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# Corporate Information

## Board of Directors

**Shantanu Mitra,**

*Chairman, Non-Executive Director*

**Rakesh Makkar,**

*Managing Director*

**Kenneth Ho Tat Meng,**

*Non-Executive Director*

**Dr. Milan Robert Shuster,**

*Independent Director*

**Renu Challu,**

*Independent Director*

## Management team

**Ravindra Rao,**

*Chief Executive Officer*

**Pankaj Malik,**

*Chief Financial Officer*

**Jitendra Sohoni,**

*Head of Risk*

**Shyam Reddipalli,**

*General Manager – Sales*

## Company Secretary

Jitendra Maheshwari

## Statutory Auditors

B S R & Co., LLP,

Chartered Accountants

## Bankers

AXIS Bank Limited

HDFC Bank Ltd

ICICI Bank Limited

Punjab National Bank

Standard Chartered Bank

## Registered Office

Megh Towers, Floor 3,

Old No. 307, New No. 165,

Poonamallee High Road,

Maduravoyal,

Chennai – 600095

## Corporate Office

Floor 6, B Wing,

Supreme Business Park,

Supreme City,

Behind Lake Castle,

Powai, Mumbai – 400076

# MD's Statement



*Dear Shareholders,*

There has been a good momentum in the Housing Finance industry over the last few years, despite economic slowdown. FY2016 has particularly shown impressive growth, with large impetus on housing demand in smaller cities. It has been reported that the total housing credit outstanding in India as on 31 December 2015 as over INR 11.9 trillion for an annualised 18% growth in 9M FY2016 over the INR 10.5 trillion of 31 March 2015. (Source – ICRA)

As per the working group on rural housing for the 12th Five Year Plan, there is an overall shortage of 63 million housing units in India, majority of which is for low income groups. Furthermore with mortgage penetration in India below 10%, the growth in number of self – owned houses for the aspirants is relatively slow. This also provides hindrance in the growth of prospective employment opportunities arising out of the Housing Finance Industry. However with the Government of India's initiative of 'Housing for All by 2022', it is expected that Housing Finance industry will ramp up during next few financial years.

Recently Government of India's has announced 6.5% subsidy in the interest rates for the purchase of houses costing below Rs. 3 lacs. This is expected to propel the growth of the housing finance industry. The transparency in the entire purchase process and records across the regions would also attract large sized corporates foraying into the housing segment, thereby garnering more opportunities. This coupled with the increased focus on developing connectivity to the metropolitan suburbs and promoting domestic industries under 'Make in India' initiative will surge the demand of housing units in non-metro locations, further adding more number of housing finance companies to the existing list of 72, in the years to come.

Given the arising opportunities and needs in the Housing Finance industry, it was a strategic decision for our parent Company - Fullerton India Credit Company Limited (Fullerton India) to launch its new housing finance company. Fullerton India is a decade old leading Non-Banking Finance Company in India and has built its mark with its exponential growth in past few years. The Company has expanded its distribution reach to 488 branches in rural and urban areas. With a deep understanding of the under – served markets across Tier II to

Tier IV regions, the Fullerton India forayed into the housing finance industry with launch of Fullerton Home Finance Company Limited under the brand name 'Grihashakti'.

Grihashakti started its operations in December 2015 with a network of 20 branches. Backed by strong analytical tools and a deep understanding of the risk profiles of the customers across various segments, Grihashakti was able to tie – up with 149 customers and a book size of INR 250 million in first four months of operations.

Grihashakti is committed to adopt and adhere to the best in class corporate governance practices and also has a deep understanding and responsibility towards the shareholders, customers, employees and other stakeholders. Adhering to this commitment, Grihashakti is all set to make its mark in the housing finance industry over the next few years'.

I would like to thank all the stakeholders for putting their trust and commitment in this new venture and wish you all a good luck for an eventful financial year ahead.

**Rakesh Makkar**  
*Managing Director*

As per the working group on rural housing for the 12th Five Year Plan, there is an overall shortage of 63 million housing units in India, majority of which is from the low income groups.

# CEO's Statement

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*Bear Shareholders,*

The housing finance market has reported an impressive Compounded Annual Growth Rate of 19% over the last 3 years. Various initiatives by State Government along with The Reserve Bank of India and National Housing Bank's drive of 'Housing for All by 2022' has propelled the growth of affordable housing segment. With capital values soaring high in the Tier 1 cities and metros, Tier 2 and 3 cities have emerged as new avenues for growth.

The slowdown in the Indian real estate sector in the past two years was due to various internal and external factors. The real estate sector is now moving towards a more rational regime and focusing on project execution and delivery further contributing to the Government's "housing for all by 2022" initiative. The wave of positive sentiments is quite evident with revival of interest from private equity investors in real estate, last year. The prospects of growth in FY2017 is expected to be strong with regulatory changes encouraging affordable housing, lower risk weightage on low ticket home loans, announcement of smart cities, issuance of SARFAESI license to 41 HFCs and formalisation of the Real Estate Development Act.

Asset quality indicators continue to be strong with ICRA expecting the Gross NPAs for housing finance companies to be in the range of 0.8% - 1.2%. Being a start-up enterprise in affordable housing focused on growing responsibly, I do believe that there is a huge market and customer segment for Grihashakti to tap.

The holding entity, Fullerton India Credit Company Limited established itself as a leading financier in the urban and rural markets with its strong network across 600 towns and 48,000 villages. However, the availability of credit still remains a critical factor for the development of this market. We strongly believe, in a small part, the new home finance venture will address the credit need and support customers aspiring for new homes.

The objective of Fullerton India Home Finance Company is to provide a full range of services for its target home-buyers across the urban, semi-urban and rural markets in India. We will deliver these through a mix of competitive pricing, a digitally enabled delivery and top-of-the-line service standards.

The company laid down the ground work of forming a team of experienced professionals, creating a holistic product and value proposition and having a robust credit policy and risk framework for scalability and profitability. The company recorded a satisfactory financial performance in the first 4 months of operations by acquiring 149 customers and having an asset under management of INR 250 Million.

I would like to thank the Board for guiding us during our formative days. The success of the organisation till date wouldn't have been possible if not for the Board and the hard work and perseverance by the Fullerton India Home Finance Company team. I would also like to express our gratitude to our regulator, the National Housing Bank, all our stakeholders and customers for their support in enabling us to lay the foundation for the housing finance company.

**Ravindra Rao**  
*Chief Executive Officer*

The Company laid down the ground work of forming a team of experienced professionals, creating a holistic product and value proposition and having a robust credit policy and risk framework for scalability and profitability.

# Board of Directors



**Shantanu Mitra**, *Chairman, Non-Executive Director*

Shantanu joined Fullerton Financial Holdings in 2010 as Head of Consumer Risk Management for consumer markets across all operational entities in various countries including India. Before the current role, he was the Deputy CEO of the Company. He has over

three decades of experience in the financial services domain, with about 20 years at Standard Chartered and Citibank where he had stints in Singapore, Thailand and India. A Chartered Accountant with the Institute of Chartered Accountants, England and Wales.



**Rakesh Makkar**, *Managing Director*

Rakesh is the Managing Director for Fullerton India Home Finance Co. Ltd. Apart from this role, he also spearheads Fullerton India Credit Company Ltd. Urban and Rural business, in addition to heading the Marketing & CSR functions. He has over two decades of valuable experience including new business and brand launches while developing dynamic sales teams, product and distribution networks. Prior to joining

Fullerton India, Rakesh was the Chief Distribution Officer and Management Committee member at DHFL. His earlier stints include Future Money as Chief Executive Officer, Citigroup and as a consultant for a Vietnamese Bank on consumer finance. Rakesh is a qualified national rank holder Chartered Accountant and an MBA.



**Kenneth Ho Tat Meng**, *Non-Executive Director*

Mr. Kenneth Ho carries more than two decades of Consumer and Commercial Banking experience. He is a graduate in Economics from Flinders University of South Australia and a Master of Business Administration holder from University Putra Malaysia. Currently, he is the Senior Vice President, Consumer Banking for Fullerton Financial Holdings (International) Pte Ltd. Previously he was with Citibank for 10 years covering

the roles of Regional Director, Consumer Secured Lending of Citibank Asia Pacific regional office and in Citibank Singapore Pte Ltd as Head of Auto business and Citibusiness (Commercial Banking). Prior to joining Citibank, he also had substantial exposure in EON Bank Berhad, Malaysia, including managing the entire Auto Loans business (national) and covering numerous roles in Branch Banking as well.



**Dr. Milan Robert Shuster**, *Independent Director*

Dr. Shuster, is a professional with decades of experience in the banking sector. He is currently the Chairman of the Audit Committee at Bank Danamon Indonesia. He served at Asian Development Bank, ING Bank, National Bank of Canada, Nippon Credit Bank in various capacities. After working as the President and CEO of P. T. Bank PDFCI, he served Bank Danamon Indonesia in various capacities. He became its president and

CEO and later its Independent Commissioner. He has also served many other entities in Directorial and advisory capacities. He holds a Ph.D. in International Economics and Law from University of Oxford. He also holds a Master of Law degree from London School of Economics and Bachelor of Business Administration from Ivey Business School.



**Renu Challu**, *Independent Director*

Ms. Renu Challu is a seasoned banker with decades of experience in Commercial and Investment Banking. She was with the State Bank of India (SBI) for more than 38 years serving in variety of positions. Some of the positions held at SBI include President & COO at

SBI Capital Markets, MD & CEO at SBI DFHI, MD of State Bank of Hyderabad and Deputy MD, Corporate Strategy and New Business Development. She is on the Board of many other companies and is a partner in 5th Bridge Data Technologies LLP.



# Management team



**Ravindra Rao**, *Chief Executive Officer*

Ravindra comes with 18 years of experience in Risk Management and Business function. He is associated with Fullerton India since June 2011 and has held roles in Credit Policy & Underwriting, Collections, Fraud Risk, Operational Risk, Legal and Compliance, Mortgage and SME business and most recently was the COO before

moving to the home finance company as the CEO. Prior to joining Fullerton India, Ravindra was heading Collections & Fraud Control for South Asia in Standard Chartered Bank. He has held senior positions at HDFC Bank and ABN Amro Bank.



**Pankaj Malik**, *Chief Financial Officer*

Pankaj has an experience of over 19 years in various capacities across finance and allied functions. He is Chief Financial Officer and Chief Compliance Officer for Fullerton India Home Finance Company Limited. He is also Chief Financial Officer, Company Secretary & Chief Compliance Officer for Fullerton India Credit Company Limited. At Fullerton India, he is responsible for corporate planning, accounting, finance, taxation, compliance and corporate governance functions. Prior

to joining Fullerton in Sep 2007, Pankaj was associated with COLT Telecom ("COLT"), 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. Pankaj is a Chartered Accountant, Company Secretary and Cost Accountant from India and Certified Public Accountant from the State of Colorado, the USA.



**Jitendra Sohoni**, *Head of Risk*

Jitendra comes with an experience of 20 years. Prior to joining Fullerton India Home Finance Company Ltd. he was working with Reliance Home Finance Ltd. as Head Retail Credit. During In his last stint he was heading underwriting portfolio of affordable housing, builder

finance, vehicles, construction equipment's, loan against shares and supply chain management. Prior to joining Reliance Home Finance, he was working with Centurion Bank of Punjab, HDFC Ltd, Escorts Finance Ltd and AFCO Industrials and Chemicals Limited.



**Shyam Reddipalli**, *General Manager - Sales*

Shyam comes with 20 years of work experience in Retail Asset businesses having worked in leadership roles at large banks and the credit bureau. He has a proven track record of driving market share, revenues and growing bottom line focussed businesses. Prior to joining Fullerton India Shyam was Head of Key

Accounts at Credit Information Bureau of India Ltd – CIBIL and his work platforms include the roles of Business Head of Credit Cards and Personal Loans at Standard Chartered Bank, Head of Home Loans, IDBI Bank, Regional Credit Head at ING Vysya Bank.

# Directors' Report

*Dear Shareholders,*

Your Directors have pleasure in presenting their 6th Annual Report together with the audited financial statements for the financial year (FY) ended on 31 March, 2016.

## 1. Background

Fullerton India Home Finance Company Limited ("the Company" or "FIHFCL"), is a wholly owned subsidiary of Fullerton India Credit Company Limited ("FICCL") and is registered with the National Housing Bank (NHB) as a housing finance company.

## 2. Industry and Economic Scenario

The housing finance market continues to report robust growth notwithstanding uneven economic conditions, which has made this segment attractive for both banks as well as non-banking finance companies (NBFCs). Consequently, there have been a large number of new entrants in the market; some housing finance companies (HFCs) have been floated by existing NBFCs while others are new ventures supported by private equity players. This along with lower primary sales has led to increased competition in the industry.

Further, over the last few months, various regulatory changes have been announced which included lowering of risk weights for housing loans, grant of Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, (SARFAESI) license to 41 HFCs, and revision in interest rate and in

the on-lending cap under the Rural Housing Fund (RHF) and Urban Housing Fund (UHF). These measures will support growth in the low-ticket affordable housing segment.

The working group on rural housing for the 12th Five Year Plan pegged the overall housing shortage at 63 million dwelling units, of which a majority is for low-income population. The Economically Weaker Sections (EWS) and Low Income Group (LIG) households may not be able to afford privately built housing without aid from the government. This segment is largely ignored by banks and large housing finance institutions because of the costs of credit evaluation of these borrowers and the perceived higher credit risk involved.

This presents an opportunity for niche HFCs which focus on lending to borrowers in the low-middle income segment without a formal proof of income and those who have an uneven pattern of cash flows.

Detailed discussion on industry, economic scenario, opportunities and threats are included in Management Discussion and Analysis Report, which forms part of this report and is included herein as Annexure I.

## 3. Financial Results

The Company obtained NHB registration in the month of July 2015 and commenced housing finance activities in December 2015. The performance of the Company for the FY2016 and FY2015 is summarised below:

(₹ in Lakhs)

Particulars	FY2016	FY2015
Total Income	231.16	39.06
Less: Expenditures	730.27	5.07
Profit/(Loss) Before Tax	(499.11)	33.99
Provision for tax	–	12.07
Net Profit/(Loss) after tax	(499.11)	21.92
Add: Balance brought forward from previous year	49.93	28.01
Transfer to Reserve Fund under section 29C of NHB Act, 1987	–	–
Balance Carried to Balance Sheet	(449.18)	49.93
Paid up capital	5761.90	1,000.00

During the year under review the Company invested in building at its capability and in human resources to enable it to launch its business. While the salaries and other organisational expenses continued during all the quarters of financial year 2016, the revenues commenced in the last quarter of financial year. This has resulted in net loss of ₹499 Lakhs for the Company. Since there were no commercial operations in the financial year 2015, your Directors feel comparison cannot be drawn from the results of previous financial year.

At the end of FY2016 the Company built a portfolio of ₹2,422 Lakhs from its presence in 20 cities covering 7 states, a portfolio that was booked essentially in Q4 FY2016.

In accordance with the provisions of Section 29C of the National Housing Bank Act, 1987 every housing finance company to transfer at least 20% of its net profits every year to a reserve. However, in view of losses incurred by the Company during the year under review, no amount has been transferred to Reserve Fund for the FY2016.

#### 4. Share Capital

During FY2016 the Company increased its Authorised Share Capital from ₹15 Crores divided into 15,000,000 equity shares of ₹10/- each to ₹1,500 Crore, divided into 1,500,000,000 equity shares of ₹10 each.

The paid up equity share capital of the Company as on 31 March 2016 was ₹576,190,480 divided into 57,619,048 equity shares of ₹10/- each.

During the year under consideration, the Company issued and allotted 47,619,048 equity shares of ₹10/- each at a premium of ₹0.50 per equity share aggregating to ₹50 Crore to its holding company, i.e. FICCL. Consequently, the issued, subscribed and paid up equity share capital of the Company increased from ₹100,000,000 to ₹576,190,480. The equity shares of ₹10 were held as under:

Name	Number of shares	%
Fullerton India Credit Company Limited	57,619,048	100

#### 5. Dividend

In view of losses incurred by the Company during the year under consideration, your Directors do not recommend payment of dividend on Equity Shares of the Company for the year ended 31 March 2016.

#### 6. Change(s) in the nature of Business

During the year under review there were no material changes in the nature of business of the Company.

#### 7. Finance

During the year under review the Company met its entire funding requirement through its issued, subscribed and paid-up equity share capital. The Company did not obtain any loan or issue any debenture during the year.

#### 8. 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 core values and ethics of the parent Company, i.e. FICCL provides the platform for your Company's risk management practices.

The Company adopts internationally accepted and forward looking risk management practices in retail lending. 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 country 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 risk and business analytics, and bureau as an integral part of the decision making processes. Fullerton group is a pioneer among NBFCs in India, establishing such framework using extensive statistical models following the principles and approaches used by large retail banks in developed countries and only by few MNC banks in India.

With the objective of ensuring that the risks impacting the business are identified and appropriate measures are taken to mitigate the same, the Company has formulated and adopted an Integrated Risk Management Framework ("IRMF"). The IRMF lays the procedures for identification of risks, assessment of its impact on the business of the Company and the efficacy of the measures taken to mitigate the same. The risk evaluation is at an inherent and residual level, based on the impact of such risks and the likelihood of its occurrence. The framework is so applied that effective management of risks is an integral part of each and every employee's job who are responsible for identifying, monitoring and reviewing the risk profile of their respective region/function.

At the core of the risk management function is the National Risk Manager, supported by a senior team of group risk professionals and segment specialists who are responsible for overseeing and managing risk function including Liquidity Risk, Interest Rate, Credit Risk, Operational Risk, Market Risk, Legal and Compliance Risk across all businesses, products and processes.

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 Corporation. The Board is regularly apprised on the key risks that impacted business, if any, its root causes and measures taken to mitigate the same.

Risk management is thus at the heart of our business model, and built on the principles of 'Proactive Threat Perception, Predictable Sustainability and De-risked Profitability'.

The Company may be in its nascent stage of operations, but in the opinion of the Board, institutionalisation of robust, 'gold-standard', globally effected risk management practices espoused by the Parent Fullerton Group will help it to achieve quality asset growth appropriate to steady earnings growth as per plan through disciplined risk management strategies.

## 9. Internal Control Systems

The Company's internal control system is designed to ensure operational efficiency, protection and conservation of resources, accuracy and promptness in financial reporting and compliance with laws and regulations. The internal control system is supported by an internal audit process. The internal audit process reviews the adequacy and efficacy of the Company's internal controls, including its systems and processes and compliance with regulations and procedures. Internal Audit Reports are discussed with the management team and are reviewed by the Audit Committee of the Board which also reviews the adequacy and effectiveness of the internal controls in the Company. The Company's internal control system is commensurate with the size, nature and operations of the Company.

## 10. Internal Financial Controls

During the course of the year under review the management formed a team comprising of resources drawn from various functions to

document and evaluate the effectiveness of the internal financial controls of the Company, broadly 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 documentation of process maps, key controls and risk registers and control matrices have been completed for all businesses and functions under the supervision of the internal audit department. Management testing for existence and effectiveness of control was conducted on a sample basis and remedial action has been taken or agreed upon where control weaknesses were identified. The management team will further strengthen the testing plan for 2016-17. Based on the aforesaid, the management team believes adequate internal financial controls exist in relation to its Financial Statements.

## 11. Human Resources

The Company has employee strength of 71 as at 31 March 2016. All employees have gone through detailed induction training to equip them with the necessary organisational knowhow to deliver in their roles.

## 12. Compliance

The Company has 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, 2010 and other applicable rules/ regulations/ guidelines issued by various regulatory and/or statutory authorities from time to time.

The Capital Adequacy Ratio ("CAR") of the Company was 134.06% as on 31 March 2016, as against CAR of 12% prescribed by the NHB.

## 13. 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.

## 14. 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.

## 15. Directors and Key Managerial Personnel

During the year under review, the appointment of Dr. Milan Robert Shuster and Ms. Renu Challu as Independent Directors on the Board of the Company was formalised by the Board on 18 December 2015 and the shareholders appointed them as Independent Directors at their Extra-Ordinary General Meeting held on 15 January 2016. Both Dr. Shuster and Ms. Challu's term as independent director would be up to 30 September 2017.

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

Further, Mr. Kenneth Ho Tat Meng was appointed as an Additional Director by the Board in its meeting dated 18 December 2015. The shareholders of the Company appointed him as a Non-Executive Director on the Board of the Company at their Extra-ordinary General Meeting held on 15 January 2016. He shall be liable to retire by rotation.

Mr. Pankaj Malik and Mr. Rajesh Krishnamoorthy stepped down from the Board of the Company with effect from 1 February 2016.

In accordance with Section 152 of the Companies Act, 2013 and the Articles of Association of the Company, Mr. Shantanu Mitra, is liable to retire by rotation at the forthcoming annual general meeting of the Company, and is eligible for re-appointment.

The shareholders of the Company may want to refer to the accompanying notice of annual general meeting of the Company for brief profile of Mr. Mitra.

During the year the Company appointed the following Key Managerial Personnel:

Srl. No.	Name	Category	Date of Appointment
1.	Mr. Rakesh Makkar	Managing Director	9 September 2015
2.	Mr. Pankaj Malik	Chief Financial Officer	9 September 2015
3.	Mr. Jitendra Maheshwari	Company Secretary	18 December 2015
4.	Mr. Ravindra Rao	Chief Executive Officer	1 February 2016

## 16. Number of Meetings of Board of Directors

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

- 07 May 2015
- 23 July 2015
- 09 September 2015
- 18 November 2015
- 26 November 2015
- 18 December 2015; and
- 14 March 2016

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

## 17. Evaluation of Board, its Committees and Individual Directors

Pursuant to the provisions of the Act, the Board has carried out an 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 of Directors 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, as the case may be and discussions with the Directors by the Chairman of the NRC and the Chairman of the Board. The criteria for evaluating the performance of the Board as a whole covered various aspects of the Board's functioning such as fulfillment of key responsibilities, structure of the Board and its composition, establishment and delineation of responsibilities of the Board Committees, effectiveness of Board processes, information and functioning, Board culture and dynamics, etc. The criteria for evaluation of individual Directors

covered parameters such as attendance and contribution at meetings, guidance to Management, etc. The criteria for evaluation of the Board Committees covered areas related to degree of fulfillment of key responsibilities, adequacy of Board Committee composition, effectiveness of meetings, committee dynamics, quality of relationship of the committee with the Board and the management, etc.

The feedback of the Independent Directors on their review of the performance of Non-Independent Directors and the Board as a whole, the performance of the Chairman of the Company and assessment of the quality, quantity and timeliness of flow of information between the Company Management and the Board was taken into consideration by the Board in carrying out the performance evaluation.

## 18. Managerial Remuneration

In terms of provisions of Section 197 of the Companies Act, 2013 read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the details of remuneration and compensation of the employees are to be set out as an annexure to the Directors' Report. Having regard to the provisions of Section 136 of the Companies Act, 2013, the Annual Report excluding the said information is being sent to the shareholders of the Company. Any shareholder interested in obtaining such particulars may write to the Company Secretary of the Company at its Corporate Office address.

## 19. 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.

## 20. Nomination and Remuneration Committee

The details of constitution, terms of reference etc. of the Nomination and Remuneration Committee are mentioned in the 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.

## 21. Details of Subsidiaries

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

## 22. Statutory Auditors

M/s. B S R & Co. LLP, Chartered Accountants, are the Statutory Auditors of the Company. They are eligible for reappointment pursuant to provision 3 of Section 139(2) of the Companies Act, 2013 and have given their necessary consent and certificate pursuant to the provisions of Sections 139(1) and 141 of the Companies Act, 2013 and rules framed under the Companies (Audit and Auditors) Rules, 2014 for their appointment as statutory auditors from the conclusion of the forthcoming annual general meeting of the Company till the conclusion of next annual general meeting of the Company.

Accordingly, the Board of Directors of the Company recommend the appointment of M/s B S R & Co. LLP, Chartered Accountants (ICAI Registration No. 101248W/W-100022), as the Statutory Auditors of the Company from the conclusion of forthcoming annual general meeting till the conclusion of next annual general meeting, subject to approval of the shareholders at the forthcoming annual general meeting.

## 23. Secretarial Auditors

During the year under review, M/s Vinod Kothari & Company, Practicing Company Secretaries (Unique ID No. P1996WB042300) were appointed as the Secretarial Auditors of the Company by the Board. They have 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.

## 24. Response to Auditor's Report

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

## 25. Vigil Mechanism

Your Company has established a Vigil Mechanism for its Directors and employees to report their genuine concerns or grievances. The said mechanism provides for adequate safeguard against victimisation of person who uses such mechanism. The policy on vigil mechanism has been uploaded on the website of the Company.

## 26. Extract of the Annual Return

In terms of the provisions of Section 197 read with Rule 5 of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the details forming part of the extract of the Annual Return in Form MGT-9 are to be set out as an annexure to the Directors' Report. Having regard to the provisions of Section 136 of the Companies Act, 2013, the Annual Report excluding the aforesaid information is being sent to the shareholders of the Company. Any member interested in obtaining such particulars may write to the Company Secretary of the Company at the Corporate Office.

## 27. 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.

## 28. 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.

## 29. Particulars of contracts or arrangements with related parties

There were no related party transactions falling under Section 188 of the Companies Act, 2013 during the year.

## 30. 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.

## 31. Fraud Reporting

No frauds were reported by the Auditors, during the year.

## 32. Revision of financial statements or Board's Report

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



### 33. Conservation of energy, technology absorption and foreign exchange earnings and outgo

The provisions relating to conservation of energy and technology absorption do not apply to the Company 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.

There were no foreign exchange outflows during the year under review.

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

No complaints were received under the Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013

### 35. 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 2016, 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.

### 36. 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**

**Shantanu Mitra**  
**Chairman**

Mumbai, May 18, 2016

## Annexure – I to the Directors' Report

# Management Discussion and Analysis Report

## Indian Economy

Economic growth in India accelerated in Financial Year 2015 despite a double-digit decline in exports. It is projected to dip marginally in FY2016 due to a slowdown in public investment, stressed corporate balance sheets, and declining exports, then pick up in FY2017 as newly strengthened bank and corporate finances allow a revival in investment. Notwithstanding unexpected delays in enacting some economic reform, the prospects for continued rapid growth are undiminished.

Advance government estimates point to the economy growing at 7.6% in FY2015 (ending 31 March 2016), marginally above the forecast of 7.4% in Asian Development Outlook 2015 Update. The estimate could be a tad optimistic, however, as achieving it would require the gross domestic product (GDP) to increase by 7.7% in the last quarter of the fiscal year.

Despite a weak monsoon for a second consecutive year, agriculture grew by 1.1% in FY2015, mainly on strong growth in livestock. Food grain production is estimated to have increased by 0.5% in FY2015, though there was lower production of rice, coarse cereals, oilseeds, and sugarcane.

Industry accelerated further to 7.3% in FY2015. Expansion in services moderated to 9.2%. Private consumption growth is estimated to have picked up to 7.6% in FY2015. However, these estimates are likely to be optimistic, as achieving them would require private consumption to grow at 11.7% in the fourth quarter of FY2015, nearly double the 6.1% growth rate achieved in the first 3 quarters. Much of the improvement in private consumption stems from a pickup in urban consumption, while rural consumption has remained subdued as a result of two consecutive weak monsoons. Government consumption growth also stayed tepid as the central government boosted capital expenditure and curtailed current expenditure. A 20.9% increase in capital expenditure undertaken by the central government helped investment growth improve to 5.3% from 4.9% in FY2014. However, private investment remained weakened by overcapacity and Indian corporations' debt overhang. Lower commodity prices and anaemic global demand weighed on exports, which contracted by 18.0% in FY2015.

The International Monetary Fund (IMF) projected GDP growth for India at 7.5% in FY2017. It is of the view that India and the rest of emerging Asia are projected to grow at a robust pace, although with some countries facing strong headwinds from China's economic rebalancing and global manufacturing weakness.

Investment in housing is an important driver of overall economic growth. The house-building industry is an important employer with significant multiplier effects. The housing industry in India is the second largest employment generator, next to the agricultural sector and is ranked fourth in terms of multiplier effects, ahead of agriculture and transport.

## Outlook

India's growth is expected to continue to be driven by private consumption, which has benefited from lower energy prices and higher real incomes. With the revival of sentiment and pickup in industrial activity, a recovery of private investment is expected to further strengthen growth. India expects to grow in a wide range of 7-7.75% in FY2017 as against a projected 7.6% growth in FY2016.

## Housing Finance Industry

Over the last few years, the housing finance market has continued to report robust growth despite challenges in the economy, which has made this segment attractive for both banks as well as NBFCs. Consequently, there have been a large number of new entrants in the market; some HFCs have been floated by existing NBFCs while others are new ventures supported by private equity players. This along with lower primary sales has led to increased competition in the industry.

According to ICRA Rating Services, the total housing credit outstanding in India as on 31 December 2015 crossed INR 11.9 trillion for an annualised 18% growth in 9M FY2016 over the INR 10.5 trillion of 31 March 2015. Housing credit growth picked up from Q2 FY2016 supported by disbursements against construction linked loans, growth in the small-ticket affordable-housing segment, demand from Tier II and III cities, and some increase in primary sales during the festive season.

Banks account for 63% of the overall market and housing finance companies (HFCs) and non-banking finance companies (NBFCs), which account for the remaining 37%.

Over the last few months, various regulatory changes have been announced which included lowering of risk weights for housing loans thereby helping capital conservation, grant of Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, (SARFAESI) license to 41 HFCs, and revision in interest rate and in the on-lending cap under the Rural Housing Fund (RHF) and Urban Housing Fund (UHF). These measures will support growth in the low-ticket affordable housing segment.



The market is getting more competitive with large lenders offering innovative schemes such as those that allow the customer to pay only the interest component in the initial years or those that have step up of equated monthly instalments, with the assumption that the borrower's income levels will increase over time. While such schemes improve the affordability of borrowers and enable them to take larger loans, there is an inherent portfolio risk that lenders sign up to.

While so far the asset quality indicators remain good (Gross NPA percentage of 0.79% as on December 31, 2015), they could deteriorate in the medium term. The factors increasing the vulnerability of HFCs loan portfolio include dilution in lending norms, competitive pressures, increased emphasis of some players on riskier products (like loan against property, builder loans), and the increasing shift in the borrower profile towards the self-employed and low-income segment (where income streams could be more volatile). Nevertheless, strong monitoring and control processes, borrowers' own equity in the property and the large proportion of borrowers staying in self-occupied property could reduce the impact of these risk factors on the asset quality of HFCs to an extent. The Gross NPAs are expected to be in the range of 0.8% to 1.2% over the next one year.

### Growth Opportunity in Housing Finance

The working group on rural housing for the 12th Five Year Plan pegged the overall housing shortage at 63 million dwelling units, of which a majority is for low-income population. The Economically

Weaker Sections (EWS) and Low Income Group (LIG) households may not be able to afford privately built housing without aid from the government. This segment is largely ignored by banks and large housing finance institutions because of the costs of credit evaluation of these borrowers and the perceived higher credit risk involved.

Further, the mortgage penetration in India from formal lending sources is only 10%, while the remaining 90% of the houses are built using own funds and from informal sources of borrowing. The penetration levels are among the lowest among emerging and advanced economies.

The population dependent on informal sources of borrowing primarily consist of the low income and economically vulnerable sections of the population that do not have own resources or access to institutional sources of borrowing for constructing houses.

This presents a huge opportunity for niche HFCs which focus on lending to borrowers in the low-middle income segment without a formal proof of income and those who have an uneven pattern of cash flows.

However, there remains a substantial oversupply, especially in the higher-end property segment with the stock of unsold real estate inventory in the top seven cities is at an all-time high and has subdued volumes. HFCs that are able to capitalise on this impending boom in small ticket housing will be the big theme for the next 5 years given the huge latent demand and the measures taken by the Government and the Regulator to fulfil it.

THE MORTGAGE PENETRATION IN INDIA FROM FORMAL LENDING SOURCES IS ONLY 10%, WHILE THE REMAINING 90% OF THE HOUSES ARE BUILT USING OWN FUNDS AND FROM INFORMAL SOURCES OF BORROWING.

Figure 7: Housing shortage (in million)

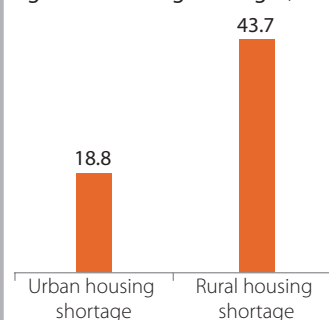
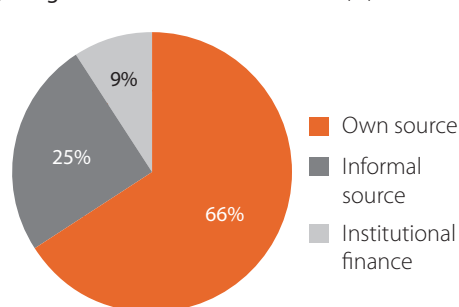


Figure 8: Lack of formal finance (%)



Source: Working group on rural housing for 12th Five Year Plan (2012-17), Ministry of Rural Development, Government of India; NHB

## Interest Rate Scenario

The Reserve Bank of India cut its benchmark repo rate by 25 bps to 6.5% in April 2016. This is the lowest rate since January 2011.

After two consecutive years of deficient monsoon, a normal monsoon would work as a favourable supply shock, strengthening rural demand and augmenting the supply of farm products that also influence inflation. On the other hand, the fading impact of lower input costs on value addition in manufacturing, persisting corporate sector stress and risk aversion in the banking system, and the weaker global growth and trade outlook could impart a downside to growth outcomes going forward.

## Opportunities and threats in home finance sector

### Opportunities

- Smaller HFCs picked pace and grew by ~25% in their home loan book
- Sustained government push for housing for all
- Asset quality of HFCs has remained stable despite difficult operating environment
- Significant borrower equity in financed properties discourages loan defaults
- HFCs are well capitalised
- Stable profitability

### Threats

- Lack of diversified sources of finance
- Asset-Liability Mismatch
- Extremely thin margins
- Under-developed debt markets

## Bureau Indicators

Fullerton India Home Finance Company has a rigorous credit appraisal mechanism and a lending decision is only taken after

evaluating the customer's loan repayment on the Bureaus. At the time of underwriting, we look at the applicant's performance on the credit bureau.

We have seen a steady increase in the new-to-credit population on the Bureau. This has originated from the fact that there is a steady increase in the demand for home loans due to several government initiatives around financial inclusion and urbanisation and creation of smart urban landscape. However, new accounts opened is fairly muted and has not grown in the same proportion as the demand for loans.

## Business update

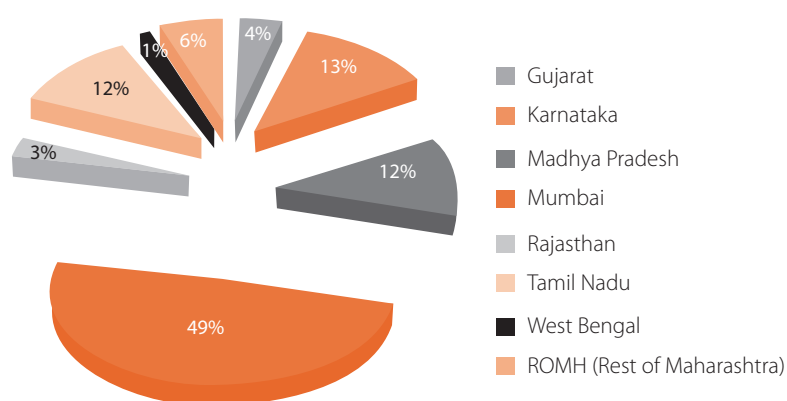
Fullerton India Home Finance Company conducts its business operations under the brand Grihashakti. It commenced its business operations in December 2015 and has built a portfolio of INR 2,422 Lakhs in FY2016. It is present in 20 cities and in 7 states (Maharashtra, Gujarat, Madhya Pradesh, Rajasthan, Tamil Nadu, Karnataka and West Bengal).

The Company applied to the National Housing Bank in January 2015 to start housing finance operations. It obtained license in July 2015 and commenced operations in December 2015 after all key managerial personnel, frontline staff and systems and processes were ready.

Grihashakti targets the entire spectrum of customer segment comprising low, middle and high income and focuses on both salaried and the self-employed segment.

The Company has stuck to its niche in the small to medium ticket space and the average ticket size as of March 2016 is INR 16 Lakhs. The salaried to self-employed ratio was 40:60 and the average loan to value was 75%. A large part of the growth has come through reaching out to new customers and only a small part has come

GRIHASHAKTI TARGETS THE ENTIRE SPECTRUM OF CUSTOMER SEGMENT COMPRISING LOW, MIDDLE AND HIGH INCOME AND FOCUSES ON BOTH SALARIED AND THE SELF-EMPLOYED SEGMENT.



through increase in ticket sizes. The average age of the customers is 41 years and the average loan tenure has been 15 years.

75% of the portfolio is concentrated in the states of Maharashtra, Karnataka and Madhya Pradesh. We expect the portfolio to be balanced and spread across the remaining states in FY2016-17 considering the staffing and distribution ramp-up that has taken place.

The Company has followed the following guiding principle while embarking on its go-to market strategy:

1. Grow in a controlled fashion by initially targeting existing Fullerton India Credit Company Limited (FICC) customers through pre-qualified cross sell offers. Reaching out to potential customers directly.
2. Have a judicious mix of customer categories and product variants to address different income segments across salaried and self-employed.
3. Achieve desired ROE in a highly competitive market.
4. Participate in the Developer Funding segment in a limited manner
5. Target Tier 2 to Tier 5 locations and suburban areas of metros that are witnessing robust growth of affordable housing projects

FIHFC staffing has been undertaken incorporating the National Housing Bank guidelines as well as exploring synergies with FICC. The staffing has been optimised with only key functions such as Sales and Credit/Risk. All support functions like Operations, Technology, Payroll processing, Administration, Audit and Marketing are supported by FICCL (the parent company) and transfer pricing agreed through a Master Services Agreement.

This has helped Grihashakti to start operations with minimal capital investment.

In FY2016-17, Grihashakti will invest for the next phase of growth by expanding its operations to another 30 cities, thereby taking its overall market presence to 50 cities by March 2017.

Our aspiration is to be a lead player in home finance by expanding into under-served markets and guiding customers to choose their dream home. Our focus in FY2016-17 is to build the brand by enhancing customer experience by faster and right on-boarding process which details the product features and the terms and conditions in a transparent manner. Once we have a digitised platform, we will urge our customers to self-serve online.

## Risk Management

The risk management organisation and governance structure operates under a robust senior management oversight under the directions of the Board and parent company. The Risk Oversight Committee structure of FICCL will be used for effective reporting and oversight, review and reporting of risk profile, drawing clear

links between strategic objectives and risk appetite and creating well-built linkages between solvency capital requirement and strategic planning.

The Company has a stable risk management structure that translates risk appetite into tangible risk tolerances including providing a portfolio view of the risks. This includes a detailed Asset Liability Management which ensures that interest rate risk and liquidity risk are monitored efficiently.

The Company has an independent team that governs the credit assessment, approval and administration process. Underwriting is centralised while the credit resources at the respective locations prepare credit evaluation sheets, meet the customer and supervise valuation and property checks.

The loan originating system is an automated workflow that is used for credit underwriting. It will have a Business Rule Engine enabled in 1Q FY2016-17 that would reduce the turnaround time and add to the overall efficiency.

In FY2016-17, we shall be designing an operational risk framework and monitor key risks and the performance indicators. Eventually this would be dovetailed under the FICCL's operational risk framework.

The Company has adopted FICCL's fraud risk governance framework for detection of potential frauds from origination to credit acceptance to collections. It uses the neural fraud risk system and provides active alerts.

The Company gets covered under the FICCL's information security policy that has been administered at an enterprise level. Data leak is a potential risk that the Company is watchful about.

## Human Resources

The Company strongly believes that people are the source of its competitive advantage. It emphasises in creating an ecosystem where every employee can realise his or her potential, people are respected and performance is rewarded.

There are 71 resources on the rolls of the Company who have strong domain expertise. The Company has also been able to close key managerial personnel positions in a short span of time. The sales and credit staff at both regional and national positions come with relevant experience and domain knowledge; both attributes being a key pre requisite for a home loans business.

Training for knowledge on product, process, systems and compliance is periodically done. Our focus continues to be on-the-job training and we encourage supervisors to provide the time to coach their people.

In FY2017, the Company will focus in creating and nurturing a strong pipeline of future leaders through some leadership development initiatives.

## Annexure – II to the Directors' Report

# Report on Corporate Governance

## I. Corporate Governance Philosophy and Practice

Fullerton India Home Finance Company Ltd (FIHFC) 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, FIHFC 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. Although the SEBI (Listing and Other Disclosure Requirements) Regulations, 2015 (hereinafter "LODR, 2015") does not apply to FIHFC, as its securities are not listed on any stock exchange, the Company voluntarily follows the spirit of LODR, 2015 to the extent possible.

## II. Board of Directors

The Corporate Governance principles of the Company ensure that the Board remains informed, independent and provides 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 FIHFC.

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 (Managing 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.

Seven Board meetings were held during the year on:

- i. 07 May 2015
- ii. 23 July 2015
- iii. 09 September 2015
- iv. 18 November 2015
- v. 26 November 2015
- vi. 18 December 2015; and
- vii. 14 March 2016

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 material of the agenda items 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 2016 are as follows:

Name of the Director	Category of Directorship (i)	Board meetings attended out of 7 held	Attendance at the last AGM held on July 16, 2015	Number of other Directorships*		Number of Committee memberships (iv)
				in other Indian public limited companies (ii)	in other Companies (iii)	
Mr. Shantanu Mitra	NED	7/7	Yes	1	2	1
Mr. Pankaj Malik (Resigned wef 1 February 2016)	NED	6/7	Yes	Nil	Nil	Nil
Mr. Rajesh Krishnamoorthy (Resigned wef 1 February 2016)	NED	6/7	Yes	Nil	1	Nil
Mr. Rakesh Makkar	ED	7/7	No	Nil	Nil	Nil
Mr. Kenneth Ho Tat Meng (Appointed wef 18 December 2015)	NED	1/7	NA	1	Nil	Nil
Dr. Milan Robert Shuster (Appointed wef 15 January 2016)	ID	1/7	NA	1	Nil	2
Ms. Renu Challu (Appointed wef 15 January 2016)	ID	1/7	NA	7	1	8

Notes: \*Others excludes the Company itself

- Category of Directorship:  
**MD** – Managing Director  
**ED** – Executive Director  
**NED** – Non Executive Director  
**ID** – Independent Director
- Comprises public limited companies incorporated in India.
- Comprises private limited companies incorporated in India, foreign companies and Section 8 companies.
- Only membership/chairmanship of the Audit Committee and Shareholders'/Investors Grievance Committee held in public limited companies have been considered.
- 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 14 March 2016 without the presence of the management team and non-independent directors of the Company.

### Director seeking reappointment

Mr. Shantanu Mitra will be retiring at the forthcoming AGM. He being eligible has offered himself for re-appointment. The profile of Mr. Mitra is as under:

Mr. Shantanu Mitra was appointed as the Chairman of the Company with effect from 16 January 2012. Currently he also holds the position of CEO and MD in Fullerton India Credit Company Limited (the Company's holding company).

Mr. Mitra joined Fullerton Financial Holdings in 2010 as Head of Risk Management for consumer markets across its operating entities and has over three decades of experience in financial services domain at Standard Chartered Bank and Citibank where he had stints in Singapore, Thailand and India. He holds Bachelor Degree in Science (Statistics) from the University Of Calcutta, India and is a qualified Chartered Accountant from the Institute of Chartered Accountants, England and Wales.

Mr. Mitra does not hold any shares in the Company in his own capacity.

## 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 on 14 March 2016 and the necessary quorum was present at the meeting.

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. Shantanu Mitra (Chairman)	1/1
Ms. Renu Challu (Appointed w.e.f 15 January 2016)	1/1
Dr. Milan Robert Shuster (Appointed w.e.f 15 January 2016)	1/1

The proceeding of the Audit Committee Meeting was noted by the Board of Directors at its meeting.

#### (c) Nomination and Remuneration Committee

The Company has a Nomination & Remuneration Committee (NRC) pursuant to the requirements of Section 178 of the Companies Act, 2013. 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 on 14 March 2016 and the necessary quorum was present at the meeting.

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	Number of Meetings Attended
Dr. Milan Robert Shuster (Appointed w.e.f 15 January 2016)	1/1
Ms. Renu Challu (Appointed w.e.f 15 January 2016)	1/1
Mr. Shantanu Mitra	1/1

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

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.

#### 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 INR 20 crores along with entity cover under Employees' Practices Liability and any other legal action that might be initiated against the Directors. The said policy cover extends to the 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, 15 January 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	Thursday, 26 November 2015	11:30 AM	Corp Office: Floor 6, B Wing, Supreme Business Park, Supreme City, Behind Lake Castle, Powai, Mumbai – 400076
Annual General Meeting	Thursday, 16 July 2015	11:00 AM	Regd. Office: Megh Towers, 3rd Floor, Old No. 307, New No. 165, Poonamallee High Road, Maduravoyal, Chennai – 600095
Annual General Meeting	Wednesday, 20 August 2014	11:20 AM	Regd. Office: Megh Towers, 3rd Floor, Old No. 307, New No. 165, Poonamallee High Road, Maduravoyal, Chennai – 600095
Annual General Meeting	Monday, 16 September 2013	11:15 AM	Regd. Office: Megh Towers, 3rd Floor, Old No. 307, New No. 165, Poonamallee High Road, Maduravoyal, Chennai – 600095

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, 15 January 2016	1. Appointment of Dr. Milan Robert Shuster as an Independent Director 2. Appointment of Ms. Renu Challu as an Independent Director 3. Appointment of Mr. Kenneth Ho as a Non-Executive Director
Extra ordinary General Meeting	Thursday, 26 November 2015	1. Appointment of Mr. Rakesh Makkar as Managing Director for a period of 1 year with effect from 9 September 2015 2. Amendment to Main Objects clause of Memorandum of Association of the Company 3. Amendment to clauses III(B) and III(C) of the Memorandum of Association of the Company 4. Amendment to clause IV of Memorandum of Association of the Company 5. Amendment to clause V of Memorandum of Association of the Company 6. Adoption of new set of Articles of Association of the Company
Annual General Meeting	Thursday, 16 July 2015	No special resolution/s passed
Annual General Meeting	Wednesday, 20 August 2014	No special resolution/s passed
Annual General Meeting	Monday, 16 September 2013	No special resolution/s passed

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. 20 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 to the Directors' Report

## 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, Ravindra Rao, Chief Executive Officer 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, 2016 (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 no instances of fraud reported by the Company to the Board. The Company is registered as a non-deposit-taking housing finance company.

Date: May 18, 2016  
Place: Mumbai

**Ravindra Rao**  
Chief Executive Officer

**Pankaj Malik**  
Chief Financial Officer



## Annexure – IV to the Directors' Report

Form No. MR-3

# Secretarial Audit Report

FOR THE FINANCIAL YEAR ENDED MARCH 31, 2016

*[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule no.9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]*

To,  
 The Members,  
**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 specified in 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 April 01, 2015 to March 31, 2016 (hereinafter referred to as "Audit Period"), complied with the statutory provisions listed hereunder and also that the Company has proper board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the Books and Papers maintained by the Company for the Audit Period, according to the provisions of:

1. The Companies Act, 2013 ("the Act") and Companies Act, 1956 (to the extent applicable) the rules made thereunder including any re-enactment thereof;
2. Specific laws applicable as mentioned hereunder:
  - a. National Housing Bank Act, 1987;
  - b. The Housing Finance Companies (NHB) Directions, 2010;
  - c. Guidelines on KYC and AML Measures;
  - d. Returns to be submitted by HFC;
  - e. Guidelines for Asset Liability Management System in Housing Finance Companies;
  - f. Guidelines on Fair Practices Code (FPC) for all HFCs;
  - g. Miscellaneous Circulars issued by National Housing Bank;
  - h. Policy Circulars issued by National Housing Bank.

We have also examined compliance with the applicable clauses of the following:

- a. Secretarial Standards 1 and 2 issued by the Institute of Company Secretaries of India;

We report that during the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, 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;

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 Audit Period 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.

Resolutions have been approved by majority while the dissenting members, if any, views are captured and recorded as part of the minutes.

**We further report that** there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

**We further report that** during the Audit Period, the Company has not incurred any specific event/ action that can have a major bearing on the Company's compliance responsibilities in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc., except as follows:

**i. Rights issue of Equity Shares:**

During the Audit Period, the Company has issued 47,619,048 equity shares of ₹10 each at a premium of ₹0.50 on 26 November 2015 to Fullerton India Credit Company Limited, the holding company.

For **M/s Vinod Kothari & Company**  
**Practising Company Secretaries**  
 UIN P1996WB042300

**Arun Kumar Maitra**  
*Partner*

Place: Kolkata  
 Date: May 6, 2016

Membership No.: A3010  
 C P No.: 14490

**ANNEXURE – I****LIST OF DOCUMENTS**

1. Corporate Matters
  - 1.1 Minutes books of the following Committees were provided:
    - 1.1.1 Board Meeting;
    - 1.1.2 Audit Committee;
    - 1.1.3 Nomination and Remuneration Committee;
    - 1.1.4 General Meetings;
  - 1.2 Agenda papers for Board Meeting along with Notice;
  - 1.3 Annual Report, 2015;
  - 1.4 Memorandum and Articles of Association;
  - 1.5 Disclosures under Act, 2013 and Rules made thereunder;
  - 1.6 Policies framed under the Act, 2013 and NHB regulations for HFCs;
  - 1.7 Forms and returns filed with the ROC & NHB;
  - 1.8 Registers maintained under Companies Act, 2013

# Financial Section

## Independent Auditor's Report

### To the Members of Fullerton India Home Finance Company Limited

#### Report on the Financial Statements

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 2016, the statement of profit and loss, the cash flow statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

#### Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation and presentation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. 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 and are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements

and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

#### Opinion

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 Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2016 and its loss and its cash flows for the year ended on that date.

#### 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 sub-section (11) of section 143 of the Act, we give in the Annexure A, a statement on the matters specified in paragraphs 3 and 4 of the said Order.

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 and the cash flow statement dealt with by this Report are in agreement with the books of account;
- (d) in our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
- (e) on the basis of the written representations received from the directors as on 31 March, 2016 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March, 2016 from being appointed as a director in terms of Section 164 (2) of the Act.
- (f) with respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B"; and
- (g) 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 does not have any pending litigations as on 31 March 2016 which would impact its financial position;
- 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.

**For B S R & CO. LLP**

Chartered Accountants

Firm's Registration No: 101248W/W-100022

Sd/-

**per Manoj Kumar Vijai**  
**Partner**

Membership No: 046882

Mumbai

18 May 2016

## Annexure A to the Independent Auditor's Report of even date on financial statements of Fullerton India Home Finance Company Limited

- |  |  |
|--|--|
| <p>(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.</p> <p>(b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified every year. 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.</p> <p>(c) According to the information and explanations given to us, the Company is not having any immovable property.</p> <p>(ii) The Company is a HFC. Accordingly, it does not hold any physical inventories. Thus, paragraph 3(ii) of the Order is not applicable to the Company.</p> <p>(iii) During the year, 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. Accordingly paragraph 3(iii)(a) is not applicable.</p> <p>a. According to the information and explanations provided and on the basis of our examination of the records of the Company, the borrower has been regular in repayment of principal and payment of interest as stipulated.</p> <p>b. According to the information and explanations provided and on the basis of our examination of the records of the Company, there is no overdue balance of loan as at 31 March 2016.</p> <p>(iv) According to the information and explanations given to us, the provisions of section 185 and 186 of the Act are not applicable to the Company. Accordingly, paragraph 3(iv) of the Order is not applicable.</p> <p>(v) According to the information and explanations given to us, the Company has not accepted any deposits from the public to which the directives issued by the Reserve Bank of India and the provisions of Section 73 to Section 76</p> | <p>or any other relevant provisions of the Act and the rules framed there under apply.</p> <p>(vi) The Central Government has not prescribed the maintenance of cost records under sub section (1) of section 148 of the Act for any of the activities conducted/ services rendered by the Company. Accordingly paragraph 3(vi) of the Order is not applicable.</p> <p>(vii) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/ accrued in the books of account in respect of undisputed statutory dues including provident fund, income-tax, service tax, professional tax and other material statutory dues have generally been deposited regularly during the year by the Company to the appropriate authorities. As explained to us, the Company did not have any dues on account of Sales-tax, duty of customs, duty of excise, employees' state insurance and value added tax as at 31 March 2016.</p> <p>(b) According to the information and explanations given to us, there are no dues of income tax or service tax which have not been deposited to appropriate authorities on account of any dispute.</p> <p>(viii) In our opinion and according to the information and explanations given to us, the Company did not have any outstanding loans or borrowings from financial institutions, government or dues to debenture-holders.</p> <p>(ix) According to the information and explanations given to us, during the year, the Company has not raised money by way of initial public offer or further public offer (including debt instrument) and term loans. Thus, paragraph 3 (ix) of the Order is not applicable to the Company.</p> <p>(x) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the explanation and information given to us, no material fraud by the Company or any fraud on the Company by its officers or employees has been noticed or reported during the year.</p> |
|--|--|

<p>(xi) According to the information and explanations give to us and based on examination of the relevant records of the Company, the Company has not paid/provided for managerial remuneration as covered by the provisions of section 197 of the Act read with Schedule V to the Act.</p> <p>(xii) In our opinion and according to the information and explanations given to us, the Company is not a nidhi company. Accordingly, paragraph 3(xii) of the Order is not applicable.</p> <p>(xiii) According to the information and explanations given to us and on the basis of our examination of the relevant records of the Company, transactions with the related parties are in compliance with section 177 and 188 of the Act where applicable and the details of such transactions have been disclosed in the financial statements, as required by the applicable accounting standards.</p> <p>(xiv) According to the information and explanations given to us and based on our examination of the relevant records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, paragraph 3(xiv) of the Order is not applicable.</p>	<p>(xv) According to the information and explanations given to us, the company has not entered into any non-cash transactions with directors or persons connected with him. Accordingly, paragraph 3(xv) of the Order is not applicable.</p> <p>(xvi) The Company being a HFC is registered with National Housing Bank and thus not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.</p> <p><b>For B S R &amp; CO. LLP</b>  Chartered Accountants  Firm's Registration No: 101248W/W-100022</p> <p>Sd/-  <b>per Manoj Kumar Vijai</b>  <b>Partner</b>  Membership No: 046882</p> <p>Mumbai  18 May 2016</p>
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## Annexure B to the Independent Auditor's Report of even date on financial statements of Fullerton India Home Finance Company Limited

### Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Act

We have audited the internal financial controls over financial reporting of Fullerton India Home Finance Company Limited ('the Company') as at 31 March 2016 in conjunction with our audit of financial statements of the Company for the year ended on that date.

#### Management's Responsibility for the Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). 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 over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting and the Standards on Auditing, issued by ICAI and deemed to be prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal

financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's 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 system over financial reporting.

#### Meaning of Internal Financial Controls Over Financial Reporting

The Company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The Company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with



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

#### **Inherent Limitations of Internal Financial Controls Over Financial Reporting**

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

#### **Opinion**

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial

reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the ICAI.

#### **For B S R & CO. LLP**

Chartered Accountants

Firm's Registration No: 101248W/W-100022

Sd/-

**per Manoj Kumar Vijai**

**Partner**

Membership No: 046882

Mumbai

18 May 2016

## Balance Sheet as at 31 March 2016

(₹)

	Notes	31 March 2016	31 March 2015
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' funds</b>			
Share capital	3	576,190,480	100,000,000
Reserves and surplus	4	(21,108,897)	4,992,773
<b>Non-current liabilities</b>			
Other long term liabilities	5	2,650,959	-
Long-term provisions	6	1,947,290	-
<b>Current liabilities</b>			
Other current liabilities	7	87,671,428	118,131
Short-term provisions	6	41,094	-
<b>TOTAL</b>		<b>647,392,354</b>	<b>105,110,904</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets			
Tangible assets	8	3,403,309	-
Long-term loans and advances	9	238,629,255	110,383
Other non-current assets	12	1,511,454	-
<b>Current assets</b>			
Current investments	10	252,567,405	-
Cash and bank balances	11	142,483,971	102,922,336
Short-term loans and advances	9	7,374,256	-
Other current assets	12	1,422,704	2,078,185
<b>TOTAL</b>		<b>647,392,354</b>	<b>105,110,904</b>

Summary of significant accounting policies

2.1

The accompanying notes are an integral part of the financial statements

As per our report of even date

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

Sd/-  
**per Manoj Kumar Vijai**  
**Partner**  
**Membership No. 046882**

Place : Mumbai  
Date : 18 May 2016

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

Sd/-  
**Shantanu Mitra**  
**Chairman**

Sd/-  
**Pankaj Malik**  
**Chief Financial Officer**

Place : Mumbai  
Date : 18 May 2016

Sd/-  
**Rakesh Makkar**  
**Managing Director**

Sd/-  
**Jitendra Maheshwari**  
**Company Secretary**

## Statement of Profit & Loss for the year ended 31 March 2016

(₹)

	Notes	31 March 2016	31 March 2015
<b>Income</b>			
Revenue from operations	13	11,114,596	3,905,892
Other income	14	12,001,853	-
<b>Total revenue (I)</b>		<b>23,116,449</b>	<b>3,905,892</b>
<b>Expenses</b>			
Employee benefit expense	15	26,887,928	-
Other expenses	16	44,813,606	507,093
Depreciation and amortisation expense	8	352,696	-
Provisions and write-offs	17	973,413	-
<b>Total expenses (II)</b>		<b>73,027,643</b>	<b>507,093</b>
<b>Profit before tax (III) = (I) - (II)</b>		<b>(49,911,194)</b>	<b>3,398,799</b>
<b>Tax expenses</b>			
Income tax for the period		-	1,206,921
<b>Total tax expense (IV)</b>		<b>-</b>	<b>1,206,921</b>
<b>Profit for the year (III) - (IV)</b>		<b>(49,911,194)</b>	<b>2,191,878</b>
<b>Earnings per equity share (₹)</b>	18		
Basic (Computed on the basis of total profit for the period)		(1.89)	0.51
Diluted (Computed on the basis of total profit for the period)		(1.89)	0.51

Summary of significant accounting policies 2.1

The accompanying notes are an integral part of the financial statements

As per our report of even date

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

Sd/-  
**per Manoj Kumar Vijai**  
**Partner**  
**Membership No. 046882**

Place : Mumbai  
 Date : 18 May 2016

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

Sd/-  
**Shantanu Mitra**  
**Chairman**  
  
 Sd/-  
**Pankaj Malik**  
**Chief Financial Officer**

Place : Mumbai  
 Date : 18 May 2016

Sd/-  
**Rakesh Makkar**  
**Managing Director**  
  
 Sd/-  
**Jitendra Maheshwari**  
**Company Secretary**

## Cash Flow Statement for the year ended 31 March 2016

(₹)

	31 March 2016	31 March 2015
<b>A. Cash flow from operating activities:</b>		
Net profit before taxation	(49,911,194)	3,398,799
<b>Adjustment for computing operating profit before working capital changes:</b>		
Depreciation and amortisation	352,696	-
Interest on fixed deposits and bonds	(8,623,805)	-
Profit on sale of investments	(12,001,853)	-
Provision for standard/sub standard assets	973,413	-
Provision for employees benefits	1,014,970	-
Unamortised loan origination costs	(1,695,810)	-
Unamortised loan processing fees	3,375,122	-
<b>Operating profit before working capital changes</b>	<b>(66,516,462)</b>	<b>3,398,799</b>
<b>Movements in working capital :</b>		
- (Increase)/decrease in long term loans and advances	(237,367,198)	-
- (Increase)/decrease in short term loans and advances	(7,374,256)	-
- (Increase)/decrease in other current assets	(1,167,660)	(1,700,782)
- Increase/(decrease) in current liabilities	86,829,135	(137,538)
<b>Cash generated from operations</b>	<b>(225,596,440)</b>	<b>1,560,479</b>
- Income taxes paid	(1,151,674)	(1,242,736)
<b>Net cash from operating activities (A)</b>	<b>(226,748,114)</b>	<b>317,743</b>
<b>B. Cash flow from investing activities:</b>		
Purchase of fixed assets	(3,756,005)	-
Purchase of current investments	(3,427,600,000)	-
Sale/maturity of investments	3,187,034,448	-
Fixed deposit placed during the year	(86,500,000)	(103,800,000)
Fixed deposit matured during the year	102,875,000	23,318,043
Interest received on fixed deposits	10,631,302	-
<b>Net cash from investing activities (B)</b>	<b>(217,315,254)</b>	<b>(80,481,957)</b>

## Cash Flow Statement for the year ended 31 March 2016

(₹)

	31 March 2016	31 March 2015
<b>C. Cash flow from financing activities</b>		
Proceeds from issuance of share capital (including share premium)	500,000,004	80,000,000
<b>Net cash used in financing activities (C)</b>	<b>500,000,004</b>	<b>80,000,000</b>
<b>Net increase/(decrease) in cash and cash equivalents (A)+(B)+(C)</b>	<b>55,936,636</b>	<b>(164,214)</b>
Cash and cash equivalents as at the beginning of the year	47,336	211,550
<b>Cash and cash equivalents as at the end of the year</b>	<b>55,983,971</b>	<b>47,336</b>
<b>(refer note 21)</b>		

### Components of cash and cash equivalents as at the end of the year

With banks – on current account	55,983,971	47,336
Summary of significant accounting policies	2.1	

The accompanying notes are an integral part of the financial statements

As per our report of even date

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

Sd/-  
**per Manoj Kumar Vijai**  
**Partner**  
**Membership No. 046882**

Place : Mumbai  
 Date : 18 May 2016

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

Sd/-  
**Shantanu Mitra**  
**Chairman**

Sd/-  
**Pankaj Malik**  
**Chief Financial Officer**

Place : Mumbai  
 Date : 18 May 2016

Sd/-  
**Rakesh Makkar**  
**Managing Director**

Sd/-  
**Jitendra Maheshwari**  
**Company Secretary**

## Notes to Financial Statement for the year ended 31 March 2016

(Amount in Rupees unless otherwise stated)

### 1. Background

Fullerton India Home Finance Company Limited ('The Company') has been incorporated on August 12, 2010, with the main object of providing finance for purchase, repairs, construction, and enlargement, erection of house or apartments or building. The Company is registered with the National Housing Bank of India (the NHB) vide Registration number 07.0122.15 dated July 14, 2015.

### 2. Basis of Preparation

The accompanying financial statements are prepared in accordance with India Generally Accepted Accounting Principles (GAAP) and comply with the Accounting Standards as prescribed under Section 133 of the companies Act, 2013 read together with Rule 7 of the Companies (Accounts) Rules, 2014, the provisions of the Companies Act, 2013 (the Act), Schedule III to the Act and circulars and Housing Finance Companies (NHB) Directions, 2010. The financial statements have been prepared under the historical cost convention on an accrual basis.

The financial statements are presented in Indian Rupees.

The Company being a Housing Finance Company registered with the NHB follows the guidelines issued by the NHB, in respect of income recognition, provisioning for non-performing assets and valuation of investments.

### 2.1 Summary of Significant Accounting Policies

#### (a) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent liabilities on the date of the financial statements. Actual results could differ from the estimates. Any revision to the accounting estimates is recognised prospectively in current and future periods.

#### (b) Fixed assets and depreciation

##### Tangible fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment loss, if any. Cost of fixed assets comprises purchase price and any directly attributable cost of bringing the asset to its working condition for the intended use.

Gain or loss arising from de-recognition of a fixed asset is measured as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the Statement of Profit and Loss when the asset is derecognised.

##### Intangible assets

Costs relating to acquisition and development of computer software are capitalised in accordance with the AS 26 'Intangible Assets' issued by the Institute of Chartered Accountants of India ('ICAI') and are amortised using the straight line method over a period of five years, which is the management's estimate of its useful life.

##### Depreciation on tangible fixed assets

Depreciation on is provided on pro-rata basis using the Straight Line Method ('SLM') from the date the asset is ready for its intended use or put to use whichever is earlier. In respect of assets sold, depreciation is provided up to the date of disposal.

Depreciation on tangible fixed assets has been provided on the straight-line method as per the useful life prescribed in Schedule II to the Companies Act, 2013. 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.

	Management estimate of Useful life (in years)	Useful life as per the limits prescribed in Schedule II to the Companies Act, 2013 (in years)
Computer Server and Other Accessories	4	6
Computer Desktop and Laptops	3	3

Assets individually costing Rupees Five Thousand or less are fully depreciated in the year of purchase or acquisition.

## Notes to Financial Statement for the year ended 31 March 2016

(Amount in Rupees unless otherwise stated)

### (c) Impairment

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such estimated recoverable amount of the asset is less than its carrying amount, the carrying amount is reduced to its estimated recoverable amount. The reduction is treated as an impairment loss and is recognised in the statement of profit and loss.

If at the balance sheet date, there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost.

### (d) Investments

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

Current investments are carried in the financial statements at lower of cost and fair value determined in accordance with the NHB directions. The comparison of cost and fair value is done separately in respect of each category of investment. Investments in the units of mutual funds in the nature of current investments that have been valued at the net asset value (NAV) declared by the mutual fund in respect of each particular scheme.

Long-term investments are carried at cost less diminution in value which is other than temporary, determined separately for each investment.

### (e) Asset classification and Provisioning/write-off of Assets

- (i) Loans are classified as standard and non-performing assets in accordance with The Housing Finance Companies (NHB) Directions, 2010 as amended from time to time.
- (ii) Loans are provided for/written off, in accordance with Company's policy, subject to the minimum provision required as per The Housing Finance Companies (NHB) Directions, 2010 as amended from time to time.
- (iii) Provision for standard assets is being made on total outstanding amount of standard loans including accrued interest on such loans, on the basis of prudential norms laid down by the NHB and as mentioned in Notes 6 to the financial statements.

### (f) Operating Leases

Lease arrangements where the Lessor effectively retains, substantially, all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognised as an expense in the Statement of Profit and Loss on a straight-line basis over the lease term.

### (g) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

#### Interest Income

Interest income on loans given is recognised on accrual basis, except in case of non-performing assets where interest is recognised on realisation, as per NHB guidelines. Loans are repaid by way of Equated Monthly Installments (EMI), which comprise of principal and interest. Interest is calculated on outstanding balance at the EMI dates. EMIs generally commence only after the entire loan is disbursed. Pending commencement of EMIs, pre-EMI interest is charged every month and is accounted on accrual basis.

Interest income on deposits with banks is recognised on a time proportion basis taking into account the amount outstanding and the applicable interest rate.

#### Fee Income

Processing fee collected are amortised over the term of the loan in proportion to the interest accrued during the year. The unamortised balance is disclosed under "Other current/non-current liabilities" based on unexpired term of loan. For the

## Notes to Financial Statement for the year ended 31 March 2016

(Amount in Rupees unless otherwise stated)

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.

Additional charges such as penal, cheque bouncing charges, foreclosure charges, loan conversion charges etc. are recognised on receipt basis.

### **Commission and brokerage income**

Commission and brokerage income earned for the services rendered are recognised on accrual basis.

### **Profit/Loss on sale of investments**

Profit/loss earned on sale of investments is recognised on trade date basis. On disposal of an investment, the difference between its carrying amount and net disposal proceeds is charged or credited to the Statement of Profit and Loss. Profit / loss on sale of investments is determined on average cost basis.

## **(h) Retirement and Other Employee benefits**

### **i) Short Term Employee Benefits**

All employee benefits payable wholly within twelve months of rendering the service are classified as short-term employee benefits. These benefits include compensated absences such as paid earned leave. The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees is recognised during the year.

### **ii) Defined Contribution Plans**

The Company contributes to a recognised provident fund which is a defined contribution scheme. The contributions as specified by law are made to the Regional Provident Fund Commissioner and charged to the Statement of Profit and Loss of the year when the contribution to the respective fund is due. There are no other obligations other than contribution payable to the provident fund.

### **iii) Defined Benefit Plans**

The Company's gratuity scheme is a defined benefit plan. The Company's net obligation in respect of the gratuity benefit is calculated by estimating the amount of future benefit that the employees have earned in return for their service in the current and prior periods, that benefit is discounted to determine its present value.

The present value of the obligation under such benefit plan is determined based on actuarial valuation using the Projected Unit Credit Method which recognises each period of service that give rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

The obligation is measured at present values of estimated future cash flows. The discounted rates used for determining the present value are based on the market yields on Government Securities as at the balance sheet date.

Actuarial gains and losses are recognised immediately in the statement of profit and loss.

## **(i) Income taxes**

Tax expense comprises current tax (i.e. amount of tax for the period determined in accordance with the Income-tax Act, 1961) and deferred tax charge / credit (reflecting the tax effects of timing differences between accounting income and taxable income for the period). Current income tax is recognised on an annual basis under the taxes payable method, based on the estimated tax liability computed after taking credit for allowances and exemption in accordance with Income-tax Act, 1961. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised when there is reasonable certainty that the assets can be realised in future, however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised to the extent there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed as at each balance sheet date and written down or written up to reflect the amount that is reasonable / virtually certain (as the case may be) to be realised.



## Notes to Financial Statement for the year ended 31 March 2016

(Amount in Rupees unless otherwise stated)

### (j) Earnings per share

The Company reports basic and diluted earnings per share in accordance with Accounting Standard 20 – Earnings Per Share as prescribed under Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014. Basic earnings per share is calculated by dividing the net profit after tax / net loss attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

For the purpose of calculating diluted earnings per share, the net profit after tax / net loss attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

### (k) Provisions & Contingencies

The Company creates a provision when there is present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that the outflow of resources would be required to settle the obligation, the provision is reversed.

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an economic benefit will arise, the asset and related income are recognised in the period in which the change occurs.

Provisions have been made on standard as well as on non-performing housing loans and other property loans as per the Prudential Norms prescribed by the NHB.

### (l) Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement comprise cash at bank and cash in hand and short term balances with original maturity of three months or less from the date acquisition, highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

### (m) Loan origination costs

Loan origination costs such as credit verification, contact point verification, agreement stamping and direct selling agents commission directly attributable to disbursed loans are amortised over the contractual tenor of the loan agreements in proportion to the interest accrued during the year. The unamortised balance is disclosed as part of "Other Assets" based on unexpired term of loan. For the agreements foreclosed or transferred through assignment, the unamortised portion of such loan origination costs are recognised as charge to the Statement of Profit and Loss at the time of such foreclosure/ transfer through assignment.

### (n) Current-non-current classification

All assets and liabilities are classified into current and non-current.

#### Assets

An asset is classified as current when it satisfies any of the following criteria :

- (a) it is expected to be realised in, or is intended for sale or consumption in, the company's normal operating cycle;
- (b) it is held primarily for the purpose of being traded;
- (c) it is expected to be realised within 12 months after the reporting date; or
- (d) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date.

Current assets include the current portion of non-current financial assets.

All other assets are classified as non-current.

## Notes to Financial Statement for the year ended 31 March 2016

(Amount in Rupees unless otherwise stated)

### Liabilities

A liability is classified as current when it satisfies any of the following criteria :

- (a) it is expected to be settled in the company's normal operating cycle;
- (b) it is held primarily for the purpose of being traded;
- (c) it is due to be settled within 12 months after the reporting dated; or
- (d) the company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Current liabilities include the current portion of non-current financial liabilities.

All other liabilities are classified as non-current.

### 3. Share Capital

(₹)

Particulars	31 March 2016	31 March 2015
<b>Authorised Shares</b>		
1,500,000,000 (31 March 2015: 15,000,000) equity shares of ₹10 each	15,000,000,000	150,000,000
	<b>15,000,000,000</b>	<b>150,000,000</b>
<b>Issued, subscribed and fully paid up shares</b>		
57,619,048 (31 March 2015: 10,000,000) equity shares of ₹10 each	576,190,480	100,000,000
	<b>576,190,480</b>	<b>100,000,000</b>

Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

Equity Shares	31 March 2016		31 March 2015	
	No. of Shares	₹	No. of Shares	₹
At the beginning of the year	10,000,000	100,000,000	2,000,000	20,000,000
Issued during the year	47,619,048	476,190,480	8,000,000	80,000,000
Outstanding at the end of year	57,619,048	576,190,480	10,000,000	100,000,000

### Terms/rights 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 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.

### Shares held by holding /ultimate holding company and/or their subsidiaries/associates

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

## Notes to Financial Statement for the year ended 31 March 2016

(Amount in Rupees unless otherwise stated)

### 3. Share Capital (Contd.)

(₹)

Particulars	31 March 2016	31 March 2015
<b>Fullerton India Credit Company Limited, the holding company and its nominees</b>		
57,619,048 (31 March 2015: 10,000,000) equity shares of ₹10 each fully paid	576,190,480	100,000,000

#### Details of shareholders holding more than 5% shares in the Company

	31 March 2016		31 March 2015	
	No. of Shares	% holding in the class	No. of Shares	% holding in the class
<b>Equity shares of ₹ 10 each fully paid</b>				
Fullerton India Credit Company Limited, the holding company and its nominees	57,619,048	100.00%	10,000,000	100.00%

As per records of the Company, including its register of shareholders/members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownerships of shares.

### 4. Reserves and Surplus

(₹)

Particulars	31 March 2016	31 March 2015
<b>Securities Premium Account</b>		
Opening Balance	-	-
Add: Received during the year	23,809,524	-
<b>Closing Balance (A)</b>	<b>23,809,524</b>	<b>-</b>
<b>Reserve Fund under Section 29C(i) of the NHB Act, 1987*</b>		
Balance as per the last financial statements	-	-
Add: Amount transferred from statement of profit and loss	-	-
<b>Closing Balance (B)</b>	<b>-</b>	<b>-</b>
<b>Surplus/(Deficit) in the statement of profit and loss</b>		
Balance as per the last financial statements	4,992,773	2,800,895
Add: Profit/(loss) for the year	(49,911,194)	2,191,878
<b>Net deficit in the statement of profit and loss (C)</b>	<b>(44,918,421)</b>	<b>4,992,773</b>
<b>Total reserves and surplus (A+B+C)</b>	<b>(21,108,897)</b>	<b>4,992,773</b>

\* 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 reserve before any dividend is declared. The Company commenced commercial operations as Housing Finance Company during the current year. No amount has been transferred to special reserve as Company has incurred losses during the year.

### 5. Other Long Term Liabilities

(₹)

Particulars	31 March 2016	31 March 2015
<b>Unamortised income</b>		
Unamortised loan processing fees	2,650,959	-
<b>Total</b>	<b>2,650,959</b>	<b>-</b>

## Notes to Financial Statement for the year ended 31 March 2016

(Amount in Rupees unless otherwise stated)

### 6. Provisions

(₹)

Particulars	Long Term		Short Term	
	31 March 2016	31 March 2015	31 March 2016	31 March 2015
<b>Provision for employee benefits</b>				
Provision for gratuity (refer note 24)	998,275	-	16,695	-
<b>Other provisions</b>				
Provision for standard assets	949,015	-	24,399	-
<b>Total</b>	<b>1,947,290</b>	<b>-</b>	<b>41,094</b>	<b>-</b>

### 7. Other Current Liabilities

(₹)

Particulars	31 March 2016	31 March 2015
<b>Other liabilities</b>		
Expenses and other payable (refer note 25 for details of dues to Micro Small and Medium Enterprises)	10,662,171	118,131
Employee benefits payable	5,320,157	-
Bank balances (Book overdraft)	64,716,380	-
Undisputed statutory dues payable	2,204,284	-
Others	4,044,274	-
<b>Unamortised income</b>		
Unamortised loan processing fees	724,162	-
<b>Total</b>	<b>87,671,428</b>	<b>118,131</b>

### 8. Fixed Assets

(₹)

Particulars	Computers & Accessories	Total
<b>Cost</b>		
At 31 March 2014	-	-
Addition	-	-
Disposals	-	-
<b>At 31 March 2015</b>	<b>-</b>	<b>-</b>
Addition	3,756,005	3,756,005
Disposals	-	-
<b>At 31 March 2016</b>	<b>3,756,005</b>	<b>3,756,005</b>
<b>Depreciation</b>		
At 31 March 2014	-	-
Addition	-	-
Disposals	-	-
<b>At 31 March 2015</b>	<b>-</b>	<b>-</b>
Addition	352,696	352,696
Disposals	-	-
<b>At 31 March 2016</b>	<b>352,696</b>	<b>352,696</b>
<b>Net Block</b>		
<b>At 31 March 2015</b>	<b>-</b>	<b>-</b>
<b>At 31 March 2016</b>	<b>3,403,309</b>	<b>3,403,309</b>

All assets have been recognised at cost

## Notes to Financial Statement for the year ended 31 March 2016

(Amount in Rupees unless otherwise stated)

### 9. Loans and Advances

(₹)

Particulars	Non Current		Current	
	31 March 2016	31 March 2015	31 March 2016	31 March 2015
<b>A Portfolio loans</b>				
<b>a. Secured, considered good*</b>				
Housing	174,381,580	-	3,223,954	-
Non Housing	62,871,867	-	1,708,191	-
<b>Sub-Total</b>	<b>237,253,447</b>	<b>-</b>	<b>4,932,145</b>	<b>-</b>
<b>B Advances recoverable in cash or in kind or for value to be received</b>				
Unsecured, considered good	159,385	-	-	-
<b>Sub-Total</b>	<b>159,385</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>C Other loans and advances</b>				
Advance Income Tax (net of provision for tax)	1,216,423	110,383	-	-
Prepaid expenses	-	-	573,563	-
Others	-	-	1,868,548	-
<b>Sub-Total</b>	<b>1,216,423</b>	<b>110,383</b>	<b>2,442,111</b>	<b>-</b>
<b>Total (A+B+C)</b>	<b>238,629,255</b>	<b>110,383</b>	<b>7,374,256</b>	<b>-</b>

\* Loans granted by the Company are secured by equitable mortgage of the property.

No loans have been granted by the Company against the collateral of gold jewellery.

### 10. Current Investments

(₹)

Particulars	31 March 2016	31 March 2015
<b>Current investments (valued at lower of cost and fair value, unless stated otherwise)</b>		
<b>a) Unquoted: Mutual funds (At net asset value)</b>		
Birla Sun Life Cash Plus – Growth – Direct Plan	53,051,239	-
DSP BlackRock Liquidity Fund – Direct Plan – Growth	53,050,213	-
ICICI Prudential Money Market Fund Option – Direct Plan – Growth	53,043,712	-
Reliance Liquid Fund – Cash Plan – Direct Plan – Growth Plan – Growth Option	55,377,973	-
Franklin India Treasury Management Account – Super Institutional – Direct – Growth	38,044,268	-
<b>Total Value</b>	<b>252,567,405</b>	<b>-</b>
Aggregate Amount of unquoted investment (at Cost Price ₹ 252,300,000 (March 31, 2015: Nil))	252,567,405	-

### 11. Cash and Bank Balances

(₹)

Particulars	Non Current		Current	
	31 March 2016	31 March 2015	31 March 2016	31 March 2015
<b>Cash and cash equivalents:</b>				
Balances with Banks				
– On Current accounts	-	-	55,983,971	47,336
(A)	-	-	55,983,971	47,336
<b>Other bank balances</b>				
– Deposits with original maturity for more than 3 months but less than 12 months			86,500,000	102,875,000
(B)	-	-	86,500,000	102,875,000
<b>Total ((A)+(B))</b>	<b>-</b>	<b>-</b>	<b>142,483,971</b>	<b>102,922,336</b>

## Notes to Financial Statement for the year ended 31 March 2016

(Amount in Rupees unless otherwise stated)

### 12. Other Assets

(₹)

Particulars	Non Current		Current	
	31 March 2016	31 March 2015	31 March 2016	31 March 2015
Unamortised loan origination costs	1,511,454	-	184,357	-
<b>Interest Accrued but not due</b>				
On deposits placed with banks	-	-	70,688	2,078,185
On secured loans	-	-	1,167,659	-
<b>Total</b>	<b>1,511,454</b>	<b>-</b>	<b>1,422,704</b>	<b>2,078,185</b>

### 13. Revenue From Operations

(₹)

Particulars	Year ended 31 March 2016	Year ended 31 March 2015
<b>Interest Income</b>		
Interest income on loans	2,142,386	-
Interest on bank deposits	8,623,805	3,905,892
<b>Other operating revenue</b>		
Processing charges	64,679	-
Ancillary income from operations	283,726	-
<b>Total</b>	<b>11,114,596</b>	<b>3,905,892</b>

### 14. Other Income

(₹)

Particulars	Year ended 31 March 2016	Year ended 31 March 2015
Profit on sale of investments	11,734,448	-
Unrealised Gain on investment in mutual fund	267,405	-
<b>Total</b>	<b>12,001,853</b>	<b>-</b>

### 15. Employee Benefit Expense

(₹)

Particulars	Year ended 31 March 2016	Year ended 31 March 2015
Salaries, bonus and allowances	25,437,663	-
Contribution to provident and other funds	886,184	-
Gratuity expense	390,603	-
Staff welfare expenses	173,478	-
<b>Total</b>	<b>26,887,928</b>	<b>-</b>

## Notes to Financial Statement for the year ended 31 March 2016

(Amount in Rupees unless otherwise stated)

### 16. Other Expenses

(₹)		
Particulars	Year ended 31 March 2016	Year ended 31 March 2015
Printing and stationery	100,294	-
Rent	204,041	-
Rates and taxes	24,204,816	8,400
Business promotion expenses	3,278,027	-
Legal charges	1,648,202	-
Professional Charges	4,794,592	337,450
Courier charges	1,799	-
Repairs and maintenance		-
Office premises	363	-
Others	84,158	-
Directors' sitting fees	518,750	-
Travelling expenses	874,981	-
Telecommunication expenses	113,041	-
Payment to auditor (refer details below)	1,026,000	161,085
Recruitment expenses	1,206,264	-
Training expenses	138,958	-
Miscellaneous expenses	1,095,860	158
Cost for shared services	5,510,372	-
Loan origination cost amortised	13,088	-
<b>Total</b>	<b>44,813,606</b>	<b>507,093</b>
<b>As auditor:</b>		
Audit fee	645,000	112,360
Tax audit fee	107,500	-
<b>In other capacity:</b>		
Other services (certification fees)	273,500	46,910
Reimbursement of expenses	-	1,815

### 17. Provisions and Write Offs

(₹)		
Particulars	Year ended 31 March 2016	Year ended 31 March 2015
Provision against standard assets	973,413	-
<b>Total</b>	<b>973,413</b>	<b>-</b>

## Notes to Financial Statement for the year ended 31 March 2016

(Amount in Rupees unless otherwise stated)

### 18. Earnings Per Equity Share

Particulars	(₹)	
	Year ended 31 March 2016	Year ended 31 March 2015
<b>Profit after Tax</b>	<b>(49,911,194)</b>	<b>2,191,878</b>
Weighted average number of shares used in computing basic earnings per share	26,393,443	4,257,534
Add: Weighted average number of equity shares for Nil		
Weighted average number of equity shares in calculating diluted EPS	26,393,443	4,257,534
<b>Earnings per Share :</b>		
Basic (₹)	(1.89)	0.51
Diluted (₹)	(1.89)	0.51
[Nominal value of shares ₹10 each (Previous Year : ₹10)]		

### 19. Segment Reporting

The Company's main business is to provide loans for purchase or construction of residential houses. All other activities of the Company revolve around the main business. Since the business operations of the Company are primarily concentrated in India, the Company is considered to operate only in the domestic segment.

As the Company's business activity fall within a primary business segment, the financial statements are reflective of information required under the Accounting Standard 17 on Segment Reporting notified under section 133 of the Companies Act 2013 read together with paragraph 7 of the Companies (Accounts) Rule 2014 and the provisions of the Companies Act, 2013.

### 20. Related Party Disclosures

Names and other details of related parties

Ultimate Holding Company	Temasek Holdings (Private) Limited (Holding Company of 'FFH')*
	Fullerton Financials Holdings Pte Ltd ('FFH', Holding Company of 'Angelica')*
	Angelica Investments Pte Ltd, Singapore ('Angelica', Holding Company of 'FICCL')*
Holding Companies	Fullerton India Credit Company Limited ('FICCL', Holding Company)
Fellow Subsidiary	Fullerton India Foundation for Social & Economic Development (Not for profit Company, Subsidiary of 'FICCL')*
Other related companies	Fullerton Securities & Wealth Advisors Ltd. (Subsidiary of 'Angelica')*
	Fullerton Financial Holdings (International) Pte Ltd (Subsidiary of 'FFH')*
	Temasek International (Private) Limited (Subsidiary of Temasek Holdings)*
Key Management Personnel	Mr. Rakesh Makkar, Managing Director*

\* No transactions during the year.



## Notes to Financial Statement for the year ended 31 March 2016

(Amount in Rupees unless otherwise stated)

### 20. Related Party Disclosures (Contd.)

(₹)

Transactions during the year	Holding Companies		Key Management Personnel		Fellow Subsidiary		Total	
	31 March 2016	31 March 2015	31 March 2016	31 March 2015	31 March 2016	31 March 2015	31 March 2016	31 March 2015
Expenses as per Resource sharing agreement	5,645,655	-	-	-	-	-	5,645,655	-
Reimbursement of expense incurred on behalf of Company	185,844	-	-	-	-	-	185,844	-
Investment on equity shares	500,000,004	80,000,000	-	-	-	-	500,000,004	80,000,000
<b>Other Payable</b>								
Fullerton India Credit Company Limited	3,432,797	-	-	-	-	-	3,432,797	-
<b>Other Receivable</b>								
Fullerton India Credit Company Limited	624,367	-	-	-	-	-	624,367	-

### 21. Cash and Cash Equivalents for the purpose of Cash Flow Statement

(₹)

Particulars	Year ended 31 March 2016	Year ended 31 March 2015
Cash and Bank Balance (refer note 11)	142,483,971	102,922,336
Less: Other bank balances (refer note 11)	86,500,000	102,875,000
Balance considered as Cash and Cash Equivalents for Cash Flow Statement	55,983,971	47,336

### 22. Contingent Liability and commitments

a) **Contingent Liabilities** – The Company doesn't have contingent liabilities.

b) **Capital and other commitments**

Estimated amount of contracts remaining to be executed on capital account and not provided for as at March 31, 2016 is ₹ Nil (31 March 2015: ₹ Nil).

Loans sanctioned not yet disbursed as at 31 March 2016 were ₹ 9,236,775 (31 March 2015: ₹ Nil).

### 23. Expenditure in Foreign currency

The Company has not incurred any expenditure in foreign currency during the year 2015–2016 (Previous year: Nil).

### 24. Retirement and other employee benefits

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service.

The following tables summaries the components of net benefit expense recognised in the Statement of Profit and Loss and the amounts recognised in the balance sheet for the plan.

## Notes to Financial Statement for the year ended 31 March 2016

(Amount in Rupees unless otherwise stated)

### 24. Retirement and other employee benefits (Contd.)

#### Statement of Profit and Loss

Gratuity expense (recognised in Employee benefit expense):

		(₹)
Particulars	31 March 2016	31 March 2015
Current service cost	3,90,603	-
Interest cost on benefit obligation	-	-
Net actuarial (gain)/loss recognised in the year	-	-
Past service cost	-	-
<b>Net Benefit Expense</b>	<b>3,90,603</b>	

#### Balance Sheet

Details of Provision for gratuity:

		(₹)
Particulars	31 March 2016	31 March 2015
Defined benefit obligation	10,14,970	-
Less: Unrecognised Past Service Cost	-	-
<b>Plan asset/(liability)</b>	<b>10,14,970</b>	<b>-</b>

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

		(₹)
Particulars	31 March 2016	31 March 2015
Opening defined benefit obligation	-	-
Interest cost	-	-
Current service cost	3,90,603	-
Benefits paid	-	-
Actuarial (gains)/losses on obligation	-	-
Liability Transferred In / Acquisitions	6,24,367	-
Closing defined benefit obligation	10,14,970	-

The principal assumptions used in determining gratuity liability for the Company's plans are shown below:

		(₹)
Particulars	31 March 2016	31 March 2015
Discount rate	7.79%	-
Employee attrition	For service 4 years and below 23.10% p.a. For service 5 years and above 2.00% p.a.	-
Salary escalation	10.00%	-

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

Amounts for the current period and previous periods are as follows:

	(₹)				
Particulars	31 March 2016	31 March 2015	31 March 2014	31 March 2013	31 March 2012
Defined benefit obligation	10,14,970	–	–	–	–
Plan assets	–	–	–	–	–
Surplus/(deficit)	(10,14,970)	–	–	–	–
Experience adjustments on plan liabilities	–	–	–	–	–

## Notes to Financial Statement for the year ended 31 March 2016

(Amount in Rupees unless otherwise stated)

25. Based on information available with the Company, there are no amounts payable to Small Scale Industrial Undertakings and Micro, Small and Medium Enterprises under the Micro, Small and Medium Enterprises Development Act, 2006, (MSMEDA) as on the balance sheet date. This information has been relied upon by the statutory auditors.

### 26. Details of Single Borrower Limit (SGL) / Group Borrower Limit (GBL) exceeded by the HFC

During the year ended 31 March 2016, the Company has complied with the National Housing Bank guidelines on single borrower and group borrower limits.

### 27. Deferred Tax Asset

Particulars	31 March 2016	31 March 2015
<b>Deferred tax asset</b>		
Provision on standard assets	336,879	-
Unamortised loan processing fee income	1,168,062	-
Unabsorbed carried forward losses	7,791,560	-
Provision for gratuity	135,180	-
<b>A</b>	<b>9,431,681</b>	
<b>Deferred tax liability</b>		
Difference in depreciation as per financial statements and tax books	267,902	-
Unamortised loan origination costs	586,886	-
<b>B</b>	<b>854,788</b>	
<b>Net deferred tax assets (A-B)</b>	<b>8,576,893</b>	<b>-</b>
<b>Net deferred tax assets recognised</b>	<b>-</b>	<b>-</b>

The Company has not recognised net deferred tax assets as it has carry forward business loss and there is no virtual certainty supported by convincing evidence that sufficient taxable income will be available in future years against which such deferred tax asset can be realised. The composition of deferred tax asset is given above.

### 28. Cost Sharing

During the year, the Company carried out its operations out of premises leased by Fullerton India Credit Company Limited, the Holding Company. The Company has entered into resource sharing agreement with the Holding Company, as per which Holding 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 companies, actual identification, etc.

During the year Company has been charged with INR 5,645,655 (including service tax) on account of above mentioned arrangement.

### 29. Disclosures as required by NHB Directions 2010 and circular no. NHB/ND/DRS/Pol-No.35/2010-11 dated October 11, 2010, issued by National housing Bank

- No penalties imposed by any regulator during the year.
- Total provision carried by the Company**

Particulars	31 March 2016			31 March 2015		
	Standard Assets	Sub-Standard Assets	Doubtful Assets	Standard Assets	Sub-Standard Assets	Doubtful Assets
Housing	710,422	-	-	-	-	-
Non Housing	262,991	-	-	-	-	-
<b>Total</b>	<b>973,413</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Notes to Financial Statement for the year ended 31 March 2016

(Amount in Rupees unless otherwise stated)

### 29. c) Capital to Risk Assets ratio

(₹)

Items	Particulars	31 March 2016	31 March 2015
i)	CRAR (%)	134.06%	NA
ii)	CRAR – Tier I Capital (%)	133.82%	NA
iii)	CRAR – Tier II Capital (%)	0.24%	NA

### d) Exposure to real estate sector

(₹)

Sr.	Particulars	31 March 2016	31 March 2015
a)	<b>Direct exposure</b>		
i)	Residential Mortgages – Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented	227,124,263	–
ii)	<b>Commercial Real Estate</b> – 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, et.). Exposure would also include non-fund based limits	15,061,329	–
iii)	Investments in Mortgage Backed Securities (MBS) and other securitised exposures –		
a.	Residential	–	–
b.	Commercial Real Estate	–	–
b)	<b>Indirect Exposure</b>		
	Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	–	–

### e) Asset liability maturity pattern of certain assets and liabilities

Particulars	Up to 30/31 days	Over 1 month upto 2 months	Over 2 months upto 3 months	Over 3 months & upto 6 months
Advances*	222,232	390,205	394,491	1,196,523
	–	–	–	–
Investments**	252,567,405	–	–	–
	–	–	–	(225,000)
Borrowings	–	–	–	–
	–	–	–	–

Particulars	Over 6 months & Up to 1 year	Over 1 year & up to 3 years	Over 3 year & up to 5 years	Over 5 year & up to 7 years	Over 7 year & up to 10 years	Over 10 years	Total
Advances*	2,514,004	11,880,477	15,450,923	20,019,982	24,961,935	165,154,818	242,185,592
	–	–	–	–	–	–	–
Investments**	86,500,000	–	–	–	–	–	339,067,405
	(102,650,000)	–	–	–	–	–	(102,875,000)
Borrowings	–	–	–	–	–	–	–
	–	–	–	–	–	–	–

\* Represents interest bearing loans

\*\* Investments includes deposit with banks

Figures in bracket relate to previous year

## Notes to Financial Statement for the year ended 31 March 2016

(Amount in Rupees unless otherwise stated)

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.

**30.** The Company has reclassified/regrouped previous year figures to conform to current year's classification, where applicable.

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

Sd/-  
**per Manoj Kumar Vijai**  
**Partner**  
**Membership No. 046882**

Place : Mumbai  
Date : 18 May 2016

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

Sd/-  
**Shantanu Mitra**  
**Chairman**

Sd/-  
**Pankaj Malik**  
**Chief Financial Officer**

Place : Mumbai  
Date : 18 May 2016

Sd/-  
**Rakesh Makkar**  
**Managing Director**

Sd/-  
**Jitendra Maheshwari**  
**Company Secretary**

## Notes





**GRIHASHAKTI<sup>TM</sup>**

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