Mahindra HOME FINANCE

Mahindra Rural Housing Finance Ltd.
Sadhana House, 2nd Floor,
570, P. B. Marg, Worli,
Mumbai 400 018, India.

Tel: +91 22 66523500
Fax:+91 22 24972741

29th July, 2019

The General Manager-Department of Corporate Services
BSE Limited,
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai - 400 001.

Name of the Scrip : Mahindra Rural Housing Finance Limited

Dear Sir,

Sub : Annual Report for the Financial Year 2018-19

We are enclosing herewith the Annual Report of our Company comprising of the Balance Sheet as at 31st March, 2019, the statement of Profit and Loss for the year ended on that date and the cash flow statement for the year ended on that date together with the Board's Report and the Auditor's Report thereon. The same were considered and adopted by the Members of the Company at their 12th Annual General Meeting (AGM) held on 18th July, 2019.

Kindly take the above on record.

Thanking You,

Yours Faithfully,
For Mahindra Rural Housing Finance Limited

Navin Joshi
Company Secretary & Compliance Officer

MAHINDRA RURAL HOUSING FINANCE LTD. MUMBAI

Encl: a/a

MAHINDRA RURAL HOUSING FINANCE LIMITED

ANNUAL RepoRt

2018-19

CORPORATE INFORMATION

Directors

Mr. Ramesh Iyer – Chairman
Mr. K. Chandrasekar
Mr. Nityanath Ghanekar
Mrs. Anjali Raina
Dr. Narendra Mairpady
Mr. Rakesh Awasthi – (NHB Nominee)
Mr. V. Ravi
Mr. Anuj Mehra – Managing Director

Chief Financial Officer

Mr. Dharmesh Vakharia

Company Secretary

Mr. Navin Joshi

Registered Office

Mahindra Towers,
P. K. Kurne Chowk,
Worli, Mumbai – 400 018.
Tel.: +91 22 6652 3500
Fax: +91 22 2497 2741
E-mail: investorhelpline.mrhfl@mahindra.com
Website: www.mahindrahomefinance.com
CIN : U65922MH2007PLC169791

Committees of the Board

1. **Audit Committee**

   Mr. Nityanath Ghanekar (Chairman)
   Dr. Narendra Mairpady
   Mrs. Anjali Raina
   Mr. V. Ravi

2. **Nomination and Remuneration** Committee

   Mr. Ramesh Iyer
   Mr. K. Chandrasekar
   Mr. Nityanath Ghanekar
   Mrs. Anjali Raina

3. **Asset Liability Committee**

   Mr. Ramesh Iyer (Chairman)
   Mr. K. Chandrasekar
   Mr. V. Ravi

4. **Corporate Social Responsibility Committee**

   Mr. Ramesh Iyer (Chairman)
   Mr. K. Chandrasekar
   Mrs. Anjali Raina
   Mr. V. Ravi
   Mr. Anuj Mehra

5. **Risk Management Committee**

   Mr. Nityanath Ghanekar (Chairman)
   Dr. Narendra Mairpady
   Mrs. Anjali Raina
   Mr. V. Ravi

6. **IT Strategy Committee**

   Mr. Nityanath Ghanekar (Chairman)
   Mr. V. Ravi
   Mr. Anuj Mehra
   Mr. Dharmesh Vakharia
   (Chief Financial Officer)
   Mr. Jayant Jamble
   (Chief Technical Officer)

Auditors

B S R & Co. LLP,
[ICAI Firm Registration Number : 101248W/W-100022],
5th Floor, Lodha Excelus, Apollo Mills Compound, N. M. Joshi Marg, Mahalaxmi, Mumbai - 400 011.

Debenture Trustee

Axis Trustee Services Limited
The Ruby, 2nd Floor , SW,
29 Senapati Bapat Marg,
Dadar West,
Mumbai- 400 028.
Telephone: (022) 6230 0451/446
Fax: (022) 6230 0700
E-mail:
debenturetrustee@axistrustee.com

Registrar and Share Transfer Agents

Messrs. Karvy Fintech Private Limited
(Formerly Known as Karvy Computershare Private Limited)
Unit : Mahindra Rural Housing Finance Limited
Karvy Selenium Tower B, Plot No 31 & 32, Gachibowli, Financial District, Nanakramguda, Serilingampally Hyderabad – 500 032

Email : einward.ris@karvy.com
Tel. No.: 040 67162222
Toll Free No.: 1800-345-4001
Fax No. : 040 23001153.

BOARD'S REPORT

To,
The Members of
Mahindra Rural Housing Finance Limited

Your Directors have pleasure in presenting their Twelfth Report together with the audited financial statements of your Company for the Financial Year ended 31st March, 2019.

FINANCIAL RESULTS

Amount in Rs. Lakhs

Particulars	For the year ended 31st March, 2019	For the year ended 31st March, 2018
Total Income	138,394.71	103,482.63
Less : Expenses		
Employee Benefits Expense	26,277.65	19,246.99
Finance Costs	51,756.96	38,195.61
Depreciation and Amortization	1,059.72	783.95
Other Expenses	22,683.99	21,133.27
Total Expenses	101,778.32	79,359.82
Profit Before Tax	36,616.39	24,122.81
Less : Tax Expenses		
(1) Current Tax (2) Deferred Tax	10,161.78 1407.73	8,367.00 (1632.88)
Profit After Tax for the year	25,046.88	17,388.69
Profit brought forward from previous year	20,412.50	9,749.27
Amount available for Appropriation	45,459.38	27,137.96
Add:- Other Comprehensive Income/(Loss)#	(59.42)	(7.95)
Less:- Appropriations:		
Special Reserve	7,350.00	4,975.00
Additional Special Reserve (u/s 29C of NHB Act, 1987)	25.00	25.00
Dividend on Equity Shares	1,838.25*	1,426.98
Income-tax on dividend	377.94	290.53
Balance as at the end of the year	35,808.77	20,412.50

* Provision for the dividend on Equity Shares and Income-tax on proposed dividend for F.Y. 2018-19 will be made upon the approval of the dividend by Shareholders at the forthcoming Annual General Meeting. This is in compliance with the Companies (Accounting Standards) Amendment Rules, 2016, issued by the Ministry of Corporate Affairs, vide its Notification No. G.S.R.364 (E) dated 30th March, 2016. The dividend and tax on dividend in appropriations above pertains to F.Y. 2017-18, paid during the year under consideration.

Remeasurement of (loss)/gain (net) on defined benefit plans, recognised as part of retained earnings.

There have been no material changes and commitments, affecting the financial position of the Company which occurred between the end of the Financial Year 2018-19 and the date of this Report.

OPERATIONS

In line with your company's commitment to the philosophy of "Doing well by doing good", this year too your Company's financial results have been commendable and its focus on serving the underserved customers continued with almost one million happy customers (9,50,000) across 82,000 villages :

- Total Income: 1383.95 Crores; growth of 34% over previous year
- PBT: 366.16 Crores; growth of 52% over previous year
- PAT: 250.47 Crores; growth of 44% over previous year
- Loan Assets: 8,048.75 Crores; growth of 28% over previous year
- Capital Adequacy Ratio 39.34%

This performance was made possible by our family of almost 11,500 employees, across 613 branches in 13 states and the constant support and encouragement of our customers, shareholders, lenders, vendors and well-wishers. Your company ranked 56th among India's Top 100 Best Companies to Work For, in the financial year 2017-18. The results were announced in June 2018 by the Great Place to Work® Institute India, in association with Economic Times.

MANAGEMENT DISCUSSION AND ANALYSIS

Indian Economy

India's Central Statistics Office (CSO) estimated the growth rate for the economy in 2018-19 at 7 per cent, a tad higher than last financial year's 6.7 per cent. Despite turbulent global conditions, India shined as the world's fastest growing major economy.

Annual GDP growth rate (%)

2015-16	2016-17	2017-18	2018-19
8.2	7.1	6.7	7.0

Source: Central Statistics Office (CSO)

Outlook

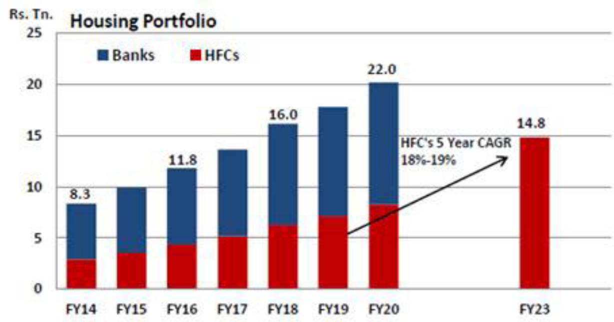
While paying attention to the requirements of rural areas and agriculture, measures have been announced for reinforcement of important sectors such as infrastructure, healthcare and investments. India has taken rapid strides in its ease of doing business ranking with the government taking various steps in its bid to enter top 50 ranks by next year. This bodes well for the economy.

Industry Review

According to ICRA, housing finance companies saw slow credit growth in the second half of 2018-19 due to tight liquidity and strong competition seen in the market. The home loan portfolio of housing finance companies continued its growth trajectory and grew at a faster pace of 18% y-o-y till 30 September 2018 as compared to the home loan book of banks, which grew at 16% y-o-y.

Average loan ticket sizes across housing finance companies was around Rs. 25 lakhs and more than 80% of the home loan portfolio was in the Rs. 10 lakhs to Rs.1 crore bracket. This indicates the vast untapped opportunity for Home Loans of low ticket size your Company is seeking to leverage.

Housing portfolio of banks and HFCs:



Source: CRISIL Retail Finance – Housing, December 2018

Opportunities

Affordability: With rising purchasing power, continuously rising population, growing aspirations, increasing nuclear families, rapid urbanisation, government's intervention to provide easy loans, etc., the housing sector in India is anticipated to register a strong growth in the coming years.

Affordable housing to lead the way: The year 2019 observed a fair renewal in the residential market, primarily buoyed by new launches and sales in the affordable housing sector, which is projected to continue to drive the market growth in 2020. This was mainly driven by the transparency brought about by policy execution, thereby augmenting buyer sentiments and bringing back investors into the fold.

Urbanisation: Though population growth has slowed down, urbanisation is witnessing steady growth in India. Thus, demand for new houses is steady in India. According to KPMG estimates, there would be a total requirement of ~48 million units of urban housing to fulfil urban housing requirements by 2022.

Demand for rural and semi-urban sector: With rising rural incomes and the government investing heavily in increasing rural demand, we could see big demand coming from the rural and semi-urban areas. This will highly benefit the housing finance companies.

Government Initiatives

Infrastructure push

- With an increase of nearly 25% in allocation towards metro projects across the country, the Housing and Urban Affairs Ministry's budgetary provisions have been pegged at Rs. 48,000 crores in the union budget, an increase of 17% over 2018-19.

- The Pradhan Mantri Awas Yojana (Urban) has been given Rs. 6,853.26 crores, as against Rs. 6,505 crores in union budget 2018-19.

- The government has announced Rs. 19,000 crores towards Pradhan Mantri Gram Sadak Yojna and come up with a future vision that envisage boosting of social and physical infrastructure which will aid rural development and rural incomes hence.

The government announced a tax exemption to individuals with income of up to Rs. 5 lakhs. This will give a boost to the demand for housing by increasing disposable income in the hands of people. Increase in standard deduction for salaried people, from Rs. 40,000 to Rs. 50,000, will also result in higher disposable incomes. The government softened carpet area norms multiple times for affordable housing incentives. GST relaxations were also made. To boost demand in the real estate sector, the GST Council, on February 24, 2019, slashed tax rates for under-construction flats to 5% and affordable homes to 1%, effective April 1, 2019.

Outlook

India's housing sector has a strong growth potential in the coming decade, as it flourishes upon growth opportunities associated with the country's development cycle and socio-economic transformation. Further easing of interest rates is expected to shoot housing loan demand and drive the end-user market. The Government's sharp focus on Rural Development and Housing for all bodes well for the housing market, especially the segment your company caters to.

SWOT Analysis

Strengths

i) Vast distribution network, especially in rural areas and small towns and, robust collection system.

ii) Simplified and prompt loan request appraisal and disbursements.

iii) Product innovation and superior delivery.

iv) Ability to meet the expectations of a diverse group of investors and strong credit ratings.

v) Innovative resource mobilisation techniques and prudent fund management practices.

Weakness

i) Regulatory restrictions - continuously evolving Government regulations may impact operations.

ii) Uncertain economic and political environment.

Opportunities

i) Demographic changes and under- penetration.

ii) Large untapped rural and urban markets.

iii) Government's thrust on housing.

iv) Improving rural infrastructure and budgetary support.

Threats

i) Technology disruption.

ii) Competition from other NBFCs and banks.

iii) Liquidity.

Segment-wise or product-wise performance

The Company does not have segments and operates only in one segment. The performance of the Company is covered above in the paragraph 'operations'.

Outlook

India's housing sector has a strong growth potential in the coming decade as it flourishes upon growth opportunities associated with the country's development cycle and socio-economic transformation. Further, easing of interest rates is expected to raise housing loan demand and drive the end-user market. The Real Estate Regulatory Bill is further expected to bring out a more professional approach amongst developers. Finally, Governments focus on Housing for all augurs well for the residential market.

With the innate business strengths of your company like Brand Image, its Strong Balance Sheet, Reach, Customer base, trained and dedicated work force and insight of the market it serves, the Company is in a position to capitalize on these trends and drive growth.

Risks and concerns

- Customers/Potential Customers are agriculture / weather cycle dependent.

- Limited banking habits of customers.

Internal control systems and their adequacy

In addition to an adequate internal control system safeguarding all assets and ensuring operational excellence, the Company has a team of internal auditors who conduct internal audits. The internal audit reports are discussed with the management and reviewed by the Audit Committee of the Board of Directors. The Audit Committee also reviews the adequacy and effectiveness of the Company's internal control environment and monitors the implementation of audit recommendations. Wherever deemed necessary, internal control systems are strengthened and corrective actions initiated.

Discussion on financial performance with respect to operational performance

The financial and operational performance is elaborated above in the paragraphs 'Financial Results' and 'Operations'.

Material developments in Human Resources / Industrial Relations front, including number of people employed

There were no material developments in Human Resource / Industrial Relations front during the year under consideration. The Company had 11,428 employees as at 31st March, 2019.

CORPORATE GOVERNANCE

The Company has in place 'fit & proper policy' for Directors and internal guidelines for Corporate Governance in pursuance of the provisions of Housing Finance Companies – Corporate Governance (National Housing Bank) Directions, 2016 issued by the National Housing Bank vide Notification no. NHB.HFC.CG-DIR.1/MD&CEO/2016 dated 9th February, 2017. As required under the provisions of the said directions, internal guidelines on Corporate Governance framed by the Board are available on the web site of the Company at the following link:

http://www.mahindrahomefinance.com/src/assets/downloads/MRHFL%20Corporate%20Governance.pdf

Pursuant to aforesaid directions, declarations in the prescribed format have been received from all Directors. A Deed of Covenants, as prescribed under the said directions, has been signed by all directors and the Company.

TRANSFER TO RESERVES

The Company proposes to transfer an amount of Rs. 73.75 crores to the Statutory Reserve. No amount is proposed to be transferred to General Reserve.

DIVIDEND

Your Directors recommend a dividend of Re. 2 per Equity Share on 12,28,87,870 Equity Shares of the face value of Rs. 10 each, aggregating to Rs. 2,963.07 lakhs (including Dividend Distribution Tax).

The above dividend, if approved, will be paid to those Members whose names appear in the Register of Members as on the Record Date fixed for this purpose.

The dividend, including Dividend Distribution Tax, surcharge and education cess, will absorb a sum of Rs. 29.63 crores [as against Rs. 22.16 crores (including tax) on account of dividend of Re. 1.70 per Equity Share, paid for the previous year].

FINANCE

During the year under consideration, your Company was sanctioned Term Loans amounting to Rs. 300 crores from banks for tenures of 45 Months to 5 years.

As on 31st March, 2019, outstanding borrowings from Banks stood at Rs. 2872.39 crores (of Long Term Loans) and outstanding borrowings from National Housing Bank amounted to Rs. 31.80 crores.

During the year under consideration, despite the challenging market conditions, your Company has raised an amount of Rs. 35.00 crores by issue of 350 Unsecured Subordinated Redeemable Non-Convertible Debentures (Sub-debt) of Rs. 10,00,000 each on a private placement basis, in one or more series/ tranches.

During the year under consideration, your Company has raised an amount of Rs. 823.10 crores by issue of 8231 Secured Redeemable Non-Convertible Debentures (NCDs) of Rs. 10,00,000 each on a private placement basis, in one or more series/ tranches.

The Company has been regular in repayment of its borrowings and payment of interest due thereon. There were no NCDs/Sub-debts which have not been claimed by the investors or not paid by the Company after the date on which the NCDs/Sub-debt became due for redemption.

LISTING

Your Company's NCDs/Sub-debts are listed on the BSE Limited and the Company has paid the requisite listing fees in full.

CREDIT RATING

During the year under consideration, India Ratings & Research Private Limited has reaffirmed the rating to the Company's Bank facilities, Non-Convertible Debentures and Subordinated Debt as 'IND AA+/stable' outlook and 'IND A1+' rating to the Commercial Paper Issued by the Company.

CARE Ratings Limited (Formerly known as 'Credit Analysis & Research Limited') has reaffirmed the rating to the Company's Non-Convertible Debentures and Subordinated Debt as 'CARE AA+/stable' outlook.

CRISIL Limited has reaffirmed 'CRISIL AA+/Stable' outlook to the Company's Non-Convertible Debentures and Subordinated Debt and 'CRISIL A1+' rating to the Company's Commercial Paper.

ACHIEVEMENTS

Your Company achieved People Capability Maturity Model (PCMM) Level 3 rating in FY 2016-2017 and is currently preparing for Level 5 assessment. The PCMM framework assesses the management and development of human assets of the organization through a detailed audit of 22 process areas across 5 maturity levels. Widely used in the IT services and BPO industry, your Company has adopted this framework given the manpower intensity and maturity of its business model.

Your company, in its maiden attempt, has been ranked 56th among India's Top 100 Best Companies to Work For, in the financial year 2017-18. The results were announced in June 2018 by the Great Place to Work® Institute India, in association with Economic Times.

SHARE CAPITAL

During the year under consideration, 1,28,20,512 Equity Shares of the face value of Rs. 10 each were allotted upon issue / offer on a Rights basis for cash at a premium of Rs. 107 per Equity Share aggregating to Rs. 149,99,99,904. The issue proceeds are being utilised to augment Company's capital base, meet its capital requirements, and for other general corporate purposes.

Post allotment of Equity Shares as aforesaid, the issued, subscribed, and paid-up Share Capital of the Company stands at Rs. 122,88,78,700 comprising of 12,28,87,870 Equity Shares of Rs. 10 each fully paid-up.

During the year under consideration, the Company has neither issued shares with differential voting rights as to dividend, voting or otherwise, nor has issued sweat equity.

There were no Shares having voting rights not exercised directly by the employees and for the purchase of which or subscription to which, loan was given by the Company. The Company had given interest free loan to Mahindra Rural Housing Finance Limited Employee Welfare Trust (hereinafter referred to as the MRHFL ESOP Trust) for the subscription of 19,35,192 equity shares of Rs. 10/- each at a premium of Rs. 57/- per share aggregating to Rs. 12,96,57,864/-. These shares were taken up by the MRHFL ESOP Trust for further transfer to the employees who have been granted stock options.

As on 31st March, 2019, none of the Directors of the Company held instruments convertible into Equity Shares of the Company, except the stock options. The details pertaining to stock options are given hereinafter.

Offer for sale of stake by National Housing Bank

The National Housing Bank (NHB) vide its letter dated 11th March, 2019 communicated to Mahindra & Mahindra Financial Services Limited (MMFSL, Holding Company) its offer to sell its entire stake in the Company in accordance with the Subscription Agreement executed between the Company and NHB.

Accordingly, the Board of Directors of MMFSL, at its Meeting held on 27th March, 2019, decided to acquire the whole of 1,18,91,511 Equity Shares of Rs. 10 each of the Company, from NHB at a premium of Rs. 231.16 per share, aggregating to Rs. 286.78 crores.

The shares have not been acquired at the date of this report.

Upon the acquisition of the said shares, the shareholding of MMFSL in the Company would stand increased from 88.75% to 98.43%.

STOCK OPTIONS

During the year under consideration, no stock options were granted under the Mahindra Rural Housing Finance Limited Employee Stock Option Scheme – 2017 (hereinafter referred to as MRHFL ESOS – 2017). 19,35,192 equity shares were allotted to the Mahindra Rural Housing Finance Limited Employee Welfare Trust (ESOP Trust), towards the vested options.

The details of the Stock Option Scheme required to be disclosed under Rule 12 of The Companies (Share Capital and Debentures) Rules, 2014, are given below:

(a)	Options granted	:	Nil
(b)	Options vested	:	4,67,607
(c)	Options exercised	:	3,48,662
(d)	The total number of shares arising as a result of exercise of option	:	3,48,662
(e)	Options forfeited /lapsed	:	84,616
(f)	The exercise price	:	Rs. 67/- per option
(g)	Variations of terms of options	:	Not Applicable

(h)	Money realized by exercise of options	:	Rs. 22,33,60,354/-
(i)	Total number of options in force	:	15,01,914
(j)	Employee wise details of options granted to: (i) Key Managerial Personnel (ii) Any other employee who receives a grant of options in any one year of option amounting to five percent or more of options granted during that year. (iii) Identified employees who were granted option, during any one year, equal to or exceeding one percent of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant.	: : :	Not Applicable Not Applicable Not Applicable

DEPOSITORY SYSTEM

As on 31st March, 2019, all the Equity Shares of your Company were held in dematerialised form.

CAPITAL ADEQUACY

Consequent upon the allotment of Equity Shares on a Rights basis, the paid-up Share Capital of the Company has increased to Rs. 122.89 crores as on 31st March, 2019, from Rs. 108.13 crores as on 31st March, 2018. The securities premium account has also been credited with Rs. 148.05 crores.

As a result of the increased Net Worth, the Capital to Risk Assets Ratio (CRAR) of your Company enhanced to 39.34 percent as on 31st March, 2019, which is well above the 12 percent CRAR prescribed by the National Housing Bank.

NON-PERFORMING ASSETS AND PROVISIONS FOR CONTINGENCY

During the year Company has prepared its financials as per the Indian Accounting Standard (IND-AS). The Company has adopted a forward looking Expected Credit Loss (ECL) model for impairment. When an asset is credit impaired / there is a significant increase in credit risk, Company recognises impairment basis lifetime ECL. This model considers historic, current and forward looking information (including macro economic data) in deriving impairment losses etc.

The regulatory & compliance reporting including disclosurs to NHB has been done in accordance with the prudential guidelines for Non-Performing Assets (NPAs) issued by the National Housing Bank under its Housing Finance Companies (NHB) Directions, 2010, as amended from time to time. Your Company has made adequate provision for the assets on which instalments are overdue for more than 90 days and on other assets, as required.

INSPECTION BY NATIONAL HOUSING BANK (NHB)

During the year under consideration, Inspection report for the financial position as on 31st March, 2017, carried out by NHB was received. The report was reviewed by the Audit Committee and the Board of Directors and management compliance reply on actions taken / proposed to be taken was submitted to NHB.

INSURANCE PROTECTION TO BORROWERS

Your Company has tied up with Kotak Mahindra Old Mutual Life Insurance Limited, HDFC Standard Life Insurance Company Limited, and Cholamandalam MS General Insurance Company Limited for insurance of its housing loan products alongwith life insurance called 'Sampoorna Suraksha Plan' which covers the borrowers of the Company.

DIRECTORS

During the year under consideration, Mr. K. Chakravarthy (DIN: 07100075), Nominee of National Housing Bank (NHB) ceased to be the Nominee Director with effect from 18th July, 2018. The Board has placed on record its sincere appreciation for the valuable guidance received from Mr. K. Chakravarthy during his tenure as a Nominee Director of NHB.

NHB nominated Mr. Rakesh Awasthi (DIN: 00252540) as a Director in place of Mr. K. Chakravarthy. Mr. Rakesh Awasthi became the Nominee Director of the Company with effect from 18th July, 2018. Being a Nominee Director, Mr. Rakesh Awasthi is not liable to retire by rotation.

Pursuant to the provisions of section 152 of the Companies Act, 2013, Mr. K. Chandrasekar (DIN: 01084215), Non-Executive Non-Independent Director of the Company, who is liable to retire by rotation at the forthcoming Annual General Meeting, does not seek re-appointment.

KEY MANAGERIAL PERSONNEL

Mr. Anuj Mehra, Managing Director; Mr. Dharmesh Vakharia, Chief Financial Officer and Mr. Navin Joshi, Company Secretary are the Key Managerial Personnel of the Company pursuant to the provisions of sections 2(51) and 203 of the Companies Act, 2013 read with the Companies (Appointment and Remuneration of

Managerial Personnel) Rules, 2014.

COMPOSITION OF THE BOARD

The composition of the Board of Directors of your Company is in conformity with the provisions of the Companies Act, 2013 ("the Act"), as amended from time to time.

The Board currently comprises of eight Directors. The Company has a Non-Executive Chairman, a Managing Director, three Non-Executive Non-Independent Directors (including a Nominee Director appointed by National Housing Bank), and three Independent Directors (including one Woman Director). The Board reviews and approves strategy and oversees the actions and results of management to ensure that the long-term objectives of enhancing stakeholders' value are met.

Detailed profile of the Directors is available on the Company's website at the web-link:

The Independent Directors have been appointed for a fixed tenure of five years from their respective dates of appointment. All the Independent Directors have confirmed that they meet the criteria of independence as mentioned in section 149(6) of the Act.

None of the Directors hold directorships in more than 10 public companies. None of the Directors are related to each other.

Board Meetings and Annual General Meeting

During the Financial Year 2018-19, the Board of Directors met five times on 18th April, 2018, 18th July, 2018, 17th October, 2018, 18th January, 2019, and 1st March, 2019.

The Board met atleast once in every calendar quarter and the maximum time gap between any two meetings was not more than one hundred and twenty days. These Meetings were well attended.

The names and categories of the Directors of the Company, their attendance at the Board Meetings held during the Financial Year 2018-19, and at the last Annual General Meeting (AGM) of the Company held on 18th July, 2018, are as follows:

Names of Directors	Category	Attendance at the Board Meetings held during F.Y. 2018-19		Attendance at the last Annual General Meeting held on 18th July, 2018 (Yes / No)
		Held	Attended	
Mr. Ramesh Iyer (Chairman)	Non-Executive Non-Independent Director	5	5	Yes
Mr. Anuj Mehra (Managing Director)	Executive Director	5	5	Yes
Mr. V. Ravi	Non-Executive Non-Independent Director	5	5	Yes
Mr. K. Chandrasekar	Non-Executive Non-Independent Director	5	4	Yes
Mr. K. Chakarvarthy (Nominee of National Housing Bank)	Non-Executive Non-Independent Director	5	1*	No
Mr. Rakesh Awasthi (Nominee of National Housing Bank)	Non-Executive Non-Independent Director	5	2**	No
Mr. Nityanath Ghanekar	Independent Director	5	5	Yes
Mrs. Anjali Raina	Independent Director	5	3	Yes
Dr. Narendra Mairpady	Independent Director	5	5	Yes

*Ceased to be the Nominee Director w.e.f. 18th July, 2018.

**Appointed as the Nominee Director w.e.f. 18th July, 2018.

MEETING OF INDEPENDENT DIRECTORS

The Independent Directors met once during the year under consideration on 1st March, 2019. The Meeting was conducted without the presence of the Chairman, the Managing Director, the Non-Executive Non-Independent Directors and the Chief Financial Officer.

At this Meeting, the Independent Directors reviewed the performance of Non-Independent Directors and the Board as a whole, reviewed the performance of the Chairman of the Company, taking into account the views of Executive Directors and Non-Executive Directors, assessed the quality, quantity and timeliness of the flow of information between the Management and the Board and its Committees which is necessary for the Board to effectively and reasonably perform and discharge their duties.

COMMITTEES OF THE BOARD

The Board of Directors has six statutory Committees – Audit Committee, Nomination and Remuneration Committee, Asset Liability Committee, Corporate Social Responsibility Committee, Risk Management Committee, and IT Strategy Committee. All decisions pertaining to the constitution of Committees, appointment of members and fixing of terms of service for Committee members are taken by the Board of Directors. Details on the role and composition of these Committees, including the number of meetings held during the financial year and the related attendance, are provided below:

(a) AUDIT COMMITTEE

Your Company has an adequately qualified and experienced Audit Committee. As on 31st March, 2019, the Audit Committee comprised of four Non-Executive Directors of which three are Independent Directors. The Committee comprises of Mr. Nityanath Ghanekar (Chairman), Mrs. Anjali Raina and Dr. Narendra Mairpady, Independent Directors, and Mr. V. Ravi, Non-Executive Non-Independent Director.

The terms of reference of the Audit Committee are as follows:

a) To recommend appointment, remuneration and terms of appointment of auditors and internal auditors of the Company;

b) To review and monitor the auditor's independence and performance, and effectiveness of audit process;

c) To examine the quarterly and annual financial statements and the auditor's report thereon;

d) To approve or subsequently modify transactions of the Company with Related Parties;

e) To scrutinize inter-corporate loans and investments;

f) To undertake valuation of undertakings or assets of the Company, wherever it is necessary;

g) To evaluate Internal Financial Controls and risk management systems;

h) To monitor the end use of funds raised through public offers and related matters;

i) To formulate the scope, functioning, periodicity, and methodology for conducting the internal audit, in consultation with the Internal Auditor;

j) To discharge from time to time such other acts, duties, and functions as may be assigned by the Board of Directors or prescribed under the Companies Act, 2013 or any other applicable law and Rules made thereunder.

The Audit Committee met five times during the year under consideration on 18th April, 2018, 18th July, 2018, 8th October, 2018, 17th October, 2018 and 18th January, 2019.

The attendance of the Members of the Audit Committee at its Meetings held during the Financial Year 2018-19 is given below:

Names of Members	Category	Audit Committee Meetings	
		Held	Attended
Mr. Nityanath Ghanekar (Chairman)	Independent Director	5	5
Mrs. Anjali Raina	Independent Director	5	2
Dr. Narendra Mairpady	Independent Director	5	5
Mr. V. Ravi	Non-Executive Non-Independent Director	5	5

The Board has accepted all the recommendations made by the Audit Committee during the year under consideration. The Chairman of the Board, Managing Director, Chief Financial Officer, Internal Auditor, and Statutory Auditors are regularly invited to attend the Audit Committee Meetings.

The Company Secretary is the Secretary to the Committee.

Mr. Nityanath Ghanekar, Chairman of the Audit Committee, was present at the 11th Annual General Meeting of the Company held on 18th July, 2018.

(b) NOMINATION AND REMUNERATION COMMITTEE

As on 31st March, 2019, the Nomination and Remuneration Committee of the Board of Directors comprised of four members viz. Mr. Ramesh Iyer and Mr. K. Chandrasekar, Non-Executive Non-Independent Directors, and Mr. Nityanath Ghanekar and Mrs. Anjali Raina, Independent Directors. The Committee met twice during the year under consideration on 18th April, 2018 and 6th August, 2018. The Nomination and Remuneration Committee, inter alia, recommends the appointment and removal of Directors and carries out evaluation of performance of every Director in accordance with the framework adopted by the Board. The Committee is also empowered to look into the entire gamut of remuneration package for the working Director(s) and revise their remuneration, subject to limits approved by the Shareholders, and formulate and administer the Employee Stock Option Plan.

The attendance of the Members of Nomination and Remuneration Committee at its Meetings held during the Financial Year 2018-19 is given below:

Names of Members	Category	Nomination and Remuneration Committee Meetings	
		Held	Attended
Mr. Ramesh Iyer	Non-Executive Non-Independent Director	2	2
Mr. K. Chandrasekar	Non-Executive Non-Independent Director	2	1
Mr. Nityanath Ghanekar	Independent Director	2	2
Mrs. Anjali Raina	Independent Director	2	-

(c) ASSET LIABILITY COMMITTEE

As on 31st March, 2019, the Asset Liability Committee (ALCO) of the Board of Directors comprised of Mr. Ramesh Iyer (Chairman of the Committee), Mr. K. Chandrasekar, and Mr. V. Ravi, Non-Executive Non-Independent Directors. During the year under consideration, the ALCO Committee met thrice, on 17th April, 2018, 15th October, 2018 and 27th February, 2019. The Committee oversees the Asset Liability Management system of the Company.

The attendance of the Members of ALCO Committee at its Meetings held during the Financial Year 2018-19 is given below:

Names of Members	Category	ALCO Committee Meetings	
		Held	Attended
Mr. Ramesh Iyer (Chairman)	Non-Executive Non- Independent Director	3	3
Mr. V. Ravi	Non-Executive Non- Independent Director	3	3
Mr. K. Chandrasekar	Non-Executive Non- Independent Director	3	2

(d) CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

The Corporate Social Responsibility (CSR) Committee has been constituted by the Board of Directors to formulate and recommend to the Board a CSR Policy indicating the activities to be undertaken by the Company in compliance with the provisions of the Companies Act, 2013 (the Act) and the Companies (Corporate Social Responsibility Policy) Rules, 2014. The CSR Committee, inter alia, allocates the amount of expenditure to be incurred by the Company on CSR activities as enumerated in Schedule VII to the Act and monitors the CSR Policy of the Company periodically. The CSR Policy of the Company is displayed on the website of the Company at the web-link: http://www.mahindrahomefinance.com/src/assets/downloads/CSR%20Policy.pdf.

As on 31st March, 2019, the CSR Committee comprised of Mr. Ramesh Iyer, Chairman and Non-Executive Non-Independent Director who is also the Chairman of the Committee, Mr. K. Chandrasekar and Mr. V. Ravi, Non-Executive Non-Independent Directors, Mr. Anuj Mehra, Managing Director and Mrs. Anjali Raina, Independent Director. During the year under consideration, the CSR Committee met twice, on 17th April, 2018 and 13th November, 2018.

The attendance of the Members of CSR Committee at its Meetings held during the Financial Year 2018-19 is given below:

Names of Members	Category	CSR Committee Meetings	
		Held	Attended
Mr. Ramesh Iyer (Chairman)	Non-Executive Non-Independent Director	2	2
Mr. V. Ravi	Non-Executive Non-Independent Director	2	2
Mr. K. Chandrasekar	Non-Executive Non-Independent Director	2	1
Mrs. Anjali Raina	Independent Director	2	1
Mr. Anuj Mehra	Managing Director	2	2

During the year under consideration, your Company spent Rs. 413.91 Lakhs towards CSR activities pertaining to eradicating hunger and poverty; ensuring environmental sustainability; promoting gender equality and empowering women; promoting financial literacy amongst children and women and rural development projects.

Your Company is in compliance with the statutory requirements in this regard.

The Annual Report on the CSR activities undertaken by your Company in the Financial Year 2018-19 is appended as **Annexure I** to this Report.

(e) RISK MANAGEMENT COMMITTEE

The Company has in place a Risk Management Committee formed pursuant to the provisions of Notification no. NHB.HFC.CG-DIR.1/MD&CEO/2016 dated 9th February, 2017, vide which the National Housing Bank notified Housing Finance Companies – Corporate Governance (National Housing Bank) Directions, 2016.

As on 31st March, 2019, the Risk Management Committee comprised of four Non-Executive Directors, of which three are Independent Directors. The Committee comprises of Mr. Nityanath Ghanekar (Chairman), Mrs. Anjali Raina, and Dr. Narendra Mairpady, all Independent Directors and Mr. V. Ravi, Non-Executive Non-Independent Director.

The terms of reference of the Committee are as follows:

a) The Risk Management Committee shall manage the integrated risk, inform the Board about the progress made in implementing a risk management system, and review periodically the Risk Management Policy and strategy followed by the Company.

b) The Chief Financial Officer of the Company shall apprise the Risk Management Committee and the Board of the major risks as well as the movement in the profile of the high risk category, the root causes of risks and their impact, key performance indicators, risk management measures, and the current controls being exercised to mitigate these risks.

c) The Risk Management Committee shall perform such other duties, as are required to be performed by the Committee, under the applicable laws, Guidelines, and NHB Directions.

The Risk Management Committee met three times during the year under consideration on 18th July, 2018, 13th November, 2018, and 1st March, 2019.

The attendance of the Members of the Risk Management Committee at its Meetings held during the Financial Year 2018-19 is given below:

Names of Members	Category	Risk Management Committee Meetings	
		Held	Attended
Mr. Nityanath Ghanekar (Chairman)	Independent Director	3	3
Mrs. Anjali Raina	Independent Director	3	3
Dr. Narendra Mairpady	Independent Director	3	3
Mr. V. Ravi	Non-Executive Non-Independent Director	3	3

(f) IT STRATEGY COMMITTEE

During the year under consideration, an IT Strategy Committee was formed pursuant to the Policy Circular No. NHB / ND / DRS / Policy Circular No.90/2017-18, dated 15th June, 2018, vide which the National Housing Bank specified the IT framework to be adopted by Housing Finance Companies (HFCs).

As on 31st March, 2019, the IT Strategy Committee comprised of two Non-Executive Directors, of which one is Independent Director, the Chief Financial Officer and the Chief Technical Officer. The Committee comprises of Mr. Nityanath Ghanekar (Chairman and Independent Director), Mr. V. Ravi Non-Executive Non-Independent Director, Mr. Anuj Mehra, Managing Director, Mr. Dharmesh Vakharia, Chief Financial Officer and Mr. Jayant Jamble, Chief Technical Officer.

The terms of reference of the Committee are as follows:

i) Approving IT strategy and policy documents and ensuring that the Management has put an effective strategic planning process in place.

ii) Ascertaining that Management has implemented processes and practices that ensure that the IT delivers value to the business.

iii) Ensuring IT investments represent a balance of risks and benefits and that budgets are acceptable.

iv) Monitoring the method that Management uses to determine the IT resources needed to achieve strategic goals and provide high-level direction for sourcing and use of IT resources.

v) Ensuring proper balance of IT investments for sustaining the Company's growth and becoming aware about exposure towards IT risks and controls.

vi) Instituting effective governance mechanism and risk management process for all IT outsourced operations, viz.:

   a) Instituting an appropriate governance mechanism for outsourced processes, comprising of risk based policies and procedures, to effectively identify, measure, monitor and control risks associated with outsourcing in an end to end manner.

   b) Defining approval authorities for outsourcing depending on nature of risks and materiality of outsourcing.

   c) Developing sound and responsive outsourcing risk management policies and procedures commensurate with the nature, scope, and complexity of outsourcing arrangements.

   d) Undertaking a periodic review of outsourcing strategies and all existing material outsourcing arrangements.

   e) Evaluating the risks and materiality of all prospective outsourcing based on the framework developed by the Board.

   f) Periodically reviewing the effectiveness of policies and procedures.

   g) Communicating significant risks in outsourcing to the Board on a periodic basis.

   h) Ensuring an independent review and audit in accordance with approved policies and procedures.

   i) Ensuring that contingency plans have been developed and tested adequately.

   j) Ensuring that the business continuity preparedness is not adversely compromised on account of outsourcing by adopting sound business continuity management practices as issued by the NHB and seeking proactive assurance that the outsourced service provider maintains readiness and preparedness for business continuity on an ongoing basis.

vii) To obtain outside legal or other professional advice.

viii) To secure attendance of outsiders with relevant expertise, if it considers necessary.

ix) Carrying out such other function as may be delegated to the Committee from time to time.

The IT Strategy Committee met once during the year under consideration on 13th November, 2018, and all the members were present at the said meeting.

Besides the above Statutory Committees, the Board of Directors also has following voluntary committees:

a) Loans & Investment Committee.

b) Committee of Directors for allotment of Debentures.

PERFORMANCE EVALUATION OF THE BOARD

Pursuant to the provisions of the Companies Act, 2013, the Board of Directors has carried out an annual evaluation of its own performance and that of its Committees as well as performance of Directors individually.

Well-defined and structured questionnaires were used in the evaluation process, covering various aspects of the Board's functioning such as adequacy of composition of the Board and its Committees, Board culture, areas of responsibility, execution and performance of specific duties, obligations, governance and compliance perspective. Evaluation was carried out based on feedback received from Directors.

A separate exercise was carried out by the Nomination and Remuneration Committee to evaluate performance of individual Directors. Performance evaluation of Independent Directors was carried out by the entire Board excluding the Director being evaluated. Performance evaluation of Non-Independent Directors and the Board, as a whole, was carried out by Independent Directors. Performance evaluation of the Chairman was carried out by Independent Directors. Directors have expressed satisfaction with the evaluation process.

DECLARATIONS GIVEN BY INDEPENDENT DIRECTORS

The Company has received declarations from all Independent Directors confirming that they fulfil the criteria of independence as prescribed under sub-section (6) of section 149 of the Companies Act, 2013.

COMPANY'S POLICIES ON DIRECTORS' APPOINTMENT AND REMUNERATION

The Company has adopted following policies, as required under sub-section (3) of section 178 of the Companies Act, 2013:

(i) Policy to determine qualifications, positive attributes and independence of Directors, and evaluation of the Board, Committees and individual Directors;

(ii) Policy on Remuneration of Directors; and

(iii) Remuneration Policy for Key Managerial Personnel (KMPs) and Employees.

The Nomination and Remuneration Committee while recommending appointment of Directors, considers desirable qualifications which may, amongst other things, include professional qualifications, skills, professional experience, background, and knowledge, apart from the criteria of independence as prescribed under the Companies Act, 2013.

The Policy on Remuneration of Directors and Remuneration Policy for KMPs and Employees of the Company in accordance with the provisions of sub-section (4) of section 178 of the Companies Act, 2013 is available on the web-site of the Company at the web-link https://www.mahindrahomefinance.com/wp-content/uploads/2019/Policy-on-Remuneration-of-Directors.pdf and https://www.mahindrahomefinance.com/wp-content/uploads/2019/Remuneration-Policy-for-KMPs-and-Employees.pdf.

The Policy on Remuneration of Directors and Remuneration Policy for KMPs and Employees of the Company is also appended as **Annexure III** to this Report in accordance with the provisions of sub-section (4) of section 178 of the Companies Act, 2013.

PARTICULARS OF REMUNERATION

Disclosures pursuant to section 197(12) of the Companies Act, 2013 and Rule 5(1) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, are as under:

1 The ratio of the remuneration of each Director to the median remuneration of employees of the Company for the Financial Year 2018-19:

Name of the Director	Category	Ratio of the remuneration of each Director to median remuneration of employees
Mr. Ramesh Iyer (Chairman)	Non-Executive Non-Independent Director	NIL*
Mr. V. Ravi	Non-Executive Non-Independent Director	NIL*
Mr. K. Chandrasekar	Non-Executive Non-Independent Director	NIL*
Mr. Nityanath Ghanekar	Independent Director	7.47X
Mrs. Anjali Raina	Independent Director	6.40X
Dr. Narendra Mairpady	Independent Director	7.07X
Mr. K. Chakravarthy	Non-Executive Non-Independent Director (Nominee of National Housing Bank)	NIL*
Mr. Rakesh Awasthi	Non-Executive Non-Independent Director (Nominee of National Housing Bank)	NIL*
Mr. Anuj Mehra	Managing Director	170.99X

* Mr. Ramesh Iyer, Mr. V. Ravi, Mr. K. Chandrasekar, Mr. K. Chakravarthy and Mr. Rakesh Awasthi do not receive any remuneration from the Company.

2 The percentage increase in remuneration of each Director, Chief Financial Officer, and Company Secretary during the Financial Year 2018-19:

Name of the Director /KMP	Category	Percentage increase in Remuneration
Mr. Ramesh Iyer (Chairman)	Non-Executive Non-Independent Director	NIL(1)
Mr. V. Ravi	Non-Executive Non-Independent Director	NIL(1)
Mr. K. Chandrasekar	Non-Executive Non-Independent Director	NIL(1)
Mr. Nityanath Ghanekar	Independent Director	(10.40)
Mrs. Anjali Raina	Independent Director	(25.58)
Dr. Narendra Mairpady	Independent Director	(7.83)
Mr. K. Chakravarthy	Non-Executive Non-Independent Director (Nominee of National Housing Bank)	NIL(1)
Mr. Rakesh Awasthi	Non-Executive Non-Independent Director (Nominee of National Housing Bank)	NIL(1)
Mr. Anuj Mehra	Managing Director	19.62
Mr. Dharmesh Vakharia	Chief Financial Officer	24.13
Mr. Navin Joshi	Company Secretary & Compliance Officer	13.61(2)

(1) Mr. Ramesh Iyer, Mr. V. Ravi, Mr. K. Chandrasekar, Mr. Rakesh Awasthi and Mr. K. Chakravarthy did not receive any remuneration from the Company.

(2) Secretarial function is covered under the cost sharing arrangement with the Holding Company.

3 The percentage increase in the median remuneration of employees in the Financial Year:

12.19 percent considering employees who were in employment for the whole of the Financial Year 2017-18 and 2018-19.

4 The number of Permanent employees on the rolls of Company as on 31st March, 2019:

As on 31st March, 2019, there were 11,428 permanent employees on the rolls of the Company.

5 Average percentile increase already made in the salaries of employees other than the Managerial Personnel in the last Financial Year i.e. 2018-19 and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration:

For employees other than Managerial Personnel who were in employment for the whole of the Financial Year 2017-18 and 2018-19, the average increase is 19.96 percent. The managerial remuneration has increased by 19.62 percent. The increase in the remuneration of non-managerial personnel is in accordance with the performance appraisal based on the Key Result Areas (KRAs) and the overall performance of the Company. The remuneration of the Key Managerial Personnel and Directors is based on the approved Remuneration Policy. There were no exceptional circumstances for increase in the managerial remuneration.

6 Affirmation that the remuneration is as per the Remuneration Policy of the Company:

The remuneration paid/payable is as per the Policy on Remuneration of Directors and Remuneration Policy for Key Managerial Personnel and Employees, adopted by the Company.

Mr. Anuj Mehra, Managing Director of the Company, does not receive any remuneration or commission from the Holding Company. However, the Managing Director has been granted stock options under the Employees' Stock Option Scheme of the Holding Company, Mahindra & Mahindra Financial Services Limited, and has exercised the stock options during the year under consideration, which were granted in earlier year(s).

Details of employee remuneration as required under provisions of section 197(12) of the Companies Act, 2013, read with Rule 5(2) & 5(3) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, are available at the Registered Office of the Company during working hours, 21 days before the Annual General Meeting and shall be made available to any Shareholder on request. The details are also available on your Company's website and can be accessed at the Web-link: https://www.mahindrahomefinance.com/partner-with-us/

None of the employees is a relative of any Director of the Company.

None of the employees holds, either by himself or along with his spouse or dependent children, more than two percent of the Equity Shares of the Company.

HUMAN RESOURCES AND TRAINING

During the year under consideration, a variety of initiatives were devised and implemented with a view to strengthen the workforce in the Company.A comprehensive suite of Learning & Development interventions support the growth of our talent at every level. We have a bouquet of digitized learning's for our geographically dispersed frontline field force. Our flagship program for first line Managers equips them with a mix of leadership and systems-based training, while, for middle management, the focus is on leadership development through experiential learning. Finally, our Mentoring initiative is reserved for the growth of the Senior Leadership.

To effectively gauge the engagement levels of the workforce, internal & external surveys have also been conducted, following which, various policies have been devised to boost morale and engagement levels.

The Company places a lot of importance on open, transparent and constant two way communication with all the employees. Company has also taken crucial steps towards propagating a safe workspace. Awareness has been created in the organisation about Sexual Harassment of Women at the Workplace (Prevention, Prohibition and Redressal) Act, 2013, and the Rules framed thereunder. An Internal Complaints Committee (ICC) has been established at HO and Regional ICCs are institutionalized to redress complaints at all levels. A policy has also been put in place to prevent sexual harassment covering all employees of the Company. Furthermore, video sensitization has also been done for all the employees in the Company.

During FY 2018-19, the Company has not received any complaint of sexual harassment.

CODES OF CONDUCT FOR CORPORATE GOVERNANCE

The Company has adopted Codes of Conduct for Corporate Governance ("the Codes") for its Directors and Senior Management and Employees. These Codes enunciate the underlying principles governing the conduct of the Company's business and seek to reiterate the fundamental precept that good governance must and, would always be, an integral part of the Company's ethos.

The Company has, for the year under consideration, received declarations under the Codes from Directors, Senior Management and Employees of the Company affirming compliance with the respective Codes.

AUDITORS

Statutory Auditors

Messrs. B S R & Co. LLP [ICAI Firm Registration No. 101248W/W-100022], Chartered Accountants, were appointed as Statutory Auditors of the Company at the tenthAnnual General Meeting ("AGM") held on 17th July, 2017 to hold office for a period of 5 (five) years from the conclusion of the tenth AGM until the conclusion of the fifteenth AGM of the Company to be held in the year 2022, subject to ratification of their appointment by the Members at the AGM, as may be applicable.

Pursuant to the Notification issued by the Ministry of Corporate Affairs on 7th May, 2018 amending section 139 of the Companies Act, 2013 and the applicable Rules, the mandatory requirement for ratification of appointment of Auditors by the Members at every AGM has been omitted and hence the Company has not proposed ratification of appointment of Messrs. B S R & Co. LLP, Chartered Accountants, at the ensuing AGM.

The Statutory Auditors have confirmed that they are eligible to continue with their appointment and that they have not been disqualified in any manner from continuing as Statutory Auditors. The remuneration payable to the Statutory Auditors shall be determined by the Board of Directors based on the recommendation of the Audit Committee.

The Report given by the Auditors on the Financial Statements of the Company for the Financial Year 2018-19 is a part of the Annual Report. The Report is unmodified and does not contain any qualification, reservation, adverse remark or disclaimer.

The Statutory Auditors were present at the last AGM.

Secretarial Auditor

Messrs. KSR & Co Company Secretaries LLP are the Secretarial Auditors of the Company and conduct the Secretarial Audit of the Company pursuant to the provisions of section 204 of the Companies Act, 2013, and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014. In accordance with the provisions of sub-section (1) of section 204, the Secretarial Audit Report for the Financial Year 2018-19 furnished by the Secretarial Auditor is appended to this Report as **Annexure IV**.

The Secretarial Audit Report does not contain any qualification, reservation or adverse remark.

During the year under consideration, the Statutory Auditors and Secretarial Auditor have not reported to the Audit Committee, any instances of frauds committed in the Company by its Officers or Employees, under section 143(12) of the Companies Act, 2013, details of which need to be mentioned in this Report.

ACCOUNTING STANDARDS FOLLOWED BY THE COMPANY

The Financial Statements of Company have been prepared in accordance with the Indian Accounting Standards as per the Companies (Indian Accounting Standards) Rules 2015, as amended and notified under section 133 of the Companies Act, 2013 ("the Act") and other relevant provisions of the Act.

ANNUAL RETURN

Pursuant to sub-section 3(a) of section 134, read with Rule 11 of the Companies (Management and Administration) Rules, 2014, the Annual Return of the Company has been placed on the web-site of the Company and can be accessed at https://www.mahindrahomefinance.com/partner-with-us/

EXTRACT OF THE ANNUAL RETURN

Pursuant to sub-section 3(a) of section 134 and sub-section (3) of section 92 of the Companies Act, 2013, read with Rule 12 of the Companies (Management and Administration) Rules, 2014, an extract of the Annual Return as at 31st March, 2019, is appended to this Report as **Annexure II**.

VIGIL MECHANISM

The Company promotes ethical behaviour in all its business activities and has established a Vigil Mechanism, in the form of a whistle Blower policy, for Directors and Employees to report their genuine concerns.

As per the Whistle Blower Policy of the Company, Employees are free to report illegal or unethical behaviour, actual or suspected fraud or violation of the Company's Codes of Conduct or Corporate Governance Policies or any improper activity, to the Chairman of the

Audit Committee of the Board of Directors or Chairman of the Company or the Corporate Governance Cell.

Under the Whistle Blower Policy, confidentiality of those reporting violation(s) is protected and they are not subjected to any discriminatory practices. No personnel have been denied access to the Audit Committee.

The Whistle Blower Policy of the Company is available on the website of the Company at the Web-link:

http://www.mahindrahomefinance.com/src/assets/downloads/Whistle%20Blower%20Policy.pdf.

INTERNAL CONTROL SYSTEM

Your Company has in place an adequate internal control system to safeguard all assets and ensure operational excellence. It also has a team of Internal Auditors to conduct internal audit. Independent audit firms ensure that all transactions are correctly authorised and reported. The Internal Audit reports are discussed with the Management and reviewed by the Audit Committee of the Board of Directors. The Audit Committee also reviews the adequacy and effectiveness of the Company's internal control environment and monitors the implementation of audit recommendations. Wherever deemed necessary, internal control systems are strengthened and corrective actions initiated.

INTERNAL FINANCIAL CONTROL SYSTEM

Your Company has in place, adequate internal financial controls with reference to financial statements, commensurate with the size, scale and nature of its operations.

During the year under consideration, such controls were tested and no reportable material weaknesses in the design or operation were observed.

Risk Management

Risk is an integral part of doing business. It balances risks and rewards based on the judgment of impact of foreseeable risks and the likelihood of their occurrence. The risk management framework is aligned to our objectives.

The risk management framework of the Company has following elements:

- A strategy that is driven by objectives and principles.
- Assignment of responsibilities.
- A risk management culture spread across the Company.

The risk management framework is based on assessment of all risks through proper analysis and understanding of the underlying risks before undertaking any transactions and changing or implementing processes and systems. This risk management mechanism is supported by regular review, control, self-assessment and monitoring of key risk indicators. The key risk are:

1) Liquidity Risk

It is a risk of being unable to raise required funds at optimal cost and tenure to meet operational and debt-servicing requirements.

Mitigation: The liquidity position is regularly monitored based on future cash flow. Sufficient liquid assets and reserves are maintained and access to unsecured funding is ensured in case of unexpected demands.

2) Interest Rate Risk

Interest rate fluctuations adversely affect efficient borrowing and interest margins.

Mitigation: The Company has policies for assessment of various types of risks and modifications in assets and liabilities to manage such risks.

3) Operational Risk

Operational risks are the risks which adversely impact the business, reputation and profitability of the company.

Mitigation: Our operational systems including faster loan disbursement through quick credit appraisals, monitoring, reporting and regular internal audits provide a check on deviation from any contingent operational inefficiency.

4) Credit Risk

Credit risk mean a direct monitory loss to the Company due to non-repayment of the principal amount of loan, or interest thereon, by the borrower.

Mitigation: The Company has robust systems for credit appraisal, disbursement and monitoring thereafter. This ensures containment of credit risks within the given business model of the Company.

5) Business Risk

The Company, due to nature of its business, is exposed to various external risks like credit risks and having direct bearing on the sustainability and profitability. Major among them are Industry Risk and Competition Risk.

Mitigation: We have developed tailor-made products for our customers to penetrate deep in our niche' market. We also continuously endeavor to expand our markets geographically. With our strong sales force, variety of products, and customer friendly culture, the Company can efficiently counter the competition. Using analytics and algorithm, we have developed customer credit scores model.

6) Regulatory Risk

Regulatory risk is the risk of non-compliance with the laws or changes in regulatory environment, affecting the business adversely.

Mitigation: We have a zero tolerance for non-compliance. There is a strong focus across the length and breadth of the organization towards the compliance of all applicable laws. We have a flexible structure which responds favorably to any regulatory changes, assessing the risk therefrom and adjusting to it seamlessly.

7) Human Resource Risk

Our business is people intensive and hence it is utmost necessary to attract, train, retain and develop quality human resources.

Mitigation: We provide excellent working environment and work-life balance. The compensation paid by the Company is comparable with industry standard. Our policies are employee friendly. We undertake all the efforts to resolve employee grievances and improve upon our human resource development.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions of section 134(5) of the Companies Act, 2013, your Directors, based on the representations received from the Operating Management and after due enquiry, confirm that:

i. In the preparation of the annual accounts for Financial Year ended 31st March, 2019, applicable accounting standards have been followed and there are no material departures in adoption of these standards.

ii. The Directors have 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 as at 31st March, 2019, and of the profit of the Company for the year ended on that date.

iii. The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

iv. The Directors have prepared the annual accounts for the Financial Year ended 31st March, 2019, on a 'going concern' basis.

v. The Directors have laid down Internal Financial Controls to be followed by the Company and that such Internal Financial Controls are adequate and have been operating effectively.

vi. The Directors have devised proper systems to ensure compliance with provisions of all applicable laws and that such systems were adequate and operating effectively.

COMPLIANCE WITH THE PROVISIONS OF SECRETARIAL STANDARD 1 AND SECRETARIAL STANDARD 2

The applicable Secretarial Standards, i.e. SS-1 and SS-2, relating to 'Meetings of the Board of Directors' and 'General Meetings', respectively, have been duly complied by your Company.

COST RECORDS AND COST AUDIT

Maintenance of cost records and requirement of cost audit as prescribed under the provisions of Section 148 (1) of the Companies Act, 2013 are not applicable for the business activities carried out by the Company.

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS IN SECURITIES

Sub-section (4) of Section 186 of the Companies Act, 2013 stipulates that companies shall disclose in the financial statement, full particulars of loans made and guarantees given or securities provided and the purpose for which the loan or guarantee or security is proposed to be utilized by the recipient of the loan or guarantee or security. However, sub-section (11) of the said section 186 exempts Housing Finance Companies from making such disclosure in the financial statements for the loans granted and /or guarantees /securities provided by such Housing Finance companies in the ordinary course of business.

PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

All contracts/arrangements/ transactions entered into by the Company with Related Parties during the Financial Year 2018-19 were in the ordinary course of business and on an arm's length basis. Pursuant to section 134(3)(h) read with Rule 8(2) of the Companies (Accounts) Rules, 2014, there are no transactions to be reported under section 188(1) of the Companies Act, 2013. None of the Non-Executive Directors has any pecuniary relationships or transactions vis-à-vis the Company.

The Policy on Related Party Transactions, as approved by the Audit Committee and the Board of Directors of the Company, is appended to this Report as **Annexure VI**. The same is also uploaded on the website of the Company and can be accessed at the following web-link:

http://www.mahindrahomefinance.com/src/assets/downloads/MRHFL%20Related%20Party%20Transaction%20Policy.pdf.

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

The particulars in respect of conservation of energy, technology absorption and foreign exchange earnings and outgo, as required under section 134(3)(m) of the Companies Act, 2013, read with Rule 8(3) of the Companies (Accounts) Rules, 2014, are provided in **Annexure V**, appended to this Report.

SUBSIDIARIES

The Company did not have any subsidiary as on 31st March, 2019, or during the Financial Year ended on that date.

CHANGE IN THE NATURE OF BUSINESS

There was no change in the nature of business carried on by the Company during the year under consideration.

PUBLIC DEPOSITS AND LOANS/ADVANCES

The Company has not accepted deposits from the public or its employees during the year under consideration. There were no unclaimed Deposits or interest thereon or unpaid dividend due for transfer to Investor Education and Protection Fund, during the year under consideration.

The Company has not made any loans/advances in the nature of loans which are otherwise required to be disclosed in the Annual Accounts of the Company pursuant to Regulation 53 (f) read with paragraph A of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS

There were no significant and material orders passed by the Regulators/Courts/ Tribunals which would impact the going concern status and Company's operations in future.

GENERAL INFORMATION

The half yearly Financial Results of the Company are furnished to the BSE Limited in accordance with the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, and are published in Business Standard in English and also communicated to the Debenture holders every six months through a half yearly communiqué. Official news releases, including the half-yearly results, are also disseminated on the Company's website.

As prescribed under Regulation 53(e) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the details of the Debenture Trustees are given below :

Axis Trustee Services Limited

The Ruby, 2nd Floor , SW,
29 Senapati Bapat Marg,
Dadar West,
Mumbai- 400 028.
Telephone: (022) 6230 0451/446
Fax: (022) 6230 0700
E-mail: debenturetrustee@axistrustee.com

ACKNOWLEDGEMENTS

Your Directors take this opportunity to place on record their sincere appreciation for the support received from National Housing Bank, Company's customers, Bankers, Investors, and Shareholders during the year under consideration. Your Directors also acknowledge the hard work, dedication, and commitment of employees.

For and on behalf of the Board

Ramesh Iyer
Chairman

Registered Office:
Mahindra Towers,
P. K. Kurne Chowk, Worli,
Mumbai – 400 018.
CIN: U65922MH2007PLC169791
Tel.: 91 22 6652 3500; Fax: 91 22 2497 2741
E-mail: customercare.mrhfl@mahfin.com
Website: www.mahindrahomefinance.com
18th April, 2019

ANNEXURE I TO THE BOARD'S REPORT

Annual Report on Corporate Social Responsibility Activities as prescribed under

Section 135 of the Companies Act, 2013 and

Companies (Corporate Social Responsibility Policy) Rules, 2014

1. A brief outline of the Company's CSR policy, including overview of projects or programs undertaken/ proposed to be undertaken and a reference to the web-link to the CSR policy:

   As one of the Rise Businesses of the Mahindra Group, Mahindra Rural Housing Finance Limited exists to "Drive positive change". Our mission therefore is to "Transform lives". Every endeavour by the company is devised keeping in mind this mission. Our CSR initiatives are specifically inclined towards transforming the lives of people from socially and economically disadvantaged sections of society and 'building possibilities' to enable them to 'RISE' above their limiting circumstances. To achieve these initiatives, it is necessary to empower these communities in all possible aspects. Empowering them is key, not only for the well-being of individuals, families and rural communities, but also for the overall economic growth of the country.

   The Company has duly constituted a CSR Committee in accordance with section 135 of the Companies Act, 2013, to assist the Board and the Company in fulfilling its corporate social responsibility objectives.

   As a part of its commitment to Corporate Social Responsibility, during the year, our Company has implemented projects like Sanitation & Hygiene Project, the Shabaash Scholarship Program, the Waterwheels project, Tamil Nadu Gaja cyclone relief, Digital Literacy through mobile vans and Veterinary camps. The Company also continued to support Nanhi Kali, the flagship program of the K.C. Mahindra Education Trust (KCMET), which supports education for the disadvantaged girl child.

   The detailed CSR Policy is hosted on the Company's website at the following link:

   https://www.mahindrahomefinance.com/src/assets/downloads/CSR%20Policy.pdf

2. **The Composition of the CSR Committee:** Mr. Ramesh Iyer (Chairman), Mrs. Anjali Raina, Mr. K. Chandrasekar, Mr. V. Ravi and Mr. Anuj Mehra.

3. **Average net profit of the Company for last three financial years:** Rs. 20,688.54 Lakhs

4. **Prescribed CSR Expenditure (two per cent of the amount on item 3):** Rs. 413.77 Lakhs

5. **Details of the CSR amount spent during the Financial Year 2018-19.**

   (a) Total amount spent during the Financial Year: Rs. 413.91 Lakhs

   (b) Amount unspent, if any: NIL

   (c) Manner in which the amount was spent during the Financial Year: As detailed below.

(Amount in Rs. Lakhs)

1	2	3	4	5	6	7	8
SR. No	**CSR Project or Activity identified**	**Sector in which the Project is covered (Notes)**	**Projects or programs (1) Local Area or other (2) Specify the state or district where projects or programs were undertaken**	**Amount outlay (Budget) projects or programs wise**	**Amount spent on the projects or programs (1) Direct & (2) Overhead**	**Cumulative expenditure upto the reporting period**	**Amount spent: Directly or Through Implementing Agency**
1	Supporting the PM's "Clean India Campaign" by building toilets & generating awareness about Sanitation & Hygiene	(i)	Maharashtra, Tamil Nadu, Gujarat, Andhra Pradesh, Madhya Pradesh, Rajasthan, Uttar Pradesh, Kerala & Karnataka	72.55	Direct	72.55	Habitat for Humanity, Self-implemented
2	Providing relief to the Gaja cyclone victims in Tamil Nadu	(i)	Tamil Nadu	15.00	Direct	15.00	Bhumi
3	Jeevandan: Organizing blood donation camps in collaboration with employees	(i)	Tamil Nadu	0.22	Direct	0.22	Self-implemented
4	Supporting the education of underprivileged girls through project 'Nanhi Kali'	(ii)	Delhi, Madhya Pradesh, Mumbai, Nashik , Maharashtra, Varanasi, Allahabad & Uttar Pradesh	209.89	Direct	209.89	K.C. Mahindra Education Trust , United Way Of Mumbai
5	Digital Literacy through Mobile Vans	(ii)	Maharashtra & Bihar	6.65	Direct	6.65	CSC Academy
6	Gyandeep: Providing quality education to underprivileged students	(ii)	Maharashtra	6.40	Direct	6.40	Shree Harihar Putra Bhajan Samaj, Educo, GSB Sevamandal, Seva Sahayog Foundation
7	Shabaash scholarship program: Providing scholarships to financially disadvantaged students in class 12	(ii)	Maharashtra, Gujarat, Tamil Nadu, Andhra Pradesh	61.45	Direct	61.45	K.C. Mahindra Education Trust , Self-implemented
8	Samantar: Contributing to the well-being of orphans and underprivileged children	(iii)	Maharashtra	0.20	Direct	0.20	The Vatsalya foundation
9	Providing access to veterinary expertise and medication for livestock	(iv)	Tamil Nadu & Madhya Pradesh	5.20	Direct	5.34	Self-implemented
10	Mee Hariyali: Aiding environmental conservation and restoration through tree plantation	(x)	Andhra Pradesh	0.14	Direct	0.14	Self-implemented
11	Providing Waterwheels to marginalized families in highly drought-prone areas in Maharashtra	(x)	Maharashtra	36.07	Direct	36.07	Habitat for Humanity

Notes:

(i) Eradicating hunger, poverty and malnutrition; promoting health care, hygiene and sanitation by contributing to the Swachh Bharat Abhiyaan set-up by the Central Government.

(ii) Promoting education through scholarships, employment enhancing vocation skills and livelihood enhancement projects especially among children, women, elderly, and the differently abled.

(iii) Promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centres and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups.

(iv) Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agroforestry, conservation of natural resources and maintaining quality of soil, air and water including contribution to the Clean Ganga Fund set-up by the Central Government for rejuvenation of river Ganga.

(x) Rural development projects.

6. **In case the Company has failed to spend the two per cent of the average net profit of the last three financial years or any part thereof, the Company shall provide the reasons for not spending the amount in its Board report:** N.A.

7. **The CSR Committee of the Company hereby confirms that the implementation and monitoring of CSR Policy is in compliance with CSR objectives and Policy of the Company.**

For Mahindra Rural Housing Finance Limited

Anuj Mehra
Managing Director

For and on behalf of the Corporate Social Responsibility Committee of Mahindra Rural Housing Finance Limited

Ramesh Iyer
Chairman of the
Corporate Social Responsibility Committee

ANNEXURE II TO THE BOARD'S REPORT

Form No. MGT-9

Extract of Annual Return as on the financial year ended on 31st March, 2019

[Pursuant to section 92(3) and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS

i.	CIN	U65922MH2007PLC169791
ii.	Registration Date	9th April, 2007
iii.	Name of the Company	Mahindra Rural Housing Finance Limited
iv.	Category / Sub-Category of the Company	Public Limited Company
v.	Address of the Registered office and contact details	Mahindra Towers, P. K. Kurne Chowk, Worli, Mumbai - 400018. Tel.: +91 22 6652 3500 Fax: +91 22 2497 2741 Email: investorhelpline.mrhfl@mahindra.com Website: www.mahindrahomefinance.com
vi.	Whether listed company Yes / No	Yes. As per Section 2 (52) of the Companies Act, 2013, the Company is considered a listed Company as its Non-Convertible Debentures (NCDs) are listed on the BSE Limited.
vii.	Name, Address and Contact details of Registrar and Transfer Agent, if any	**Messrs. Karvy Fintech Private Limited** (Formerly Known as Karvy Computershare Private Limited) Unit : Mahindra Rural Housing Finance Limited Karvy Selenium Tower B, Plot No 31 & 32 Gachibowli, Financial District, Nanakramguda, Serilingampally Mandal, Hyderabad – 500 032. Email : einward.ris@karvy.com, support@karvy.com Tel. No.: + 91-040-6716 22 22 Toll Free No.: 1800-345-4001 Fax No. : + 91-040-2300 11 53

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

Sl. No.	Name and Description of main products / services	NIC Code of the Product/ service	% to total turnover of the Company
1.	Housing Finance	65923	100.0

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sl. No.	Name and Address of the Company	CIN/GLN	Holding / Subsidiary/ Associate	% of shares held	Applicable Section
i.	Mahindra & Mahindra Limited Gateway Building, Apollo Bunder, Mumbai – 400 001.	L65990MH1945PLC004558	Ultimate Holding Company	88.75*	2(46)
ii.	Mahindra & Mahindra Financial Services Limited Gateway Building, Apollo Bunder, Mumbai – 400 001.	L65921MH1991PLC059642	Holding Company	88.75	2(46)

* There is no direct shareholding in the Company by Mahindra & Mahindra Limited, the Ultimate Holding Company. Shares are held through Mahindra & Mahindra Financial Services Limited, subsidiary of Mahindra & Mahindra Limited.

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

(i) Category-wise Share Holding

Category of shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of total shares	Demat	Physical	Total	% of total shares	
A. Promoters									
(1) Indian									
a) Individual/HUF	-	-	-	-	-	-	-	-	-
b) Central Govt.	-	-	-	-	-	-	-	-	-
c) State Govt.(s)	-	-	-	-	-	-	-	-	-
d) Bodies Corp.	9,62,40,643	12	9,62,40,655	89.00	10,90,61,167	-	10,90,61,167	88.75	(0.25)
e) Banks / FI	-	-	-	-	-	-	-	-	-
f) Any Other	-	-	-	-	-	-	-	-	-
Sub-total (A)(1)	**9,62,40,643**	**12**	**9,62,40,655**	**89.00**	**10,90,61,167**	**-**	**10,90,61,167**	**88.75**	**(0.25)**
(2) Foreign									
a) NRIs - Individuals	-	-	-	-	-	-	-	-	-
b) Other – Individuals	-	-	-	-	-	-	-	-	-
c) Bodies Corp.	-	-	-	-	-	-	-	-	-
d) Banks / FI	-	-	-	-	-	-	-	-	-
e) Any Other	-	-	-	-	-	-	-	-	-
Sub-total (A)(2)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total shareholding of Promoter (A) = (A)(1)+(A)(2)	**9,62,40,643**	**12**	**9,62,40,655**	**89.00**	**10,90,61,167**	**-**	**10,90,61,167**	**88.75**	**(0.25)**
B. Public Shareholding									
1. Institutions									
a) Mutual Funds	-	-	-	-	-	-	-	-	-
b) Banks / FI	1,18,91,511	-	1,18,91,511	11.00	1,18,91,511	-	1,18,91,511	9.68	(1.32)
c) Central Govt.	-	-	-	-	-	-	-	-	-
d) State Govt.(s)	-	-	-	-	-	-	-	-	-
e) Venture Capital Funds	-	-	-	-	-	-	-	-	-
f) Insurance Companies	-	-	-	-	-	-	-	-	-
g) FIIs	-	-	-	-	-	-	-	-	-
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i) Others - Qualified Foreign Investor	-	-	-	-	-	-	-	-	-
Sub-total (B)(1)	**1,18,91,511**	**-**	**1,18,91,511**	**11.00**	**1,18,91,511**	**-**	**1,18,91,511**	**9.68**	**(1.32)**
2. Non-Institutions									
a) Bodies Corp.									
i) Indian	-	-	-	-	-	-	-	-	-
ii) Overseas	-	-	-	-	-	-	-	-	-
b) Individuals									
i) Individual shareholders holding nominal share capital up to Rs. 1 lakh	-	-	-	-	1,35,675	-	1,35,675	0.11	0.11
ii) Individual shareholders holding nominal share capital in excess of Rs. 1 lakh	-	-	-	-	2,12,987	-	2,12,987	0.17	0.17
c) Others (specify) MRHFL Employee Welfare Trust (MRHFL ESOP TRUST)	-	-	-	-	15,86,530	-	15,86,530	1.29	1.29
Sub-total (B)(2)	**-**	**-**	**-**	**-**	**19,35,192**	**-**	**19,35,192**	**1.57**	**1.57**
Total Public Shareholding (B) = (B)(1)+(B)(2)	**1,18,91,511**	**-**	**1,18,91,511**	**11.00**	**1,38,26,703**	**-**	**1,38,26,703**	**11.25**	**0.25**
C. Shares held by Custodian for GDRs & ADRs	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Grand Total (A+B+C)	**10,81,32,154**	**12**	**10,81,32,166**	**100.00**	**12,28,87,870**	**-**	**12,28,87,870**	**100.00**	**0.00**

(ii) Shareholding of Promoters

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of Shares	% of total Shares of the Company	% of Shares pledged / encumbered to total shares	No. of Shares	% of total Shares of the Company	% of Shares pledged / encumbered to total shares	
1.	Mahindra & Mahindra Financial Services Limited	9,62,40,643	89.00	Nil	10,90,61,155	88.75	Nil	(0.25)
2.	Mahindra & Mahindra Financial Services Limited Jointly with Mr. Ramesh Iyer	2	0.00	Nil	2	0.00	Nil	0.00
3.	Mahindra & Mahindra Financial Services Limited Jointly with Mr. Venkatraman Ravi	2	0.00	Nil	2	0.00	Nil	0.00
4.	Mahindra & Mahindra Financial Services Limited Jointly with Mr. Ravi Kulkarni	2	0.00	Nil	2	0.00	Nil	0.00
5.	Mahindra & Mahindra Financial Services Limited Jointly with Mr. Anuj Mehra	2	0.00	Nil	2	0.00	Nil	0.00
6.	Mahindra & Mahindra Financial Services Limited Jointly with Mr. Rajesh Vasudevan	2	0.00	Nil	2	0.00	Nil	0.00
7.	Mahindra & Mahindra Financial Services Limited Jointly with Mr. Dinesh Prajapati	2	0.00	Nil	2	0.00	Nil	0.00
	TOTAL	**9,62,40,655**	**89.00**	**Nil**	**10,90,61,167**	**88.75**	**Nil**	**(0.25)**

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

Particulars	Shareholding at the beginning of the year (As on 1st April, 2018)		Cumulative Shareholding during the year (from 1st April, 2018 to 31st March, 2019)	
	No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
Mahindra & Mahindra Financial Services Limited alongwith joint holders				
At the beginning of the year	9,62,40,655	89.00	9,62,40,655	89.00
Date wise increase / decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc.)	On 28th December, 2018, 1,28,20,512 Equity Shares of Rs. 10 each at a premium of Rs. 107 per Equity Share were allotted on a Rights basis to Mahindra & Mahindra Financial Services Limited, Holding Company. Change in shareholding of Promoters is on account of allotment of Equity Shares on a Rights basis, as mentioned above. The percentage change in shareholding is also partially attributed to allotment of shares to MRHFL ESOP Trust.			
At the end of the year (as on 31st March, 2019)	10,90,61,167	88.75	10,90,61,167	88.75

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

Sl. No	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year (as on 1st April, 2018)		Cumulative Shareholding during the year (from 1st April, 2018 to 31st March, 2019)	
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
1.	**National Housing Bank**				
	At the beginning of the year (as on 1st April, 2018)	1,18, 91,511	11.00	1,18, 91,511	11.00
	Date wise increase / decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc.)	The percentage change in shareholding is attributed to Non-Subscription of the Rights offer made during the year and also partially attributed to allotment of shares to MRHFL ESOP Trust.			
	At the end of the year (as on 31st March, 2019)	1,18, 91,511	9.68	1,18, 91,511	9.68
2.	**Mahindra Rural Housing Finance Limited Employee Welfare Trust (MRHFL ESOP Trust)**				
	At the beginning of the year (as on 1st April, 2018)	-	-	-	-
	Date wise increase / decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc.)	19,35,192 Equity Shares were alloted to the Trust towards options Vested under MRHFL Employee stock option Scheme 2017. Out of these Shares, 3,48,662 Equity Shares were transferred by the trust to the employees who exercised the options granted.			
	At the end of the year (as on 31st March, 2019)	1,586,530	1.29	1,586,530	1.29
3.	**Mr. Dharmesh Vakharia**				
	At the beginning of the year (as on 1st April, 2018)	-	-	-	-
	Date wise increase / decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc.)	Exercise of options under MRHFL Employee Stock Option Scheme 2017.			
	At the end of the year (as on 31st March, 2019)	33,086	0.03	33,086	0.03
4.	**Mr. Srinivasan K**				
	At the beginning of the year (as on 1st April, 2018)	-	-	-	-
	Date wise increase / decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc.)	Exercise of options under MRHFL Employee Stock Option Scheme 2017.			
	At the end of the year (as on 31st March, 2019)	24,103	0.02	24,103	0.02
5.	**Mr. Shantanu Rege**				
	At the beginning of the year (as on 1st April, 2018)	-	-	-	-
	Date wise increase / decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc.)	Exercise of options under MRHFL Employee Stock Option Scheme 2017.			
	At the end of the year (as on 31st March, 2019)	23,000	0.02	23,000	0.02
6.	**Mr. Pankaj Verma**				
	At the beginning of the year (as on 1st April, 2018)	-	-	-	-
	Date wise increase / decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc.)	Exercise of options under MRHFL Employee Stock Option Scheme 2017.			
	At the end of the year (as on 31st March, 2019)	13,955	0.01	13,955	0.01

Sl. No	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year (as on 1st April, 2018)		Cumulative Shareholding during the year (from 1st April, 2018 to 31st March, 2019)	
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
7.	**Mr. Rajendra Chalke**				
	At the beginning of the year (as on 1st April, 2018)	-	-	-	-
	Date wise increase / decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc.)	Exercise of options under MRHFL Employee Stock Option Scheme 2017.			
	At the end of the year (as on 31st March, 2019)	9,329	0.01	9,329	0.01
8.	**Mr. Anilkumar Nambiar**				
	At the beginning of the year (as on 1st April, 2018)	-	-	-	-
	Date wise increase / decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc.)	Exercise of options under MRHFL Employee Stock Option Scheme 2017.			
	At the end of the year (as on 31st March, 2019)	9,329	0.01	9,329	0.01
9.	**Mr. Vinod Kumar**				
	At the beginning of the year (as on 1st April, 2018)	-	-	-	-
	Date wise increase / decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc.)	Exercise of options under MRHFL Employee Stock Option Scheme 2017.			
	At the end of the year (as on 31st March, 2019)	8,612	0.01	8,612	0.01
10.	**Mr. R Ravishankar**				
	At the beginning of the year (as on 1st April, 2018)	-	-	-	-
	Date wise increase / decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc.)	Exercise of options under MRHFL Employee Stock Option Scheme 2017.			
	At the end of the year (as on 31st March, 2019)	6,580	0.01	6,580	0.01

(v) Shareholding of Directors and Key Managerial Personnel

Sl. No.	For Each of the Directors and KMP	Shareholding at the beginning of the year		Date	Increase - (Decrease) in Shareholding	Reason	Cumulative Shareholding during the year	
		No. of shares at the beginning of the year (01-04-2018)/ end of the year (31-03-2019)	% of total shares of the Company				No. of shares	% of total shares of the Company
A.	**Directors**							
1	Mr. Ramesh Iyer - Chairman Non-Executive Non-Independent Director	*2	0.00	01-04-2018			2	0.00
				22-03-2019	28,568	ESOP Allotment	28,568	0.02
		28,570	0.02	31-03-2019			28,570	0.02
2	Mr. V. Ravi – Non-Executive Non-Independent Director	*2	0.00	01-04-2018			2	0.00
				22-03-2019	7,142	ESOP Allotment	7,142	0.01
		7,144	0.01	31-03-2019			7,144	0.01
3	Mr. K. Chandrasekar – Non-Executive Non-Independent Director	0	0.00	01-04-2018	0	No Change during the year	0	0.00
4	Mr. Rakesh Awasthi – Nominee Director (Nominee of National Housing Bank)**	0	0.00	01-04-2018	0	No Change during the year	0	0.00
5	Mr. Anuj Mehra – Managing Director	*2	0.00	01-04-2018			2	0.00
				22-03-2019	90,275	ESOP Allotment	90,275	0.07
		90,277	0.07	31-03-2019			90,277	0.07
6	Mr. Nityanath Ghanekar- Independent Director	0	0.00	01-04-2018	0	No Change during the year	0	0.00
7	Dr. Narendra Mairpady- Independent Director	0	0.00	01-04-2018	0	No Change during the year	0	0.00
8	Mrs. Anjali Raina- Independent Director	0	0.00	01-04-2018	0	No Change during the year	0	0.00
9	Mr. K. Chakravarthy (Nominee of National Housing Bank)**	0	0.00	01-04-2018	0	No Change during the year	0	0.00
B	**Key Managerial Personnel**							
1.	Mr. Dharmesh Vakharia Chief Financial Officer	0	0.00	01-04-2018			0	0.00
		33,086	0.03	22-03-2019	33,086	ESOP Allotment	33,086	0.03
				31-03-2019			33,086	0.03
2.	Mr. Navin Joshi Company Secretary	0	0.00	01-04-2018	0	No Change during the year	0	0.00

*Shares held jointly with Mahindra & Mahindra Financial Services Limited (Holding Company) as the second joint holder.

**Mr. K. Chakravarthy ceased to be a Director w.e.f. 18th July, 2019 and Mr. Rakesh Awasthi was appointed as a Director w.e.f. 18th July, 2018.

V. INDEBTEDNESS

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

Amount in Rs. Lakhs

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the Financial Year				
i) Principal Amount	4,30,304.91	93,169.56	-	5,23,474.47
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	5,076.14	2,578.01	-	7,654.15
Total (i+ii+iii)	**4,35,381.05**	**95,747.57**	**-**	**5,31,128.62**
Change in Indebtedness during the Financial Year				
Addition	295,713.88	305,815.20	-	601,529.08
Reduction	211,048.22	271,642.32	-	482,690.54
Net Change	84,665.66	34,172.88	-	1,18,838.54
Indebtedness at the end of the Financial Year				
i) Principal Amount	5,07,166.68	1,26,427.25	-	6,33,593.93
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	12,880.03	3,493.20	-	16,373.23
Total (i+ii+iii)	**5,20,046.71**	**1,29,920.45**	**-**	**6,49,967.16**

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

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

Amount in Rs. Lakhs

Sl. no.	Particulars of Remuneration	Name of MD/WTD/Manager Mr. Anuj Mehra, Managing Director
1.	Gross salary	
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	184.59
	(b) Value of perquisites u/s 17(2) of the Income-tax Act, 1961	8.80
	(c) Profits in lieu of salary under section 17(3) of the Income-tax Act, 1961	-
2.	Stock Options	60.42
3.	Sweat Equity	NIL
4.	Commission - as % of profit - others	NIL
5.	Others (medical reimbursement)	2.68
	Total (A)	256.49
	Ceiling as per the Act	5% of the Net Profits equivalent to Rs. 2,250.90 Lakhs with respect to the ceiling for the Company applicable for the financial year covered by this Report.

B. REMUNERATION TO OTHER DIRECTORS:

Amount in Rs. Lakhs

Sl. no.	Particulars of Remuneration	Names of Directors					Total Amount
1.	**Independent Directors**			**Mr. Nityanath Ghanekar**	**Mrs. Anjali Raina**	**Dr. Narendra Mairpady**	
	Fee for attending Board / Committee Meetings			3.70	2.10	3.10	8.90
	Commission			7.50	7.50	7.50	22.50
	Other			NIL	NIL	NIL	NIL
	Total (1)			**11.20**	**9.60**	**10.60**	**31.40**
2.	**Other Non-Executive Directors**	**Mr. Ramesh Iyer**	**Mr. K. Chandrasekar***	**Mr. K. Chakravarthy***	**Mr. Rakesh Awasthi**	**Mr. V. Ravi**	**Total Amount**
	Fee for attending Board / Committee Meetings	NIL	NIL	NIL	NIL	NIL	NIL
	Commission	NIL	NIL	NIL	NIL	NIL	NIL
	Others	NIL	NIL	NIL	NIL	NIL	NIL
	Total (2)	**NIL**	**NIL**	**NIL**	**NIL**	**NIL**	**NIL**
	Total (B)=(1+2)	**NIL**	**NIL**	**11.20**	**9.60**	**10.60**	**31.40**
	Overall Ceiling as per the Act (%)	1 % of the Net Profits equivalent to Rs. 450.18 Lakhs with respect to the ceiling for the Company applicable for the financial year covered by this Report.					
	Total Managerial Remuneration (A+B)						**287.89**

* Mr. K. Chakravarthy ceased to be a Director w.e.f. 18th July, 2018 and Mr. Rakesh Awasthi was appointed as a Director w.e.f. 18th July, 2018.

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

Amount in Rs. Lakhs

Sl. No.	Particulars of Remuneration	Key Managerial Personnel		
		Chief Financial Officer	Company Secretary	Total Amount
1.	Gross salary			
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	120.23	11.69	131.92
	(b) Value of perquisites u/s 17(2) of the Income-tax Act, 1961	0.58	NIL	0.58
	(c) Profits in lieu of salary under section 17(3) of the Income-tax Act, 1961	NIL	NIL	NIL
2.	Stock Options	18.78	NIL	18.78
3.	Sweat Equity	NIL	NIL	NIL
4.	Commission - as % of profit - others	NIL	NIL	NIL
5.	Others (medical reimbursement)	NIL	NIL	NIL
	Total	139.59	11.69[1]	151.28

[1] Secretarial function covered under cost sharing agreement with Mahindra & Mahindra Financial Services Limited (Holding Company).

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES :

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment/ Compounding fees imposed	Authority [RD / NCLT/ COURT]	Appeal made, if any (give details)
A. COMPANY					
Penalty					
Punishment					
Compounding					
B. DIRECTORS					
Penalty					
Punishment			None		
Compounding					
C. OTHER OFFICERS IN DEFAULT					
Penalty					
Punishment					
Compounding					

For and on behalf of the Board

Ramesh Iyer
Chairman

Mumbai, 18th April, 2019

ANNEXURE III TO THE BOARD'S REPORT

POLICY ON REMUNERATION OF DIRECTORS

Prelude

The Company is a housing finance company registered with the National Housing Bank, and is engaged in providing Home Loans primarily in rural areas for construction or purchase of a new property or for repairs, modernization or extension of an existing home.

This Policy shall be effective from the financial year 2014 - 15.

Intent of the Policy

The intent of the Remuneration Policy of Directors of Mahindra Rural Housing Finance Limited ("the Company") is to focus on enhancing the value and to attract and retain quality individuals with requisite knowledge and excellence as Executive and Non-Executive Directors for achieving objectives of the Company and to place the Company in a leading position.

The Nomination and Remuneration Committee (NRC) of the Board shall, while formulating the policy ensure that —

a) the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate Directors of the quality required to run the company successfully;

b) relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and

c) remuneration to Directors, key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals.

While deciding the policy on remuneration of Directors the Committee may consider amongst other things, the duties and responsibilities cast by the Companies Act, 2013, various Codes of Conduct, Articles of Association, restrictions on the remuneration to Directors as also the remuneration drawn by Directors of other companies in the industry, the valuable contributions and inputs from Directors based on their knowledge, experience and expertise in shaping the destiny of the Company etc. The Policy is guided by a reward framework and set of principles and objectives as more fully and particularly envisaged under Section 178 of the Companies Act, 2013 and principles pertaining to qualifications, positive attributes, integrity and independence of Directors, etc.

Directors

The Managing Director is an executive of the Company and draws remuneration from the Company. The Non-Executive Chairman and Independent Directors may receive sitting fees for attending the meeting of the Board and the Committees thereof, if fixed by the Board of Directors from time to time subject to statutory provisions. The Non-Executive Chairman and Independent Directors would be entitled to the remuneration under the Companies Act, 2013. A Non-Executive Chairman and Non-Executive Non-Independent Directors who receive remuneration from the holding company or a Group Company will not be paid any sitting fees or any remuneration. In addition to the above the Directors are entitled for reimbursement of expenses incurred in discharge of their duties. Payment of Remuneration to Nominee Directors shall be governed by the agreement with the Financial Institution/Bank appointing the Nominee Director and by the Articles of Association of the Company.

The Managing Director and other eligible Director(s) as per extant statutory provisions may be granted Employees Stock Options, Stock Appreciation Rights or any other Share based Employee benefits pursuant to any scheme that may be approved by the Board of Directors and shareholders of the Company subject to such other approvals as may be required.

Non-Executive Directors may be paid remuneration either by way of monthly payment or at a specified percentage of net profits of the Company or partly by one way and partly by another, subject to the provisions of Companies Act, 2013.

The NRC while determining the remuneration shall ensure that the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate the person to ensure the quality required to run the Company successfully. While considering the remuneration, the NRC shall also ensure a balance between fixed and performance-linked variable pay reflecting short and long-term performance objectives appropriate to the working of the Company and its goals.

The NRC shall consider that a successful Remuneration Policy must ensure that some part of the remuneration is linked to the achievement of corporate performance targets.

Managing Director/Executive Directors

The term of office and remuneration of Managing Director/Executive Directors are subject to the approval of the Board of Directors, shareholders, as may be required and the limits laid down under the Companies Act, 2013 from time to time.

If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay, subject to the requisite approvals, remuneration to its Managing Director/Executive Directors in accordance with the provisions of Schedule V of the Companies Act, 2013.

If any Managing Director/Executive Director draws or receives, directly or indirectly by way of remuneration, any such sums in excess of the limits prescribed under the Companies Act, 2013 or without the approval of shareholders, where required, he/she shall refund such sums to the Company within two years or such lesser period as may be allowed by the company, and until such sum is refunded, hold it in trust for the company. The Company shall not waive recovery of such sum refundable to it unless permitted by the Shareholders by Special Resolution.

Remuneration of the Managing Director/Executive Directors reflects the overall remuneration philosophy and guiding principle of the Company. While considering the appointment and remuneration of Managing Director/ Executive Directors, the NRC shall consider the industry benchmarks, merit and seniority of the person and shall ensure that the remuneration proposed to be paid is commensurate with the remuneration packages paid to similar senior level counterpart(s) in other companies.

Remuneration for Managing Director/Executive Director is designed subject to the limits laid down under the Companies Act, 2013 to remunerate them fairly and responsibly. The remuneration to the Managing Director/Executive Director comprises of salary, perquisites and performance based incentive apart from retirement benefits like Provident Fund, Superannuation, Gratuity, Leave Encashment, etc., as per Rules of the Company. Salary is paid within the range approved by the Shareholders. Increments are effective annually, as recommended / approved by the NRC/ Board. In terms of the shareholders' approval, the Commission may be paid to Managing Director in any Financial Year at a rate not exceeding 1/4% (one fourth percent) per annum of the profits of the Company computed in accordance with the applicable provisions of the Companies Act, 2013 as may be recommended by NRC and approved by the Board.

The total remuneration will have a flexible component with a bouquet of allowances to enable the Managing Director/Executive Director to choose the allowances as well as the quantum based on laid down limits as per Company policy. The flexible component can be varied only once annually.

The actual pay-out of variable component of the remuneration will be a function of individual performance as well as business performance. Business performance is evaluated using a Balanced Score Card (BSC) while individual performance is evaluated on Key Result Areas (KRA). Both the BSC and KRAs are evaluated at the end of the fiscal to arrive at the BSC rating of the business and performance rating of the individual.

Remuneration also aims to motivate the Personnel to deliver Company's key business strategies, create a strong performance-oriented environment and reward achievement of meaningful targets over the short and long-term.

The Managing Director/Executive Directors are entitled to customary non-monetary benefits such as company car, health care benefits, leave travel, communication facilities, etc., as per policies of the Company. The Managing Director and Executive Directors are entitled to grant of Stock Options as per the approved Stock Options Scheme(s) of the Company from time to time.

Disclosures

Information on the total remuneration of members of the Company's Board of Directors, Managing Director/ Executive Directors and Key Managerial Personnel/ Senior Management Personnel may be disclosed in the Board's Report as per statutory requirements laid down in this regard.

REMUNERATION POLICY FOR KEY MANAGERIAL PERSONNEL AND EMPLOYEES

This Policy shall be effective from the financial year 2014 - 15.

Objective

To establish guidelines for remunerating employees fairly and in keeping with Statutes.

Definition(s)

"Key Managerial Personnel" (KMP) as defined in section 2(51) of the Companies Act, 2013 means:

(i) the Chief Executive Officer or the Managing Director or Manager;

(ii) the Company Secretary;

(iii) the Whole-time Director;

(iv) the Chief Financial Officer;

(v) such other officer, not more than one level below the directors who is in whole-time employment, designated as key managerial personnel by the Board; and

(vi) such other officer as may be prescribed.

Standard

The broad structure of compensation payable to employees is as under:

- Fixed pay which has components like basic salary & other allowances / flexi pay as per the grade where the employees can choose allowances from bouquet of options.

- Variable pay (to certain grades) in the form of annual / half yearly performance pay based on KRAs agreed – as applicable.

- Incentives monthly/ quarterly/ half-yearly/ annually based on Individual/ Company's Performance.

- Retrials such as PF, Gratuity & Superannuation (for certain grades).

- Benefits such ESOP scheme, car scheme, medical & dental benefit, loans, insurance etc as per grades.

Increments

- Salary increase is given to eligible employees based on position, performance & market dynamics as decided from time to time.

ANNEXURE IV TO THE BOARD'S REPORT

SECRETARIAL AUDIT REPORT

[Pursuant to Section 204(1) of the Companies Act, 2013 read with Rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

For the Financial Year ended 31st March, 2019

To,
The Members,
Mahindra Rural Housing Finance Limited,
Mahindra Towers, P.K. Kurne Chowk, Worli,
Mumbai- 400 018.

We have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Mahindra Rural Housing Finance Limited (hereinafter called "the Company"). Secretarial Audit was conducted for the financial year ended on 31st March, 2019 in a manner that provided us reasonable basis for evaluating the corporate conduct / statutory compliances and expressing our opinion thereon.

On the basis of the above and on our verification of documents, books, papers, minutes, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorised representatives during the conduct of the Audit, We hereby report that in our opinion, the Company has, during the period covered under the Audit as aforesaid, 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 financial year ended 31st March, 2019 according to the provisions of:

(i) The Companies Act, 2013 and the Rules made there under.

(ii) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008.

(iii) The Depositories Act, 1996 and the Regulations and Bye-Laws framed there under.

(iv) The Securities Contracts (Regulation) Act, 1956 and the Rules made there under.

(v) The Securities and Exchange Board of India (Registrar to an Issue and Share Transfer Agents) Regulations, 1993 regarding Companies Act and dealing with client.

(vi) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (to the extent applicable to debt listed securities).

(vii) The National Housing Bank Act, 1987.

(viii) The Housing Finance Companies (NHB) Directions, 2010.

(ix) The Housing Finance Companies Issuance of Non-Convertible Debentures on Private Placement basis (NHB) Directions, 2014.

(x) Housing Finance Companies Corporate Governance (National Housing Bank) Directions, 2016.

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

(i) the Secretarial Standards 1 & 2 issued by The Institute of Company Secretaries of India.

(ii) Listing Agreement for debt securities entered into with BSE Limited in respect of privately placed non-convertible debentures issued by the Company.

Based on the information and explanation provided, the Company had no transactions during the period covered under the Audit requiring the compliance of the provisions of:

a) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018.

b) The Foreign Exchange Management Act, 1999 and the Rules and Regulations made there under to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings.

We further report that

The Board of Directors of the Company is duly constituted with the proper balance of Executive Director, Non-Executive Directors and Independent Directors. There was no change in the composition of the Board of Directors during the period covered under the Audit.

Adequate notice and detailed notes on Agenda were given to all Directors at least seven days in advance to schedule the Board Meetings. There exists a system for seeking and obtaining further information and clarifications on the Agenda items before the Meeting and for meaningful participation at the Meeting.

Majority decision is carried through and recorded as part of the minutes. We understand that there were no dissenting members' views requiring to be captured in 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 period covered under the Audit, the Company has made the following specific actions having a major bearing on the company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, referred to above:

a) The Company has raised an amount of Rs. 35.00 crores by issue of 350 Unsecured Subordinated Redeemable Non-Convertible Debentures of Rs. 10,00,000 each on a private placement basis, in one or more series/ tranches. Further an amount of Rs. 823.10 crores was raised by issue of 8231 Secured Redeemable Non-Convertible Debentures (NCDs) of Rs. 10,00,000 each on a private placement basis, in one or more series/ tranches.

b) The Company has issued and allotted 1,28,20,512 Equity Shares of Rs.117/- each for cash at a premium of Rs. 107 per Equity Share on a rights basis, aggregating to Rs. 149,99,99,904.

c) The Company allotted to ESOP Trust 19,35,192 Equity Shares of Rs. 67 each for cash at a premium of Rs. 57 per Equity Share under the MRHFL ESOP Scheme, 2017, aggregating to Rs. 12,96,57,864.

d) The National Housing Bank (NHB) vide its letter dated 11th March, 2019 communicated to Mahindra & Mahindra Financial Services Limited (MMFSL), the holding company, its offer to sell its entire stake in the Company in accordance with the Subscription Agreement executed between the Company and NHB and MMFSL has agreed to acquire the said stake from NHB.

For KSR & Co Company Secretaries LLP

C.V.Madhusudhanan

Partner

(FCS: 5367; CP: 4408)

Date: 17th April, 2019

Place: Coimbatore

KSR/CBE/M179/514/2019-20

To
The Members,
Mahindra Rural Housing Finance Limited
Mahindra Towers, P.K. Kurne Chowk, Worli,
Mumbai- 400 018.

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

1. Maintenance of secretarial record is the responsibility of the management of the company. Our responsibility is to express an opinion on these secretarial records based on our audit.

2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.

3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the company.

4. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis. Further compliance of provisions of The National Housing Bank Act, 1987 and The Housing Finance Companies (NHB) Directions, 2010 is limited to verification of filing of forms and returns thereunder.

5. 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 KSR & Co Company Secretaries LLP

C.V. Madhusudhanan
Partner
Date:17thApril, 2019 (FCS : 5367 ;
Place: Coimbatore CP : 4408)

ANNEXURE V TO THE BOARD'S REPORT

The particulars in respect of Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo, as required under sub-section (3) (m) of Section 134 of the Companies Act, 2013 read with Rule 8 (3) of the Companies (Accounts) Rules, 2014.

(A) Conservation of Energy

(i) The steps taken or impact on conservation of energy :

The operations of your Company are not energy intensive. However, adequate measures have been initiated to reduce energy consumption.

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

The operations of your Company are not energy intensive.

(iii) The capital investment on energy conservation equipments: Nil

(B) Technology Absorption

(i) The efforts made towards technology absorption : Not Applicable

(ii) The benefits derived like product improvement, cost reduction, product development or import substitution : Not Applicable

(iii) in case of imported technology (imported during the last three years reckoned from the beginning of the Financial Year): Not Applicable

(a) Details of Technology Imported

(b) Year of Import

(c) Whether the Technology has been fully absorbed

(d) if not fully absorbed, areas where absorption has not taken place, and the reasons thereof

(iv) Your Company has not incurred any expenditure on Research and Development during the year under review.

(C) Foreign Exchange Earnings and Outgo

The information on Foreign Exchange Outgo is furnished as below:

- Foreign Travel Expense Rs. 4.78 Lakhs (March 18 Rs. 0.66 Lakhs)
- Bank Processing & Other Expense Rs. 94.45 Lakhs (March 18 Rs. 6.63 Lakhs)

There were no Foreign Exchange Earnings during the year under consideration.

For and on behalf of the Board

Ramesh Iyer
Chairman

Mumbai, 18th April, 2019

ANNEXURE VI TO THE BOARD'S REPORT

Policy on Related Party Transactions

1. Prelude

Mahindra Rural Housing Finance Limited (MRHFL) is a Housing Finance company registered with the National Housing Bank, and is engaged in providing home loans primarily in rural and semi-urban areas. As part of its business activities, the Company deals with entities which are related parties.

The Companies Act, 2013 ("the Act") places a lot of emphasis on Related Party Transactions. Provisions of the Act along with the relevant Rules governing Related Party Transactions have come into effect from April 1, 2014.

Section 177(4) of the Act deals with approval or any subsequent modification of transactions of the Company with related parties by the Audit Committee.

All Related Party Transactions pursuant to section 188 of the Act which are not in the ordinary course of business and / or not on an Arms' length basis require prior approval of the Board and if such transactions cross the threshold limits prescribed under the Act, such transactions also require the approval of shareholders of the Company by ordinary resolution and the Related Parties with whom transactions are being entered shall abstain from voting on such resolution(s).

It also requires specified related party transactions to be disclosed in the Board's Report along with the justification for entering into such transactions.

As per the requirements of Notification No. NHB. HFC.CG-DIR.1/MD&CEO/2016 issued by the National Housing Bank (NHB) vide which the NHB notified the Housing Finance Companies – Corporate Governance (National Housing Bank) Directions, 2016, the company shall disclose the policy on dealing with Related Party Transactions on its website and also in the Annual Report.

2. Intent of the Policy

The Objective of this policy is to set out (a) the materiality thresholds for related party transactions and (b) the manner of dealing with the transactions between the Company and its related parties based on the Act, and any other laws and regulations as may be applicable to the Company; and (c) lay down the guiding principles and mechanism to ensure proper approval, disclosure and reporting of transactions as applicable, between the Company and any of its related parties in the best interest of the Company and its stakeholders.

3. Applicability and Legal Framework

This Policy on Related Party Transactions shall be governed by the Act read with Rules made thereunder, as may be in force from time to time and regulations, if any, of NHB in this regard. Any references to statutory provisions shall be construed as references to those provisions as amended or re-enacted or as their application is modified by other statutory provisions (whether before or after the date hereof) from time to time and shall include any provisions of which they are re-enactments (whether with or without modification).

4. Definitions

(i) **"Arm's Length basis"** means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest. [Explanation (b) to Section 188(1) of the Act].

(ii) **"Associate Company"** shall be as defined in the Act and the applicable Accounting Standards issued by the Institute of Chartered Accountants of India.

(iii) **"Audit Committee"** means the Audit Committee constituted by the Board of Directors of the Company in accordance with section 177 of the Act.

(iv) **"Board of Directors"** or "Board" means the Board of Directors of MRHFL, as constituted from time to time.

(v) **"Company"** or **"MRHFL"** means Mahindra Rural Housing Finance Limited.

(vi) **"Control"** shall have the same meaning as defined in the Act.

(vii) **"Key Managerial Personnel"** in relation to the Company, shall be as defined in the Act.

(viii) **"Ordinary course of business"** would include usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities and all such activities which the Company can undertake as per its Memorandum and Articles of Association.

(ix) **"Related Party"**, for the purpose of this Policy, with reference to the Company, shall mean a Related Party as defined in Section 2(76) of the Act.

(x) **"Related Party Transaction"** means specified transaction mentioned in clause (a) to (g) of sub-section (1) of Section 188 of the Act.

(xi) **"Relatives"** with reference to any person shall have the meaning as defined in Section 2(77) of the Act read with Clause 4 of The Companies (Specification of Definition details) Rules, 2014 from time to time.

(xii) A **"transaction"** with a related party shall be construed to include single transaction or a group of transactions in a contract.

Any other term not defined herein shall have the same meaning as defined in the Act, the Securities Contracts (Regulation) Act, 1956 or any other applicable law or regulation.

5. Policy on Related Party Transactions

All Related Party Transactions (before being entered into) must be reported to the Audit Committee for its approval in accordance with this Policy.

The Audit Committee shall periodically review this Policy and may recommend amendments to this Policy from time to time as it deems appropriate.

5.1 Identification of potential related parties and transactions

Every Director and Key Managerial Personnel will be responsible for providing a declaration containing the following information to the Company Secretary on an annual basis and whenever there is a change in the information provided:

1. Names of his / her Relatives;

2. Partnership firms in which he / she or his / her Relative is a partner;

3. Private Companies in which he / she or his / her relative is a member or Director;

4. Public Companies in which he / she is a Director and holds along with his/her Relatives more than 2% of paid up share capital;

5. Any Body Corporate whose Board of Directors, Managing Director or Manager is accustomed to act in accordance with his / her advice, directions or instructions; and

6. Persons on whose advice, directions or instructions, he / she is accustomed to act (other than advice, directions or instructions obtained from a person in professional capacity).

Each director and Key Managerial Personnel is responsible for providing Notice to the Company Secretary of any potential Related Party Transaction, including any additional information about the transaction that the Board/Audit Committee may request, for being placed before the Audit Committee and the Board.

It will be the responsibility of the Directors and KMPs to keep the Company updated immediately if there is a change in any of the declarations provided at the beginning of the year.

5.2 Approval of Related Party Transactions

5.2.1 Prior approval of Audit Committee

All Related Party Transactions of the Company, as prescribed under the Act, shall require prior approval of Audit Committee, whether at a meeting or by way of a Resolution by circulation.

The approval of the Audit Committee will be sought in the following manner:

a) All Related Party Transactions will be submitted to the Audit Committee for prior approval irrespective of whether such transactions are in the ordinary course of business and / or at arm's length or not.

b) Where the Company has entered into a master agreement with a related party, which stipulates details of every transaction like nature of the transaction, basis of pricing, credit terms etc., the prior approval once given by the Audit Committee would suffice and Audit Committee would only note the transactions that are entered into pursuant to such master agreement and will not require any further approval of the Audit Committee unless there is any change in the terms of the master agreement.

The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company subject to the following conditions:

a) The Audit Committee shall, after obtaining the approval of the Board of Directors, specify the criteria for granting the omnibus approval in line with the Policy on Related Party Transactions of the Company and such approval shall be applicable in respect of transactions which are repetitive in nature.

b) The criteria for making the omnibus approval shall include the following which shall be approved by the Board:-

   i. Maximum value of the transactions, in aggregate, which can be allowed under the omnibus route in a year.

   ii. The maximum value per transaction which can be allowed.

   iii. Extent and manner of disclosures to be made to the Audit Committee at the time of seeking omnibus approval.

   iv. Review, at such interval as the Audit Committee may deem fit, of the related party transaction entered into by the Company pursuant to each of the omnibus approval made.

   v. Transactions which cannot be subject to the omnibus approval by the Audit Committee.

   The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval, namely:-

   a. Repetitiveness of the transactions (in past or in future)

   b. Justification for the need of omnibus approval.

c) The Audit Committee shall satisfy itself on the need for omnibus approval and that such approval is in the interest of the Company;

d) Such omnibus approval shall specify (i) the name/s of the related party/ies (ii) nature and duration of transaction /period of transaction (iii) maximum amount of transaction that can be entered into (iv) the indicative base price/ current contracted price and the formula for variation in the price if any and (v) such other conditions as the Audit Committee may deem fit.

Provided that where the need for Related Party Transaction cannot be foreseen and aforesaid details are not available, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs. one crore per transaction.

The Audit Committee shall review on a quarterly basis, the details of Related Party Transactions entered into by the Company pursuant to each of the omnibus approval given.

Such omnibus approval shall be valid for a period not exceeding one financial year and shall require fresh approval after the expiry of one financial year.

Such omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the Company.

Any member of the Audit Committee who has a potential interest in any Related Party Transaction will not remain present at the Meeting when such Related Party Transaction is considered.

Prior approval of the Audit Committee and Approval of the Shareholders for all Related Party Transactions shall not be applicable for transactions entered into between a holding company and its wholly-owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

5.2.2. Prior approval of Board of Directors under the Act

Transactions with the related parties within the scope of Section 188 of the Act, which are either not in the Ordinary Course of Business or are not at Arm's Length basis or both shall require prior approval of the Board of Directors.

Where any Director is interested in any contract or arrangement with a related party, such Director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.

5.2.3 Shareholders' approval requirements:

If the following transactions are likely to exceed the thresholds prescribed under the Act, the same will require prior approval of the Board of Directors and the Shareholders:

a) Not in the ordinary course of business but at arm's length; or

b) In the ordinary course of business but not at arm's length; or

c) Not in the ordinary course of business and not at arm's length basis.

No member of the Company shall vote on Ordinary Resolution if such a member is a related party in the context of the contract or arrangement which is being considered under the Act.

Where any contract or arrangement is entered into by a director or any other employee, without obtaining the consent of the Board or approval by an Ordinary Resolution in the general meeting under sub-section (1) and if it is not ratified by the Board or, as the case may be, by the shareholders at a meeting within three months from the date on which such contract or arrangement was entered into, such contract or arrangement shall be voidable at the option of the Board and if the contract or arrangement is with a related party to any director, or is authorised by any other director, the directors concerned shall indemnify the company against any loss incurred by it (Section 188).

Approval of the shareholders in case of the transactions of which the value crosses the threshold limits prescribed under the Act, shall not be applicable for transactions entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

6. Disclosures

a) This policy shall be hosted on the Company's website at www.mahindrahomefinance.com and also disclosed in the Annual Report.

b) The Annual Report shall contain details of all transactions with related parties.

Independent Auditor's Report

To the Members of
Mahindra Rural Housing Finance Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Mahindra Rural Housing Finance Limited ("the Company"), which comprise the balance sheet as at 31 March 2019, and the statement of profit and loss (including other comprehensive income), statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013 ("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 2019, and profit and other comprehensive income, changes in equity and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those SAs are further described in the *Auditor's Responsibilities for the Audit of the Standalone Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Description of Key Audit Matter

Impairment loss allowance

Refer Notes 2.5(ii) and 44(ii) to the financial statements

The key audit matter	How the matter was addressed in our audit
The Company has recognized impairment loss allowance of Rs. 36,592.66 lakhs as at 31 March 2019 and has recognized an expense for Rs. 4,314 lakhs in its statement of profit and loss. The determination of impairment loss allowance is inherently judgmental and relies on management's best estimate due to the following: • Increased level of data inputs for capturing the historical data to calculate the Probability of Default ('PDs') and Loss Given Default ("LGD") and the completeness and accuracy of that data • Use of management overlays for considering the probability weighted scenarios, the forward looking macro-economic factors and the timing of cash flows • Criteria selected to identify significant increase in credit risk Estimates, by their nature, give rise to a higher risk of material misstatement due to error or fraud. Given the size of loan portfolio relative to the balance sheet and the impact of impairment allowance on the financial statements, we have considered this as a key audit matter.	We performed the following key audit procedures: • Performed process walkthroughs to identify the key systems, applications and controls used in the impairment allowance processes. • Assessed the design and implementation of controls in respect of the Company's impairment allowance process such as the timely recognition of impairment loss, the completeness and accuracy of reports used in the impairment allowance process and management review processes over the calculation of impairment allowance and the related disclosures on credit risk management. • Tested the relevant general IT and applications controls over key systems used in the impairment allowance processes. • Evaluated whether the methodology applied by the Company is compliant with the requirements of the relevant accounting standards and confirmed that the calculations are performed in accordance with the approved methodology, including checking mathematical accuracy of the workings. • Tested the periods considered for capturing underlying data as base to PD and LGD calculations are in line with Company's recent experience of past observed periods. • Tested the accuracy of the key inputs used in the calculation and independently evaluated the reasonableness of the assumptions made.

The key audit matter	How the matter was addressed in our audit
	• Challenged completeness and validity of management overlays with assistance of our financial risk modelling experts by critically evaluating the risks that have been addressed by management through overlays and also considering whether there are other risks not captured which require additional overlays. We also tested management's workings supporting the overlay quantum. **Disclosures:** • We assessed whether the disclosures on key judgements, assumptions and quantitative data with respect to impairment loss allowance in the financial statements are appropriate and sufficient.

Other Information

The Company's management and Board of Directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Management's Responsibility for the Financial Statements

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

In preparing the financial statements, management and Board of Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

(A) As required by Section 143(3) of the Act, we report that:

a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.

c) The balance sheet, the statement of profit and loss (including other comprehensive income), the statement of changes in equity and the statement of cash flows dealt with by this Report are in agreement with the books of account.

d) In our opinion, the aforesaid financial statements comply with the Ind AS specified under section 133 of the Act.

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

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

(B) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

i. The Company has disclosed the impact of pending litigations as at 31 March 2019 on its financial position in its financial statements - Refer Note 35 to the financial statements;

ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts - Refer Note 37 to the financial statements; and

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

(C) With respect to the matter to be included in the Auditors' Report under section 197(16):

In our opinion and according to the information and explanations given to us, the remuneration paid by the company to its directors during the current year is in accordance with the provisions of Section 197 of the Act. The remuneration paid to any director is not in excess of the limit laid down under Section 197 of the Act. The Ministry of Corporate Affairs has not prescribed other details under Section 197(16) which are required to be commented upon by us.

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

Venkataramanan Vishwanath
Partner
Membership No: 113156

Mumbai
18 April 2019

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

The Annexure referred to in Independent Auditor's Report to the members of the Company on the financial statements for the year ended 31 March 2019, we report that:

i. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) The fixed assets are physically verified by the management according to a programme of phased verification, which in our opinion is reasonable having regard to the size of the company and the nature of its assets. Pursuant to the programme, the fixed assets have been physically verified by the management during the year and no material discrepancies were noticed on such verification.

(c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of immovable properties are held in the name of the Company.

ii. The Company is in the business of providing Housing Finance Services and consequently, does not hold any inventory. Accordingly, paragraph 3(ii) of the Order is not applicable to the company.

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

iv. In our opinion and according to the information and explanations given to us, there are no loans, investments, guarantees and securities granted in respect of which provisions of section 185 and 186 of the Companies Act, 2013 are applicable. Accordingly, paragraph 3(iv) of the Order is not applicable to the Company.

v. According to the information and explanations given to us, the Company has not accepted any deposits from the public within the meaning of sections 73, 74, 75 and 76 of the Act and Rules framed thereunder to the extent notified. Accordingly, paragraph 3(v) of the Order is not applicable to the Company.

vi. According to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records under section 148(1) of the Act, for any activities conducted/ services rendered by the Company. Accordingly, paragraph 3(vi) of the Order is not applicable to the Company.

vii (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted / accrued in the books of account in respect of undisputed statutory dues including provident fund, employees' state insurance, income-tax, service tax, value added tax, cess and other material statutory dues have generally been regularly deposited during the year by the Company with the appropriate authorities.

(b) According to the information and explanations given to us, the following dues have not been deposited by the Company on account of any disputes.

Name of the statute	Nature of dues	Amount (Rs. in lakhs)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income Tax	37.75	2011-12	Commissioner of Income Tax (Appeals)
Income Tax Act, 1961	Income Tax	5.41	2012-13	Commissioner of Income Tax (Appeals)
Income Tax Act, 1961	Income Tax	22.54	2013-14	Commissioner of Income Tax (Appeals)

viii. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not defaulted in the repayment of outstanding dues to financial institution, bank, or debenture holder during the year. The Company did not have any borrowings from the government during the year.

ix. According to the information and explanations given to us, the Company has utilised the money raised by way of issue of non-convertible debentures and the terms loans during the year for the purpose for which they were raised. During the year, the Company has not raised moneys by way of initial public offer or further public offer.

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 information and explanations given to us, except for 120 cases aggregating Rs. 57.97 Lakhs, we have neither come across any instance of fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of such case by management.

xi. According to the information and explanations give to us and based on our examination of the records of the Company, the Company has paid/provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.

xii. 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 to the Company.

xiii. According to the information and explanations given to us and on the basis of our examination of the 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 have been disclosed in the financial statements, as required by the applicable accounting standards.

xiv. According to the information and explanations given by the management, the Company has not made preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and accordingly, paragraph 3(xiv) of the Order is not applicable.

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

xvi. According to the information and explanations given to us, the Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, paragraph 3(xvi) of the Order is not applicable.

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

Venkataramanan Vishwanath
Partner
Membership No: 113156

Mumbai
18 April 2019

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

Report on the internal financial controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (the "Act")

We have audited the internal financial controls with reference to financial statements of Mahindra Rural Housing Finance Limited (the "Company") as of 31 March 2019 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's responsibility for internal financial controls

The Company's management is responsible for establishing and maintaining internal financial controls with reference to financial statements based on the internal control 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 (the "Guidance Note") issued by the Institute of Chartered Accountants of India (the "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 the Company's policies, safeguarding of its assets, prevention and detection of frauds and errors, accuracy and completeness of the accounting records, and timely preparation of reliable financial information, as required under the Act.

Auditor's responsibility

Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, issued by the ICAI and deemed to be prescribed under section 143(10) of the Act, 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 with reference to financial statements was established and maintained and if such controls operated effectively in all material respects.

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

Meaning of internal financial controls with reference to financial statements

A company's internal financial control with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control with reference to financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent limitations of internal financial controls with reference to financial statements

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

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at 31 March 2019, based on the internal control with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

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

Venkataramanan Vishwanath
Partner
Membership No: 113156

Mumbai
18 April 2019

Balance Sheet

as at 31 March 2019

Rs. In Lakhs

Particulars			Note No.	As at 31 March 2019	As at 31 March 2018	As at 01 April 2017
ASSETS						
1)	**Financial Assets**					
	(a)	Cash and cash equivalents	3	2,982.62	5,577.07	1,622.45
	(b)	Loans	4	7,68,924.90	6,00,251.67	4,62,342.35
	(c)	Other Financial assets	5	315.10	227.62	161.06
				7,72,222.62	**6,06,056.36**	**4,64,125.86**
2)	**Non-financial Assets**					
	(a)	Current tax assets (Net)		402.53	171.02	0.94
	(b)	Deferred tax Assets (Net)	6	7,404.97	8,780.77	7,143.62
	(c)	Property, Plant and Equipment	7	2,454.43	1,797.87	1,526.36
	(d)	Other Intangible assets	8	115.71	45.79	32.53
	(e)	Other non-financial assets	9	542.88	1,139.33	707.57
				10,920.52	**11,934.78**	**9,411.02**
	TOTAL ASSETS			**7,83,143.14**	**6,17,991.14**	**4,73,536.88**
LIABILITIES AND EQUITY						
	LIABILITIES					
1)	**Financial Liabilities**					
	(a)	**Payables**				
		Trade Payables	10			
		i) total outstanding dues of micro enterprises and small enterprises		-	-	-
		ii) total outstanding dues of creditors other than micro enterprises and small enterprises		4,963.26	4,642.77	3,344.39
	(b)	Debt Securities	11	2,39,650.58	1,59,926.84	62,780.94
	(c)	Borrowings (Other than Debt Securities)	12	3,62,919.09	3,35,310.87	2,95,905.77
	(d)	Subordinated Liabilities	13	31,024.26	28,236.76	18,793.49
	(e)	Other financial liabilities	14	29,793.84	12,960.95	45,497.73
				6,68,351.03	**5,41,078.19**	**4,26,322.32**
2)	**Non-financial Liabilities**					
	(a)	Current tax liabilities (Net)		-	-	134.92
	(b)	Provisions	15	1,742.90	1,897.92	956.49
	(c)	Other non-financial liabilities	16	340.94	470.88	326.99
				2,083.84	**2,368.80**	**1,418.40**
3)	**EQUITY**					
	(a)	Equity Share capital	17	12,130.14	10,813.22	9,513.22
	(b)	Other Equity	18	100,578.13	63,730.93	36,282.94
				1,12,708.27	**74,544.15**	**45,796.16**
	Total Liabilities and Equity			**7,83,143.14**	**6,17,991.14**	**4,73,536.88**
	Summary of significant accounting policies		2			

The accompanying notes form an integral part of the financial statements.

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

Venkataramanan Vishwanath
Partner
Membership No: 113156

Mumbai
18 April 2019

For and on behalf of the Board of Directors
Mahindra Rural Housing Finance Limited

Ramesh Iyer
Director
[DIN: 00220759]

Nityanath Ghanekar
Director
[DIN: 00009725]

V. Ravi
Director
[DIN: 00307328]

Anjali Raina
Director
[DIN: 02327927]

K. Chandrasekar
Director
[DIN: 01084215]

M. Narendra
Director
[DIN: 00536905]

Anuj Mehra
Managing Director
[DIN: 02712119]

Dharmesh Vakharia
Chief Financial Officer

Navin Joshi
Company Secretary

Statement of Profit and Loss

for the year ended 31 March 2019

Rs. in lakhs

	Particulars	Note no.	Year ended 31 March 2019	Year ended 31 March 2018
	Revenue from operations			
	i) Interest income	19	1,35,296.69	1,01,983.21
	ii) Dividend income	20	123.34	0.09
	iii) Fees and commission income	21	2,947.06	1,493.10
I	**Total revenue from operations**		**1,38,367.09**	**1,03,476.40**
II	**Other income**	22	27.62	6.23
III	**Total Income (I+II)**		**1,38,394.71**	**1,03,482.63**
	Expenses			
	i) Finance costs	23	51,756.96	38,195.61
	ii) Fees and commission expense	24	111.56	127.01
	iii) Impairment on financial instruments	25	8,108.76	10,781.14
	iv) Employee benefits expenses	26	26,277.65	19,246.99
	v) Depreciation and amortization	27	1,059.72	783.95
	vi) Others expenses	28	14,463.67	10,225.12
IV	**Total Expenses (IV)**		**1,01,778.32**	**79,359.82**
V	**Profit before tax (III -IV)**		**36,616.39**	**24,122.81**
VI	**Tax expense :**			
	(i) Current tax		10,161.78	8,367.00
	(ii) Deferred tax		1,407.73	(1,632.88)
			11,569.51	**6,734.12**
VII	**Profit for the year (V-VI)**		**25,046.88**	**17,388.69**
VIII	**Other Comprehensive Income**			
	(i) Items that will not be reclassified to profit or loss			
	- Remeasurement loss on defined benefit plans		(91.34)	(12.22)
	(ii) Income tax impact thereon		31.92	4.27
	Other Comprehensive Income		**(59.42)**	**(7.95)**
IX	**Total Comprehensive Income for the year (VII+VIII) (Comprising Profit and other Comprehensive Income for the year)**		**24,987.46**	**17,380.74**
X	**Earnings per equity share (for continuing operations)** (Face value - Rs. 10/- per share)	29		
	Basic (Rupees)		22.45	18.24
	Diluted (Rupees)		22.24	18.09
	Summary of significant accounting policies	2		

The accompanying notes form an integral part of the financial statements.

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

For and on behalf of the Board of Directors
Mahindra Rural Housing Finance Limited

Venkataramanan Vishwanath
Partner
Membership No: 113156

Ramesh Iyer
Director
[DIN: 00220759]

Nityanath Ghanekar
Director
[DIN: 00009725]

V. Ravi
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[DIN: 00307328]

Anjali Raina
Director
[DIN: 02327927]

K. Chandrasekar
Director
[DIN: 01084215]

M. Narendra
Director
[DIN: 00536905]

Anuj Mehra
Managing Director
[DIN: 02712119]

Dharmesh Vakharia
Chief Financial Officer

Navin Joshi
Company Secretary

Mumbai
18 April 2019

Statement of Changes in Equity

for the year ended 31 March 2019

A. Equity Share Capital

Rs. in lakhs

	31 March 2019	31 March 2018	01 April 2017
Balance at the beginning of the year	10,813.22	9,513.22	9,513.22
Changes in Equity share capital during the year			
Add : Fresh allotment of shares :			
- Issue of Shares	1,282.05	1,300.00	-
- Shares issued under Employees' Stock Option Scheme	193.52	-	-
	12,288.79	**10,813.22**	**9,513.22**
Less : Shares issued to ESOS Trust but not allotted to employees	158.65	-	-
Balance at the end of the year	**12,130.14**	**10,813.22**	**9,513.22**

B. Other Equity

Rs. in lakhs

	Reserves and Surplus					Total
	Statutory reserves	Securities premium	General reserves	Employee stock options outstanding	Retained earnings or Profit & loss account	
Balance as at 01 April 2017	9,204.93	17,038.74	290.00	-	9,749.27	36,282.94
Profit for the year	-	-	-	-	17,388.69	17,388.69
Other Comprehensive Income	-	-	-	-	(7.95)	(7.95)
Total Comprehensive Income for the year	-	-	-	-	17,380.74	17,380.74
Dividend paid on equity shares (including tax thereon)	-	-	-	-	(1,717.51)	(1,717.51)
Securities premium on fresh issue of equity share capital	-	11,687.00	-	-	-	11,687.00
Share based payment expense	-	-	-	97.76	-	97.76
Transfers to Statutory reserves	5,000.00	-	-	-	(5,000.00)	-
Balance as at 31 March 2018	**14,204.93**	**28,725.74**	**290.00**	**97.76**	**20,412.50**	**63,730.93**
Balance as at 01 April 2018	**14,204.93**	**28,725.74**	**290.00**	**97.76**	**20,412.50**	**63,730.93**
Profit for the year	-	-	-	-	25,046.88	25,046.88
Other Comprehensive Income	-	-	-	-	(59.42)	(59.42)
Total Comprehensive Income for the year	-	-	-	-	24,987.46	24,987.46
Dividend paid on equity shares (including tax thereon)	-	-	-	-	(2,216.19)	(2,216.19)
Securities premium on fresh issue of equity share capital	-	14,804.70	-	-	-	14,804.70
Premium on shares issued to ESOP Trust but not allotted to employees	-	(904.32)	-	-	-	(904.32)
Transfers to Securities premium on exercise of employee stock options	-	80.29	-	(80.29)	-	-
Share based payment expense	-	-	-	175.55	-	175.55
Transfers to Statutory reserves	7,375.00	-	-	-	(7,375.00)	-
Balance as at 31 March 2019	**21,579.93**	**42,706.41**	**290.00**	**193.02**	**35,808.77**	**100,578.13**

As per our report of even date attached.

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

For and on behalf of the Board of Directors
Mahindra Rural Housing Finance Limited

Venkataramanan Vishwanath
Partner
Membership No: 113156

Ramesh Iyer
Director
[DIN: 00220759]

Nityanath Ghanekar
Director
[DIN: 00009725]

V. Ravi
Director
[DIN: 00307328]

Anjali Raina
Director
[DIN: 02327927]

K. Chandrasekar
Director
[DIN: 01084215]

M. Narendra
Director
[DIN: 00536905]

Anuj Mehra
Managing Director
[DIN: 02712119]

Dharmesh Vakharia
Chief Financial Officer

Navin Joshi
Company Secretary

Mumbai
18 April 2019

Statement of Cash Flows

for the year ended 31 March 2019

Rs. in lakhs

Particulars		Year ended 31 March 2019	Year ended 31 March 2018
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxes		36,616.39	24,122.81
Add/(Less):			
Adjustments to reconcile profit before tax to net cash flows			
Depreciation and amortisation expense		1,059.72	783.95
Impairment on financial instruments		8,108.76	10,781.14
Loss/ (profit) on sale of fixed assets		4.88	0.41
Employee compensation expense on account of ESOP scheme		175.54	97.77
Dividend income from investment in mutual funds		(123.34)	(0.09)
Profit on sale of investments in mutual funds		(11.77)	-
Operating profit before working capital changes	**I**	**45,830.18**	**35,785.99**
Working capital changes			
Increase in Loans		(1,76,419.78)	(1,49,023.67)
Trade Payable		320.49	1,298.38
Other liabilities		17,604.19	(31,803.72)
Provision		(246.36)	929.21
	II	**(1,58,741.46)**	**(1,78,599.80)**
Cash used in operations	**(I+II)**	**(1,12,911.28)**	**(1,42,813.81)**
Income taxes paid		(10,393.29)	(8,672.01)
NET CASH USED IN OPERATING ACTIVITIES (A)		**(1,23,304.57)**	**(1,51,485.82)**
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of fixed and intangible assets		(1,659.34)	(1,255.29)
Proceeds from sale of property, plant and equipment		15.02	21.05
Profit on sale of investments in mutual funds		11.77	-
Dividend received from investment in mutual funds		123.34	0.09
NET CASH USED IN INVESTING ACTIVITIES (B)		**(1,509.21)**	**(1,234.15)**
CASH FLOW FROM FINANCING ACTIVITIES			
Issue of equity shares (net of issue expenses for 31 March 2019: Rs. 16.30 Lakhs and for 31 March 2018: Rs. 13.00 Lakhs)		15,217.30	12,987.00
Debt securities issued		3,25,810.00	2,81,500.00
Debt securities repaid		(2,47,000.00)	(1,85,000.00)
Subordinated liabilities issued		3,500.00	9,500.00

Statement of Cash Flows

for the year ended 31 March 2019

Rs. in lakhs

Particulars	Year ended 31 March 2019	Year ended 31 March 2018
Subordinated liabilities repaid	(700.00)	-
Borrowings other than debt securities issued	2,63,500.00	3,36,825.00
Borrowings other than debt securities repaid	(2,35,891.78)	(2,97,419.90)
Dividend paid including dividend distribution tax	(2,216.19)	(1,717.51)
NET CASH GENERATED FROM FINANCING ACTIVITIES (C)	**1,22,219.33**	**1,56,674.59**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)	**(2,594.45)**	**3,954.62**
Cash and Cash Equivalents at the beginning of the year	**5,577.07**	**1,622.45**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (refer note 3)	**2,982.62**	**5,577.07**
Particulars		
Cash and cash equivalents at the end of the year		
- Cash on hand	1,645.64	848.11
- Balances with banks in current accounts	1,336.98	4,728.96
Total	**2,982.62**	**5,577.07**

Notes :

The above Cash Flow Statement has been prepared under the 'Indirect method' as set out in the Indian Accounting Standard 7 'Cash Flow Statements'.

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

Venkataramanan Vishwanath
Partner
Membership No: 113156

Mumbai
18 April 2019

For and on behalf of the Board of Directors
Mahindra Rural Housing Finance Limited

Ramesh Iyer
Director
[DIN: 00220759]

Nityanath Ghanekar
Director
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V. Ravi
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Anuj Mehra
Managing Director
[DIN: 02712119]

Dharmesh Vakharia
Chief Financial Officer

Navin Joshi
Company Secretary

Notes to the Financial Statement

for the year ended 31 March 2019

1. COMPANY INFORMATION

Mahindra Rural Housing Finance Limited ('the Company'), incorporated in India is a Housing Finance Company ('HFC') engaged in providing housing finance through its pan India branch network. In exercise of the powers conferred on the National Housing Bank vide Section 29A of The National Housing Bank Act, 1987, the Company has been granted Certificate of Registration dated 13 August 2007 to commence the business of a housing finance institution without accepting public deposits. The Company is a subsidiary of Mahindra & Mahindra Financial Services Limited. Mahindra & Mahindra Limited is the ultimate holding company.

The Company's registered office is at Mahindra Towers, 4th Floor, Dr. G. M. Bhosale Marg, Worli, Mumbai 400018, India.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. Statement of compliance and basis for preparation and presentation of financial statements

These standalone or separate financial statements of the Company have been prepared in accordance with the Indian Accounting Standards as per the Companies (Indian Accounting Standards) Rules 2015 as amended and notified under section 133 of the Companies Act, 2013 ("the Act"), in conformity with the accounting principals generally accepted in India and other relevant provisions of the Act.

The Company's financial statements upto and for the year ended 31 March 2018 were prepared in accordance with the Generally Accepted Accounting Principles in India (IGAAP) under the historical cost convention as a going concern and on accrual basis, unless otherwise stated, and in accordance with the provisions of the Act, the Accounting Standards specified under section 133 of the Act, read with rule 7 of the Companies (Accounts) Rules 2014 (as amended), prudential norms for income recognition, assets classification and provisioning for non-performing assets as well as contingency provision for standard assets as prescribed by The National Housing Bank (NHB) for HFCs and the guidelines issued by Securities and Exchange Board of India (SEBI) to the extent applicable (collectively referred as "Previous GAAP"). Any application guidance/ clarifications/ directions issued by NHB or other regulators are implemented as and when they are issued/ applicable.

These are the Company's first standalone or separate financial statements prepared in accordance with Indian Accounting Standards (Ind AS). The Company has applied Ind AS 101, First-time Adoption of Indian Accounting Standards for transition from Previous GAAP to Ind AS. An explanation of how transition to Ind AS has affected the previously reported financial position, financial performance and cash flow of the Company is provided in Note 38.

These separate financial statements were approved by the Company's Board of Directors and authorised for issue on 18 April 2019.

2.2. Functional and presentation currency

These financial statements are presented in Indian Rupees ('INR' or 'Rs.') which is also the Company's functional currency. All amounts are rounded-off to the nearest lakhs, unless otherwise indicated.

2.3. Basis of measurement

The financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value.

2.4. Measurement of fair values

A number of Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.The Company has established policies and procedures with respect to the measurement of fair values.Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities.

- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

2.5. Use of estimates and judgments

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income, expenses and the disclosures of contingent assets and

Notes to the Financial Statement

for the year ended 31 March 2019

liabilities. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were issued. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Following are the areas that involve a higher degree of estimate and judgement or complexity in determining the carrying amount of some assets and liabilities.

(i) Effective Interest Rate (EIR) Method

The Company recognizes interest income / expense using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loans given / taken. This estimation, by nature, requires an element of judgement regarding the expected behaviour and life-cycle of the instruments, as well as expected changes to other fee income/expense that are integral parts of the instrument.

(ii) Impairment of Financial Assets

The measurement of impairment losses on loan assets and commitments, requires judgement, in estimating the amount and timing of future cash flows and recoverability of collateral values while determining the impairment losses and assessing a significant increase in credit risk.

The Company's Expected Credit Loss (ECL) calculation is the output of a complex model with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL model that are considered accounting judgements and estimates include:

- The Company's criteria for assessing if there has been a significant increase in credit risk

- The segmentation of financial assets when their ECL is assessed on a collective basis

- Development of ECL model, including the various formulas and the choice of inputs

- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL model

It has been the Company's policy to regularly review its model in the context of actual loss experience and adjust when necessary (refer note 44)

2.6. First-time adoption of Ind AS – mandatory exceptions and optional exemptions

Overall principle :

The Company has prepared the opening balance sheet (refer note 38) as per Ind AS as of 1st April 2017 ("the transition date") by recognising all assets and liabilities whose recognition is required by Ind AS, not recognising items of assets or liabilities which are not permitted by Ind AS, by reclassifying items from Previous GAAP to Ind AS as required under Ind AS, and applying Ind AS in measurement of recognised assets and liabilities. However, this principle is subject to certain exceptions and certain optional exemptions availed by the Company as discussed below:

Deemed cost for property, plant and equipment and intangible assets

The Company has elected to measure property, plant and equipment, and intangible assets at its Previous GAAP carrying amount and use that previous GAAP carrying amount as its deemed cost at the date of transition to Ind AS.

Leases

The Company has availed the exemption to assess whether an arrangement contains a lease based on facts and circumstances existing on the date of transition to Ind AS.

2.7 Revenue recognition :

a) Recognition of interest income

Effective Interest Rate (EIR) method

Interest income is recognised in the statement of profit and loss using the effective interest method for all financial instruments measured at amortised cost. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument.

Notes to the Financial Statement

for the year ended 31 March 2019

The calculation of the effective interest rate includes transaction costs and fees that are an integral part of the contract. Transaction costs include incremental costs that are directly attributable to the acquisition of financial asset.

If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk, the adjustment is recorded as a positive or negative adjustment to the carrying amount of the asset in the balance sheet with an increase or reduction in interest income. The adjustment is subsequently amortised through interest income in the statement of profit and loss.

Interest income

The Company calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets.

When a financial asset becomes credit-impaired, the Company calculates interest income by applying the effective interest rate to the net amortised cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Company reverts to calculating interest income on a gross basis.

Additional interest income is recognised when it becomes measurable and when it is not unreasonable to expect its ultimate collection.

b) **Fee and commission income**

Fee based income are recognised when they become measurable and when it is probable to expect their ultimate collection.

c) **Dividend and interest income on investments**

Dividends are recognised in the statement of profit and loss only when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

2.8 Property, Plant and Equipments (PPE)

PPE are stated at cost of acquisition (including incidental expenses), less accumulated depreciation and accumulated impairment loss, if any.

Assets held for sale or disposals are stated at the lower of their net book value and net realisable value.

Advances paid towards the acquisition of PPE outstanding at each balance sheet date are disclosed separately under Other non-financial assets. Capital work in progress comprises the cost of Property, Plant and Equipment that are not ready for its intended use at the reporting date.

Depreciation on PPE is provided on straight-line basis in accordance with the useful lives specified in Schedule II to the Companies Act, 2013 on a pro-rata basis. The estimated useful life for the assets are stated as below:

Assets	Useful life
Buildings	- 60 years
Computers	- 3 years
Furniture and fixtures	- 10 years
Vehicles	- 8 years
Vehicles under lease	- 5 years
Computer Software	- 3 years

For following assets the useful life is taken as estimated by the management based on the actual usage pattern of the assets:

- Assets costing less than Rs. 5000/- are fully depreciated in the period of purchase.
- Vehicles used by employees are depreciated over the period of 48 months considering this period as the useful life of the vehicle for the Company, as against the useful life of 8 years as mentioned in Schedule II.

Property plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the net carrying amount of the asset) is recognised in other income / netted off from any loss on disposal in the statement of profit and loss in the year the asset is derecognised.

2.9 Intangible assets :

Intangible assets are stated at cost less accumulated amortization and accumulated impairment loss, if any.

Intangible assets comprises of computer software which is amortized over the estimated useful life. The maximum period for such amortization is taken as 36 months based on management's estimates of useful life. Amortisation is calculated using the Straight line method to write down the cost of intangible assets over their estimated useful lives.

Notes to the Financial Statement

for the year ended 31 March 2019

2.10 Cash and cash equivalent :

Cash comprises of cash on hand and demand deposits with bank. The Company considers all highly liquid financial instruments, which are readily convertible into known amounts of cash that are subject to an insignificant risk of change in value and having original maturities of three months or less from the date of purchase, to be cash equivalents.

2.11 Financial instruments :

Recognition and initial measurement

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at Fair Value Through Profit and Loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in the statement of profit and loss.

Classification and subsequent measurement

- Financial assets

On initial recognition, a financial asset is classified as measured at

- Amortised cost;

- Fair Value Through Other Comprehensinve Income (FVTOCI) - debt instruments;

- Fair Value Through Other Comprehensinve Income (FVTOCI) - equity instruments;

- Fair Value Through Profit and Loss (FVTPL)

The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios being the level at which they are managed. The financial asset is held with the objective to hold financial asset in order to collect contractual cash flows as per the contractual terms that give rise on specified dates to cash flows that are solely payment of principal and interest (SPPI) on the principal amount outstanding. Accordingly, the Company measures bank balances and loans at amortised cost.

Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the Company changes its business model for managing financial assets.

All financial assets not classified as measured at amortised cost or FVTOCI are measured at FVTPL.

Financial assets: Subsequent measurement and gains and losses -

Financial assets at amortised cost are subsequently measured at amortised cost using effective interest method. The amortised cost is reduced by impairment losses. Interest income and impairment are recognised in Statement of profit and loss. Any gain and loss on derecognition is recognised in Statement of profit and loss.

Financial assets at FVTPL are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in Statement of profit and loss.

Financial liabilities and equity instruments:

Classification as debt or equity -

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments -

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

Financial liabilities -

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading or it is a derivative or it is designated as such on initial recognition. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in Statement of profit and loss. Any gain or loss on derecognition is also recognised in the statement of profit and loss.

Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the

Notes to the Financial Statement

for the year ended 31 March 2019

risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset. If the Company enters into transactions whereby it transfers assets recognised on its balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets, the transferred assets are not derecognised.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. The difference between the carrying value of the financial liability and the consideration paid is recognised in the statement of profit and loss.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Impairment of financial instruments

Equity instruments are not subject to impairment under Ind AS 109.

Financial assets carried at amortised cost:

The Company recognises lifetime expected credit loss (ECL) when there has been a significant increase in credit risk since initial recognition and when the financial assets carried at amortised cost is credit impaired. If the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12 month ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition. 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

When determining whether credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on historical experience and forward-looking information.

The expected credit losses on these financial assets are estimated using a historical credit loss experience, adjusted for factors that are specific to the general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in the statement of profit and loss.

2.12 Employee benefits:

a) Short-term employee benefits

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

b) Contribution to provident fund and National Pension Scheme

Company's contribution paid/payable during the year to provident fund and National Pension Scheme is recognised in the Statement of profit and loss.

c) Gratuity

The Company's liability towards gratuity scheme is determined by actuaries, using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows

Notes to the Financial Statement

for the year ended 31 March 2019

by reference to market yields at the end of the reporting period on government bonds that have terms approximating to the terms of the related obligation. Past services are recognised at the earlier of the plan amendment / curtailment and recognition of related restructuring costs/ termination benefits.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit and loss.

Remeasurement gains/losses

Remeasurement of defined benefit plans, comprising of acturial gains / losses, return on plan assets excluding interest income are recognised immediately in the balance sheet with corresponding debit or credit to Other Comprehensive Income (OCI). Remeasurements are not reclassified to the statement of profit and loss in the subsequent period.

Remeasurement gains or losses on long-term compensated absences that are classified as other long-term benefits are recognised in the statement of profit and loss.

d) Superannuation fund

The Company makes contribution to the Superannuation scheme, a defined contribution plan, administered by Life Insurance Corporation of India, which are charged to the statement of profit and loss. The Company has no obligation to the scheme beyond its contributions.

e) Leave encashment / compensated absences / sick leave

The Company provides for the encashment / availment of leave with pay subject to certain rules. The employees are entitled to accumulate leave subject to certain limits for future encashment / availment. The liability is provided based on the number of days of unutilized leave at each balance sheet date on the basis of an independent actuarial valuation.

f) Employee stock options :

Equity-settled share-based payments to employees are recognised as an expense at the fair value of stock options at the grant date. The fair value determined at the grant date of the Equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest, with a corresponding increase in equity.

2.13 Finance costs :

Finance costs include interest expense computed by applying the effective interest rate on respective financial instruments measured at amortised cost, i.e., bank term loans, non-convertible debentures, inter corporate deposits, commercial papers and subordinated debts, to the extent they are regarded as an adjustment to the interest cost. Finance costs are charged to the Statement of profit and loss.

2.14 Taxation - Current and deferred tax:

Income tax expense comprises of current tax and deferred tax. Current and deferred tax are recognised in the statement of profit and loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

a) Current tax :

Current tax comprises amount of tax payable in respect of the taxable income or loss for the year determined in accordance with Income Tax Act, 1961 and any adjustment to the tax payable or receivable in respect of previous years. The Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

b) Deferred tax :

Deferred tax assets and liabilities are recognized for the future tax consequences of temporary differences between the carrying values of assets and liabilities and their respective tax bases. Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequence that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets are recognized to the extent that it is probable that future taxable income

Notes to the Financial Statement

for the year ended 31 March 2019

will be available against which the deductible temporary difference could be utilized. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

2.15 Securities issue expenses :

Expenses incurred in connection with the fresh issue of Share capital are adjusted against Securities premium reserve.

2.16 Impairment of non financial assets :

The Company reviews the carrying amounts of its tangible and other intangible assets at the end of each reporting period, to determine whether there is any indication that those assets have impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Recoverable amount is determined for an individual asset, unless the asset does not generate cash flows that are largely independent of those from other assets or group of assets.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the assets is considered impaired, and is written down to its recoverable amount.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount such that the increased carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised for the asset (or cash-generating unit) in prior years. The reversal of an impairment loss is recognised in the statement of profit and loss.

2.17 Provisions :

Provisions are recognised when there is a present obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and there is a reliable estimate of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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.

2.18 Leases :

Where the Company is the lessee -

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Operating lease payments are recognized as an expense in the Statement of profit and loss.

2.19 Earnings Per Share :

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. Earnings considered in ascertaining the Company's earnings per share is the net profit for the period after deducting preference dividends and any attributable tax thereto for the period. The weighted average number of equity shares outstanding during the period and for all periods presented is adjusted for events, such as bonus shares, sub-division of shares etc. that have changed the number of equity shares outstanding, without a corresponding change in resources. For the purpose of calculating diluted earnings per share, the net profit or loss for the period

Notes to the Financial Statement

for the year ended 31 March 2019

attributable to equity shareholders is divided by the weighted average number of equity shares outstanding during the period, considered for deriving basic earnings per share and weighted average number of equity shares that could have been issued upon conversion of all dilutive potential equity shares.

2.20 Standards issued but not yet effective :

In March 2019, the Ministry of Corporate Affairs issued the Companies (Indian Accounting Standards) Amendment Rules, 2019, notifying Ind AS 116, Leases and consequential amendments to various Ind AS standards. The amendments are effective from accounting periods beginning from 1st April 2019.

Ind AS 116 Leases

The Company is required to adopt Ind AS 116, Leases from 1 April 2019. Ind AS 116 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. It replaces existing leases guidance, Ind AS 17 on Leases and related interpretive guidance. Company is currently evaluating the impact of Ind AS 116 on its financial statements.

Key Amendments to other Ind AS:

Ind AS 12, Income Taxes

Recognition of income tax consequences of dividends:

Clarifies that the income tax consequences of distribution of profits (i.e. dividends), should be recognised when a liability to pay dividend is recognised. The income tax consequences should be recognised in the statement of profit and loss, other comprehensive income or equity according to where the past transactions or events that generated distributable profits were originally recognised. The Company is currently assessing the impact of application of this amendment on the Company's financial statements.

Ind AS 19, Employee Benefits

Clarifies that when a plan amendment, curtailment or settlement occurs:

The updated actuarial assumptions used in remeasuring the plan are applied to determine the current service cost and net interest for the remainder of the annual reporting period and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in Other Comprehensive Income. The Company is currently assessing the impact of application of this amendment on the Company's financial statements.

Ind AS 109, Financial Instruments

Prepayment Features with Negative Compensation:

It allows particular financial assets with prepayment features that may result in negative compensation - e.g. the lender receives less than the par amount and accrued interest and effectively compensates the borrower for the borrower's early termination of the contract - to be measured at amortised cost or at FVOCI (subject to the business model assessment). Before the amendments, these instruments were measured at FVTPL because the SPPI criterion would not be met when the party that chooses to terminate the contract early may receive compensation for doing so.

The amendments clarify that irrespective of the event or circumstance that causes the early termination of the contract, either party may pay or receive reasonable compensation for that early termination. The amendments remove the requirement for the compensation to be 'additional'. Accordingly, a prepayment amount that is less than the unpaid amounts of principal and interest (or less than the contractual par amount plus accrued interest) may meet the SPPI criterion if it is determined to include reasonable compensation for early termination.

The Company is currently assessing the impact of application of this amendment on the Company's financial statements.

Notes to the Financial Statement

for the year ended 31 March 2019

3 CASH AND CASH EQUIVALENTS

Rs. in lakhs

Particulars	As at 31 March 2019	As at 31 March 2018	As at 01 April 2017
Cash on hand	1,645.64	848.11	700.23
Balances with banks in current accounts	1,336.98	4,728.96	922.22
Total	**2,982.62**	**5,577.07**	**1,622.45**

4 LOANS AND ADVANCES (AT AMORTISED COST)

Rs. in lakhs

Particulars	As at 31 March 2019	As at 31 March 2018	As at 01 April 2017
A) Loans :			
Loans against assets	8,04,752.75	6,31,126.21	4,84,690.85
Other loans and advances	122.01	90.67	492.22
Total (A) - Gross	**8,04,874.76**	**6,31,216.88**	**4,85,183.07**
Less : Impairment loss allowance	(35,949.86)	(30,965.21)	(22,840.72)
Total (A) - Net	**7,68,924.90**	**6,00,251.67**	**4,62,342.35**
B) i) Secured by tangible assets (hypothecation on land and/ or building)	8,04,752.75	6,31,126.21	4,84,690.85
ii) Unsecured	122.01	90.67	492.22
Total (B) - Gross	**8,04,874.76**	**6,31,216.88**	**4,85,183.07**
Less : Impairment loss allowance	(35,949.86)	(30,965.21)	(22,840.72)
Total (B) - Net	**7,68,924.90**	**6,00,251.67**	**4,62,342.35**
C) I) Loans in India			
i) Public Sector	-	-	-
ii) Others	8,04,874.76	6,31,216.88	4,85,183.07
Total (C) - Gross	**8,04,874.76**	**6,31,216.88**	**4,85,183.07**
Less : Impairment loss allowance	(35,949.86)	(30,965.21)	(22,840.72)
Total (C) (I) - Net	**7,68,924.90**	**6,00,251.67**	**4,62,342.35**
II) Loans outside India	-	-	-
Less : Impairment loss allowance	-	-	-
Total (C) (II) - Net	**-**	**-**	**-**
Total C (I) and C (II)	**7,68,924.90**	**6,00,251.67**	**4,62,342.35**

5 OTHER FINANCIAL ASSETS

Rs. in lakhs

Particulars	As at 31 March 2019	As at 31 March 2018	As at 01 April 2017
Security deposits for office premises / others	310.80	227.62	157.64
Insurance claims receivable	4.30	-	3.42
Total	**315.10**	**227.62**	**161.06**

Notes to the Financial Statement

for the year ended 31 March 2019

6 DEFERRED TAX ASSETS

Rs. in lakhs

Particulars	As at 31 March 2019	As at 31 March 2018	As at 01 April 2017
Tax effect of items constituting deferred tax assets :			
Provision for employee benefits	500.51	256.63	156.09
Allowance for Expected Credit Loss (ECL)	1,313.08	3,188.39	3,123.76
Effective Interest Rate (EIR) - Financial instruments	5,292.13	5,145.02	3,770.47
Depreciation on property, plant and equipment	299.25	190.73	93.30
Total	**7,404.97**	**8,780.77**	**7,143.62**

7 PROPERTY, PLANT AND EQUIPMENTS

Rs. in lakhs

Particulars	Buildings*	Computers	Furniture and fixtures	Vehicles	Office equipments	Total
GROSS CARRYING AMOUNT						
Balance as at 1 April 2017	23.12	805.25	413.69	616.65	1,038.75	**2,897.46**
Additions during the year	-	347.69	236.15	194.57	276.87	**1,055.28**
Disposals / deductions during the year	-	2.25	4.91	75.45	2.16	**84.77**
Balance as at 31 March 2018	**23.12**	**1,150.69**	**644.93**	**735.77**	**1,313.46**	**3,867.97**
Balance as at 1 April 2018	23.12	1,150.69	644.93	735.77	1,313.46	**3,867.97**
Additions during the year	-	560.38	234.06	506.40	366.19	**1,667.03**
Disposals / deductions during the year	-	0.58	7.30	72.25	4.48	**84.61**
Balance as at 31 March 2019	**23.12**	**1,710.49**	**871.69**	**1,169.92**	**1,675.17**	**5,450.39**
ACCUMULATED DEPRECIATION						
Balance as at 1 April 2017	0.52	469.35	215.54	232.09	453.60	**1,371.10**
Additions during the year	0.38	215.96	128.12	120.98	296.86	**762.30**
Disposals / deductions during the year	-	1.93	4.35	55.26	1.76	**63.30**
Balance as at 31 March 2018	**0.90**	**683.38**	**339.31**	**297.81**	**748.70**	**2,070.10**
Balance as at 1 April 2018	0.90	683.38	339.31	297.81	748.70	**2,070.10**
Additions during the year	0.39	350.70	142.59	177.14	319.75	**990.57**
Disposals / deductions during the year	-	0.35	5.43	57.21	1.72	**64.71**
Balance as at 31 March 2019	**1.29**	**1,033.73**	**476.47**	**417.74**	**1,066.73**	**2,995.96**
NET CARRYING AMOUNT						
As at 01 April 2017	**22.60**	**335.90**	**198.15**	**384.56**	**585.15**	**1,526.36**
As at 31 March 2018	**22.22**	**467.31**	**305.62**	**437.96**	**564.76**	**1,797.87**
As at 31 March 2019	**21.83**	**676.76**	**395.22**	**752.18**	**608.44**	**2,454.43**

*** Secured non convertible debentures (NCDs) have exclusive pari passu charges on buildings whose carrying amount is Rs. 22.22 Lakhs (31 March 2018 - Rs. 22.60 Lakhs)**

Notes to the Financial Statement

for the year ended 31 March 2019

8 OTHER INTANGIBLE ASSETS

Rs. in lakhs

Particulars	Computer Software
GROSS CARRYING AMOUNT	
Balance as at 1 April 2017	33.46
Additions during the year	34.91
Disposals / deductions during the year	-
Balance as at 31 March 2018	**68.37**
Balance as at 1 April 2018	68.37
Additions during the year	139.07
Disposals / deductions during the year	-
Balance as at 31 March 2019	**207.44**
ACCUMULATED DEPRECIATION	
Balance as at 1 April 2017	0.93
Additions during the year	21.65
Disposals / deductions during the year	-
Balance as at 31 March 2018	**22.58**
Balance as at 1 April 2018	22.58
Additions during the year	69.15
Disposals / deductions during the year	-
Balance as at 31 March 2019	**91.73**
NET CARRYING AMOUNT	
As at 01 April 2017	**32.53**
As at 31 March 2018	**45.79**
As at 31 March 2019	**115.71**

9 OTHER NON-FINANCIAL ASSETS

Rs. in lakhs

Particulars	As at 31 March 2019	As at 31 March 2018	As at 01 April 2017
Capital advances	390.37	537.13	372.03
Prepaid expenses	152.51	602.20	335.54
Total	**542.88**	**1,139.33**	**707.57**

10 PAYABLES

Rs. in lakhs

	As at 31 March 2019	As at 31 March 2018	As at 01 April 2017
I) Trade Payables			
i) total outstanding dues of micro enterprises and small enterprises	-	-	-
ii) total outstanding dues of creditors other than micro enterprises and small enterprises	4,963.26	4,642.77	3,344.39
II) Other Payables			
i) total outstanding dues of micro enterprises and small enterprises	-	-	-
ii) total outstanding dues of creditors other than micro enterprises and small enterprises	-	-	-
	4,963.26	**4,642.77**	**3,344.39**

Notes to the Financial Statement

for the year ended 31 March 2019

Micro, Small and Medium Enterprises:

Based on and to the extent of the information received by the Company from the suppliers during the year regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act), the total outstanding dues of Micro and Small enterprises, which are outstanding for more than the stipulated period and other disclosures as per the Micro, Small and Medium Enterprises Development Act, 2006 (hereinafter referred to as "the MSMED Act") are given below :

Rs. in lakhs

		As at 31 March 2019	As at 31 March 2018	As at 01 April 2017
a)	Dues remaining unpaid to any supplier at the year end			
	- Principal	-	-	-
	- Interest on the above	-	-	-
b)	Interest paid in terms of Section 16 of the MSMED Act along with the amount of payment made to the supplier beyond the appointed day during the year			
	- Principal paid beyond the appointed date	-	-	-
	- Interest paid in terms of Section 16 of the MSMED Act	-	-	-
c)	Amount of interest due and payable for the period of delay on payments made beyond the appointed day during the year	-	-	-
d)	Amount of interest accrued and remaining unpaid	-	-	-
e)	Further interest due and payable even in the succeeding years, until such date when the interest due as above are actually paid to the small enterprises	-	-	-
	Total	**-**	**-**	**-**

11 DEBT SECURITIES

Rs. in lakhs

		As at 31 March 2019	As at 31 March 2018	As at 01 April 2017
At Amortised cost				
i)	**Bonds / Debentures (Secured)**			
	- Non-convertible debentures	1,95,247.59	1,19,469.04	43,025.71
ii)	**Others (Unsecured)**			
	- Commercial Papers	44,402.99	40,457.80	19,755.23
	Total	**2,39,650.58**	**1,59,926.84**	**62,780.94**
	Debt securities in India	2,39,650.58	1,59,926.84	62,780.94
	Debt securities outside India	-	-	-
	Total	**2,39,650.58**	**1,59,926.84**	**62,780.94**

There are no debt securities measured at FVTPL or designated at FVTPL.

Details of Bonds / Debentures (Secured) - Non-convertible debentures# :

From the Balance Sheet date	As at 31 March 2019		As at 31 March 2018		As at 01 April 2017	
	Interest Rate Range	Amount	Interest Rate Range	Amount	Interest Rate Range	Amount
Repayable on maturity :						
Maturing beyond 5 years	8.30%-9.18%	4,510.00	8.27%-8.30%	7,000.00	8.30%	1,000.00
Maturing between 3 years to 5 years	7.82%-9.25%	46,500.00	7.82%-8.90%	33,000.00	8.10%-8.90%	21,350.00
Maturing between 1 year to 3 years	7.76%-9.75%	1,14,150.00	7.73%-8.74%	74,350.00	7.90% - 8.74%	24,000.00
Maturing within 1 year	7.73%-8.74%	31,500.00	7.90%-8.00%	7,500.00		-
Total at face value		**1,96,660.00**		**1,21,850.00**		**46,350.00**
Less: Unamortised finance cost		1,412.41		2,380.96		3,324.29
Total amortised cost		**1,95,247.59**		**1,19,469.04**		**43,025.71**

Notes to the Financial Statement

for the year ended 31 March 2019

Secured by pari passu charges on office premise and exclusive charge on receivables under loan contracts, owned assets and book debts to the extent of 100% of outstanding secured debentures.

The rates mentioned above are the applicable rates as at the yearend date. These includes floating rate loans which are based on Marginal Cost of fund based Lending Rate (MCLR) / Treasury bill (T-bill) based spreads.

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

Details of others debt securities (Unsecured) - Commercial Papers :

From the Balance Sheet date	As at 31 March 2019		As at 31 March 2018		As at 01 April 2017	
	Interest Rate Range	Amount	Interest Rate Range	Amount	Interest Rate Range	Amount
Repayable on maturity :						
Maturing within 1 year	7.77% - 7.90%	45,000.00	7.45% - 7.80%	41,000.00	7.30% - 7.60%	20,000.00
Total at face value		**45,000.00**		**41,000.00**		**20,000.00**
Less: Unamortised finance cost		597.01		542.20		244.77
Total amortised cost		**44,402.99**		**40,457.80**		**19,755.23**

12 BORROWINGS (OTHER THAN DEBT SECURITIES)

Rs. in lakhs

	As at 31 March 2019	As at 31 March 2018	As at 01 April 2017
At Amortised cost			
i) Term loans			
Secured -			
- from banks	3,08,738.89	2,98,705.56	2,45,670.47
- from other parties	3,180.20	7,651.19	13,706.00
ii) Loans from related parties			
Unsecured -			
- Inter-corporate deposits (ICDs)	51,000.00	24,475.00	20,550.00
iii) Loans repayable on demand			
Secured -			
- from banks			
- Cash credit facilities	-	4,479.12	15,979.30
Total	**3,62,919.09**	**3,35,310.87**	**2,95,905.77**
Borrowings in India	3,62,919.09	3,35,310.87	2,95,905.77
Borrowings outside India	-	-	-
Total	**3,62,919.09**	**3,35,310.87**	**2,95,905.77**

There are no borrowings measured at FVTPL or designated at FVTPL

Details of term loans from banks (Secured)

From the Balance Sheet date	As at 31 March 2019		As at 31 March 2018		As at 01 April 2017	
	Interest Rate Range	Amount	Interest Rate Range	Amount	Interest Rate Range	Amount
1) Repayable on maturity :						
Maturing between 3 years to 5 years	7.90% -9.50%	25,000.00	7.90% - 8.75%	40,000.00	8.40% - 8.75%	25,000.00
Maturing between 1 year to 3 years	8.20% -9.50%	57,500.00	7.85% -8.75%	53,500.00	8.75% -9.70%	30,000.00
Maturing within 1 year	8.70% -9.50%	43,500.00	8.00% -8.15%	15,000.00	7.90% -9.70%	55,450.00
Total		**1,26,000.00**		**1,08,500.00**		**1,10,450.00**
2) Repayable in installments :						
i) Quarterly -						
Maturing between 3 years to 5 years	8.75%	1,111.11	8.10%-8.35%	4,166.67	8.15%	3,055.56
Maturing between 1 year to 3 years	8.75%-8.85%	12,500.00	8.10%-8.35%	10,555.56	8.15%	8,333.33
Maturing within 1 year	8.75%-8.85%	9,444.44	8.10%-8.35%	6,666.67	8.15%	4,298.25
Sub total		**23,055.55**		**21,388.90**		**15,687.14**

Notes to the Financial Statement

for the year ended 31 March 2019

From the Balance Sheet date		As at 31 March 2019		As at 31 March 2018		As at 01 April 2017	
		Interest Rate Range	Amount	Interest Rate Range	Amount	Interest Rate Range	Amount
ii)	**Half yearly -**						
	Maturing beyond 3 years to 5 years	8.70%	5,000.00	8.25%-8.45%	18,333.33	8.75%	6,666.67
	Maturing between 1 year to 3 years	8.70%-9.00%	16,666.67	8.45%	10,000.00	8.75%	10,000.00
	Maturing within 1 year	9.00%	6,666.67	8.45%	3,333.33	8.75%	6,666.66
	Sub total		**28,333.34**		**31,666.66**		**23,333.33**
iii)	**Yearly -**						
	Maturing between 3 years to 5 years	8.20% - 9.70%	28,050.00	8.00% - 8.45%	39,650.00	8.20% - 9.30%	31,300.00
	Maturing between 1 year to 3 years	8.20% - 9.70%	72,000.00	8.00% - 9.34%	71,700.00	8.20% - 9.63%	55,850.00
	Maturing within 1 year	8.20% - 9.34%	31,300.00	8.20% - 9.34%	25,800.00	9.25% - 9.63%	9,050.00
	Sub total		**1,31,350.00**		**1,37,150.00**		**96,200.00**
Total			**1,82,738.89**		**1,90,205.56**		**1,35,220.47**
Total (1+2) (As per contractual terms)			**3,08,738.89**		**2,98,705.56**		**2,45,670.47**
Less Unamortized Finance Cost			-		-		-
Total Amortized Cost			**3,08,738.89**		**2,98,705.56**		**2,45,670.47**

Secured by exclusive charge on receivables under loan contracts and book debts to the extent of 100% of outstanding secured loans

The rates mentioned above are the applicable rates as at the year end date. These includes floating rate loans which are based on Marginal Cost of fund based Lending Rate (MCLR) / Treasury bill (T-bill) based spreads.

Details of Secured term loans from other parties (National Housing Bank)

From the Balance Sheet date	As at 31 March 2019		As at 31 March 2018		As at 01 April 2017	
	Interest Rate Range	Amount	Interest Rate Range	Amount	Interest Rate Range	Amount
1) Repayable in installments :						
Quarterly -						
Maturing between 3 years to 5 years	-	-	8.80%	378.00	7.65%-9.30%	2,054.80
Maturing between 1 year to 3 years	9.30%-9.55%	973.80	7.95%-9.05%	3,637.20	7.65%-9.05%	6,339.39
Maturing within 1 year	9.05%-9.65%	2,206.40	7.95%-9.05%	3,635.99	7.65%-9.70%	5,311.81
Total		**3,180.20**		**7,651.19**		**13,706.00**
Less Unamortized Finance Cost		-		-		-
Total Amortized Cost		**3,180.20**		**7,651.19**		**13,706.00**

Secured by exclusive charge on receivables under loan contracts and book debts to the extent of 100% of outstanding secured loans

Details of Inter-corporate deposits (ICDs) (Unsecured) :

From the Balance Sheet date	As at 31 March 2019		As at 31 March 2018		As at 01 April 2017	
	Interest Rate Range	Amount	Interest Rate Range	Amount	Interest Rate Range	Amount
Repayable on maturity :						
Maturing between 1 year to 3 years	-	-	-	-	9.80%	200.00
Maturing within 1 year	7.75% - 9.40%	51,000.00	7.20% - 8.55%	24,475.00	7.60% - 9.80%	20,350.00
Total		**51,000.00**		**24,475.00**		**20,550.00**
Less Unamortized Finance Cost		-		-		-
Total Amortized Cost		**51,000.00**		**24,475.00**		**20,550.00**

Notes to the Financial Statement

for the year ended 31 March 2019

Loans repayable on demand - Cash credit facilities with banks (Secured)

From the Balance Sheet date	As at 31 March 2019		As at 31 March 2018		As at 01 April 2017	
	Interest Rate Range	Amount	Interest Rate Range	Amount	Interest Rate Range	Amount
Repayable on maturity :						
Maturing within 1 year		-	7.90% - 10.25%	4,479.12	8.15% - 10.50%	15,979.30
Total		**-**		**4,479.12**		**15,979.30**
Less Unamortized Finance Cost		-		-		-
Total Amortized Cost		**-**		**4,479.12**		**15,979.30**

Secured by exclusive charge on receivables under loan contracts and book debts to the extent of 100% of outstanding secured loans

The rates mentioned above are the applicable rates as at the yearend date. These includes floating rate loans which are based on Marginal Cost of fund based Lending Rate (MCLR) / Treasury bill (T-bill) based spreads.

Receivables under loan contracts, book debts and building as of 31 March 2019 with an outstanding amount of Rs. 4,71,203.71 Lakhs (31 March 2018: Rs. 4,14,588.16 Lakhs; 01 April 2017: Rs. 2,36,525.47 Lakhs) are pledged as collateral against the borrowings.

13 SUBORDINATED LIABILITIES

Rs. in lakhs

	As at 31 March 2019	As at 31 March 2018	As at 01 April 2017
At Amortized cost			
Unsecured Subordinated redeemable non-convertible debentures	31,024.26	28,236.76	18,793.49
Total	**31,024.26**	**28,236.76**	**18,793.49**
Subordinated liabilities in India	31,024.26	28,236.76	18,793.49
Subordinated liabilities outside India	-	-	-
Total	**31,024.26**	**28,236.76**	**18,793.49**

There are no subordinated liabilities measured at FVTPL or designated at FVTPL

Details of Subordinated liabilities (at Amortised cost) - Unsecured Subordinated redeemable non-convertible debentures#:

From the Balance Sheet date		As at 31 March 2019		As at 31 March 2018		As at 01 April 2017	
		Interest Rate Range	Amount	Interest Rate Range	Amount	Interest Rate Range	Amount
A)	**Issued on private placement**						
	Repayable on maturity :						
	Maturing beyond 5 years	8.40% - 9.50%	31,200.00	8.40% - 9.50%	27,700.00	8.40% - 9.50%	18,200.00
	Maturing between 3 years to 5 years	-	-	-	-	-	-
	Maturing between 1 year to 3 years	-	-	-	-	11.00%	700.00
	Maturing within 1 year	-	-	11.00%	700.00	-	-
	Sub-total at face value		**31,200.00**		**28,400.00**		**18,900.00**
	Less: Unamortised finance cost		175.74		163.24		106.51
	Total amortised cost		**31,024.26**		**28,236.76**		**18,793.49**

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

Notes to the Financial Statement

for the year ended 31 March 2019

14 OTHER FINANCIAL LIABILITIES

Rs. in lakhs

	As at 31 March 2019	As at 31 March 2018	As at 01 April 2017
Interest accrued but not due on borrowings	16,373.23	7,654.15	3,559.15
Credit balances in current accounts with banks as per books	6,802.88	-	38,673.76
Insurance premium payable	1,900.95	2,289.35	1,682.92
Salary, Bonus and performance pay payable	4,445.76	2,656.47	1,389.73
Provision for expenses	177.39	163.03	66.16
Other Liabilities	93.63	197.95	126.01
Total	**29,793.84**	**12,960.95**	**45,497.73**

15 PROVISIONS

Rs. in lakhs

	As at 31 March 2019	As at 31 March 2018	As at 01 April 2017
Provision for employee benefits			
- Gratuity	97.67	110.74	112.69
- Leave encashment	1,002.43	473.73	291.34
Provision for loan commitment	642.80	1,313.45	552.46
Total	**1,742.90**	**1,897.92**	**956.49**

16 OTHER NON-FINANCIAL LIABILITIES

Rs. in lakhs

	As at 31 March 2019	As at 31 March 2018	As at 01 April 2017
Statutory dues payable	340.94	470.88	326.99
Total	**340.94**	**470.88**	**326.99**

17 EQUITY SHARE CAPITAL

Rs. in lakhs

	As at 31 March 2019	As at 31 March 2018	As at 01 April 2017
Authorised capital :			
15,00,00,000 (31 March 2018: 15,00,00,000) Equity shares of Rs.10/- each	15,000.00	15,000.00	10,000.00
	15,000.00	**15,000.00**	**10,000.00**
Issued capital :			
12,28,87,870 (31 March 2018: 10,81,32,166) Equity shares of Rs.10/- each	12,288.79	10,813.22	9,513.22
Subscribed and paid-up capital :			
12,28,87,870 (31 March 2018: 10,81,32,166) Equity shares of Rs.10/- each fully paid up	12,288.79	10,813.22	9,513.22
Less : Shares issued to ESOS Trust but not allotted to employees	158.65	-	-
Total	**12,130.14**	**10,813.22**	**9,513.22**

Notes to the Financial Statement

for the year ended 31 March 2019

From the Balance Sheet date	As at 31 March 2019		As at 31 March 2018		As at 01 April 2017	
	No. of shares	Rs. in lakhs	No. of shares	Rs. in lakhs	No. of shares	Rs. in lakhs
a) Reconciliation of number of equity shares :						
Balance at the beginning of the year	10,81,32,166	10,813.22	9,51,32,166	9,513.22	7,57,29,181	7,572.92
Add : Fresh allotment of shares :						
Issue of Shares	1,28,20,512	1,282.05	1,30,00,000	1,300.00	1,94,02,985	1,940.30
Shares issued under Employees' Stock Option Scheme	19,35,192	193.52	-	-	-	-
Less : Shares issued to ESOS Trust but not allotted to employees	(15,86,530)	(158.65)	-	-	-	-
Balance at the end of the year	**12,13,01,340**	**12,130.14**	**10,81,32,166**	**10,813.22**	**9,51,32,166**	**9,513.22**
b) Number of equity shares held by holding company or ultimate holding company including shares held by its subsidiaries / associates :						
Holding Company: Mahindra & Mahindra Financial Services Limited (including 12 shares held jointly with nominees)	10,90,61,167	10,906.12	9,62,40,655	9,624.07	8,32,40,655	8,324.07
Percentage of holding (%)	88.75%	88.75%	89.00%	89.00%	87.50%	87.50%
c) Shareholders holding more than 5 percent shares :						
Mahindra & Mahindra Financial Services Limited	10,90,61,167	10,906.12	9,62,40,655	9,624.07	8,32,40,655	8,324.07
Percentage of holding (%)	88.75%	88.75%	89.00%	89.00%	87.50%	87.50%
National Housing Bank	1,18,91,511	1,189.15	1,18,91,511	1,189.15	1,18,91,511	1,189.15
Percentage of holding (%)	9.68%	9.68%	11.00%	11.00%	12.50%	12.50%

d) Terms / rights attached to equity shares :

The Company has only one class of equity shares having a par value of Rs. 10/- per share. Each holder of equity shares is entitled to one vote per share. The dividend proposed by the board of directors and approved by the shareholders in the annual general meeting is 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 preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

18 Other Equity

Description of the nature and purpose of Other Equity :

Statutory reserve

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 transfers an amount to Special Reserve at year end. The Company does not anticipate any withdrawal from Special Reserve in the foreseeable future.

Securities premium

Securities premium is used to record the premium on issue of shares. The reserve can be utilised only for limited purposes such as issuance of bonus shares in accordance with the provisions of the Companies Act, 2013.

Notes to the Financial Statement

for the year ended 31 March 2019

General reserve

General reserve is created through annual transfer of profits at a specified percentage in accordance with applicable regulations under the erstwhile Companies Act, 1956. The purpose of these transfers was to ensure that if a dividend distribution in a given year is more than 10% of the paid up capital of the Company for that year, then the total dividend distribution is less than the total distributable profits for that year. Consequent to introduction of the Companies Act, 2013, the requirement to mandatorily transfer specified percentage of net profits to General reserve has been withdrawn. However, the amount previously transferred to the General reserve can be utilised only in accordance with the specific requirements of the Companies Act, 2013.

Employee stock options outstanding

The Employee Stock Options outstanding represents reserve in respect of equity-settled share options granted to the eligible employees in pursuance of the Employee Stock Option Plan.

Retained earnings

Retained earnings or accumulated surplus represents total of all profits retained since Company's inception. Retained earnings are credited with current year profits, reduced by losses, if any, dividend payouts, transfers to General reserve or any such other appropriations to specific reserves.

Details of dividends proposed

	For the year ended	
	31 March 2019	31 March 2018
Face value per share (Rupees)	10.00	10.00
Dividend percentage	20%	17%
Dividend per share (Rupees)	2.00	1.70
Dividend on Equity shares (Rs. in lakhs)	2,457.76	1,838.25
Estimated dividend distribution tax (Rs. in lakhs)	505.31	377.94
Total Dividend including Dividend distribution tax (Rs. in lakhs)	**2,963.07**	**2,216.19**

The dividends proposed for the financial year ended 31 March 2018 have been paid to shareholders in the subsequent financial year and accounted on payment basis on approval of the members of the Company at relevant annual general meeting. Accordingly, the dividends proposed for the current financial year ended 31 March 2019 shall be paid to shareholders on approval of the members of the Company at the forthcoming annual general meeting.

19 INTEREST INCOME

Rs. in lakhs

	As at 31 March 2019	As at 31 March 2018
On financial assets measured at Amortised cost		
Interest on loans	1,35,295.57	1,01,982.28
Other interest income	1.12	0.93
Total	**1,35,296.69**	**1,01,983.21**

20 DIVIDEND INCOME

Rs. in lakhs

	As at 31 March 2019	As at 31 March 2018
Dividend income from investments in mutual funds	123.34	0.09
Total	**123.34**	**0.09**

21 FEES AND COMMISSION INCOME

Rs. in lakhs

	As at 31 March 2019	As at 31 March 2018
Service charges and other fees on loan transactions	2,947.06	1,493.10
Total	**2,947.06**	**1,493.10**

Notes to the Financial Statement

for the year ended 31 March 2019

22 OTHER INCOME

Rs. in lakhs

	As at 31 March 2019	As at 31 March 2018
Profit / loss on sale of current investments (net)	11.77	-
Others	15.85	6.23
Total	**27.62**	**6.23**

23 FINANCE COSTS

Rs. in lakhs

	As at 31 March 2019	As at 31 March 2018
On financial liabilities measured at Amortised cost		
Interest on borrowings	29,938.55	26,078.13
Interest on debt securities	18,715.22	9,402.26
Interest on subordinated liabilities	2,718.50	2,397.44
Other borrowing costs	384.69	317.78
Total	**51,756.96**	**38,195.61**

24 FEES AND COMMISSION EXPENSE

Rs. in lakhs

	As at 31 March 2019	As at 31 March 2018
Fees, commission / brokerage	111.56	127.01
Total	**111.56**	**127.01**

25 IMPAIRMENT ON FINANCIAL INSTRUMENTS

Rs. in lakhs

	As at 31 March 2019	As at 31 March 2018
On financial instruments measured at Amortised cost		
Loans	4,314.00	8,885.48
Bad debts / Loss on termination	3,794.76	1,895.66
Total	**8,108.76**	**10,781.14**

26 EMPLOYEE BENEFITS EXPENSES

Rs. in lakhs

	As at 31 March 2019	As at 31 March 2018
Salaries and wages	23,786.61	17,376.64
Contribution to provident and other funds	1,642.37	1,212.27
Share based payments to employees	205.10	188.44
Staff welfare expenses	643.57	469.64
Total	**26,277.65**	**19,246.99**

27 DEPRECIATION, AMORTIZATION AND IMPAIRMENT

Rs. in lakhs

	As at 31 March 2019	As at 31 March 2018
Depreciation on property, plant and equipment	990.57	762.30
Amortization of intangible assets	69.15	21.65
Total	**1,059.72**	**783.95**

Notes to the Financial Statement

for the year ended 31 March 2019

28 OTHER EXPENSES

Rs. in lakhs

	As at 31 March 2019	As at 31 March 2018
Rent	657.66	438.05
Rates and taxes, excluding taxes on income	101.13	67.42
Electricity charges	161.75	111.59
Repairs and maintenance	377.89	309.23
Communication Costs	512.42	445.25
Printing and Stationery	799.18	613.31
Travelling and conveyance expenses	5,147.38	3,439.46
Advertisement and publicity	87.20	82.06
Administration support charges	579.86	557.25
Directors' fees, allowances and expenses	34.23	37.85
Auditor's fees and expenses -		
- Audit fees	20.78	13.04
- Taxation matters	1.64	1.50
- Other services	11.67	8.89
- Reimbursement of expenses	1.67	0.81
Legal and professional charges	2,059.44	1,535.46
Insurance	764.18	514.91
Manpower outsourcing cost	366.95	55.03
Loss on Sale / retirement of Property, Plant and Equipment	4.88	0.41
Donations	2.20	0.20
CSR Expenditure	413.91	271.63
Other expenditure	2,357.65	1,721.77
Total	**14,463.67**	**10,225.12**

29 EARNING PER SHARE

	As at 31 March 2019	As at 31 March 2018
Profit for the year (Rs. in lakhs)	25,046.88	17,388.69
Weighted average number of Equity Shares used in computing basic EPS	11,15,50,426	9,53,10,248
Effect of potential dilutive Equity Shares	10,86,095	8,27,005
Weighted average number of Equity Shares used in computing diluted EPS	11,26,36,521	9,61,37,253
Basic Earnings per share (Rs.) (Face value of Rs. 10/- per share)	22.45	18.24
Diluted Earnings per share (Rs.)	22.24	18.09

30 EMPLOYEE STOCK OPTION SCHEME:

The Company has used fair value method to account for the compensation cost of stock options. Fair value of options is based on the valuation of the independent valuer using the Black-Scholes model.

Description of ESOP Scheme:

Particulars	ESOP
Vesting requirements	Stock Options due for vesting on each vesting date shall vest on the basis of time i.e. mere continuance of employment as on relevant date of vesting.
Vesting Conditions	25% on expiry of 12 months from the date of grant
	25% on expiry of 24 months from the date of grant
	25% on expiry of 36 months from the date of grant
	25% on expiry of 48 months from the date of grant
Method of Settlement	Equity settled

Notes to the Financial Statement

for the year ended 31 March 2019

The Fair value of options, based on the valuation of the independent valuer as on the date of grant are:

Vesting Date	31 March 2019			31 March 2018		
	No of years vesting	Fair Value (Rs.) per share	Exercise Price (Rs.)	No of years vesting	Fair Value (Rs.) per share	Exercise Price (Rs.)
Grant Dated 7 October 2017	-	-	-	4 years	23.01	67
Grant Dated 8 December 2017	-	-	-	4 years	23.08	67
Grant Dated 16 January 2018	-	-	-	4 years	23.24	67

The Key assumptions used in Black-Scholes model for calculating fair value as on the date of grant are:

Variables #	31 March 2019	31 March 2018		
		Grant dated 7 October 2017	Grant dated 8 December 2017	Grant dated 16 January 2018
1) Risk free interest rate	-	6.56%	6.78%	7.16%
2) Expected life	-	4 years	4 years	4 years
3) Expected volatility	-	41.25%	40.95%	40.54%
4) Dividend yield	-	2.24%	2.24%	2.24%
5) Price of the underlying share at the time of option grant (Rs.)	-	67	67	67

the value mentioned against each of the variables are based on the weighted average percentage of vesting.

Number and weighted average exercise price of options

Sr. No	Particulars	31 March 2019		31 March 2018	
		Number of options	Weighted Average Exercise Price (Rs.)	Number of options	Weighted Average Exercise Price (Rs.)
1	Outstanding at the beginning of the year	19,35,192	67.00	-	-
2	Granted during the year	-	-	19,35,192	67.00
3	Forfeited / Lapsed during the year	84,616	67.00	-	-
4	Exercised during the year	3,48,662	67.00	-	-
5	Outstanding at the end of the year	15,01,914	67.00	19,35,192	67.00
6	Exercisable at the end of the year	1,14,804	67.00	-	-

Range of exercise price and weighted average remaining contractual life of outstanding options:

Grant date	31 March 2019			31 March 2018		
	Number of Options Outstanding	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price (Rs.)	Number of Options Outstanding	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price (Rs.)
07-Oct-17	12,35,215	4.38		16,14,783	6.53	
08-Dec-17	1,35,699	4.59	67.00	1,71,409	6.70	67.00
16-Jan-18	1,31,000	4.51		1,49,000	6.80	

31 EMPLOYEE BENEFITS

General description of defined benefit plans :

Gratuity

The Company provides for gratuity, a defined benefit retirement plan covering qualifying employees. The plan provides for lump sum payments to employees upon death while in employment or on separation from employment after serving for the stipulated period mentioned under The Payment of Gratuity Act, 1972. The Company makes annual contribution to the gratuity scheme adminstered by the Life Insurance Corporation of India through its gratuity fund.

Through its defined benefit plans the Company is exposed to a number of risks, the most significant of which are detailed below:

Investment risk

The present value of the defined benefit plan liability is calculated using a discount rate which is determined by reference to market yields at the end of the reporting period on government bonds.

Notes to the Financial Statement

for the year ended 31 March 2019

Interest risk

A decrease in the bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments.

Longevity risk

The present value of defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

Salary risk

The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

Defined benefit plans:

Rs. in lakhs

	Particulars	Funded Plan Gratuity		
		31 March 2019	31 March 2018	01 April 2017
I	**Amount recognised in the Statement of Profit and Loss for the year ended 31 March:**			
1	Current service cost	163.50	101.71	67.88
2	Interest cost on benefit obligation (Net)	8.37	6.90	1.87
3	Adjustment due to opening balance	(3.60)	(18.98)	17.19
4	**Total expenses included in employee benefits expense**	**168.27**	**89.63**	**86.94**
II	**Amount recognised in Other Comprehensive income for the year**			
1	Actuarial (gains)/ losses-Actuarial (gains)/losses arising from changes in demographic assumption	22.97	-	-
2	Actuarial (gains)/ losses-Actuarial (gains)/losses arising from changes in financial assumption	6.71	(6.84)	36.88
3	Actuarial (gains)/ losses-Actuarial (gains)/losses arising from changes in experience adjustment	61.66	19.06	21.08
4	Return on plan assets	-	-	-
	Recognised in other comprehensive income	**91.34**	**12.22**	**57.96**
III	**Change in the present value of obligation during the year ended 31 March**			
1	Present value of defined benefit obligation at the beginning of the year	374.56	257.66	131.66
2	Current service cost	163.50	101.71	67.88
3	Interest cost/income	29.26	18.96	10.53
4	Remeasurements (gains)/ losses			
	(i) Actuarial (gains)/ losses-Actuarial (gains)/losses arising from changes in demographic assumption	22.97	-	-
	(ii) Actuarial (gains)/ losses-Actuarial (gains)/losses arising from changes in financial assumption	6.71	(6.84)	36.88
	(iii) Actuarial (gains)/ losses-Actuarial (gains)/losses arising from changes in experience adjustment	61.66	19.06	21.08
5	Benefits paid	(28.47)	(15.99)	(10.37)
6	Liabilities assumed /(settled)	-	-	-
7	**Present value of defined benefit obligation at the end of the year**	**630.19**	**374.56**	**257.66**
IV	**Change in fair value of plan assets during the year**			
1	Fair value of plan assets at the beginning of the year	263.82	144.97	125.44
2	Interest income	-	-	-
3	Contributions by employer	272.69	103.79	38.43
4	Benefits paid	(28.47)	(15.99)	(10.37)
5	Return on plan assets excluding interest income	20.88	12.07	8.66
6	Adjustment to the opening balance/exchange rate variation	3.60	18.98	(17.19)
7	**Fair value of plan assets at the end of the year**	**532.52**	**263.82**	**144.97**

Notes to the Financial Statement

for the year ended 31 March 2019

Rs. in lakhs

	Particulars	Funded Plan Gratuity		
		31 March 2019	31 March 2018	01 April 2017
V	**Net Asset/(Liability) recognised in the Balance Sheet as at**			
1	Present value of defined benefit obligation as at	630.19	374.56	257.66
2	Fair value of plan assets	532.52	263.82	144.97
3	Surplus/(Deficit)	(97.67)	(110.74)	(112.69)
4	Current portion of the above	97.67	110.74	92.96
5	Non current portion of the above	-	-	19.73
VI	**Actuarial assumptions**			
1	Discount rate	7.67%	7.81%	7.36%
2	Salary growth rate	5.00%	5.00%	5.00%
3	Attrition rate	43% for age upto 35, 36% for age 36-45, 17% for 46 and above	45.57% for age upto 35, 32.71% for age 36-45, 25.00% for 46 and above	45.22% for age upto 35, 34.63% for age 36-45, 36.84% for 46 and above

Quantitative sensitivity analysis for impact of significant assumptions on defined benefit obligation are as below:

Rs. in lakhs

Assumptions	31 March 2019	31 March 2018	01 April 2017
One percentage point increase in discount rate	(105.24)	(5.54)	(3.06)
One percentage point decrease in discount rate	133.60	5.59	4.00
One percentage point increase in salary growth rate	135.98	3.65	3.03
One percentage point decrease in salary growth rate	(108.52)	(3.66)	(2.17)

Maturity profile of defined benefit obligation

Rs. in lakhs

Assumptions	31 March 2019	31 March 2018	01 April 2017
Within 1 year	542.10	348.56	100.04
Between 2 and 5 years	3,915.23	2,724.06	400.99

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

The Company's contribution to provident fund and superannuation fund aggregating Rs. 709.69 Lakhs (31 March 2018 : Rs. 549.62 lakhs) has been recognised in the statement of profit and loss under the head employee benefits expenses.

32 OPERATING SEGMENTS

There is no separate reportable segment as per Ind AS 108 on "Operating Segments" in respect of the Company.

There are no operations outside India and hence there is no external revenue or assets which require disclosure.

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Company's total revenue in the year ended 31 March 2019 or 31 March 2018

33 LEASES

The office premises of the Company taken are on cancellable lease basis and hence, there are no lease commitments.

34 FRAUDS REPORTED DURING THE YEAR

There were 125 cases (31 March 2018: 73 cases, 31 March 2017: 29 cases) of frauds amounting to Rs. 111.98 Lakhs (31 March 2018: Rs.112.25 Lakhs, 31 March 2017: Rs 37.24 Lakhs) reported during the year. The Company has recovered an amount of Rs. 36.53 Lakhs (31 March 2018: Rs. 35.73 Lakhs, 31 March 2017: Rs 21.13 Lakhs) and wherever required has initiated appropriate legal actions against the individuals involved. The claims for the un-recovered losses are lodged with the insurance companies on merit basis.

Notes to the Financial Statement

for the year ended 31 March 2019

35 Contingent liabilities and commitments (to the extent not provided for)

Rs. in lakhs

		As at 31 March 2019	As at 31 March 2018	As at 01 April 2017
i)	**Claims against the Company not acknowledged as debt**			
	Legal suits filed by customers	104.25	67.30	4.64
	Income Tax	60.98	60.98	60.98
ii)	**Commitments**			
	Estimated amount of contracts remaining to be executed on capital account and not provided for	115.55	150.23	243.22
	Other commitments :			
	Amount on account of loan sanctioned but not disbursed	63,529.76	1,15,097.21	43,152.23
	Total	**63,810.54**	**1,15,375.72**	**43,461.07**

The Company's pending litigations comprise of claims against the Company primarily by the customers and proceedings pending with Income Tax authorities. The Company has reviewed all its pending litigations and proceedings and has adequately provided for where provisions are required and disclosed the contingent liabilities where applicable, in its financial statements. The amount of provisions / contingent liabilities is based on management's estimate, and no significant liability is expected to arise out of the same. In February 2019, Supreme Court of India in its judgement opined on the applicability of allowances that should be considered to measure obligations under Employees Provident Fund Act, 1952. The Company has been legally advised that there are interpretative challenges on the application of judgement retrospectively and therefore has currently not considered any probable obligations for past periods. Accordingly, the Company has made a provision for provident fund contribution from the date of the Supreme Court order.

36 CORPORATE SOCIAL RESPONSIBILITY (CSR)

During the year, the Company has incurred an expenditure of Rs. 413.91 Lakhs (31 March 2018 : Rs. 271.63 Lakhs) towards CSR activities which includes contribution / donations made to the trusts which are engaged in activities prescribed under section 135 of the Companies Act, 2013 read with Schedule VII to the said Act and expense of Rs. 9.70 Lakhs (31 March 2018: Rs. 4.70 Lakhs) towards the CSR activities undertaken by the Company.

Detail of amount spent towards CSR activities :

a) Gross amount required to be spent by the Company during the year is Rs. 413.77 lakhs (31 March 2018: Rs. 271.45 lakhs).

b) Amount spent by the Company during the year :

Rs. in lakhs

	Particulars	For the year ended 31 March 2019			For the year ended 31 March 2018		
		In cash	Yet to be paid in cash	Total	In cash	Yet to be paid in cash	Total
i)	Construction / acquisition of any asset	-	-	-	-	-	-
ii)	On purpose other than (i) above	413.91	-	413.91	271.63	-	271.63

37 The Company has a process whereby periodically all long term contracts (including derivative contracts) are assessed for material foreseeable losses. At the year end, the Company has reviewed and ensured that adequate provision as required under any law / accounting standards for material foreseeable losses on such long term contracts (including derivative contracts) has been made in the books of accounts.

Notes to the Financial Statement

for the year ended 31 March 2019

38 FIRST-TIME ADOPTION OF IND AS

This note explains the principal adjustments made by the Company in restating its Previous GAAP financial statements, including the balance sheet as at 1 April 2017 and the financial statements as at and for the year ended 31 March 2018 to comply with Ind AS.

Rs. in lakhs

Particulars	Note No.	As at 31 March 2018			As at 01 April 2017		
		Previous GAAP	Adjustments	Ind AS	Previous GAAP	Adjustments	Ind AS
ASSETS							
1 Financial Assets							
a) Cash and cash equivalents		5,577.07	-	5,577.07	1,622.45	-	1,622.45
b) Loans	i & iii	6,04,606.90	(4,355.23)	6,00,251.67	4,69,221.64	(6,879.29)	4,62,342.35
c) Other Financial assets		227.62	-	227.62	161.06	-	161.06
		6,10,411.59	**(4,355.23)**	**6,06,056.36**	**4,71,005.15**	**(6,879.29)**	**4,64,125.86**
2 Non-financial Assets							
a) Current tax assets (Net)		171.02	-	171.02	0.94	-	0.94
b) Deferred tax Assets (Net)	vi & vii	1,862.15	6,918.62	8,780.77	1,408.39	5,735.23	7,143.62
c) Property, Plant and Equipment		1,797.87	-	1,797.87	1,526.36	-	1,526.36
d) Other Intangible assets		45.79	-	45.79	32.53	-	32.53
e) Other non-financial assets	i	1,289.61	(150.28)	1,139.33	794.27	(86.70)	707.57
		5,166.44	**6,768.34**	**11,934.78**	**3,762.49**	**5,648.53**	**9,411.02**
Total Assets		**6,15,578.03**	**2,413.11**	**6,17,991.14**	**4,74,767.64**	**(1,230.76)**	**4,73,536.88**
LIABILITIES AND EQUITY							
LIABILITIES							
1 Financial Liabilities							
a) Payables							
Trade Payables							
i) total outstanding dues of micro enterprises and small enterprises		-	-	-	-	-	-
ii) total outstanding dues of creditors other than micro enterprises and small enterprises	i	4,337.15	305.62	4,642.77	3,185.22	159.17	3,344.39
b) Debt Securities	ii	1,60,110.13	(183.29)	1,59,926.84	62,824.77	(43.83)	62,780.94
c) Borrowings (Other than Debt Securities)	ii	3,35,310.87	-	3,35,310.87	2,95,905.77	-	2,95,905.77
d) Subordinated Liabilities	ii	28,400.00	(163.24)	28,236.76	18,900.00	(106.51)	18,793.49
e) Other financial liabilities		12,960.95	-	12,960.95	45,497.73	-	45,497.73
		5,41,119.10	**(40.91)**	**5,41,078.19**	**4,26,313.49**	**8.83**	**4,26,322.32**
2 Non-financial liabilities							
a) Current tax liabilities (Net)		-	-	-	134.92	-	134.92
b) Provisions	iii	584.47	1,313.45	1,897.92	404.03	552.46	956.49
c) Other non-financial liabilities		470.88	-	470.88	326.99	-	326.99
		1,055.35	**1,313.45**	**2,368.80**	**865.94**	**552.46**	**1,418.40**
3 EQUITY							
a) Equity Share capital		10,813.22	-	10,813.22	9,513.22	-	9,513.22
b) Other Equity	iv & v	62,590.36	1,140.57	63,730.93	38,074.99	(1,792.05)	36,282.94
		73,403.58	**1,140.57**	**74,544.15**	**47,588.21**	**(1,792.05)**	**45,796.16**
Total Liabilities and Equity		**6,15,578.03**	**2,413.11**	**6,17,991.14**	**4,74,767.64**	**(1,230.76)**	**4,73,536.88**

Notes to the Financial Statement

for the year ended 31 March 2019

Rs. in lakhs

	Particulars	Note No.	For the year ended 31 March 2018 Previous GAAP	Adjustments	Ind AS
	Revenue from operations				
	i) Interest income	i	91,871.08	10,112.13	1,01,983.21
	ii) Dividend income		0.09	-	0.09
	iii) Fees and commission income	i	8,124.41	(6,631.31)	1,493.10
I	**Total Revenue from operations**		**99,995.58**	**3,480.82**	**1,03,476.40**
II	Other income		6.23	-	6.23
III	**Total Income (I+II)**		**1,00,001.81**	**3,480.82**	**1,03,482.63**
	Expenses				
	i) Finance costs	ii	38,328.23	(132.62)	38,195.61
	ii) Fees and commission expense		127.01	-	127.01
	iii) Impairment on financial instruments	iii	8,916.93	1,864.21	10,781.14
	iv) Employee benefits expenses	iv & v	19,161.45	85.54	19,246.99
	v) Depreciation and amortization		783.95	-	783.95
	vi) Others expenses		10,225.12	-	10,225.12
IV	**Total Expenses (IV)**		**77,542.69**	**1,817.13**	**79,359.82**
V	**Profit before tax (III -IV)**		**22,459.12**	**1,663.69**	**24,122.81**
VI	**Tax expense :**				
	(i) Current tax		8,367.00	-	8,367.00
	(ii) Deferred tax	vi & vii	(453.76)	(1,179.12)	(1,632.88)
			7,913.24	**(1,179.12)**	**6,734.12**
VII	**Profit for the year (V-VI)**		**14,545.88**	**2,842.81**	**17,388.69**
VIII	**Other Comprehensive Income**				
	(i) Items that will not be reclassified to profit or loss				
	- Remeasurement gain / (loss) on defined benefit plans	iv	-	(12.22)	(12.22)
	(ii) Income tax impact thereon	vii	-	4.27	4.27
	Other Comprehensive Income		-	(7.95)	(7.95)
IX	**Total Comprehensive Income for the year (VII+VIII) (Comprising Profit and other Comprehensive Income for the year)**		**14,545.88**	**2,834.86**	**17,380.74**

Reconciliations between Ind AS and Previous GAAP for equity and profit or loss are given below:

Rs. in lakhs

Particulars	Note No.	Profit Reconciliation Year ended 31 March 2018
Profit after tax as reported under Previous GAAP		**14,545.88**
Adjustments :		
a) Impact on recognition of financial assets and financial liabilities at amortised cost by application of EIR		
i) Financial assets	i	(4,066.22)
ii) Financial liabilities	ii	132.62
b) Income accrued on non performing assets	i	7,547.04
c) Impact on application of Expected Credit Loss method for loan loss provisions	iii	(1,864.21)
d) Reclassification of actuarial loss to Other Comprehensive Income	iv	12.22
e) ESOP amortisation expense	v	(97.76)
f) Tax impact on above adjustments	vi	(581.36)
g) Derecognition of deferred tax liability on special reserve	vii	1,760.48
Profit after tax as per Ind AS		**17,388.69**
Other Comprehensive Income / (loss) (net of tax)	iv	(7.95)
Total Comprehensive Income as per Ind AS		**17,380.74**

Notes to the Financial Statement

for the year ended 31 March 2019

Rs. in lakhs

Particulars		Note No.	Equity Reconciliation	
			As at 31 March 2018	As at 01 April 2017
Equity as reported under Previous GAAP			**73,403.58**	**47,588.21**
Adjustments :				
a)	Impact on recognition of financial assets and financial liabilities at amortised cost by application of EIR			
	i) Financial assets	i	(15,024.63)	(10,958.42)
	ii) Financial liabilities	ii	196.26	63.64
b)	Income accrued on non performing assets	i	21,111.00	13,563.97
c)	Impact on application of Expected Credit Loss method for loan loss provisions	iii	(12,060.68)	(10,196.47)
d)	Reclassification of actuarial loss to Other Comprehensive Income	iv	70.18	57.96
e)	Tax impact on above adjustments	vi	2,003.62	2,584.98
f)	Derecognition of deferred tax liability on special reserve	vii	4,890.67	3,130.19
Equity as per Ind AS			**74,590.00**	**45,834.06**
Other Comprehensive Income / (loss) (net of tax)		iv	(45.85)	(37.90)
Total Equity as per Ind AS			**74,544.15**	**45,796.16**

Transition to Ind AS did not have any significant impact on cash flow from operating, investing and financing activites each, prepared under Previous GAAP

Material adjustments on adoption of Ind AS are explained below:

i Interest income measured using effective interest method

Under Previous GAAP, origination fees income received from customers was recognised upfront. Under Ind AS, such fees is amortised over the expected life of the loan assets and recognised as interest income using effective interest method.

Under Previous GAAP, interest income on non performing assets (i.e. loans that are 90 days past due) was not accrued. Under Ind AS interest income on such loans are accrued on their net carrying amount.

ii Interest expense measured using effective interest method

Under Previous GAAP, all origination transaction costs incurred by the Company was recognised upfront. Under Ind AS, such costs are amortised over the expected life of the financial liabilities and recognised as interest expense using effective interest method.

iii Impairment Allowance for expected credit loss

Under Previous GAAP, the provisioning for non performing assets was done in accordance with the Housing Finance Companies (NHB) Directions, 2010. Under Ind AS, impairment allowance for financial instruments is made based on expected credit loss model.

iv Reclassification of actuarial loss / (gain) to Other Comprehensive Income (OCI)

Actuarial gain and losses relating to defined benefit plan are recognised in other comprehensive income under Ind AS. Under Previous GAAP, these were recognised in statement of profit and loss.

v Employee stock option scheme

Under Previous GAAP, the cost of Employee Stock Options was recognised at intrinsic value as at the grant date. Under Ind AS, the same is recognised on the basis of fair value of the stock options as at the grant date.

vi Deferred tax adjustments

Deferred tax effect of the above Ind AS adjustments have been recognised on transition date and during the year ended 31 March 2018.

Notes to the Financial Statement

for the year ended 31 March 2019

vii Deferred tax liability on special reserve

Under Previous GAAP, Company recognised deferred tax on special reserve created under the National Housing Bank Act, 1987. Under Ind AS, the special reserve is not regarded as taxable temporary difference and hence, deferred tax liability is not recognised. Deferred tax liability derecognised as at 01 April 2017 and for the year ended 31 March 2018 is Rs. 3,130.19 Lakhs and Rs. 1,760.48 Lakhs respectively.

39 CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS

Capital management

The Company's capital management strategy is to effectively determine, raise and deploy capital so as to create value for its shareholders. The same is done through a mix of either equity and/or preference and/or convertible and/or combination of short term /long term debt as may be appropriate.

The Company determines the amount of capital required on the basis of its operations, capital expenditure and strategic investment plans.

The Company is subject to the capital adequacy requirements of the National Housing Bank (NHB). Regulatory capital consists of Tier I capital, which comprises of share capital, share premium and retained earnings including current year profit less deferred tax assets and intangible assets. The other component of regulatory capital is Tier 2 capital instruments, which include qualified subordinated debt. Further, capital adequacy requirement of NHB is based on Previous GAAP. Under NHB's capital adequacy guidelines, the Company is required to maintain a minimum capital adequacy ratio of 12% consisting of Tier I and Tier II Capital. The total of Tier II Capital at any point of time shall not exceed 100 percent of Tier I Capital. The Company follows accounting policies as prescribed under National Housing Bank Directions to manage capital under NHB regulations.

Company has complied with all regulatory requirements related to regulatory capital and capital adequacy ratios as prescribed by NHB, as set out below:

Rs. in lakhs

	31 March 2019	31 March 2018	01 April 2017
Tier 1 capital	1,01,361.47	71,495.64	46,147.29
Tier 2 capital	33,460.23	29,751.95	20,099.76
Total capital	1,34,821.70	1,01,247.59	66,247.05
Risk weighted assets	3,42,706.90	3,08,659.10	2,16,932.94
Tier 1 capital ratio	29.58%	23.16%	21.27%
Tier 2 capital ratio	9.76%	9.64%	9.27%
Total capital ratio	39.34%	32.80%	30.54%

40 TAXATION

Deferred tax assets

Rs. in lakhs

	Balance as at 01 April 2017	Charge/ (credit) to profit and loss	Charge/ (credit) to OCI	Balance as at 31 March 2018	Charge/ (credit) to profit and loss	Charge/ (credit) to OCI	Balance as at 31 March 2019
Tax effect of items constituting deferred tax assets :							
- Provision for employee benefits	156.09	96.27	4.27	256.63	211.96	31.92	500.51
- Allowance for Expected Credit Loss (ECL)	3,123.76	64.63	-	3,188.39	(1,875.32)	-	1,313.08
- Effective Interest Rate (EIR) on financial instruments	3,770.47	1,374.55	-	5,145.02	147.11	-	5,292.13
- Depreciation on property, plant and equipment	93.30	97.43	-	190.73	108.52	-	299.25
Total Deferred Tax Assets (net)	**7,143.62**	**1,632.88**	**4.27**	**8,780.77**	**(1,407.73)**	**31.92**	**7,404.97**

Notes to the Financial Statement

for the year ended 31 March 2019

Income tax recognised in Statement of Profit and loss

Rs. in lakhs

	31 March 2019	31 March 2018
Current tax:		
In respect of current year	9,950.00	8,330.00
In respect of prior years	211.78	37.00
	10,161.78	**8,367.00**
Deferred tax:		
In respect of current year origination and reversal of temporary differences	1,407.73	(1,632.88)
	1,407.73	**(1,632.88)**
Total Income tax recognised in Statement of Profit and loss	**11,569.51**	**6,734.12**

Income tax recognised in Other Comprehensive Income

Rs. in lakhs

	31 March 2019	31 March 2018
Deferred tax related to items recognised in Other Comprehensive Income during the year :		
Remeasurement of defined employee benefits	(31.92)	(4.27)
Total Income tax recognised in Other Comprehensive Income	**(31.92)**	**(4.27)**

Reconciliation of estimated income tax expense at tax rate to income tax expense reported in the statement of profit and loss is as follows:

Rs. in lakhs

	31 March 2019	31 March 2018
Profit before tax	36,616.39	24,122.81
Applicable income tax rate*	34.944%	34.608%
Expected income tax expense	12,795.23	8,348.42
Tax effect of adjustments to reconcile expected Income tax expense at tax rate to reported income tax expense:		
Effect of income exempt from tax	(43.10)	-
Effect of expenses / provisions not deductible in determining taxable profit	(1,392.34)	(1,669.20)
Effect of differential tax rate	(2.06)	17.90
Tax of earlier years	211.78	37.00
Income tax expense	**11,569.51**	**6,734.12**

* Applicable income tax rate as at 31 March 2019 is 34.944% and is increased due to increase in cess from 3% in comparitive year to 4% in current year.

41 CHANGE IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

Rs. in lakhs

Particulars	01 April 2018	Cash flows	Others#	31 March 2019
Share capital	10,813.22	1,316.92	-	12,130.14
Securities premium	28,725.74	13,900.38	80.29	42,706.41
Debt securities	1,59,926.84	78,810.00	913.74	2,39,650.58
Borrowings other than debt securities	3,35,310.87	27,608.22	-	3,62,919.09
Subordinated liabilities	28,236.76	2,800.00	(12.50)	31,024.26
Dividend paid including dividend distribution tax	-	(2,216.19)	-	-
Total liabilities from financing activities	**5,63,013.43**	**1,22,219.33**	**981.53**	**6,88,430.48**

Particulars	01 April 2017	Cash flows	Others#	31 March 2018
Share capital	9,513.22	1,300.00	-	10,813.22
Securities premium	17,038.74	11,687.00	-	28,725.74
Debt securities	62,780.94	96,500.00	645.90	1,59,926.84
Borrowings other than debt securities	2,95,905.77	39,405.10	-	3,35,310.87
Subordinated liabilities	18,793.49	9,500.00	(56.73)	28,236.76
Dividend paid including dividend distribution tax	-	(1,717.51)	-	-
Total liabilities from financing activities	**4,04,032.16**	**1,56,674.59**	**589.17**	**5,63,013.43**

includes securities premium on exercise of employees stock option and unamortised finance cost

Notes to the Financial Statement
for the year ended 31 March 2019

42 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled. With regard to loans and advances to customers, the Company uses the same basis of expected repayment behaviour as used for estimating the EIR. Issued debt reflect the contractual amortisations.

Rs. in lakhs

	31 March 2019			31 March 2018			01 April 2017		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Assets									
Financial Assets									
Cash and cash equivalents	2,982.62	-	2,982.62	5,577.07	-	5,577.07	1,622.45	-	**1,622.45**
Loans	2,25,601.20	5,43,323.70	7,68,924.90	1,77,610.89	4,22,640.78	6,00,251.67	1,25,001.07	3,37,341.28	**4,62,342.35**
Other Financial assets	28.23	286.87	315.10	29.02	198.60	227.62	28.10	132.96	**161.06**
Non-financial Assets									
Current tax assets (Net)	-	402.53	402.53	-	171.02	171.02	-	0.94	**0.94**
Deferred tax Assets (Net)	-	7,404.97	7,404.97	-	8,780.77	8,780.77	-	7,143.62	**7,143.62**
Property, Plant and Equipment	-	2,454.43	2,454.43	-	1,797.87	1,797.87	-	1,526.36	**1,526.36**
Other Intangible assets	-	115.71	115.71	-	45.79	45.79	-	32.53	**32.53**
Other non-financial assets	124.70	418.18	542.88	588.53	550.80	1,139.33	320.23	387.34	**707.57**
Total	**2,28,736.75**	**5,54,406.39**	**7,83,143.14**	**1,83,805.51**	**4,34,185.63**	**6,17,991.14**	**1,26,971.85**	**3,46,565.03**	**4,73,536.88**
Liabilities									
Financial Liabilities									
Payables									
Trade Payables									
i) total outstanding dues of micro enterprises and small enterprises	-	-	-	-	-	-	-	-	**-**
ii) total outstanding dues of creditors other than micro enterprises and small enterprises	4,963.26	-	4,963.26	4,642.77	-	4,642.77	3,344.39	-	**3,344.39**
Debt Securities	75,759.79	1,63,890.79	2,39,650.58	47,938.91	1,11,987.93	1,59,926.84	19,750.75	43,030.19	**62,780.94**
Borrowings (Other than Debt Securities)	1,44,117.51	2,18,801.58	3,62,919.09	83,390.11	2,51,920.76	3,35,310.87	1,17,106.02	1,78,799.75	**2,95,905.77**
Subordinated Liabilities	-	31,024.26	31,024.26	680.30	27,556.46	28,236.76	-	18,793.49	**18,793.49**
Other financial liabilities	23,983.82	5,810.02	29,793.84	11,753.03	1,207.92	12,960.95	45,497.73	-	**45,497.73**
Non-Financial Liabilities									
Current tax liabilities (Net)	-	-	-	-	-	-	134.92	-	**134.92**
Provisions	1,123.81	619.09	1,742.90	1,897.92	-	1,897.92	956.49	-	**956.49**
Other non-financial liabilities	340.94	-	340.94	470.88	-	470.88	326.99	-	**326.99**
Total	**2,50,289.13**	**4,20,145.74**	**6,70,434.87**	**1,50,773.92**	**3,92,673.07**	**5,43,446.99**	**1,87,117.29**	**2,40,623.43**	**4,27,740.72**
Net	**(21,552.38)**	**1,34,260.65**	**1,12,708.27**	**33,031.59**	**41,512.56**	**74,544.15**	**(60,145.44)**	**1,05,941.60**	**45,796.16**

Notes to the Financial Statement

for the year ended 31 March 2019

43 ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES AND LOAN COMMITMENTS BY REMAINING CONTRACTUAL MATURITIES

a The table below summarises the maturity profile of the undiscounted cash flows of the Company's financial assets and liabilities by remaining contractual maturities:

Rs. in lakhs

31 March 2019	Upto 1 month	Over 1 month & up to 2 months	Over 2 months & up to 3 months	Over 3 months & up to 6 months	Over 6 months & up to 1 year	Over 1 year & up to 3 years	Over 3 years & up to 5 years	Over 5 years & up to 7 years	Over 7 years & up to 10 years	Over 10 years	Total
Financial Assets											
Cash and cash equivalents and other bank balances	2,982.62	-	-	-	-	-	-	-	-	-	**2,982.62**
Loans and advances	73,492.76	15,405.43	14,557.35	39,659.80	75,469.77	2,85,399.52	1,67,356.32	37,599.81	28,394.33	53,269.23	**7,90,604.32**
Other financial assets	14.45	2.65	0.75	4.68	6.10	79.38	42.16	51.16	113.77	-	**315.10**
Total Undiscounted Financial Assets	**76,489.83**	**15,408.08**	**14,558.10**	**39,664.48**	**75,475.87**	**2,85,478.90**	**1,67,398.48**	**37,650.97**	**28,508.10**	**53,269.23**	**7,93,902.04**
Financial Liabilities											
Debt securities	-	15,000.00	45,000.00	10,000.00	6,500.00	1,14,150.00	46,500.00	-	4,510.00	-	**2,41,660.00**
Borrowings other than (debt securities)	12,087.88	11,750.00	8,947.22	37,468.43	73,863.98	1,59,640.47	59,161.11	7,000.00	24,200.00	-	**3,94,119.09**
Other financial liabilities	12,012.31	5,559.41	7,018.00	3,683.15	642.22	5,842.00	-	-	-	-	**34,757.09**
Total Undiscounted Financial Liabilities	**24,100.19**	**32,309.41**	**60,965.22**	**51,151.58**	**81,006.20**	**2,79,632.47**	**1,05,661.11**	**7,000.00**	**28,710.00**	**-**	**6,70,536.18**
Total Undiscounted Financial Assets / (Liabilities) - Net	**52,389.64**	**(16,901.33)**	**(46,407.12)**	**(11,487.10)**	**(5,530.33)**	**5,846.43**	**61,737.37**	**30,650.97**	**(201.90)**	**53,269.23**	**1,23,365.86**

b The table below summarises the contractual expiry by maturity of the undiscounted cash flows of the Company's loan commitments

	Up to 3 months	Over 3 months & upto 12 months	Total
Loan commitments	38,117.86	25,411.90	**63,529.76**

Notes to the Financial Statement

for the year ended 31 March 2019

a **The table below summarises the maturity profile of the undiscounted cash flows of the Company's financial assets and liabilities by remaining contractual maturities:**

Rs. in lakhs

31 March 2018	Upto 1 month	Over 1 month & up to 2 months	Over 2 months & up to 3 months	Over 3 months & up to 6 months	Over 6 months & up to 1 year	Over 1 year & up to 3 years	Over 3 years & up to 5 years	Over 5 years & up to 7 years	Over 7 years & up to 10 years	Over 10 years	Total
Financial Assets											
Cash and cash equivalents and other bank balances	5,577.07	-	-	-	-	-	-	-	-	-	**5,577.07**
Loans and advances	57,569.06	11,471.30	11,124.67	31,162.05	57,580.97	2,29,218.54	1,40,027.64	30,440.84	18,952.67	37,277.07	**6,24,824.81**
Other financial assets	17.72	1.53	0.24	3.70	5.84	31.87	28.01	49.67	89.04	-	**227.62**
Total Undiscounted Financial Assets	**63,163.85**	**11,472.83**	**11,124.91**	**31,165.75**	**57,586.81**	**2,29,250.41**	**1,40,055.65**	**30,490.51**	**19,041.71**	**37,277.07**	**6,30,629.50**
Financial Liabilities											
Debt securities	-	11,000.00	30,000.00	-	7,500.00	74,350.00	33,000.00	6,000.00	1,000.00	-	**1,62,850.00**
Borrowings other than (debt securities)	8,798.37	2,525.00	17,663.89	23,272.65	31,830.19	1,49,392.76	1,02,528.00	1,000.00	26,700.00	-	**3,63,710.86**
Other financial liabilities	4,365.48	4,653.76	4,156.53	2,497.09	721.76	1,197.38	11.71	-	-	-	**17,603.71**
Total Undiscounted Financial Liabilities	**13,163.85**	**18,178.76**	**51,820.42**	**25,769.74**	**40,051.95**	**2,24,940.14**	**1,35,539.71**	**7,000.00**	**27,700.00**	**-**	**5,44,164.57**
Total Undiscounted Financial Assets / (Liabilities) - Net	**50,000.00**	**(6,705.93)**	**(40,695.51)**	**5,396.01**	**17,534.86**	**4,310.27**	**4,515.94**	**23,490.51**	**(8,658.29)**	**37,277.07**	**86,464.93**

b **The table below summarises the contractual expiry by maturity of the undiscounted cash flows of the Company's loan commitments**

	Up to 3 months	Over 3 months & upto 12 months	Total
Loan commitments	69,058.33	46,038.88	**1,15,097.21**

Notes to the Financial Statement

for the year ended 31 March 2019

a **The table below summarises the maturity profile of the undiscounted cash flows of the Company's financial assets and liabilities by remaining contractual maturities:**

Rs. in lakhs

01 April 2017	Upto 1 month	Over 1 month & up to 2 months	Over 2 months & up to 3 months	Over 3 months & up to 6 months	Over 6 months & up to 1 year	Over 1 year & up to 3 years	Over 3 years & up to 5 years	Over 5 years & up to 7 years	Over 7 years & up to 10 years	Over 10 years	Total
Financial Assets											
Cash and cash equivalents and other bank balances	1,622.45	-	-	-	-	-	-	-	-	-	**1,622.45**
Loans and advances	37,788.42	7,994.11	8,010.00	22,729.26	41,987.40	1,77,013.83	1,20,615.82	31,981.01	11,691.66	22,606.85	**4,82,418.36**
Other financial assets	4.95	0.02	0.02	21.67	1.45	132.95	-	-	-	-	**161.06**
Total Undiscounted Financial Assets	**39,415.82**	**7,994.13**	**8,010.02**	**22,750.93**	**41,988.85**	**1,77,146.78**	**1,20,615.82**	**31,981.01**	**11,691.66**	**22,606.85**	**4,84,201.87**
Financial Liabilities											
Debt securities	5,000.00	5,000.00	10,000.00	-	-	24,000.00	21,350.00	-	1,000.00	-	**66,350.00**
Borrowings other than (debt securities)	25,271.50	14,700.00	1,464.91	13,136.63	62,532.99	1,11,422.72	68,077.02	-	18,200.00	-	**3,14,805.77**
Other financial liabilities	36,249.84	7,840.79	2,735.24	1,203.04	797.50	15.71	-	-	-	-	**48,842.12**
Total Undiscounted Financial Liabilities	**66,521.34**	**27,540.79**	**14,200.15**	**14,339.67**	**63,330.49**	**1,35,438.43**	**89,427.02**	**-**	**19,200.00**	**-**	**4,29,997.89**
Total Undiscounted Financial Assets / (Liabilities) - Net	**(27,105.52)**	**(19,546.66)**	**(6,190.13)**	**8,411.26**	**(21,341.64)**	**41,708.35**	**31,188.80**	**31,981.01**	**(7,508.34)**	**22,606.85**	**54,203.98**

b **The table below summarises the contractual expiry by maturity of the undiscounted cash flows of the Company's loan commitments**

	Up to 3 months	Over 3 months & upto 12 months	Total
Loan commitments	25,891.34	17,260.89	**43,152.23**

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for the year ended 31 March 2019

44 FINANCIAL RISK MANAGEMENT FRAMEWORK

In the course of its business, the Company is exposed to certain financial risks namely credit risk, interest risk, currency risk & liquidity risk. The Company's primary focus is to achieve better predictability of financial markets and seek to minimize potential adverse effects on its financial performance.

The financial risks are managed in accordance with the Company's risk management policy which has been approved by its Board of Directors.

Board of Directors of the Company have established Asset and Liability Management Committee (ALCO), which is responsible for developing and monitoring risk management policies for its business. The Company's financial services businesses are exposed to high credit risk given the unbanked rural customer base. The credit risk is managed through credit norms established based on historical experience.

i) Market Risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

a) Currency Risk

Company does not have significant foreign currency exposure. As a result, the Company is not exposed to currency risk.

b) Interest Rate Risk

The Company uses a mix of cash and borrowings to manage the liquidity & fund requirements of its day-to-day operations. Further, certain interest bearing liabilities carry variable interest rates.

Interest Rate sensitivity

The sensitivity analyses below have been determined based on exposure to financial instruments at the end of the reporting year. For floating rate liabilities, analysis is prepared assuming the amount of liability outstanding at the end of the reporting year was outstanding for the whole year. The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. With all other variables held constant, the Company's profit before tax is affected through the impact on floating rate borrowings, as follows:

	Currency	Increase / decrease in basis points	Effect on profit before tax	Effect on pre-tax equity
Year ended 31 March 2019	INR	100	1,310.34	-
Year ended 31 March 2018	INR	100	1,434.75	-

Offsetting of balances: The Company has not offset financial assets and financial liabilities.

ii) Credit Risk Management

Credit risk is the risk that the Company will incur a loss because its customers fail to discharge their contractual obligations. The Company has a comprehensive framework for monitoring credit quality of its loans primarily based on days past due monitoring as at a period end. Repayment by individual customers and portfolio is tracked regularly and required steps for recovery are taken through follow ups and legal recourse.

Credit quality of financial assets

The following table sets out information about credit quality of loan assets measured at amortised cost based on months past due information. The amount represents gross carrying amount.

Rs. in lakhs

Particulars	31 March 2019	31 March 2018	01 April 2017
Gross carrying value of loan assets			
Neither Past due nor impaired	4,56,340.86	3,19,901.49	2,73,952.40
30 days past due	83,187.48	76,416.43	55,296.28
31 - 90 days past due	1,60,582.65	1,48,862.22	96,456.61
Impaired (more than 90 days past due)	1,04,763.77	86,036.74	59,477.78
Total Gross carrying value as at reporting date	**8,04,874.76**	**6,31,216.88**	**4,85,183.07**

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for the year ended 31 March 2019

Since the company is into retail home loan lending business, there is no significant credit risk of any individual customer that may impact company adversely, and hence, the Company has calculated its ECL allowances on a collective basis.

Inputs considered in the ECL model

In assessing the impairment of loan assets under Expected Credit Loss (ECL) Model, the assets have been segmented into three stages. The three stages reflect the general pattern of credit deterioration of a financial instrument. The differences in accounting between stages, relate to the recognition of expected credit losses and the measurement of interest income.

The Company categorises loan assets into stages primarily based on the Days Past Due status.

Stage 1 : 0-30 days past due

Stage 2 : 31-90 days past due

Stage 3 : More than 90 days past due

(i) Definition of default

The Company considers a financial asset to be in "default" and therefore Stage 3 (credit impaired) for ECL calculations when the borrower becomes 90 days past due on its contractual payments.

(ii) Exposure at default

"Exposure at Default" (EAD) represents the gross carrying amount of the assets subject to impairment calculation. Future expected cash flows (principal and interest) for respective future years has been used as exposure for Stage 1 and Stage 2. This exposure is then multiplied by respective years Marginal Probability of Default (PD) and Loss Given Default (LGD) percentage to arrive at the expected credit losses. These expected credit losses are then discounted with the appropriate EIR to calculate the present value of these expected credit losses.

(iii) Estimations and assumptions considered in the ECL model

The Company has made the following assumptions in the ECL Model:

a. "Loss given default" (LGD) is common for all three Stages and is based on loss in past portfolio. Actual cashflows on the past portfolio are discounted at portfolio EIR rate for arriving at the loss rate.

b. "Probability of Default" (PD) is applied on Stage 1 and Stage 2 on portfolio basis and for Stage 3 PD at 100%. This is calculated as an average of the last 60 months yearly movement of default rates and further adjusted for macro economic factors.

(iv) Measurement of ECL

ECL is measured as follows:

- financial assets that are not credit impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive);

- financial assets that are credit impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan committments: as the present value of the difference between the contractual cash flows that are due to the Company if the committment is drawn down and the cash flows that the Company expects to receive.

Notes to the Financial Statement

for the year ended 31 March 2019

(v) Forward Looking Information

Historical PDs have been converted into forward looking PD which incorporates the forward looking economic outlook.

The macroeconomic variables considered by the Company are robust reflections of the state of economy which result into systematic risk for the respective portfolio segments.

Additionally, three different scenarios (base case, best case and worst case) have been considered for ECL calculation. Along with the actual numbers considered as base case, other scenarios take care of the worsening as well as improvments in the forward looking economic outlook.

(vi) Assessment of significant increase in credit risk

When determining whether the credit risk has increased significantly since initial recognition, the Company considers both quantitative and qualitative information and analysis based on the Company's historical experience, including forward-looking information. The Company considers reasonable and supportable information that is relevant and available without undue cost and effort. The Company's accounting policy is not to use the practical expedient that the financial assets with 'low' credit risk at the reporting date are deemed not to have had a significant increase in credit risk. As a result, the Company monitors all financial assets and loan commitments that are subject to impairment for significant increase in credit risk.

As a part of the qualitative assessment of whether a customer is in default, the Company also considers a variery of instances that may indicate unlikeliness to pay. In such instances, the Company treats the customer at default and therefore, assesses such loans as Stage 3 for ECL calculations, following are such instances:

- A Stage 3 customer having other loans which are in Stage 1 or 2.

- Cases where Company suspects fraud and legal proceedings are initated.

(vii) Policy for write off of Loan Assets

The gross carrying amount of a financial asset is written off to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the customer does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the loan outstanding dues. However, financial assets that are written off could still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in the statement of profit and loss.

(viii) Analysis of inputs to the ECL model with respect to macro economic variable

The below table shows the values of the forward looking macro economic variable used in each of the scenarios for the ECL calculations. For this purpose, the Company has used the data source of Economist Intelligence Unit.The upside and downside % change has been derived using historical standard deviation from the base scenario based on previous 8 years change in the variable.

Macro Economic Variable	ECL Scenario	Probability Assigned	2019	2020	2021	2022	2023	2024	2025	Subsequent Years
			%	%	%	%	%	%	%	%
Agriculture (% real change p.a)										
	Best Case	25%	6.0	5.8	5.9	6.1	5.5	6.7	5.5	6.3
	Base Case	65%	3.6	3.4	3.5	3.7	3.1	4.3	3.1	3.9
	Worst Case	10%	1.2	1.0	1.1	1.3	0.7	1.9	0.7	1.5

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for the year ended 31 March 2019

Impairment loss

The expected credit loss allowance provision for loans is determined as follows:

Rs. in lakhs

	Performing Loans - 12 month ECL	Underperforming loans - lifetime ECL not credit impaired	Impaired loans -lifetime ECL credit impaired	Total
Gross Balance as at 31 March 2019	5,39,528.34	1,60,582.65	1,04,763.77	**8,04,874.76**
Expected credit loss rate	0.93%	6.68%	19.32%	
Carrying amount as at 31 March 2019 (net of impairment provision)	5,34,536.73	1,49,860.84	84,527.33	**7,68,924.90**
Gross Balance as at 31 March 2018	3,96,317.92	1,48,862.22	86,036.74	**6,31,216.88**
Expected credit loss rate	0.66%	8.88%	17.59%	
Carrying amount as at 31 March 2018 (net of impairment provision)	3,93,700.06	1,35,649.31	70,902.30	**6,00,251.67**
Gross Balance as at 01 April 2017	3,29,248.68	96,456.61	59,477.78	**4,85,183.07**
Expected credit loss rate	0.53%	9.83%	19.51%	
Carrying amount as at 01 April 2017 (net of impairment provision)	3,27,492.80	86,973.08	47,876.47	**4,62,342.35**

Level of Assessment - Aggregation Criteria

The Company recognises the expected credit losses (ECL) on a collective basis that takes into account comprehensive credit risk information. Considering the economic and risk characterstics, pricing range, sector concentration, the Company calculates ECL on a collective basis for all stages - Stage 1, Stage 2 and Stage 3 assets.

An analysis of changes in the gross carrying amount and the corresponding ECLs in relation to loans is, as follows :

Gross exposure reconciliation - Loans

Rs. in lakhs

Particulars	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount balance as at 01 April 2017	**3,29,248.68**	**96,456.61**	**59,477.78**	**4,85,183.07**
- Transfers to Stage 1	18,094.77	(14,356.71)	(3,738.06)	**-**
- Transfers to Stage 2	(63,586.96)	65,953.97	(2,367.01)	**-**
- Transfers to Stage 3	(17,888.83)	(12,939.98)	30,828.81	**-**
- Loans that have been derecognised during the period	(17,813.82)	(4,467.12)	(2,210.53)	**(24,491.47)**
New loans originated during the year	1,67,243.33	29,064.00	593.21	**1,96,900.54**
Write-offs*	(3.86)	-	(3,249.72)	**(3,253.58)**
Remeasurement of net exposure	(18,975.39)	(10,848.55)	6,702.26	**(23,121.68)**
Gross carrying amount balance as at 31 March 2018	**3,96,317.92**	**1,48,862.22**	**86,036.74**	**6,31,216.88**
Changes due to loans recognised in the opening balance that have:				
- Transfers to Stage 1	34,825.74	(29,849.86)	(4,975.88)	**-**
- Transfers to Stage 2	(54,642.54)	57,066.55	(2,424.01)	**-**
- Transfers to Stage 3	(14,821.78)	(15,088.54)	29,910.32	**-**
- Loans that have been derecognised during the period	(20,266.82)	(6,831.64)	(5,834.03)	**(32,932.49)**
New loans originated during the year	1,88,354.81	16,415.03	171.36	**2,04,941.20**
Write-offs	-	-	(6,119.10)	**(6,119.10)**
Remeasurement of net exposure	9,761.01	(9,991.11)	7,998.37	**7,768.27**
Gross carrying amount balance as at 31 March 2019	**5,39,528.34**	**1,60,582.65**	**1,04,763.77**	**8,04,874.76**

* The contractual amount outstanding on financial assets that have been written off during the year ended 31 March 2019 and were still subject to enforcement activity was Rs. 2,835.64 Lakhs (31 March 2018 : Rs. 1,386.68 Lakhs)

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for the year ended 31 March 2019

Gross exposure reconciliation - Loan commitments

Rs. in lakhs

Particulars	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount balance as at 01 April 2017	**39,828.57**	**3,200.94**	**122.72**	**43,152.23**
- Transfers to Stage 1	37.44	(37.44)	-	**-**
- Transfers to Stage 2	(562.13)	564.12	(1.99)	**-**
- Transfers to Stage 3	(137.27)	(34.78)	172.05	**-**
- Loans that have been derecognised during the period	(37,422.08)	(3,039.90)	(60.56)	**(40,522.54)**
New loans originated during the year	1,07,464.38	5,669.34	12.45	**1,13,146.17**
Write-offs	-	-	-	**-**
Remeasurement of net exposure	(522.52)	(137.33)	(18.80)	**(678.65)**
Gross carrying amount balance as at 31 March 2018	**1,08,686.39**	**6,184.95**	**225.87**	**1,15,097.21**
Changes due to loans recognised in the opening balance that have:				
- Transfers to Stage 1	74.69	(74.49)	(0.20)	**-**
- Transfers to Stage 2	(261.64)	261.64	-	**-**
- Transfers to Stage 3	(6.38)	(6.92)	13.30	**-**
- Loans that have been derecognised during the period	(1,06,669.77)	(6,075.04)	(189.32)	**(1,12,934.13)**
New loans originated during the year	61,899.64	901.12	1.94	**62,802.70**
Write-offs	-	-	-	**-**
Remeasurement of net exposure	(1,248.18)	(187.84)	-	**(1,436.02)**
Gross carrying amount balance as at 31 March 2019	**62,474.75**	**1,003.42**	**51.59**	**63,529.76**

Reconciliation of ECL balance on loans

Rs. in lakhs

Particulars	Stage 1	Stage 2	Stage 3	Total
ECL allowance balance as at 01 April 2017	**1,755.88**	**9,483.53**	**11,601.31**	**22,840.72**
- Transfers to Stage 1	2,346.74	(1,411.59)	(935.15)	**-**
- Transfers to Stage 2	(340.06)	819.75	(479.69)	**-**
- Transfers to Stage 3	(95.93)	(1,272.30)	1,368.23	**-**
- Loans that have been derecognised during the period	(91.11)	(438.84)	(631.21)	**(1,161.16)**
New loans originated during the year	1,108.23	2,580.01	70.71	**3,758.95**
Write-offs	(0.01)	-	(511.15)	**(511.16)**
Net remeasurement of loss allowance	(2,065.88)	3,452.35	4,651.39	**6,037.86**
ECL allowance balance as at 31 March 2018	**2,617.86**	**13,212.91**	**15,134.44**	**30,965.21**
Changes due to loans recognised in the opening balance that have:				
- Transfers to Stage 1	3,651.33	(2,649.77)	(1,001.56)	**-**
- Transfers to Stage 2	(362.54)	809.42	(446.88)	**-**
- Transfers to Stage 3	(98.72)	(1,339.41)	1,438.13	**-**
- Loans that have been derecognised during the period	(122.62)	(604.92)	(1,541.74)	**(2,269.28)**
New loans originated during the year	1,758.29	1,096.00	24.45	**2,878.74**
Write-offs	-	-	(853.39)	**(853.39)**
Net remeasurement of loss allowance	(2,451.99)	197.58	7,482.99	**5,228.58**
ECL allowance balance as at 31 March 2019	**4,991.61**	**10,721.81**	**20,236.44**	**35,949.86**

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for the year ended 31 March 2019

Reconciliation of ECL balance on loan commitments

Rs. in lakhs

Particulars	Stage 1	Stage 2	Stage 3	Total
ECL allowance balance as at 01 April 2017	**214.12**	**314.73**	**23.61**	**552.46**
- Transfers to Stage 1	3.68	(3.68)	-	**-**
- Transfers to Stage 2	(3.02)	3.40	(0.38)	**-**
- Transfers to Stage 3	(0.74)	(3.42)	4.16	**-**
- Loans that have been derecognised during the period	(201.19)	(298.89)	(11.65)	**(511.73)**
New loans originated during the year	717.05	503.27	2.16	**1,222.48**
Write-offs	-	-	-	**-**
Net remeasurement of loss allowance	(4.71)	33.63	21.32	**50.24**
ECL allowance balance as at 31 March 2018	**725.19**	**549.04**	**39.22**	**1,313.45**
Changes due to loans recognised in the opening balance that have:				
- Transfers to Stage 1	6.65	(6.61)	(0.04)	**-**
- Transfers to Stage 2	(1.75)	1.75	-	**-**
- Transfers to Stage 3	(0.04)	(0.61)	0.65	**-**
- Loans that have been derecognised during the period	(711.75)	(539.28)	(32.87)	**(1,283.90)**
New loans originated during the year	555.42	60.17	0.37	**615.96**
Write-offs	-	-	-	**-**
Net remeasurement of loss allowance	(15.27)	2.54	10.02	**(2.71)**
ECL allowance balance as at 31 March 2019	**558.45**	**67.00**	**17.35**	**642.80**

The increase in ECL of the portfolio was driven by an increase in the size of the portfolio, movements between stages as a result of increases in credit risk and due to deterioration in economic conditions.

Significant changes in the gross carrying value that contributed to change in loss allowance

The Company provides loans to retail individual customers in rural and semi urban areas which are of small ticket size. Change in any single customer repayment will not impact significantly to Company's provisioning. All customers are being monitored based on past due and corrective actions are taken accordingly to limit the Company's risk.

Concentration of Credit Risk

Company's loan portfolio is predominantly to finance retail home loans. The Company manages concentration of risk primarily by geographical region in India.The following tables show the geographical concentrations of loans:

Rs. in lakhs

Particulars	As at 31 March 2019	As at 31 March 2018	As at 01 April 2017
Concentration by Geographical region in India:			
North	14,996.06	13,156.36	7,384.60
East	6,958.53	5,645.21	4,607.77
West	5,10,836.54	4,20,700.35	3,26,490.47
South	2,72,083.63	1,91,714.96	1,46,700.23
Total Carrying Value	**8,04,874.76**	**6,31,216.88**	**4,85,183.07**

Maximum Exposure to credit Risk

The maximum exposure to credit risk of loans is their carrying amount. The maximum exposure is before considering the effect of mitigation through collateral.

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for the year ended 31 March 2019

Collaterals

Narrative Description of Collateral

Collateral primarily include land and constructed/purchased house property by retail loan customers. Company generally does not obtain additional collateral during the term of the loan.

The below tables provide an analysis of the fair values of collateral held for Credit impaired assets:

Rs. in lakhs

31 March 2019	Maximum exposure to Credit Risk	Land and Building	Surplus Collateral	Total Collateral	Net Exposure	Associated ECL
Loans:						
a) Loans against assets	1,04,749.71	1,98,088.82	(95,234.47)	1,02,854.35	1,895.36	20,235.22
b) Others	14.06	-	-	-	14.06	1.22
Total	**1,04,763.77**	**1,98,088.82**	**(95,234.47)**	**1,02,854.35**	**1,909.42**	**20,236.44**
31 March 2018	Maximum exposure to Credit Risk	Land and Building	Surplus Collateral	Total Collateral	Net Exposure	Associated ECL
Loans:				-	-	-
a) Loans against assets	86,008.23	1,72,244.60	(87,015.51)	85,229.09	779.14	15,132.12
b) Others	28.51	-	-	-	28.51	2.33
Total	**86,036.74**	**1,72,244.60**	**(87,015.51)**	**85,229.09**	**807.65**	**15,134.45**
01 April 2017	Maximum exposure to Credit Risk	Land and Building	Surplus Collateral	Total Collateral	Net Exposure	Associated ECL
Loans:				-		-
a) Loans against assets	59,474.63	1,29,764.62	(70,630.60)	59,134.02	340.61	11,601.17
b) Others	3.15	-	-	-	3.15	0.14
Total	**59,477.78**	**1,29,764.62**	**(70,630.60)**	**59,134.02**	**343.76**	**11,601.31**

Collaterals Repossessed

Company did not obtain non financial assets during the year by taking possession of collateral it held as security.

Quantitative Information of Collateral - Credit Impaired assets

The Company holds residential properties as collateral for the housing loans it grants to its customers. The Company monitors its exposure to retail lending using the Loan To Value (LTV) ratio, which is calculated as the ratio of the gross amount of the loan - or the amount committed for loan committments - to the value of the collateral. The value of the collateral for residential housing loans is typically based on the collateral value at origination.

(Gross value of total loans to value of collateral)

Rs. in lakhs

Loan To Value	Gross Value of total loans		
	31 March 2019	31 March 2018	01 April 2017
Upto 50%	4,24,259.31	3,31,367.41	2,64,391.13
51 - 70%	2,77,994.90	2,24,117.62	1,60,180.16
71 - 100%	89,946.91	69,513.93	57,467.07
Above 100%	12,551.63	6,127.25	2,652.49
	8,04,752.75	**6,31,126.21**	**4,84,690.85**

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for the year ended 31 March 2019

(Loan commitments to value of collateral)

Rs. in lakhs

Loan To Value	Gross Value of Commitments		
	31 March 2019	31 March 2018	01 April 2017
Upto 50%	29,910.03	56,209.52	35,637.28
51 - 70%	6,005.20	38,830.07	754.84
71 - 100%	3,666.45	9,902.84	123.12
Above 100%	-	-	-
	39,581.68	**1,04,942.43**	**36,515.24**

(Gross value of credit impaired loans to value of collateral)

Rs. in lakhs

Loan To Value	Gross Value of loans in Stage 3		
	31 March 2019	31 March 2018	01 April 2017
Upto 50%	31,004.04	28,399.29	23,039.83
51 - 70%	29,996.39	27,478.80	19,241.86
71 - 100%	31,238.75	24,002.94	14,543.60
Above 100%	12,510.65	6,127.25	2,652.49
	1,04,749.83	**86,008.29**	**59,477.78**

iii) Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established Asset and Liability Management Committee (ALCO) for the management of the Company's short, medium and long term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. The Company also has Inter corporate deposits line available from holding company & fellow subsidiary companies within its group to meet any short term fund requirements.

a) Maturity profile of non-derivative financial liabilities

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The amount disclosed in the tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company may be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is calculated considering interest rate prevailing as at respective year end date.

Rs. in lakhs

Particulars	Less than 1 Year	1-3 Years	3 Years to 5 Years	5 years and above
Non-derivative financial liabilities				
31 March 2019				
Trade Payable :	4,963.26	-	-	-
Debt Securities :				
- Principal	76,500.00	1,14,150.00	46,500.00	4,510.00
- Interest	10,259.40	32,806.04	8,184.71	1,861.86
Borrowings (Other than Debt Securities) :				
- Principal	1,44,117.51	1,59,640.47	59,161.11	-
- Interest	28,210.92	25,156.23	2,464.85	-
Subordinated liabilities :				
- Principal	-	-	-	31,200.00
- Interest	2,782.00	5,577.83	5,576.94	8,875.73
Other financial liabilities :	29,793.84	-	-	-
Total	**2,96,626.93**	**3,37,330.57**	**1,21,887.61**	**46,447.59**

Notes to the Financial Statement

for the year ended 31 March 2019

Rs. in lakhs

Particulars	Less than 1 Year	1-3 Years	3 Years to 5 Years	5 years and above
31 March 2018				
Trade Payable :	4,642.77	-	-	-
Debt Securities :				
- Principal	48,500.00	74,350.00	33,000.00	7,000.00
- Interest	5,518.34	14,637.63	7,833.32	1,146.54
Borrowings (Other than Debt Securities) :				
- Principal	83,390.11	1,49,392.76	1,02,528.00	-
- Interest	25,248.41	31,998.99	7,858.74	-
Subordinated liabilities :				
- Principal	700.00	-	-	27,700.00
- Interest	2,495.06	4,917.02	4,914.63	9,689.81
Other financial liabilities :	12,960.95	-	-	-
Total	**1,83,455.64**	**2,75,296.40**	**1,56,134.69**	**45,536.35**
01 April 2017				
Trade Payable :	3,344.39	-	-	-
Debt Securities :				
- Principal	20,000.00	24,000.00	21,350.00	1,000.00
- Interest	2,601.06	4,613.69	1,193.91	415.00
Borrowings (Other than Debt Securities) :				
- Principal	1,17,106.02	1,10,722.72	68,077.02	-
- Interest	22,267.71	25,209.06	5,458.91	-
Subordinated liabilities :				
- Principal	-	700.00	-	18,200.00
- Interest	1,730.79	3,336.34	3,304.11	7,559.82
Other financial liabilities :	45,497.73	-	-	-
Total	**2,12,547.70**	**1,68,581.81**	**99,383.95**	**27,174.82**

iv) Measurement of Fair Value

Valuation technique for Fair value measurement

Fair value of loans & borrowings are calculated using a portfolio based approach, grouping them as far as possible into homogenous groups based on similar characteristics (such as tenor & rates of interest). Using the Discounted cash flow approach, the values are then calculated for the portfolio considering all significant characteristics of the loans and borrowings.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities.

- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Notes to the Financial Statement

for the year ended 31 March 2019

Financial Instruments measured at amortised cost

Rs. in lakhs

Particulars	Carrying Value	Fair value	Fair value		
			Level 1	Level 2	Level 3
As at 31 March 2019					
Financial assets					
a) Cash and cash equivalent	2,982.62	2,982.62	2,982.62	-	-
b) Loans and advances to customers	7,68,924.90	7,58,757.38	-	-	7,58,757.38
c) Other financial assets	315.10	315.10	-	315.10	-
Total	**7,72,222.62**	**7,62,055.10**	**2,982.62**	**315.10**	**7,58,757.38**
Financial liabilities					
a) Trade Payables	4,963.26	4,963.26	-	4,963.26	-
b) Debt securities	2,39,650.58	2,42,787.48	1,98,384.49	44,402.99	-
c) Borrowings other than debt securities	3,62,919.09	3,61,181.56	-	3,61,181.56	-
d) Subordinated Liabilities	31,024.26	30,829.07	30,829.07	-	-
e) Other financial liabilities	29,793.84	29,793.84	-	29,793.84	-
Total	**6,68,351.03**	**6,69,555.21**	**2,29,213.56**	**4,40,341.65**	**-**
As at 31 March 2018					
Financial assets					
a) Cash and cash equivalent	5,577.07	5,577.07	5,577.07	-	-
b) Loans and advances to customers	6,00,251.67	6,03,306.10	-	-	6,03,306.10
c) Other financial assets	227.62	227.62	-	227.62	-
Total	**6,06,056.36**	**6,09,110.79**	**5,577.07**	**227.62**	**6,03,306.10**
Financial liabilities					
a) Trade Payables	4,642.77	4,642.77	-	4,642.77	-
b) Debt securities	1,59,926.84	1,61,663.87	1,21,206.07	40,457.80	-
c) Borrowings other than debt securities	3,35,310.87	3,34,509.09	-	3,34,509.09	-
d) Subordinated Liabilities	28,236.76	29,109.05	29,109.05	-	-
e) Other financial liabilities	12,960.95	12,960.95	-	12,960.95	-
Total	**5,41,078.19**	**5,42,885.73**	**1,50,315.12**	**3,92,570.61**	**-**
As at 1 April 2017					
Financial assets					
a) Cash and cash equivalent	1,622.45	1,622.45	1,622.45	-	-
b) Loans and advances to customers	4,62,342.35	4,61,288.20	-		4,61,288.20
c) Other financial assets	161.06	161.06	-	161.06	-
Total	**4,64,125.86**	**4,63,071.71**	**1,622.45**	**161.06**	**4,61,288.20**
Financial liabilities					
a) Trade Payables	3,344.39	3,344.39	-	3,344.39	-
b) Debt securities	62,780.94	63,334.04	43,578.81	19,755.23	-
c) Borrowings other than debt securities	2,95,905.77	2,95,857.65	-	2,95,857.65	-
d) Subordinated Liabilities	18,793.49	19,898.00	19,898.00	-	-
e) Other financial liabilities	45,497.73	45,497.73	-	45,497.73	-
Total	**4,26,322.32**	**4,27,931.81**	**63,476.81**	**3,64,455.00**	**-**

There were no transfers between Level 1 and Level 2 during the year.

There is no financial instrument measured at fair value on a recurring or non recurring basis as at 31 March 2019, 31 March 2018 and 1 April 2017

Notes to the Financial Statement

for the year ended 31 March 2019

45 COMPENSATION OF KEY MANAGEMENT PERSONNEL OF THE COMPANY

Key management personnel are those individuals who have the authority and responsibility for planning and exercising power to directly or indirectly control the activities of the Company or its employees. The Company considers its Managing Director to be the key management personnel for the purposes of IND AS 24 Related Party Disclosures.

Rs. in lakhs

	31 March 2019	31 March 2018
Short-term employee benefits	190.86	161.64
Post-employment benefits	5.21	4.09
Other long-term benefits	-	1.15
Share-based payments	60.42	47.54
	256.49	214.42

46 RELATED PARTY DISCLOSURES:

i) As per Ind AS 24 on 'Related party disclosures', the related parties of the Company are as follows:

a)	Ultimate Holding Company	Mahindra & Mahindra Limited
b)	Holding Company	Mahindra & Mahindra Financial Services Limited
c)	Fellow Subsidiaries:	Mahindra Insurance Brokers Limited
	(entities with whom the Company has transactions)	NBS International Limited
		Mahindra Asset Management Company Private Limited.
		Mahindra Integrated Business Solutions Private Limited.
		Mahindra Logistics Limited
		Mahindra Vehicle Manufacturers Limited
		Mahindra Holidays and Resorts India Limited
		Mahindra Defence Systems Limited
		Mahindra Retail Limited
d)	Associates of Ultimate Holding Company	Tech Mahindra Limited
	(entities with whom the Company has transactions)	Swaraj Engines Limited
e)	Key Management Personnel:	Mr. Anuj Mehra (Managing Director)

Notes to the Financial Statement

for the year ended 31 March 2019

ii) The nature and volume of transactions of the Company during the year with above related parties were as follows:

Rs. in lakhs

Particulars	Holding Company		Fellow Subsidiaries		Associates of Ultimate Holding Company		Key Management Personnel	
	Year ended 31 March 2019	Year ended 31 March 2018	Year ended 31 March 2019	Year ended 31 March 2018	Year ended 31 March 2019	Year ended 31 March 2018	Year ended 31 March 2019	Year ended 31 March 2018
Interest expense								
- Mahindra & Mahindra Limited	357.51	213.04	-	-	-	-	-	-
- Mahindra & Mahindra Financial Services Limited	37.97	77.00	-	-	-	-	-	-
- Mahindra Insurance Brokers Limited	-	-	1,967.13	1,214.61	-	-	-	-
- Mahindra Asset Management Company Private Limited	-	-	427.52	420.62	-	-	-	-
-Mahindra Logistics Limited	-	-	0.67	-	-	-	-	-
-Mahindra Vehicle Manufacturers Limited	-	-	5.92	-	-	-	-	-
- Tech Mahindra Limited	-	-	-	-	470.00	613.66	-	-
- Swaraj Engines Limited	-	-	-	-	42.15	-	-	-
Other expenses								
- Mahindra & Mahindra Limited	226.61	126.86	-	-	-	-	-	-
- Mahindra & Mahindra Financial Services Limited	698.44	648.14	-	-	-	-	-	-
- NBS International Limited	-	-	1.06	7.65	-	-	-	-
- Mahindra Integrated Business Solutions Private Limited	-	-	613.67	114.08	-	-	-	-
-Mahindra Defence Systems Limited	-	-	2.48	-	-	-	-	-
- Mahindra Holidays and Resorts India Limited	-	-	0.39	-	-	-	-	-
- Mahindra Retail Limited	-	-	30.28	-	-	-	-	-
ESOP Expenses								
- Mahindra & Mahindra Limited	0.32	1.19	-	-	-	-	-	-
- Mahindra & Mahindra Financial Services Limited	26.58	92.64	-	-	-	-	-	-
Remuneration								
- Mr. Anuj Mehra	-	-	-	-	-	-	256.49	214.42
Purchase of fixed assets								
- Mahindra & Mahindra Limited	242.98	103.10	-	-	-	-	-	-
- Mahindra & Mahindra Financial Services Limited	2.75	-	-	-	-	-	-	-
- NBS International Limited	-	-	3.21	-	-	-	-	-
- Mahindra Retail Limited	-	-	414.05	-	-	-	-	-
Dividend paid								
- Mahindra & Mahindra Financial Services Limited	1,636.09	1,248.61	-	-	-	-	-	-
Inter corporate deposits taken								
- Mahindra & Mahindra Limited	10,000.00	5,000.00	-	-	-	-	-	-
- Mahindra Insurance Brokers Limited	-	-	29,500.00	19,375.00	-	-	-	-
- Mahindra Asset Management Company Private Limited	-	-	900.00	-	-	-	-	-
- Tech Mahindra Limited	-	-	-	-	10,000.00	-	-	-
- Swaraj Engines Limited	-	-	-	-	1,000.00	-	-	-
- Mahindra Logistics Limited	-	-	1,500.00	-	-	-	-	-
-Mahindra Vehicle Manufacturers Limited	-	-	5,000.00	-	-	-	-	-
Inter corporate deposits repaid / matured								
- Mahindra & Mahindra Limited	10,000.00	-	-	-	-	-	-	-

Notes to the Financial Statement

for the year ended 31 March 2019

Rs. in lakhs

Particulars	Holding Company		Fellow Subsidiaries		Associates of Ultimate Holding Company		Key Management Personnel	
	Year ended 31 March 2019	Year ended 31 March 2018	Year ended 31 March 2019	Year ended 31 March 2018	Year ended 31 March 2019	Year ended 31 March 2018	Year ended 31 March 2019	Year ended 31 March 2018
- Mahindra Insurance Brokers Limited	-	-	19,375.00	10,350.00	-	-	-	-
- Mahindra Asset Management Company Private Limited	-	-	1,000.00	100.00	-	-	-	-
- Tech Mahindra Limited	-	-	-	-	-	10,000.00	-	-
- Swaraj Engines Limited	-	-	-	-	1,000.00	-	-	-
Issue of Share Capital (incl Securities premium)								
- Mahindra & Mahindra Financial Services Limited	15,000.00	13,000.00	-	-	-	-	-	-

iii) Balances as at the end of the year:

Rs. in lakhs

Particulars	Holding Company			Fellow Subsidiaries			Associates of Ultimate Holding Company			Key Management Personnel		
	As at 31 March 2019	As at 31 March 2018	As at 01 April 2017	As at 31 March 2019	As at 31 March 2018	As at 01 April 2017	As at 31 March 2019	As at 31 March 2018	As at 01 April 2017	As at 31 March 2019	As at 31 March 2018	As at 01 April 2017
Balances as at the end of the year												
Subordinate debt held (including interest accrued but not due)												
- Mahindra & Mahindra Financial Services Limited	-	700.76	700.57	-	-	-	-	-	-	-	-	-
- Mahindra Asset Management Company Private Limited	-	-	-	4,856.83	4,856.88	4,856.15	-	-	-	-	-	-
Payables												
- Mahindra & Mahindra Limited	13.50	46.91	180.79	-	-	-	-	-	-	-	-	-
- Mahindra & Mahindra Financial Services Limited	82.64	47.28	95.91	-	-	-	-	-	-	-	-	-
- Mahindra Insurance Brokers Limited	-	-	-	80.82	14.54	17.01	-	-	-	-	-	-
- Mahindra Integrated Business Solutions Private Limited	-	-	-	26.12	9.78	5.80	-	-	-	-	-	-
Inter corporate deposits outstanding (including interest accrued but not due)												
- Mahindra & Mahindra Limited	5,020.56	5,191.74	-	-	-	-	-	-	-	-	-	-
- Mahindra Insurance Brokers Limited	-	-	-	30,585.35	20,007.30	10,674.66	-	-	-	-	-	-
- Mahindra Asset Management Company Private Limited	-	-	-	-	107.27	214.55	-	-	-	-	-	-
- Tech Mahindra Limited	-	-	-	-	-	-	10,423.00	-	10,188.17	-	-	-
- Mahindra Logistics Limited	-	-	-	1,500.61	-	-	-	-	-	-	-	-
- Mahindra Vehicle Manufacturers Limited	-	-	-	5,005.33	-	-	-	-	-	-	-	-

Notes to the Financial Statement

for the year ended 31 March 2019

47 Events after reporting date

The dividends proposed for the current financial year ended 31 March 2019 shall be paid to shareholders on approval of the members of the Company at the forthcoming Annual General Meeting and hence, has been treated as a non adjusting event (refer note no. 18). There have been no other events after the reporting date that require disclosure in these financial statements.

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

Venkataramanan Vishwanath
Partner
Membership No: 113156

Mumbai
18 April 2019

For and on behalf of the Board of Directors
Mahindra Rural Housing Finance Limited

Ramesh Iyer
Director
[DIN: 00220759]

Nityanath Ghanekar
Director
[DIN: 00009725]

V. Ravi
Director
[DIN: 00307328]

Anjali Raina
Director
[DIN: 02327927]

K. Chandrasekar
Director
[DIN: 01084215]

M. Narendra
Director
[DIN: 00536905]

Anuj Mehra
Managing Director
[DIN: 02712119]

Dharmesh Vakharia
Chief Financial Officer

Navin Joshi
Company Secretary

Notes to the Financial Statement
for the year ended 31 March 2019

1 Additional Disclosures as prescribed by National Housing Bank (NHB) vide Notification No. NHB.HFC.CG-DIR.1/MD&CEO/2016 dated February 9th, 2017.

1.1 Capital

Particulars	31 March 2019	31 March 2018
(i) CRAR (%)	39.34%	32.80%
(ii) CRAR - Tier I Capital (%)	29.58%	23.20%
(iii) CRAR - Tier II Capital (%)	9.76%	9.60%
(iv) Amount of subordinated debt raised as Tier - II Capital (Rs. in lakhs)	31,200	28,400
(v) Amount raised by issue of Perpetual Debt Instruments	Nil	Nil

1.2 Investments
The investments outstanding as at 31 March 2019 is NIL (31 March 2018: NIL), hence no provision for diminution is required for investments.

1.3 Derivatives
The Company has not entered into any derivatives during the current year or previous year and accordingly no disclosure is made pursuant to the provisions of point no. 3.4, Annexure 4 of NHB Notification No. NHB.HFC.CG-DIR.1/MD&CEO/2016 dated February 9th, 2017.

1.4 Securitization
The Company has not entered into any transactions of securitization / assignment during the current year or previous year and accordingly no disclosure is made pursuant to the provisions of point no. 3.5, Annexure 4 of NHB Notification No. NHB.HFC.CG-DIR.1/MD&CEO/2016 dated February 9th, 2017.

1.5 Assets Liability Management

Rs. in lakhs

Particulars	Upto 31 days (one month)	Over 1 month & up to 2 months	Over 2 months & up to 3 months	Over 3 months & up to 6 months	Over 6 months & up to 1 year	Over 1 year & up to 3 years	Over 3 years & up to 5 years	Over 5 years & up to 7 years	Over 7 years & up to 10 years	Over 10 years	Total
Liabilities											
Deposits	-	-	-	-	-	-	-	-	-	-	-
Borrowing from Bank	11,788.35	9,202.40	7,222.22	24,743.43	46,963.98	1,59,640.47	59,161.11	-	-	-	**3,18,721.97**
Market Borrowing	6,150.00	18,500.00	46,725.00	22,725.00	33,400.00	1,14,150.00	46,500.00	7,000.00	28,710.00	-	**3,23,860.00**
Foreign Currency Liabilities	-	-	-	-	-	-	-	-	-	-	-
Assets											
Advances	19,628.17	14,234.75	13,020.30	41,856.21	84,652.60	2,65,271.94	1,86,266.69	84,987.77	28,696.53	54,817.49	**7,93,432.45**
Investments	-	-	-	-	-	-	-	-	-	-	-
Foreign Currency Assets	-	-	-	-	-	-	-	-	-	-	-

Notes to the Financial Statement

for the year ended 31 March 2019

1.6 Exposure

1.6.1 Exposure to real estate sector

Rs. in lakhs

Category			31 March 2019	31 March 2018
a)	Direct Exposure			
	(i)	Residential Mortgages -		
		Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented;	7,90,482	6,24,734
		Of the above Individual housing loan upto Rs.15 lakh	7,77,857	6,14,242
	(ii)	Commercial Real Estate -		
		Lending secured by mortgages on commercial real estates (office buildings, retail space, multipurpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits	Nil	Nil
	(iii)	Investments in Mortgage Backed Securities (MBS) and other securitised exposures -		
		a) Residential	Nil	Nil
		b) Commercial Real Estate	Nil	Nil
b)	Indirect Exposure			
	Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)		Nil	Nil

1.6.2 The Company does not have any exposure towards capital market and accordingly no disclosure is made pursuant to the provisions of point no. 3.7.2, Annexure 4 of NHB Notification No. NHB.HFC.CG-DIR.1/MD&CEO/2016 dated February 9th, 2017.

1.6.3 The Company has not financed any parent Company products and accordingly no disclosure is made pursuant to the provisions of point no. 3.7.3, Annexure 4 of NHB Notification No. NHB.HFC.CG-DIR.1/MD&CEO/2016 dated February 9th, 2017.

1.6.4 The Company has not exceeded the prudential exposure limits w.r.t. Single Borrower Limit (SBL)/Group Borrower Limit (GBL) and accordingly no disclosure is made pursuant to the provisions of point no. 3.7.4, Annexure 4 of NHB Notification No. NHB.HFC.CG-DIR.1/MD&CEO/2016 dated February 9th, 2017.

1.6.5 The Company has not given any unsecured advances against collateral of rights, licenses, authorisations, etc. and accordingly no disclosure is made pursuant to the provisions of point no. 3.7.5, Annexure 4 of NHB Notification No. NHB.HFC.CG-DIR.1/MD&CEO/2016 dated February 9th, 2017.

1.7 Miscellaneous

1.7.1 The Company has not obtained registration from any Financial sector regulator other than National Housing Bank.

1.7.2 No Penalty has been imposed on the Company by National Housing Bank.

1.7.3 Related Party Policy :

All Contracts / arrangements/transactions entered into by the Company during the current year with related parties were in the ordinary course of business and on an arm's length basis.

Notes to the Financial Statement

for the year ended 31 March 2019

Pursuant to section 134(3)(h) read with Rule 8(2) of the Companies (Accounts) Rules, 2014, there are no transactions to be reported under Section 188(1) of the Companies Act, 2013. Accordingly, the disclosure of related party transactions as required under Section 134(3)(h) of the Companies Act, 2013 in Form AOC 2 is not applicable.

The policy on related party transactions is approved by the audit committee and the board of directors of the Company.

1.7.4 Rating assigned by Credit Rating Agencies and migration of rating during the year.

During the year under consideration, India Ratings & Research Private Limited has reaffirmed the rating to the Company's bank facilities, non-convertible debentures and subordinated debt as 'IND AA+/stable' outlook and 'IND A1+' rating to the commercial paper issued by the Company.

CARE Ratings Limited (Formerly known as 'Credit Analysis & Research Limited') has reaffirmed the rating to the Company's non-convertible debentures and subordinated debt as 'CARE AA+/stable' outlook.

CRISIL Limited has reaffirmed 'CRISIL AA+/stable' outlook to the Company's non-convertible debentures and subordinated debt and 'CRISIL A1+' rating to the Company's commercial paper.

1.7.5 Remuneration of Independent Directors

Rs. in lakhs

Particulars of Remuneration	**Names of Directors**			
Independent Directors	**Mr. Nityanath Ghanekar**	**Mrs. Anjali Raina**	**Mr. Narendra Mairpady**	**Total**
Fee for attending board / committee meetings	3.70	2.10	3.10	**8.90**
	(5.00)	(5.40)	(4.00)	**(14.40)**
Commission	7.50	7.50	7.50	**22.50**
	(7.50)	(7.50)	(7.50)	**(22.50)**
Total	**11.20**	**9.60**	**10.60**	**31.40**
	(12.50)	(12.90)	(11.50)	(36.90)

Notes: Figures in bracket represent corresponding figures of previous year.

1.8 During the year there were no circumstances in which revenue recognition has been postponed pending the resolution of significant uncertainties.

1.9 Other Disclosures

1.9.1 Provisions and Contingencies

Rs. in lakhs

Breakup of "Provisions & Contingencies" shown under the head Expenditure in Statement of Profit and Loss	**31 March 2019**	**31 March 2018**
1. Provisions for depreciation on Investment	-	-
2. Provision made towards Income Tax	10,293.21	7,913.24
3. Provision towards NPA	5939.45	6729.08
4. Provision for Standard Assets	208.28	292.19
5. Other Provision and Contingencies	-	-

Notes to the Financial Statement

for the year ended 31 March 2019

The Company has complied with norms prescribed under Housing Finance Companies (NHB) Directions, 2010 for recognizing non-performing assets in preparation of accounts.

Rs. in lakhs

Breakup of Loan & Advances and Provisions thereon	Housing		Non Housing	
	31 March 2019	31 March 2018	31 March 2019	31 March 2018
Standard Assets				
a) Total Outstanding Amount	7,08,102.97	5,56,659.95	6,948.00	6,091.29
b) Provisions made	2,228.70	2,027.02	31.53	24.93
Sub-Standard Assets				
a) Total Outstanding Amount	28,267.33	30,317.06	79.49	22.45
b) Provisions made	5,394.86	5,479.57	13.86	4.04
Doubtful Assets - Category –I				
a) Total Outstanding Amount	21,270.27	21,083.68	35.19	9.47
b) Provisions made	6,343.90	6,010.96	10.50	2.86
Doubtful Assets - Category –II				
a) Total Outstanding Amount	24,813.89	13,269.09	31.12	0.28
b) Provisions made	10,560.66	5,576.99	14.53	0.11
Doubtful Assets - Category -III				
a) Total Outstanding Amount	1,563.50	917.22	13.94	28.51
b) Provisions made	1,563.50	917.22	13.94	28.51
Loss Assets				
a) Total Outstanding Amount	189.74	145.77	-	-
b) Provisions made	189.74	145.77	-	-
TOTAL				
a) Total Outstanding Amount	**7,84,207.71**	**6,22,392.77**	**7,107.74**	**6,152.00**
b) Provisions made	**26,281.36**	**20,157.53**	**84.36**	**60.45**

Loan receivable includes Rs. 18,072.33 Lakhs outstanding towards financing of insurance as of 31 March 2019 and Rs. 15,693.77 Lakhs as of 31 March 2018.

The Company has made adequate provision for Non Performing Assets identified, in accordance with the Housing Finance Companies (NHB) Directions, 2010. As per the practice consistently followed, the Company has also made additional provision on prudential basis. The cumulative additional provision made by the Company as on 31 March 2019 is Rs. 2,668.51 Lakhs (31 March 2018 is Rs. 1,851.89 Lakhs).

In line with Notification No. NHB.HFC.DIR.3/CMD/2011 & Notification No. NHB.HFC.DIR.18/MD&CEO/2017 (effective date 02 August, 2017) issued by National Housing Bank, the Company has made a provision 0.40 % and 0.25 % respectively on outstanding Standard Assets.

In accordance with Accounting Standard 29 (AS-29) "Provisions, Contingent Liabilities and Contingent Assets", the following are the details of the movement in provisions for the year ending 31 March 2019:

Rs. in lakhs

Movement of provisions for NPAs (excluding provisions on standard assets)	31 March 2019	31 March 2018
a) Opening balance	18,166.03	11,436.95
b) Provisions made during the year	18,132.16	15,491.21
c) Write-off of short provision/write-back of excess provisions	(12,192.71)	(8,762.13)
d) Closing balance	24,105.48	18,166.03

Notes to the Financial Statement

for the year ended 31 March 2019

Rs. in lakhs

Movement of provisions for standard assets		31 March 2019	31 March 2018
a)	Opening balance	2,051.95	1,759.76
b)	Provisions made during the year	208.28	292.19
c)	Closing balance	2,260.23	2,051.95

1.9.2 Draw Down from Reserves

The Company has not withdrawn any amount from any reserve in the current year or in the previous year.

1.9.3 Concentration of Public Deposits, Advances, Exposures and NPAs

1.9.3.1 The Company is a non deposit accepting Housing Finance Company, hence there are no public deposits and accordingly no disclosure is made pursuant to the provisions of point no. 5.3.1, Annexure 4 of NHB Notification No. NHB.HFC.CG-DIR.1/MD&CEO/2016 dated February 9th, 2017.

1.9.3.2 Concentration of Loans & Advances

Rs. in lakhs

Particulars	31 March 2019	31 March 2018
Total Loans & Advances to twenty largest borrowers	653.50	622.37
Percentage of loans & advances to twenty largest borrowers to total advances of the HFC	0.08%	0.10%

1.9.3.3 Concentration of all exposure (including off-balance sheet exposure)

Rs. in lakhs

Particulars	31 March 2019	31 March 2018
Total Exposure to twenty largest borrowers / customers	692.58	690.42
Percentage of Exposure to twenty largest borrowers / customers to total exposure of the HFC on borrowers / customers	0.08%	0.09%

1.9.3.4 Concentration of NPAs

Rs. in lakhs

Particulars	31 March 2019	31 March 2018
Total Exposure to top ten NPA accounts	250.52	238.35

1.9.3.5 Sector – wise NPAs

Sl. No.		Sector	Percentage of NPAs to total advances in that sector
A.	Housing Loans:		
	1	Individuals	9.71%
	2	Builders/Project Loans	Nil
	3	Corporates	Nil
	4	Others (specify)	Nil
B.	Non-Housing Loans:		
	1	Individuals	2.52%
	2	Builders/Project Loans	Nil
	3	Corporates	Nil
	4	Others (specify)	Nil

Notes to the Financial Statement

for the year ended 31 March 2019

1.9.4 Movement of NPAs

Rs. in lakhs

Particulars		31 March 2019	31 March 2018
(I)	Net NPAs to Net Advances (%)	6.81%	7.85%
(II)	Movement of NPAs (Gross)		
a)	Opening Balance	65,793.54	46,633.25
b)	Additions during the year	70,234.26	64,225.82
c)	Reductions during the year	(59,763.33)	(45,065.53)
d)	Closing Balance	76,264.47	65,793.54
(III)	Movement of Net NPAs		
a)	Opening Balance	47,627.51	35,196.30
b)	Additions during the year	52,102.10	48,734.61
c)	Reductions during the year	(47,570.62)	(36,303.40)
d)	Closing Balance	52,158.99	47,627.51
(IV)	Movement of provisions for NPAs (excluding provisions on standard assets)		
a)	Opening Balance	18,166.03	11,436.95
b)	Provisions made during the year	18,132.16	15,491.21
c)	Write-off of short provision/write-back of excess provisions	(12,192.71)	(8,762.13)
d)	Closing Balance	24,105.48	18,166.03

1.9.5 Overseas Assets

The Company does not own any overseas asset and accordingly no disclosure is made pursuant to the provisions of point no. 5.5, Annexure 4 of NHB Notification No. NHB.HFC.CG-DIR.1/MD&CEO/2016 dated February 9th, 2017.

1.9.6 The Company does not have any off balance sheet Special Purpose Vehicles sponsored and accordingly no disclosure is made pursuant to the provisions of point no. 5.6, Annexure 4 of NHB Notification No. NHB.HFC.CG-DIR.1/MD&CEO/2016 dated February 9th, 2017.

1.10 Disclosure of Customers Complaints

Particulars		31 March 2019	31 March 2018
a)	No. of complaints pending at the beginning of the year	Nil	Nil
b)	No. of complaints received during the period	29	31
c)	No. of complaints redressed during the period	29	31
d)	No. of complaints pending at the end of the period	Nil	Nil

Notes to the Financial Statement

for the year ended 31 March 2019

1.11 Movement of Statutory Reserve

(As per Section 29C of the National Housing Bank Act, 1987)
(In compliance with NHB Notification No. NHB.HFC.CG-DIR.1/MD&CEO/2016)

Rs. in lakhs

Particulars	31 March 2019	31 March 2018
Balance at the beginning of the year		
a) Statutory Reserve u/s 29C of the National Housing Bank Act, 1987	110.00	85.00
b) Amount of special reserve u/s 36(1)(viii) of Income Tax Act, 1961 taken into account for the purposes of Statutory Reserve under Section 29C of the NHB Act, 1987	14,094.93	9,119.93
Total	**14,204.93**	**9,204.93**
Addition/Appropriation/Withdrawal during the year		
Add: a) Amount transferred u/s 29C of the NHB Act, 1987	25.00	25.00
b) Amount of special reserve u/s 36(1)(viii) of Income Tax Act, 1961 taken into account for the purposes of Statutory Reserve under Section 29C of the NHB Act, 1987	7,350.00	4,975.00
Less: a) Amount appropriated from the Statutory Reserve u/s 29C of the NHB Act, 1987	-	-
b) Amount withdrawn from the Special Reserve u/s 36(1)(viii) of Income Tax Act, 1961 which has been taken into account for the purposes of provision u/s 29C of the NHB Act, 1987	-	-
Balance at the end of the year		
a) Statutory Reserve u/s 29C of the National Housing Bank Act, 1987	135.00	110.00
b) Amount of special reserve u/s 36(1)(viii) of Income Tax Act, 1961 taken into account for the purposes of Statutory Reserve under Section 29C of the NHB Act, 1987	21,444.93	14,094.93
Total	**21,579.93**	**14,204.93**

1.12 The Company has not granted any loans or advances against collateral of gold jewellery.

For and on behalf of the Board of Directors
Mahindra Rural Housing Finance Limited

Ramesh Iyer
Director
[DIN: 00220759]

Nityanath Ghanekar
Director
[DIN: 00009725]

V. Ravi
Director
[DIN: 00307328]

Anjali Raina
Director
[DIN: 02327927]

K. Chandrasekar
Director
[DIN: 01084215]

M. Narendra
Director
[DIN: 00536905]

Mumbai
18 April 2019

Anuj Mehra
Managing Director
[DIN: 02712119]

Dharmesh Vakharia
Chief Financial Officer

Navin Joshi
Company Secretary

Notes to the Financial Statement

for the year ended 31 March 2019

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