

### Directors' Report

Dear Shareholders,

Your Board of Directors are pleased to present the 8<sup>th</sup> Annual Report, along with the audited annual accounts of Aditya Birla Housing Finance Limited ("ABHFL/the Company") for the year ended **March 31, 2017**("FY 17").

#### 1. Financial Performance

The summarized standalone results of your Company are given in the table below:

Particulars	Rs. In Crore	
	Year ended 31 <sup>st</sup> March	
	2017	2016
Total Income	314.70	101.45
Total Expenses	327.20	130.44
Loss: before depreciation / amortisation and tax	(12.50)	(28.99)
<b>Less:</b> Depreciation / amortization	2.99	1.23
Loss Before Tax	(15.50)	(30.22)
<b>Less:</b> Tax expenses/ (excess write back)	0	0
Loss after Tax	(15.50)	(30.22)
Balance of profit/ (Loss) brought from the previous year	(34.48)	(4.27)
Balance of Loss transferred to Balance Sheet	(49.98)	(34.49)

#### 2. Business Performance

##### a) Key Highlights

During the year under review, the total income stood at Rs. 314.70 Crore as against Rs. 101.45 Crore in the previous year. Correspondingly, the total expenses (excluding depreciation) were Rs. 327.20 Crore as compared to that of Rs. 130.44 Crore in the previous year mainly due to increase in the finance cost, employee cost on account of induction of personnel, increase in rent and other expenses.

## **b) Business**

The Company offers product mix of Home loans (including improvement loan), Plot purchase plus construction loan, home construction, Loan against residential & commercial property, Lease rental discounting and purchase of commercial property.

## **c) Treasury**

The Company primarily sources funds through commercial papers, bank lines viz. cash credit, working capital term loans etc. The Company during the year had bank limits (Term Loan and Cash Credit) aggregating to Rs 4,870 crore from 16 banks.

During the year the Company also borrowed Non Convertible Debentures (NCDs) through private placement aggregating to Rs.626 Crore and Tier II NCDs aggregating to Rs.65 Crore. The issuance of NCD helped the Company in bringing down the overall borrowing cost. The short-term rating limit was enhanced from Rs. 300 crore to Rs. 1,000 crore, thereby enabling the Company to access lower cost debt. Further, the company has also enhanced its NCD rating limit from Rs. 500 crore to Rs. 1,000 crore.

- i) The total number of non-convertible debentures which have not been claimed by the Investors or not paid by the housing finance company after the date on which the non-convertible debentures were due for redemption : Nil
- ii) The total amount in respect of such debentures : Nil

## **3. Reserves**

In view of carried forward losses the company is not able to transfer to Reserve Fund as provided for under the National Housing Bank Directions.

## **4. Dividend**

In view of carried forward losses, your Directors regret their inability to declare dividend for the year ended 31<sup>st</sup> March, 2017.

## **5. Share Capital**

During the year under review, your Company had a capital infusion of Rs. 178.22 Crore (Rupees One Seventy Eight Crore Twenty Two Lakh) through issue of 9,38,00,000 Equity shares of Rs.10/- each on right basis details of which are given below:

Sr. No.	Date of Allotment	No. of Equity Shares	Face value per Equity Share (in Rs.)	Total amount (Rs. in Crore)
1	20 <sup>th</sup> April, 2016	2,63,00,000	10	49,97,00,000
2	30 <sup>th</sup> May, 2016	2,50,00,000	10	47,50,00,000
3	29 <sup>th</sup> July, 2016	4,25,00,000	10	80,75,00,000

Consequent to the capital infusion, the issued, subscribed and paid up share capital of the Company stood at Rs. 333.05 Crore as on 31<sup>st</sup> March, 2017.

#### **6. Management Discussion Analysis**

Management Discussion Analysis report forming part of the Directors Report is attached separately as **Annexure - 1**.

#### **7. Corporate Governance Report**

Your Directors reaffirm their commitment to the corporate governance standards to the extent they are applicable to the Company. Corporate Governance Report forming part of Directors' Report for the year under review is attached separately **Annexure - 2**.

#### **8. Board meeting**

The information pertaining to the meetings of the Board of Directors and their Committees and vigil mechanism are forming part of the said Corporate Governance.

#### **9. Subsidiary**

The Company does not have any subsidiary.

#### **10. Public Deposits**

The Company has not accepted or renewed any deposit as covered under Chapter V of the Act read with the Companies (Acceptance of Deposit) Rules, 2014, as amended, from its members or the public during the year under review.

## 11. Credit Rating

The rating of various debt instruments / bank facilities as on March 31, 2017 are given below:

Credit Rating Agency	Instrument	Ratings
ICRA	Commercial Papers	A1+
ICRA	Non-Convertible Debentures	AA+
ICRA	Bank Limits (CC and Term Loans)	A1+/AA+
ICRA	Subordinate Debt	AA+
India Rating	Subordinate Debt	AA+

## 12. Significant and Material Orders passed by the Regulators / Court/Tribunals

From Corporate Tax perspective, apart from Industry based tax litigations, revenue authorities or tribunal or court, have not passed any order impacting going concern status of the organization.

## 13. Details of the Adequacy of Internal Financial Controls

The Company has put in place adequate Internal Financial controls.

## 14. Particulars of Loans, guarantees or investments under section 186

Pursuant to provisions of Section 186 (11) and the circular issued by Ministry of Corporate Affairs dated 13<sup>th</sup> February, 2015 the Company is exempt from the provisions of the said Section.

## 15. Risk Management framework

ABHFL's risk philosophy involves a competent and comprehensive risk management framework & robust policies and processes which minimise the element of uncertainty and help in developing and maintaining a healthy portfolio within its risk appetite and the regulatory framework. The Risk Management function provides stability and balance ensuring that growth is backed by a robust portfolio.

ABHFL is exposed to various types of risk – credit risk, market risk (which includes liquidity risk and price risk), operational risk, legal risk, regulatory risk and competition risk.

ABHFL's risk management strategy is based on a clear understanding of various risks, disciplined risk assessment and measurement procedures and continuous monitoring. The policies and procedures established for this purpose are continuously benchmarked with market best practices.

ABHFL has developed expertise to underwrite all kinds of customer segments (Salaries, self-employed professionals, self-employed non-professionals) and our underwriting guidelines are benchmarked to the market and adequate internal controls are put in place to maintain the quality of loans being approved.

The Board of Directors has oversight over the Risk Management framework applicable to the Company. The Risk Management oversight structure includes various Committees of the Board and Senior Management. The Risk Management Committee of the Board (“RMC”) is headed by an independent Director and reviews compliance with risk policies, monitors risk tolerance limits, reviews and analyzes risk exposure and provides oversight of risk across the organization. The RMC nurtures a healthy and independent risk management function to inculcate a strong risk management culture that forms the core of the Company and encompasses all the activities that affect the Company’s risk profile.

Credit Risk is managed and controlled through a Credit Risk Management framework comprising detailed risk evaluation of borrower and security. Distinct policies and processes are in place which are followed rigorously while selecting the borrowers and people who occupy key positions are professionally qualified (CA/MBA). For each product, programs defining customer segments, underwriting standards, security structures, etc. are specified to ensure consistency of credit patterns. All the cases are approved by Credit Committees formulated at different levels with various approval limits. After sanctioning the loan, regular monitoring of the accounts is also done to sight irregularities if any and where required prompt action is initiated.

As Credit Risk is one of the major risk faced by a Company, the policies and processes are reviewed periodically and, if need be, is revised in order to keep them up-to-date.

Liquidity risks and interest rate risks arising out of maturity mismatch of assets and liabilities are managed by monitoring the maturity profiles with a periodical review of the position. ABHFL’s loans are on variable rate of interest basis and normally any movement in rate of borrowings is hedged by the loans advanced at variable rates to a certain extent. ABHFL actively monitors its liquidity position to ensure it can meet all borrowers and lenders related funds requirement. The funding strategies adopted by ABHFL ensures diversified resources raising options to minimise cost and maximise stability of funds.

Operational Risks are minimized by strengthening the internal control procedures and addressing the deficiencies reported by our Auditors. The processes and controls are reviewed periodically at regular intervals for their design and operating effectiveness to ascertain the reliability and authenticity of information. ABHFL is using information technology in its operation to establish a scalable and flexible technology landscape, align it with Company’s business needs, improve customer centricity and bring the technology platform to a new level. The technology platform aims at providing back-up support to set up a disaster recovery site. This will help in retrieval of data to operating units in case of an eventuality or system failure as part of business continuity plan.

Legal Risk are minimized by ensuring there is adequate legal due diligence done at the time of onboarding customers to eliminate the cost of litigation arising out of failure or frauds in project delivery/documents/title etc. A robust legal process of title verification and legal appraisal of related documents ensures the company has limited exposure to legal risk. ABHFL also has a standard and operational mechanism to adhere to standards aimed at minimum instances of customers' grievances.

ABHFL is able to mitigate the Regulatory Risk arising from any change in laws and regulations which have material impact on the company by being able to quickly change its systems and practices to realign itself with the changed regulatory framework from time to time as required. A change in laws and regulations may at times have materially impact on the company and may also increase the costs of operating the business, and/or change the competitive landscape.

Competition Risk is managed by addressing the customer needs, aligning its practices with the market in order to attract customers and at the same time retaining the existing ones. ABHFL has been able to grip the customers pulse and hence is better poised to meet the challenges through improved product offerings, prices and customer service.

## **16. Related Party Transactions**

All Related Party Transactions ('RPT') that were entered into during the financial year were on an arm's length basis and were in the ordinary course of business. There were no materially significant Related Party Transactions made by the Company with Promoters, Directors, Key Managerial Personnel or other designated persons which may have a potential conflict with the interest of the Company at large. The Board has developed a Related Party Transactions Policy for purpose of identification and monitoring of such transactions. The Audit Committee had grant omnibus approval for RPTs which are repetitive in nature.

A statement giving details of all Related Party Transactions entered into pursuant to the omnibus approval so granted are placed before the Audit Committee for its noting on quarterly basis. Particulars of contract or arrangements entered into the Company with the related referred to in sub-section (1) of Section 188 of the Companies Act, 2013 under third proviso thereto is being disclosed in **Form AOC -2** and forms part of the Director's report as **Annexure - 3**.

## **17. Conservation of energy and technology absorption, foreign exchange earnings and outgo:**

The details pertaining to conservation of energy and technology absorption are not applicable to the Company due to the very nature of industry in which it operates. During the year under review, there were no foreign exchange earnings and outgo.

## **18. Directors and Key Managerial Personnel**

### **a) Directors**

As on 31<sup>st</sup> March, 2017, the Board of Directors comprises of 5 Directors out of which 2 are Independent Directors. During the year under review, Mr. Saurabh Agrawal was appointed as an Additional Director of the Company with effect from 25<sup>th</sup> January, 2017. The Company has received requisite disclosures and undertakings from all the Directors in compliance with the provisions of the Companies Act, 2013 (including any statutory modification or re-enactment thereof, for time being in force).

All Independent Directors have given declarations that they meet the criteria of independence as laid down under Section 149(6) of the Companies Act, 2013.

### **i) Annual Evaluation by the Board, its Committees and Individual Directors**

As required under section 178(2) of the Companies Act, 2013 and under Schedule IV to the Companies Act, 2013 on Code of Conduct for Independent Directors, a comprehensive exercise for evaluation of the performances of every individual Director, of the Board as a whole and of its Committees of the Company has been carried by your Company during the year under review as per the evaluation criteria approved by the Board and based on guidelines given in Schedule IV to the Companies Act, 2013.

For the purpose of carrying out performance evaluation exercise the Nomination and the Remuneration Committee had adopted five types of Evaluation forms and had allotted to the Board, its Committee and individual Director appropriate rating as A, B & C (Excellent, Very Good, Good or Satisfactory) depending upon their performance. Such evaluation exercise has been carried out on:

- (a) Independent Directors by the Board
- (b) Non-Independent Directors by all the Independent Directors
- (c) The Board as a whole and its Committees by all the Independent Directors
- (d) Individual Directors by the Nomination and Remuneration Committee.
- (e) Chairman of the Board by all the other Directors.

Having regard to the industry, size and nature of business your Company is engaged in, the evaluation methodology adopted is, in the opinion of the Board, sufficient, appropriate and is found to be serving the purpose. Meeting of Independent Directors was held on 25<sup>th</sup> January, 2017.

### **(ii) Board Remuneration Policy**

The Board has, on the recommendation of the Nomination and Remuneration Committee formulated a policy for selection and appointment of Directors, Senior Management and their remuneration.

### **(iii) Managerial Remuneration**

The details on remuneration to Director/Manager are disclosed in the extract of Annual Return.

### **(iv) Audit Committee**

In compliance with the provisions of Section 177 of the Companies Act, 2013 and in accordance with the Directions of National Housing Bank, the Board of Directors had constituted Audit Committee. Details of the composition of the Committee and the meeting(s) held during the year are given in Corporate Governance.

### **b) Key Managerial Personnel**

Ms. Anjali Makhija is Chief Financial Officer and Manager of your Company and Mr. Muthiah Ganapathy is the Company Secretary of the Company.

## **19. Internal Audit Framework**

The Board of Directors had appointed KPMG as Internal Auditors of the Company and approved the scope and the plans for the year. The objective of the Internal Audit is to cover the following:

- Review adequacy and effectiveness of transaction controls
- Review the operation of the Control Supervisory Mechanisms
- Recommend improvements in process and procedures and
- Surface significant observations and recommendations for process improvements in concise report for discussion with senior management.

## **20. Particulars of Employees**

The provisions of section 197 read with Rule 5(1), (2) & (3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 requires companies to provide for remuneration and statement containing particulars of certain employees drawing remuneration above the prescribed limits. The provisions of section 197 read with Rule 5 (2) and (3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 also states that the information may be provided upon request received.

In terms of Section 136 of the Act, the Report and Accounts are being sent to the Members and others entitled thereto, excluding the information on employees' particulars which is available for inspection by the Members at the Registered Office of the Company during business hours on working days of the Company up to the date of the ensuing Annual General Meeting. If any Member is interested in obtaining a copy thereof, such Member may write to the Company Secretary in this regard.



## 21. Vigil Mechanism/ Whistle Blower policy

Pursuant to the provisions of section 177(9) & (10) of the Companies Act, 2013, Company has Whistle Blower Policy in place providing a platform to all the employees, vendors and customers to report any suspected or confirmed incident of fraud/misconduct through any of the determined reporting protocols. The Company has Vigil Mechanism provided for in the said Whistle Blower policy.

## 22. Policy for prevention of Sexual Harassment at work place

The Company has in place an Anti-Sexual Harassment Policy in line with the requirements of the Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013. Internal Complaints Committee has been set up to redress complaints received regarding sexual harassment. All employees (permanent, contractual, temporary, trainees) are covered under this policy. The following is a summary of sexual harassment complaints received and disposed off during the year 2016-17:

No of Complaints received	:	None
No of Complaints disposed off	:	None

## 23. Directors' Responsibility Statement

Pursuant to Section 134(5) of the Companies Act, 2013 ("the Act"), your Directors confirm that, to the best of their knowledge and belief:

- in the preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- appropriate accounting policies have been selected and applied consistently and such judgments and estimates are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2017 and of the profit and loss of the Company for the year ended on that date;
- proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- the attached Statement of Accounts for the financial year ended March 31, 2017 have been prepared on a 'going concern basis';
- that appropriate internal financial controls are laid down by the company and that such internal financial controls are adequate and were operating effectively;
- proper systems are in place to ensure compliance of all laws applicable to the Company and that such systems were adequate and operating effectively; and
- all related party transactions are disclosed in the notes to accounts in terms of Companies Act, 2013 and the rules made thereunder and the Accounting Standard 18.

#### **24. Extract of Annual Return**

The details forming part of the extract of the Annual Return in Form MGT- 9 is annexed herewith as “**Annexure 4**”.

#### **25. Auditors and Auditors’ Report**

M/s **Deloitte Haskins & Sells LLP**, Chartered Accountants (Registration No. 117366W/W-100018) holds office as Statutory Auditors of the Company. The observations made in the Auditors’ Report are self-explanatory and therefore, do not call for any further comments under Section 145 of the Companies Act, 2013.

#### **26. Secretarial Audit Report**

Pursuant to the provisions of Section 204 of the Companies Act, 2013, the Company has appointed M/s. BNP & Associates, a firm of Company Secretaries in Practice to undertake the Secretarial Audit of the Company. The Report of the Secretarial Audit for the year under review is annexed herewith as “**Annexure 5**”.

#### **27. Appreciation**

Your Directors wish to place their sincere appreciation for the valuable advice, guidance and support provided by the regulators and statutory authorities from time to time. Your Directors express their gratitude to the clients, bankers and all business associates for their continuous support and patronage to the Company. Your Directors take this opportunity to recognize and place on record their deep sense of appreciation for the exemplary commitment and contribution made by employees at all levels. Their dedicated efforts and enthusiasm have been pivotal to your Company’s growth.

**For and on behalf of the Board**

**Place: Mumbai**  
**Date: April 26, 2017**

**Ajay Srinivasan**  
**Director**  
**00121181**

**Satish Mehta**  
**Director**  
**00110640**

## Management Discussion & Analysis

### 1. Global Economic Conditions

Most of the economies seen a growth in their GDP in later part of FY 2016-17. Euro's GDP accelerated mainly because of relatively low oil prices and sustained employment gains, which helped in improving the consumer confidence and purchasing manufacturers' index (PMI). Even UK's economic growth gained momentum, notwithstanding the uncertainties surrounding negotiations around Brexit followed by weakening of pound. The Japanese economy continued to recover at a modest pace as the fixed investment were moderate. The manufacturing PMI improved during January and February but moderated again in March 2017.

The GDP growth of US economy decelerated in Q4: 2016 mainly due to large slippage in net exports, however, retail sales, consumer confidence and the PMI suggested sustained momentum.

Economic activity in EMEs continued to be divergent. In China although y-o-y GDP growth improved in Q4:2016 due to policy stimulus and the rising property market but q-o-q growth showed a sharp loss of momentum. Industrial production and PMI had stabilized and there were rising concerns about high indebtedness and financial stability. Economic situation showed some signs improvement in Brazil with rising commodity prices and announcement of several reforms. Economic contraction had eased in Russia, with the improvement in the mining and manufacturing sectors, rise in oil prices and policy initiatives that included a more flexible exchange rate and bank recapitalization. According to the IMF, growth in both Advanced Economies (AEs) and Emerging Markets Economies (EMEs) will pick up in 2017.

### 2. Brief on global financial markets

In a generally improving macroeconomic environment beginning in the second half of 2016, global financial markets were influenced by three events, viz., the US election, expectations and materialization of the policy rate hike by the Federal Reserve, and uncertainty surrounding the Brexit roadmap.

Expectations of fiscal stimulus and a quicker pace of normalization in monetary policy led to a significant increase in US Treasury bond yields. Bond yields were seen rising in area's like Euro, UK, EMEs, China. However, in Japan the bond yields were more or less flat and in Brazil and Russia the bond yields were declined. The optimism generated after the US election, alongside the strengthening of the global recovery in the later part of 2016, led to a strong rally in global equity markets viz. US, Euro, Japan. Initially, the EMEs equity market fell due to outflow of capital and rising borrowing costs.

Subsequently, the equity prices recovered in EME as capital outflow ceased and then reversed. Currency markets have been driven mainly by anticipation of policy initiatives by the new US administration and monetary policy stances in major AEs.

The modest turnaround in global recovery since the latter part of the previous year is projected to strengthen further. While AEs are likely to consolidate economic recovery, the ongoing slowdown in EMEs could reverse. Despite some firming up, inflation in AEs is expected to largely remain stable going by the 1-year inflation swap rate in the US. Economic activity and financial markets will continue to be impacted by political and policy uncertainties as well as monetary policy moves by major AEs.

### **3. Brief on Indian economic performance**

Domestic financial markets were impacted by twin effects—demonetisation and the US presidential election results. The unprecedented surge of liquidity after the announcement of demonetisation surprised the market. While the announcement of a policy rate cut in October and demonetisation imparted a softening bias, the tightening of monetary policy in the US, application of the incremental cash reserve ratio (ICRR) to absorb surplus liquidity, the status quo on monetary policy in December and the shift in the monetary policy stance in February 2017 to neutral had hardened yields. The effects of demonetization turned out to be short-lived and with the reduction in banks' lending rates due to large inflows of current and savings accounts (CASA) deposits gathered momentum from Q4:2016-17 for the quarters to come.

Inflation, excluding food and fuel, declined during Nov, 2016 – Feb, 2017, much lower than the projected figures. Vegetable prices too declined on account of demonetization driven distress sales in addition to seasonal factors. However, in March 2017 urban households indicated an increase of 20-50 bps in inflation expectations over the December, 2016. CPI inflation is expected to pick up from its current level from 3.7 to 5.3 per cent by Q4:2017-18.

Sentiment in the corporate sector improved during Jan-Mar 2017, which was led by optimism on future production, order books, exports, employment, financial situation, selling prices and profit margin. Amounts mobilised through initial public offerings (IPOs) in recent months and filings of red herring prospectuses with the Securities and Exchange Board of India (SEBI) suggests investment optimism in the period ahead.

Net exports contracted sharply and pulled down GDP growth in Q3:2016-17. Notwithstanding the slowdown in global demand, India's exports to AEs increased in Q2 and Q3:2016-17 alongside the pick-up in exports to emerging market economies (EMEs). In fact, export shipments to EMEs registered positive growth for the first time since Q3:2014-15. Significantly, the turnaround in India's export growth in Q3 was led by non-oil exports with almost the entire increase in oil exports accounted for by the increase in international crude oil prices. Exports of some labour intensive sectors such as ready-made garments, gems and jewellery, and leather and products experienced transient pressures from demonetisation.

All broad categories of imports, viz. oil, gold and non-oil non-gold imports, increased during October-February 2016-17. Strong price effects caused by Organisation of the Petroleum Exporting Countries (OPEC) production cut pushed up the growth of oil imports in nominal terms even as import volumes declined in recent months. The 2<sup>nd</sup> half of FY 2016-17 i.e. Q3 and the first two months of Q4, witnessed positive imports and exports alongside increased trade deficit cause of stronger in imports as compared to exports.

#### **4. Industry performance and Outlook**

##### **Performance**

In line with ICRA's estimates, the total housing credit growth slowed down to 16% y-o-y (19% in FY2016) taking overall housing credit to 13.7 trillion as compared with Rs. 12.4 trillion as on March 31, 2016. While HFCs continued to grow at a similar pace as FY2016 levels, banks' pace of growth slowed down to 16% for the year ended December 2016, largely because of the demonetization effect. Growth was also impacted with buyers and investors deferring their home purchase decisions in expectation of a decline in real estate prices and subdued demand from the self-employed segment. HFCs continued to report good profitability indicators with a return on equity of 19.5% in 9MFY2017 (20% for FY16). Going forward owing to the higher reduction in incremental lending rates vis-a-vis cost of funds, and some repricing of existing loan portfolio, HFC's interest spreads are likely decline from current levels impacting the overall net interest margins by around 10-15 bps. Further, some rise in credit provisions could lead to an overall 15-20 bps reduction in profitability (PAT/ATA) for HFCs in FY2017; nevertheless, ICRA expects HFCs to report good returns with ROE of 17-19% during FY2018.

##### **Affordable housing**

Affordable housing segment is likely to continue to grow at a faster pace than industry. The Union Budget for FY2018 also provided for 'Housing for All' by 2022 and increased the allocations around 39% vis-a-vis FY2017 under the Pradhan Mantri Awas Yojana (PMAY). Further, the 'infrastructure' status accorded to affordable housing projects is likely to encourage the participation of a wider investor community and improve access to funding avenues like insurance and pension funds, and boost supply. The extension of the Credit Linked Subsidy scheme to loans of value up to Rs. 1.2 million is likely to expand the eligible borrower base and also improve affordability of the borrowers owing to lower equated monthly instalments (EMIs) and debt burden ratios. All these supporting factors, coupled with the current low to moderate penetration levels are likely to help growth in the affordable housing segment.

##### **Asset Quality**

HFCs have so far been able to maintain their asset quality, as reflected by the gross NPAs of 0.88% as on December 31, 2016. Some HFCs, used the NHB dispensation for asset classifications, if the same was to be adjusted, the gross NPAs for HFCs would have been at 0.91%. as on December 31, 2016.

However, the smaller HFCs, owing to their relatively higher share of self employed segment which got more impacted due to demonetisation, reported an increase in gross NPA% from 1.07% as on September 2016 to 1.25% as on December 31, 2016.

Further, if the dispensation were not given the gross NPA% would have been higher at 1.50%. Liquidity of properties may get impacted post demonetisation given the expected correction in property prices impacting the loss given default.

### **Cost of Funds**

Large HFCs continued to rely more on debt market instruments and fixed deposits for meeting their funding requirements. While bank borrowings and debt market instruments continued to account for a sizeable share of the overall funding for small HFCs, these entities were also able to draw substantial NHB funding. In ICRA's opinion, given the increase in investment limits for mutual funds, the share of debt market instruments especially for the larger HFCs could increase further. Overall cost of funds for HFCs moderated by 23 bps to 8.48% in Q3FY2017 as many HFCs raising funds at median rates of 7.5-8%. Therefore, cost of funds is likely to moderate further for HFCs.

## **5. Outlook**

### **Outlook on inflation and rates and currency**

There are three major upside risks to the baseline inflation path – uncertainty in crude oil prices; exchange rate volatility due to global financial market developments, especially if political risks materialise; and implementation of the house rent allowances under the 7th Central Pay Commission (CPC) award. The proposed introduction of the goods and services tax (GST) in 2017-18 also poses some uncertainty for the baseline inflation path, particularly on account of one off but somewhat uncertain duration of price effects that are typically associated with the introduction of taxes on value added in the cross-country experience. Further, remonetisation could fuel in to reverse the down trend of vegetable prices thereby showing signs of uncertainty.

### **Outlook on domestic growth**

With the effects of demonetisation turning out to be short-lived and modest relative to some doomsday expectations, the outlook for 2017-18 has been brightened considerably by a number of factors. First, with the accelerated pace of remonetisation, discretionary consumer spending held back by demonetisation is expected to have picked up from Q4:2016-17 and will gather momentum over several quarters ahead. The recovery will also likely be aided by the reduction in banks' lending rates due to large inflows of current and savings accounts (CASA) deposits. Aggregate demand in real GDP at market prices moderated through 2016-17. Government's support in the form of the 7th Central Pay Commission's (7th CPC) award supported aggregate demand strongly.

The fast pace of remonetisation, survey indicators and updated model forecasts will help improve the GVA growth from 6.6 per cent in Q3:2016-17 and 6.5 per cent in Q4 to 7.0 per cent in Q1:2017-18 and 7.4-7.6 per cent in the remaining three quarters of 2017-18, with risks evenly balanced.

By far the strongest driver of growth in India is private consumption. The consumption indicators being used to estimate growth such as car and utility vehicle sales, petrol demand, uptake of personal loans, telecom subscriber base and passengers transported by airlines are all pointing to a strong and sustained revival in consumption.

This could be further augmented in FY17 by the 7th Pay Commission and better than average monsoon post two consecutive drought years. India's demographics could therefore ensure the consumption led growth will remain supported.

### **Credit growth in general**

In the credit market, y-o-y growth in non-food credit decelerated through H2 to a low of 4.7 per cent in early January before picking up to 5.1 per cent by March 17, 2017. Credit flows were impacted by loan write-offs, a depressed investment cycle, persisting excess capacity in manufacturing, and deleveraging on the part of corporates to improve their credit ratings. Recent study showed that the gross non-performing assets (GNPA) and capital to risk weighted assets ratio (CRAR) significantly influence credit growth. While better capitalised banks exhibit higher credit growth, banks with higher GNPA's experience weaker credit growth

However, the overall flow of financial resources to the commercial sector in 2016-17 (up to mid-March) was lower than in the corresponding period of the previous year due to lower lending from banks. Among non-bank sources, funding from foreign sources increased due to marginally higher FDI inflows and a sharp increase in short-term credit. Financing through domestic sources increased primarily due to higher funding from NBFCs, subscription to commercial paper by non-banks and private placement by non-financial entities, notwithstanding diminished public issues.

## **6. Opportunities and Threats**

### **Opportunities**

- Under-penetration of financial services / products in India offers growth opportunities.
- Tremendous brand strength and extensive reach of the Birla Group.
- Opportunity to cross sell services to customers.
- Introduction of array of new products to meet the varied requirements of customers.
- The infrastructure segment is expected to see sustained growth with thrust to this sector

## Threats

- Fierce competition from domestic and multinational players
- Regulatory changes
- Attraction and retention of human capital

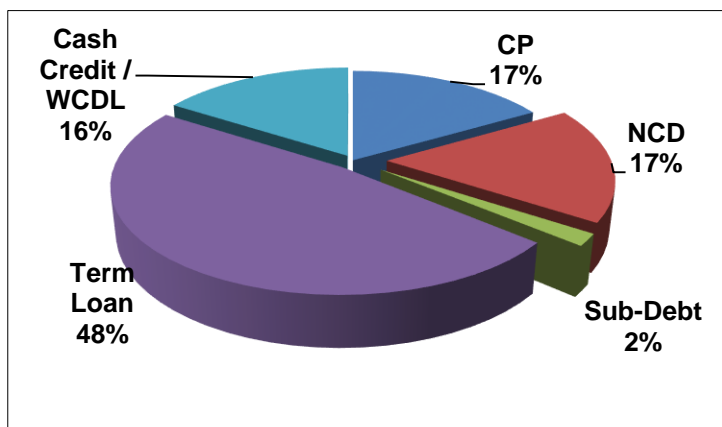
## 7. Business Overview and Performance

The Company offers product mix of Home loans (including improvement loan), Plot purchase plus construction loan, home construction, Loan against residential & commercial property, Lease rental discounting and purchase of commercial property.

During the year under review, the total income stood at Rs. 314.70 Crore as against Rs. 101.45 Crore in the previous year. Correspondingly, the total expenses (excluding depreciation) were Rs. 327.20 Crore as compared to that of Rs. 130.44 Crore in the previous year. The portfolio of the Company during the year grew from Rs.1973 crore to Rs.4100 crore.

## 8. Borrowing Profile

In all the Company had relationships with 16 banks for bank limits aggregating to Rs. 4,870 crore. The borrowing profile as on March 31, 2017 and March 31, 2016, is shown below:

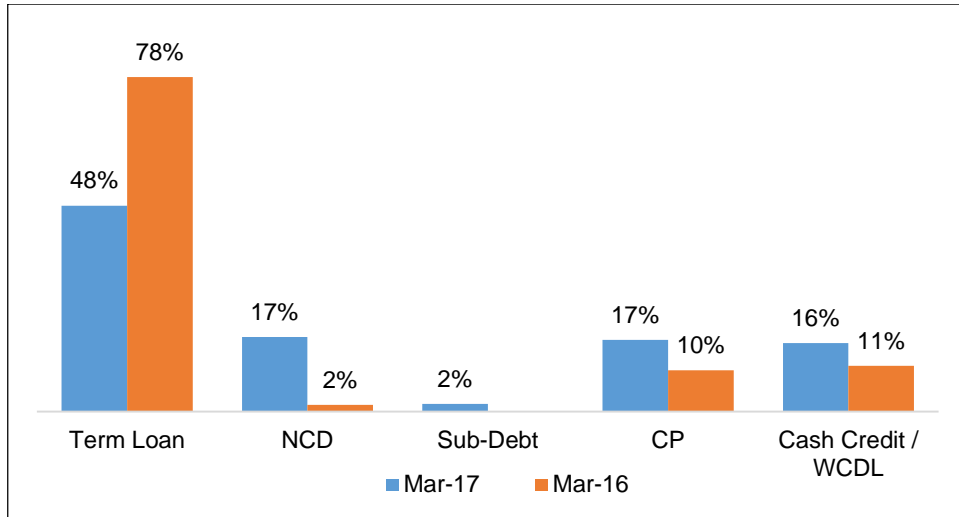


March 31, 2017 – Outstanding Debt INR 3,591 Crore

March 31, 2016 – Outstanding Debt INR 1,505 Crore

The below chart shows the movement of contribution from various products in line with the Company's strategy of bringing down the cost of borrowing.





The average borrowing cost saw a reduction of 149 basis points (bps) from 9.40% p.a. in FY 15-16 to 7.91% p.a. in FY 16-17 on an enhanced borrowing level, primarily due to the increased share of NCD's and CP's.

### Key highlights

- Migrated all the loans from Base Rate to MCLR, with this shift to MCLR and drawdown of fresh term loans at new MCLR has resulted in almost **1.02% drop in cost of term loans** from about 9.55% pa to 8.53% pa.
- TL and CC share in borrowing mix is reduced by 33% from March 2016 after incremental issuance of NCD and CP borrowing
- Four new banks added with the sanctioned limits of INR 945 Crore
- Successfully negotiated with banks for out of turn MCLR reset (reset on loans already on MCLR and where the reset was due in FY18) on INR 575 crore of term loans. This reduction has resulted in **interest saving of Rs 2.12 crore.**
- Maiden issue of Sub Debt on INR 65 crore in FY 17.

### 9. Capital Adequacy Ratio (CAR)

The Capital adequacy ratio as on 31st March, 2017 was 12.52% The net worth of the Company as on 31<sup>st</sup> March, 2017 was Rs.365.89 Crore as against the previous year of Rs. 204.76 Crore.

## **10. Risks**

Details of Risk framework forms part of the Directors report.

## **11. Internal control systems and their adequacy**

The Company has adequate systems of internal controls to ensure that all assets are safeguarded and protected against loss from unauthorized use or disposition and that the transactions are authorized, recorded and reported correctly. The Company carries out extensive and regular internal audit programs, policy reviews, guidelines and procedures to ensure that the internal control systems are adequate enough to protect the Company against any loss or misuse of the Company's assets.

## **12. Material development in Human resources, including number of people employed**

The Company has total 601 employees as on 31st March, 2017. Your Company has cordial relations with its employees. The Company commends the commitment, dedication and competence shown by its employees in all aspects of business. With the growing requirements of the Company, HR has taken various initiatives to ensure not only the retention of the employees but also their growth and development.

It has a structured induction process, robust Talent Management Process & Systems, Employee Value Proposition – “WORLD OF OPPORTUNITIES” and structured Training & Development programs across all the levels along with a thorough Rewards & Recognition Framework to celebrate valued behavior and competencies.

## **13. Cautionary Statement**

Statements in this Management Discussion and Analysis describing the Company's plan and objectives, financial conditions, business prospects, estimates and expectations may be forward looking statements which are based on the current belief, assumptions, and projections of the Directors and the management of the Company. These statements do not guarantee the future performance and are subject to known and unknown risks, uncertainties and other factors some of which may be beyond the control of the Company. Actual results may differ substantially or materially from those expressed or implied. Important developments that could affect the Company's operations include unavailability of finance at competitive rates, significant changes in political and economic environment in India or key markets abroad, tax laws, litigations, exchange rate fluctuations, interest and other costs.

## Corporate Governance

### **Philosophy of Corporate Governance**

Your Company continues to be committed to good Corporate Governance aligned with best practices. We believe that good Corporate Governance emerges from the application of the best and sound management practices and compliance with the laws coupled with adherence to the highest standards of transparency and business ethics. The Company places great emphasis on values such as empowerment and integrity of its employees, safety of the employees and communities surrounding our offices, transparency in decision making process, fair & ethical dealings with all and accountability to all the stakeholders.

The Company on a suo-moto basis, has taken all necessary initiatives to comply with the provisions of the corporate governance to the maximum extent possible and endeavors, in true spirit, to go well beyond the mandatory provisions. As per the provisions of the Companies Act, 2013, various disclosures are now required to be in the Directors' Report of which the disclosures relating to the Directors, the Board, its Committees and their meeting are given herein below:

#### **I) Board of Directors ("Board")**

The Directors are elected by shareholders of the Company with a responsibility to set strategic objectives for the management and to ensure that the long term interests of all stakeholders are served by adhering to and enforcing the principles of sound corporate governance.

The Board members have diverse areas of knowledge and expertise, which is necessary in providing an independent and objective view on business issues and assess them from the standpoint of the stakeholders of the Company. The Board is independent of the management.

#### **A. Composition of the Board**

The Board comprises of five Directors as on date, of which two are Independent Directors. As per the provisions of the Companies Act, 2013, the Company has appointed a Manager who is not a part of the Board of Directors.

'Independent Director' in relation to a company shall mean a director other than a Managing Director or a Whole-time Director or a nominee Director of the Company who:

- a) in the opinion of the Board, is a person of integrity and possesses relevant expertise and experience;
  - i. who is or was not a promoter of the company or its holding, subsidiary or associate company;
  - ii. who is not related to promoters or directors in the company, its holding, subsidiary or associate company;

- b) had no pecuniary relationship with the company, its holding, subsidiary or associate company, or their promoters, or directors, during the two immediately preceding financial years or during the current financial year;
- c) none of whose relatives have or had pecuniary relationship or transaction with the company, its holding, subsidiary or associate company, or their promoters, or directors, amounting to two per cent or more of its gross turnover or total income or fifty lakh rupees or such higher amount as may be prescribed, whichever is lower, during the two immediately preceding financial years or during the current financial year;
- d) who, neither himself nor any of his relatives —
  - i. holds or has held the position of a key managerial personnel or is or has been employee of the company or its holding, subsidiary or associate company in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed;
  - ii. is or has been an employee or proprietor or a partner, in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed, of —
    - a firm of auditors or company secretaries in practice or cost auditors of the company or its holding, subsidiary or associate company; or
    - any legal or a consulting firm that has or had any transaction with the company, its holding, subsidiary or associate company amounting to ten per cent or more of the gross turnover of such firm;
  - iii holds together with his relatives two per cent or more of the total voting power of the company; or
  - iv is a Chief Executive or director, by whatever name called, of any non-profit organisation that receives twenty-five per cent or more of its receipts from the company, any of its promoters, directors or its holding, subsidiary or associate company or that holds two per cent or more of the total voting power of the company;
- e) Possess appropriate skills, experience and knowledge in one or more fields of finance, law, management, sales, marketing, administration, research, corporate governance, technical operations or other disciplines related to the company's business.

Following are the Independent Director(s) of the Company as on Date:

1. Mr. Satish Mehta
2. Ms. Anita Ramachandran

## B. Details of Directorships/Committee membership

The composition of our Board, their Directorships/Committee memberships and Chairmanships as on date is given in the table below:

Name of Director	Designation	No of Directorships in other Public Companies	No of Committee Memberships of other Public Companies*	Chairmanship in Committees of other Public Companies**
Mr. Ajay Srinivasan	Director	7	12	NIL
Mr. Rakesh Singh	Director	1	1	NIL
Mr. Satish Mehta	Independent Director	0	NIL	NIL
Ms. Anita Ramachandran	Independent Director	9	13	3
Mr. Saurabh Agrawal	Additional Director	0	0	0

\* Not including companies incorporated outside India and Private Limited Companies (other than holding or subsidiary company of a public company) and companies under section 25 of the Companies Act, 1956.

\*\* Only Audit Committee, Nomination and Remuneration Committee of all public limited companies (whether listed or not) have been considered for the purpose of the Committee positions (membership and chairmanship).

## C. Non-Executive Directors' compensation and disclosures

The Company pays sitting fees of Rs.50,000, Rs. 25,000 and Rs. 20,000 to the Independent Directors for attending each Board Meeting, Audit Committee and other Committees of Board respectively.

The details of sitting fees paid to these Independent Directors during the FY 2016 -17 are given in the table below:

*(Amount in Rs.)*

Name of the Director	Board Meeting	Audit Committee Meeting	Risk Committee	Nomination and Remuneration Committee
Mr. Satish Mehta	2,00,000	1,00,000	80,000	60,000
Ms. Anita Ramachandran	2,00,000	1,00,000	NA	60,000

## **D. Board Meetings**

### **i) Agenda and Minutes**

The Company Secretary receives details on the matters which require the approval of the Board/ Board Committees, from various departments of the Company well in advance, so that they can be included in the Board/ Board Committee agenda. All material information is incorporated, in detail, in the agenda papers for facilitating meaningful and focused discussions at the meeting(s).

In compliance of the statutory requirements, the following minimum information is supplied to the Board in the agenda of every quarterly Board Meeting:

- Minutes of meetings of previous Board and Committee meetings
- Noting of the minutes of Committee meetings
- Noting of Circular resolution
- Financial results of the Company
- Compliance certificate by Functional Heads
- Status of Action items taken in the previous Board meeting
- Changes in NHB regulations
- Changes in other regulations affecting the Company
- Business requirements

The draft minutes of the proceedings of each previous Board / Committee meeting is circulated along with the agenda. The Board also takes note of minutes of all Committee meetings at every Board meeting.

### **ii) Board meetings and attendance of directors**

As a good practice a yearly calendar is prepared and circulated to all the Directors so that they can adequately plan their schedule. This ensures optimum presence of the Directors at each meeting. During the FY 2016-17, Four Board meetings were held as below:

- 1) May 4, 2016
- 2) August 3, 2016
- 3) October 26, 2016
- 4) January 25, 2017

Total 4 (Four) Board meetings were held during the FY 2016-17 and the attendance of the Directors at the Board meetings and at the last Annual General Meeting are given table below:

<b>Name of Directors</b>	<b>No. of Board meetings Attended during the FY 2016-17</b>	<b>Attendance in the last AGM dated August 26, 2016</b>
Mr. Ajay Srinivasan	4	No
Mr. Rakesh Singh	4	No
Mr. Satish Mehta	4	No
Ms. Anita Ramachandran	4	No
Mr. Saurabh Agarwal	1	No

#### **E. Code of Conduct**

The Company has designed and implemented a Code of Conduct for all the employees of the Company. The senior management of the Company is governed by this Code of Conduct. The salient features of the said Code of Conduct policy is as under:

- Minimum standards of conduct
- Fairness in workplace
- Avoiding conflict of interest
- Dealing with other people & organization's
- Dealing with Customers
- Responsibilities
- Adherence & enforcement mechanism
- Commitment

#### **II) Audit Committee**

The provisions of Section 177 of the Companies Act, 2013 (including any statutory modification(s) or re-enactment(s) thereof, for time being in force), prescribes that every public company having paid-up capital of not less than Rupees Ten Crore shall constitute a committee of the Board known as "Audit Committee". The primary functions which the Committee looks into are:

- Overseeing company's financial reporting process and the disclosure of its Financial information
- Review of Annual Financial Statements
- Management discussion and analysis of financial condition and results of Operations
- Related party transactions
- Management letter/ letters of internal control weakness issued by Statutory Auditors
- Recommend appointment of Statutory Auditors and their remuneration
- Review of Internal Audit reports
- Recommend appointment of Internal Auditors and their remuneration
- Review internal audit reports on internal control weakness
- Review performance of Internal Auditors

In addition, the Audit Committee also reviews the management letters issued by the Statutory Auditors, the Internal Audit Reports and appointment, removal and terms of remuneration of the Internal Auditor.

**a) Composition of Audit Committee**

Our Audit Committee comprises of three members as on date viz. Mr. Ajay Srinivasan, Mr. Satish Mehta and Ms. Anita Ramachandran. Out of the above members, two member viz. Mr. Satish Mehta and Ms. Anita Ramachandran are Independent Directors. Mr. Satish Mehta is the Chairman of the Audit Committee. All members of the Audit Committee are financially literate and have the necessary accounting and related financial management expertise.

The Chief Business Officer, Chief Financial Officer, Company Secretary, Head Risk, the Internal Auditors and the Statutory Auditors of the Company are invited for each of the Audit Committee meeting of the Company. The Company Secretary acts as the Secretary to the Committee.

**b) Meetings of Audit Committee and attendance of Audit Committee members**

The Audit Committee had met four times on the following dates:

- 1) May 4, 2016
- 2) August 3, 2016
- 3) October 26, 2016
- 4) January 25, 2017

The attendance of the Audit Committee members at the Audit Committee meetings during the F.Y. 2016-17 is given in the table below:

Name of the Committee member	No. of Audit Committee meetings held during the F.Y. 2016-17	
	Held	Attended
Mr. Ajay Srinivasan	4	4
Ms. Anita Ramachandran	4	4
Mr. Satish Mehta	4	4

**III) Other Committees of the Company**

For ensuring smooth business activities, the Company has constituted various Committees with well-defined charters/policy(s) for each one of them. The following are the Committees:

**A) Risk Committee**

In view of the growing scale of the Company and as required by NHB norms, the Board of the Company constituted the Risk Committee as a sub-committee of the Board, to oversee the risk management and compliance activities of the Company. The primary function of the Risk Committee covers the following:



- Implementation of various directions issued by Board
- Review of Loan Portfolios
- Monitoring various risks affecting the Company
- Guiding the business to ensure effective risk management.
- Generally oversee the risk management function and perform such other related functions as the Board of the Company may entrust to it.

### 1) **Composition of Risk Committee**

The Risk Committee comprises of following members as on date viz:

- Mr. Satish Mehta
- Mr. Ajay Srinivasan
- Mr. Rakesh Singh

Mr. Satish Mehta is the Chairman of this Committee. The Company Secretary acts as the Secretary to the Committee.

### 2) **Meetings of Risk Committee and attendance of Risk Committee members**

The Risk Committee had met Four times on the following dates:

- 1) June 22, 2016
- 2) September 13, 2016
- 3) December 15, 2016
- 4) March 23, 2017

### B) **Asset Liability Management Committee**

National Housing Bank (NHB) vide its circular NHB/ND/DRS/PoI-No. 35/2010-11 October 11, 2010 has mandated that Housing Finance Companies having an asset base of Rs.100 crore are required to put in place Asset Liability Management Committee (ALM) systems and policies.

In view of the above the Board of the Company constituted the ALM to:

1. Monitor the external environment and initiate appropriate action after evaluation of the following factors:
  - Interest rate trends
  - Market liquidity
  - Monetary and fiscal policies
  - Competitor actions
2. Review balance sheet growth, mismatches and forecasts.
3. Arrive at desirable maturity profiles for assets and liabilities based on anticipated funding needs, loan demands and liquidity position.
4. Fine-tune product pricing.
5. Ensure adequacy of capital and seek efficiency in its use in the context of a clearly charted growth strategy.



### **C) Nomination and Remuneration Committee**

Nomination and Remuneration Committee has been constituted under the Companies Act, 2013 and the Members are:

- Mr. Ajay Srinivasan
- Mr. Rakesh Singh
- Mr. Satish Mehta
- Ms. Anita Ramachandran

The Committee recommends to the Board the remuneration payable to Key Managerial Persons of the Company. The Committee met three times during the financial year 2016-17 and all the members were present.

### **IV) Disclosures**

#### **A) Related Party Transactions**

The related party transactions of the Company are periodically placed and reviewed by the Audit Committee of the Company which in turn briefs the Board of Directors at the Board meetings. The details have been provided for in the Notes to Accounts.

#### **B) Remuneration of Directors**

Apart from sitting fees, travelling, lodging and other incidental expenses with respect to attending Meetings of Board/ Committees payable to the Independent Directors, no remuneration is being paid to any of the Directors.

#### **C) Shareholders & General information**

- 1) Brief profile of Directors to be re-appointed in the 8<sup>th</sup> Annual General Meeting of the Company:

Details have been provided in the Notice of AGM.

## 2) General Body Meetings

The particulars of the last three Annual General Meetings (AGMs) of the Company are provided in the below Table:

<b>AGM</b>	<b>Financial Year</b>	<b>Date of the AGM</b>	<b>Time</b>	<b>Venue</b>
7 <sup>th</sup>	2015-16	26/08/2016	10.00 a. m	Registered Office
6 <sup>th</sup>	2014-15	28/08/2015	10.00 a. m	Registered Office
5 <sup>th</sup>	2013-14	30/09/2014	11.00 a.m.	Registered Office

## 3) General Shareholder Information

Date, Time and Venue of the 8 <sup>th</sup> Annual General Meeting	2 <sup>nd</sup> June, 2017, 10.00 a.m. at the Registered Office
Financial Year	2016-17
Registration no. of the Company as per Companies Act with the Registrar of Companies. Corporate Identification Number (CIN)	U65922GJ2009PLC083779
Permanent Account Number (PAN)	AABCL6440R
Address for correspondence	One Indiabulls Centre, Tower 1, 18 <sup>th</sup> Floor, Jupiter Mill Compound, Senapati Bapat Marg, Elphinstone Road, Mumbai – 400 013

**For and on behalf of the Board**

**Place: Mumbai**  
**Date: April 26, 2017**

**Ajay Srinivasan**      **Satish Mehta**  
**Director**                      **Director**  
**00121181**                      **00110640**

Disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arms length transactions under third proviso thereto

1. **Details of contracts or arrangements or transactions not at arm's length basis:**

Name(s) of the related party and nature of relationship	Nature of contracts/arrangements/transactions	Duration of the contracts / arrangements/transactions	Justification for entering into such contracts or arrangements or transactions	Salient terms of the contracts or arrangements or transactions including the value, if any: (Rupees, in lakhs)	Date(s) of approval by the Board, if any:	Amount paid as advances, if any:
NIL						

2. **Details of material contracts or arrangements or transactions at arm's length basis:**

Name(s) of the related party and nature of relationship	Nature of contracts/arrangements/transactions	Duration of the contracts / arrangements/transactions	Salient terms of the contracts or arrangements or transactions including the value, if any: (Rupees, in lakhs)	Date(s) of approval by the Board, if any:	Amount paid as advances, if any:
NIL					

**For and on behalf of the Board**

**Place: Mumbai**  
**Date: April 26, 2017**

**Ajay Srinivasan**      **Satish Mehta**  
**Director**                      **Director**  
**DIN: 00121181**              **00110640**



**FORM NO. MGT-9**  
**EXTRACT OF ANNUAL RETURN**  
as on the financial year ended on 31<sup>st</sup> March, 2017  
of

**Aditya Birla Housing Finance Limited**

[Pursuant to Section 92(1) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

**I. REGISTRATION AND OTHER DETAILS:**

1.	<b>CIN</b>	:	U65922GJ2009PLC083779
2.	<b>Registration Date</b>	:	27 <sup>th</sup> July 2009
3.	<b>Name of the Company</b>	:	Aditya Birla Housing Finance Limited
4.	<b>Category / Sub-Category of the Company</b>	:	Company limited by Shares
5.	<b>Address of the Registered Office</b>	:	Indian Rayon Compound, Veraval Gujarat 362266 INDIA
	<b>Contact details</b>	:	Tel. No. - 022 43567000
6.	<b>Whether listed company</b>	:	Only Non-Convertible Debentures are listed on National Stock Exchange.
7.	<b>Name, Address of Registrar &amp; Transfer Agents (RTA), if any</b>	:	In House
	<b>Contact details</b>	:	Tel. No. +91 22 43567000 Fax no: +91 22 43567266 Email : <a href="mailto:muthiah.ganapathy@adityabirla.com">muthiah.ganapathy@adityabirla.com</a>

**II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY**

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

Sl. No.	Name and Description of main products / services	NIC Code of the Product/ service	% to total turnover of the company
1.	Home loans	6492	100%

**III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES -**

<b>Sr. No</b>	<b>NAME AND ADDRESS OF THE</b>	<b>CIN/GLN</b>	<b>HOLDING/ SUBSIDIARY/ ASSOCIATE</b>	<b>% of shares held</b>	<b>Applicable Section</b>
1.	Aditya Birla Financial Services Limited	U67120GJ2007PLC058890	Holding Company	100%	2(46)



**IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)**

**(i) Category-wise Share Holding**

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year %				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares of Total Shares	
<b>A. Promoters</b>									
(1) Indian									
(a) Individual/HUF		-	-	-	-	-	-	-	-
(b) Central Govt	-	-	-	-	-	-	-	-	-
(c) State Govt (s)	-	-	-	-	-	-	-	-	-
(d) Bodies Corp. (ABFSL)	-	23,92,49,986	23,92,49,986	99.99	333050000	-	333050000	99.99	13.814
	-	-	-	-	-	-	-	-	
(e) Banks / FI	-	-	-	-	-	-	-	-	
(f) Any Other	-	-	-	-	-	-	-	-	
Sub-total (A)(1):-		23,92,49,986	23,92,49,986	99.99	333050000	-	333050000	99.99	13.814

<b>(2) Foreign</b>									
(a) NRIs -	-	-	-	-	-	-	-	-	-
Individuals	-	-	-	-	-	-	-	-	-
(b) Other – Individuals	-	-	-	-	-	-	-	-	-
(c) Bodies Corp.	-	-	-	-	-	-	-	-	-
(d) Banks / FI	-	-	-	-	-	-	-	-	-
(e) Any Other	-	-	-	-	-	-	-	-	-
Sub-total (A)(2):-	-	-	-	-	-	-	-	-	-
<b>Total shareholding of Promoter (A) = (A)(1)+(A)(2)</b>	-	23,92,49,986	23,92,49,986	99.99	333050000	-	333050000	99.99	13.814
<b>B. Public Shareholding</b>	-	-	-	-	-	-	-	-	-
<b>1. Institutions</b>	-	-	-	-	-	-	-	-	-
(a) <b>Mutual Funds</b>	-	-	-	-	-	-	-	-	-
(b) <b>Banks / FI</b>	-	-	-	-	-	-	-	-	-

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year %				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
(c) Central Govt	-	-	-	-	-	-	-	-	-
(d) State Govt(s)	-	-	-	-	-	-	-	-	-
(e) Venture Capital Funds	-	-	-	-	-	-	-	-	-
(f) Insurance Companies	-	-	-	-	-	-	-	-	-
(g) FIIs	-	-	-	-	-	-	-	-	-
(h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
(i) Others (specify)	-	-	-	-	-	-	-	-	-
<b>Sub-total (B)(1):-</b>	-	-	-	-	-	-	-	-	-
<b>2. Non-Institutions</b>									
<b>(a) Bodies Corp.</b>	-	-	-	-	-	-	-	-	-
<b>(i) Indian</b>	-	-	-	-	-	-	-	-	-
<b>(ii) Overseas</b>									

<b>(b) Individuals</b>	-								
<b>(i) Individual shareholders holding nominal share capital uptoRs. 1 lakh</b>	-	6	6	0.01	-	14	14	0.01	233.33
<b>(ii) Individual shareholders holding nominal share capital in excess of Rs. 1 lakh</b>	-	-	-	-	-	-	-	-	-
<b>(c) Others (specify)</b>	-	-	-	-	-	-	-	-	-
<b>Sub-total (B)(2):- Total Public Shareholding (B)=(B)(1)+(B)(2)</b>	-	6	6	0.01	-	14	14	0.01	133%

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year %				% Change during the year
	Demat	Physical	Total	% of Total	Demat	Physical	Total	% of Total	
C. Shares held by Custodian for GDRs & ADRs	-	-	-	-	-	-	-	-	-
<b>Grand Total (A+B+C)</b>	-	23,92,50,000	23,92,50,000	100	333050000	-	333050000	99.99	13.814

(ii) Shareholding of Promoters

S No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change In share holding during the year
		No. of Shares	% of total Shares of the company	%of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / Encumbere d to total shares	
1.	Aditya Birla Financial Services Limited & its nominees	23,92,50,000	100	-	333050000	100	-	13.814

**(iii) Change in Promoters' Shareholding (please specify, if there is no change)**

S. No.		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	<b>At the beginning of the year</b>	<b>23,92,50,000</b>	<b>100</b>	<b>93800000</b>	<b>100</b>
	Date wise Increase / Decrease in Promoters Shareholding during the Year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc)	Rights Issues on 20 <sup>th</sup> April, 2016 30 <sup>th</sup> May, 2016 29 <sup>th</sup> July, 2016			
	<b>At the end of the year</b>	<b>333050000</b>	<b>100</b>	<b>333050000</b>	<b>100</b>

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

S. No.	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year		Cumulative shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1.	NIL				

**(v) Shareholding of Directors and Key Managerial Personnel:**

Sl. No.	For Each of the Directors and KMP	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	Nil	Nil	Nil	Nil	Nil



## V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year</b>				
i) Principal Amount			Nil	
ii) Interest due but not paid				
iii) Interest accrued but not due				
<b>Total (i+ii+iii)</b>			Nil	
<b>Change in Indebtedness during the financial year</b>				
• Addition			Nil	
• Reduction				
<b>Net Change</b>			Nil	
<b>Indebtedness at the end of the financial year</b>				
i) Principal Amount			Nil	
ii) Interest due but not paid				
iii) Interest accrued but not due				
<b>Total (i+ii+iii)</b>			Nil	



**VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL**

**A. Remuneration to Managing Director, Whole-time Directors and/or Manager:  
(in Rs. unless stated otherwise)**

Sr. No	Particulars of Remuneration	Name of Manager and CFO- Ms. Anjali Makhija			Total Amount
		Manager and CFO	MD	WTD	
1.	Gross salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 (b) Value of perquisites u/s 17(2) Income-tax Act, 1961 (c) Profits in lieu of salary under	12,00,639 NIL NIL	NA	NA	12,00,639 NIL NIL
2.	Stock Option	NIL			NIL
3.	Sweat Equity	NIL			NIL
4.	Commission as % of profit others, specify...	NIL			NIL
5.	Others, please specify	23,87,631			23,87,631
	<b>Total (A)</b>	35,88,270			35,88,270
	<b>Ceiling as per the Act</b>				<b>1,20,00,000</b>

**B. Remuneration to other directors:**

S. No	Particulars of Remuneration	Name of Directors		Total Amount
		Mr. Satish Mehta	Ms. Anita Ramachandran	
	<ul style="list-style-type: none"> <li>• Fee for attending board / committee meetings</li> <li>• Commission</li> <li>• Others, please specify</li> </ul>	4,40,000	3,60,000	
		Nil	Nil	Nil
		Nil	Nil	Nil
	<b>Total (1)</b>	4,40,000	3,60,000	
	<b>2. Other Non-Executive Directors</b>	<b>Mr. Ajay Srinivasan</b>	<b>Mr. Rakesh Singh</b>	
	<ul style="list-style-type: none"> <li>• Fee for attending board / committee meetings</li> <li>• Commission</li> <li>• Others, please specify</li> </ul>	Nil	Nil	Nil
	<b>Total (2)</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>
	<b>Total (B)=(1+2)</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>
	<b>Total Managerial Remuneration</b>			
	<b>Overall Ceiling as per the Act</b>	NIL		

**C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD / MANAGER/WTD**

S. No.	Particulars of Remuneration	Key Managerial Personnel			
		CEO	Company Secretary	CFO	Total
1	Gross salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961  (b) Value of perquisites u/s 17(2) Income-tax Act, 1961 (c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	NIL	18,17,400	35,88,270	54,05,670
		NIL	NIL	NIL	NIL
		NIL	NIL	NIL	NIL
2	Stock Option	NIL	NIL	NIL	NIL
3	Sweat Equity	NIL	NIL	NIL	NIL
4	Commission - as % of profit - others, specify...	NIL	NIL	NIL	NIL
5	Others, please specify	NIL	18,17,400	35,88,270	54,05,670
	<b>Total</b>	<b>NIL</b>	18,17,400	35,88,270	54,05,670

**VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:**

There were no penalties/ punishments/ compounding of offences for the year ended March 31<sup>st</sup> March, 2017

**For and on behalf of the Board**

**Place: Mumbai**  
**Date: April 26, 2017**

<b>Ajay Srinivasan</b>	<b>Satish Mehta</b>
<b>Director</b>	<b>Director</b>
<b>DIN: 00121181</b>	<b>00110640</b>

**Form No. MR-3**  
**SECRETARIAL AUDIT REPORT**  
**For the financial year ended 31st March, 2017**

[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,  
Aditya Birla Housing Finance Limited  
Indian Rayon Compound Veraval  
-362266  
Gujarat.

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Aditya Birla Housing Finance Limited (hereinafter called the 'Company') for the audit period from 01<sup>st</sup> April, 2016 to 31<sup>st</sup> March, 2017. Secretarial Audit was conducted in a manner that provides 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 and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period from 01<sup>st</sup> April, 2016 to 31<sup>st</sup> March, 2017 (the 'audit period'), complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter.

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the audit period according to the provisions of:

- i. The Companies Act, 2013 (the 'Act') and the rules made thereunder;
- ii. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- iii. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):
  - (a) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015
  - (b) The Securities and Exchange Board of India (Issue and Listing of Debt Securities)

- Regulations, 2008;
- (c) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;

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

- (i) Secretarial Standards issued by the Institute of Company Secretaries of India related to meetings and minutes;
- (ii) Debt Listing Agreement entered into by the company with the National Stock Exchange.

During the period under review, the company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

We have also examined, on test check basis, the relevant documents and records maintained by the Company as required under the National Housing Bank Act, 1987 and the directions, circulars, notifications issued thereunder from time to time.

Based on such examination and having regard to the compliance system prevailing in the Company; the Company has complied with the provisions of the above laws during the audit period.

During the period under review, provisions of the following regulations were not applicable to the Company:

- (a) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- (b) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (c) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
- (d) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
- (e) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999;
- (f) The Securities and Exchange Board of India (Registrars to an issue and share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
- (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009;
- (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998; and



We further report that -

The Board of Directors of the Company is duly constituted with proper balance of, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all Directors to schedule the Board meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and where the same were given at shorter notice than 7 days, proper consent thereof were obtained 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.

Decisions at the meetings of the Board of Directors of the Company were carried through on the basis of majority. There were no dissenting views by any member of the Board of Directors during the period under review.

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:

1. allotted 2,63,00,000 (Two Crore Sixty Three Lakh) equity shares of Rs 10/- (Rupees Ten) each at a price of Rs. 19/- per shares on Rights basis on 20th April, 2016.
2. allotted 2,50,00,000 (Two Crore Fifty Lakh) equity shares of Rs 10/- (Rupees Ten) each at a price of Rs. 19/- per share on Rights basis on 30th May, 2016.
3. allotted 4,25,00,000 (Four Crore Twenty-Five Lakh) equity shares of Rs 10/- (Rupees Ten) each at a price of Rs. 19/- per share on Rights basis on 29th July, 2016.
4. Obtained approval from its Members at an Extra-Ordinary General Meeting of the Company held on 30th May, 2016:
  - a) to borrow funds not exceeding Rs 7,500 Crore
  - b) To grant authority for mortgaging or creating charge on company's assets as a security towards borrowings not exceeding Rs. 7500 Crore.
  - c) authorizing the issuance of Secured Redeemable Non-Convertible Debenture for amount not exceeding Rs 5000 Crore and subordinated debt for amount not exceeding Rs 200 Crore on a private placement basis.
5. Obtained approval from the Members at an Extra-Ordinary General Meeting of the Company held on 21st November, 2016:
  - a) to borrow funds not exceeding Rs 7,500 Crore
  - b) To grant authority for mortgaging or creating charge on company's assets as a security towards borrowings not exceeding Rs. 7500 Crore.

- c) authorizing the issuance of Secured Redeemable Non-Convertible Debenture for amount not exceeding Rs 5000 Crore and subordinated debt for amount not exceeding Rs 200 Crore on a private placement basis.
  - d) to Substitute the Clause 16 of Memorandum of Association of the Company.
6. allotted following Secured, Redeemable, Non-convertible Debentures on a Private Placement Basis:
- a. 150 Secured, Redeemable, Non-convertible Debentures of face value Rs 10,00,000/- each aggregating to Rs 20,00,00,000 on 20<sup>th</sup> April, 2016
  - b. 1750 Secured, Redeemable, Non-convertible Debentures of face value Rs 10,00,000/- each aggregating to Rs 175,00,00,000 on 21<sup>st</sup> September, 2016
  - c. 1000 Secured, Redeemable, Non-convertible Debenture of Face value of Rs 10,00,000/- each, aggregating to Rs 100,00,00,000 on 16<sup>th</sup> December, 2016
  - d. 500 Secured, Redeemable, Non-convertible Debenture of Face value of Rs 10,00,000/- each, aggregating to Rs 25,00,00,000 on 23<sup>rd</sup> December, 2016
  - e. 710 Secured, Redeemable, Non-convertible Debenture of Face value of Rs 10,00,000/- each, aggregating to Rs 70,00,00,000 on 16<sup>th</sup> February, 2017
  - f. 300 Secured, Redeemable, Non-convertible Debenture of Face value of Rs 10,00,000/- each, aggregating to Rs 30,00,00,000 on 9<sup>th</sup> March, 2017
  - g. 500 Secured, Redeemable, Non-convertible Debenture of Face value of Rs 10,00,000/- each, aggregating to Rs 50,00,00,000 on 10<sup>th</sup> March, 2017
  - h. 500 Secured, Redeemable, Non-convertible Debenture of Face value of Rs 10,00,000/- each, aggregating to Rs 50,00,00,000 on 20<sup>th</sup> March, 2017.
  - i. 600 Secured, Redeemable, Non-convertible Debenture of Face value of Rs 10,00,000/- each, aggregating to Rs 60,00,00,000 on 27<sup>th</sup> March, 2017.

7. allotted following Unsecured, Redeemable, Non-convertible Debentures:
- a) 150 Unsecured Redeemable, Non-convertible Debentures of face value Rs 10,00,000/- each, aggregating Rs 15,00,00,000 on 04<sup>th</sup> July, 2016;
  - b) 100 Unsecured Redeemable, Non-convertible Debentures of face value Rs 10,00,000/- each, aggregating Rs 10,00,00,000 on 07<sup>th</sup> July, 2016;
  - c) 150 Unsecured Redeemable, Non-convertible Debentures of face value Rs 10,00,000/- each, aggregating Rs 15,00,00,000 on 13<sup>th</sup> July, 2016;
  - d) 250 Unsecured Redeemable, Non-convertible Debentures of face value Rs 10,00,000/- each, aggregating Rs 25,00,00,000 on 26<sup>th</sup> July, 2016.

**For BNP & Associates  
Company Secretaries  
[Firm Regn. No. P2014MH037400]**

**Place: Mumbai**

**Date:**

**Prakash K. Pandya  
Partner  
FCS No.: 3901  
C P No.: 2311**

*Note: This report is to be read with our letter of even date which is annexed as Annexure A and forms an integral part of this report.*

## Annexure A

To,  
The Members,  
Aditya Birla Housing Finance Limited

Our Secretarial Audit Report of even date is to be read along with this letter.

1. The compliance of provisions of all laws, rules, regulations, standards applicable to Aditya Birla Housing Finance Limited (the 'Company') is the responsibility of the management of the Company. Our examination was limited to the verification of records and procedures on test check basis for the purpose of issue of the Secretarial Audit Report.
2. Maintenance of secretarial and other records of applicable laws is the responsibility of the management of the Company. Our responsibility is to issue Secretarial Audit Report, based on the audit of the relevant records maintained and furnished to us by the Company, along with explanations where so required.
3. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial and other legal records, legal compliance mechanism and corporate conduct. The verification was done on test check basis to ensure that correct facts as reflected in secretarial and other records produced to us. We believe that the processes and practices we followed, provides a reasonable basis for our opinion for the purpose of issue of the Secretarial Audit Report.
4. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
5. Wherever required, we have obtained the management representation about the compliance of laws, rules and regulations and major events during the audit period.

6. The Secretarial Audit Report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

**For BNP & Associates  
Company Secretaries  
[Firm Regn. No. P2014MH037400]**

**Date:  
Place: Mumbai  
Prakash K. Pandya**

**Partner  
FCS No.: 3901 / C P No.: 2311**