credit loss on financial assets	(c)	(1,132)
Fair valuation of investments	(d)	1
Fair valuation of SAR liability	(e)	(15)
Reclassification of actuarial gain / loss on defined benefit obligation to other comprehensive income	(f)	(9)
Impact of deferred taxes on the above adjustments	(g)	310
Net profit after tax		**424**
Reclassification of actuarial gain / loss on defined benefit obligation to other comprehensive income (net of tax)		9
Total comprehensive income as per IND AS		**433**

iv) Impact on Cash flow statements :

There is no significant impact on cash flow from operating, investing and financing activities for the year ended 31 March, 2018 on transition to Ind AS.-

B.2 Notes to reconciliations

(a) Financial assets carried at amortised cost

Security Deposits

Under the Previous GAAP, interest free lease security deposits given (that are refundable in cash on expiry/termination of the lease term) were recorded at their transaction value.

Under Ind AS, all financial assets are required to be measured at fair value on initial recognition. Accordingly, the Company has fair valued lease security deposits under IND AS. Difference between the fair value and transaction value of the security deposits has been recognised as prepaid expenses. Subsequently, the deposit will be measured at amortised cost resulting into recognition of finance income in the statement of profit and loss.

Portfolio Loans

Under the Previous GAAP, loans are accounted at the gross transaction price where processing fees is recognised as income and loan origination costs are recognised as expenses, over the period of the loan in proportion to the interest income for the entire period.

Under IND AS, transaction costs are included in the initial recognition amount of financial assets and recognised as interest income using the effective interest method. Since these portfolio loans are linked on Company's prime lending rate, therefore carrying value of portfolio loans remains same.

(b) Financial liabilities carried at amortised cost

Under the Previous GAAP, transaction costs incurred on borrowings were charged to securities premium upfront.

Under Ind AS, transaction costs are included in the initial recognition amount of financial liabilities and recognised as interest expenses using the effective interest method. IND AS impact of the amount already charged in securities premium till transition date is reversed under capital reserve.

Notes to Financial Statements
for the year ended 31 March, 2019

(c) Impact on implementation of expected credit loss on financial assets.

Under the Previous GAAP, provision for doubtful debts are made based on the RBI prudential norms for incurred losses.

Under Ind AS, an impairment loss shall be recognised as per the expected credit losses model on all financial assets (other than those measured at fair value).

(d) Fair Valuation of Investments

Under the Previous GAAP, long term investments are carried at cost. Provision for diminution was recognised for a decline, if any, which was other than temporary in the value of Long Term investments. Short term investments are carried at net realisable value or cost whichever is lower.

Under Ind AS, the Company has measured its investments in government securities, treasury bills, mutual funds, commercial papers, corporate bonds, certificate of deposit sat FVTPL as they do not meet the SPPI criteria (i.e. solely payments of principal and interest).

(e) Fair Valuation of Stock Appreciation Rights

Under the Previous GAAP, the cost of cash-settled employee share-based plan were recognised using the net book value as at the grant date.

Under Ind AS, the Company has measured the cost of cash-settled employee share-based plan at fair value as at reporting date. The resulting employee compensation cost has been recognised in retained earnings as at the date of transition 01 April, 2017 and subsequently in the Statement of Profit and Loss for the year ended 31 March, 2018.

(f) Impact of recognising actuarial gains / (losses) on defined benefit obligations in other comprehensive income

Under the Previous GAAP, actuarial gains / losses on defined benefit obligations were recognised in statement of profit and loss as part of employee benefit expenses.

Under Ind AS, re-measurements i.e. actuarial gains and losses are recognised in other comprehensive income instead of the statement of profit and loss.

(g) Impact on account of deferred taxes

Under the Previous GAAP, deferred tax was accounted as per the income approach which required creation of deferred tax asset/ liability on timing differences between taxable income and accounting income.

Under Ind AS, deferred tax is accounted as per the balance sheet approach which requires creation of deferred tax asset/ liability on temporary differences between the carrying amount of an asset/ liability in the Balance Sheet and its corresponding tax base. The adjustments in equity and net profit, as discussed above, resulted in additional temporary differences on which deferred taxes are calculated. In addition, the various transitional adjustments lead to temporary differences. According to the accounting policies, the Company has accounted deferred tax on them.

(h) Retained Earnings

Retained earnings as on 1st April, 2017 has been adjusted consequent to the above IND AS transition adjustment

35. Related Party Disclosures

Related party disclosures as required under Indian Accounting standard 24, “Related party disclosure” are given below for the related parties of the Company with whom there have been transaction during the year.

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for the year ended 31 March, 2019

35.1. List of Related Parties

Nature of Relationship	Name of Related Party
Ultimate Holding Company	Angelica Investments Pte Ltd, Singapore ('Angelica')(Holding Company of FICCL) Fullerton Financials Holdings Pte Ltd (Holding Company of Angelica) Temasek Holdings (Private) Limited (Holding Company of 'FFH')
Holding Company	Fullerton India Credit Company Limited ('FICCL', Holding Company)
Key Management Personnel	Dr Milan Robert Shuster, Independent Director Mr. Kenneth Ho Tat Meng , Non Independent Director Ms. Renu Challu, Independent Director Mr. Rakesh Makkar, Chief Executive Officer and Whole time Director since 16 March, 2018 Mr. Ravindra Rao, Chief Executive Officer till 15 March, 2018

35.2 Transactions During The Year With Related Parties :

Particulars	For the year ended 31 March, 2019 (₹ lakhs)	For the year ended 31 March, 2018 (₹ lakhs)
Expenses incurred by the Company on behalf of others		
Fullerton India Credit Company Limited	-	34
Income earned by the Company on behalf of others	4	-
Fullerton India Credit Company Limited		
Issue of Share capital (including securities premium)		
Fullerton India Credit Company Limited	15,000	-
Expense as per Resource sharing agreement		
Fullerton India Credit Company Limited	1,033	795
Fee for committed credit line		
Fullerton India Credit Company Limited	15	34

Remuneration paid to Company's KMPs	For the year ended 31 March, 2019 (₹ lakhs)	For the year ended 31 March, 2018 (₹ lakhs)
Salary, bonus and allowances (including short terms benefits)	259	173
Post -employment benefits	10	4
Director's sitting fees	19	19

Note : The managerial remuneration paid by the Company to its Directors during the current year is in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act vide special resolution passed at its extra ordinary general meeting held on 4 January, 2019.

Notes to Financial Statements
for the year ended 31 March, 2019

35.3. Amount Due To/From Related Party:

Balance outstanding as at the year end	31 March, 2019 (₹ lakhs)	31 March, 2018 (₹ lakhs)
Issue of Equity Share		
Fullerton India Credit Company Limited	51,000	36,000
Other Payables (Net)		
Fullerton India Credit Company Limited	106	194

36. Capital Management

Equity share capital and other equity are considered for the purpose of the Company's capital management. The Company's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Company is based on management's judgement of its strategic and day-to-day needs with a focus on total equity so as to maintain investor, creditors and market confidence. The funding requirements are met through equity, borrowings and operating cash flows generated. The management monitors the return on capital and the board of directors monitors the level of dividends to shareholders of the Company. The Company may take appropriate steps in order to maintain, or if necessary adjust, its capital structure.

The company maintains its capital base to cover the risks inherent in the business and in meeting the capital adequacy requirements of the National Housing Bank (NHB). The adequacy of the company's capital is monitored using, among other measures, the regulations issued NHB. Company has complied in full with all its externally imposed capital requirements over the reported period. For details refer "Additional disclosure as per NHB"

37. Retirement Benefit Plans

Defined Contribution Plan

The total expense charged to income statement of ₹ 184 lakhs (2018: ₹ 100 lakhs) represents contributions payable to these plans by the Company at rates specified in the rules of the plan.

Defined Benefit Plan	31 March, 2019 (₹ lakhs)	31 March, 2018 (₹ lakhs)
Actuarial assumptions		
Mortality table	Indian Assured Lives Mortality (2006-08)	Indian Assured Lives Mortality (2006-08)
Discount rate and expected rate of return on assets	6.76% p.a.	6.93% p.a.
Rate of increase in compensation	10.00% p.a.	10.00% p.a.
Employee turnover		
Category 1 – For basic upto ₹ 1.2 lakhs		
Up to 4 years	46.70%	43.50%
5 years and above	2.00%	2.00%
Category 2 – For basic more than ₹ 1.2 lakhs		
Up to 4 years	50.90%	61.30%
5 years and above	2.00%	2.00%
Assets information:		
Insured Managed funds	-	-
Changes in the present value of defined benefit obligation		
Present value of obligation at the beginning of the year	49,72,642	22,53,211

Notes to Financial Statements
for the year ended 31 March, 2019

Particulars	31 March, 2019 (₹ lakhs)	31 March, 2018 (₹ lakhs)
Interest expense	3,44,604	1,59,753
Current service cost	12,11,415	12,08,433
Past service cost	-	-
Liability Transferred In	21,75,335	23,41,832
Liability Transferred Out/	-	(1,38,141)
Benefit Paid From the Fund	-	-
Actuarial (Gains)/Losses on Obligations - Due to Change in Demographic Assumptions	(4,20,319)	(19,99,531)
Actuarial (Gains)/Losses on Obligations - Due to Change in Financial Assumptions	2,70,266	93,653
Actuarial (Gains)/Losses on Obligations - Due to Experience adjustments	20,86,746	10,53,432
Present Value of obligation at the end of the year	**1,06,40,689**	**49,72,642**
Changes in the Fair value of Plan Assets		
Assets and liabilities recognised in the balance sheet		
Present value of the defined benefit obligation at the end of the year	(1,06,40,689)	(49,72,642)
Fair Value of Plan Assets at the end of the Period	-	-
Funded Status (Surplus/ (Deficit))	(1,06,40,689)	(49,72,642)
Net (Liability)/Asset Recognised in the Balance Sheet	(1,06,40,689)	(49,72,642)

Expenses recognised in the Statement of Profit and Loss

Particulars	For the year ended 31 March, 2019 (Amount ₹)	For the year ended 31 March, 2018 (Amount ₹)
Current Service Cost	12,11,415	12,08,433
Past service cost		-
Net interest (income)/ expense	3,44,604	1,59,753
Net gratuity expense recognised	15,56,019	13,68,186
Included in note 32 'Employee benefits expense'		
Expenses recognised in the Statement of Other comprehensive income (OCI)		
Actuarial gain/ loss on post-employment benefit obligation	19,36,693	(8,52,446)
Total re-measurement cost / (credit) for the year recognised in OCI	**19,36,693**	**(8,52,446)**

Reconciliation of Net asset / (liability) recognised:

Particulars	31 March, 2019 (Amount ₹)	31 March, 2018 (Amount ₹)
Opening Net Liability	49,72,642	22,53,211
Expenses recognised at the end of period	15,56,019	13,68,186
Amount recognised in other comprehensive income	19,36,693	(8,52,446)
Net Liability/(Asset) Transfer In	21,75,335	23,41,832
Net (Liability)/Asset Transfer Out	-	(1,38,141)
(Employer's Contribution)	-	-
Net Liability/(Asset) Recognised in the Balance Sheet	**1,06,40,689**	**49,72,642**

Notes to Financial Statements
for the year ended 31 March, 2019

Sensitivity Analysis:

Particulars	As at 31 March, 2019		As at 31 March, 2018	
	Decrease	Increase	Decrease	Increase
Discount Rate (1% movement)	17,88,705	(14,68,655)	6,60,278	(5,38,859)
Future Salary Growth (1% movement)	(14,41,240)	17,13,568	(5,29,592)	6,33,577
Rate of Employee Turnover (1% movement)	5,69,485	(4,93,379)	2,37,966	(2,08,243)

The sensitivity analysis has been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

The sensitivity analysis presented above may not be representative of the actual change in the projected benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the projected benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same method as applied in calculating the projected benefit obligation as recognised in the Balance Sheet.

Maturity analysis of projected benefit obligation

Year	31 March, 2019 (Amount ₹)
1	1,42,500
2	1,49,299
3	1,72,467
4	1,93,767
5	2,15,908
Sum of Years 6 to 10	43,58,391

Risks associated with Defined Benefit Plan:

(i) Interest Rate Risk

A fall in the discount rate which is linked to the government security rate will increase the present value of the liability requiring higher provision. A fall in the discount rate generally increases the fair value of the assets depending on the duration of asset.

(ii) Salary Risk

The present value of the defined benefit plan liability is calculated by reference to the future salaries of members. The estimates of future salary increases, considered in actuarial valuation, takes into account inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

(iii) Investment and concentration risk

The Company has not invested its funds in any fund, accordingly it is not exposed to any investment and concentration risks.

(v) Mortality Risk

Since the benefits under the plan are not payable for life time and are payable till retirement age only, the plan does not have any longevity risk.

During the year, there were no plan amendments, curtailments and settlements.

38. Employee stock appreciation rights

The Company has a cash settled share based payment scheme, under which grants were made as per details provided below:

	Grant 4	Grant 5	Grant 6	Grant 7	Grant 8	Grant 6A
Date of Grant	01-Apr-14	01-Apr-15	01-Apr-16	01-Apr-17	01-Apr-18	01-Apr-17
Value of the Grant	₹ 115 Lakhs	₹ 115 Lakhs	₹ 145 Lakhs	₹ 155 Lakhs	₹ 126 Lakhs	₹ 251 Lakhs
Performance Condition	Achievement of PBT and ROE –Targets as per approved plan			Achievement of PAT and ROE – Targets as per approved plan		Achievement of specific targets
Graded Vesting (subject to achievement of performance condition given above)	Tranche I: 33% vesting on 1st December, 2017	Tranche I: 33% vesting on 1st December, 2018	Tranche I: 33% vesting on 1st December, 2019	Tranche I: 33% vesting on 1st December, 2020	Tranche I: 33% vesting on 1ST December 2021	Tranche I: 50% vesting on 1st December 2020,
	Tranche II: 33% vesting on 1st December, 2018	Tranche II: 33% vesting on 1st December, 2019	Tranche II: 33% vesting on 1st December, 2020	Tranche II: 33% vesting on 1st December, 2021	Tranche II: 33% vesting on 1st December, 2022	Tranche II: 50% vesting on 1st December, 2021
	Tranche III: 34% vesting on 1st December, 2019	Tranche III: 34% vesting on 1st December, 2020	Tranche III: 34% vesting on 1st December, 2021	Tranche III: 34% vesting on 1st December, 2022	Tranche III: 34% vesting on 1st December, 2023	-
Vesting period (including performance period)	Tranche I: 3 years 8 months	Tranche I: 3 years 8 months	Tranche I: 3 years 8 months	Tranche I: 3 years 8 months	Tranche I: 3 years 8 months	Tranche I: 3 years 8 months
	Tranche II: 4 years 8 months	Tranche II: 4 years 8 months	Tranche II: 4 years 8 months	Tranche II: 4 years 8 months	Tranche II: 4 years 8 months	Tranche II: 4 years 8 months
	Tranche III: 5 years 8 months	Tranche III: 5 years 8 months	Tranche III: 5 years 8 months	Tranche III: 5 years 8 months	Tranche III: 5 years 8 months	-
Exercise period	Within 30 days from each vesting date but not later than 2 years from the date of last vesting except for Grant 1 & 6A where period is 3 years					
Method of Settlement	Cash payout as per terms of the scheme					

Notes to Financial Statements
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The estimated fair value of the grant at a notional value of ₹ 10 per unit (as at the date of grant) is as below:

Particulars	Grant 4	Grant 5	Grant 6	Grant 7	Grant 8	Grant 6A
As at 31 March, 2019	25.84	20.88	16.18	14.47	12.70	14.47
As at 31 March, 2018	19.76	15.96	12.54	11.39	NA	11.39
As at 31 March, 2017	17.01	13.74	10.89	NA	NA	NA
As at 31 March, 2016	15.52	12.54	NA	NA	NA	NA
As at 31 March, 2015	12.38	NA	NA	NA	NA	NA
As at 31 March, 2014	NA	NA	NA	NA	NA	NA
As at 31 March, 2013	NA	NA	NA	NA	NA	NA
As at 31 March, 2012	NA	NA	NA	NA	NA	NA
Exercise price vest 1	17.01	15.96	NA	NA	NA	NA
Exercise price vest 2	19.76	NA	NA	NA	NA	NA
Exercise price vest 3	NA	NA	NA	NA	NA	NA

Fair value is computed using the method provided in the Scheme for estimating the valuation of grant which is linked to Net Book Value of the Holding Company's financial statements and approved business plans.

The movement of the stock appreciation rights during the year is as under:

Particulars (No. of Options)	As at 31 March, 2019	As at 31 March, 2018
Options Outstanding at beginning of Year	4,298,625	1,796,200
Options granted during Year	1,260,000	3,462,500
Options of employee transferred during the year	-	(2,326,125)
Options forfeited on resignation of employees	-	(2,400,100)
Options lapsed during the year	(187,500)	(632,500)
Options exercised during the year	-	(253,600)
Options outstanding – Unvested	5,074,125	4,298,625
Options outstanding –Vested and Exercisable	297,000	-
Expense recognised (₹ in Lakhs)	**321**	**20**

39. Segment Information

Business Segment

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM). The CODM regularly monitors and reviews the operating result of the whole Company as one segment of "Financing". Thus, as defined in IND AS 108 "Operating Segments", the Company's entire business falls under this one operational segment.

Entity wide disclosures

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Company's total revenue in year ended 31 March, 2019 or 31 March, 2018. The Company operates in single geography i.e. India and therefore geographical information is not required to be disclosed separately.

40. Contingent Liability And Commitments

a) Contingent liabilities:

(i) The Company has contingent liability pending for litigation of ₹ 0.20 Lakhs.

b) Capital and other commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for as at 31 March, 2019 is ₹ 76 Lakhs (31 March, 2018: ₹ 44 Lakhs; 1 April, 2017 ₹ 2 Lakhs).

Loans sanctioned not yet disbursed as at 31 March, 2019 were ₹ 30,858 Lakhs (31 March, 2018: ₹ 8,307; 1 April, 2017: ₹ 1,807 Lakhs).

The Company's pending litigations comprise of claims against the Company by the customers and proceedings pending with other authorities. 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 the financial statements. The Company does not expect the outcome of these proceedings to have a materially adverse effect on its financial statements.

There has been a Supreme Court (SC) judgement dated 28th February, 2019, relating to components of salary structure that need to be taken into account while computing the contribution to provident fund under the EPF Act. There are interpretative aspects related to the Judgement including the effective date of application. The Company will continue to assess any further developments in this matter for the implications on financial statements, if any.

41. Leases

a) Where the Company is the lessee:

Premises are obtained on operating lease. The lease term ranges from 11 months to 134 months and are renewable/cancellable at the option of the Company. Certain lease agreements contain clause for escalation of lease payments. There are no restrictions imposed by lease arrangements. There are no subleases. Lease payments during the year are charged to the Statement of Profit and Loss.

The following table sets forth, for the periods indicated, the details of future rentals payable on operating leases.

Particulars	31 March, 2019 (₹ lakhs)	31 March, 2018 (₹ lakhs)
Operating lease payments recognised during the year	400	-
Minimum lease obligations		
Not later than one year	336	-
Later than one year and not later than five years	1,340	-
Later than five years	917	-

42. Micro and Small Enterprises

The Company identifies suppliers registered under the Micro, Small and Medium Enterprises Development Act, 2006, (MSMED) by obtaining confirmations from all suppliers. Based on the information received by the Company, some of the suppliers have confirmed to be registered under MSMED Act, 2006. Accordingly the disclosure relating to amount unpaid as at the year ended together with interest paid/payable is disclosed below:

Particulars	As at 31 March, 2019 (₹ lakhs)	As at 31 March, 2018 (₹ lakhs)	As at 01 April, 2017 (₹ lakhs)
The principal amount and the interest due thereon (to be shown separately) remaining unpaid to any supplier as at the end of each accounting year	-	-	-
The amount of interest paid by the buyer in terms of section 16 of the Micro Small and Medium Enterprise Development Act, 2006, along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year	-	-	-

Notes to Financial Statements

for the year ended 31 March, 2019

Particulars	As at 31 March, 2019 (₹ lakhs)	As at 31 March, 2018 (₹ lakhs)	As at 01 April, 2017 (₹ lakhs)
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under Micro Small and Medium Enterprise Development Act, 2006.	-	-	-
The amount of interest accrued and remaining unpaid at the end of each accounting year;	-	-	-
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the Micro small and Medium Enterprise Development Act, 2006.	-	-	-

43. CSR Expenses

Gross amount required to be spent by the Company during the year: Nil (31 March, 2018 : Nil)

The average of profits for last three years is a loss; hence no amount was required to be spent on CSR activities.

44. Events After Reporting Date

There have been no events after the reporting date that requires adjustment / disclosure in these financial statements.

45. Support Service Cost

During the year, the Company carried out its operations out of premises leased by Fullerton India Credit Company Limited, the Holding Company to carry out its operations. The Company has entered into resource sharing agreement with the holding company, as per which the Company has agreed to share premises and other resources and thereby to facilitate achieve economies of scale and avoid duplication. The reimbursement of cost is calculated on the basis of number of employees, area occupied, time spent by employees for other company, actual identification, etc.

During the year the Company has paid ₹ 1,033 lakhs (Previous year ₹ 795 lakhs) on account of above mentioned arrangement.

46. IRDA

Disclosure as per Schedule VI B for insurance commission income earned during the year ended:

Particulars	For the year ended 31 March, 2019 (Amount ₹)	For the year ended 31 March, 2018 (Amount ₹)
ICICI Lombard General Insurance Company Ltd	307	151

47. There was no amount due and outstanding to be credited to Investor Education and Protection Fund as at 31 March, 2019 (31 March, 2018: Nil).

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48. Financial Risk Management

Risk management framework

The Company's primary focus is to foresee the unpredictability of financial markets and seek to minimise potential adverse effects on its financial performance. The Company places emphasis on risk management practices to ensure an appropriate balance between risks and returns. The Board of Directors of the Company (BOD) along with the management are primarily responsible for Financial Risk Management of the Company. The BOD's oversight of risk includes review and approval of key risk strategies and policies. These are monitored and governed through the Risk Oversight Committee (ROC). Audit Committee (AC) ensures that an independent assurance is provided to the BOD.

The ROC controls and manages an the inherent risks related to the Company's activities by the following risk categories:

Risk	Exposure arising from	Management
Credit Risk	Cash and cash equivalents, bank balance other than cash and cash equivalents, trade & other receivables, financial assets measured at amortised cost	ROC is actively involved in the following: • Oversight over the implementation of Core Credit Policies and Remedial Management Policies of the Company; • Review of the overall portfolio credit performance of the Company and establishing concentration limits by product programs, collateral types and tenors and customer profiles; • Determination of portfolio credit quality by reviewing observed default rates, provisions held, write-offs and status of recoveries from defaulting borrowers; and • Review of product programs and recommending improvements/ amendments thereto.
Liquidity Risk	Financial liabilities	BOD is responsible for setting the strategic direction for the Company. This includes, establishing the liquidity risk appetite and the liquidity required to fulfil its strategic initiatives, setting boundaries/limits within such levels of tolerance and approving the policies that govern risk management under business as usual and stressed conditions. Liquidity risk is managed by the Asset Liability Committee (ALCO), based on the Company's Liquidity Policy and procedures which are based on guidelines provided by ROC. ALCO derives its authority from the ROC and is responsible for ensuring adherence to the liquidity and asset – liability management limits set by the BOD and to oversee implementation of the strategic direction articulated by the BOD. ALCO not only ensures that the Company has adequate liquidity on an on-going basis but also examines how liquidity requirements are likely to evolve under different assumptions.

Notes to Financial Statements

for the year ended 31 March, 2019

Risk	Exposure arising from	Management
Market Risk -Foreign Exch.	Recognised financial assets and financial liabilities not denominated in functional currency	ROC is involved in the formulation of policies for monitoring market risk. The risk is managed through close identification, supervision and monitoring of risks arising from movements in market rates such as interest rates, foreign exchange rates, traded prices and credit spreads, which may result in a loss of earnings and capital.
- Interest Rate Risk (IRS) - Price Risk	Investments in units of mutual fund, bonds, government securities, certificate of deposits and commercial papers	ROC is involved in the formulation of policies for monitoring market risk. The risk is managed through close identification, supervision and monitoring of risks arising from movements in market rates such as interest rates, foreign exchange rates, traded prices and credit spreads, which may result in a loss of earnings and capital.

Credit Risk

Credit risk is the risk of financials loss to the Company if a customer or counter party to the financial instrument fails to meet its contractual obligation, and arises principally from the cash and cash equivalents, bank balance other than cash and cash equivalents, trade & other receivables and financial assets measured at amortised cost.

The Risk Management Policy addresses the recognition, measurement, monitoring and reporting of the Credit risk. The ROC reviews and approves Loan Product programs on an on-going basis. Key aspect of the product programs outline the framework of any credit financial product being offered by the Company. Within this established framework, credit policies are established to manage the sourcing of proposals, channels of business acquisition, process of underwriting, information systems involved, credit appraisal, verification, documentation, disbursement and collection / recovery procedures.

Product level credit risk policies are implemented to align all new customer acquisitions across locations and regions, individual profiles, income levels, leverage positions, collateral types and value, source of income and continuity of employment/business.

The Company has additionally taken the following measures:-

- Credit risk team is appointed to enhance focus on monitoring of borrowers and to facilitate proactive action wherever required.
- Enhanced monitoring of portfolio through periodic reviews.
- Periodic trainings to its credit officers

Credit approval

The Board of Directors has delegated credit approval authority to the Company's Credit Committee, Chief Risk Officer / National Credit Manager, Regional Credit Manager and Credit Manager under the Company's Credit Policy. The branch credit team/operations team monitors compliance with the terms and conditions of credit facilities prior to disbursement. It also reviews the completeness of documentation and creation of security by the borrower.

The central operations team verifies adherence to the terms of the credit approval prior to the disbursement of credit facilities.

Credit underwriting

The Company's credit officers evaluate credit proposals on the basis of credit underwriting policies and procedures approved by the management. The criteria typically include factors such as the customer eligibility, income and debt obligation assessment, nature of product, customer scorecards wherever applicable, historical experience, type of collateral provided and demographic parameters. Any deviations need to be approved at the designated levels.

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External agencies such as field investigation agencies facilitate a due diligence process including visits to offices and residences, risk containment agencies for document frauds, legal & valuer agencies for property evaluation.

Analysis of risk concentration

Since the Company provides only retail housing loans, there is not significant concentration risk at the borrower / counterparty level. The maximum loan outstanding to any individual borrower or counterparty as of 31 March, 2019 was ₹ 1,500 lakhs, before taking into account collateral or other credit enhancements or undisbursed commitments.

Stress testing of portfolio

The Company evaluates potentially adverse scenarios that may impact the business or portfolio performance. Annual stress test exercise covering the entire portfolio is performed to assess vulnerability of the business extreme scenarios to possible extreme scenarios and effectiveness of management actions. The assessed impact is incorporated into risk appetite of the Company to ensure regulatory compliance.

Exposure to credit risk

The carrying amount of financial assets represents maximum amount of credit exposure. The maximum exposure to credit risk is as per the table below, it being total of carrying amount of cash and cash equivalent, bank balance other than cash and cash equivalents, trade and other receivables and financial assets measured at amortised cost.

Particulars	As at 31 March, 2019 (₹ lakhs)	As at 31 March, 2018 (₹ lakhs)	As at 01 April, 2017 (₹ lakhs)
Maximum exposure to credit risk	311,781	193,613	53,108

Analysis of inputs to the ECL model under multiple economic scenarios

Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows which the Company expects to receive) discounted at an approximation to the EIR.

Cash shortfalls are identified as follows.

- For 12-month ECLs: Cash shortfalls resulting from default events that are possible in the next 12 months.
- For lifetime ECLs: Cash shortfalls resulting from default events that are possible over the expected life of the financial instrument.
- For undrawn loan commitments, a cash shortfall is the difference between:
- the contractual cash flows that are due to the Company if the holder of the loan commitment draws down the loan; and
- the cash flows that the Company expects to receive if the loan is drawn down.

The Company records allowance for expected credit losses for cash and cash equivalents, bank balance, investment, trade and other receivables, loans and advances together with loan commitments and other financial assets at amortised cost, collectively named as 'financial assets'.

The Company performs a collective assessment on a homogeneous pool of outstanding loans grouped on the basis of shared risk characteristic based on the type of products sliced down to geography as part of the impairment analysis.

For estimation of ECL, the entire portfolio is broadly partitioned into products like Loan against property and Housing Loans. Hese portfolio is used to arrive Exposure at Default, Probability of default and Loss given default.

The Company follows the expected credit loss (ECL) methodology based on historically available information and projection of macroeconomic indicators in order to determine the impairment allowance required against different categories / pool of loan accounts.

Notes to Financial Statements
for the year ended 31 March, 2019

All defining parameters (PD, LGD, EL Adjustment factor) are estimated on a half yearly frequency. However, required changes may be done more frequently in case of change in market conditions, portfolio changes and other scenarios.

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 its initial recognition, in which case, the allowance is based on the 12 months' expected credit loss (12mECL).

The 12mECL is part of LTECL that represent the ECLs from default events on a financial asset that are possible within the 12 months after the reporting date.

Definition of Default

As per the Company's policy, all assets are classified into stage 1, stage 2 and stage 3. Assets up to 29 DPD (days past due) are classified as stage 1 assets. Assets with DPD of 30 days up to 89 days are classified as stage 2 assets and assets with DPD greater than 90 days are classified as stage 3 assets. The Company considers a financial instrument as defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower facility becomes 90 days past due on its contractual payments.

The Company continuously monitors all financial 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 since initial recognition when contractual payments are more than 29 days past due. The Company also applies a qualitative method for triggering a significant increase in credit risk for an asset. This will be the case for exposure that meets certain heighted risk criteria, such as political situations and exceptions to normal economic scenarios. Such factors are based on its expert judgement and relevant historical experiences.

The Probability of Default (PD) 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 period, if the facility has not been previously derecognised and is still in the portfolio.

The Company collects performance and default information about its credit risk exposures analysed by type of funding and vintage of loans. The Company employs statistical models of flow analysis to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time. In absence of adequate historical data, the Company uses industry proxy data of peer companies as sourced from external agencies or similar products offered by companies within the group.

The Exposure at Default (EAD) is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities and accrued interest whether due or not.

The Loss Given Default (LGD) 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 (net of recovery cost) and those that the lender would expect to receive. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor. It is usually expressed as a percentage of the EAD. In absence of adequate historical data, the Company uses industry proxy data of peer companies as sourced from external agencies or similar products offered by companies within the group.

The Company collects list of all the defaulters and tracked from the first time they become non-performing asset ("Stage 3"). The Company calculates the LGD based on the present value of month on month recovery post default for Stage 1 and 2 and takes into account of the Stage 3 recovery and present value of the actual Stage 3.

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

Notes to Financial Statements
for the year ended 31 March, 2019

Reconciliation of ECL balances is given below :

Particulars	As at 31 March, 2019 (₹ lakhs) 12 Month ECL	Life time ECL	Total	As at 31 March, 2018 (₹ lakhs) 12 Month ECL	Life time ECL	Total
Opening balance---- Portfolio opening balance	**1,635**	**1,691**	**3,326**	**561**	**-**	**561**
New assets originated or purchased	448	2,884	3,332	1,225	1,658	2,883
Assets derecognised or repaid * (excluding write offs)	(89)	(1,381)	(1,470)	(115)	(3)	(118)
Transfers to Stage 1	212	(212)	-	24	(24)	-
Transfers to Stage 2	(36)	36	-	(17)	17	-
Transfers to Stage 3	(41)	41	-	(43)	43	-
Amounts written off	(91)	(519)	(610)	-	-	-
Closing balance--- Portfolio closing balance	**2,038**	**2,540**	**4,578**	**1,635**	**1,691**	**3,326**

**ECL derecognised includes ECL released on account of assignment and NPA pool sale.*

Credit Quality

The Company has classified portfolio loans as financial assets at amortised cost and has assessed it at the collective pool level. The vintage analysis methodology has been used to create the PD term structure which incorporates both 12 month (Stage 1 Loans) and lifetime PD (Stage 2 and stage 3 Loans). The vintage analysis captures a vintage default experience across a particular portfolio by tracking the periodic slippages. The vintage slippage experience/default rate is then used to build the PD term structure.

The vintage analysis methodology has been used to create the LGD vintage. The LGD vintage takes into account the recovery experience across accounts of a particular portfolio post default. The recoveries are tracked and discounted to the date of default using the effective interest rate.

Accordingly, the Company analysis exposure to credit risk on the basis of vintage experience across its products. The Company categorises its loans into Stage 1, Stage 2 and Stage 3 based on vintage experience.

Reconciliation of stage movement of portfolio loan is given below :

Particular	As at 31 March, 2019 (₹ lakhs)				As at 31 March, 2018 (₹ lakhs)			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Opening balance---- Portfolio opening balance	**1,84,021**	**3,445**	**2,750**	**1,90,216**	**46,885**	**469**	**-**	**47,354**
New assets originated or purchased	1,37,495	268	745	1,38,508	1,48,794	1,599	593	1,50,986
Assets derecognised or repaid (excluding write offs)	(25,345)	(1,275)	(1,179)	(27,799)	(8,102)	(14)	-	(8,116)
Transfers to Stage 1	1,161	(945)	(216)	-	116	(116)	-	-
Transfers to Stage 2	(3,940)	3,949	(9)	-	(1,813)	1,813	-	-
Transfers to Stage 3	(4,422)	(393)	4,815	-	(1,850)	(307)	2,157	-
Amounts written off	(240)	(240)	(1,006)	(1,486)	(8)	-	-	(8)
Closing balance--- Portfolio closing balance	**2,88,730**	**4,810**	**5,900**	**2,99,440**	**1,84,021**	**3,445**	**2,750**	**1,90,216**

Notes to Financial Statements
for the year ended 31 March, 2019

Trade receivables
Exposures to customers' outstanding at the end of each reporting period are reviewed by the Company to determine incurred and expected credit losses. Historical trends of collection from counterparties on timely basis reflect low level of credit risk. Company creates ECL on trade receivable balances in line with BOD approved provisioning policy.

Cash and cash equivalents, other bank balance and other financial assets
The Company has a low credit risk in respect of its exposure with financial institutions and other financial assets. Funds are invested after taking into account parameters like safety, liquidity and post tax returns etc. The Company avoids concentration of credit risk by spreading them over several counterparties with good credit rating profile and sound financial position. The Company's exposure and credit ratings of its counterparties are monitored on an ongoing basis.

The Company holds cash and cash equivalents and other bank balances with banks and financial institutions. The credit worthiness of such banks and financial institutions is evaluated by the management on an ongoing basis and is considered to be high.

While exposure with respect to security deposit and advance given for business purpose is spread across and carry low credit exposure as the Company has possession of rental premises and other with whom the Company has worked with for a number of years.

Write off policy
The Company has laid down explicit policies on loan write-offs to deal with assets which are impaired due to customer's inability to repay the loan beyond a timeline wherein loan against property and home loans are written-off at 720 Days Past Due.

Collateral management and associated risks
The Company holds collateral like residential, commercial land & building against secured portfolio loans such as housing loans, loan against property and developer funding.

The Company has a collateral management system to address the risks associated in the mortgage business. Onsite inspections by independent experts are carried out to satisfy that the value of the collateral is sufficient to cover the associated credit risk and that the claim on property is legally enforceable. Credit policy guidelines clearly specify Loan to value (LTV) ratios and ensures a maximum permissible limit on exposure in any collateral backed funding. This takes care of any revaluation or depreciation in value of asset due to unforeseen circumstances.

The Collection team follows up with the customers through field visits as well as through telecommunication for payment of over dues. Collection team is also responsible for initiating legal action including repossession and selling of collaterals. In its normal course of business, the Company does not physically repossess properties in its retail portfolio. For other collaterals the Company liquidates the assets and recovers the amount due against the loan. Negotiations with customers with respect to settlement of loans are also carried out by the authorised personnel from collection team. Any surplus funds are returned to the customers/obligors.

An estimate of the lower of fair value of collateral and other security enhancements held and carrying amounts of the financial assets as at the reporting date is shown below. This excludes the value of collateral and other security enhancements that are determined not to be enforceable (legally or practically) by the Company.

As at 31 March, 2019 (₹ lakhs)	Maximum exposure to credit risk	Collaterals (Land & building)	Net Exposure	Associated ECLs
Financial Assets				
Cash & cash equivalents/ Bank Balances	14,467	-	14,467	-
Loans & Advances (Gross)	301,309	884,268	(582,959)	4,578
Trade receivables	62	-	62	-
Financial Assets at FVTPL	31,238	-	31,238	-
Other financial asset	521	-	521	-
Total Financial Asset	**347,597**	**884,268**	**(536,671)**	**4,578**

Notes to Financial Statements

for the year ended 31 March, 2019

As at 31 March, 2018 (₹ lakhs)	Maximum exposure to credit risk	Collaterals (Land & building)	Net Exposure	Associated ECLs
Financial Assets				
Cash & cash equivalents/ Bank Balances	5,705	-	5,705	-
Loans & Advances (Gross)	1,90,814	4,65,702	(2,74,887)	3,326
Trade receivables	26	-	26	-
Financial Assets at FVTPL	4,742	-	4,742	-
Other financial asset	394	-	394	-
Total Financial Asset	**2,01,681**	**4,65,702**	**(2,64,020)**	**3,326**

As at 31 March, 2017 (₹ lakhs)	Maximum exposure to credit risk	Collaterals (Land & building)	Net Exposure	Associated ECLs
Financial Assets				
Cash & cash equivalents/ Bank Balances	6,148	-	6,148	-
Loans & Advances (Gross)	47,434	101,078	(53,644)	561
Trade receivables	-	-	-	-
Financial Assets at FVTPL	28,648	-	28,648	-
Other financial asset	87	-	87	-
Total Financial Asset	**82,317**	**101,078**	**(18,761)**	**561**

The value of the collateral for residential & commercial mortgage loans is based on the collateral value at origination. For credit-impaired loans the value of collateral is based on the most recent appraisals.

The below tables provide an analysis of the current fair values of collateral held and credit enhancements for stage 3 assets.

Fair value of collateral and credit enhancements held under the base case scenario

Portfolio Loans	Maximum exposure to credit risk	Collaterals (Land & building)	Net Exposure	Associated ECLs
As at 31 March, 2019 (₹ Lakhs)	6,197	10,786	(4,594)	2,540
As at 31 March, 2018 (₹ Lakhs)	2,873	5,587	(2,714)	1,691
As at 31 March, 2017 (₹ Lakhs)	74	98	(24)	11

Liquidity Risk

Liquidity risk is the risk that the Company, though solvent, either does not have sufficient financial resources available to meet its obligations as they fall due, or can secure them only at excessive costs. Liquidity risk management involves estimating and managing the liquidity requirements of the Company within acceptable structural boundaries and in a cost-efficient manner, and involves the Board and senior management's development and oversight of a comprehensive process that identifies, measures, monitors and controls the Company's liquidity risk exposure.

The Company maintains a reliable management information system designed to provide the senior management with timely and forward-looking information on the liquidity position of the Company. In terms of actions, the Company's liquidity risk management policy is guided by the following principles:

1. Lender diversification demonstrated by an increase in lenders, across instruments (bank finance, bonds, money market instruments, sell down of loan portfolio of loan portfolio) and liquidity pools (banks, mutual funds, insurance companies, pension funds, foreign portfolio investors)
2. Matching of asset and liability tenor

Notes to Financial Statements
for the year ended 31 March, 2019

3. Maintenance of adequate liquidity buffer as per internal policy

4. Structural liquidity mismatch

Tools to manage Liquidity Risk

The Company manages its liquidity risk through liquidity gap analysis, monitoring concentration limits (tenor, counterparty and instrument type) and liquidity ratios.

Projected rolling cash flow for the next 6 months is prepared which provides a gap analysis of expected cash inflow and outflow on a given date. Treasury is responsible to prepare a suitable funding plan based on the cash flow.

Single lender limit, single financial instrument or category limit and negative gap mismatches are monitored on a monthly basis to ensure these are within the policy limits.

The Company manages liquidity risk by maintaining sufficient cash and cash equivalents and by having access to funding through an adequate amount of committed credit lines. The Company maintains flexibility in funding by maintaining availability under committed credit lines to meet obligations when due.

Analysis of financial liabilities by remaining contractual maturities

The tables below analyse the Company's financial liabilities into relevant maturity groupings based on their contractual maturities for all financial liabilities for which the contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

As at 31 March, 2019 (₹ lakhs)	Within 1 year	1 to 5 years	After 5 years	Total
Financial liabilities				
Trade payables	782	-	-	782
Borrowings other than debt securities*	51,845	179,530	10,147	241,522
Debt Securities	4,279	83,170	2,961	90,410
Other financial liabilities	19,252	-	-	19,252

As at 31 March, 2018 (₹ lakhs)	Within 1 year	1 to 5 years	After 5 years	Total
Financial liabilities				
Trade payables	452	-	-	452
Borrowings other than debt securities*	17,180	85,477	2,303	104,960
Debt Securities	1,759	45,881	-	47,640
Other financial liabilities	30,504	-	-	30,504

As at 31 March, 2017 (₹ lakhs)	Maximum exposure to credit risk	Collaterals (Land & building)	Net Exposure	Associated ECLs
Financial liabilities				
Trade payables	334	-	-	334
Borrowings other than debt securities*	4,459	39,243	-	43,702
Debt Securities	-	-	-	-
Other financial liabilities	12,301	-	-	12,301

* The interest payments on variable interest rate loans in the table above reflect interest rates at the reporting date and these amount may change as market interest rates change.

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for the year ended 31 March, 2019

Financing arrangement

The Company had access to the following undrawn borrowing facilities at the end of the reporting period:

Particulars	As at 31 March, 2019 (₹ lakhs)	As at 31 March, 2018 (₹ lakhs)	As at 01 April, 2017 (₹ lakhs)
Expiring within one year	72,000	17,920	-
Expiring beyond one year (term loan)	-	-	-

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice. Subject to maintenance of satisfactory credit ratings, the bank loan facilities may be drawn at any time in ₹ and have an average maturity of 1 year (2018: 1 year, 2017: 1 year). The Company holds uncommitted line of credit from the Holding Company of ₹ 10,000 lakhs which was in the form of committed line of credit upto 31 March, 2018.

Market Risk

Market risk is the risk of loss of future earnings, fair values or future cash flows related to financial instrument that may result from adverse changes in market rates and prices (such as foreign exchange rates, interest rates, other prices). The Company is exposed to market risk primarily related to currency risk, interest rate risk and price risk.

Currency risk

The Company has insignificant amount of foreign currency denominated assets and liabilities. Accordingly, there is no significant exposure to currency risk.

Price risk

Price risk is the risk that the value of the financial instrument will fluctuate as a result of changes in market prices and related market variables whether caused by factors specific to an individual investment, its issuer and market.

To manage its price risk arising from investments, the Company has invested in the mutual fund after considering the risk and return profile of the mutual funds i.e. the debt profile of the mutual fund indicates that the debt has been given to creditworthy banks and other institutional parties and equity investment is made after considering the performance of the stock. The Company's exposure to price risk arises from investments in debt securities, units of mutual funds, which are classified as financial assets at Fair Value through Profit and Loss and amounts to as follows:

Particulars	As at 31 March, 2019 (₹ lakhs)	As at 31 March, 2018 (₹ lakhs)	As at 01 April, 2017 (₹ lakhs)
Exposure to price risk	31,238	4,742	28,648

Sensitivity analysis

The table below sets out the effect on profit or loss due to reasonable possible weakening / strengthening in prices of 5% :

Particulars	As at 31 March, 2019 (₹ lakhs)	As at 31 March, 2018 (₹ lakhs)
Impact on profit before tax for 5% increase in prices	(260)	(40)
Impact on profit before tax for 5% decrease in prices	260	40

Interest rate risk

The interest rate risk is the vulnerability of the Company's financial condition to adverse movements in market interest rates. It corresponds to the potential effects of interest rate changes on the Company's profitability, in particular net interest income. Exposure to this risk primarily results from timing spread in the re-pricing

Notes to Financial Statements

for the year ended 31 March, 2019

of both on and off-balance sheet assets and liabilities as they mature (fixed rate instruments) or contractual re-pricing (floating rate instruments). The objective of interest rate risk policy is to establish boundaries on interest rate risk exposure for the Company and the governance and monitoring policies for interest rate risk management.

The exposure of the Company's borrowing to interest rate changes at the end of the reporting period are as follows:

Particulars	As at 31 March, 2019 (₹ lakhs)	As at 31 March, 2018 (₹ lakhs)	As at 01 April, 2017 (₹ lakhs)
Fixed rate borrowings			
Debt Securities	71,300	37,000	-
Borrowings	8,200	10,500	2,500
Variable rate borrowings	193,750	85,250	32,250
Total borrowings	**273,250**	**132,750**	**34,750**

The following metrics are employed for measurement of interest rate risks:

- Reprising Gap analysis – measured by calculating gaps over different time intervals as at a given date, and measures mismatches between rate sensitive liabilities and rate sensitive assets (including off-balance sheet positions).
- Sensitivity analysis – interest rate sensitivity is monitored as per interest rate simulations, viz. potential loss due to an adverse movement in interest rates of 100 bps for mismatch up to 1 year.

Sensitivity analysis

Particulars	As at 31 March, 2019 (₹ lakhs)	As at 31 March, 2018 (₹ lakhs)
Impact on profit before tax for 100 bps increase in interest rates	(1,938)	(853)
Impact on profit before tax for 100 bps decrease in interest rates	1,938	853

Financial Instrument

a. Classification and Fair Values of Financial Assets & Liabilities

The following table shows the carrying amounts and fair values of financial assets and financial liabilities as at reporting date :

Financial instruments by category	As at 31 March, 2019 (₹ lakhs)		As at 31 March, 2018 (₹ lakhs)		As at 01 April, 2017 (₹ lakhs)	
	FVTPL	Amortised Cost	FVTPL	Amortised Cost	FVTPL	Amortised Cost
Financial assets:						
Cash and cash equivalent	-	9,461	-	349	-	1,603
Bank balances other than cash and cash equivalent	-	5,006	-	5,356	-	4,545
Investments	31,238	-	4,742	-	28,648	-
Trade Receivables	-	62	-	26	-	-
Loans and advances to customers	-	2,96,731	-	1,87,488	-	46,873
Other financial assets	-	521	-	394	-	87

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for the year ended 31 March, 2019

Financial instruments by category	As at 31 March, 2019 (₹ lakhs)		As at 31 March, 2018 (₹ lakhs)		As at 01 April, 2017 (₹ lakhs)	
	FVTPL	Amortised Cost	FVTPL	Amortised Cost	FVTPL	Amortised Cost
Total financial assets	**31,238**	**3,11,781**	**4,742**	**1,93,613**	**28,648**	**53,108**
Financial liabilities:						
Trade payables	-	782	-	452	-	334
Debt securities	-	74,988	-	38,346	-	-
Borrowing other than debt securities	-	2,01,111	-	95,525	-	34,638
Other financial liabilities	-	19,252	-	30,504	-	12,301
Total financial liabilities	**-**	**2,96,133**	**-**	**1,64,827**	**-**	**47,273**

Fair Value of cash and cash equivalents, bank balances other than cash and cash equivalent, trade receivables, loans and advances to customers, other financial assets, trade payables and other financial liabilities approximate their carrying amounts largely due to short term maturities of these instruments.

b. Fair value hierarchy

As per Ind AS 107, 'Financial Instruments: Disclosures', the fair values of the financial assets or financial liabilities are defined as the price that would be received on sale of asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value hierarchy is based on inputs to valuation techniques that are used to measure fair value that are either observable or unobservable. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities and lowest priority to unobservable inputs.

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are (a) recognised and measured at fair value and (b) measured at amortised cost and for which fair values are disclosed in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the three levels prescribed under the Ind AS 107. An explanation of each level follows underneath the table.

The hierarchy used is as follows :

Level 1 — Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 — Inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 — Inputs are not based on observable market data (unobservable inputs). Fair values are determined in whole or in part using a valuation model based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data.

i. Financial assets at FVTPL

Particulars	Level 2		
	As at 31 March, 2019 (₹ lakhs)	As at 31 March, 2018 (₹ lakhs)	As at 01 April, 2017 (₹ lakhs)
Investments	31,238	4,742	28,648
Total	**31,238**	**4,742**	**28,648**

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for the year ended 31 March, 2019

ii. **Financial assets and liabilities measured at amortised cost at each reporting date**

Particulars	31 March, 2019 (₹ lakhs)		
	Carrying Value	Fair value	
		Level 2	Level 3
Financial assets measured at amortised cost			
Loans and advances to customers *	296,731	-	296,731
Other financial assets	521		517
Total	**297,252**	**-**	**297,248**
Financial liabilities measured at amortised cost			
Debt securities	74,988	-	74,402
Borrowing other than debt securities	201,111	-	201,111
Total	**276,099**	**-**	**275,513**

Particulars	31 March, 2018 (₹ lakhs)		
	Carrying Value	Fair value	
		Level 2	Level 3
Financial assets measured at amortised cost			
Loans and advances to customers *	187,488	-	187,488
Other financial assets	394	-	394
Total	**187,882**	**-**	**187,882**
Financial liabilities measured at amortised cost			
Debt securities	38,346	-	38,230
Borrowing other than debt securities	95,525	-	95,525
Total	**133,871**	**-**	**133,755**

Particulars	31 March, 2017 (₹ lakhs)		
	Carrying Value	Fair value	
		Level 2	Level 3
Financial assets measured at amortised cost			
Loans and advances to customers *	46,873	-	46,873
Other financial assets	87	-	87
Total	**46,960**	**-**	**46,960**
Financial liabilities measured at amortised cost			
Debt securities	-	-	-
Borrowing other than debt securities	34,638	-	34,638
Total	**34,638**	**-**	**34,638**

** Gross value of portfolio loans.*

Notes to Financial Statements
for the year ended 31 March, 2019

Following discounting factor are used for calculation of fair values:

Particulars	Discounting factors
Loans and advances to customers	Average loan boarding rate for respective product for recent four months as at reporting date
Other financial assets, Debt securities, Borrowing other than debt securities	Average cost of funds as at reporting date

Valuation techniques used to determine fair value

Each class of financial assets	Techniques
Government securities	The fair value is determined by applying direct quotes available from the active market for such securities.
Units of mutual funds	Net Asset Value (NAV) declared by the mutual fund at which units are issued or redeemed
Certificate of Deposits	The fair value for such securities is determined by applying benchmark quotes for such securities published by market aggregators on daily basis for relevant maturities.
Equity shares	Discounted cash flow based on present value of the expected future economic benefit and fair value as determined by the management based on MIS review, audited financial statements and information available in public domain

In order to assess Level 3 valuations as per Company's investment policy, the management reviews the performance of the investee companies on a regular basis by tracking their latest available financial statements / financial information, valuation report of independent valuers, recent transaction results etc. which are considered in valuation process.

The finance department of the Company includes the team that performs the valuation of financial assets and liabilities required for financial reporting purposes, including level 3 fair value. Discussions on valuation processes and results are held between the valuation team and the senior management at least once every six months which is in line with the Company's half yearly reporting periods.

49. Maturity Analysis of Assets and Liabilities

Particular	As at 31 March, 2019 (₹ lakhs)			As at 31 March, 2018 (₹ lakhs)		
Assets	**Within 12 month**	**After 12 month**	**Total**	**Within 12 month**	**After 12 month**	**Total**
Financial Assets						
Cash and cash equivalents	9,461	-	9,461	349	-	349
Bank balances other than cash and cash equivalents	5,006	-	5,006	5,356	-	5,356
Investments	31,238	-	31,238	4,742	-	4,742
Trade receivables	62	-	62	26	-	26
Other financial assets	210	311	521	158	236	394
Loans and advances	8,583	2,88,148	2,96,731	6,615	1,80,873	1,87,488
Non Financial assets						
Current tax assets (net)	-	329	329	-	32	32
Deferred tax asset (net)	-	1,497	1,497	-	1,287	1,287
Property, plant and equipment	-	1,010	1,010	-	139	139
Intangibles assets	-	84	84	-	10	10

Notes to Financial Statements
for the year ended 31 March, 2019

Particular	As at 31 March, 2019 (₹ lakhs)			As at 31 March, 2018 (₹ lakhs)		
Assets	**Within 12 month**	**After 12 month**	**Total**	**Within 12 month**	**After 12 month**	**Total**
Intangibles assets under development	-	-	-	-	-	-
Other non-financial assets	-	823	823	-	347	347
Total Assets	**54,560**	**2,92,202**	**3,46,762**	**17,246**	**1,82,924**	**2,00,170**
Liabilities						
Financial liabilities						
Trade payables	782	-	782	452	-	452
Debt Securities	-	74,988	74,988	-	38,346	38,346
Borrowings	41,780	1,59,331	2,01,111	19,875	75,650	95,525
Other financial liabilities	18,475	776	19,252	30,117	387	30,504
Non Financial liabilities						
Current tax liabilities (net)	7	-	7	65	-	65
Provisions	-	94	94	-	59	59
Other non financial liabilities	823	-	823	543	-	543
Equity						
Equity share capital	-	24,536	24,536	-	19,527	19,527
Other equity	-	25,169	25,169	-	15,149	15,149
Total liabilities	**61,867**	**2,84,895**	**3,46,762**	**51,052**	**1,49,118**	**2,00,170**

50. The Company has reclassified/regrouped previous year figures to conform to current year's classification, where applicable.

As per our report of even date attached.
For B S R & Co. LLP
Chartered Accountants
ICAI Firm Registration No.: 101248W/W-100022

Sd/-
Milind Ranade
Partner
Membership No.: 100564

For and on behalf of the Board of Directors of Fullerton India Home Finance Company Limited

Sd/-
Anindo Mukherjee
Chairman
DIN : 00019375

Sd/-
Rakesh Makkar
CEO & Whole Time Director
DIN : 01225230

Sd/-
Pankaj Malik
Chief Financial Officer

Sd/-
Seema Sarda
Company Secretary
ICSI Reg. No. : A-15056

Place: Mumbai
Date: 28 May, 2019

Notes to Financial Statements

for the year ended 31 March, 2019

51. Additional Disclosures Required By NHB

The Company is required to provide additional disclosures in financial statements as required by the Notification No. NHB.HFC.CG-DIR.1/MD&CEO/2016 and NHB Directions 2010 issued by National Housing Bank:

i. Capital to Risk Assets Ratio ('CRAR')

Particulars	As at 31 March, 2019 (₹ lakhs)	As at 31 March, 2018 (₹ lakhs)
CRAR (%)	21.63%	24.15%
CRAR - Tier I Capital (%)	21.10%	23.48%
CRAR - Tier II Capital (%)	0.53%	0.67%
Amount of subordinated debt raised as Tier-II capital (only principle)	-	-

ii. Reserve Fund u/s 29 C of NHB Act, 1987

Please refer note 21

iii. Details of investments with movement in provision for depreciation

Particulars	As at 31 March, 2019 (₹ lakhs)	As at 31 March, 2018 (₹ lakhs)
Gross Value of Investments		
In India	31,238	4,742
Outside India,	-	-
Provisions for Impairment		
In India	-	-
Outside India,	-	-
Net Value of Investments		
In India	31,238	4,742
Outside India,	-	-
Movement of provisions held towards depreciation on investments		
Opening balance	-	-
Add : Provisions made during the year	-	-
Less : Write-off / write-back of excess provisions during the year	-	-
Closing balance	-	-

iv. Derivatives

The Company has not entered into any forward rate agreements, interest rate swaps, exchange traded interest rate derivatives. Hence, no disclosure is made for the same.

v. Securitisation, Direct Assignment, Financials Assets Sales and Purchase

a) Securitisation

The Company has not entered into any agreement for securitisation. Hence, no disclosure is made for the same.

Notes to Financial Statements
for the year ended 31 March, 2019

b) Assignment

Details of Assignment transactions Undertaken by the Company during the year

Particulars	For the Year ended 31 March, 2019 (₹ lakhs)	For the Year ended 31 March, 2018 (₹ lakhs)
No. of accounts	669	-
Aggregate value (net of provisions) of accounts sold	7,144	-
Aggregate consideration	7,144	-
Additional consideration realised in respect of accounts transferred in earlier years	-	-
Aggregate gain / loss over net book value	-	-

c) Details of non-performing financial assets purchased / sold

I. Details of non performing financial assets purchased during the year:

Particulars	For the Year ended 31 March, 2019 (₹ lakhs)	For the Year ended 31 March, 2018 (₹ lakhs)
No. of accounts purchased during the year	NIL	NIL
Aggregate outstanding	-	-
Of these, number of accounts restructured	-	-
Aggregate outstanding	-	-

II. Details of non performing financial assets sold:

Particulars	For the Year ended 31 March, 2019 (₹ lakhs)	For the Year ended 31 March, 2018 (₹ lakhs)
No. of accounts sold during the year	130	-
Aggregate outstanding	5,171	-
Aggregate consideration received	2,628	-

vi. Asset Liability Management (Maturity Pattern of certain items of Assets & Liability)

(₹ lakhs)

Particulars	31-Mar-19	31-Mar-18	31-Mar-19	31-Mar-18	31-Mar-19	31-Mar-18
	Advances*		Investments*		Borrowings*	
Up to 30/31 days	41	43	5,004	5,406	(59)	0
Over 1 month upto 2 Months	462	473	0	0	1,022	0
Over 2 months upto 3months	505	517	2,458	0	649	2,901
Over 3 months & up to 6 months	1,547	1,438	9,760	3,500	6,445	3,021
Over 6 Months & up to 1 year	3,255	2,678	19,225	1,070	33,795	13,940
Over 1 year & up to 3 years	15,568	12,009	0	0	145,042	68,234
Over 3 years & up to 5 years	19,721	15,130	0	0	73,842	44,308
Over 5 years	258,343	157,928	0	0	12,083	0
Total	**299,442**	**190,216**	**36,447**	**9,976**	**272,819**	**132,404**

** Represents interest bearing portfolio loans*

Notes to Financial Statements

for the year ended 31 March, 2019

In computing the above information, certain estimates and adjustments have been made by the management which are consistent with the guidelines provided by National Housing Bank.

vii. Exposures

d) Exposure to real estate sector

Particulars	As at 31 March, 2019 (₹ lakhs)	As at 31 March, 2018 (₹ lakhs)
Direct exposure		
Residential Mortgages - Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented		
a) Individual housing loan upto ₹. 15 lakhs	40,342	23,966
b) Other	1,44,905	1,58,904
Commercial Real Estate - Lending secured by mortgages on commercial real estates (office buildings, retail space, multi-purpose 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 limits	1,17,077	8,806
Investments in Mortgage Backed Securities (MBS) and other securitised exposures -	-	-
a) Residential	-	-
b) Commercial Real Estate	-	-
Investments in Mortgage Backed Securities (MBS) and other securitised exposures -		
Indirect Exposure - Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)		
Total Exposure to Real Estate Sector	**302,324**	**191,676**

The Company provides loans which are fully collateralised against property, in accordance with the approved policy of the Company which includes credit assessment of financial statements and cash flow of the customers. The end use of the loan may be business in the case of business customers or could be personal in case of salaried individuals. Accordingly, there is no direct real estate exposure except as disclosed above.

e) Exposure to capital market

The Company has no exposure to the capital markets directly or indirectly in the current and previous year.

f) Details of financing of parent Company products

The Company does not finance any of it's holding/parent Company products.

g) Details of financing of parent Company products

The Company has not lent / invested / lent and invested in any borrower / group of borrower in excess of limits prescribed by the NHB.

h) Unsecured advances

Refer note 7 for unsecured advances. The Company has not given any advances against the rights, licenses, authorisations, etc.

Notes to Financial Statements
for the year ended 31 March, 2019

viii. Registration with other financial sector

Name of Regulator	Status	Registration Details
Insurance Regulatory and Development Authority (IRDA)	Corporate Agent	CA0492 valid till 30 April, 2020

ix. No penalties were imposed by NHB and other regulators during the current and previous year.

x. Refer note 35 for related party transactions during the current and previous year.

xi. Ratings assigned by credit rating agencies and migration of ratings during the year

	Particulars	For the Year ended 31 March, 2019 (₹ lakhs)	For the Year ended 31 March, 2018 (₹ lakhs)
		CARE	CARE
LT	Non-convertible debentures(NCD)	AA+	AA+
	Term Loan (TL)	AA+	AA+
ST	Commercial Paper	A1+	A1+

There were no migrations of ratings during the year. All the ratings are subject to annual surveillance.

xii. Net Profit or Loss for the period, prior period items and changes in accounting policies.

Refer Statement of Profit and Loss for profit or loss in current and previous year. The accounting policies followed in preparations of financial statements are consistent with those of the previous year.

xiii. Revenue has been recognised in accordance with the revenue recognition policy of the Company and there are no deviations to the same (refer note 1.c).

xiv. Break up of 'Provisions and Contingencies' shown under the head Expenditure in the Statement of Profit & Loss Account

Particulars	For the Year ended 31 March, 2019 (₹ lakhs)	For the Year ended 31 March, 2018 (₹ lakhs)
2. Provision made towards Income tax	458	524
3. Provision towards NPA	170	1,163
4. Provision for Standard Assets (with details like teaser loan, CRE, CRE-RH etc)		
-Housing	(168)	245
-Non Housing (incl. CRE)	400	225
Total	**860**	**2,157**

The total provision carried by the Company in terms of paragraph 29 (2) of Housing Finance Companies (NHB) Directions, 2010 and the National Housing bank (NHB) circular no. NHB (ND)/ DRS / pol-no. 09/2004-05 dated 18 May, 2005 in respect of Housing and Non-Housing loans as follows:-

Notes to Financial Statements
for the year ended 31 March, 2019

Break up of Loan & Advances and Provisions thereon	Housing		Non Housing	
	As at 31 March, 2019 (₹ lakhs)	As at 31 March, 2018 (₹ lakhs)	As at 31 March, 2019 (₹ lakhs)	As at 31 March, 2018 (₹ lakhs)
Standard Assets				
a) Total Outstanding Amount	167,997	102,268	125,247	85,076
b) Provisions made	553	509	626	438
Sub-Standard Assets				
a) Total Outstanding Amount	4,402	2,335	1,604	538
b) Provisions made	916	1,039	354	135
Doubtful Assets – Category-I				
a) Total Outstanding Amount	190	-	-	-
b) Provisions made	75	-	-	-
Doubtful Assets – Category-II				
a) Total Outstanding Amount	-	-	-	-
b) Provisions made	-	-	-	-
Doubtful Assets – Category-III				
a) Total Outstanding Amount	-	-	-	-
b) Provisions made	-	-	-	-
Loss Assets				
a) Total Outstanding Amount	-	-	-	-
b) Provisions made	-	-	-	-
TOTAL				
a) Total Outstanding Amount	172,589	104,603	126,851	85,614
b) Provisions made	1,544	1,548	980	573

xv. Draw down from reserves

The Company has not withdrawn any amount from any of the reserves during the year ended 31 March, 2019 (31 March, 2018: Nil; 1 April, 2017: Nil)

xvi. Concentration of Deposits, Advances, Exposures and NPAs

a) Concentration of Deposits

The Company has not accepted any deposits during the current and previous year. Also there are no outstanding deposits from earlier years.

b) Concentration of Advances

Particulars	For the Year ended 31 March, 2019 (₹ lakhs)	For the Year ended 31 March, 2018 (₹ lakhs)
Total advances to twenty largest borrowers	12,945	10,172
Percentage of advances to twenty largest borrowers to total advances of the Company	4%	5%

Notes to Financial Statements

for the year ended 31 March, 2019

c) **Concentration of Exposure**

Particulars	For the Year ended 31 March, 2019 (₹ lakhs)	For the Year ended 31 March, 2018 (₹ lakhs)
Total advances to twenty largest borrowers	13,087	10,231
Percentage of advances to twenty largest borrowers to total advances of the Company	4%	5%

d) **Concentration of Non Performing Accounts**

Particulars	For the Year ended 31 March, 2019 (₹ lakhs)	For the Year ended 31 March, 2018 (₹ lakhs)
Total Exposure to top ten NPA accounts	2,183	712

e) **Sector-wise Non performing accounts**

Particulars	Percentage of NPAs to Total Advances in that sector	
Sector	**For the Year ended 31 March, 2019 (₹ lakhs)**	**For the Year ended 31 March, 2018 (₹ lakhs)**
Housing Loans		
Individuals	2.7%	2.2%
Buider/Project loans/Corporates/other	-	-
Non Housing Loans		
Individuals	1.3%	0.6%
Buider/Project loans/Corporates/other	-	-

xvii. Movement of NPA's, provision, net npa (op, add, reductions, closing)

Particulars	For the Year ended 31 March, 2019 (₹ lakhs)	For the Year ended 31 March, 2018 (₹ lakhs)
Net NPA to Net Advances (%)	1.63%	0.90%
Movement in Gross NPAs		
(a) Opening Balance	2,873	75
(b) additions during the year	11,750	2,945
Sub Total (A)	14,623	3,020
(a) Up gradations	3,233	123
(b) Recoveries	3,707	6
(c) Write-Offs	1,486	18
Sub Total (B)	8,426	147
Gross NPAs as on 31 Mar, (A-B)	6,197	2,873
Movement in provisions for NPAs		
(a) Opening Balance	1,174	11
(b) Provisions made during the year	1,473	1,192

Notes to Financial Statements
for the year ended 31 March, 2019

Particulars	For the Year ended 31 March, 2019 (₹ lakhs)	For the Year ended 31 March, 2018 (₹ lakhs)
(c) Write off / Write back of excess provisions	1,303	29
(d) Closing Balance	1,345	1,174
Movement in Net NPAs		
(a) Opening Balance	1,698	63
(b) Additions during the year	10,277	1,753
(c) Reductions during the Year	7,123	118
(d) Closing Balance	4,852	1,698

xviii. In terms of requirement of NHB's Circular No. NHB (ND) /DRS/ Pol.Circular. 61/2013-14 dated 07 April, 2014 following information on Reserve Fund under section 29C of the National Housing Bank Act, 1987 is provided :

Particulars	As at 31 March, 2019 (₹ lakhs)	As at 31 March, 2018 (₹ lakhs)
Balance at the beginning of the year		
Statutory Reserve u/s 29C of the NHB Act, 1987*	220	-
Amount of Special Reserve u/s 36(1)(viii) of Income Tax Act, 1961 taken into account for the purposes of Statutory Reserve u/s 29C of the NHB Act, 1987	-	-
Addition / Appropriation / Withdrawal during the year		
Add:		
Amount transferred u/s 29C of the NHB Act, 1987*	11	220
Amount of Special Reserve u/s 36(1)(viii) of Income Tax Act, 1961 taken into account for the purposes of Statutory Reserve u/s 29C of the NHB Act, 1987	-	-
Less:		
Amount transferred u/s 29C of the NHB Act, 1987*	-	-
Amount of Special Reserve u/s 36(1)(viii) of Income Tax Act, 1961 taken into account for the purposes of Statutory Reserve u/s 29C of the NHB Act, 1987	-	-
Balance at the end of the year		
Statutory Reserve u/s 29C of the NHB Act, 1987*	231	220
Amount of Special Reserve u/s 36(1)(viii) of Income Tax Act, 1961 taken into account for the purposes of Statutory Reserve u/s 29C of the NHB Act, 1987	-	-

**As per Section 29C of the National Housing Bank Act, 1987, the Company is required to transfer at least 20% of its net profits every year to a statutory reserve before any dividend is declared. The Company commenced commercial operations as Housing Finance Company during the financial year 2015-16. No*

xix. The Company has not invested in any overseas assets in the current and previous year. Also there are no outstanding investments from earlier years.

xx. The Company has not sponsored any off-Balance Sheet SPV in the current and previous years which were required to be consolidated as per accounting norms. Also there are no outstanding investments from earlier years.

Notes to Financial Statements
for the year ended 31 March, 2019

xxi. Disclosure on complaints

Particulars	As at 31 March, 2019 (₹ lakhs)	As at 31 March, 2018 (₹ lakhs)
a) No. of complaints pending at the beginning of the year	3	-
b) No. of complaints received during the year	68	10
c) No. of complaints redressed during the year	64	7
d) No. of complaints pending at the end of the year	7	3

xxii. The details of frauds noticed / reported are as below:

Particulars	As at 31 March, 2019 (₹ lakhs)	As at 31 March, 2018 (₹ lakhs)
Amount Involved	73	18
Amount Recovered	1	-
Amount written off/provided	72	18
Balance	-	-

xxiii. The Company has reclassified/regrouped previous year figures to conform to current year's classification, where applicable

Notes

Notes

Iraada hai toh Raasta hai

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