SAPNE AAPKE, SAATH HAMAARA

Ref. No. AAVAS/SEC/2020-21/126

Date: June 29, 2020

To, **The National Stock Exchange of India Limited** **The Listing Department** **Exchange Plaza,** **Bandra Kurla Complex,** **Mumbai – 400051** **Scrip Symbol: AAVAS**	**To,** **BSE Limited** **Dept. of Corporate Services** **Phiroze Jeejeebhoy Towers,** **Dalal Street, Fort,** **Mumbai – 400001** **Scrip Code: 541988**

Dear Sir /Madam,

Sub: Annual Report for the Financial Year 2019-20 and Notice of the 10th Annual General Meeting

We wish to inform you that 10th Annual General Meeting ("AGM") of the Members of Aavas Financiers Limited ("Company") will be held on Wednesday, July 22, 2020 at 3:30 P.M. through Video Conferencing ("VC") / Other Audio Visual Means ("OAVM") to transact the business as listed in the Notice of AGM. In this regard, please find attached herewith Annual Report of the Company for Financial Year 2019-20 along with the Notice of AGM.

The Notice of AGM and Annual Report for FY 2019-20 are also made available on the website of the Company at the link: https://www.aavas.in/investor-relations/annual-reports.

The Company shall commence the dispatch of the Notice of AGM and the Annual Report for FY 2019-20 to the Members by electronic means from today i.e. June 29, 2020, Monday.

You are required to take the same on record.

Thanking You,

For Aavas Financiers Limited

AAVAS FINANCIERS LIMITED

Sharad Pathak
Company Secretary & Compliance Officer
(FCS-9587)

Enclosed: a/a

AAVAS FINANCIERS LIMITED
(Formerly known as "Au HOUSING FINANCE LIMITED")
An ISO 9001:2015 Certified Company
CIN NO.: L65922RJ2011PLC034297
Regd. & Corp. Office: 201-202, 2nd Floor, Southend Square, Mansarover Industrial Area, Jaipur - 302020 | Tel: +91 141 661 8888
E-Mail: info@aavas.in, Website: www.aavas.in

CUSTOMER FIRST

How Aavas Financiers is building a distinctive
company that lives the passion of customer service

SAPNE AAPKE, SAATH HAMAARA

AAVAS FINANCIERS LIMITED I ANNUAL REPORT 2019-20

The theme of this report

This is the second annual report of Aavas Financiers Limited ('Aavas') following its initial public offer in 2018. The Company has selected to focus on the principal driver of its business – its customers. We believe that Aavas' customer capital represents the ignition point that drives its business engine leading to growth and sustainability.

CONTENTS

Forward-looking statement

This document contains statements about expected future events and financial and operating results of Aavas Financiers Limited, which are forward-looking. By their nature, forward-looking statements require the Company to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that the assumptions, predictions and other forward-looking statements will not prove to be accurate. Readers are cautioned not to place undue reliance on forward-looking statements as a number of factors could cause assumptions, actual future results and events to differ materially from those expressed in the forward-looking statements. Accordingly, this document is subject to the disclaimer and qualified in its entirety by the assumptions, qualifications and risk factors referred to in the management's discussion and analysis of the annual report.

Customer FIRST

100,000+ CUSTOMERS

AT AAVAS, WE KEEP OUR CUSTOMERS FIRST.

This is more than a line.

It is a commitment to deliver best-in class service.

Provide customers assurance-enhancing access to our executives.

Chart a multi-year loan journey of our customers.

And provide customers the assurance that 'Aavas is one of us'.

WHAT STRENGTHENED OUR 'CUSTOMER FIRST' APPROACH

Aavas commissioned dedicated service desks across its branches with the capacity to serve more than 8,000 customers per month.

Aavas responded within 48 hours to customer e-mail queries.

Aavas provided hassle-free service and documentation that impressed its 65% self-employed customer base.

Aavas's strong service team professed humility and put the customer's interest first.

WHAT WE ACHIEVED

Despite growing competition in India's housing loan sector, Aavas empowered more than 100,000 customers to move into their own home.

The result is in the numbers.

Despite 2019-20 being the weakest growth year for the country's housing finance sector in 10 years, Aavas grew its loan book by 31%, one of the highest among companies of its size in the sector.

Despite India's NBFC sector suffering low consumer confidence, cash flows and credit rating, Aavas validated its credentials with a net NPA of 0.46%, one of the lowest in its sector.

AAVAS OUTPERFORMED IN A CHALLENGING 2019-20 FOR ONE REASON.

THE COMPANY PUT THE CUSTOMER FIRST.

Our approach

We believe that in a sector marked by a number of variables, the priority lies in building a relatively de-risked business. Over the years, we have enhanced our organisational robustness by selecting to be present in a niche, addressing the needs of a specific kind of customer and investing in futuristic technologies.

Our customer focus

We believe that the engine of business sustainability will be initiated and sustained by the power of superior customer service – the capacity to engage a customer, retaining the customer through the life-cycle of the loan and emerging as a 'turn-to' provider of other financing needs of the same customer across the years.

Our discipline

We believe that superior value-creation is derived from outperforming the sector through market cycles. This performance consistency will be derived from taking bets sized with our risk appetite and within the contours of our Balance Sheet, making it possible to comfortably manage growth in a sustainable way.

Our long-term road map

At Aavas Financiers, our multi-year and multi-decade vision lies in seeking opportunities for business and geography penetration within our targeted customer base. We believe that the compounded impact of this would help us to generate multi-year sustainable growth.

CORPORATE SNAPSHOT

Aavas is a sustainably growing housing finance company in India.

The Company's success has been achieved on account of a clarity on who its customers are, how it needs to access them, how they need to be serviced and how they need to be retained.

A number of companies call this 'service'.

At Aavas we call this 'obsession'.

Vision
Enriching lives of people by enabling them to achieve their dream of owning a home: 'SAPNE AAPKE, SAATH HAMAARA'

Mission
To empower and upgrade lives of low and middle income customers by providing them accessible home loans and setting pioneering benchmarks in unserved and underserved markets.

Values
Create customer delight with focus on ease and speed.

Blend traditional ethics with a modern outlook to create an environment of trust and transparency.

Journey
Incorporated as 'Au Housing Finance Private Limited' on February 23, 2011 as a 'Housing Finance Company, the Company was converted into a public limited Company and the name was changed to 'Au Housing Finance Limited'. The name of Company was thereafter changed to 'Aavas Financiers Limited'.

Professional leadership
The management team is led by a qualified and experienced management team, who are supported by a capable and motivated pool of managers and other employees. Aavas is chaired by Mr. Sandeep Tandon, Independent Director, an industry veteran with more than 20 years of experience in technology industry while Mr. Sushil Kumar Agarwal is the Managing Director and CEO possessing more than 19 years of versatile experience in the areas of retail finance, business development, financial management, administration and manpower management.

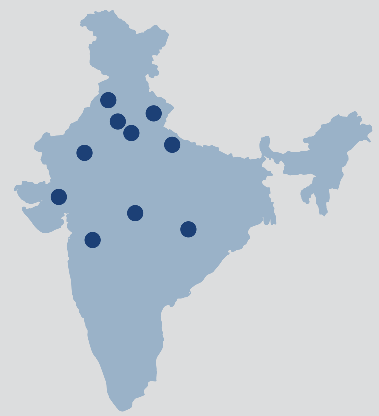
Being different
Aavas could have chosen to cater to large builders with a large ticket size; we selected to be present in low and middle income segment in suburban and rural areas instead.

Aavas could have addressed large, visible and mainstreamed loan seekers; we chose to strengthen our appraisal to assess customers excluded from the formal banking system due to inadequate proof-of-income documents instead.

Promoter and Promoter Group Shareholding
Lake District Holdings Limited (Kedaara Capital) held 29.55%, Partners Group ESCL Limited held 16.62% and Partners Group Private Equity (Master Fund), LLC held 7.29% aggregating 53.46% of the total paid-up share capital of Aavas as on March 31, 2020.

Human capital
Aavas comprises dedicated and qualified professionals like Chartered Accountants, Company Secretaries, Lawyers, Engineers and MBAs from reputed institutions such as IITs and IIMs., enhancing a culture of outperformance. The Company comprised 4581 employees as on March 31, 2020.

Performance
Aavas reported profitable growth in 2019-20. Revenues strengthened 27%, while profit after tax increased 41%. Net interest margin was 8.16% and delinquent assets (1+DPD) a mere 2.4%.



Geographic footprint
The Company commenced its journey from Jaipur, Rajasthan, in 2012 and is now present in 10 states of India, covering Rajasthan, Maharashtra, Gujarat, Madhya Pradesh, Haryana, Uttar Pradesh, Chhattisgarh, Delhi, Uttarakhand and Punjab. During the year under review, Aavas added 40 branches, taking the number of branches to 250 as on March 31, 2020.

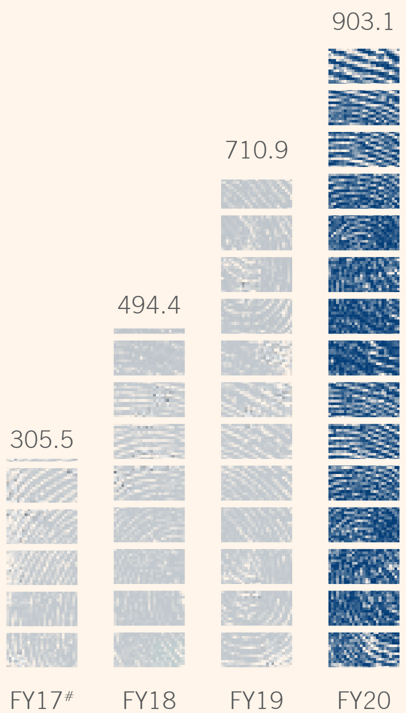
53.46
Promoter and Promoter Group's holding, March 31, 2020 (%)

9311
Market capitalisation, March 31, 2020 (₹ crore)

4581
Team size, March 31, 2020

The by-product of customer-centric decision making has been reflected in our improved financials.

Total revenue
(₹ crore)



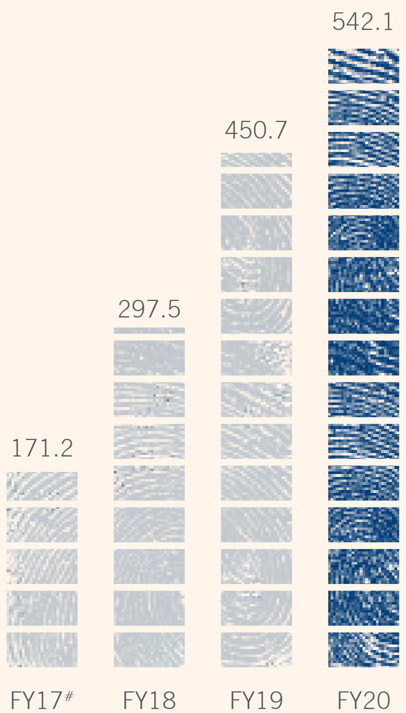
What it means

This indicates the ability of the Company to leverage its distribution networks, engage more customers and report higher revenues.

Result

Aggregate disbursements increased by 9.6% to ₹2930.4 crore in FY2019-20 due to the widening customer base and expansion of geographical reach.

Net total income (NTI)
(₹ crore)



What it means

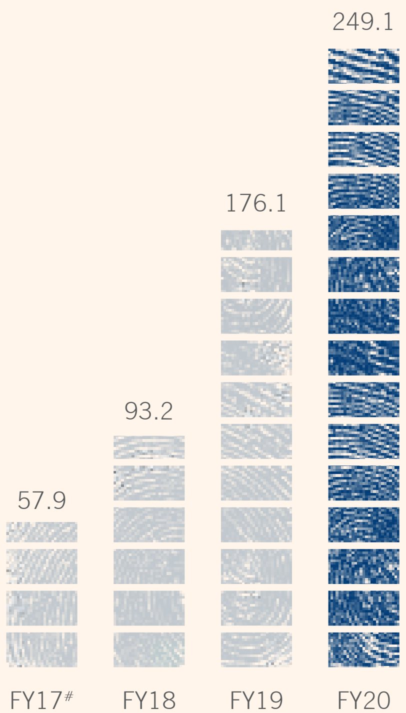
At Aavas, we protect our NTI* through superior underwriting and collection capabilities. We negotiate with our lending partners for a lower cost of funds and provide the customer with a risk-adjusted rate.

Result

Despite adverse market conditions, the Company's net total income grew by 20.3% over FY 2018-19.

**It is the total revenue minus finance cost.*

Profit after tax
(₹ crore)



What it means

Ensures that an adequate surplus is available for reinvestment and allows the Company's growth engine to sustain.

Result

The Company's net profit registered an increase of 41.4% over the previous year.

 # As per previous GAAP

Operating cost to average total assets (%)

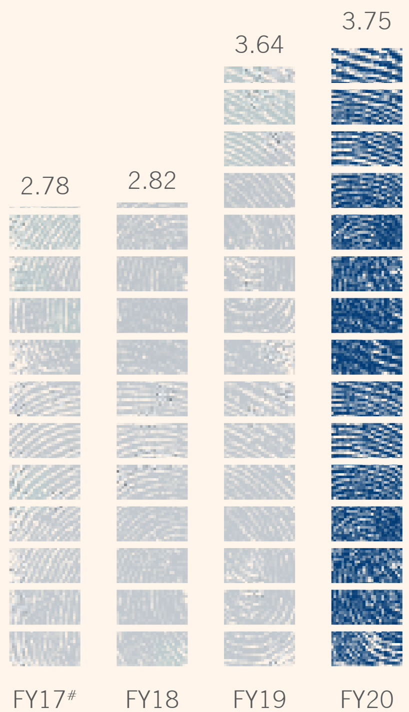
What it means

At Aavas, we maintain our cost-to-income ratio by leveraging economies-of-scale, increasing people productivity and growing disbursements. Technology made it possible to deliver a quicker loan turnaround time, reducing transaction costs.

Result

The Company's operating cost to average total cost stood at 3.38% in FY2020.

Return on assets (RoA)
(%)



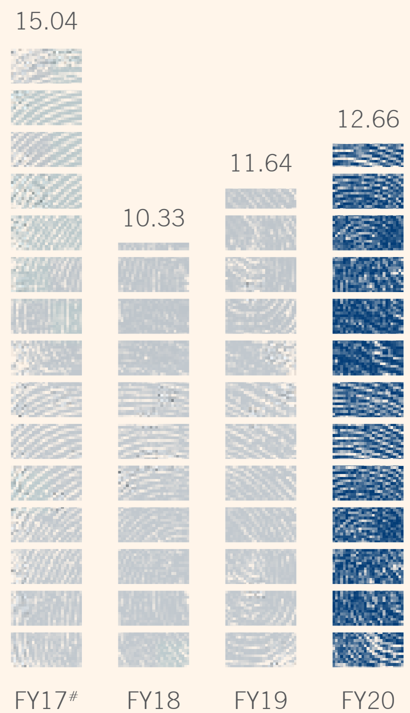
What it means

This measure (profit of the tax divided by average total assets, expressed as a percentage) indicates how much surplus is made off in relation to the use of overall resources, When compare with the sectoral average of below 2.5%. Aavas improved its RoA to over 3% on account of high asset quality, improved net total income, better operational efficiency and a lower risk cost than peers.

Result

The Company's RoA stood at 3.75%, an increase of 11 bps despite adverse market conditions.

Return on equity (RoE)
(%)



What it means

The Company's RoE validates its ability to reward stakeholders on the back of capital infusion, increasing net interest margin, decline in borrowing cost and consistent increase in leverage.

Result

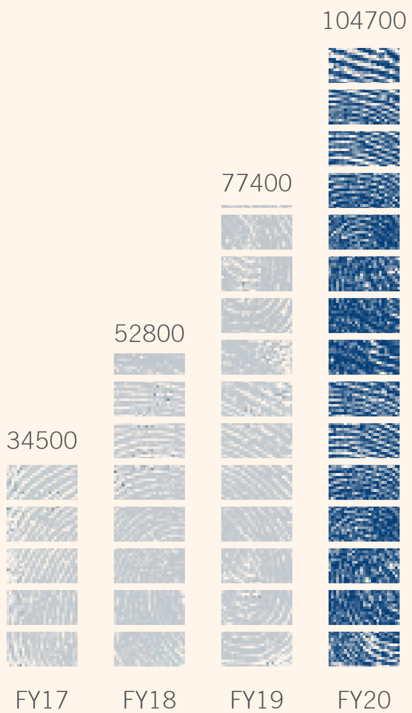
The Company's RoE stood at 12.66% in FY2019-20, an increase of 102 bps that enhanced the confidence of stakeholders in our sustainability.

 # As per previous GAAP

At Aavas, when you aggregate satisfaction across every customer…

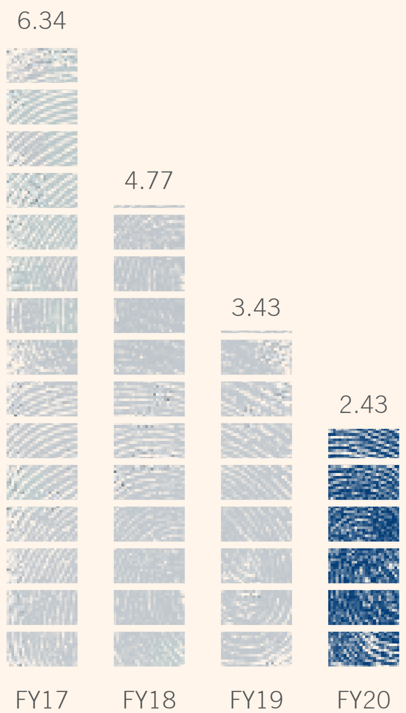
…what you get are credible indicators of the health of the Company’s business.

Active number of loans



Achievement: The Company significantly diversified its customer base (from excessively bank-dependent Industry), making it possible to access diverse funding through unique and customised product at progressively better terms and risk adjusted rates.

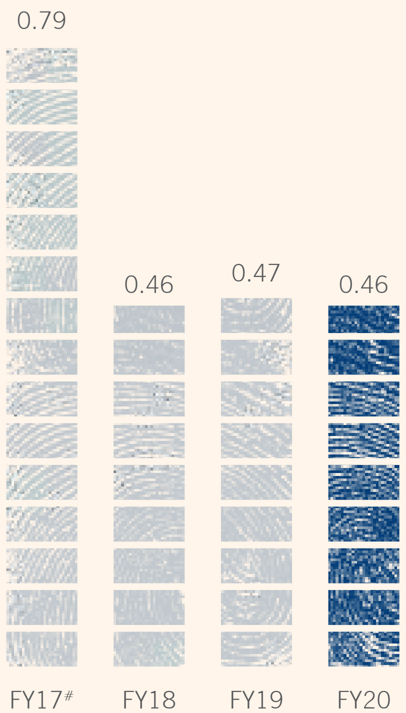
Delinquency – One-day pass due (%)



Achievement: The Company successfully halved its delinquency percentage even as the business volume increased, validating the quality of its loan book. Besides, this decline needs to be viewed in the light of the fact that the industry average is in double digits and this is even higher in the affordable mortgage segment.

Non-performing assets

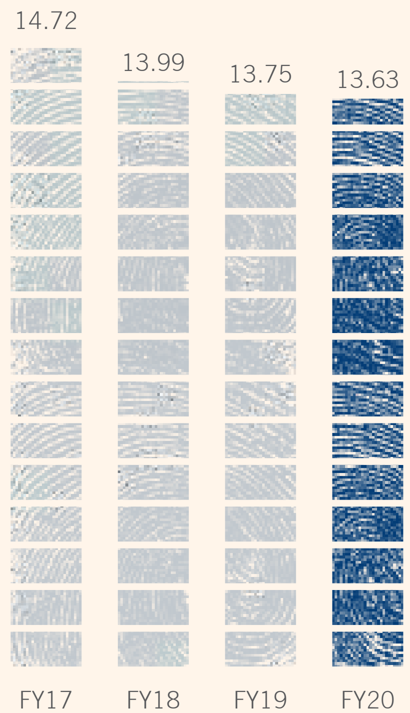
(%)



Achievement: The Company reported a decline in its non-performing assets across the last three years, stabilizing it at the lower level. This level is considerably lower than the sectoral average. This low percentage validates the Company’s underwriting skills, customer selectivity (approx. 95% who live in their own homes), low construction tenure (often less than a year) and in-house teams (collection/ valuation/mortgage risk).

Average lending rate

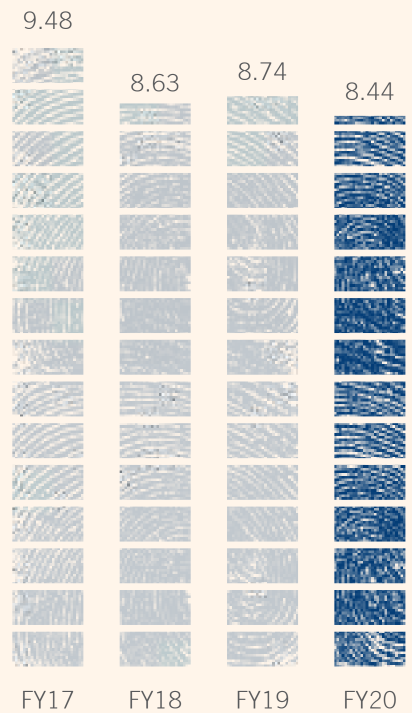
(%)



Achievement: Even as there has been a marginal decline in the average lending rate across the three years, we were able to maintain our lending rate for customers. This handsome return was the result of the Company’s competence in being able to price loans as per the inherent risk and operating in a premium niche as opposed to operating at the commoditised end.

Cost of borrowings

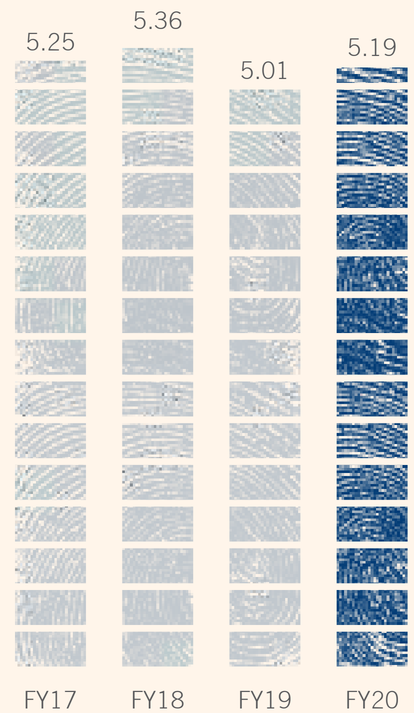
(%)



Achievement: Over the years, the Company leveraged the strength of its Balance Sheet and credit rating to mobilise a progressively lower cost of funds from institutions and capital providers. In the last three years, the Company’s average funds cost declined approximately 100 bps, offsetting the decline in the average lending rate.

Spread

(%)



Achievement: Aavas has strenthened its position across the mortgage finance sector by maintaining its spread across increasing scale. There are two things need to pointed out: one, a risk-adjusted price due to our reach, understanding of niche customers, continuous efforts and negotiations helped bring down the cost of borrowing. Two, the company’s credit rating increased, which helped decline in reduce costs.

 # As per previous GAAP

CHAIRPERSON'S OVERVIEW

The business of Aavas Financiers is not just good for itself but also for the community, region and country.

Nearly a decade ago, our business was the right one at the right time in the right country.

The country was passing through income expansion, aspirations were rising, there was a larger need for homes but the financing of these homes was largely reserved for those with formal and organised backgrounds. A number of families ran informal businesses but were credit-starved because they existed outside the range of organised housing finance players.

Interestingly, most of these customers were hardworking people with the highest integrity, countering the argument that they would be defaulters. They prided on their neighborhood respect and even a remote whisper that they had defaulted on a loan was something they dreaded. What emerged is that most, being daily income earners, were litigation-averse as this directly impacted their earnings potential, making them high compliers. This vast body of customers represented sound credit if the mortgage company was willing to develop a new (and unconventional) appraisal filter.

What the country needed was a housing finance company that would be culturally aligned and accommodative: not comprising executives who wore ties and jackets, but dressed modestly, spoke their dialect or language and possessed a terrain understanding. To facilitate engagement, customers needed a branch office within their neighborhood and not one located in an intimidating urban neighbourhood.

At Aavas, we responded to these needs. We created a customer-facing, customer-focused and customer-oriented organisation. I am happy to communicate that we have created a company where we have not just empowered customers to move into better homes but our loans have enhanced the financial stability of our customers, enhanced their family happiness quotient and enhanced their hygiene standards.

While most mortgage finance companies would have selected to blend revenues from diverse income segments, Aavas is largely a focused housing finance company. Our business has been structured around rural and semi-urban geographies. We recruit employees from within the customer's geography who aware of ground realities. We have helped customers enter the country's financial mainstream, build assets and long-term wealth.

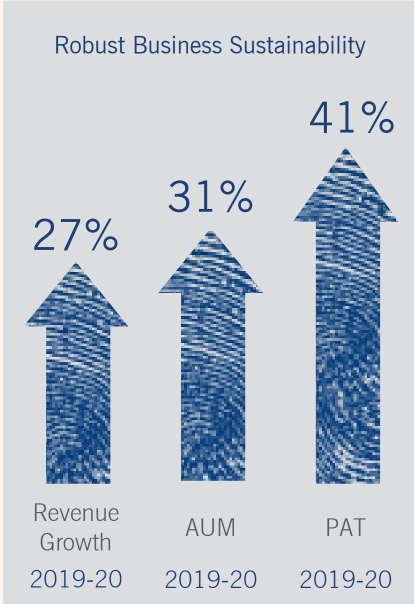
The result of our focus is evident in the numbers. Despite growing our loan book 31% in 2019-20, the Company's average loan ticket size is still under ₹9 lakh, the lowest average ticket sizes among organised housing finance players in India, strengthening our presence at the bottom of the country's economic pyramid. The Company has been instrumental in passing on the subsidy announced by the Government to its customer base.

The results of this approach have been heartening. Aavas grew its revenues 27% in 2019-20; the fact that PAT increased 41% indicates that the growth was profitable. The Company has shown robust business sustainability in the housing finance sector.

The well-being of the various business components indicated that we have not grown at the expense of our intrinsic health. The Company generated a spread of over 500 bps in 2019-20. The gross and net non-performing asset percentages were again one of the lowest in India's housing finance sector. The cost-effective credit delivery generated incremental margins with contained risk cost. Correspondingly, the Company moderated its average cost of borrowing from 10.48% (2015-16) to 8.44% during the year under review. The result is that the Company's credit rating strengthened from CARE A+ (Stable) to CARE AA- (Stable) in the last few years.

COVID-19 is causing concern for many people, businesses and establishments worldwide. Our business was also adversely affected by this pandemic. Business continuity and the health of our customers, employees and partners is our primary concern. We are determining measures to minimize its impact on our operations. This is great humanitarian crisis but Aavas possesses a great asset: our customer-first approach, which will surely navigate us through this difficult time.

To indicate only financial improvements would be a uni-dimensional way of



appraising the influence and impact of the business. At Aavas, we believe that the social impact of our business has been equally compelling. Our financing of *pucca* homes for the unorganised and informal sector in rural and semi-urban India has translated into improved access to clean water, better sanitation and hygiene, stronger access to electricity, larger interiors, lower people density per room and a superior lifestyle mindset. In turn, these homes have helped residents invest in better residential lifestyle support products and appliances.

The second impact has been enhanced financial discipline. By being financially included for the first ever time, the borrower has opened himself/herself to new sources of finance, increasing operational flexibility. We have observed that resource management capabilities have improved and there is a greater financial discipline today than before.

There is a third dimension that makes Aavas' housing finance success story compelling. We believe that the financing of homes for those without formal income documents has resulted in an emotional watershed in their lives. For the first time, a number of these customers have felt trusted enough to be economically mainstreamed. This, in turn, has translated into enhanced pride, well-being and happiness. The result has been heart-warming: better family relationships, increased quality time being spent with family members, enhanced social security, lower stress and superior self-esteem.

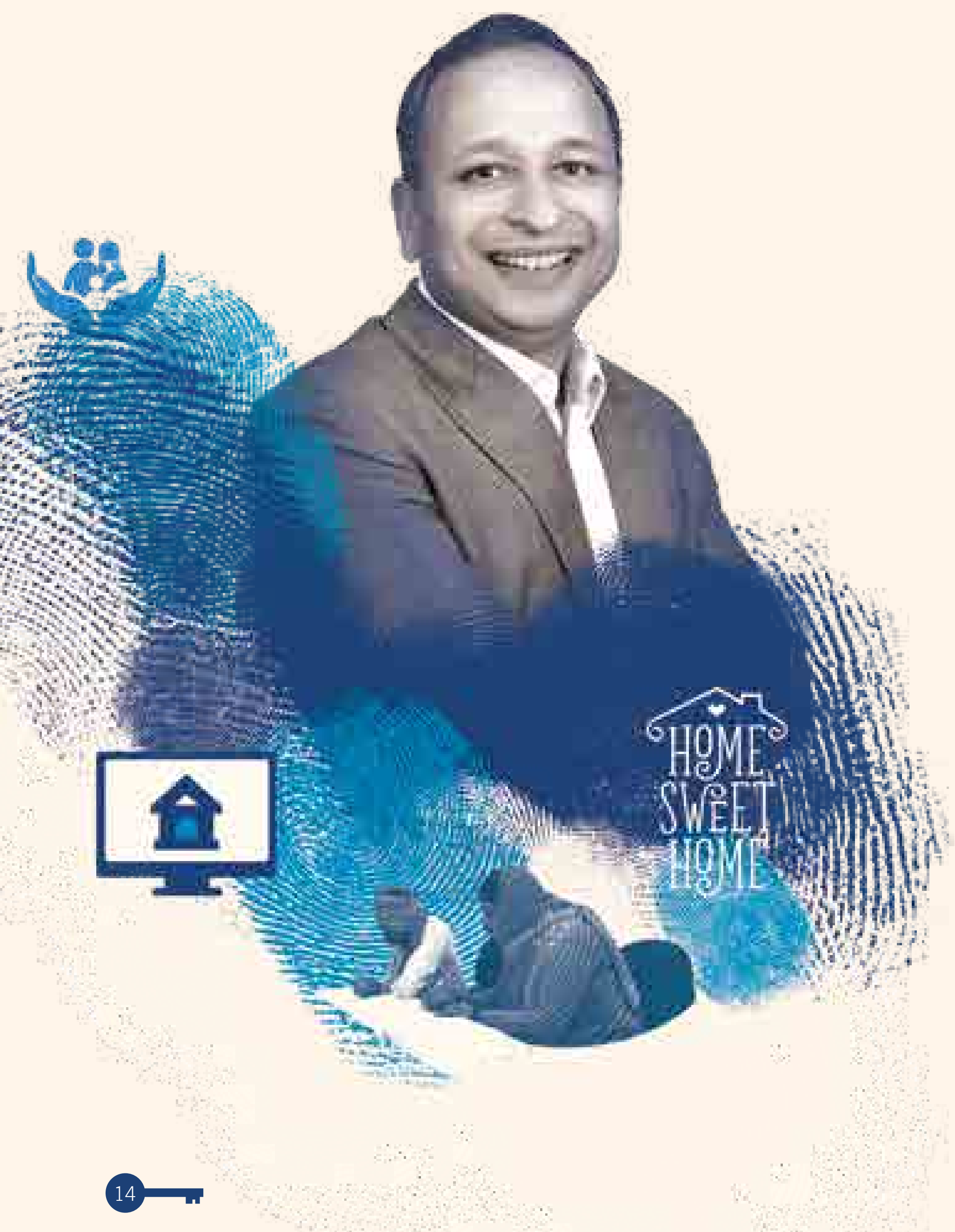
At Aavas, we are proud to have extended customer service from a one-off engagement into something that is over-archingly holistic that translates into a number of improvements across the range of one's life.

In view of this, the outcome of our service is that we do not just provide loans but we help transform lives.

Sandeep Tandon
Chairperson

CEO'S OVERVIEW

"Building a company where we stand in the customer's shoes before every initiative and ask: Will this benefit the person giving us business?"



'Customer *bhagwaan hain*' is what most companies profess.

At Aavas, we took a number of initiatives to prevent this line from becoming yet another cliché.

We were better placed than a number of companies in preventing this line from degenerating into yet another that would be framed on the walls of our offices or quoted in every presentation – and thereafter forgotten.

When we started the Company we had two alternatives: do what most housing finance companies were doing or walk the road less travelled. By this, we could have selected to fund the needs of urban house builders or real estate companies needing working capital loans during their construction phase. The advantage of this approach was that most (if not all) of these customers possessed a credit history that we could examine or access; we could take safe financing calls; we could engage in high-ticket lending that would have helped us grow faster; we would not need to stretch our managerial bandwidth by opening offices in remote or rural locations.

At Aavas, when I am asked to identify the ways in which we have been customer-friendly, I often cite this as the prime instance: the fact that when we had easier options to exercise, we selected the more difficult; when we had an option that was tried and tested, we experimented with the relatively unusual; when we could have opted for one that was lower in cost, we invested in one that required us to spend additionally upfront; when we could have shown to our financiers that we were reaching out to customers with an established credit sheet, we surprised by reaching out to those with virtually no document that could establish the veracity of their income.

I have often been asked: why did we walk the road less travelled? Why did we assume a bigger 'risk' in our business?

The answer to this question comes down not to management jargon; it comes down to what we are and what we wish to be.

When we started the Company we were not driven as much by the prospect of attaining size; we were more enthused by the desire to make a fundamental difference in the lives of our customers. We believed that the ownership of a house was no less a milestone in the life of Indians than a *shaadi* or birth of children (we still do believe). It is an event that graduates an individual from level to another – not just in terms of how the family is perceived within the neighbourhood or fraternity ('*Aap to neeji ghar waale ho gaye*') but also how the members of the family perceive themselves ('*Ab to hum ghar waale ho gaye, aisa-waisa kaam thodi hi kar sakte hain?*'). The result is that in most countries, the ownership of a home could well be only a financial milestone; in India – especially among those without verifiable income documentation – the ownership of a home carried social and cultural implications. And nowhere was this impact more visible than in the societal segment that professed unorganised professions, was largely outside the tax bracket and did not have any documented proof of their income. In that segment, the impact would not just be incremental but sweepingly transformative.

At Aavas, there was a latent danger after having selected to finance the housing needs of the unbanked and undocumented. The threat was that after having selected to 'create' a market and, in doing so, rendered the most enduring form of customer service, we could have run our business thereafter in the most usual way.

We did not arrive at the sweet spot the day we went into business. Whenever we raised our game, there would be a feeling that we had not done enough. We possessed no visible clarity of how 'good' was good, how we could make the good even better, how we could transform an improvement into a continuous journey or how we could convince our employees that in the absence of various service standards we would have to emerge as one.

This introspection and this inner journey was perhaps our most challenging.

To overcome this challenge what did we need?

One, we needed to create a journey of continuous improvement when in most cases most felt that the usual approach would have sufficed.

Two, we needed to create standards in that journey that would translate into service excellence in this sector.

Three, we needed to institutionalise that improvement so that we responded with the same standard whether it was in Raigad or Ratlam.

Four, we needed to graduate from a generic understanding of 'customer service' to 'customer experience'.

Five, we needed to create competition for ourselves – the Aavas of 2022 competing with the Aavas of 2019, ensuring that we would adapt our approaches quicker than competition, the surest way of succeeding in a sustainable way.

So much for theory.

At Aavas, we recognised that if we did not translate into an overarching set of values that would be lived, we would

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How Aavas measures on customer service

% of customers from rural and semi-urban India#

FY18	FY19	FY20
44*	45	49

At Aavas, we have built a company that is rural / semi-urban in thought, presence and action. This focus has strengthened our brand, resulting in strong customer traction on the one hand and greater trust by capital providers of what we are and what we stand for

 # classification based on census 2011
** data is approximate*

Average loan size (₹ in lakh)

FY18	FY19	FY20
8.7	8.6	8.4

At Aavas, the index of our commitment to a consumer class that represents the base of India's economic and consumption pyramid is reflected in our average loan size, which is among the lowest for a company of our size, making it possible for us to spread our risk across a larger number of customers and grow our business grassroots upwards

>> CEO'S OVERVIEW

> In the three years ending 2019-20, the Company grew its assets book at a CAGR of 42.5% while the housing finance industry grew 14.7%.

fail. We began to crystallise our customer orientation through carefully-enunciated priorities.

We continuously articulated that the only way to endure in the business was by living our values.

We focused on enhancing the customer's confidence that would result in the sharing of land documents.

We would go where customers were, reversing the long-held paradigm of getting customers to reach us.

We widened the definition of 'customer' to include employees and financial resource providers.

We resolved to retain the spirit of a small company soul in a large company body.

We focused not just in attracting a customer but keeping that customer for life.

We resolved in shrinking the time taken to process home loan requests.

We prioritised housing finance loans over other loan alternatives.

We would be under-stated in whatever we do.

We would under-promise and over-deliver.

At Aavas, we are reasonable pleased with the intensity of our customer focus.

In the three years ending 2019-20, the Company grew its assets book at a CAGR of 42.5% while the housing finance industry grew 14.7%.

The Company grew its profit after tax 41% while revenues increased 27%, indicating that the growth was profitable.

The Company increased the number of customers serviced from 21800+ in 2015-16 to 104700+ in 2019-20; the number of states of the Company's presence increased from 5 to 10; the number of customer-facing branches increased from 44 to 250.

The Company's continuous focus on retention moderated customer attrition, which was one of the lowest levels in the industry in 2019-20, helping reduce the cost of customer acquisition.

The Company is graduating from home loan financing to life-cycle financial engagements with customers, increasing the non-home loan proportion of the Company's revenues.

The Company moderated the turnaround time taken to process home loan requests to one of the lowest within India's home loan finance sector through the interplay of increased process urgency and automation.

What was bigger than these standalone factors was that the Company outperformed the growth of the housing finance sector without compromising its spread, solvency, operating metrics, liquidity and margins. This is a validation of the fact that the stronger our customer service the better our financials and the more sustainable our company.

The big question: How does Aavas intend to take this customer orientation ahead?

We believe that our customer orientation will be tested when what we have achieved in terms of customer service and experience across around 250 branches is validated across twice this number across the foreseeable future. We will need to map prospective semi-urban and rural growth on the basis of forward-looking civic plans and proactively position our branches in those locations. We will need to enhance our brand visibility so that we remain the preferred go-to option in the locations of our presence. We will need to customize our offerings based on the age, geographic presence, income and employment profile of prospective customers. We will need to shrink our turnaround time to the low single-digit. We will need to increase cross-selling and the proportion of non-home loan customers in our overall customer mix. We will need to leverage the credibility of our Balance Sheet to access lower cost funds from bankers and institutions. We will need to apply the existing rigour in our customer screening with the objective to reduce our non-performing assets further.

At Aavas, we believe that the economic slowdown notwithstanding, there is a compelling long-term rationale for our presence in the business.

On the macro front, Hon'ble Prime Minister Shri Narendra Modi indicated the existence of 900 towns across India; Mortgage penetration in India from formal lending sources is only 9%, while the remaining 91% of the houses are built using own funds and from informal sources of borrowing. Nearly 1 billion people outside India's top 50 cities account for the mortgage of 2 million homes – a 1% penetration. Our objective is to grow our business to the extent that we enhance this penetration to 2%.

The Company is present in only 134 districts of the 295 districts of the states of its presence. The Company's addressable market is 61.91 crore (based on the aggregate populations of the states of our presence). As of now, the Company covers 35.78 crore of the population. The current urban housing shortage is 10 million units and most of housing units comprise EWS and LIG. This demand is likely to increase to 25 million affordable houses by 2030.

On the sectoral front, effective competition has declined as Balance Sheets have weakened. Even as the broad market continues to grow, the size of the undocumented and unbanked market is so vast that even a moderate share of this market can translate into substantial year-on-year growth for Aavas. The Company selectively clears only a third of the loan applications that it receives, indicating the presence of a large market.

On the micro front, our processes are scalable and increasingly oriented towards automation, which means that prospective revenue growth from this point may not be accompanied by a proportionate increase in costs. The Company has fixed service matrixes across its branches, making it possible to deliver a consistent Aavas Service Standard irrespective of terrain remoteness. The Company has embarked on a journey to replace a number of its existing benchmarks with more demanding deliverables to customers.

The irony is that we have nothing dramatic to communicate to our shareholders. We will strengthen what we have done until now; we will continue in the same direction; we will shortlist and counter decadal risks and we will continue to grow our company in line with our long-term direction.

Even if we do only this and no more, we expect to grow higher than the sectoral average in a sustainable way across the foreseeable future.

How Aavas measures on customer service

Turnaround time (days)

FY18	FY19	FY20
13	14	12

At Aavas, the measuring clock of our customer service is the speed with which we service customers, almost as if our life depends on it. For a customer class where a superior customer service was conventionally assumed to be a wasted effort, we redefined the service matrix, created a benchmark and provided this economic class with the respect it deserves

Proportion of business derived from non-home loans (% to total loan book)

FY18	FY19	FY20
18.7	24.5	26.5

At Aavas, we believe that even as we are predominantly a housing finance company, our branch and distribution network makes it possible for us to market more loan products to our target customer profile

COVID-19 and Aavas

The global outbreak of COVID-19 is proving to be a seminal point in the history of the modern world.

We believe that this development will affect most of humankind's decisions, including the decision to buy and finance homes.

At Aavas, we responded with a number of initiatives to protect and empower communities.

At Aavas, we have been working closely with authorities, taking action in accordance with their advisories. We have taken steps to ensure the safety and wellness of our employees including enhanced sanitation of facilities, setting up screenings and implementing visitor guidelines for those coming to our locations. At Aavas, we realise this situation is dynamic and have contingency plans in place. We remain watchful and ready to adjust our measures in response to changing circumstances.

We also responded with a number of initiatives to protect and empower communities. We initiated various social activities including support to PM CARES Fund and other such funds, providing facilities of sanitation, health equipment and essential products at the ground level to frontline workers. Our people represent our biggest strength in achieving customer satisfaction. Our Company focuses on their physical and psychological well-being.

I would like to thank our customers, partners, investors, industry colleagues, Aavas employees and their families for the tremendous cooperation and support.

At Aavas, we will stay engaged with community needs and fulfill our role as a responsible corporate citizen.

Sushil Kumar Agarwal,
Managing Director & Chief Executive Officer

OPERATIONAL REVIEW

Aavas will not focus on carving away existing market share. We will do what we have always done in the past: create new markets.

Mr. Ghanshyam Rawat, *Chief Financial Officer,* analyses the Company's performance in 2019-20

Q Were you pleased with the performance of the Company in 2019-20?

A: The year under review – the first full financial year following the Company's IPO in October 2018 - was the best at Aavas. The Company reported profitable growth: revenues increased 27%, while profit after tax strengthened 41%. This positive divergence indicates our long-term competitiveness; the ninth successive year when we reported profitable growth.

We grew revenues and profits without compromising our quality of book: our non-performing assets were a mere 0.46% of our loan book, considerably below the sectoral average. We reported an ROA of 3.75% and maintained our net interest margin around the level of the previous year (and possibly among the highest levels in our sector).

Q What was the big message that you would wish to send out to shareholders?

A: I would like to communicate the importance of our principal achievement in the last financial year: Liquidity. Let me compare this with the performance of a manufacturing business which suddenly faces a shortage of raw material that could affect its capacity utilization and increase material costs that could affect its competitiveness. India's housing finance sector passed through precisely this reality from September 2018. There was a time when the housing finance sector received as much raw material (debt) as it required as the sector was considered foolproof and asset-backed. Following the failure of a large housing finance company and challenges encountered by others, the scenario changed: lending institutions moderated their exposure and the cost of funds increased, affecting the viability of the sector. I am pleased to communicate that Aavas successfully countered this prevailing reality. The Company did not slow down for a single day during the liquidity paralysis but reported record results – almost untouched by the prevailing sectoral crisis – and strengthened its liquidity during the year under review. This indicates that we possess resources to grow our business across the four quarters of the current financial year.

Q What are the various initiatives that helped the Company strengthen its liquidity during a challenging year?

A: At Aavas, we had forecasted that the business environment would get increasingly challenging and moved proactively to strengthen our liquidity. The Company mobilised ₹3024 crore during the year under review at an average cost of 8.5%, which provides us with a platform to graduate our business to the next level.

In addition to the quantity, the Company accessed funds from some of the prestigious global lenders like Asian Development Bank (ADB), CDC group plc (CDC) and International Finance Corporation (IFC); ADB subscribed to $60 million non-convertible debentures for eight years* and CDC provided ₹200 crore for seven years. Last year company mobilised ₹200 crore in Rupee-Denominated Masala Bonds at an average cost of around 8.86%. Besides, National Housing Bank sanctioned a ₹800 crore refinancing line, the largest in our existence.

There are a few inferences to be drawn from this fund inflow: one, the fact that some of the most credible global institutions were willing to fund the Company's growth during a challenging sectoral phase validates the strength of our Balance Sheet; we believe that the disbursal by these institutions does not represent a transaction but the start of a long-term financial pipeline of funds available to us whenever we should need growth capital.

Q What was the financial outcome of these inflows?

A: At a time when the cost of funds available to India's housing finance sector increased on account of the risk premium being charged by lenders, Aavas succeeded in moderating its blended cost of funds (after factoring inflows of the last financial year) by 30 bps to 8.4%, the ninth successive year of such a decline. We believe that this decline in the cost of funds represents a robust platform around which to grow the business: if we select to pass this cost decline to housing finance loan seekers, it could help us accelerate new market creation; if we select to retain this decline in spread and continue growing our book the way it has been growing, then it could widen our spread and profitability.

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Aavas' robust credit appraisal framework

- Engaged Experienced team of Chartered Accountants and MBAs for superior credit appraisal
- Active communication with credit officers across locations = Deeper subject matter understanding, responsiveness and decision quality.
- 65% of our total customer base are self-employed enjoying association with us by hassle free income documentation process and services
- Processed record applications (approximately 1.48 lakh) and a high screening standard that translated into 42,000 cases being sanctioned – a high 72% rejection filter
- Created an MIS to ascertain ongoing portfolio health

Q What was the other highlight of the Company's working during the year under review?

A: One of the areas of our working that we are particularly pleased about is our being able to partner the government's Pradhan Mantri Awas Yojana programme. The PMAY provides an interest rate subvention to low cost home loan seekers with the objective to accelerate home building and ownership across the bottom of the economic pyramid. At Aavas, we created a team of executives to facilitate the transfer of subvention benefits from the government to hundreds of our customers. For a number of them, this transfer was only a pipe-dream; they never believed that their monthly instalments would ever decline. However, when our engagement with the government made it possible to price their EMIs lower, it strengthened their repayment capability on the one hand and confidence within the system (government-corporate engagement) on the other.

Q How is the Company secured to grow the business from a 'raw material' perspective?

A: The Company finished the year under review with ₹1192 crore in cash and equivalents in addition to ₹1048 crore being sanctioned and available on call whenever we need it. We believe that access to this sizable corpus will be adequate to grow our business through the four quarters of 2020-21. We must assure our stakeholders that the addition of debt will not compromise any of the measures that we use to measure our liquidity: for instance, we possess an asset-liability mismatch – 134 months in which to repay our liabilities and an asset tenure of only around 96 months. The result is that Aavas is possibly one of the few companies in India's NBFC sector with a positive ALM mismatch, indicating that we are not only liquid for the short-term but expect to remain structurally liquid across the foreseeable future.

Q Is the Company optimistic of the sector's prospects?

A: We believe that this is indeed a testing time for the sector as those who do not possess an income visibility may not necessarily build homes or see home finance. However, at Aavas we perceive an opportunity in every crisis: we possess a wide footprint across states experiencing an increase in incomes and aspirations; our focus continues to be rural and semi-urban where home ownership is an important asset and where the priority is to catch up with pent-up demand. We are present in a niche that insulates us from the commodity home financing segment, where an attractive proportion of the individual's funds is invested in the home or where the property under construction will be used within a year. We extend loans with an average ticket size of less than ₹10 lakh where the prospect of default is low. The bottomline is that Aavas will not focus on carving away existing market share. We will do what we have always done in the past: create new markets, providing us with confidence that we will not need to under-cut rates to stay in business and will not need to compromise our book quality and sustainable profitability.

Aavas. Being different

Most housing finance companies of our size struggled to mobilise growth capital

Aavas mobilised an aggregate ₹3,024 crore through various financial instruments in 2019-20

Most housing finance companies suffered weaker credit rating

Aavas' credit rating is AA-/Stable from CARE, A+/Positive from ICRA and A+/stable from CRISIL for long-term credit and A1+ for short-term credit rating from ICRA and CARE

Most housing finance companies froze investments

Aavas invested approximately ₹9.5 crore in 2019-20 in technologies and business expansion.

Sectoral mortgage assets came under pressure

Aavas' 1+DPD remained at an attractively low 2.43% as on March 31, 2020 compared to 3.43% on the same date in the previous year.

Most lenders became cautious and moderated their exposure to the housing finance sector

We diversified our cost-effective long-term fund needs with 39 lenders; 82% of our borrowings were derived from term loans, assignment, NHB financing and cash credit facility and only 18% from the debt capital market (no commercial paper).

How Aavas' customer accretion helps build a lower cost company…1

Aavas competently services a customer

The customer refers a friend to Aavas

Aavas evokes trust for the potential customer to share transaction papers / details

Aavas educates the customer on the loan application and disbursement process

Aavas appraises the income assessment and cash flow of the customer with minimal documentation required

Aavas leverages knowledge and technology to expedite the loan sanction process

Aavas disburses the loan within a fortnight

Aavas educates the customer on financial discipline

The customer accelerates purchase or construction

The customer creates a tangible asset for the first ever time

Aavas arranges with the government for subsidy to eligible customers, thus making EMIs affordable

Focused and transparent approach results in increasing customers referrals

The referral translates into new business opportunities

The eligible customer finances home extension or business need with another Aavas loan

The customer stays with Aavas through the loan life-cycle

This accretion helps Aavas moderate customer acquisition costs

Continued on the next page

How Aavas' customer accretion strategy strengthens our financials…2

An Aavas customer gets the loan on schedule

Aavas believes in long-term association with its customers and provides customised services

Long-term relationship helps Aavas in generating steady growth

The profitable loan book enhances Aavas' credit rating

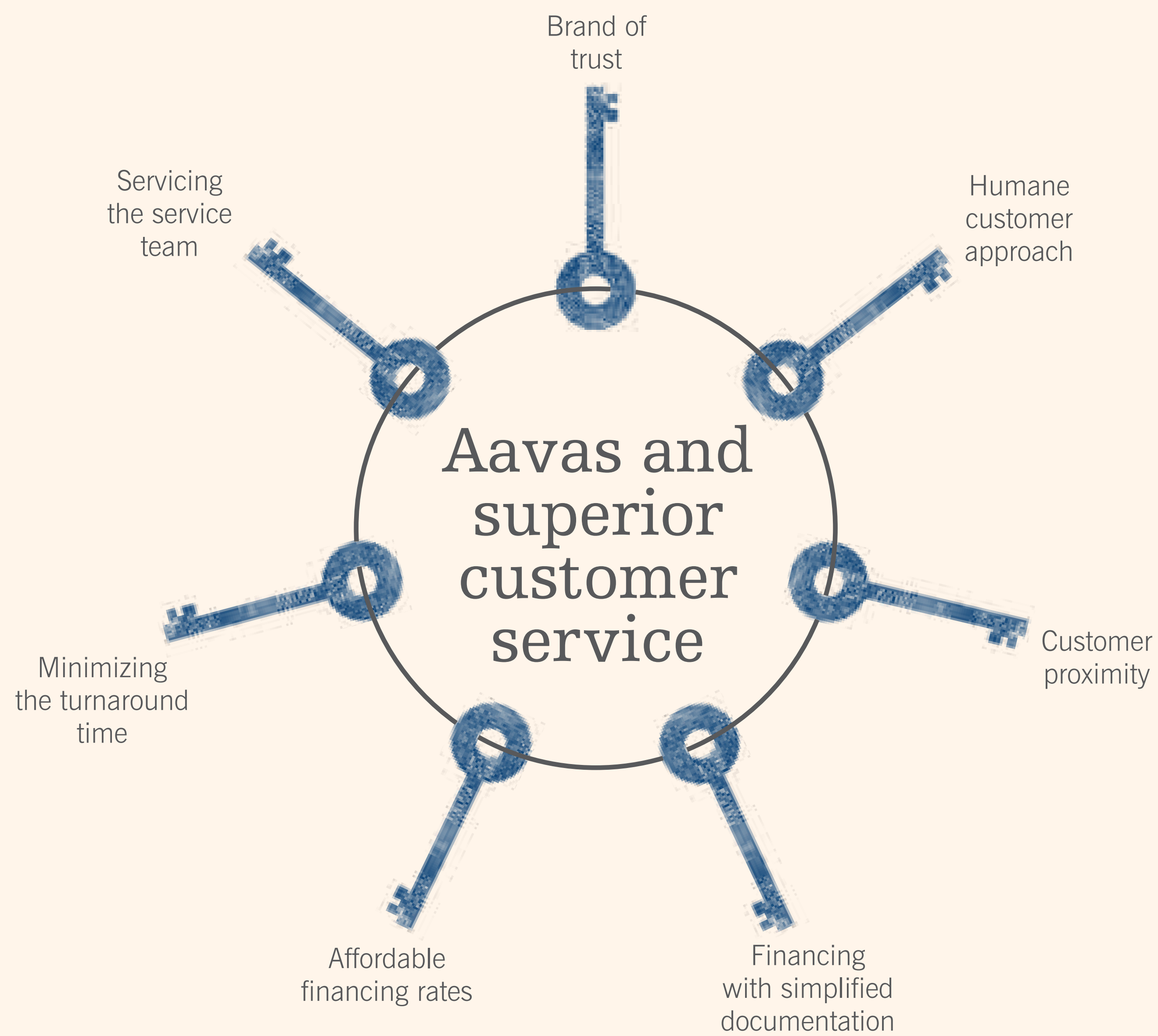
The superior credit-rating moderates Aavas' borrowing costs

The lower cost translates into stronger customer accretion

The stronger customer accretion helps Aavas moderate marketing costs

Aavas' superior financials enhance access to funds

The increased access makes it possible to disburse more loans



At Aavas, customer service is… enhancing trust.

The role of trust is central to a transaction in India's housing finance sector.

The customer – especially one at the lower rung of India's financial pyramid – will hesitate before trusting the property's papers to an outsider she/he is not familiar with.

It is here that the brand of the service provider comes into play: the nature of goodwill the Company enjoys, the accessibility of executives and the established track record of successful transactions concluded by the Company in that population cluster.

At Aavas, we are not just trusted for the integrity with which we manage the papers or the confidentiality that the customer needs; we are also trusted for the way we inculcate financial discipline among loan takers, how we chart the loan-seeker's multi-year financial journey, how we help mainstream the customer for the first ever time and how we play the role of a catalyst in the customer's asset creation process.

The result of these initiatives inevitably kickstarts a journey where the gains extend beyond the financial: superior lifestyle, stronger access to social infrastructure, enhanced self-esteem and higher social standing.

The result is that Aavas is more than a housing finance company in the regions of its presence; it has emerged as a trusted life catalyst and destiny transformer.

How Aavas is making a difference

A strong word-of-mouth goodwill catalyses customer traction

Aavas endeavours to make a positive difference in the life of every customer

This enhances confidence that Aavas can be trusted

Aavas highlights instances of similar engagement within other geographies

This trust is derived from responsible engagement

Aavas focuses on earning the customer's trust

The big numbers

Active loan accounts

104,700+
Number of customers, March 31, 2020

77,400+
Number of customers, March 31, 2019

52,800+
Number of customers, March 31, 2018

Making the customer feel at home

"In a business where we service the needs of customers seeking to enter the national mainstream, we believe that success is derived from the ability to make the customer feel at home when engaging with a larger company. This comfort and trust is facilitated by Aavas' groundedness and the reputation for being a company that is completely above board, dedicated to customer welfare and dedicated to bringing to life the smallest dreams of people."
– An Aavas executive

What our customer says…

Sanjeev Kumar Gaur,
Jaipur, Rajasthan

"I bought a plot in Hajayawala and went to Aavas to finance its construction. The *babu afsar log* saw my papers and bill books of around three years. I got sanction for a loan of ₹4 lakh in just seven days (in addition to a top-up of ₹2 lakh). I closed that loan and took an even bigger loan to construct further. A number of things have happened as a result: production quality improved in the new set-up; I began selling stitched shirts and trousers to an exporter and the business has grown in the last couple of years. The big thing about the Aavas loan is that it made me insecure in a positive way. I worked harder to repay the loan and this gave my business the push that it needed. Today I am considerably better off as a result. Which is not a bad growth story for someone who was a worker in a factory and is now an asset-grower himself."

At Aavas, customer service is... a humane approach

Aavas services the home building needs of an economic class that has for long been disempowered. When Aavas – a large and listed organization – engages with them, there is an unspoken but perceptible inequity already built into the engagement and Aavas address this in equity with its DNA of humane approach .

This inequity is a bigger challenge than one would realize. The customer would be intimidated even before he/she has engaged with Aavas; the awe generated by the Company's size would immediately send out a message that it is forbidding; the customers, drawn from humble social and economic backgrounds, could believe they would feel out of place if they walked into an Aavas office.

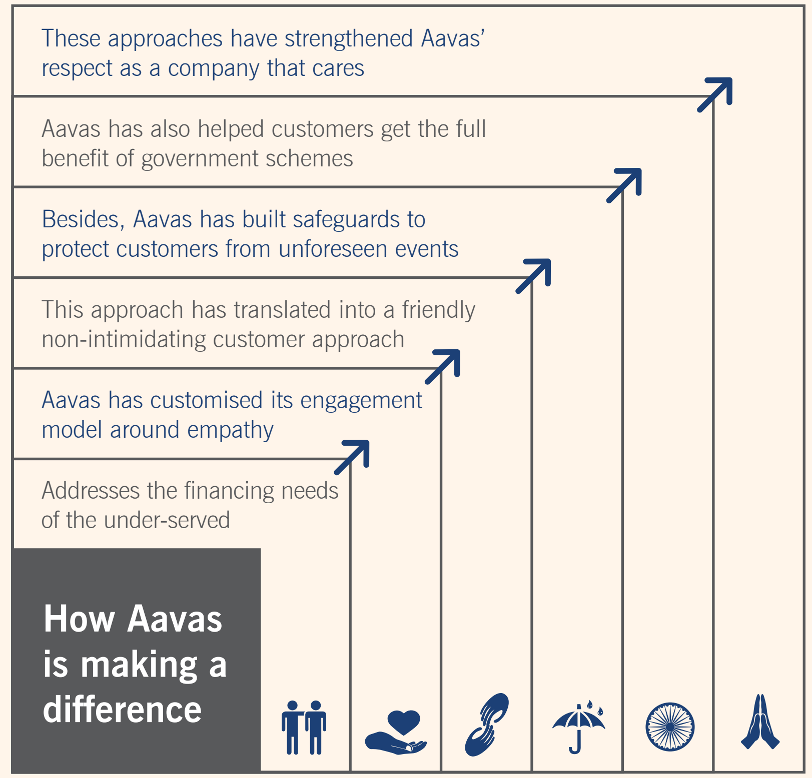
Aavas has sought to address this inequity through an institutionalised approach: thinking national but acting local.

Over the years, the Company responded with various initiatives to make prospective customers feel that 'Aavas is one of us.' The Company selected employees for branches from the respective terrains where they not only possessed local familiarity but could also speak the local dialect. The Company has consciously created a branch décor template that is uplifting enough to send out a message of order, formality and seriousness while at the same time staying friendly without becoming intimidating.

Besides, the Aavas customer communication protocol is marked by detail, lucidity and simplicity, hand-holding customers (a number of them unlettered) through the onboarding process. The Company's website has an option for customers to engage with the service desk. The use of information technology makes it possible for customers to exercise the self-help option (including EMI and eligibility calculators).

One of Aavas' most effective interventions is in the area of the credit-linked subsidy scheme, where it links eligible low loanees with the concerned government scheme (Pradhan Mantri Awas Yojana) to access available subsidies. This coordination with the government has helped moderate the estimated monthly instalment during the course of the loan tenure for hundreds, enhancing their delight.

Besides, Aavas insures the life of every customer so that in the event of an unforeseen expiry, the insurance is exercised, protecting the well-being of the family members of the deceased through property retention and payment of the outstanding loan amount to the Company.



The big numbers

Customer service strength

25,000+
Average communication reached to customer in 2019-20

16,000+
Average monthly Inbound calls in 2019-20

6,500+
Average monthly engagement calls in 2019-20

Enhancing familiarity with customers

"When a customer comes to Aavas for the first time, he or she tends to believe that it is only for the taking of a loan. However, we patiently explain to our prospective customers the entire process in addition to creating a financial journey through the repayment tenure. Our executives do this while being dressed close to what our customers would be dressed like, speaking the same language and engaging with them at their residence or workplace. This familiarity enhanced trust, which is reinforced when the CLSS subsidy is credited to their accounts or in the event of one of our customers passing away and their family interests being protected. The story of how Aavas engages at those points has done more for the Aavas brand than any marketing initiative." – An Aavas executive

What our customer says...

Rajesh K Mishra,
Jaipur, Rajasthan

"I work as a *thakaydaar* and my job is to organise labour. From the first day that I moved into Jaipur, I had one thing in my mind - *apni patni aur bete ko laana hain*. What is the point of renting and paying ₹9,000 per month when I can buy my own? When I liked an apartment, the promoter suggested 'Aavas *ke alaava kisi aur ke baare me mat sochna*' . The apartment cost around ₹25 lakh; I required a loan of ₹17 lakh. Within two days of contacting Aavas, someone came over to check my income and property documents. Within 12 days, I had the cheque with an EMI of ₹16,993. The 14-year wait was worth it; the plan is to bring the family over after my son completes his seventh standard examination."

At Aavas, customer service is... enhanced proximity

At Aavas, we were faced with a couple of formidable challenges when we were starting our business.

For a company like ours that had selected to focus on rural and semi-urban customers, we were aware that customers would not come to where we were; we were required to go to where customers were located.

This is where all the challenges were: the Company was required to spend upfront in branch infrastructure and people resources before the first customer could be engaged; the farther these branches got from the organizational epicenter, the potentially longer the delay in getting approvals and clearances.

To address customers in Tier-III and IV locations, Aavas commissioned branches at the district and tehsil levels. Project Reach assessed terrain potential to prioritise where the next branch should be launched. It implemented a 30-member tele-calling team to engage prospective customers.

Aavas also arrived at an effective balance: the Company would extend deep into rural geographies marked by the largest cluster of customers but where housing finance penetration was less than 2%; it would then wire extensively with the head office through information technology and secure itself with a sequence of systems that made business processes simple, secure and quick.

The Company utilised data-backed tools to decide where to open new branches; it scrutinised census patterns and CIBIL data to map prospective markets – low delinquency and low penetration - down to each tehsil across the states of its presence. It invited construction eco-system partners from within a 50 km radius of a location, widening its influence.

More importantly, the Company enhanced operational flexibility: its sales app empowered relationship officers to process loan applications, capture leads and accelerate loan processing through smartphones. The Aavas technical app allowed the efficient routing of evaluation cases to engineers by generating reports within minutes. The Aavas Mitra app linked the platform with the construction ecosystem to generate customer leads. The Aavas Nirman app helped Aavas field representatives maximise productivity. Our DevOps app delivered features, fixes and updates in sync with objectives (automatically switch to another server during downtime). The collection app optimised collection agent routes, enhancing collection efficiency.

The result is that Aavas was present in 10 States by the close of 2019-20. The states where the Company was present were equivalent to 35.78 crore of the country's population.

Today, the Company addresses 1073 tehsils across 10 states and has active loans in 10,928 villages/towns. The Company has been able to penetrate small towns with a population of less than 10,000 also.

How Aavas is making a difference

This effective hybrid approach is progressively increasing its multi-regional footprint

Aavas' structure is central and yet federal

Aavas reduced the decision-making cycle time with superior technology

This priority increased up-front costs

This non-urban geographic footprint increased the need for branches

Aavas has spread across semi-urban and rural India

The big numbers

Branch footprint

250
Number of branches, 2019-20

210
Number of branches, 2018-19

165
Number of branches, 2017-18

Enhancing our regional presence

"At Aavas, as an extension of *jo dikhta hai woh bikta hain*, we have selected to be present in states with a growing preference for taking credit and where credit integrity is respected. The second criterion is that we are present in States passing through an appreciable increase in income, aspirations and populations. We exercise contiguity: we are present in States that are adjacent and thereafter within districts that are contiguous, making it possible to leverage our infrastructure and resources better. Within these districts, we like to follow an urban growth direction based on our reading of municipal plans across the coming decade. This makes it possible for us to be present in States with potential and sub-pockets likely to grow faster across the foreseeable future." – An Aavas employee

What our customer says...

Moni Suresbhai Desai, Ahmedabad, Gujarat

"I am a single mother and the sole earning of a family of four. I started a *kurti* business to support the family. Money was always tight: son's school fees, parents' medical expenses and my own needs. During this difficult phase, I approached Aavas for a home loan. Someone commented: 'Doubtful *hain*. *Bade logo ko hi milta hai.*' But within a few days, the loan request was approved. This means two things: *duniya bhale boley ke usko loan kaise mila*, Aavas considered me credible; two, it meant that Aavas *ne mohur laga di ke* I am someone. The loan did something I could not have easily imagined: made me work harder. The result is that I am settled now and want to thank Aavas for empowering *hamare jaise logo ko*."

At Aavas, customer service is... providing financing with a simplified documentation procedure

At Aavas, our biggest service proposition is that we identify people as customers that most housing finance companies do not consider customers in the first place.

The result is that in our company we have redrawn the definition of our customer focus to include individuals not possessing adequate documented proof of their income or assets, generally an indispensable requirement for extending housing loans.

As a result, we are proud to state that our customer is not someone staying in a plush part of India's financial capital or a large and visible real estate company; our customer is the individual who comprises the base of India's economic pyramid – *chaiwallah, sabziwallah,* chauffeur, local tradesmen, daily wage labourers, domestic assistants, cooks, car washers, garage mechanics and shopfloor workers, among others.

We have, over the years, utilised our native insights of these informal and unorganised customers to arrive at a precise understanding of their incomes, assets and business stability to establish whether they should be financed or not.

This distinctive capability has also been derived from a deep understanding of the interplay of various realities (social, cultural, geographic, statutory, economic and technology) and how this can be translated into a risk pricing clarity. This has been coupled by the appointment of an external agency to continuously audit how our executives arrive at the customer's income estimation, graduating it from a private skill into an institutionalised capability.

We make our documentation procedure simple.

The net result is that we are engaged in creating a market and, having done so, carving out a sizable share of that market within the areas of our presence.

In doing so, we are helping pre-pone this aggregate ground-level demand from an economic class that was not expected to play a potent economic role for years.

How Aavas is making a difference

Aavas is helping build India from the grassroots upwards

Aavas has successfully captured an attractive share of this market

Aavas has helped in creating a market

Aavas developed a science to accurately 'construct' their incomes

Aavas focused on rural and semi-urban Indians

Aavas focused on the undocumented and unbanked

The big numbers

Average transaction size during the year

8.81
₹ lakh, average ticket size per loan, 2019-20

9.04
₹ lakh, average ticket size per loan, 2018-19

9.29
₹ lakh, average ticket size per loan, 2017-18

Extending loans of a modest ticket size

"We will continue to extend loans with an average ticket size of less than ₹10 lakh for self-occupancy of a single unit dwelling. We are at the right moment in the right sector and in the right country: government policies are making Affordable homes for the low income segment and we see sustained growth in incomes within the rural low-and middle-class income segment or rural self-employed customers".
– An Aavas executive

What our customer says...

Dinesh Baria,
Jaipur, Rajasthan

"My father was a *chowkidaar*. I iron around 250 clothes a day, supply coal to people and wash cars for a living. Two years ago, when I had around ₹12 lakh accumulated across eight years, I sought to buy a house. I used to pay ₹6500 as rent for 150 sq yards. A friend suggested 'Aavas *se baat karo*. Documents *jamaa kar do*. Loan *ho jaayega*.' So I submitted whatever I possessed: bank account statement, coal supply *kaagazaat*, rent *ki* receipt, Aadhar-PAN card and four wheeler license. I brought a home of ₹26 lakh, of which ₹12.80 lakh came from Aavas repayable across 15 years at 15% interest. *Mazey ki baat hai ki* I started my EMI paying ₹17915 a month but Aavas arranged the subsidy benefit for me and now I pay ₹14756 a month. The best thing is that Aavas never said *'kal aana'* and arranged for the subsidy when I had no hope of getting it. I now have an asset that is worth ₹35 lakh. If I sell today, I make a clean profit of ₹9 lakh."

At Aavas, customer service is... affordable financing

In a business where the customer is usually a first-time borrower without documented evidence of income, there is a possibility of this customer being exploited through high interest rates.

This is the scenario that existed for centuries where transactional inequity – the lender being economically more powerful than the borrower – usually commenced with a usurious rate of interest and culminated in virtual bondage and lifelong economic slavery.

That a company like Aavas selected to address this segment with one of the highest forms of service has been explained in the earlier pages; that the Company responsibly priced the risk associated with this customer class that translated to an affordable interest rate was the complementary service element.

At Aavas, this affordable rate of interest represented the outcome of a number of focused initiatives. The Company leveraged a robust Balance Sheet to generate a credible credit rating. This rating, in turn, broadened the consortium of lenders that widened the Company's borrowing choice and flexibility on the one hand and moderated borrowing costs on the other. This lower borrowing cost – a sizable delta between unorganised lending rates - was passed on to customers in the form of affordable credit that helped widen the market for housing finance in the country.

The increased rate affordability has been reflected in the Company's numbers: average borrowing and lending rates have declined over the years, widening the Company's circle of influence.

This effect of affordable housing finance provided by Aavas (and other companies) is what has been well understood. What has not been adequately documented is the downstream impact of affordable financing.

One, it has served as an effective tipping point to convert risk-averse consumers into borrowers – the gateway to financial inclusion.

Two, the rate affordability has helped borrowers meet their repayment and debt service obligations in a timely way, strengthening their credit history.

Three, the rate affordability has helped these one-time financially excluded customers build documented wealth through immovable assets that can be hypothecated or pledged to assume more prospective debt, kick-starting a cycle of asset creation.

Four, the Company has graduated from a focus on the rate (value) as a singular profitability driver to the number of customers being serviced (volume), strengthening competitiveness and sustainability.

The result is that what starts with service as delivered through an attractive and affordable rate transforms into a multi-year and multi-product relationship for the benefit of the customer and company.

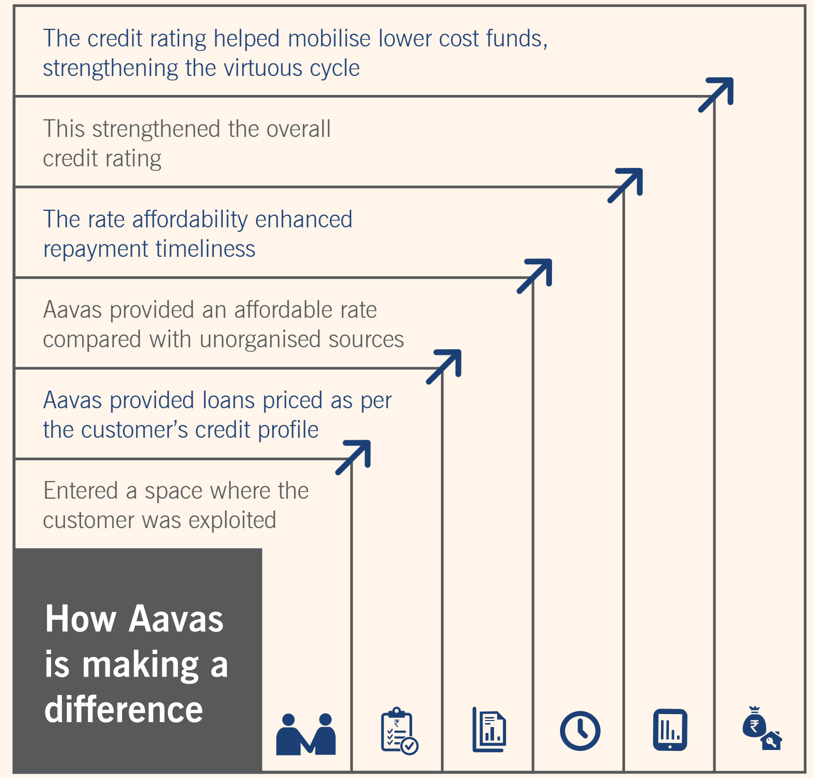
The big numbers

Contractual average liability tenure (months)

134
Average liability tenure (months), 2019-20

143
Average liability tenure (months), 2018-19

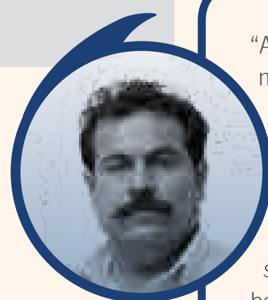
136
Average liability tenure (months), 2017-18



Financing with lower rates

"At Aavas, we believe that we will keep providing our customers with progressively lower rates of interest for good reasons: as our brand, footprint and market penetration grow, we expect that so will our debt appetite. The larger quantum we borrow from a wide consortium of lenders, the more we expect to leverage our credit rating and borrow at lower rates. These lower rates we expect to pass on to our customers in the form of a lower cost of loans. We believe that by reducing loan costs we will widen our market, enhance our market competitiveness, lower the cost incidence on customers and strengthen our brand. If financiers like us keep lowering the cost of loans and make home building cheaper, we believe people will build more homes, expand their homes and make home improvements – all financed with more debt. In view of this, we are optimistic of our prospects." – An Aavas executive

What our customer says...



Tejabhai Prajapati,
Ahmedabad, Gujarat

"After 17 years of running Jai Ambe Caterers in Ahmedabad, I wanted to have my own home. I had been living in a rented home for 10 years. I searched for a suitable place in Jogeshwari and Amraiwadi – *kuchh bhi achcha nahi laga*. I ran idhar-udhar to banks for a home loan, but all I heard was '*Tamaara paashey barobar* document *nathi*.' But one day I got lucky at a wedding I was catering for. I met an Aavas executive; I told him about my problem; he said '*Samjho ke thayi gyu*.' I got the loan from Aavas; I built my house; *beti ki shaadi hui apne ghar se*. Now neighbours see us with respect. Aavas proved to be a blessing for small business people like us."

At Aavas, customer service is… reducing the turnaround time

In the business of housing finance, the most critical part of the operation – appraising the repayment capability of the prospective customer - took the longest time.

There was much at stake. The Company needed to get this request approved by a sequence of authorised employees. The Company needed to get a rural or semi-urban loan case approved by a centralised authority.

The result is that 'Yes' or 'No' took more than a month.

At Aavas, we recognised the contradicting implications: the quicker you took could potentially please the customer but compromise the process rigour; the longer one took could potentially strengthen process discipline but compel a customer to look elsewhere and transform a responsive internal team into a bureaucracy.

The Company responded with an effective hybrid: an approach that would be high on appraisal professionalism and yet be quick enough to delight the customer.

Aavas linked year-end bonuses and promotions to how decisively it achieved its target. Earlier, the Relationship Officer came to the branch to complete the login process for the leads generated. Now the login and information registration is done at the point of sale itself. This has reduced the time of information transmission.

Aavas achieved the digitalisation of most of the processes in a smart way, raising the possibility of shrinking the turnaround time (TAT) from days to minutes. The strong technology team engaged in futuristic technologies resulting in a 24x7 solution (no unplanned downtime). The team developed a data warehousing solution that can connect to and access every data framework in the market and convert into a usable format – a decisive long-term advantage.

Initially, branches were different from hubs; cases sourced from branches would be transferred to the hub for disbursement, resulting in processing delays. Aavas responded with a digitised disbursement model where every branch is a virtual hub, reducing disbursement tenure. Payments would once be made through the cheque or online whereas they are completely online today.

By registering the customer through her/his net banking ID and debit card, the process has shrunk to two days and signature mismatches eliminated.

A complement of these initiatives has helped shrink the turnaround time across a large number of new financing cases to less than 10 days.

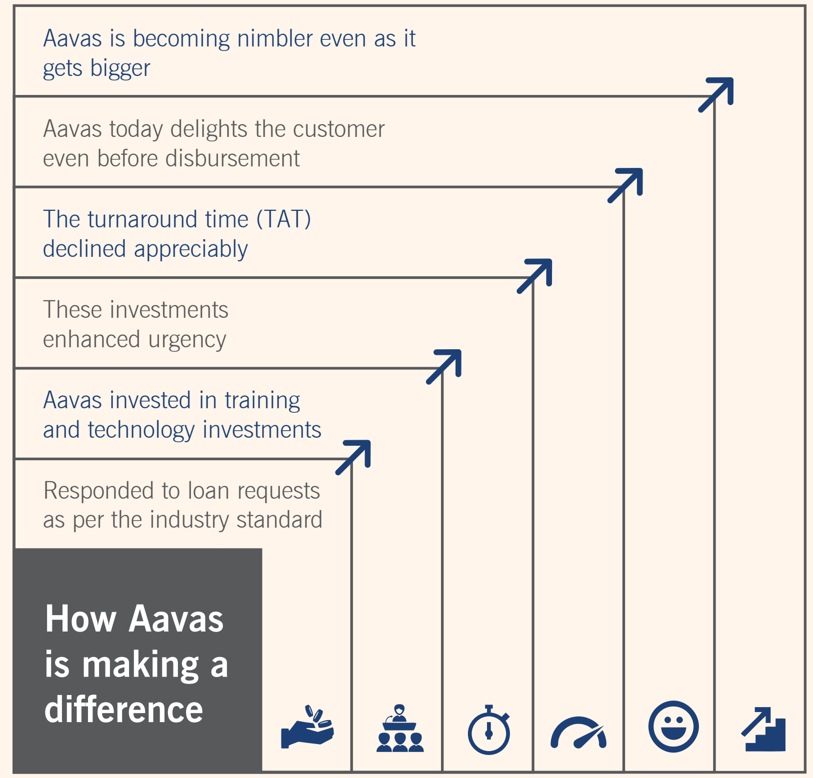
The big numbers

Average transaction size

55
% of cases processed within a turnaround time of 10 days or less, 2019-20

76
% of cases processed within a turnaround time of 15 days or less, 2019-20

87
% of cases processed within a turnaround time of 20 days or less, 2019-20



Delighting customers with superior service

"At Aavas, when we embarked on the journey, there was a belief that we could never bring TAT down to less than 20 days. The management was responsibly 'unreasonable' in starting out with a seemingly impossible target of ten days. Have we got there? Yes and no. Yes in the sense that Aavas is disbursing loans within ten days of the loan request on a number of occasions but not yet for all cases. And yet we know that the figure of '10 days' is not a destination but a milestone as we seek a consistently low single-digit TAT figure across the foreseeable future." – An Aavas executive

What our customer says…

Shiv Ram Saini, Jaipur, Rajasthan

"I had invested ₹6 lakh to buy a property in 2017, which was supplemented with a loan of ₹25 lakh from Aavas (processed in justsix days). I constructed the property in just six months. I started servicing the loan at 13% and am now down to a rate of 11.5%. The money was disbursed *fataafat* in just six days. I have 7200 sq ft available to me in which I have housed my machines and 60 workers. I used to paya rent of ₹60,000 a month and now I pay an EMI of ₹23,000 – plus I have a *poonji* on my books. The big advantage has been that while I was a tenant, there was an unspoken threat of a rent increase and being asked to vacate. Now that I have my own property, I incur a lower cost, have room to expand within and possessed a property against which I can raise another loan after this one has been repaid."

At Aavas, customer service is … addressing the servicing team

At Aavas, we believe that if we look after our employees then that would be a decisive step towards competently addressing the needs of our external customers.

In view of this, we treat our employees with the same seriousness with which we engage with our customers.

At the bedrock of this seriousness of our engagement is the ability to recruit on the basis of merit customised to the requirements of the terrain. Besides, we treat our people with respect and integrity, enhancing their pride of association with our company.

One of our most decisive employee centric initiatives has been our decision to correct the work-life imbalance. In the last few years, we set about addressing the happiness quotient of our company through a stipulation that specified the number of hours we expected each employee to work. We announced a 9:30 a.m. - 6:30 p.m. work schedule; to discourage employees from staying over or taking work home, we switched our IT system off at 7 p.m. each evening. Three positives emerged: workplace productivity increased, employees began spending more time with their families / friends and employees strengthened the business through lower attrition.

Aavas implemented another stress reducing initiative when it dispensed with the conventional imposition of annual sales targets. The Company believed that if it invested the right strategic inputs (the 10-day turnaround time in servicing customers for instance), customer accretion would be higher than the industry average.

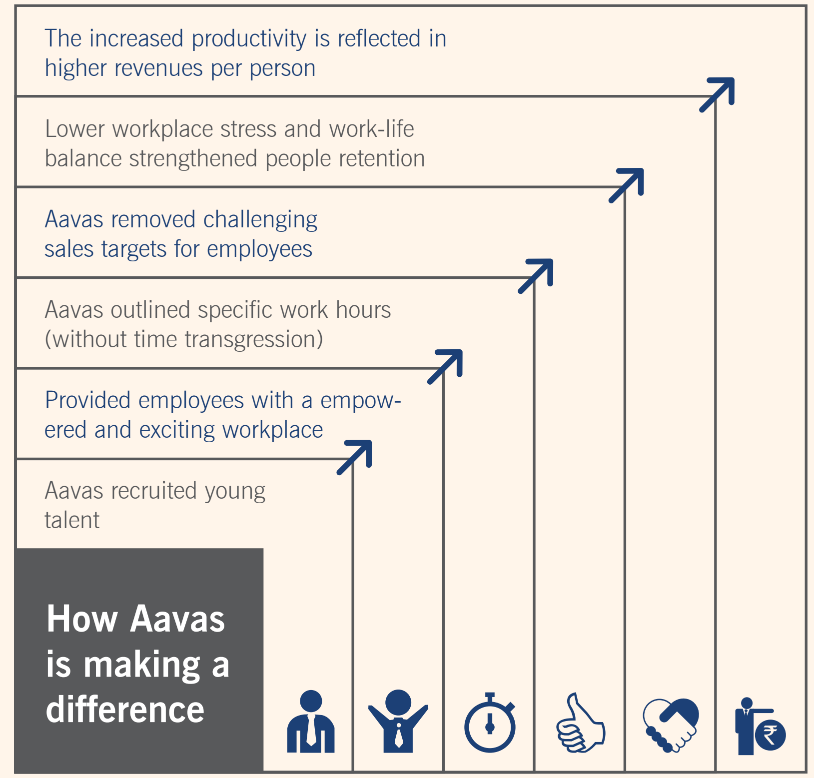
The result is that a few years ago, 75% of Aavas' business was conducted in the last four days of a month. Aavas inspired and encouraged employees to reduce the business skew and enhance loan quality. Today, 75% of business is generated in the first three weeks of the month, enhancing loan quality. Besides, Aavas selected to grow people capabilities from within by organising professional courses from reputed business schools such as IIMs.

By transforming this target from 'push' to 'pull', Aavas outperformed a weak sectoral performance in 2019-20 with 31% growth in assets under management.

The result of these long-term initiatives is that a larger number have begun to see their employeeship at Aavas as a longterm career-building engagement rather than as a stop-gap job opportunity.

Aavas - Employee Ownership Program

Aavas has provided an opportunity to its employees for wealth creation by means of ESOP. A significant quantum of shares were allotted to senior and middle level employees which resulted not only in creating a sense of ownership, but also creating personal wealth. On the other hand, it allowed Company to retain its leadership to have stability and efficiency in the overall operations.



The big numbers

Number of employees

4581
Employees at Aavas in 2019-20

3187
Employees at Aavas in 2018-19

3123
Employees at Aavas in 2017-18

Employee service at par with customer service

"The critical success determinant in a rapidly-growing housing finance sector is the battle for talent. This 'battle' is manifested in poaching and lateral hiring at a time when every company is growing, warranting a need for more people to run existing and growing businesses. At Aavas, we treat 'employee service' at par with 'customer service' – you cannot have one without the other. The result is that the Company has taken decisive and disruptive initiatives to strengthen employee engagement and loyalty, which we believe represents the bedrock of our financial outperformance." – An Aavas Executive

What our employee says...

Anurag Shrivastava,
Senior Vice President
Data Science

"Most companies growing as rapidly as Aavas would have been stretching their executives to work harder and longer. This company is the opposite: it has identified the hours in which it expects everyone to work – 9:30 am to 6:30 pm – and shuts its IT network down at 7pm. The result is that we can't work even if we want to. This decision has transformed a quarter of my life: I spend quality time with my two children who are less than 5 years old, I drop my son to school every day, my son occasionally drops in at the office and spend the day in my cabin keeping himself engrossed. This is how the companies of the future will be – where it will be possible for high-achieving executives to maximize their workplace productivity and also see their children grow up."

How Aavas has built its business

Values: Through a long-term approach in a long-term business, the Company is building itself as a human-centric enterprise where high people retention translates into distinctive knowledge capital, sectoral outperformance, sustained growth and enhanced value for stakeholders.

Strategic DNA: Aavas is a retail-focused mortgage company that primarily addresses the mortgage needs of individual home builders. The Company has resisted the temptation to invest in properties, finance real estate builders, engage in corporate loans or finance large properties under construction.

Deeper reach: The Company has most of its offices in the Tier 2, 3 and 4 locations of the country where residents are largely outside the ambit of the formal banking system. This has empowered Aavas to help people realise their dreams to own homes. In last two years, the Company widened its footprint to 10 States in 2019-20.

Service: The Company made it binding on its customer-interfacing executives to process mortgage applications within a stipulated period, failing which a pre-specified fine was deducted from their monthly remuneration.

Wide choices: The Company created personalised solutions for customers, which helped it provide the best possible solution.

Asset-liability mismatch: The Company's average liability of 134 months more than matches its average asset tenure – a positive ALM (rare in the sector).

Standards: The Company infused FMCG standards in the mortgage finance sector.

The result: freshness, discipline, best practices from other sectors, control of the routine and increased effectiveness.

Low funds cost: The Company mobilised funds at an average cost of 8.5%, one of the lowest in Indian mortgage finance companies.

Visibility: The Company has its work cut out not only for the next year, but for the next few decades, which is an individual's usual working span. We believe that the higher growth during the initial years would be complemented by at-par or lower growth rates during the later years when the Company's operating base would be considerably larger.

Targets: The Company's enunciation of a multi-year vision has had spinoff benefits: every executive knows in advance what business needs to be generated from that location next year and the year after next, strengthening a long-term preparedness. This has helped executives plan right down to their monthly targets as early as a couple of years away, liberating them from the stress of the unknown. There is a greater selectivity in the nature of business to be addressed or avoided, strengthening premium recall, quality of business and margins.

Brand recall: The Company strengthened its brand recall around trust with the tagline of 'Sapne aapke, Saath hamaara'.

Capitalised: The Company was adequately capitalised at 55.86% capital adequacy ratio (as on March 31, 2020) compared with a minimum stipulated 13% by the NHB for 2019-20.

Securitisation: The Company completed asset securitization worth ₹738.6 crore at remunerative rates, a validation of its business model despite being in existence for just nine years (as on March 31, 2020)

People: The Company recruited 1394 employees in 2019-20, resulting in a team size of 4581 as on March 31, 2020.

Long-term: The Company appraised every initiative through the 'long-term' prism. There was a sharp decline in arbitrage-driven opportunistic initiatives and a greater focus on the sustainable.

Value-added niche: The Company resisted the temptation of muscling its way into the commodity end of the business and pricing below the prevailing average. It resolved to rise above the commodity average, price risks appropriately, address prevailing demand as opposed to target-driven subquality loans and enhance its presence in the premium end of India's mortgage finance sector.

Recruitment: The Company prefers to recruit executives not previously exposed to the mortgage finance sector. Their inexperience is an advantage; these executives are free from any bias of what is possible (or not possible) in the mortgage finance sector; the Company trains comprehensively and continuously; it empowers aggressively; it emphasises a work-life balance in a stressed sector. The result is a team built around a distinctive Aavas ethos and refreshingly contrarian spirit in a routinely conventional sector.

The financial value we generated

Aavas revenues grew at a three-year CAGR of
43.5% to ₹903.1 crore

PAT grew at a three-year CAGR of
62.6% to ₹249.1 crore

Average funding cost stood at
8.4%

Earnings per share stood at
₹31.86

Aavas' DNA

- Focus on retail-focused mortgage
- Commitment that 'Customer *bhagwaan hai'* comes first at our Company
- Infusion of FMCG standards in India's mortgage sector
- Focus on the long-term across all initiatives and planning
- Focus on premium mortgage financing beyond the commodity trap
- Multi-year and multi-decade strategic clarity
- Recruitment from the mortgage sector
- Respect for the dignity of our people – work-life balance

BUSINESS REVIEW, 2019-20

How Aavas initiate measures to strengthen our credit profiles

Overview

At Aavas, our focus on improving portfolio quality, processes, portfolio health and customer delight translates into growth,the weakness in the broad housing finance sector notwithstanding.

Credit profile-strengthening initiatives

Created institutional intelligence: Aavas leveraged technology to create a distinctive understanding of customer profile. Approximately 65-70% of the portfolio comprised self-employed people owning small or medium businesses.

Customer-centricity: The Company categorised customers based on their loan amounts and respective teams, resulting in standardised processes, proposal understanding, documentation required and superior customer service.

Creating empowerment: The Company empowered employees to make decisions with certain check points; the sanctioning authority was made equivalent to the rejecting authority, enhancing accountability, for risk understanding and customer service.

Diversified portfolio: A low ticket size and 250 branches ensure that the portfolio is diversified.

Credit appraisal strengths

Speed: Inter-department synergies resulted in better understanding and faster workflow

Capability: The Company built an expert in-house team for a deeper understanding of cash flows, technical and legal analysis of property valuations.

Visits: The Company's operational risks team conducts surprise customer visits, minimising the risk of window dressing.

Health: The Company created an MIS highlighting portfolio health on a daily basis, addressing challenges with speed

Screen: The Company's high screening standard resulted in a lower NPA compared to the sectoral average.

Way ahead

The Company will continue to prioritise portfolio quality in light of its growing customer scale and new branches.

Challenges and counter-challenges, 2019-20

Training: The Company conducted credit control training programs and on job training across the engagement lifecycle.

Empowerment: The Company implemented floating and mobile credit risk managers to address emerging needs.

Checks: The Company leveraged technology in analysing characteristics of credit appraisal executives with the objective of connecting the right person to the right job profile.

Delinquencies: The credit team visits every case as soon as it falls in the 90 days-past due category and engages with those customers to understand challenges and provide solutions.

The big numbers

2.43
%, Our 1+DPD as on March 31, 2020

3.43
%, Our 1+DPD as on March 31, 2019

How data science improves our strength to service customers

Overview

A paradigm shift at Aavas has resulted in an increased focus on machine learning and automation, improving turnaround time, economies and the bottomline.

Business-strengthening projects

Robotics: The Company replaced manual intervention in credit assessment, reducing 45-60 minutes taken to log information to just five minutes through robot-induced automation.

Default model algorithm: The Company leveraged bureau report information, capturing static and dynamic information. The algorithm helped in generating cases vulnerable to defaults, which was shared with the collections team for proactive addressal.

Underwriting: The Company created a differentiated underwriting model suited for automatic approvals, accelerating the process and reducing the turnaround time. During the year 2019-20, the Company disbursed loans to 55% customers within 10 days.

Challenges and counter-challenges, 2019-20

Information: The Company periodically updated its software and gathered information from various sources to improve customer services.

Strengths

The Company invested in a bounce prediction model, which provides data of cases that can potentially default in three months, resulting in pre-emptive action and 6% decline in bounce incidence

The Company created time and work efficiencies through the implementation of analytics, strengthening customer retention

The Company recruited selectively from relevant institutions

Focus areas

The Company will evolve in line with market conditions and update algorithms to enhance screening and moderate probable delinquencies; it is creating dynamic and navigable software to assist its sales team on the move.

Aavas strengthened its DNA of customer service

Overview

In a business where the engagement with the customer does not end with the disbursement of the loan, an ongoing engagement catalyses the customer relationship.

Initiatives in 2019-20

Service hours: Data analytics indicated an increase in call dropped ratios after service hours, which prompted an increase in service hours, from 9:30 a.m. - 6:30 p.m. to 7:30 a.m. - 7:30 p.m. on working days.

Service lobby: The Company launched a dedicated customer service lobby for customers in Rajasthan comprising three service desks and a state-of-the-art property (replicable across other States).

Increased team size: To address an increased customer base, the service team was ramped up.

Customer relationship management: The Company used Customer Relationship Management (CRM) software, which strengthened its customer response turnaround time, maintaining log and data analytics.

Challenges and counter initiatives, 2019-20

Increased competition: The Company enhanced customer engagement initiatives.

Building a service culture: The Company invested resources to enhance service as the core value with a culture where every person is responsible for a superior customer experience.

Futuristic technology: The Company invested in latest technologies like robotics, developing chatbots to reduce manual intervention and enhancing accurate service process workflow.

Strengths

Better systems helped in end-to-end process control. The Company connected more frequently with customers. A robust on boarding process was set up for new customers. The customer query resolution turnaround time was within 24 hours for 90% requests and 48 hours for others.

Way ahead

The Company made 2020 the Customer Service Year; it intends to launch an integrated automated system to enhance customer experience.

How a differentiated marketing approach gives Aavas an edge over its competition

Overview

In the prevailing environment where consumers possess extensive information and choice of loan providers, there is a premium on the ability to retain a 'top of the mind' recall. Not only is it important to keep our customers engaged also necessary to reach out to prospective customers. Over the years, Aavas has undertaken promotion and branding initiatives to reach a cross-section of prospective customers.

Initiatives undertaken, 2019-20

TV campaign: Between September and December 2019, Aavas undertook its maiden TV campaign which ran across reputed national and regional channels. The film embodied the Company's mission statement and drew attention to the aspirations of the average Indian with the 'Ab adjust nahi, Upgrade karo' tag line. The promotion generated a positive response across the Company's target markets .

In-cinema advertisement: The Company promotional films across hundreds of cinema houses in targeted geographies.

Local train advertisement: The Company advertised extensively across Mumbai's central and western line train network. By virtue of these being one of the busiest railway networks in the country, Aavas enhanced visibility across lakhs of daily commuters.

Print media: Aavas promoted its message in one of the widest circulation Hindi newspapers in Uttarakhand.

Wall paintings: The Company strengthened its visibility and reach across small towns through an extensive branding exercise via wall paintings in public spaces, an effective way to enhance visibility in rural and semi-urban India.

Van campaign: The Company ran proprietary vans decorated with Aavas branding along with local business team across cities and towns with the aim to increase awareness.

Social media: The Company invested prudently in digital media, generating a large number of leads, deepening customer engagement and opening a two-way dialogue.

YouTube: The Company hosted three films on Facebook and YouTube, generating millions of views. These films highlighted the Company's reach, achievements, pedigree and brand ethos, carving out a superior recall.

Property Expo: The Company participated in exhibitions conducted by MCHI and CREDAI; the Company distinguished itself with the 'Best Stall Design' award.

Posters: The Company undertook initiatives wall painting featuring its brand logo across small towns.

No-parking boards: The Company installed thousands of no-parking zone boards with a generalised message and Aavas branding across target locations.

Water tankers: The Company painted water tankers with social messages and branding, deepening its branding footprint in Jaipur.

Aavas Mitra: The Company partnered construction material store owners to enhance in-shop co-branding and external branding.

Strengths

Aavas developed an integrated approach to marketing, identifying the best customer touchpoints to reach its message across the maximum number of leads, disbursed loans and customer experience.

Way ahead

The Company intends to focus on various promotional campaigns to enhance brand awareness and visibility.

Marketing glimpses

Profile of Board of Directors

Mr. Sandeep Tandon
Chairperson & Independent Director
(DIN No. 00054553)

He is the Chairperson of the Board and an Independent Director of Aavas. He holds a Bachelor's degree in Science (Electrical Engineering) from the University of Southern California. Additionally, Sandeep Tandon has completed the Harvard Business School YPO President Program. He previously served as the Managing Director of Tandon Advance Device Private Limited and as a Director on the Board of Accelyst Solutions Private Limited. At present, Mr. Tandon is acting as the Executive Director of Syrma Technology Private Limited and serves as a Director in various private companies.

Mr. Sushil Kumar Agarwal
Managing Director and CEO
(DIN No. 03154532)

He is the Managing Director and CEO of Aavas. He has been associated with Aavas since its incorporation in 2011. Mr. Agarwal is a qualified Chartered Accountant and had secured the tenth rank in his final examination. Further, he is a qualified Company Secretary. He was previously associated with AuSFB as its Business Head - SME & Mortgages. Sushil Kumar Agarwal has previously worked with ICICI Bank Limited as its Chief Manager and with Kotak Mahindra Primus Limited as an Assistant Manager. He has more than 19 years of experience in the field of retail financial services.

Mrs. Kalpana Iyer
Independent Director
(DIN No. 01874130)

She is an Independent Director of Aavas. She holds a Bachelor's Degree in Commerce from the Madurai Kamaraj University. She is a qualified Chartered Accountant and a member of the Institute of Chartered Accountants of India. Kalpana Iyer was previously associated with Citibank N.A., India as its Senior Vice-President, during which she was responsible for women's banking and microfinance. She has also previously held the position of a Director at IncValue Advisors Private Limited. At present, she is acting as a Managing Director of Svakarma Finance Private Limited.

Mrs. Soumya Rajan
Additional Director- Independent
(DIN No. 03579199)

Mrs. Soumya Rajan is the Founder, MD and CEO of Waterfield Advisors, India's largest independent Multi-Family Office that advises on assets of ~US$3.5bn. She previously worked at Standard Chartered Bank India for 16 years, where she headed their Private Banking Division from 2008 to 2010. Having served till earlier this year as Vice Chairperson of Reach to Teach, a UK charity focused on primary education for disadvantaged children in India, Mrs. Soumya Rajan currently serves on the Boards of several other non-profit organisations - Peepul, a charity focused on creating a school transformation platform for government schools; the Indian Institute of Technology (IIT) Gandhinagar's Research Park and Entrepreneurship Centre; and CSTEP, a research think tank that recommends public policy on the use of new emerging technologies for social and economic development in the areas of energy, environment and infrastructure. Mrs. Soumya Rajan was recognised by AIWMI in 2019 amongst India's Top 100 Women in Finance.

Mr. Ramachandra Kasargod Kamath
Non-Executive nominee Director
(DIN No. 01715073)

He is a Nominee Director appointed on the Board of Aavas by Lake District and Kedaara AIF-1. He holds a Bachelor's Degree in Commerce from the University of Mysore. He is a honorary Fellow of the Indian Institute of Banking and Finance. Further, Mr. Kamath is a certified associate of the Indian Institute of Bankers. He was previously associated with Corporation Bank as its General Manager and with Punjab National Bank as its chairman and managing director. Mr. Kamath has also served as the Chairman and Managing Director of Allahabad Bank and as an Executive Director of Bank of India.

Mr. Vivek Vig
Non-Executive nominee Director
(DIN No. 01117418)

He is a Nominee Director appointed on the Board of Aavas by Partners Group ESCL and Partners Group Master Fund. He holds a post-graduate diploma in management from Indian Institute of Management at Bangalore. Vivek Vig has previously served as the Managing Director and Chief Executive Officer of Destimoney Enterprises Limited. Further, he was previously associated with the Centurion Bank of Punjab (which was subsequently merged with HDFC Bank) as its Country Head - Retail Bank and has also acted as a Director on the Board of PNB Housing Finance Limited. In the past, he has also been associated with Citibank N.A., India, where he has held various positions across the consumer bank.

Mr. Nishant Sharma
Non-Executive Promoter Nominee Director
(DIN No. 03117012)

Mr. Sharma is a Promoter Nominee Director appointed on the Board of Aavas by one of our promoters, Lake District Holdings Limited. He is the Co-Founder and Partner of Kedaara Capital, a leading India focused private equity firm. Mr. Sharma has over 14 years of investment experience, encompassing the full lifecycle of private equity from sourcing investments across sectors, driving value creation to successfully divesting investments over this period. Before co-founding Kedaara, Mr. Sharma was at General Atlantic ("GA") and co-led GA's investments across financial services, healthcare, business services and technology including investments in IndusInd Bank, Jubilant Lifesciences, IBS Software among others. Prior to GA, Mr. Sharma worked as a management consultant with McKinsey & Company, serving clients across IT/BPO, financial services, healthcare and public policy. In addition, Mr. Sharma worked at the Bill & Melinda Gates Foundation in setting up the largest HIV/AIDS prevention program in India. Mr. Sharma holds the Economic Times 40 under 40 Award given to business leaders in India. Mr. Sharma holds an M.B.A. from Harvard Business School, and a Dual Degree (B.Tech. and M.Tech) in Biochemical Engineering and Biotechnology from Indian Institute of Technology, Delhi.

Mr. Manas Tandon
Non-Executive Promoter Nominee Director
(DIN No. 05254602)

Mr. Tandon is a Promoter Nominee Director appointed on the Board of Aavas by ESCL and Master Fund. He is the Head of Private Equity in Asia for Partners Group and is a member of its Private Equity Directs Investment Committee. Prior to joining Partners Group, Mr. Tandon co-led TPG Growth's investments in India, having started his investing career with Matrix Partners, where he was responsible for investments in mobility and financial services. Before that, Manas was engaged in designing and selling cutting-edge telecom solutions for start-ups such as MaxComm Technologies (acquired by Cisco Systems) and Camiant Inc. (now part of Oracle). Mr. Tandon holds an MBA in Finance from The Wharton School of the University of Pennsylvania, where he was a Palmer Scholar, and a Bachelor's Degree in Technology (Electrical Engineering) from the Indian Institute of Technology, Kanpur, where he was awarded the General Proficiency Medal for outstanding academic performance. Mr. Tandon holds eight US patents and is a member of the Mumbai chapters of the Young Presidents' Organization (YPO) and the Entrepreneurs' Organization (EO).

Mr. Kartikeya Dhruv Kaji
Non-Executive Promoter Nominee Director
(DIN No. 07641723)

Mr. Kaji is a Promoter Nominee Director and is appointed on the Board of Aavas by one of our Promoters, Lake District Holdings Limited. He is a Director at Kedaara Capital, a leading India-focused private equity firm, where he leads the financial services investing practice. Mr. Kaji has over 9 years of investment experience, encompassing the full lifecycle of private equity across geographies and sectors. Prior to Kedaara, Mr. Kaji was at the Mumbai office of the global investment firm Temasek Holdings, where he focused on public and private market investments across sectors. Previously, he worked as investment banker in New York, first at Merrill Lynch & Co., and then at leading boutique firm Perella Weinberg Partners. Mr. Kaji holds an MBA from The Wharton School of the University of Pennsylvania, and a Bachelor of Arts in Economics from Dartmouth College. He is a member of the Mumbai chapter of the Entrepreneurs Organization.

Profile of Key Managerial Personnel

Mr. Ghanshyam Rawat
Chief Financial Officer

He is the Chief Financial Officer (Finance and Treasury) of our Company. He has been associated with the Company since 2013. He presently heads our finance and treasury; accounts; internal audit; compliance; budget and analytics departments. He holds a Bachelor's Degree in Commerce from the Rajasthan University and is a fellow member of the Institute of Chartered Accountants of India. He has been previously associated with First Blue Home Finance Limited, Accenture India Private Limited and Deutsche Postbank Home Finance Limited. Further, he has also worked with Pan Asia Industries Limited and Indo Rama Synthetics (I) Limited.

Mr. Sharad Pathak
Company Secretary and Compliance Officer

He is our Company Secretary and Compliance Officer. He holds a Bachelor's Degree in Commerce from the Rajasthan University and is a fellow Company Secretary. He has been associated with Star Agri warehousing & Collateral Management Limited as Company Secretary. He has been with the Company since inception.

Senior Management Team

Mr. Sunku Ram Naresh

Chief Business Officer

He is MBA and B.Sc. from Sri Krishnadevaraya University, A.P. His last assignment was with Bajaj Finance Ltd. and he has also worked with companies like Bajaj Auto Finance Limited, Future Finmart Limited, GE Countrywide Consumer Financial Services, Future Capital Financial Services Limited, ICICI Bank Limited, GE Money Financial Services Limited, Nestle India Limited and Mala Publicity Services Private Limited.

Mr. Ashutosh Atre

Chief Risk Officer

He holds a Diploma in Finance from NMIMS and Diploma in Mechanical Engineering from M.P Board of Technical Education with an experience of around 30 years with Equitas Housing Finance Private Limited, Equitas Micro Finance India Private Limited, ICICI Bank Limited, ICICI Personal Financial Services Company Limited, Cholamandalam Investment & Finance Company Limited, Apple Industries Limited and Sanghi Brothers (Indore) Limited.

Mr. Surendra Kumar Sihag

Senior Vice President - Collections

He holds a Bachelor of Arts degree from the University of Rajasthan, LLB degree from the University of Rajasthan and Master of Business Administration from the Periyar University. He was formerly associated with Cholamandalam Investment & Finance Company Limited and Bajaj Finance Limited.

Mr. Rajeev Sinha

Senior Vice President - Operations & Alternate Business Channel

He is B.Sc. and Certified in Management of Customer Relationship from IIM Ahmedabad (EE) by qualification. He was formerly associated with Cointribe Technologies Private Limited, Indiabulls Housing Finance Limited and ICICI Bank Limited.

Mr. Anurag Srivastava

Senior Vice President - Data Science

He is M.A. in Economics. He was formerly associated with Deloitte Special Project India Private Limited, First Offshore Technologies Private Limited, American Express and WNS Global Services Private Limited.

Mr. Vijay Sethi

Senior Vice President - Human Resources

He is B. Sc. (Hons) from MS University of Baroda and PGDBA (HR) from ITM University, Navi Mumbai. He possesses 18 years of work experience of having worked with best employers having leadership position in the respective industry viz. Ruchi Soya Group, ICICI Bank, Larsen & Toubro Ltd, Landmark Group LLC Dubai. and Tata Group. He is a CII certified HR Excellence Assessor in India and a jury member of various HR excellence programs run by CII.

Corporate Information

Board of Directors

Mr. Sandeep Tandon
Independent Director and Chairperson

Mr. Sushil Kumar Agarwal
Managing Director & CEO

Mrs. Kalpana Iyer
Independent Director

Mrs. Soumya Rajan
Additional Director - Independent

Mr. Ramachandra Kasargod Kamath
Non-Executive Nominee Director

Mr. Vivek Vig
Non-Executive Nominee Director

Mr. Nishant Sharma
Non-Executive Promoter Nominee Director

Mr. Manas Tandon
Non-Executive Promoter Nominee Director

Mr. Kartikeya Dhruv Kaji
Non-Executive Promoter Nominee Director

Chief Financial Officer

Mr. Ghanshyam Rawat

Company Secretary and Compliance Officer

Mr. Sharad Pathak

Investor Relations

Mr. Himanshu Agrawal
E-mail: himanshu.agrawal@aavas.in

Statutory Auditors

S. R. Batliboi & Associates LLP,
Chartered Accountants
The Ruby, 14th Floor,
29 Senapati Bapat Marg, Dadar West
Mumbai 400 028, Maharashtra, India
Telephone: +91 22 6192 0000
Fax: +91 22 6192 1000
E-mail: SRBA@srb.in
Firm Registration No.: 101049W/E300004

Secretarial Auditors

M/s. V.M & Associates
Company Secretaries
403, Royal World, S.C. Road,
Jaipur-302001, Rajasthan, India
Telephone: 0141-2370954
E-mail: cs.vmanda@gmail.com
Firm Registration No.: P1984RJ039200

Internal Auditors

M/s G.M. Kapadia & Co.
Chartered Accountants
S B – One, Bapu Nagar, Near J.D.A. Circle,
Jaipur 302004, Rajasthan, India
Telephone: 0141- 2270 6925
E-mail: jaipur@gmkco.com
Firm Registration No.: 104767W

Branch Auditors

M/s S.K. Patodia & Associates
Chartered Accountants
229 Second Floor, Ganpati Plaza, M I Road,
Jaipur- 302001, Rajasthan, India
Telephone: 0141-4542400
E-mail: info@skpatodia.in
Firm Registration No.: 112723W

M/s P. Dangayach & Associates
Chartered Accountants
12, Bandhu Nagar,
Kanji Sweet Lane, Sikar Road
Jaipur, 302023 Rajasthan, India
Telephone: 0141 4042612; +91 9610 612 612
E-mail: capd.office@gmail.com
Firm Registration No.: 0013709C

Registered & Corporate Office

201-202, 2nd Floor, South End Square,
Mansarovar Industrial Area, Jaipur-302020
Rajasthan, India
Telephone: +91 141 661 8800
Fax: +91 141 661 8861
Website: www.aavas.in

Financial Institutions and Banks

Principal Bankers

Axis Bank
Bank of Baroda
Bank of India
Canara Bank
Central Bank of India
DCB Bank
Federal Bank
HDFC Bank
ICICI Bank
IDBI Bank
IDFC FIRST Bank
Indian Bank
Indian Overseas Bank
Indusind Bank
Karnataka Bank
Kotak Mahindra Bank
National Housing Bank
Punjab National Bank
RBL Bank
SBM Bank (India)
South Indian Bank
State Bank of India
UCO Bank
Union Bank of India

Financial Institutions / Mutual Funds

Asian Development Bank (ADB)
CDC plc group (CDC)
HDFC Mutual Fund
ICICI Prudential Mutual Fund
International Finance Corporation (IFC)
Maxlife Insurance
Nippon India Mutual Fund
SBI Life Insurance

Debenture Trustees

IDBI TRUSTEESHIP SERVICES LIMITED
Asian Building, Ground Floor,
17, R. Kamani Marg, Ballard Estate,
Mumbai – 400 001.
Maharashtra, India
Tel: +91 22 4080 7015
Fax: +91 22 6631 1776
Website: www.idbitrustee.com

CATALYST TRUSTEESHIP LIMITED
GDA House, Plot No. 85
Bhusari Colony (Right), Paud Road
Pune 411 038,
Maharashtra, India
Tel: +91 20 2528 0081
Fax: +91 20 2528 0275
Website: www.catalysttrustee.com

Registrar & Transfer Agent

Link Intime India Private Limited
C-101, 1st Floor, 247 Park
L.B.S. Marg Vikhroli (West) Mumbai 400 083
Maharashtra, India
Tel: +91 22 4918 6200
Fax: +91 22 4918 6195
Website: www.linkintime.co.in

Glimpses of 2019-20 Our Awards and Recognition event

Mr. Ghanshyam Rawat, Chief Financial Officer has awarded as best "CA-CFO for the year" under the category of "Emerging Corporate (BFSI)" by ICAI in its 13th ICAI award held on January 14, 2020 at Mumbai.

Glimpses of 2019-20

Glimpses of 2019-20

Corporate Social Responsibility, 2019-20

Management Discussion and Analysis

Global economic overview

The global economy grew 2.9% in 2019 compared to 3.6% in 2018, the result of an increase in global trade disputes and slowdown of the manufacturing sector, coupled with a global financial crisis and Brexit. Global trade also grew a mere 0.9% in 2019 due to trade tensions and slower economic growth.

Country	GDP Growth 2019	GDP Growth 2018
United States	2.3%	2.9%
China	6.1%	6.7%
United Kingdom	1.4%	1.3%
Japan	2%	2.4%
Saudi Arabia	0.3%	2.4%

The 'Great Lockdown' is projected to shrink global growth significantly in the foreseeable future. As a result of the Novel Coronavirus pandemic, the global economy is expected to de-grow in 2020, significantly lower than the 2008–09 financial crisis.

Indian economic review

The Indian economy slowed to 4.2% in FY2019-20, compared to 6.1% in FY2018-19. The combined expenditure of central and state Governments exceeded revenues, translating into a greater level of public debt-to-GDP ratio. India's public debt was at around 69% of FY20 's GDP, relatively large in comparison to other major emerging market economies.

The Monetary Policy Committee (MPC) reduced the repo rate by 185 bps to 4.40% during the year ended March, 2020 to mitigate the economic risks arising amidst the deteriorating economic condition.

The nominal exchange rate (the Indian rupee or INR vis-à-vis the US dollar) exhibited sizable two-way movements during October-December 2019. The INR came under intensified and sustained depreciation beginning mid-January, reflecting a generalised weakening of emerging market currencies amidst flights to safety.

Retail inflation climbed to a six-year high of 7.59% in January, breaching the RBI's upper band of 6% while settling at 5.91% in March 2020. The Wholesale Price Index (WPI) inflation stood at 1% at the year end and the core inflation hardened in a sustained manner from a historic low of 3.4% in October 2019 to 4.3% in January 2020.

India emerged as the fifth-largest world economy in 2019, overtaking the UK and France with a gross domestic product (GDP) of $2.94 trillion. India jumped 14 places to 63 in the 2020 World Bank's Ease of Doing Business ranking, riding reforms in seven areas and a substantial bump-up from the insolvency law rolled out in 2016. The country climbed 79 positions in the past five years and was among the top 10 performers for the third year running. By 2024-25, the Government aspires to break into the top 25.

The outbreak of COVID-19 and the subsequent lockdown enforced in the country are expected to bring down aggregate demand in rural and urban areas. The Government of India declared a nationwide lockdown to tackle the challenges posed by the COVID-19 pandemic which could have severe economic repercussions. To mitigate some of the negative effects, the Indian Finance Minister announced a ₹1.7 trillion relief package for the poor and migrant workers across the country. The Government announced a slew of measures like direct cash transfer to farmers, hiking wages under the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) scheme, and utilisation of welfare funds for construction workers to offset the adverse impact on rural demand. The third tranche of the stimulus package aimed at India's rural economy (worth around ₹1 lakh crore) is likely to uplift the rural economy, a substantial part of which will go into building a modern agricultural infrastructure. It also ushersed new laws to promote contract farming. The changes in the Essential Commodities Act (ECA) and creating a 'One Nation One Market' will allow private sector investment. Besides, the focus on MGNREGA is expected to strengthen rural income.

Intensification of social distancing measures is expected to lead to supply side as well as demand side shocks to the economy. Supply chain disruptions could continue to hurt domestic production in sectors which are dependent on imported inputs such as pharmaceuticals, autos, chemicals, power, etc. Disruption to the services sector could hurt transport, hotels, and entertainment – as containment measures limit travel. Domestic demand recovery could be delayed until firms issue new orders. Fiscal and monetary stimulus measures undertaken by the Government and central bank are expected to provide reasonable support to the economy to aid recovery. Despite linkage with global economies, India's macroeconomic situation remains strong compared to other emerging economies. Falling crude oil prices are expected to favour the Balance of Payment situation for India. Benign inflation that allows room for monetary easing and comfortable forex reserves levels add to the economy's resilience.

Key Government initiatives

National infrastructure pipeline: To achieve a GDP of USD 5 trillion by 2025, the Government announced National Infrastructure Policy with an investment plan worth ₹102 trillion in five years. It laid down the vision of the Government in terms of job creation. About 30 million are expected to join industry, while the services sector is expected to gain a massive 180 million employees. Nearly 80% of the plan is to be funded by Central and state Governments as well as public sector enterprises, while the private sector could be contributing about a fifth. In the central Government's share, more than half the commitment is being attributed to state-owned enterprise-led off-budget spending.

Corporate tax relief: Indian companies were unable to compete globally, with the cost of capital and corporate income tax (CIT) being significantly higher than overseas competitors. In view of this, the Government slashed the corporate tax rate to 22% from 30% to promote investment; it announced a new tax rate of 15% for new domestic manufacturing companies, providing a boost to the Make-in-India initiative.

Mortgage finance sector review

The Indian housing finance market grew to approximately ₹20.7 lakh crore as on 31st December 2019, growing approximately 13% over the previous year. The number of registered housing finance companies with National Housing Bank stood at 101 as of March 2020.

On the assets side, the total advances of housing finance companies grew to approximately ₹11.1 lakh crore as on 31st December 2019, growing ~7% over the previous year. The period saw their home loans portfolio grow ~6%, while their other loans portfolio grew higher at ~11%. The stress faced by the NBFC sector led to a sharp deceleration of growth in the credit extended by HFCs, as some HFCs had to temporarily withhold disbursements to maintain liquidity.

On the liability side, the borrowing mix of housing finance companies changed as they moved back towards bank borrowings, whereas earlier their borrowings via capital markets were high; due to improving bank's NPAs, credit from banks re-emerged as a preferred source of funding. The bank borrowings of housing finance companies comprised a 26% share in the total borrowings of HFCs in December 2019 compared with 19% in March 2018. Borrowings via commercial paper declined from 10% in March 2018 to 5% in December 2019.

The growth in advances by housing finance companies was partly fueled by increasing non-housing loans (for instance loan against property) because of higher margins on account of high associated risks. The growth in non-housing loans had a dampening effect on the asset quality of housing finance companies. The GNPA of housing finance companies rose from 1.1% in March 2018 to 2.2% in December 2019. The gearing at which housing finance companies operated decreased from 7.2 in March 2018 to 5.6 in December 2019.

On the profitability side, housing finance companies were affected by a rise in provisions and moderation in interest income. The moderation in interest income came on account of the slow growth in advances of housing finance companies.

(Source: ICRA Report of April 2020)

Optimism for the mortgage finance business

Lower penetration: The mortgage-to-GDP ratio for India is expected to grow over the next few years; India suffers from a low mortgage-to-GDP ratio of 10% compared to other developing countries.

Housing shortage: According to Ministry of Housing and Urban Affairs, there was an affordable housing shortfall of approximately 10 million houses.

Urbanisation: By 2030, approximately 40% of the population could reside in urban India from 34% today, creating an additional demand for 25 million affordable housing units.

Favourable demographics: Approximately 66% of India's population is below 35 years of age, creating a large potential for home loans.

Home extension and home improvement needs: In 2011, 41% of households were living in less than one-room homes and 53% households were in a good condition, implying a need for home improvement and home extension, given the average family size of 4.8.

Low mortgage liabilities: Lack of funding facility for mortgage finance for self-employed individuals or people in the informal sector resulted in a penetration rate of only 10% compared to mortgage penetration of advanced economies like China, Japan and USA of 26%, 38% and 50% respectively.

Increasing incomes: The nominal per-capita net national income during FY2019-20 was estimated at ₹135,050, a rise of 6.8% compared to ₹126,406 during FY2018-19. (Source: MoSPI)

Pradhan Mantri Awas Yojana: The Government of India (GoI) launched the Housing for All under the Pradhan Mantri Awas Yojana (PMAY) in June 2015. During the period FY2014-20, more than 1.5 crore houses were built under PMAY. The Government approved over 1.23 lakh houses under PMAY (urban) in FY2019-20, increasing houses sanctioned under the scheme to over 72.5 lakh.

Improved borrower affordability: Home buyers receive tax incentives on home loans for principal and interest payment of home loans. Tax incentives on home loans for principal and interest repayment and the subsidy under CLSS for economically weaker sections, low income groups and middle income groups have improved affordability for borrowers and first-time buyers.

Budgetary initiatives

- Budget 2020 saw the Housing and Urban Affairs Ministry outlay touch ₹50,039.90 crore, a 18.39% increase from the revised estimate of ₹42,266.72 crore for FY2019-20.
- The outlay for the Pradhan Mantri Awas Yojana stood at ₹27,500 crore as against the revised estimates of ₹25,328 crore in FY2019-20, an 8.5% increase.
- The Government allocated ₹13,750 crore for the Smart Cities Mission and Atal Mission for Rejuvenation and Urban Transformation (AMRUT) for FY2020-21 against ₹9,842 crore in FY2019-20, a 40% increase.

Government measures to restructure HFC operations

Reduction in total borrowings: NHB mandated HFCs to bring down their total borrowings to 12 times of their Net Owned Funds (NOF) and raise their Capital Adequacy Requirement (CAR) to 15%. The deposit-accepting HFCs are allowed to accept public deposits amounting only upto 3 times their NOF. The reduction in borrowing limits could reinforce discipline amongst HFCs, while an increase in the minimum CAR level could strengthen their Balance Sheets.

Liquidity Infusion Facility (LIFt) Scheme: The NHB initiated another Liquidity Infusion Facility Scheme (December-19 LIFt) for HFCs with an increased scheme allocation of upto ₹30,000 crore. The special liquidity window is available to HFCs till June 2020. Rate of interest will be 0.50% above the rate of interest applicable under the Liberalised Refinance Scheme if the total assets are above ₹2,000 crore.

Relaxation of ECB guidelines for Affordable Housing: Further relaxation (after discussion with RBI) in External Commercial Borrowings (ECBs) guidelines is to be offered to facilitate the financing of home buyers who are eligible under the PMAY (Pradhan Mantri AwasYojna). This could benefit companies in the affordable housing space as it would reduce their borrowing costs. ECB financing of homebuyers eligible under PMAY could also reduce borrowing costs, increasing demand.

Partial credit guarantee structures for affordable housing finance players: The Government in its 2019 Union Budget announced a one-time partial credit guarantee to PSBs for investing in highly rated pooled assets of financially sound NBFCs/HFCs, up to ₹1 lakh crore during FY2019-20. The government provides the first loss default guarantee up to 10%.

Removal of DRR: The Ministry of Corporate Affairs amended the Companies (Share Capital & Debentures) Rules by removing Debenture Redemption Reserve requirement for Listed Companies, NBFCs and HFCs, in pursuance of the Budget announcements for 2019-20 by the Finance Minister and the Government's objectives of providing greater 'Ease of Doing Business' to companies in the country, as part of its 100 Days Action Plan.

Last mile funding for LIG and MIG homes: To provide last mile funding for housing projects which are non-NPA and non-NCLT projects and are net-worth positive in affordable and middle income category, a fund of ₹20,000 crore is being set up in which 50% of the amount will be contributed by the Government and the rest by outside investors. This would benefit more around 3.5 lakh homebuyers and the HFCs having a solid Balance Sheet and require funding.

Aavas' SCOT analysis

Strengths
- Capacity of assessing informal segments with better assets quality
- Technology-driven in-house sourcing and execution model
- Positive ALM; no reliance on Commercial Paper
- Low leveraged Balance Sheet with high net worth
- Deep distribution network

Opportunities
- Low mortgage penetration
- Increasing number of self-owned homes
- Enhancing rural and semi-urban disposable income
- Government's focus on affordable housing

Challenges
- Sectoral slowdown
- Liquidity crunch
- Real-estate sector slowdown
- Geographical concentration

Threats
- Increasing competition
- Exposure to vulnerable borrower segment
- Reduced credit availability
- Risk aversions on sector by lenders

Overview

In 2019-20, Aavas continued to strengthen its comprehensive system to promptly identify risks, assess customer's materiality and take measures to minimise their likelihood and losses.

Risk management was applied across all management levels and functional areas.

Roles

The Risk Management Committee performed the following functions:

- Reviewing and approving various credit proposals in terms of credit and risk management policies;
- Supervising, guiding, reviewing and identifying current and emerging risks;
- Developing risk assessment and measurement systems;
- Establishing policies, practices and other control mechanism to manage risks;
- Reviewing and monitoring the effectiveness and application of credit risk management policies, related standards and procedures and to control the environment with respect to credit decisions;
- Reporting results of risk and credit monitoring to senior management and the Board; and
- Reviewing and identifying risk in the area of cyber security and Management.

Implementation

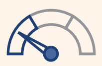
The Company provided due importance to prudent lending practices, putting in place suitable measures for risk mitigation, which included verification of the credit history from credit information bureaus, personal verification of the customer's business and residence, in house technical and legal verification, conservative loan to value parameters and compulsory term cover for insurance.

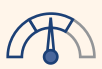
The risk management framework of Aavas sought to minimize the adverse impact of risks on key business objectives and enabled the Company to leverage market opportunities effectively.

The Company grouped its loan portfolio under risk-based categories determined using Company's risk-management framework. Loans grouped under a particular category were assumed to represent a homogenous pool, thereby expected to demonstrate similar credit characteristics. The Company designed and operated its risk assessment model that factored quantitative and qualitative information on loans and borrowers. The model used historical empirical data to arrive at factors indicative of future credit risk; it segmented the portfolio on the basis of combinations of these parameters into smaller homogenous portfolios from the perspective of credit behaviour.

The Company successfully maintained its loan-to-value at 50%, which indicated that the prospective loan seeker generally matched the Company's contribution, indicating his or her skin in the game and a vested interest in not doing anything that could result in asset repossession (resulting in a loss of savings aggregated over the years). The Company selected to provide mortgage to individuals building their own homes, where an attractive proportion of the individual's funds has been already invested in the home and our financing is for a property under construction into which the individual will move in about a year. The Company holds collateral to mitigate credit risk associated with financial assets.

Mitigation of top five risks 2019-20

RISKS	POTENTIAL CONSEQUENCES RISK	LIKELIHOOD OF OCCURRENCE	OUR STRATEGIC RESPONSE
Economy risk: The Company's performance could be adversely affected in the event of an economic slowdown or the pandemic	• Adverse impact on our business plans • Increased operational costs • Reduced cash flows		• India's economy slowed to an 11-year low of 4.2% in 2019-20 (Source: National Statistical Office), but the Company reported a 27% revenue increase and 41% PAT increase, signifying robustness. • Increasing consumer focus towards owning homes and the government's focus on boosting "Housing for All", is expected to strengthen Aavas performance. • Lower credit penetration in the areas of presence could serve as an opportunity even during subdued market conditions.
Customer risk: An inability to provide adequate services could result in dissatisfied customers	• Customer attrition • Moderation in business growth • Probability of delayed payment		• The Company created a customer-centric business environment. • During 2019-20, the Company doubled its customer service team, CRM automation and opened a dedicated customer service lobby to enhance its overall service experience.
Financing risk: The inability to mobilise funding at competitive costs can hamper margins	• Reduced spread • Increased opportunity costs • Stagnation in credit rating		• The Company had a net worth of ₹2097.93 crore and total debt of ₹5381.59 crore as on March 31, 2020. • The Company has a positive ALM and maintaining enough liquidity. Overall average cost of borrowing is has significantly declined from 10.48% in FY2015-16 to 8.44% in FY2019-20 to mitigate the risk.
Underwriting risk: The inability to accurately assess customers could impact revenues	• Increment in doubtful debts • Reduced business robustness • Reduced business visibility • Surge in default		• The Company possessed strong customer assessment standards and institutionalised intelligence like bureau scrub and reject referencing which helping to improve templatised customer assessment model regularly. This has resulted into one of the lowest delinquency in the industry. • The Company has adopted the 'Four Eyes' approach in parallel underwriting by an empanelled/external agency and in-house capabilities.
Employee risk: Inability to retain talent could result in business instability	• Increased employee costs • Increased competition • Failure to achieve strategic objectives • Lower productivity		• The Company has a long-term business plan, providing employees with the assurance of career growth. • The Company provided ESOPs to employees for long term association and growth. • The Company provided training and professional courses to employees.

 Low  Medium  High

Aavas' Performance Review, FY 2019-20

FINANCIAL PERFORMANCE

Income & Profits

Total Income of the Company for the year ended March 31, 2020 was ₹903.09 crore compared to ₹710.97 crore in the previous year, representing a growth of 27.02%.

For the year ended March 31, 2020, the Company reported a Profit Before Tax of ₹302.05 crore as against ₹257.69 crore in the previous year, representing a growth of 17.21%.

Company reported ₹249.07 crore Total Comprehensive Income for the year ended March 31, 2020 against ₹176.14 crore,a growth of 41.40% over the previous year.

Statement of Profit and Loss

Key elements of the statement of Profit & Loss for the year ended March 31, 2020 were:

- Profit before tax grew by 17.21% over 257.69 crore of the previous year.
- Total Comprehensive Income grew by 41.40% over 176.14 crore of the previous year
- Net Interest Margin for the year was 8.16% as against 9.32% in the previous year
- The Company's Operating Expense ratio (to average total assets) was 3.38% for the year ended March 31, 2020.
- Total Expenses of Company grew by 32.60% during the year under review
- The Earnings per Share (Basic) was ₹31.86 in 2019-20 as against ₹23.65 in the previous year.
- Return on average net worth for the year was 12.66% as against 11.64% in the previous year.
- Interest Service Coverage Ratio for the year was 1.90 as against 2.05 in the previous year.
- Debt-Equity ratio for the year was 2.57 as against 1.99 in the previous year.
- Operating Profit Margin for the year was 37.31% as against 38.86% in the previous year.
- Net Profit Margin for the year was 27.59% as against 24.74% in the previous year.

OPERATIONAL PERFORMANCE

Aavas is a retail affordable housing finance company primarily serving low and middle-income self-employed customers in semi-urban and rural areas in India. It offers customers home loans for the purchase or construction of residential properties, and for the extension and repair of existing housing units.

As of March 31, 2020, a majority of the home loans disbursed were for single-unit properties, almost all of which were to be occupied by the borrowers themselves. A majority of its customers had limited access to formal banking credit.

There were four schemes through which credit was extended to the customers via Credit Linked Subsidy Scheme (CLSS):

- Economically Weaker Section (EWS)
- Lower Income Group (LIG)
- Middle Income Group-1 (MIG-1)
- Middle Income Group 2 (MIG-2)

The Company has a dedicated team of seven people in the team which looked after subsidy cases. The Companys presence in the cities with lower credit penetration provided it with an opportunity to connect with prospective customers eligible under the scheme. Additionally, the places where Aavas is present matched the pin codes provided under the Scheme. The Company catered to a number of first-time borrowers (approximately 60-70%) living in *kutcha* houses and aspiring to live in *pucca* homes. Aavas possessed the skill of assessing people eligible under the Scheme. The sales team visited small vendors/businessmen who did not have formal income documentation, but were eligible to avail subsidised loans.

Loan products

The Company offers customers home loans for the purchase or construction of residential properties, and for the extension and repair of existing housing units.

In addition to home loans, the Company offers customers other mortgage loans including loans against property, which accounted for 26.50% of our Gross Loan Assets as of March 31, 2020. As of March 31, 2020, 63.40% of the Gross Loan Assets were from customers who belonged to the economically weaker section and low income group, earning less than ₹50,000 per month.

Sanctions

The Company sanctioned ₹3,034.00 crore mortgage loans during the year compared to ₹2710.82 crore in the previous year, a growth of 11.92%. The cumulative loan sanctions since inception of the Company stood at ₹11,646.20 crore.

Disbursements

The Company disbursed ₹2,930.39 crore mortgage loans during the year as compared to ₹2672.35 crore in the previous year, a growth of 9.66%.The cumulative loan disbursement since inception as at March 31, 2020 was ₹11,097.91 crore.

Assets under Management (AUM)

The AUM of Company stood at ₹7,796.09 crore (including assignment of ₹1,739.64 crore) as at March 31, 2020 as against ₹5941.61 crore in the previous financial year, a growth of 31.21%.As of March 31, 2020, the average loan sanctioned was ₹8.40 lakh and average tenure was 185.32 months in the AUM (on origination basis)

Spread on loans

The average yield on loan assets during the year was 13.63% per annum compared to 13.75% in the previous year. The average all-inclusive cost of funds was 8.44% per annum as compared to 8.74% in the previous year. The spread for the year was 5.19%.

Non-performing assets

The Company maintained its gross NPAs at ₹28.41 crore (0.46% of the loan assets) as on March 31, 2020. The Company reviewed its delinquency and loan portfolio on a regular basis.

The Company confirmed to a defined policy with procedures to address delinquencies and collections. As a result, Gross NPA and net NPA as at March 31, 2020 were 0.46% and 0.34% respectively (against 0.47% and 0.37% respectively in the previous financial year).

Capital Adequacy Ratio

NHB, vide its note dated March 04, 2019, proposed amendments, which included an increase in the Capital Adequacy Ratio for HFCs from 12% to 15% by March 2022. The capital adequacy ratio of HFCs was increased from 12% to 13% by March 2020, and to be increased to 14% by March 2021 and 15% by March 2022. The Company's CAR as at March 31, 2020 was 55.86% (previous financial year 67.77%) which was far above the minimum required level of 13%.

Affordable housing

Over the last financial year, the Company developed an experienced, trained and exclusive team for catering at the Pradhan Mantri Awas Yojana (Urban)-PMAY-U product and to focus on Economically Weaker Sections (EWS) and Low Income Group (LIG) segments and Mid Income Group (MIG 1 and MIG 2).

The Company signed a Memorandum of Understanding (MOU) with local government authorities of various state governments for the Credit Linked Subsidy Scheme (CLSS) under the PMAY for the EWS, LIG and Middle Income Group (MIG) segments.

During the financial year, the Company contributed to the same and provided CLSS subsidy of ₹109.22 crore for 5280 beneficiaries. Since the inception of the scheme, your Company received CLSS subsidy of ₹152.17 crore for 7576 beneficiaries and the same was passed on to customers.

The majority of the claims submitted were in respect of the EWS and LIG customers along with MIG 1 and 2 category.

Branch network

Aavas adopted contiguous on-ground expansion across regions; as of March 31, 2020, the Company conducted operations through 250 branches out of which, Aavas had a significant presence in four states (Rajasthan, Gujarat, Maharashtra and Madhya Pradesh).

The Company has its registered office in Jaipur, Rajasthan.

RESOURCE MOBILIZATION

Share Capital

The issued and paid-up Equity Share Capital of the Company as on March 31, 2020 stood at ₹78,32,26,610 consisting of 7,83,22,661 Equity Shares of ₹10/- each compared to ₹78,10,79,010 (Rupees seventy eight crore ten lakh seventy nine thousand ten) consisting of 7,81,07,901 (Seven crore eighty one lakh seven thousand nine hundred one) Equity Shares of ₹10 each in previous year.

ESOP allotment

The Company has issued and allotted 2,14,760 Equity Shares during the year pursuant to the exercise of stock options by the eligible employees of the Company under ESOP plans.

Term loans from banks and financial institutions

During the year, the Company received fresh sanctions from banks amounting to ₹2775 crore and availed loans aggregating ₹1370 crore.

The outstanding term loans from Banks and Financial Institutions as at March 31, 2020 were ₹2965.68 crore. The average tenure of term loans raised during the financial year under review was 8.65 years.

Securitization/Assignment of Loan Portfolio

During the year under review, the Company received a purchase consideration of ₹664.73 crore from assets assigned in pool buyout transactions. The pool buyout transactions were de-recognised in line with RBI guidelines on the securitisation of standard assets and securitised assets de-recognised in the books of the Company.

Refinance from National Housing Bank (NHB)

During the year, the Company received a sanction of fresh refinance assistance of ₹800 crore under the NHB refinance scheme to HFCs. The Company availed funds of ₹200 crore from NHB under the Refinance Scheme for Affordable Housing Fund and Regular Refinance Scheme and Refinance Outstanding at the end of the current Financial Year stood at ₹951.29 crore (previous year ₹897.21 crore).

The Company availed funds of ₹80 crore under subsidised scheme of NHB (Affordable Housing Fund) and reduced the effective rate of interest for the eligible customers to 7.68% being fixed for next 7 years. .

Non-Convertible Debentures (NCDs) issued to Multilateral Institutions

During the year under review, the Company added Asian Development Bank (ADB) as a new lender. The Company raised aggregate amount of ₹789.40 crore through the issue of Rated, Secured, Unlisted, Redeemable, Non-Convertible Debentures on a private placement basis to International Finance Corporation (IFC) and ADB during the year.

As on March 31, 2020, the Company's outstanding NCDs stood at ₹909.86 crore compared to ₹128.80 crore as on March 31, 2019.

Masala Bond issued to Multilateral Institutions

As on March 31, 2020, the Company's outstanding balance of Masala Bond issued to multilateral Institutions stood at ₹198.68 crore.

Non-Convertible Debentures ("NCDs") issued to Domestic Financial Institutions

Given the inherent risk and low tenure of funding from mutual funds, the Company reduced borrowings from mutual funds and did not raise any fresh funding from these institutions during the financial year under review. The Company is more focused towards multilateral institutions like ADB, IFC, CDC and Life Insurance companies for raising long tenure funding instead of short tenure funding from mutual funds.

As on March 31, 2020, the Company's outstanding NCDs stood at ₹59.92 crore as compared to ₹109.85 crore as on March 31, 2019. The Company's Debentures are listed on Wholesale Debt Market segment of BSE Ltd.

As on March 31, 2020, the Company's outstanding subordinated debt in the form of NCDs stood at ₹99.66 crore compared to ₹99.58 crore as on March 31, 2019.

Commercial Paper (CP)

The Company had not issued any Commercial Paper and Short-Term Instrument during the Financial Year 2019-20 and as on March 31, 2020, the Company's Commercial Paper outstanding was nil.

CREDIT RATING

During the financial year under review, all the credit ratings assigned to the Company were reaffirmed by respective credit rating agencies.

The details of the same are mentioned below:

Rating Agency	Rating Type	Nature of Borrowing	External Credit Rating
CARE	Long Term Rating	Long Term Banking Facilities and Instrument -Subordinated Debt	"CARE AA- / Stable"
	Short Term Rating	Commercial Paper	"CARE A1+"
ICRA	Long Term Rating	Long Term Banking Facilities and Non-Convertible Debentures	"ICRA A+ / Positive"
	Short Term Rating	Commercial Paper	"ICRA A1+"
CRISIL	Long Term Rating	Long Term Banking Facilities	"CRISIL A+/ Stable"

Human resources

Aavas believes that its competitive advantage lies in its people. The Company's people possess multi-sectoral experience, technological experience and domain knowledge. The Company's HR culture is rooted in its ability to subvert age-old norms in a bid to enhance competitiveness. The Company always takes decisions in alignment with the professional and personal goals of employees, achieving an ideal work-life balance and enhancing pride in association. The Company's employee count stood at 4581 people as of March 31, 2020.

Internal control systems and their adequacy

The Company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The Company's internal financial control over financial reporting includes those policies and procedures that:

(1) Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company

(2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that receipts and expenditures of the Company are being made only in accordance with authorisations of management and Directors of the Company and

(3) Provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements. The Company has a robust internal audit programme, where the internal auditors, an independent firm of Chartered Accountants, conduct a risk based audit with a view to not only test adherence to policies and procedures but also to suggest improvements in processes and systems. Their audit program is agreed upon by the Audit Committee. Internal audit observations and recommendations are reported to the Audit Committee, which monitors the implementation of such recommendations.

Cautionary statement

This statement made in this section describes the Company's objectives, projections, expectation and estimations which may be 'forward looking statements' within the meaning of applicable securities laws and regulations. Forward– looking statements are based on certain assumptions and expectations of future events. The Company cannot guarantee that these assumptions and expectations are accurate or will be realised by the Company. Actual result could differ materially from those expressed in the statement or implied due to the influence of external factors which are beyond the control of the Company. The Company assumes no responsibility to publicly amend, modify or revise any forward-looking statements on the basis of any subsequent developments.

Statutory
Report

DIRECTORS' REPORT

To
The Shareholders,
AAVAS FINANCIERS LIMITED ("COMPANY")

Your Directors are pleased to present the Tenth Annual Report on the operational and business performance of the Company together with the Audited Financial Statements (Standalone and Consolidated) for the Financial Year ended March 31, 2020.

FINANCIAL PERFORMANCE

The summarized financial performances for the Financial Year ended March 31, 2020 are as under:

(₹ in crore)

	Particulars	For the Year ended March 31, 2020	For the Year ended March 31, 2019
A	Total Income	903.09	710.97
	Less:		
	- Total Expenditure before Depreciation & Amortization and provision	(566.14)	(434.66)
	- Impairment on financial instruments	(15.34)	(8.90)
	- Depreciation & Amortization	(19.56)	(9.72)
B	Total Expenses	(601.04)	(453.28)
C	**Profit Before Tax (A-B)**	**302.05**	**257.69**
D	Less: Provision for Taxations (Net of Deferred Tax)	(52.93)	(81.78)
E	**Profit After Tax (C-D)**	**249.12**	**175.91**
F	Add: Other Comprehensive Income (Net of Tax)	(0.05)	0.23
G	**Total Comprehensive Income (E+F)**	**249.07**	**176.14**
	Transfer to Statutory Reserve	49.81	35.23

Your Company posted Total Income (Total Interest Income and Other Income) of ₹903.09 crore and Total Comprehensive Income of ₹249.07 crore for the Financial Year ended March 31, 2020, as against ₹710.97 crore and ₹176.14 crore respectively for the previous Financial Year.

COVID-19- A GLOBAL "PANDEMIC"

The World Health Organization (WHO) on March 11, 2020 declared the outbreak of Coronavirus (COVID-19) as a global "pandemic". The declaration from WHO came at a time when COVID-19 cases rapidly increased across the world. The spread of virus has triggered panic across the world and financial markets.

Like some of the other countries in the World, the virus' impact led the Hon'ble Prime Minister of India, Shri Narendra Modi to announce a lockdown across the country from March 25, 2020 to restrict it from spreading further and to break the cycle of infection. As a result, the Country's economic activities came to a standstill.

The following measures were taken by the Company to mitigate the risk of COVID-19 to its business operations:

1. The Company invoked its 'Business Continuity Plan' and 'Risk Management Framework' quite early to minimize the impact on its employees and ensured that the Company remains operational and that recovery time objectives are met.
2. The Company proactively framed and implemented 'work from home policy' to ensure that employees stay safe and business remains operational.
3. The Company ensured that its offices and branches are properly sanitized and clean.
4. All the guidelines issued by the Central and State Government authorities from time to time are being strictly adhered to.
5. Pursuant to Notification no. RBI/2019-20/186 DOR. No.BP.BC.47/21.04.048/2019-20 dated March 27, 2020 issued by the Reserve Bank of India (RBI) in respect of COVID-19 – Regulatory Package, the Company has framed and implemented a 'Policy on Deferment of PEMI/EMI (COVID-19)' which gave Company's borrowers an option to defer their EMI's for three months.

DIVIDEND

Your Directors have considered reinvesting the profits into the business of the Company in order to build a strong reserve base for the long-term growth of the Company. Accordingly, no dividend has been recommended for the Financial Year ended March 31, 2020.

Your Company has formulated Dividend Distribution Policy in accordance with Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI LODR Regulations") for bringing transparency in the matter of declaration of dividend and to protect the interest of investors. The Dividend Distribution Policy is available on the website of the Company at https://www.aavas.in/dividend-distribution-policy and forms part of this Report as "**Annexure-5**".

SHARE CAPITAL

The issued and paid-up Equity Share Capital of the Company as on March 31, 2020 stood at ₹78,32,26,610 (Rupees Seventy eight crore thirty two lakh twenty six thousand six hundred and ten) consisting of 7,83,22,661 (Seven crore eighty three lakh twenty two thousand six hundred and sixty one) Equity Shares of ₹10/- each as compared to ₹78,10,79,010 (Rupees Seventy eight crore ten lakh seventy nine thousand and ten) consisting of 7,81,07,901 (Seven crore eighty one lakh seven thousand nine hundred and one) Equity Shares of ₹10/- each in the previous year.

During the Financial Year under review, the paid-up Equity Share Capital of the Company has been increased on account of issuance and allotment of 2,14,760 Equity Shares of ₹10/- each pursuant to the exercise of stock options by the eligible employees of the Company under Employee Stock Option Plans (ESOPs) of the Company.

SPECIAL RESERVE (U/S 29C OF THE NATIONAL HOUSING BANK ACT, 1987)

Your Company has transferred ₹49.81 crore i.e. 20% of net profits to Statutory Reserves during the Financial Year under review as required under the provisions of Section 29C of The National Housing Bank Act, 1987 read with Section 36 (1) (viii) of Income Tax Act, 1961.

REVIEW OF OPERATIONS

Your Company is registered as a Housing Finance Company ("HFC") with National Housing Bank ("NHB") to carry out the housing finance activities in India.

In order to build a high-quality loan book, your Company endeavors to adopt superior underwriting practices backed by robust monitoring and recovery mechanism. Your Company is always committed towards improving efficiency in all its processes and service levels for its customers.

Your Company's main thrust continues to be the affordable housing segment, with its focus on catering to the aspirations of low and middle-income Indian families who dream to own their homes. Your Company has been conducting its business as a housing finance institution enabling credit access to the low and middle income self-employed customers in semi-urban and rural areas in India. The majority of your Company's customers have limited access to formal banking credit facilities.

The operating and financial performance of your Company has been covered in detail in the Management Discussion and Analysis report ("MDA") which forms part of this Annual Report.

During the Financial Year under review, your Company has delivered yet another year of resilient performance, which is reflected in the following financial snapshot:

Income & Profits

Total Income grew by 27.02% to ₹903.09 crore for the Financial Year ended March 31, 2020 as compared to ₹710.97 crore for the previous Financial Year. Profit Before Tax (PBT) was 17.21% higher at ₹302.05 crore as compared to ₹257.69 crore for the previous Financial Year.

The Total Comprehensive Income for the Financial Year 2019-20 has increased by 41.40% from ₹176.14 crore in the previous Financial Year to ₹249.07 crore in the current Financial Year.

Sanctions

During the Financial Year under review, your Company sanctioned housing loans for ₹3,034.00 crore as compared to ₹2710.82 crore in the previous Financial Year with an annual growth of 11.92%. The cumulative loan sanctions since inception of your Company stood at ₹11,646.20 crore as at March 31, 2020. Your Company has not granted any loan against the collateral of Gold Jewellery.

Disbursements

During the Financial Year under review, your Company disbursed housing loans for ₹2,930.39 crore as compared to ₹2672.35 crore in the previous Financial Year and recorded a growth of 9.66% in disbursements.

The cumulative loan disbursement since inception as at March 31, 2020 was ₹11,097.91 crore.

Assets Under Management (AUM)

The AUM of your Company stood at ₹7,796.09 crore (including assignment of ₹1,739.64 crore) as at March 31, 2020 as against ₹5941.61 crore (including assignment of ₹1,357.46 crore) in the previous Financial Year, with a growth of 31.21%.

As of March 31, 2020, the average loan sanctioned was ₹8.40 lakh and Average tenure was 185.32 months in the AUM (on origination basis).

Affordable Housing

Over the last Financial Year, your Company has developed an experienced, trained and exclusive team for catering the Pradhan Mantri Awas Yojana (Urban)-PMAY-U product and to focus on Economically Weaker Sections (EWS) and Low Income Group (LIG) segments and Mid Income Group (MIG) 1 and 2.

Your Company has signed Memorandum of Understanding (MOU) with Local Government authorities of various State Governments for the Credit Linked Subsidy Scheme (CLSS) under the PMAY for EWS, LIG and MIG segments.

During the Financial Year, the Company had provided CLSS Subsidy of ₹109.22 crore to 5280 beneficiaries under the said Scheme.

Since the inception of the Scheme, your Company has received CLSS subsidy of ₹152.17 crore in respect of 7576 beneficiaries and same has been passed on to the customers.

Non-Performing Assets (NPA)

Your Company is in adherence to the provisions of Indian Accounting Standards (Ind AS) with respect to computation of Stage-3 Assets (NPA). Your Company's assets have been classified based on expected performance. Exposure at Default (EAD) is the total amount outstanding including accrued interest as on the reporting date. Further in compliance with Ind AS accounting framework, Interest earned on NPA's is recognized net of expected losses, if the present realisable value of the security is greater than the outstanding loan dues.

Using a pro-active collection and recovery management system supported by analytical decision making, your Company was able to contain its gross NPAs at ₹28.41 crore (0.46% of the loan assets) as at March 31, 2020. Your Company reviews the delinquency and loan portfolio on regular basis.

Your Company conforms to a defined policy with procedures to address delinquencies and collections. As a result, Gross NPA and Net NPA as at March 31, 2020 were 0.46% and 0.34% respectively (against 0.47% and 0.37% respectively in the previous Financial Year).

Further, the information on the Business overview and outlook and state of affairs of your Company have been discussed in detail in the MDA which forms part of this Annual Report.

CAPITAL ADEQUACY RATIO

NHB vide its Notification No.NHB.HFC.DIR.22/MD&CEO/2019 dated June 17, 2019 has amended capital adequacy ratio for HFCs from 12% to 15% by March 2022.The capital adequacy ratio of HFCs is to be increased to 13% by March 31, 2020, 14% by March 31, 2021 and 15% by March 31, 2022.

As required under NHB Directions, your Company was required to maintain a minimum capital adequacy of 13% on a standalone basis on March 31, 2020.

Your Company's Capital Adequacy Ratio as at March 31, 2020 was 55.86% (previous Financial Year 67.77 %) which is far above the minimum required level of 13%.

MODIFICATION IN ARTICLES OF ASSOCIATION

The Members of the Company vide Special Resolution passed at Ninth Annual General Meeting (AGM) held on August 01, 2019 have approved the alteration of clause 16.11 (c) of part 1 of Articles of Association ("Articles") of the Company in order to facilitate change in designation of Mr. Sushil Kumar Agarwal to Managing Director and Chief Executive Officer ("MD and CEO") of the Company from Whole Time Director and Chief Executive Officer ("WTD and CEO").

DEPOSITS

During the period under review, your Company has neither invited nor accepted nor renewed any fixed deposits from public within the meaning of Chapter V of the Companies Act, 2013 ("Act") read with the Companies (Acceptance of Deposits) Rules, 2014.

RECOGNITION:

- The Company has been included in MSCI India Domestic Small-cap index in this Financial Year.
- Your Company continued to enjoy following ISO certifications for its key customer facing departments and workflow processes from TUV Nord India reflecting the superior customer experience.
  - i. ISO 9001:2015 for Lending process; e-disbursements and client servicing including Grievance Redressal Mechanism and;
  - ii. ISO 10002:2014 for customer satisfaction and complaint handling process.

CREDIT RATING

During the Financial Year under review, all credit ratings assigned to the Company have been reaffirmed by respective credit rating agencies.

The details of the same are mentioned below:-

Rating Agency	Rating Type	Nature of Borrowing	External Credit Rating
CARE	Long Term Rating	Long Term Banking Facilities and Instrument-Subordinated Debt	"CARE AA- / Stable"
	Short Term Rating	Commercial Paper	"CARE A1+"
ICRA	Long Term Rating	Long Term Banking Facilities and Non-Convertible Debentures ("NCDs")	"ICRA A+ / Positive"
	Short Term Rating	Commercial Paper	"ICRA A1+"
CRISIL	Long Term Rating	Long Term Banking Facilities	"CRISIL A+/ Stable"

The ratings continue to reflect your Company's healthy earning profile, adequate capitalization, strong net worth base, and steady improvement in its scale of operations.

Despite a lot of rating downgrades in the country during the Financial Year under review, reaffirmation of existing ratings are a positive reflection of the Company's comfortable liquidity and resource profile and its leadership position in affordable housing segment, its experienced management team and strong brand equity in the regional markets where it has presence. The ratings also derive strength from adequate risk management & control systems put in place by the Company, asset quality as well as good growth opportunities in the affordable housing segment.

RESOURCE MOBILIZATION

Your Company's overall borrowing is guided by a policy duly approved by the Board of Directors. Your Company has vide Special Resolution passed on August 01, 2019, under Section 180 (1) (c) of the Act, authorized the Board of Directors to borrow money upon such terms and conditions as the Board may think fit in excess of the aggregate of paid up share capital and free reserves of the Company up to an amount of ₹10,000 crore and the total amount so borrowed shall remain within the limits as prescribed by NHB.

Your Company manages its borrowing structure through prudent Asset-Liability Management and takes various measures, which include diversification of the funding sources, tenure optimization, structured interest rates and prudent timing of borrowing to maintain its borrowing cost at optimum level.

During the Financial Year under review, your Company continued to diversify its funding sources by exploring the Debt Capital Market through private placement of Secured NCDs to Multilateral/Development Financial Institutions, NHB Refinance, Securitization/Direct assignment and banking products like Priority Sector/Non-Priority Sector Term loans, Cash Credit Facilities and Working Capital Demand loans. Your Company has also further, diversified its borrowing by adding Six (6) New Lenders/Financial Partners.

The weighted average borrowing cost as at March 31, 2020 was 8.44% (including Securitization/ Assignment) as against 8.74% as at the end of the previous Financial Year. As at March 31, 2020, your Company's sources of funding were primarily in the form of long Term Loans from Banks and Financial Institutions (43.0%), followed by Securitization/Direct assignment (24.9%), NHB Refinance (13.7%), NCDs issued to Multilateral/ Development Financial Institutions (13.2%), Masala Bond issued to Multilateral Institutions (2.9%), Subordinated Debts (1.4%) and NCDs issued Domestic Financial Institutions (0.9%).

Term Loans from Banks and Financial Institutions

During the Financial Year under review, your Company added 5 new lenders viz. SBI Life Insurance, Punjab National Bank, Syndicate Bank, Corporation Bank and Federal Bank under this category. The Company, during the year received aggregate fresh loan sanctions amounting to ₹2775 crore and has availed loans aggregating to ₹1370 crore. The outstanding term loan from Banks and Financial Institutions as at March 31, 2020 were ₹2965.68 crore. Average Tenure of term loan raised during the Financial Year under review is 8.65 years.

Securitization/Assignment of Loan Portfolio

Your Company has actively tapped Securitization/Direct Assignment market, which has enabled it to create liquidity, reduce the cost of funds and minimizing asset liability mismatches.

During the Financial Year under review, your Company has received purchase consideration of ₹664.73 crore from assets assigned in pool buyout transactions.

The pool buyout transactions were carried out in line with RBI guidelines on Securitization of Standard Assets and securitized assets have been de-recognized in the books of the Company.

Refinance from NHB

NHB continued to extend its support to your Company through refinance assistance and during the Financial Year under review, your Company has received fresh sanction of refinance assistance of ₹800 crore under the NHB refinance scheme to HFCs. Your Company availed funds of ₹200 crore from NHB under the Refinance Scheme for "Affordable Housing Fund" and "Regular Refinance Scheme" and outstanding refinance at the end of the current Financial Year stood at ₹951.29 crore (previous year ₹897.21 crore).

Your Company has availed funds of ₹80 crore under subsidized scheme of NHB (Affordable Housing Fund) and reduced the effective rate of interest for the eligible customers to 7.68% fixed for next 7 years.

Non-Convertible Debentures ("NCDs")

During the previous Financial Year, Your Company more focused towards Multilateral/Development Financial Institutions like Asian Development Bank (ADB), International Finance Corporation (IFC), CDC Group and Life Insurance companies for raising long term funding funding instead of short tenure funding from Mutual Funds.

During the previous Financial Year, The Company's fundings through the NCDs were as following:

I. Multilateral/Development Financial Institutions

During the Financial Year under review, your Company added ADB as new lender and raised aggregate amount of ₹789.40 crore through the issue of Rated, Secured, Unlisted, Redeemable NCDs on private placement basis to IFC and ADB.

As on March 31, 2020, the Company's outstanding NCDs stood at ₹909.86 crore as compared to ₹128.80 crore as on March 31, 2019.

II. Domestic Financial Institutions

Given the inherent risk and low tenure of funding from Mutual Funds, your Company has reduced the borrowing from Mutual Funds and did not raise any fresh funding from these institutions during the Financial Year under review.

As on March 31, 2020, the Company's outstanding NCDs from Domestic Financial Institutions stood at ₹59.92 crore as compared to ₹109.85 crore as on March 31, 2019. Your Company's Debentures are listed on Wholesale Debt Market segment of the BSE Ltd BSE).

As on March 31, 2020, the Company's outstanding subordinated debt in the form of NCDs stood at ₹99.66 crore as compared to ₹99.58 crore as on March 31, 2019.

Your Company has not issued any Commercial Paper & Short-Term Instrument during the Financial Year 2019-20 and as on March 31, 2020, the Company's Commercial Paper outstanding is NIL.

Masala Bond issued to Multilateral/Development Financial Institutions

As on March 31, 2020, your Company's outstanding balance of Masala Bond issued to Multilaterals stood at ₹198.68 crore.

Compliance of Securities and Exchange Board of India (SEBI) Circular on Fund raising by issuance of Debt Securities

Pursuant to SEBI Circular 'SEBI/HO/DDHS/CIR/P/2018/144' dated November 26, 2018 on 'Fund raising by issuance of Debt Securities by Large Entities', every Large Corporate (LC) shall raise not less than 25% of its incremental borrowings during the Financial Year subsequent to the Financial Year in which it is identified as a LC, by way of issuance of debt securities.

Your Company is considered as Large Corporate and has complied with the provision of this circular.

During the Financial Year under review, the interest on Non-Convertible Debentures issued on private placement basis were paid by the Company on their respective due dates and there were no instance of interest amount not claimed by the investors or not paid by the Company.

Your Company, being listed HFC, is exempted from the requirement of creating Debenture Redemption Reserve (DRR) on privately placed debentures. Therefore, DRR has not been created by your Company. However pursuant to the Companies (Share Capital and Debentures) Amendment Rules, 2019 dated August 16, 2019, the Company is required to invest or deposit a sum of not less than 15% of the amount of debentures which are maturing during the year, ending on March 31 of the next year in one or more methods as provided under Rule 18 of the Companies (Share Capital and Debentures) Rules, 2014 from the Financial Year 2020-2021.

Disclosure under HFCs issuance of NCDs on private placement basis (NHB) directions, 2014:

(i) The total number of NCDs which have not been claimed by the investors or not paid by the Company after the date on which the NCDs became due for redemption – Nil

(ii) The total amount in respect of such Debentures remaining unclaimed or unpaid beyond the date of such debentures become due for redemption : Nil

Debenture Trustees

Debenture Trust Agreement(s) were executed in favour of IDBI Trusteeship Services Limited and Catalyst Trusteeship Limited for NCDs issued by the Company on private placement basis.

BRANCH EXPANSION

Your Company has been successful in continuous expansion of its branch network with a view to support its disbursement growth, deeper penetration in the states in which the Company operates and enhancing customer reach. During the Financial Year under review, the Company has expanded its branch network to 10 states with 250 branches as of March 31, 2020. Your Company now operates in the states of Rajasthan, Maharashtra, Gujarat, Madhya Pradesh, Haryana, Chhattisgarh, Delhi, Uttar Pradesh, Uttarakhand and Punjab.

Your Company has its Registered Office in Jaipur, Rajasthan and its branch network as on March 31, 2020 vis-à-vis the previous Financial Year is detailed hereunder:

State	No. of Branches (As on March 31, 2020)	No. of Branches (As on March 31, 2019)
Rajasthan	88	78
Maharashtra	42	38
Gujarat	37	32
Madhya Pradesh	36	32
Haryana	14	11
Chhattisgarh	5	5
Delhi	4	2
Uttar Pradesh	15	6
Uttarakhand	8	5
Punjab	1	1
Total number of branches	250	210

DIRECTORS AND KEY MANAGERIAL PERSONNEL

The Board of the Company comprises of Nine Directors, consisting of three Independent Directors (including two Women Directors), five Non-Executive Nominee Directors and a Managing Director and CEO as on March 31, 2020 who bring in a wide range of skills and experience to the Board.

The Board of Directors of the Company are:-

Name of the Director	Designation	DIN
Mr. Sandeep Tandon	Chairperson and Independent Director	00054553
Mr. Sushil Kumar Agarwal	Managing Director and CEO	03154532
Mrs. Kalpana Iyer	Independent Director	01874130
Mrs. Soumya Rajan	Additional Director (Independent)	03579199
Mr. Ramachandra Kasargod Kamath	Non-Executive Nominee Director	01715073
Mr. Vivek Vig	Non-Executive Nominee Director	01117418
Mr. Nishant Sharma	Promoter Nominee Director	03117012
Mr. Manas Tandon	Promoter Nominee Director	05254602
Mr. Kartikeya Dhruv Kaji	Promoter Nominee Director	07641723

The Independent Directors have confirmed that they satisfy the criteria prescribed for Independent Directors as stipulated in the provisions of the Section 149(6) of the Act and Regulation 16(1)(b) & 25 of SEBI LODR Regulations. The names of all the Independent Directors of the Company have been included in the Independent Director's databank maintained by Indian Institute of Corporate Affairs (IICA). The Company has obtained declaration of independence from all the Independent Directors of the Company. None of the Directors have any pecuniary relationship or transactions with the Company. None of the Directors of the Company are related to each other and have confirmed that they are not disqualified from being appointed as Directors in terms of Section 164 of the Act and are not debarred from holding the office of Director by virtue of any SEBI order or any other such authority. Your Company has also obtained a certificate from a Company Secretary in practice confirming that none of the Directors on the Board of the Company have been debarred or disqualified from being appointed or continuing as Directors of companies by SEBI/Ministry of Corporate Affairs (MCA) or any such statutory authority. The same forms part of this Annual Report as "**Annexure-1**" to the Directors' Report.

Appointment & Resignation of Directors

- Appointments

  During the Financial Year under review, the Board at its Meeting held on August 01, 2019 appointed Mr. Sandeep Tandon, Independent Director of the Company as Chairperson of the Board with effect from August 01, 2019, who shall hold office up to the date of ensuing AGM as Chairperson of the Board.

  The Board of the Company on the basis of recommendation of Nomination & Remuneration Committee, appointed Mrs. Soumya Rajan as an Additional Director in the capacity of Independent Director on the Board of the Company w.e.f. August 29, 2019. Further, Mrs. Soumya Rajan is proposed to be appointed as Independent Director of the Company at the ensuing AGM for a term of five consecutive years commencing w.e.f. August 29, 2019. Your Board believes that induction of Mrs. Rajan on the Board will support in broadening the overall expertise of the Board and will bring wide experience particularly in the areas of corporate governance and various laws. Her appointment as Independent Director of the Company is placed before the Shareholders for consideration and approval.

- Resignation or retirement

  Mr. Krishan Kant Rathi has ceased to be the Independent Director of the Company on completion of his term of 5 years on August 28, 2019.

  The Board places on record its deep appreciation and gratitude for the valuable support and guidance provided by Mr. Krishan Kant Rathi to the Company and the Board as a whole during his entire term as an Independent Director of the Company.

  During the year, none of the Directors of the Company has resigned from the Board of the Company.

- Change in Designation

  The Members of the Company at 9th AGM held on August 01, 2019 had approved to change designation of Mr. Sushil Kumar Agarwal to MD and CEO of the Company from WTD and CEO, with effect from May 03, 2019 till the expiry of his current term i.e. upto January 09, 2024.

- Directors Retiring by Rotation

  Pursuant to the provisions of Section 152 of the Act, Mr. Ramachandra Kasargod Kamath and Mr. Vivek Vig, Nominee Directors of the Company, retired and being eligible, were re-appointed with the approval of Members at the 09th AGM held on August 01, 2019.

  Further, in accordance with the provisions of the Act, Mr. Kartikeya Dhruv Kaji and Mr. Manas Tandon, Promoter Nominee Directors of the Company are liable to retire by rotation at the ensuing 10th AGM of the Company. They are eligible and have offered themselves for re-appointment. Resolutions for their reappointment are being proposed at the 10th AGM and their Profiles are included in the Notice of the 10th AGM.

Appointments/Resignations of the Key Managerial Personnel

Mr. Sushil Kumar Agarwal- MD and CEO, Mr. Ghanshyam Rawat- Chief Financial Officer and Mr. Sharad Pathak- Company Secretary and Compliance Officer are the Key Managerial Personnel in terms of Section 2(51) of the Act.

No Key Managerial Personnel (KMP) has been appointed or resigned from the Company during the Financial Year under review.

Disclosure under Section 197(14) of the Act

The MD and CEO of the Company has not received any commission from its holding or subsidiary company.

Number of Board Meetings held during the Financial Year

During the Financial Year 2019-20, 5 (Five) Board Meetings were convened and held. The details related to the Board Meetings are appended in Corporate Governance Report forming part of this Report.

The intervening gap between the Board Meetings was within the period prescribed under the Act and SEBI LODR Regulations. The Notice and Agenda including all material information and minimum information required to be made available to the Board under Regulation 17 read with Schedule II Part-A of the SEBI LODR Regulations, were circulated to all Directors, well within the prescribed time, before the Meeting or placed at the Meeting.

Performance Evaluation of the Board

Your Company is following the most effective way to ensure that Board Members understand their duties and adopt good governance practices. In furtherance to this, the Directors of your Company commit to act in good faith to promote the objects of the Company for the benefit of its Employees, the Stakeholders including Shareholders, the Community and for the protection of environment.

Your Company has defined a manner of evaluation as per the provisions of the Act, SEBI LODR Regulations and "Housing Finance Companies-Corporate Governance (NHB) Directions, 2016" for the Evaluation of performance of the Board, Committees of Board & Individual Directors.

The above manner is based on the Guidance Note on Board Evaluation issued by the SEBI on January 05, 2017.

Further your Company is adhering to the Fit and Proper Criteria as laid down by NHB and also has in place a Board approved Policy for ascertaining the same at the time of appointment of Directors and on a continuing basis.

The Board carried out the evaluation of every Director's performance and its own performance as a whole, Statutory Board Committees namely Audit Committee, Nomination & Remuneration Committee, Corporate Social Responsibility (CSR) Committee, Stakeholders Relationship Committee and Risk Management Committee and all the Independent Directors without the presence of the Director being evaluated. The Board expressed its satisfaction on performance evaluation.

During the Financial Year under review, separate Meeting of the Independent Directors was held on May 02, 2019, without the attendance of Non-Independent Directors and the Management of the Company to review the performance of the Non- Independent Directors and the Board as a whole, after assessing the quality, quantity and timeliness of flow of information between the Management and the Board which is necessary for the Board to effectively and reasonably perform its duties.

Major aspects of Board evaluation included who is to be evaluated, process of evaluation including laying down of objectives and criteria to be adopted for evaluation of different persons, feedback to the persons being evaluated and action plan based on the results. The manner in which the evaluation has been carried out has been explained in the Report on Corporate Governance forming part of this Report as "**Annexure-2**". As required under the SEBI LODR Regulations, a certificate from Mr. Manoj Maheshwari, Practicing Company Secretary (Membership No. FCS 3355), partner of M/s V. M. & Associates, Company Secretaries, certifying that the Company has complied with the provisions of Corporate Governance as stipulated by SEBI LODR Regulations has been obtained. The said certificate forms part of the Directors' Report as **"Annexure-3"**.

Company's Policy on Director's Appointment, Remuneration & Evaluation

The Board on the recommendation of the Nomination & Remuneration Committee adopted a "Policy on Nominations & Remuneration for Directors, Key Managerial Executives, Senior Management and Other Employees", which, inter-alia, lays down the criteria for identifying the persons who are qualified to be appointed as Directors and/or Senior Management Personnel of the Company, along with the criteria for determination of remuneration of Directors, KMPs, Senior Management and other employees and their evaluation and includes other matters, as prescribed under the provisions of Section 178 of the Act and SEBI LODR Regulations.

The "Policy on Nominations & Remuneration for Directors, Key Managerial Executives, Senior Management and Other

Employees" (Remuneration Policy) of the Company is placed on the website of the Company. The Remuneration paid to the Directors is in line with the Remuneration Policy of the Company.

The Nomination & Remuneration Policy can be accessed through the following link https://www.aavas.in/remuneration-policy.

Details of Remuneration paid to all the Directors during the Financial Year 2019-20 is more particularly defined in extract of Annual Return in form "MGT-9" attached to this report as "**Annexure-9**".

COMMITTEES OF THE BOARD

The Company has the following Nine (9) Board level Committees which have been constituted in compliance with the requirements of the business and relevant provisions of applicable laws and statutes:

1. Audit Committee
2. Nomination & Remuneration Committee (NRC)
3. Stakeholders Relationship Committee (SRC)
4. Corporate Social Responsibility (CSR) Committee
5. Risk Management Committee (RMC)
6. Asset Liability Management Committee (ALCO)
7. IT Strategy Committee
8. Executive Committee
9. Customer Service & Grievance Redressal (CS&GR) Committee

During the Financial Year under review, all recommendations made by above Committees were accepted by the Board.

The details with respect to the composition, terms of reference, number of Meetings held, etc. of these Committees are given in the Report on Corporate Governance which forms part of this Report.

PRUDENTIAL NORMS FOR THE HFCs

Your Company continues to comply with the guidelines issued by NHB from time to time including but not limited to accounting guidelines, prudential norms for asset classification, income recognition, provisioning, capital adequacy, concentration of credit/investments, credit rating, Know Your Customer (KYC) guidelines, Anti Money Laundering (AML) standards, fair practices code, Asset Liability Management (ALM) system, Most Important Terms & Conditions (MITC), Grievance Redressal Mechanism, recovery of dues, real estate and capital market exposures norms. Further, your Company has taken steps for effective management of operational risk including technology risk as outlined in the Information Technology framework for HFCs. Your Company has also put a reporting system in place for recording frauds as stipulated in guidelines dated February 5, 2019 issued by NHB.

The recognition of income and impairment on financial instruments (Expected Credit Loss) has been made in the books as per the Ind AS.

Your Company's Capital Adequacy Ratio stood at 55.86% as against the minimum requirement of 13% as on March 31, 2020.

NHB has not passed any significant or adverse remarks in their inspection of the Company carried out during the Financial Year. Further it has not levied any penalty on the Company during the Financial Year.

Regulatory & Statutory Compliances

During the Financial Year under review, the NHB has issued various notifications, circulars and guidelines to Housing Finance Companies.

The circulars and the notifications issued by NHB were also placed before the Board of Directors at regular intervals to update the Board Members and report on actions initiated on the same, and your Company has adhered to all the Circulars, Notifications and Guidelines issued by NHB from time to time.

The Government of India has set up the Central Registry of Securitization, Asset Reconstruction and Security Interest of India (CERSAI) under Section 21 of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI Act, 2002) to have a central database of all mortgages created by lending institutions. The object of this registry is to compile and maintain data relating to all transactions secured by mortgages. Accordingly, your Company is registered with CERSAI and has been submitting data in respect of its loans.

Your Company is also in compliance with the provisions of the Act including the Secretarial standards, SEBI LODR Regulations and other applicable statutory requirements.

During the year, no penalty was imposed on the Company by any regulators.

EMPLOYEE STOCK OPTION (ESOP) SCHEMES

ESOP-2019

During the Financial Year under review, "Equity Stock Option Plan for Employees 2019" ("ESOP-2019") has been approved by Members in the 9th AGM of the Company held on August 01, 2019.

The ESOP-2019 empowers the Board and Nomination & Remuneration Committee to execute the scheme.

During the year, there have been no changes in the scheme.

ESOP-2016

Your Company has instituted ESOP-2016 to attract and retain, reward and motivate the Management team, Directors and Employees of the Company.

The Members of the Company have, by passing a Special Resolution at their Meeting held on February 23, 2017 approved three plans (Collectively called "ESOP–2016") as following:

i. Equity Stock Option Plan for Employees 2016 ("ESOP 2016-I")
ii. Equity Stock Option Plan for Management Team 2016 ("ESOP 2016-II")
iii. Equity Stock Option Plan for Directors 2016 ("ESOP 2016-III")

These three plans empower the Board and Nomination & Remuneration Committee to execute the said ESOP- 2016.

During the year, there have been no changes in the scheme.

All the above stated ESOP plans are in compliance with the provisions of Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 ("SEBI SBEB Regulations").

The Nomination & Remuneration Committee monitors the ESOP Schemes in compliance with the Act, SEBI SBEB Regulations and SEBI LODR Regulations. The Company shall make available at the ensuing AGM a certificate received from its Auditors confirming that the above ESOP Schemes have been implemented in accordance with the SEBI SBEB Regulations and are as per the Resolutions passed by the Members of the Company for the inspection of the Members of the Company through the electronic mode. The disclosures as required under the SEBI SBEB Regulations have been placed on the website of the Company at https://www.aavas.in/investor-relations/annual-reports.

AUDITORS

Statutory Auditors

M/s S.R. Batliboi & Associates LLP, Chartered Accountants (Firm Registration No: 101049W/E300004) Statutory Auditors of the Company were appointed by the Members of the Company in the 7th AGM of the Company held on July 26, 2017 to hold office as Statutory Auditors from conclusion of the 7th AGM to the conclusion of 12th AGM of the Company to be held in the Calendar Year 2022.

As per the provisions of the NHB Notification No. NHB.HFC.CG-DIR.1/MD&CEO/2016, partner of the audit firm conducting the audit work needs to be rotated after every three years.

The Members are requested to note that the MCA vide notification dated May 7, 2018, inter-alia, notified an amendment to Section 139(1) of the Act whereby the requirement of placing appointment of the statutory auditors for ratification by the Members of the Company at every AGM has been omitted. Accordingly, the Board has not proposed any ratification for the appointment of Statutory Auditors in the forthcoming AGM. However the Board has noted the confirmation received from M/s S.R. Batliboi & Associates LLP, Chartered Accountants, to the effect that their appointment is in compliance of Sections 139 and 141 of the Act and rules made thereunder.

Auditors' Report

The Statutory Auditors have not made any adverse comments or given any qualification, reservation or adverse remarks or disclaimer in their Audit Report on the Financial Statements for Financial Year 2019-20 and the Report is self-explanatory

Further, the Statutory Auditors have not reported any fraud in terms of Section 143(12) of the Act.

Secretarial Auditors and Secretarial Audit Report

In accordance with Section 204 of the Act and Rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014, M/s V. M. & Associates, Company Secretaries (Firm Registration No: P1984RJ039200) were appointed as Secretarial Auditors to conduct the Secretarial Audit of the Company for the Financial Year 2019-20. The Report of Secretarial Auditors for the Financial Year 2019-20 is annexed to this Report as "**Annexure-4**".

The Report of Secretarial Auditors is self-explanatory and there were no observations or qualifications or adverse remarks in their Report.

Further, the Secretarial Auditors have not reported any fraud in terms of Section 143(12) of the Act.

INTERNAL AUDIT & INTERNAL FINANCIAL CONTROL AND ITS ADEQUACY

Your Company has an Internal Audit Department supported by Independent Internal Auditors who conduct comprehensive audit of functional areas and operations of the Company to examine the adequacy of compliance with policies, procedures, statutory and regulatory requirements.

Significant audit observations and follow up actions thereon are reported to the Audit Committee of the Board. The Audit Committee reviews and evaluates adequacy and effectiveness of the Company's internal control environment and monitors the implementation of audit recommendations.

The Internal Audit Department monitors and evaluates the efficacy and adequacy of internal control system in the Company, its compliance with operating systems, accounting procedures and policies at all locations of the Company. Significant audit observations and corrective actions thereon are presented to the Audit Committee at periodic intervals.

The Audit Committee and Board of Directors have approved a documented framework for the internal financial control to be followed by the Company and such policies and procedures adopted by the Company for ensuring the orderly and efficient conduct of its business, including adherence to 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 and disclosures. The Audit Committee periodically reviews and evaluates the effectiveness of internal financial control system.

MATERIAL CHANGES/EVENTS AND COMMITMENTS, IF ANY

There were no material changes and commitments except the COVID-19 outbreak, affecting the financial position of your Company which had occurred between the end of the Financial Year i.e. March 31, 2020 and the date of the Directors' Report i.e. May 14, 2020.

In the wake of COVID-19 outbreak, Government of India decided lockdown across the country from March 25, 2020 and shut down all the non-essential business activities to contain the spread of COVID-19 in the Country.

Accordingly, the Company complied with the Government guidelines and shut down its branches and business units across India with effect from March 25, 2020 during the period of lock down. Thereafter the Company partially opened its branches and resumed operations in compliance with the directions of Government Authorities

The Company is hopeful and confident that the measures taken by the Government will help to contain the spread of COVID-19.

There has been no change in the nature of business of your Company.

No significant or material orders have been passed by the Regulators or Courts or Tribunals impacting the going concern status of the Company and / or the Company's operations in future.

MAINTENANCE OF COST RECORDS

Being a HFC, the Company is not required to maintain cost records as per sub-section (1) of Section 148 of the Act.

INFORMATION TECHNOLOGY

Your Company has implemented a fully equipped "Core Housing Finance Solutions Platform" which is a step towards aligning technology to the projected business growth.

All branches of your Company and the corporate office are linked through a centralized data-base platform that enriches data management, strengthens service delivery and serves the customer(s) in an efficient manner, which is an integral part of the control mechanism.

New initiatives taken by your Company in Information Technology are as follows:

a) Document Digitization

b) Device Location Tracking

c) Procurement of Energy Saving Green IT Equipment

d) Refilling outsourced with High-end Copier Machine in High Print volume Branches to reduce the Carbon Footprint.

The NHB had notified Information Technology Framework for HFCs ("Guidelines") vide its notification no. NHB/ND/DRS/Policy Circular No. 90/2017-18 dated June 15, 2018 in order to enhance the safety, security, efficiency in processes leading to benefits for HFCs and their customers.

Your Company is in compliance with the aforesaid guidelines.

Your Company conducts audit of its IT systems through external agencies at regular intervals. The external agencies' suggestions and recommendations are reported to the IT Strategy Committee and Audit Committee and implemented wherever found feasible.

FAMILIARIZATION PROGRAMME FOR INDEPENDENT DIRECTORS

The Familiarization Programme of your Company aims to familiarize Independent Directors with the Housing industry scenario, the Socio-economic environment in which your Company operates, the business model, the operational and financial performance of your Company, to update the Independent Directors on a continuous basis on significant developments in the Industry or regulatory changes affecting your Company, so as to enable them to take well informed decisions in a timely manner. The familiarization programme also seeks to update the Independent Directors on their roles, responsibilities, rights and duties under the Act and other relevant legislations.

The details of the familiarization programmes have been hosted on the website of the Company and can be accessed on the link: https://www.aavas.in/familiarization-programme.

HUMAN RESOURCE DEVELOPMENT

Your Company's success depends largely upon the quality and competence of its Management team and key personnel. Attracting and retaining talented professionals is therefore a key element of the Company's strategy and a significant source of competitive advantage.

Across all its business operations, your Company had a workforce of 4581 people as on March 31, 2020.

Human resource development is considered vital for effective implementation of business plans. Constant endeavors are being made to offer professional growth opportunities and recognition, apart from imparting training to the employees at all levels. Your Company has also provided the sales training to the new recruits to provide them better understanding of the Company and align them towards the working culture of the Company.

Your Company hired professionals at senior positions as Functional Heads for heading the various Departments of the Company, having relevant industry experience and expertise to strengthen and grow the housing finance business of the Company. Your Company has a team of dedicated individuals and qualified professionals like Chartered Accountants, Company Secretaries, Lawyers, Engineers and Software Developers having academic qualifications from various premier institutions.

In pursuance of your Company's commitment to develop and retain the best available talent, your Company has been organizing in house training programmes on regular basis for its employees covering various specialized functions viz lending operations, Underwriting & Due diligence, KYC & AML norms, Risk Management, Information Technology, Recoveries, CLSS, PMAY, Grievance Redressal and soft skills.

During the Financial Year under review, your Company has nominated employees to attend the external training programmes conducted by NHB and other institutions on KYC-Fair Practice Code, Customer Service, Legal Support for Recoveries, NPA Management, Grievance Registration & Information Database (GRIDS), CERSAI, PMAY, CLSS Loans-Credit Appraisal and Risk Management.

The Company further sponsors employees for Professional Courses to employee from reputed business schools such as Indian Institute of Management (IIM), which ensures quality training and personal growth.

RISK MANAGEMENT FRAMEWORK

Your Company has in place a Board constituted Risk Management Committee. The details of the Committee and its terms of reference are set out in the Corporate Governance Report forming part of this Report.

Your Company has Board approved Risk Management Policy wherein all material risks faced by the Company are identified and assessed. Your Company has set up a policy framework for ensuring better management of its asset & liability profile. Your Company gives due importance to prudent lending practices and has put in place suitable measures for risk mitigation, which include, verification of credit history from credit information bureaus, personal verification of customer's business place and residence, in house technical and legal verification, conservative loan to value parameters, and compulsory term cover for insurance. The Risk management framework of your Company seeks to minimize adverse impact of risks on the key business objectives and enables your Company to leverage market opportunities effectively.

The NHB vide its circular "NHB/ND/DRS/Policy Circular No. 95/2018-19 dated May 29, 2019 had issued the guidelines for appointment of Chief Risk Officer (CRO) by HFCs to ensure highest standards of risk management. The Company has duly complied with the aforesaid guidelines by appointing Mr. Ashutosh Atre as CRO of the Company who has direct reporting to MD & CEO of the Company.

During the Financial Year under review, the Risk Management Committee reviewed the risks associated with the business of your Company, undertook its root cause analysis and monitored the efficacy of the measures taken to mitigate the same.

VIGIL MECHANISM/ WHISTLE BLOWER POLICY

Your Company believes in conducting its affairs in a fair and transparent manner by adopting highest standards of professionalism, honesty, integrity and ethical behaviour. Your Company is committed to develop a culture where it is safe for all the Directors and employees to raise concerns about any wrongful conduct.

The Board of Directors has approved the vigil mechanism/ whistle blower policy of the Company which provides a framework to promote a responsible and secure whistle blowing. It protects Directors/ employees wishing to raise a concern about serious irregularities within the Company. It provides for a vigil mechanism to channelize reporting of such instances/ complaints/ grievances to ensure proper governance. The Audit Committee oversees the vigil mechanism. No employee has been denied access to the Chairperson of Audit Committee. The whistle blower policy is placed on the website of the Company and can be accessed at https://www.aavas.in/vigil-mechanism-policy.

CODE OF CONDUCT FOR PREVENTION OF INSIDER TRADING IN COMPANY'S SECURITIES

Your Company has formulated Code of Conduct for Prevention of Insider Trading in Company's Securities ("Code") in accordance with SEBI (Prohibition of Insider Trading) Regulations, 2015, as amended. The objective of this Code is to protect the interest of Shareholders at large, to prevent misuse of any price sensitive information and to prevent any insider trading activity by way of dealing in securities of the Company by its Designated Persons. Mr. Sharad Pathak, Company Secretary and Compliance Officer of the Company is authorized to act as Compliance Officer under the Code.

During the Financial Year under review the code was mainly amended in line with the Circular SEBI/HO/ISD/ISD/CIR/P/2019/82 dated July 19, 2019 issued by SEBI.

PARTICULARS OF HOLDING/SUBSIDIARY/ ASSOCIATE COMPANIES

Your Company doesn't have any holding Company.

The Shareholder having the substantial interest in the Company is Lake District Holdings Limited.

As on March 31, 2020, your Company has one unlisted wholly owned subsidiary named "AAVAS FINSERV LIMITED". The subsidiary Company has not started any business operations as on the date of this Report.

Pursuant to the provisions of Section 129(3) of the Act, your Company has prepared Consolidated Financial Statements of the Company which forms part of this Annual Report. Further, a Statement containing salient features of financial statements of the Subsidiary, in the prescribed format AOC-1, pursuant to Section 129(3) of the Act read with the Companies (Accounts) Rules, 2014, is annexed as "**Annexure-6**" to this Report.

In accordance with Section 136 (1) of the Act, the Annual Report of your Company containing inter alia, Financial Statements including consolidated Financial Statements, has been placed on our website: www.aavas.in. Further, the Financial Statements of the subsidiary have also been placed on our website: www.aavas.in.

INVESTOR RELATIONS

Your Company has an effective Investor Relations Program through which the Company continuously interacts with the investment community through various communication channels viz Periodic Earnings Calls, Annual Investor/Analyst Day, Individual Meetings, Video-conferences, Participation in conferences, One-on-One interaction.

Your Company ensures that critical information about the Company is made available to all its investors by uploading such information on the Company's website under the Investors section. Your Company also intimates stock exchanges regarding upcoming events like earnings calls, declaration of quarterly & annual earnings with financial statements and other such matters having bearing on the share price of the Company.

EMPLOYEE REMUNERATION

The statement containing particulars of employees as required under Section 197 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, annexed as "**Annexure-7**" to the Directors' Report.

In accordance with the provisions of Rule 5(2) of the above mentioned rules, the names and particulars of the top ten employees in terms of remuneration drawn and of the aforesaid employees are set out in the Annexure to this report. In terms of the provisions of Section 136(1) of the Act the Directors' Report including the said annexure is being sent to all Shareholders of the Company.

CSR INITIATIVE

In line with the provisions of Section 135 of the Act read with the Companies (Corporate Social Responsibility Policy) Rules 2014, Aavas Foundation a Public Charitable Trust settled by the Company for the purpose of carrying its CSR Activities has undertaken various CSR projects in the area of health care, promoting gender equality, empowering women, education, promoting traffic rules, regulation and road safety, providing safe drinking water and promoting Sports which are in accordance with the Schedule VII of the Act and CSR Policy of the Company.

Further in this exceptionally difficult period of COVID-19, the Company believes that urgent emergency resources need to be deployed to cope with the needs of fighting the COVID-19 crisis which is one of the toughest challenges for humanity. The Company accordingly donated funds to Rajasthan Chief Minister's Relief Fund (CMRF) COVID-19 Mitigation Fund and Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM CARES Fund). Further it engaged in providing food to needy people in night shelters and slum areas and distributed Personal Protective Equipment's, Masks, Sanitizers, and Gloves for the medical personnel and police personnel on the front lines.

The Annual Report on CSR Activities, which forms part of the Directors' Report, is annexed as "**Annexure-8**" to this report.

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

In accordance with the provisions of Sec 134 (3) (m) of the Act read with Rule 8 of the Companies (Accounts) Rules, 2014 the requisite information relating to your Company are as under:-

A) Conservation of energy:

(i) The Steps taken / impact on conservation of energy:

The operations of the Company, being financial services do not require intensive consumption of electricity. However, your Company is taking every necessary step to reduce its consumption of energy.

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

Your Company has procured the Energy Saving Green IT Equipments and power saving lamps, LEDs that have been installed in branches as a measure for conservation of energy. Your Company has installed High-end Copier Machine in High Print volume in Branches to reduce the Carbon Footprint.

As a part of Save Green efforts, a lot of paper work at branches and the registered office has been reduced by suitable leveraging of technology and promoting digitization.

(iii) The Capital investment on energy conservation equipment:

In view of the nature of the activities carried on by your Company, there is no capital investment on energy conservation equipment.

B) Technology absorption:

(i) the efforts made towards technology absorption:

a. Your Company has implemented a fully equipped "Core Housing Finance Solutions Platform" which is a step towards aligning technology to the projected business growth.

b. Your Company completed adoption of automation of Ind As accounting.

c. The Company utilizes a mobile application through which almost all leads are recorded, which assists in the monitoring and tracking of leads from an early stage and generating a credit appraisal memorandum, resulting in lower costs and an increase in productivity.

d. The Company utilizes an enterprise-wide loan management system to provide an integrated platform for credit processing, credit management, general ledger, debt management and reporting. It also uses e-KYC measures whereby a customer's credit score is automatically retrieved resulting in faster processing times.

e. On the part of customer service and retention your Company has implemented an online payment gateway on its website to enable its customers to make online payments.

(ii) the benefits derived like product improvement, cost reduction, product development or import substitution: The Company consistently monitored its cost-to-income ratio, leveraging economies-of-scale, increasing manpower productivity with growing disbursements through the enhanced use of information technology systems, resulting in quicker loan turnaround time and reducing transaction costs.

(iii) in case of imported technology (imported during the last three years reckoned from the beginning of the Financial Year)

a) the details of technology imported: N.A.

b) the year of import: N.A.

c) whether the technology has been fully absorbed: N.A.

d) if not fully absorbed, areas where absorption has not taken place, and the reasons thereof: N.A.

(iv) the expenditure incurred on Research and Development: N.A.

C) Foreign exchange earnings and Outgo:

During the Financial Year under review, your Company had no foreign exchange earnings and the aggregate of the foreign exchange outgo during the Financial Year under review was ₹1839.77 lakh. The aforesaid details are shown in the Note No. 41 of notes to the accounts, forming part of the Standalone Financial Statements. The Members are requested to refer to these Notes.

BUSINESS RESPONSIBILITY REPORTING

As required under Regulation 34(2)(f) of SEBI LODR Regulations, Business Responsibility Report describing the initiatives taken by the Company from an environmental, social and governance perspective, forms part of this Annual Report "**Annexure-12**".

EXTRACTS OF ANNUAL RETURN

Pursuant to sub-section 3(a) of Section 134 and sub-section (3) of Section 92 of the Act, read with Rule 12(1) of the Companies (Management and Administration) Rules, 2014 the extract of the Annual Return in form MGT-9 as at March 31, 2020 forms part of this report as "**Annexure-9**".

DISCLOSURES UNDER SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION & REDRESSAL) ACT, 2013 READ WITH RULES

Your Company has zero tolerance towards any action on the part of any of its employees, which may fall under the ambit of 'Sexual Harassment' at workplace. Your Company recognizes and promotes the right of women to protection from sexual harassment and the right to work with dignity as enshrined under the Constitution of India and the Convention on the Elimination of all forms of Discrimination against Women (CEDAW).

Pursuant to the requirements of Section 22 of Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013 read with Rules there under, the Internal Complaints Committee of the Company has not received any complaint of sexual harassment during the Financial Year under review.

The following is a summary of sexual harassment complaints received and disposed off during the year 2019-20:

No. of complaints received: Nil

No. of complaints disposed off: Nil

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

Since the Company is a HFC, the disclosure regarding particulars of loans given, guarantees given and security provided in the ordinary course of business is exempted under the provisions of Section 186 (11) of the Act.

CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

In accordance with the provisions of Section 188 of the Act and rules made thereunder, the transactions entered with related parties are in the ordinary course of business and on an arm's length pricing basis, the details of which are included in the notes forming part of the financial statements.

During the Financial Year under review, your Company had entered into an arrangement with Aavas Finserv Limited, wholly owned unlisted subsidiary of the Company, which constitutes Related Party Transactions covered within the purview of Section 188(1) of the Act Accordingly, requirement of disclosure of Related Party Transactions in terms of Section 134(3)(h) of the Act is provided in Form AOC-2 as "**Annexure-10**".

Further as required by NHB notification no. NHB.HFC.CG-DIR.1/MD&CEO/2016 dated February 9, 2017, "Policy on transactions with Related Parties" is given as "**Annexure-11**" to this Report and can be accessed on the website of the Company at https://www.aavas.in/policy-on-transactions-with-related-parties.

INTERNAL GUIDELINES ON CORPORATE GOVERNANCE

During the Financial Year under review, your Company adhered to the Internal Guidelines on Corporate Governance adopted in accordance with Housing Finance Companies-Corporate Governance (NHB) Directions, 2016, which inter-alia, defines the legal, contractual and social responsibilities of the Company towards its various stakeholders and lays down the Corporate Governance practices of the Company.

The said policy is available on the website of the Company and can be accessed at https://www.aavas.in/internal-guidelines-on-corporate-governance.

DIRECTORS' RESPONSIBILITY STATEMENT

In accordance with the provisions of Section 134(3)(c) read with Section 134(5) of the Act, and based on the information provided by the Management, the Board of Directors report that:

a) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.

b) the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent to give a true and fair view of the state of affairs of the Company at the end of the Financial Year and of the profit and loss of the Company for that period.

c) the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities.

d) the Directors had prepared the annual accounts on a going concern basis.

e) the Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively; and

f) the Directors had laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively.

BUSINESS OVERVIEW & FUTURE OUTLOOK

A detailed business review & future outlook of the Company is appended in the Management Discussion and Analysis Section of Annual Report.

ACKNOWLEDGEMENTS

Your Directors would like to place on record their gratitude for the valuable guidance and support received from the NHB.

Your Directors would like to acknowledge the role of all its Stakeholders viz., Shareholders, Debenture holders, Bankers, Lenders, Borrowers, Debenture Trustees and all others for the continued support, confidence and faith they have reposed in the Company.

Your Directors further take this opportunity to appreciate and convey their thanks the Kedaara Capital and Partners Group for their invaluable and continued support and guidance.

Your Directors acknowledge and appreciate the guidance and support extended by all the Regulatory authorities including NHB, SEBI, MCA, Registrar of Companies-Rajasthan, BSE, National Stock Exchange of India Limited, National Securities Depository Limited and Central Depository Services Limited.

Your Directors thank the Rating Agencies (ICRA, CARE, CRISIL and India Ratings & Research Ltd., [Fitch group]), local /statutory authorities and all others for their whole-hearted support during the Financial Year and look forward to their continued support in the years ahead.

Your Directors also wish to place on record their appreciation for the commitment displayed by all the executives, officers, staff and the Senior Management team of the Company, in recording an excellent performance by the Company during the Financial Year.

For and on behalf of the Board of Directors
AAVAS FINANCIERS LIMITED

Sushil Kumar Agarwal
Managing Director & CEO
(DIN: 03154532)

Date: May 14, 2020
Place: Jaipur

Manas Tandon
Promoter Nominee Director
(DIN: 05254602)

Date: May 14, 2020
Place: Mumbai

Registered and Corporate Office:
201-202, 2nd Floor, South End Square,
Mansarover Industrial Area, Jaipur 302 020, Rajasthan, India
CIN: L65922RJ2011PLC034297
Tel: +91 14 1661 8800 Fax: +91 14 1661 8861
E-mail: investorrelations@aavas.in | Website: www.aavas.in

Annexure-1

CERTIFICATE OF NON-DISQUALIFICATION OF DIRECTORS

(pursuant to Regulation 34(3) and Schedule V Para C clause (10)(i) of the
SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015)

To,
The Members,
Aavas Financiers Limited
201-202, 2nd Floor, South End Square
Mansarover Industrial Area
Jaipur- 302 020, Rajasthan, India

We have examined the relevant registers, records, forms, returns and disclosures received from the Directors of **Aavas Financiers Limited** having **CIN: L65922RJ2011PLC034297** and having registered office at 201-202, 2nd Floor, South End Square, Mansarover Industrial Area, Jaipur- 302 020, Rajasthan, India (hereinafter referred to as '**the Company**'), produced before us by the Company for the purpose of issuing this Certificate, in accordance with Regulation 34(3) read with Schedule V Para-C Sub clause 10(i) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

In our opinion and to the best of our information and according to the verifications (including Directors Identification Number (DIN) status at the portal www.mca.gov.in) as considered necessary and explanations furnished to us by the Company & its officers, we hereby certify that none of the Directors on the Board of the Company as stated below for the Financial Year ending on March 31, 2020 have been debarred or disqualified from being appointed or continuing as Directors of companies by the Securities and Exchange Board of India, Ministry of Corporate Affairs or National Housing Bank or any such other Statutory Authority.

Sr. No	Name of the Director	DIN
1	Mr. Sushil Kumar Agarwal	03154532
2	Mr. Sandeep Tandon	00054553
3	Mr. Vivek Vig	01117418
4	Mr. Ramchandra Kasargod Kamath	01715073
5	Mrs. Kalpana Iyer	01874130
6	Mr. Nishant Sharma	03117012
7	Mrs. Soumya Rajan	03579199
8	Mr. Manas Tandon	05254602
9	Mr. Kartikeya Dhruv Kaji	07641723
10	Mr. Krishan Kant Rathi*	00040094

*Ceased from the Directorship of the Company during Financial Year 2019-20.

Ensuring the eligibility of, for the appointment / continuity of every Director on the Board is the responsibility of the management of the Company. Our responsibility is to express an opinion on these based on our verification. This certificate is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Place: Jaipur
Date: May 14, 2020
UDIN: F003355B000239571

For **V. M. & Associates**
Company Secretaries
(ICSI Unique Code P1984RJ039200)

CS Manoj Maheshwari
Partner
Membership No.: FCS 3355
C P No.: 1971

Annexure-2

REPORT ON CORPORATE GOVERNANCE

Pursuant to the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI LODR Regulations"), the report on Corporate Governance forming part of the Directors' Report for Financial year 2019-20 is presented below:

COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

Your Company believes in adopting and adhering to the best standards of Corporate Governance. It consistently benchmarks itself against such standards. The Company duly acknowledges its fiduciary role and responsibility towards all of its stakeholders including Shareholders and strives hard to meet their expectations. The Company's philosophy on Corporate Governance enshrines the goal of achieving the highest levels of transparency, accountability and equity in all spheres of its operations and in all its engagements with the stakeholders. It understands that best Board practices, transparent disclosures, ethical conduct of business and Shareholders' empowerment are necessary for creating sustainable Shareholder value.

A good Corporate Governance framework incorporates a system of robust checks and balances between key players; namely, the Board, its Committees, the management, auditors and various other stakeholders. The role and responsibilities of each entity must be clearly defined, and transparency must be enforced at each level and at all times.

AAVAS FINANCIERS LIMITED (hereinafter "AAVAS or Company") is committed to set the highest standards of Corporate Governance right from its inception. The Company is also in compliance with the Housing Finance Companies (HFCs)-Corporate Governance (National Housing Bank{NHB}) Directions, 2016. The Company's Corporate Governance philosophy is based on the following key principles:

- Appropriate Governance Structure with defined roles and responsibilities
- Board Leadership
- Ethics/Governance Policies
- Audits and internal check
- Trusteeship
- Fairness and Integrity

Your Company believes that an active, well-informed and independent Board is necessary to ensure the highest standards of Corporate Governance. It is also well-recognized that an effective Board is a pre-requisite for strong and effective Corporate Governance.

Your Company recognizes and embraces the importance of a diverse Board in its success which is enriched with appropriate balance of skills, experience, diversity of perspectives, thereby ensuring effective Board governance. The Board of Directors of your Company is at the core of the Corporate Governance practices and oversees how the management serves and protects the long-term interest of the stakeholders. Your Company's Corporate Governance framework ensures that it makes timely and appropriate disclosures and shares factual and accurate information.

BOARD OF DIRECTORS

The Board of Directors represent the interests of the Company's stakeholders, oversees and directs the Company's overall business and affairs, reviews corporate performance, authorizes and monitors strategic investments, has an oversight on regulatory compliances and Corporate Governance matters, and provides the management with guidance and strategic direction. In discharging their duties, the Directors observe the Code of Conduct as adopted by the Board.

Non-Executive Directors, including Independent Directors, play a critical role in imparting value to the Board processes by bringing an independent judgment in the areas of strategy, performance, resource management, financial reporting, overall standard of Company's conducts etc.

The Corporate Governance principles of your Company have been formulated to ensure that the Board remains informed, independent and participates actively in the affairs of your Company. The Board of Directors, along with its various Committees, provides leadership and guidance to the Company's management and directs, supervises and ensures functioning of the Company in the best interest of all the stakeholders.

The Directors attend and actively participate in Board Meetings and Meetings of the Committees in which they are Members. The Board's responsibilities include various matters, inter-alia, including:

a) Overall direction of the Company's business, including projections on capital requirements, budgets, revenue streams, expenses and profitability;

b) Review of quarterly/annual results and its business segments;

c) Compliance with various laws and regulations;

d) Addressing conflicts of interest;

e) Ensuring fair treatment of borrowers and employees;

f) Ensuring information sharing with and disclosures to various stakeholders, including investors, employees and regulators;

g) Developing a corporate culture that recognizes and rewards adherence to ethical standards;

Composition of Board

Your Company's Board has a primary role of trusteeship to protect and enhance stakeholders' value through strategic supervision. The Board provides direction and exercises appropriate controls.

As required under Schedule V of SEBI LODR Regulations, the Board of Directors of the Company have identified the core skills/ expertise/competencies required in the context of its business and sector for it to function effectively with effect from the Financial Year ending March 31, 2019. Any Director proposed to be appointed on the Board in future would have to possess special experience, practical knowledge in either of the identified core skills/expertise/competencies.

Further, as required under Schedule V of SEBI LODR Regulations, the Board of Directors of the Company have identified the names of Directors who have such skills / expertise / competence. The details of the said analysis are as below:

	Matrix setting out the skills/expertise/ competence of the Board	1	2	3	4	5	6	7	8	9
	Name of the Director	Mr. Sandeep Tandon	Mr. Sushil Kumar Agarwal	Mrs. Kalpana Iyer	Mrs. Soumya Rajan	Mr. Ramchandra Kasargad Kamath	Mr. Vivek Vig	Mr. Nishant Sharma	Mr. Manas Tandon	Mr. Kartikeya Dhruv Kaji
	Designation	Independent Director	Managing Director & CEO	Independent Director	Additional Director (Independent)	Non-Executive Nominee Director	Non-Executive Nominee Director	Non-Executive Promoter Nominee Director	Non-Executive Promoter Nominee Director	Non-Executive Promoter Nominee Director
	Gender (Male/Female)	Male	Male	Female	Female	Male	Male	Male	Male	Male
	Age (in years)	50	43	54	49	64	57	41	42	37
	Nationality (Resident/ Non Resident)	Resident	Resident	Resident	Resident	Resident	Resident	Resident	Resident	Resident
1	**Technical Skills**									
	Accounting and Finance		√	√	√	√	√	√	√	√
	ALM and Risk Management		√	√	√	√	√	√	√	√
	Legal and Compliance		√	√	√	√				√
	Information Technology and Digital	√				√	√	√	√	√
	Product and Sales Management	√	√	√			√			
	Strategic Development and Execution	√	√	√	√	√	√	√	√	√
2	**Industry Experience**									
	Financial Services sector in India and potentially also Overseas		√	√	√	√	√	√	√	√
	Housing Finance sector in India		√			√	√	√	√	√
	Governance: Board Role/CEO/Senior Management*	√	√	√	√	√	√	√	√	√
	Government relations (Policies and Processes)		√			√	√			

	Matrix setting out the skills/expertise/ competence of the Board	1	2	3	4	5	6	7	8	9
3	Personal Attributes									
	Active Contributor to the Board/Committees	√	√	√	√	√	√	√	√	√
	Innovative thinker/ Visionary	√	√	√	√	√	√	√	√	√
	Philanthrophic		√	√	√		√	√		
	Mentor	√	√			√	√	√	√	

*This skill comprises of several areas of expertise/experience. Each Director may possess varied combinations of skills/experience within the described set of parameters under this skill.

The Board is satisfied that the current composition reflects an appropriate mix of knowledge, skills, experience, expertise, diversity and independence.

The Company's Board has appropriate mix of Independent and Non-Independent Directors as well as Non-Executive and Executive Directors. The Board of Directors comprises of nine Directors, all professionals in their own right who bring in a wide range of skills and experience to the Board. Brief profiles of the Directors are set out in the Board profile section of the Annual Report. All the Directors of the Company, except the Managing Director are Non-Executive Directors. Out of the eight Non-Executive Directors, three are Independent Directors, including two Women Independent Directors. The Chairperson of the Company is a Non-Executive Independent Director and not related to the Managing Director & CEO.

None of the Directors of the Company are related to each other. Eight (8) Directors of the Company have been appointed by the Members of the Company. Appointment of Mrs. Soumya Rajan, being Additional Director in the capacity of Independent Director, is subject to the approval of the Shareholders in the ensuing Annual General Meeting (AGM) of the Company. None of the Directors of the Company held directorship in more than 8 listed companies. No Independent Director of the Company served as an Independent Director in more than 7 listed companies. Further, none of the Non-Executive Directors is serving as a Whole Time Director / Managing Director in any listed entity or holds independent directorship in more than three listed entities.

The composition of the Board is in conformity with the provisions of the Companies Act, 2013 (hereinafter referred as "Act") and regulatory requirements including the SEBI LODR Regulations. Further, no Director of the Company is Member in more than 10 Committees across public companies in which he/she is a Director or acting as Chairperson of more than 5 Committees across all listed companies in which he/she is a Director.

The Composition of the Board of Directors of the Company are given below:-

Name of Director	Designation and Category	DIN	No. & (%) of Equity shares Held *	Number of other Directorship **	No of Committees***		Qualification/ Experience
					As Member	As Chairperson	
Mr. Sandeep Tandon****	Chairperson-Independent Director (Non-Executive)	00054553	-	10	2	1	Bachelor's and Master's in Electrical Engineering (More than 20 Years)
Mr. Sushil Kumar Agarwal*****	Managing Director & CEO (Executive)	03154532	29,21,812 (3.73%)	2	1	0	C.A. and C.S. (More than 18 Years)
Mrs. Kalpana Iyer	Director (Independent - Non- Executive)	01874130	7,608 (0.01%)	2	1	1	C.A. (More than 25 Years)
Mrs. Soumya Rajan#	Additional Director/ (Independent - Non- Executive)	03579199	-	7	0	0	PG in Mathematics (More than 23 years)
Mr. Ramachandra Kasargod Kamath##	Nominee Director (Non- Executive)	01715073	68,79 (0.09%)	8	2	0	B.COM. (More than 30 Years)
Mr. Vivek Vig##	Nominee Director (Non- Executive)	01117418	3,96,077 (0.51%)	5	0	0	PG IIM (Bangalore) (More than 30 Years)
Mr. Nishant Sharma##	Promoter Nominee Director (Non-Executive)	03117012	-	7	1	0	Engineer and MBA (14 Years)
Mr. Manas Tandon##	Promoter Nominee Director (Non-Executive)	05254602	-	4	2	0	MBA in Finance (More than 20 Years)
Mr. Kartikeya Dhruv Kaji##	Promoter Nominee Director (Non-Executive)	07641723	-	3	0	0	MBA (More than 5 years)
Mr. Krishan Kant Rathi###	Independent Director (Non-Executive)	00040094	19,993 (0.026%)				C.A. and C.S. (More than 25 Years)

*No Convertible instruments/ securities were issued to Non-Executive Directors as on March 31, 2020.

**Number of Other Directorship includes Directorships held in Public Limited Companies, Private Limited Companies, Section 8 Companies, but excluding foreign Companies.

***For the purpose of considering the Committee Memberships and Chairmanships for a Director, the Audit Committee, and the Stakeholders' Relationship Committee of Public Limited Companies alone have been considered.

****Mr. Sandeep Tandon was appointed as the Chairperson on the Board of the Company w.e.f. August 01, 2019.

***** Board at its Meeting held on May 03, 2019 has approved the change in the designation of Mr. Sushil Kumar Agarwal (DIN: 03154532) to Managing Director and Chief Executive Officer ("MD and CEO") of the Company from Whole Time Director and Chief Executive Officer ("WTD and CEO"), with effect from May 03, 2019 till the expiry of his current term i.e. upto January 09, 2024.The same has been approved by the Shareholders in the AGM held on August 01, 2019.

Mrs. Soumya Rajan has been appointed as an Additional Director in the capacity of Independent Director w.e.f. August 29, 2019 subject to the approval of Members in the ensuing General Meeting.

Mr. Nishant Sharma, Mr. Ramachandra Kasargod Kamath and Mr. Kartikeya Dhruv Kaji are appointed by Lake District Holdings Limited and Kedaara Capital Alternative Investment Fund – Kedaara Capital AIF 1. Mr. Manas Tandon and Mr. Vivek Vig are appointed by Partners Group ESCL Limited and Partners Group Private Equity Master Fund LLC.

###Mr. Krishan Kant Rathi-Independent Director was appointed on August 29, 2014 for a period of 5 years and his term as an Independent Director came to an end on August 28, 2019.

Directorship of Directors in Other Listed entities as on March 31, 2020

Name of Director	DIN	Name of the Listed entity*	Category (Executive or Non-Executive)
Mr. Sandeep Tandon	00054553	-	-
Mr. Sushil Kumar Agarwal	03154532	-	-
Mrs. Kalpana Iyer	01874130	-	-
Mrs. Soumya Rajan	03579199	-	-
Mr. Ramachandra Kasargod Kamath	01715073	Spandana Sphoorty Financial Limited	Non- Executive (Nominee Director)
		Centrum Capital Limited	Non- Executive Director
Mr. Vivek Vig	01117418	-	-
Mr. Nishant Sharma	03117012	-	-
Mr. Manas Tandon	05254602	-	-
Mr. Kartikeya Dhruv Kaji	07641723	Spandana Sphoorty Financial Limited	Non- Executive (Nominee Director)

* Listed entity means an entity which has listed its securities (Debt / Equity) on the Stock Exchange

Board Meetings

The Meetings of the Board of Directors are usually held at Jaipur and Mumbai. The Board meets at least once in a quarter to inter alia review the Company's quarterly performance and Financial Results, assessing business strategies and their implementation and also discuss policy, compliance and other matters. The Board Meetings are scheduled with a gap, not exceeding 120 days between any two Meetings. The Meetings are conducted in compliance with the regulatory requirements including those prescribed under the Act. In exceptional circumstances, additional Meetings are held, if necessary.

In case any Director is unable to attend the Meeting but wishes to participate in the Meeting, the Director can participate through Video-conferencing.

To enable the Board to discharge its responsibilities effectively and take informed decisions, necessary information and documents are made available to the Board well in advance. The Directors are informed of the items on the Agenda for every Board Meeting along with the notice to enable them to deliberate on each Agenda item and make informed decisions. All statutory and other significant matters including the minimum information as required to be placed in terms of Schedule II- Part-A of SEBI LODR Regulations and Secretarial Standards under the Act, are placed before the Board of Directors. Detailed Agenda notes are also circulated to the Board in advance of the Meetings.

The Board met five (5) times during the Financial Year 2019-20 on May 03, 2019, May 29, 2019, August 01, 2019, October 25, 2019 and January 24, 2020. The details of the Directors along with their attendance at Board Meetings (during the Financial Year 2019-20) and AGM held on Thursday, August 01, 2019 are as given below:

Name of Directors	Designation & Category	No. of Meetings entitled to attend	No. of Meetings Present*	Attendance at the last AGM held on August 01, 2019
Mr. Sandeep Tandon	Non-Executive Independent Director	5	5	Yes
Mr. Sushil Kumar Agarwal	Managing Director & CEO (Executive)	5	4	Yes
Mrs. Kalpana Iyer	Non-Executive Independent Director	5	4	Yes
Mrs. Soumya Rajan**	Non- Executive Additional Director (Independent Director)	2	2	NA
Mr. Ramachandra Kasargod Kamath	Non- Executive Nominee Director	5	4	Yes
Mr. Vivek Vig	Non- Executive Nominee Director	5	5	Yes
Mr. Nishant Sharma	Non- Executive (Promoter Nominee Director)	5	5	Yes
Mr. Manas Tandon	Non- Executive (Promoter Nominee Director)	5	5	Yes
Mr. Kartikeya Dhruv Kaji	Non- Executive (Promoter Nominee Director)	5	2	No
Mr. Krishan Kant Rathi***	Non-Executive Independent Director	3	3	Yes

*Leave of absence was granted to the Directors who could not attend the respective Meetings, if any.

** Mrs. Soumya Rajan has been appointed as an Additional Director in the capacity of Independent Director w.e.f. August 29, 2019 subject to the approval of Members in the ensuing General Meeting.

*** Mr. Krishan Kant Rathi-Independent Director was appointed on August 29, 2014 for a period of 5 years and his term as an Independent Director came to an end on August 28, 2019

Independent Directors

Independent Directors play an important role in deliberations at the Board Meetings and bring to the Company their wide experience in the fields of finance, housing, accountancy, law and public policy. This wide knowledge of both, their field of expertise and Boardroom practices helps foster varied, unbiased, independent and experienced perspectives. The Company benefits immensely from their inputs in achieving its strategic direction.

All the Committees which require Independent Directors in the Composition have Independent Directors as specified in terms of the SEBI LODR Regulations, the Act and the HFCs-Corporate Governance (NHB) Directions, 2016. These Committees function within the defined terms of reference in accordance with the Act, the SEBI LODR Regulations, the HFCs – Corporate Governance (NHB) Directions, 2016 and as approved by the Board, from time to time.

The Independent Directors have confirmed that they satisfy the criteria prescribed for an Independent Director as stipulated in Regulation 16(1)(b) & 25 of the SEBI LODR Regulations and Section 149(6) of the Act and are independent from the management of the Company. All Independent Directors of the Company have been appointed as per the provisions of the Act and SEBI LODR Regulations. All the Independent Directors of the Company are registered in Independent Director's databank maintained by Indian Institute of Corporate Affairs (IICA). Formal letters of appointment have been issued to the Independent Directors. The terms and conditions of appointment of Independent Directors are available on the Company's website at https://www.aavas.in/terms-and-conditions.

In the opinion of the Board, the Independent Directors are independent of the management. None of the Independent Directors has resigned before the expiry of their respective tenures during the Financial Year 2019-20.

The tenure of Mr. Krishan Kant Rathi as an Independent Director of the Company has been completed on August 28, 2019.

Fit & Proper Criteria

The Company has formulated and adopted a Policy on Fit & Proper Criteria for the Directors as per the provisions of the HFCs – Corporate Governance (NHB) Directions, 2016. All the Directors of the Company have confirmed that they satisfy the fit and proper criteria as prescribed under the Directions issued by the NHB.

Familiarization Programmes for the Independent Directors

All the Board Members of the Company are extended every opportunity to familiarize themselves with the Company, its products & services, its operations, various applicable regulatory laws & regulations including updates thereon and the overall socio- economic regime of the industry in which the Company operates. The familiarization programme for the new and continuing Independent Directors of the Company ensures valuable participation and inputs from them which helps in bringing forth the best practices into the organization and helps in taking informed decision(s) at the Board Level.

The details of familiarization programme imparted to the Independent Directors of the Company are available on the Company's website at https://www.aavas.in/familiarization-programme.

Selection and Appointment of Directors

The selection and appointment of Directors of the Company is carried out in accordance with provisions of the Act and relevant rules made thereunder, Directions and Guidelines issued by NHB, SEBI LODR Regulations, and as per the Policy on Nominations & Remuneration for Directors, Key Managerial Personnel (KMP), Senior Management and Other Employees.

COMMITTEES OF THE BOARD

The Board has constituted a set of committees comprising of Directors of the Company and expert senior management personnel as its Members to support the Board in discharging its varied responsibilities and to take informed decision in the best interest of the Company. These Board Committees have specific terms of reference/scope to focus effectively on the issues and ensure expedient resolution of diverse matters. These Board Committees operate as empowered agents of the Board as per their terms of reference.

To enable better and more focused attention on the affairs of the Company, the Board delegates particular matters to the respective Committees of the Board set up for the purpose. These specialist Committees prepare the groundwork for decision-making and provide updates at the subsequent Board meeting.

The various Committees constituted by the Board are as below:-

1. Audit Committee
2. Nomination and Remuneration Committee
3. Stakeholders Relationship Committee
4. Corporate Social Responsibility (CSR) Committee
5. Risk Management Committee
6. Asset Liability Management Committee (ALCO)
7. IT Strategy Committee
8. Executive Committee
9. Customer Service & Grievance Redressal (CS&GR) Committee

All the recommendations of the various Committees were accepted by the Board during the Financial Year.

Audit Committee

The Audit Committee has been constituted by the Company in terms of provisions of Section 177 of the Act and Regulation 18 read with Part D of Schedule II of SEBI LODR Regulations and is chaired by an Independent Director.

At present, the Audit Committee comprises of three (3) Directors as its Members, out of them two are Independent Directors and all of them being Non-Executive Directors. The composition of the Committee is in adherence to provisions of the Act, SEBI LODR Regulations and the HFCs-Corporate Governance (NHB) Directions, 2016. All the Members of the Committee are financially literate and majority of the Members including the Chairperson possess financial management expertise. The Company Secretary of the Company acts as Secretary to the Committee.

The Board of Directors have accepted and implemented the recommendations of the Audit Committee, whenever provided by it.

The functions of the Audit Committee:

The Board of Directors has formed and approved a charter for the Audit Committee setting out the roles, responsibilities and functioning of the Committee. In adherence to the provisions of the Act and SEBI LODR Regulations and all other applicable regulatory requirements, the terms of reference of the Audit Committee are covered by its charter. Its functioning inter alia broadly includes the following:

1. to investigate any activity within its terms of reference;
2. to seek information from any employee;
3. to obtain outside legal or other professional advice; and
4. to secure attendance of outsiders with relevant expertise, if it considers necessary.

The Terms of Reference of the Audit Committee includes the following:

1. oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the Financial Statements are correct, sufficient and credible;
2. recommendation for appointment, remuneration and terms of appointment of auditors of the Company;
3. approval of payment to statutory auditors for any other services rendered by the statutory auditors;
4. reviewing, with the management, the annual Financial Statements and Auditor's Report thereon before submission to the Board for approval, with particular reference to:
   a. matters required to be included in the Director's Responsibility Statement to be included in the Board's Report in terms of clause (c) of sub-section 3 of Section 134 of the Act;
   b. changes, if any, in accounting policies and practices and reasons for the same;
   c. major accounting entries involving estimates based on the exercise of judgment by management;
   d. significant adjustments made in the Financial Statements arising out of audit findings;
   e. compliance with listing and other legal requirements relating to Financial Statements;
   f. disclosure of any related party transactions; and
   g. qualifications in the draft Audit Report.
5. reviewing, with the management, the quarterly Financial Statements before submission to the Board for approval;
6. reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the Monitoring Agency monitoring the utilization of proceeds of public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter;
7. reviewing and monitoring the auditor's independence and performance, and effectiveness of audit process;
8. approval of any subsequent modification of transactions of the Company with related parties;
9. scrutiny of inter-corporate loans and investments;
10. valuation of undertakings or assets of the Company, wherever it is necessary;
11. evaluation of internal financial controls and risk management systems;
12. reviewing, with the management, performance of Statutory and Internal Auditors, adequacy of the Internal Control Systems;
13. reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
14. discussion with Internal Auditors of any significant findings and follow up thereon;
15. reviewing the findings of any internal investigations by the Internal Auditors into matters where there is suspected fraud or irregularity or a failure of Internal Control Systems of a material nature and reporting the matter to the Board;
16. discussion with Statutory Auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
17. looking into the reasons for substantial defaults in the payment to depositors, debenture holders, Shareholders (in case of non-payment of declared dividends) and creditors;
18. reviewing the functioning of the whistle blower mechanism;
19. approval of appointment of Chief Financial Officer (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate;
20. overseeing the vigil mechanism established by our Company and the Chairperson of Audit Committee shall directly hear grievances of victimization of employees and Directors, who use vigil mechanism to report genuine concerns;
21. carrying out any other function as is mentioned in the terms of reference of the Audit Committee and any other terms of reference as may be decided by the Board of Directors of our Company or specified / provided under the Act or by the SEBI LODR Regulations or by any other regulatory authority;
22. reviewing the utilization of loans and/ or advances from/ investment by the holding Company in the subsidiary exceeding ₹100 crore or 10% of the asset size of the subsidiary, whichever is lower including existing loans / advances / investments;
23. statement of deviations in terms of the SEBI LODR Regulations:
   (a) quarterly statement of deviation(s) including report of Monitoring Agency, if applicable, submitted to Stock Exchange(s) in terms of Regulation 32 (1) of the SEBI LODR Regulations; and
   (b) Annual statement of funds utilized for purposes other than those stated in the offer document/prospectus/ notice in terms of Regulation 32 (7) of the SEBI LODR Regulations.
24. Any other power as may be given under SEBI Regulations or the Act or other regulations.

During the Financial Year 2019-20, four (4) Audit Committee Meetings were held on May 03, 2019, August 01, 2019, October 25, 2019 and January 24, 2020. The required quorum was present at all the above Meetings.

The Composition of the Audit Committee and the details of attendance of the Members at the Meetings held during the year under review are as under:

Name of the Members	Position in Committee	No. of Meetings Attended
Mrs. Kalpana Iyer*	Member & Chairperson	3
Mr. Sandeep Tandon	Member	4
Mr. Manas Tandon	Member	4
Mr. Krishan Kant Rathi**	Member	2

* Designated as Chairperson w.e.f. from May 02, 2019.

**Ceased to be a Member from August 28, 2019.

Leave of absence was granted to the Directors who could not attend the respective Meetings.

Nomination & Remuneration Committee

The Nomination and Remuneration Committee has been constituted by the Company in terms of the provisions of Section 178 of the Act and Regulation 19 read with Part D of Schedule II of SEBI LODR Regulations and is chaired by an Independent Director.

At present the Nomination and Remuneration Committee comprises of four (4) Directors as its Members, all of them being Non-Executive Directors and fifty percent being Independent Directors. The composition of the Committee is in adherence to the provisions of the Act and SEBI LODR Regulations. The Company Secretary of the Company acts as Secretary to the Committee.

The Board of Directors has accepted and implemented the recommendations of the Nomination and Remuneration Committee, whenever provided by it.

The Board of Directors has formed and approved a charter for the Nomination and Remuneration Committee setting out the roles, responsibilities and functioning of the Committee. In adherence to the provisions of the Act and SEBI LODR Regulations, the terms of reference of Nomination and Remuneration Committee are covered by its Charter and its functioning inter alia includes the following:

Terms of Reference of the Nomination and Remuneration Committee:

The Nomination and Remuneration Committee is responsible for, among other things, as may be required by the Stock Exchanges from time to time, the following:

1. formulation of the criteria for determining qualifications, positive attributes and independence of a Director and recommend to the Board a policy relating to the remuneration of the Directors, KMP and other employees;
2. formulation of criteria for evaluation of performance of Independent Directors and the Board, and determining whether to extend or continue the term of appointment of Independent Directors, on the basis of the report of performance evaluation of Independent Directors;

   The Nomination and Remuneration Committee, while formulating the above policy, also ensure that -

   i. the level and composition of remuneration be reasonable and sufficient to attract, retain and motivate Directors of the quality required to run the Company successfully;
   ii. relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and

iii. remuneration to Directors, KMP 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.

3. recommend to the Board, all remuneration, in whatever form, payable to senior management;
4. devising a policy on Board diversity;
5. identifying persons who are qualified to become Directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the Board for their appointment and removal;
6. performing such functions as are required to be performed by the Compensation Committee under the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014, including the following:

   (a) administering the ESOP plans;

   (b) determining the eligibility of employees to participate under the ESOP plans;

   (c) granting options to eligible employees and determining the date of grant;

   (d) determining the number of options to be granted to an employee;

   (e) determining the exercise price under the ESOP plans; and

   (f) construing and interpreting the ESOP plans and any agreements defining the rights and obligations of the Company and eligible employees under the ESOP plans, and prescribing, amending and / or rescinding rules and regulations relating to the administration of the ESOP plans.
7. framing suitable policies and systems to ensure that there is no violation, by an employee, of any applicable laws in India or overseas, including:

   (a) the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, (SEBI PIT Regulations);

   (b) The Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 2003 and

   (c) performing such other activities as may be delegated by the Board and/or are statutorily prescribed under any law to be attended to by the Nomination and Remuneration Committee.

During the Financial Year 2019-20, four (4) Nomination & Remuneration Committee Meetings were held on May 02, 2019, July 31, 2019, October 03, 2019 and January 23, 2020. The required quorum was present at all the above Meetings.

The Composition of the Committee and details of participation of the Members at the Meetings of the Committee during the year were as under:

Name of the Members	Position in Committee	No. of Meetings Attended
Mrs. Kalpana Iyer*	Member & Chairperson	3
Mr. Sandeep Tandon	Member	4
Mr. Nishant Sharma	Member	4
Mr. Manas Tandon	Member	4

*Designated as a Chairperson from August 01, 2019.

Leave of absence was granted to the Directors who could not attend the respective Meetings, if any

Performance Evaluation of Directors

Performance Evaluation of the Board as a whole, as well as that of its Committees, Independent Directors and Non-Independent Directors was done in accordance with the relevant provisions of the Act read with relevant rules made thereunder and SEBI LODR Regulations and in compliance of guidance note issued by SEBI under Circular no. SEBI/HO/ CFD/ CMD/CIR/P/2017/004 dated January 05, 2017.

With the objective of enhancing the effectiveness of the Board, the Nomination & Remuneration Committee has formulated the methodology and criteria to evaluate the performance of the Board and its Committees and each Director.

The evaluation of the performance of the Board is based on the approved criteria such as the Board composition, strategic planning, role of the Chairperson, Non-Executive Directors and other senior management, assessment of the timeliness and quality of the flow of information by the Company to the Board and adherence to compliance and other regulatory issues.

The manner in which formal annual evaluation of the Board, its Committees and individual Directors are conducted includes:

- The Independent Directors, at their separate Meeting review the performance of Non-Independent Directors, the Board as a whole and Chairperson.
- In light of the criteria prescribed for the evaluation, the Board analyses its own performance, that of its Committees and each Director during the year and suggests changes or improvements, if required.
- The performance evaluation of Independent Directors of the Company is carried out by the Board of Directors of the Company excluding the Director being evaluated.

The Board of Directors has expressed their satisfaction with the evaluation process.

Policy on Nominations & Remuneration for Directors, KMP, Senior Management and Other Employees

The Company has a duly formulated Policy on Nominations & Remuneration for Directors, Key Managerial Personnel, Senior Management and Other Employees ("Remuneration Policy") as per the provisions of the Act read with applicable Rules and Regulations under the Act and SEBI LODR Regulations which, inter-alia, lays down the approach to diversity of the Board, the criteria for identifying the persons who are qualified to be appointed as Directors and such persons who may be appointed as Senior Management Personnel of the Company and also lays down the criteria for determining the remuneration of the Directors, KMP and other employees and the process of their evaluation. The Remuneration Policy is placed on the website of the Company. The remuneration paid to the Directors is in line with the Remuneration Policy of the Company. Remuneration Policy can be accessed at the website of the Company at www.aavas.in/remuneration-policy.

Remuneration to Directors

Non-Executive Directors:- The remuneration of Non-Executive Directors consists of sitting fees and commission. The payment of the commission to the Non-Executive Directors is based on the performance of the Company. The commission payable to the Independent Directors / Non-Executive Directors is approved by the Board and is within the overall limits as approved by the Shareholders of the Company. No other payment is made to the Non-Executive Directors.

Sitting fees paid to Non-Executive Directors for attending each Meeting of the Board & Committee are ₹50,000 and ₹25,000, respectively. The amount paid to the Independent Directors by way of sitting fees are within the limits prescribed under the provisions of the Act. None of the Non-Executive Directors have any pecuniary relationship or transaction with the Company apart from receiving sitting fees and profit related commission.

Information on the total sitting fees and commission paid to each Non-Executive Directors during Financial Year 2019-20 is set out in the following table:

(In Rupees)

Name of the Director	Sitting fees Paid	Commission	Total
Mrs. Kalpana Iyer	4,25000	5,75000	10,00,000
Mr. Sandeep Tandon	5,50,000	4,50,000	10,00,000
Mrs. Soumya Rajan	1,00,000	-	1,00,000
Mr. Ramachandra Kasargod Kamath	2,00,000	22,00,000	24,00,000
Mr. Vivek Vig	2,50,000	7,50,000	10,00,000
Mr. Nishant Sharma*	-	-	-
Mr. Manas Tandon*	-	-	-
Mr. Kartikeya Dhruv Kaji*	-	-	-
Mr. Krishan Kant Rathi**	2,50,000	2,50,000	5,00,000

*Mr. Nishant Sharma, Mr. Manas Tandon and Mr. Kartikeya Dhruv Kaji being Promoter Nominee Directors are not entitled to receive remuneration/ sitting fees/ commission from the Company.

** The tenure of Mr. Krishan Kant Rathi as an Independent Director of the Company has completed on August 28, 2019

Note: - The service contracts, notice period and severance fees are not applicable to Non-Executive and/or Independent Directors.

Executive Director

Mr. Sushil Kumar Agarwal-Managing Director and CEO of the Company is the only Executive Director in the Company. His remuneration package comprises of salary, perquisites and other benefits as approved by the Shareholders of the Company. The remuneration paid to him is governed by Employment Agreement executed between him and the Company. Details of the remuneration paid to the Mr. Sushil Kumar Agarwal for the year ended March 31, 2020 are as follows: -

SN	Particulars of Remuneration	Amount (in lakh)
1	Gross salary	
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	240.06
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	-
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	-
2	Stock Option	-
3	Sweat Equity	-
4	Commission	
	- as % of profit	-
	- others, specify	-
5	Others, please specify*	-
	Total	240.06

*Mr. Sushil Kumar Agarwal is not eligible for any severance fee. Service contract and the notice period are as per the terms of agreement entered into by them with the Company.

Stakeholders Relationship Committee (SRC)

The Board of Directors constituted the Stakeholders Relationship Committee at their Meeting held on June 08, 2018 in terms of the provisions of Section 178 of the Act and Regulation 20 read with Part D of the Schedule II of SEBI LODR Regulations and is chaired by Mr. Sandeep Tandon- Independent Director.

The Company Secretary of the Company acts as Secretary to the Committee

The Company has constituted the Stakeholders Relationship Committee for resolving the grievances of the security holders of the Company including complaints related to transfer of shares, non-receipt of Annual Report.

Terms of Reference of the Stakeholders Relationship Committee are as follows:-

1. Resolving the grievances of the security holders of the Company including complaints related to transfer/ transmission of shares, non-receipt of Annual Report, non-receipt of declared dividends, issue of new/duplicate certificates, general Meetings etc.
2. Review of measures taken for effective exercise of voting rights by Shareholders.
3. Review of adherence to the service standards adopted by the Company in respect of various services being rendered by the Registrar & Share Transfer Agent.
4. Review of the various measures and initiatives taken by the listed entity for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants/ Annual Reports/statutory notices by the Shareholders of the Company.

During the period under review four (4) Stakeholders Relationship Committee Meetings were held on May 02, 2019, July 31, 2019, October 25, 2019 and January 23, 2020. The required quorum was present at all the above Meetings.

The Composition of the Committee and details of participation of the Members at the Meetings of the Committee during the year were as under:

Name of the Members	Position in Committee	No. of Meetings Attended
Mr. Sandeep Tandon	Member & Chairperson	4
Mr. Sushil Kumar Agarwal	Member	4
Mr. Nishant Sharma	Member	4
Mr. Manas Tandon	Member	4

Details of Investor Complaints

All shares and debentures of the Company are in dematerialized form. Link Intime India Private Limited has been appointed and acting as the Registrar and Share Transfer Agent of the Company for carrying out shares and debentures transfer and other ancillary work related thereto. Link Intime India Private Limited has appropriate systems to ensure that requisite service is provided to investors of the Company in accordance with the applicable corporate and securities laws and within the adopted service standards.

During the period under review, No complaints were received by the Share Transfer Agent:-

Sr. no	Nature of Complaints	Number of Complaints received during the period	Number of Complaints disposed of during the period	Number of Complaints remained unresolved
1	Non-Receipt of Dividend/Interest/ Redemption Warrant	-	-	-
2	Non-Receipt of Annual Report	-	-	-
3	Non-receipt of Refund/Credit of Shares-IPO	-	-	-
4	SEBI-Scores	-	-	-
	Total	Nil	Nil	Nil

There were no complaints received from the Non-Convertible Debenture Holders during the period under review.

CSR Committee

The CSR Committee was formed as per Section 135 of the Act with the following Terms of reference:

- To formulate and recommend to the Board, CSR Policy which shall indicate the activities to be undertaken by the Company as specified in Schedule VII.
- To recommend the amount of expenditure to be incurred on the CSR activities to be undertaken.
- To monitor the Corporate Social Responsibility Policy of the company from time to time.

The Committee met four (4) times i.e. on May 02, 2019, July 31, 2019, October 03, 2019 and January 23, 2020 during the Financial Year ended March 31, 2020. The required quorum was present at all the above Meetings. The Company Secretary of the Company acts as the Secretary to the Committee.

The Composition of the Committee and details of participation of the Members at the Meetings of the Committee during the year were as under:

Name of the Members	Position in Committee	No. of Meetings Attended
Mr. Nishant Sharma*	Member & Chairperson	2
Mrs. Kalpana Iyer	Member	3
Mr. Sushil Kumar Agarwal	Member	4
Mr. Krishan Kant Rathi**	Member	2

*Became Member and Designated as Chairperson from August 29, 2019.

**Ceased to be a Member w.e.f. August 28, 2019.

Leave of absence was granted to the Directors who could not attend the respective Meetings, if any.

Risk Management Committee

The Company has formed Risk Management Committee of the Board for assisting the Board to establish a risk culture and risk governance framework in the organization. The Committee was formed to supervise, guide, review and identify current and emerging risks; developing risk assessment and measurement systems, establishing policies, practices and other control mechanisms to manage risks, developing risk tolerance limits for Senior Management and Board approval, monitoring positions against approved risk tolerance limits, reporting results of risk monitoring to Senior Management and the Board.

The terms of reference are in accordance with the Act, SEBI LODR Regulations and the provisions of the HFCs – Corporate Governance (NHB) Directions, 2016.

Terms of Reference of the Risk Management Committee inter alia include the following:

1. reviewing and approving various credit proposals in terms of credit and risk management policies approved by the Board;
2. supervising, guiding, reviewing and identifying current and emerging risks;
3. developing risk assessment and measurement systems;

4. establishing policies, practices and other control mechanism to manage risks;
5. reviewing and monitoring the effectiveness and application of credit risk management policies, related standards and procedures and to control the environment with respect to credit decisions;
6. reporting results of risk and credit monitoring to senior management and the Board; and
7. reviewing and identifying risk in the area of cyber security and Management.

During the period under review, four (4) Risk Management Committee Meetings were held on May 02, 2019, July 31, 2019, October 25, 2019 and January 23, 2020. The required quorum was present at all the above Meetings. The Company Secretary of the Company acts as the Secretary to the Committee.

The Composition of the Committee and details of participation of the Members at the Meetings of the Committee during the year were as under:

Name of the Members	Position in Committee	No. of Meetings Attended
Mr. Manas Tandon*	Member & Chairperson	4
Mr. Nishant Sharma	Member	4
Mr. Sushil Kumar Agarwal	Member	4

*Designated as a Chairperson from August 28, 2019.

Asset and Liability Management Committee (ALCO)

The ALCO comprises of five (5) Members as on March 31, 2020, The Committee is responsible for keeping a watch on the asset liability gaps, if any. ALCO lays down policies and quantitative limits relating to assets and liabilities, based on an assessment of the various risks involved in managing them.

The scope of the ALCO is:

- Liquidity risk management,
- Management of market risks and
- Funding and capital resource planning and to review the effectiveness of the Asset Liability Management, control.

During the period under review, four (4) ALCO Meetings were held on May 02, 2019, July 31, 2019, October 03, 2019 and January 23, 2020. The required quorum was present at all the above Meetings. The Company Secretary of the Company acts as the Secretary to the Committee.

The Composition of the Committee and details of participation of the Members at the Meetings of the Committee during the year were as under:

Name of the Members	Position in Committee	No. of Meetings Attended
Mr. Sushil Kumar Agarwal	Member & Chairperson	4
Mr. Ghanshyam Rawat	Member	4
Mr. Nishant Sharma	Member	4
Mr. Manas Tandon	Member	4
Mr. Ashutosh Atre	Member	4

IT Strategy Committee

The Committee was formed by the Board in accordance with Information Technology Framework for HFCs ("Guidelines") issued by NHB vide its notification no. NHB/ND/DRS/ Policy Circular No. 90/2017-18 dated June 15, 2018.

Terms of Reference of the IT Strategy Committee inter alia include the following:

1. Providing input to other Board committees and Senior Management;
2. Carrying out review and amending the IT strategies in line with the corporate strategies, Board Policy reviews, cyber security arrangements and any other matter related to IT Governance;
3. Approving IT strategy and policy documents and ensuring that the management has put an effective strategic planning process in place;
4. Ascertaining that management has implemented processes and practices that ensure that the IT delivers value to the business;
5. Ensuring IT investments represent a balance of risks and benefits and that budgets are acceptable;
6. 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 and
7. Ensuring proper balance of IT investments for sustaining HFC's growth and becoming aware about exposure towards IT risks and controls.

During the period under review, two (2) Meetings of IT Strategy Committee were held on July 31, 2019 and December 19, 2019. The required quorum was present at all the above Meetings. The Company Secretary of the Company acts as the Secretary to the Committee.

The Composition of the Committee and details of participation of the Members at the Meetings of the Committee during the year were as under:

Name of the Members	Position in Committee	No. of Meetings Attended
Mr. Sandeep Tandon	Member & Chairperson	2
Mr. Sushil Kumar Agarwal	Member	2
Mr. Avinash Kumar	Member	2

Executive Committee

The Board of Directors has constituted the Executive Committee consisting of four (4) Members. The Committee approves loans, borrowings, and investments within the limits as specified by the Board of Directors, from time to time. Besides, the Committee reviews the conduct of business and operations, considers new products and parameters and suggests business reorientation.

The functions of the Executive Committee are:

- Approving loans, borrowings, and investments within limits specified by the Board;
- Reviewing the conduct of business and operations, considering new products and parameters and suggesting business reorientation.

During the period under review, 41 (Forty-One) Executive Committee Meetings were held on, 16 April 2019, 29 April 2019, 08 May 2019, 25 June 2019, 26 June 2019, 12 July 2019, 26 July 2019, 30 July 2019, 06 August 2019, 07 August 2019, 03 September 2019, 04 September 2019, 09 September 2019, 17 September 2019, 20 September 2019, 24 September 2019, 25 September 2019, 26 September 2019, 27 September 2019, 30 September 2019, 14 October 2019, 15 October 2019, 18 October 2019, 22 November 2019, 26 November 2019, 27 November 2019, 28 November 2019, 12 December 2019, 24 December 2019, 27 December 2019, 09 January 2020, 11 January 2020, 17 January 2020, 10 February 2020, 25 February 2020, 27 February 2020, 12 March 2020, 16 March 2020, 18 March 2020, 19 March 2020 and 21 March 2020.The required quorum was present at all the above Meetings. The Company Secretary of the Company acts as the Secretary to the Committee.

The Composition of the Committee and details of participation of the Members at the Meetings of the Committee during the year were as under:

Name of the Members	Position in Committee	No. of Meetings Attended
Mr. Sushil Kumar Agarwal	Member & Chairperson	40
Mr. Nishant Sharma	Member	40
Mr. Manas Tandon	Member	39
Mr. Ghanshyam Rawat	Member	41

Customer Service & Grievance Redressal (CS&GR) Committee

The Committee was formed by the Board mainly for protecting the interest of customers of the Company. It ensures constant evaluation of the feedback on quality of Customer Services & Redressal provided to the customers, considering unresolved complaints / grievance referred to it by Functional Heads.

During the period under review, 4 (Four) CS&GR Committee Meetings were held on April 15, 2019, July ,25 2019, October 10, 2019 and January 16, 2020. The required quorum was present at all the above Meetings. The Company Secretary of the Company acts as the Secretary to the Committee.

The Composition of the Committee and details of participation of the Members at the Meetings of the Committee during the year were as under: -

Name of the Members	Position in Committee	No. of Meetings Attended
Mr. Sushil Kumar Agarwal	Member	4
Mr. Ghanshyam Rawat	Member	4
Mr. Rajiv Sinha	Member	4

Meeting of Independent Directors

The Independent Directors of the Company meet without the presence of any Non-Independent Directors and management personnel inter- alia to consider the following:

- Review of performance of Non-Independent Directors.
- Review of performance of Board as a whole.
- Review of Performance of the Chairperson of the Company, taking into account the views of Executive Directors and Non- Executive Directors excluding the chairperson being evaluated.
- Review of the quality, quantity and timeliness of flow of information between the Company Management and the Board that is necessary for the Board to effectively and reasonably perform its duties.

The Meeting of the Independent Directors for the above purpose was held on May 02, 2019 and all the Independent Directors, except Mrs. Kalpana Iyer, were present in the said Meeting.

Employee Stock Option Scheme

The disclosure as required under Regulation 14 of the SEBI (Share Based Employee Benefits) Regulations, 2014, has been mentioned in the Director's Report.

POLICIES AND CODES

In terms of the NHB Directions, circulars / regulations / guidelines issued by SEBI including SEBI LODR Regulations, provisions of the Act, various other laws applicable to the Company and as a part of good corporate governance and also to ensure strong internal controls, the Board of Directors has adopted several codes / policies / guidelines which amongst others include the following:

Internal Guidelines on Corporate Governance

Your Company has a duly formulated Internal Guidelines on Corporate Governance in accordance with HFCs – Corporate Governance (NHB) Directions, 2016, which inter-alia, defines the legal, contractual and social responsibilities of the Company towards its various stakeholders and lays down the Corporate Governance practices of the Company.

The said policy is available on the website of the Company at the https://www.aavas.in/internal-guidelines-on-corporate-governance.

Policy on Know Your Customer ("KYC") Norms and Anti Money Laundering ("AML") Measures ("KYC & AML Policy")

In terms of the circular(s) and direction(s) on KYC norms and AML measures issued by the NHB, the Prevention of Money Laundering Act, 2002 and Rules made thereunder, the Board of Directors adopted a 'KYC & AML Policy' which inter alia incorporates your Company's approach towards KYC norms, AML measures and Combating of Financing of Terrorism ("CFT") related issues.

The KYC & AML Policy provides a comprehensive and dynamic framework and measures to be taken in regard to KYC, AML and CFT. The primary objective of the Policy is to prevent the Company from being used, intentionally or unintentionally, by criminal elements for money laundering or terrorist financing activities.

Policy on Materiality of related party transactions and on dealing with related party transactions

All transactions entered into with Related Parties as defined under the Act and Regulation 23 of the SEBI LODR Regulations during the Financial Year were in the ordinary course of business and on arm's length pricing basis and do not attract the provisions of Section 188 of the Act.

There were no materially significant transactions with related parties during the Financial Year which conflicted with the interest of the Company. Suitable disclosures as required by the applicable Accounting Standards have been made in the notes to the Financial Statements. The details of the transactions with related parties, if any, are placed before the Audit Committee from time to time. The Policy on Materiality of related party transactions and on dealing with related party transactions is available on the website of the Company at https://www.aavas.in/policy-on-transactions-with-related-parties

Further, the Company submits the disclosures of related party transactions every half year on a consolidated basis to the stock exchange and on its website.

Further as per the HFCs-Corporate Governance (NHB) Directions, 2016, Policy on Materiality of related party transactions and on dealing with related party transactions is also made part of this Annual Report as "**Annexure-11**" to Directors' Report.

During the period under review, there was no transaction with any person or entity belonging to the Promoter / Promoter Group which hold(s) 10% or more shareholding.

Code of Conduct for the Board of Directors and the Senior Management Personnel

In terms of the SEBI LODR Regulations and as an initiative towards setting out a good Corporate Governance structure within the organization, the Board of Directors adopted a comprehensive 'Code of Conduct for the Board of Directors and the Senior Management Personnel' which is applicable to all the Directors, including Non-Executive and Independent Directors and Senior Management Personnel of the Company to the extent of their role and responsibilities in the Company. The Code provides guidance to the Directors and Senior Management Personnel to conduct their business affairs ethically and in full compliance with applicable laws, rules and regulations.

In accordance with Schedule V (D) of the SEBI LODR Regulations, declaration from Managing Director & CEO of the Company has been received confirming that all the Directors and the Senior Management Personnel of the Company have complied to the Code of Conduct for the Financial Year ended March 31, 2020 as attached with this Report. The said code is hosted on the website of the Company under the web link: https://www.aavas.in/code-of-conduct.

Policy for Determining Material Subsidiaries

In terms of the provisions of the SEBI LODR Regulations, the Board of Directors adopted a 'Policy for Determining Material Subsidiaries' which inter-alia sets out parameters for identifying a subsidiary as a "Material Subsidiary". The Policy for Determining Material Subsidiary is available on the website of the Company at https://www.aavas.in/policy-for-determining-material-subsidiaries. The Company however does not have any Material Subsidiary as at March 31, 2020.

Further, during the period under review there were no significant transactions and arrangements entered into by the subsidiary.

Information Technology Related policies

NHB has prescribed Information Technology Framework for HFCs ("Guidelines") vide its notification no. NHB/ND/DRS/Policy Circular No. 90/2017-18 dated June 15, 2018 with a view to enhance the safety, security, efficiency in processes relating to use of Information Technology framework within the Company. The Board of Directors in compliance with the same, adopted various polices pertaining to Information Technology (IT) risk management, resource management and performance management which inter-alia include the 'IT Governance Policy', 'IT Management Policy', 'IT Infrastructure Management Policy', 'IT Operations Policy' and 'Information Systems (IS) Audit Policy'.

Policy on "Valuation of Properties and Empanelment of Valuers"

In terms of the NHB Policy Circular No. 81 dated August 31, 2017 read with Policy Circular No. 86 dated December 29, 2017 on "Valuation of Properties and Empanelment of Valuers", NHB guided HFCs to frame a system /procedure /policy on valuation of properties and appointment of valuers.

In reference to the above, the Board of Directors adopted the Policy on Valuation of Properties and Empanelment of Valuers.

Whistle Blower Policy / Vigil Mechanism

Your Company believes in conducting its affairs in a fair and transparent manner by adopting highest standards of professionalism, honesty, integrity and ethical behaviour. The Company is committed to developing a culture where it is safe for all Directors and employees to raise concerns about any wrongful conduct. The Board of Directors has in compliance with the provisions of the Act and SEBI LODR Regulations approved the Vigil Mechanism/Whistle Blower Policy of the Company which provides a framework to promote a responsible and secure whistle blowing. It protects the Directors/employees wishing to raise a concern about serious irregularities within the Company. It provides for a Vigil Mechanism to channelize reporting of such instances/ complaints/ grievances to ensure proper governance. The Audit Committee oversees the Vigil Mechanism. No personnel have been denied access to the Chairperson of the Audit Committee. The policy is placed on the website of the Company and can be accessed at www.aavas.in/vigil-mechanism-policy.

Policy for Determination of Materiality of Events and Information

In terms of the provisions of the SEBI LODR Regulations, the Board of Directors adopted a 'Policy for Determination of Materiality of Events and Information', which inter-alia sets out guidelines for determining materiality of events / information for the purpose of disclosure to the Stock Exchanges and identifies specific officers of the Company who shall be authorized to determine materiality of an event / information and for making disclosures to the Stock Exchanges. The Policy is placed on the website of the Company and can be accessed at https://www.aavas.in/policy-for-determination-of-materiality-of-events-and-information-for-disclosure-to-the-stock-exchange.

CSR Policy

In terms of Section 135 of the Act, the Board of Directors adopted a 'CSR Policy' which helps towards contribution and furtherance of your Company's objective to create value in the society and community in which it operates, through its services, conduct and initiatives, so as to promote sustained growth for the society and community, in fulfilment of its role as a socially responsible corporate citizen.

The CSR Policy of the Company inter-alia indicates the CSR activities that can be undertaken by the Company and defines the roles and responsibilities of the Board of Directors and CSR Committee in implementing and monitoring CSR projects identified and supported by the Company. The CSR Policy is available on the website of the Company at https://www.aavas.in/csr-policy.

Code of Conduct for Prohibition of Insider Trading and Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information

In compliance of the SEBI PIT Regulations, as amended from time to time, the Company has formulated a Code of Conduct-Prevention of Insider Trading in the shares of the Company, which inter alia, prohibits trading in shares of the Company by insiders while in possession of unpublished price sensitive information in relation to the Company and in order to ensure uniform dissemination of unpublished price sensitive information. The Board of Directors adopted a 'Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information' which is available on the website of the Company and can be accessed at https://www.aavas.in/code-of-practices-and-procedures-for-fair-disclosure-of-upsi.

Code for Independent Directors

In terms of Section 149 and Schedule IV of the Act, the Company has adopted a code for Independent Directors in order to ensure fulfilment of responsibilities of Independent Directors of the Company in a professional manner.

The Code for Independent Directors aims to promote confidence of the investment community, particularly minority Shareholders, regulators and other stakeholders in the institution of Independent Directors and sets out the guidelines of professional conduct of Independent Directors, their roles, functions and duties, the process of performance evaluation etc.

Prevention of Sexual Harassment Policy, and information required to be disclosed under Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

The Company is committed to providing a work environment that ensures that every employee is treated with dignity and respect and accorded equitable treatment. The Company has implemented a robust framework on prevention of sexual harassment which is in line with the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. Pursuant to the said Act, the details of the total reported and closed cases pertaining to incidents under the above framework/ law are as follows:-

Number of cases reported during the year	Nil
Number of cases closed during the year	Nil
Numbers of cases open as on March 31, 2020	Nil

GENERAL SHAREHOLDERS INFORMATION

This section inter alia provides information pertaining of the Company, its shareholding pattern, means of dissemination of information, service standards, share price movements and such other information, in terms of point no. C (9) of Schedule V to SEBI LODR Regulations relating to Corporate Governance.

I. Corporate Information:-

1	Incorporation Date	February 23, 2011 in Jaipur, as a Private Limited Company under the erstwhile Companies Act, 1956
2	Registered Office Address	201-202, 2nd Floor, Southend Square, Mansarover Industrial Area, Jaipur-302020 (Rajasthan)
3	Corporate Identification Number (CIN)	L65922RJ2011PLC034297
4	Date, time and venue of the Annual General Meeting (AGM)	Date: July 22, 2020; Time: 3:30 P.M., Indian Standard Time ("IST") Venue: Through Video Conferencing ("VC") / Other Audio Visual Means ("OAVM") Facility
5	Financial Year	April 01, 2019 to March 31, 2020
6	Record Date	NA
7	Date of Book closure	No Book Closure has been proposed
8	Dividend Payment date	No Dividend has been proposed for the period under review
9	Listing on Stock Exchanges	The equity shares of the Company are listed on National Stock Exchange of India Ltd. (NSE) and BSE Limited (BSE) on October 08, 2018. Non-Convertible Debentures (NCDs) issued by the Company are listed on the Wholesale Debt Market (WDM) segment of the BSE. The addresses of NSE & BSE are given below: NSE: Exchange Plaza, C-1, Block G, Bandra-Kurla Complex, Bandra (East), Mumbai 400 051. BSE: Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001.
10	Payment of listing fees	The Company has paid the annual listing fees for the relevant periods to NSE and BSE where its securities are listed.
11	Stock Code	BSE: Scrip Code – 541988 NSE : Trading Symbol - AAVAS
12	ISIN	INE216P01012
13	Suspension of Company's Securities	Company's securities are never suspended from trading since its listing.
14	Registrar & Share Transfer Agents	Link Intime India Private Limited C-101, 1st floor, 247 Park, L.B.S Marg, Vikhroli (West), Mumbai 400083 Maharashtra, India Tel: +91 22 4918 6200, FAX: +91 22 49186195 Website: www.linkintime.co.in Email ID: rnt.helpdesk@linkintime.co.in
15	Plant Location	Since the Company is in the business of housing finance, the disclosure with regard to plant location is not applicable.
16	Address for Correspondence Correspondence relating to grievances in relation to non-receipt of Annual Report, dividend and share certificates sent for transfer etc. including any requests/ intimation for change in address, issue of duplicate share certificates, change in nomination shall be sent to :	Link Intime India Private Limited C-101, 1st floor, 247 Park, L.B.S Marg, Vikhroli (West), Mumbai 400083 Maharashtra, India Tel: +91 22 4918 6200, FAX: +91 22 49186195 Website: www.linkintime.co.in Email ID: rnt.helpdesk@linkintime.co.in The Company Secretary & Compliance Officer Aavas Financiers Limited Registered Office: 201-202, 2nd Floor, Southend Square, Mansarover Industrial Area, Jaipur-302020 (Rajasthan) Tel: +91 14 1661 8800 Fax: +91 14 1661 8861 Email: investorrelations@aavas.in
17	Outstanding Global Depository Receipts / American Depository Receipts / Warrants and Convertible Bonds, conversion date and likely impact on equity	Not applicable since the Company has not issued any Global Depository Receipts or American Depository Receipts or Warrants or Convertible bonds.
18	Commodity Price Risks / Foreign Exchange Risk and Hedging Activities	This is not applicable since the Company does not have any derivatives or liabilities denominated in foreign currency.
19	Dematerialisation of Shares and Liquidity	All shares of the Company are held in Dematerialised form. The entire Promoter's holdings are in electronic form and the same is in line with the directions issued by SEBI.
20	Share Transfer System	The Company's shares are traded under compulsory dematerialized mode and freely tradable. The Board of Directors have delegated the power to attend all the formalities relating to transfer of securities to the Registrar and Share Transfer Agent of the Company. An update on the same is placed before the Stakeholder's Relationship Committee on quarterly basis. A half-yearly certificate of compliance with the share/debt transfer formalities as required under Regulation 40(9) and 61(4) of the SEBI LODR Regulations is obtained from the Company Secretary in Practice and a copy of the certificate is filed with the Stock Exchanges within the prescribed time.

II. Stock Market Price Data :-

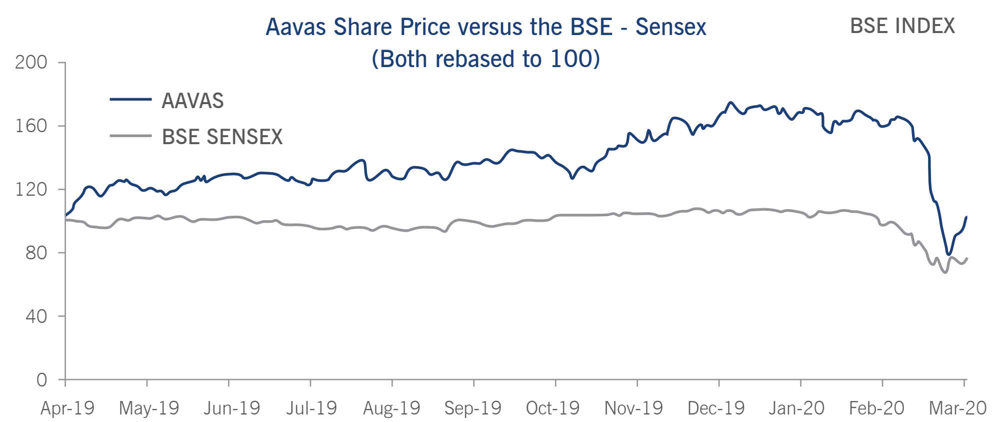
The reported high and low closing prices and volume of equity shares of the Company traded on NSE and BSE during the period under review (i.e. from April 01, 2019 to March 31, 2020) are set out in the following table:

Month	NSE			BSE		
	High Price (₹)	Low Price (₹)	Volume (No.)	High Price (₹)	Low Price (₹)	Volume (No.)
April 2019	1,198.35	1,110.25	569,385	1,206.15	1,109.50	22,355
May 2019	1,475.50	1,238.45	2,967,205	1,473.70	1,236.70	99,433
June 2019	1,505.25	1,359.35	1,865,742	1,502.80	1,357.15	907,181
July 2019	1,517.45	1,430.20	1,134,072	1,517.05	1,429.95	790,281
August 2019	1,618.95	1,458.00	730,915	1,620.15	1,462.70	50,785
September 2019	1,601.35	1,465.10	698,239	1,609.20	1,461.40	31,229
October 2019	1,696.70	1,580.20	389,954	1,690.70	1,585.90	31,727
November 2019	1,822.25	1,473.75	2,089,833	1,819.90	1,475.80	1,178,890
December 2019	1,981.10	1,751.90	1,401,593	1,976.90	1,750.45	106,927
January 2020	2,039.90	1,919.40	1,542,602	2,043.45	1,914.55	352,092
February 2020	1,993.30	1,815.60	2,047,950	1,994.10	1,814.35	4,034,687
March 2020	1,928.45	874.50	1,971,010	1,930.25	883.95	205,768

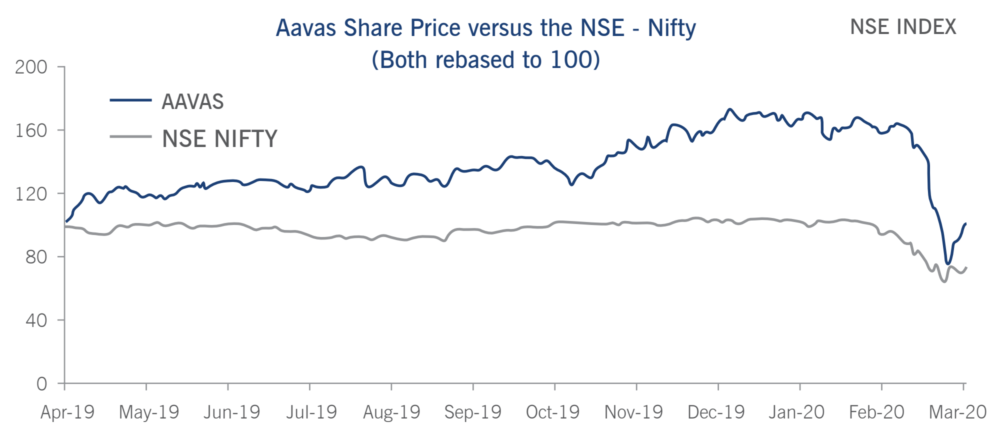
[Source: This information is compiled from the data available on the websites of NSE and BSE]

III. Share Price performance in comparison to broad based indices - BSE Sensex and NSE Nifty Share Price Movement (BSE and NSE):-

BSE Sensex Share Price Movement



NSE Nifty Share Price Movement



IV. Credit Rating of the Company

During the year under review, there was no change in the ratings assigned to the Company by India's renowned rating agencies.

The details of the same are mentioned below:-

Rating Agency	Rating Type	Nature of Borrowing	External Credit Rating
CARE	Long Term Rating	Long Term Banking Facilities and Instrument-Subordinated Debt	"CARE AA- / Stable"
	Short Term Rating	Commercial Paper	"CARE A1+"
ICRA	Long Term Rating	Long Term Banking Facilities and Non-Convertible Debentures	"ICRA A+ / Positive"
	Short Term Rating	Commercial Paper	"ICRA A1+"
CRISIL	Long Term Rating	Long Term Banking Facilities	"CRISIL A+/ Stable"

The ratings continue to reflect Company's healthy earning profile, adequate capitalization, strong net worth base, and steady improvement in its scale of operations.

V. General Meetings/Postal Ballot:-

a. Details of Past Three Annual General Meetings held by the Company:

Meeting	Day/Date/Time	Location	Details of Special Resolution passed
09th AGM, 2018-19	Thursday, August 01, 2019-at 3:30 P.M.	Clarks Brij Convention Centre (CBCC), Hotel Clarks Amer, Jawahar Lal Nehru Marg, Near Jaipur Airport, Jaipur-302018 (Raj)	• To approve alteration in Articles of Association of the Company • To approve increase in the borrowing powers in excess of Paid-up Share Capital , Free Reserve and Securities Premium of the Company under section 180(1)(c) of the Companies Act, 2013. • To approve creation of charges on assets of the Company under section 180(1)(a) of the Companies Act, 2013 to secure borrowings made/to be made under section 180(1)(c) of the Companies Act, 2013. • To approve issuance of Non-Convertible Debentures, in one or more tranches /issuances on Private Placement Basis. • To approve "Equity Stock Option Plan for Employees 2019" ("ESOP-2019") of Aavas Financiers Limited.
08th AGM, 2017-18	Wednesday, May 30, 2018-at 12:00 Noon	201-202, 2nd Floor, Southend Square, Mansarover Industrial Area, Jaipur-302020 (Raj)	• To borrow money in excess of paid up capital, free Reserve and Securities Premium of the Company under section 180(1)(c) of the Act. • To authorize Board to sell, lease or otherwise dispose of the assets of the Company under section 180(1)(a) of the Act to secure borrowings made under section 180(1)(c) of the Act. • To Authorize Board for Issuance of Non-Convertible Debentures, in one or more tranches /Issuances.
7th AGM, 2016-17	Wednesday, July 26, 2017 at 10:00 A.M.	201-202, 2nd Floor, Southend Square, Mansarover Industrial Area, Jaipur-302020 (Raj)	• To borrow money in excess of paid up capital and free Reserve of the Company u/s 180(1)(c) of the Act. • To Consider and Approve authorization to sell, lease or otherwise dispose of the assets of the Company for borrowings u/s 180(1)(a) of the Act. • To consider and approve for raising funds for general corporate purposes and for onward lending business of the Company by way of issuance of rated, listed, redeemable non-convertible debentures, in one or more tranches /issuances. • To Ratify and approve the issuance of Non- Convertible Debentures, by way of Private Placement Basis to IFC.

b. **No Extra Ordinary General Meeting was held by the Company during the Financial Year 2019-20.**

c. **Details of Business transacted through Postal Ballot during the Financial Year 2019-20**

No postal ballot was conducted during the Financial Year 2019-20.

d. **Details of special resolution proposed to be conducted through postal ballot:**

No further Special Resolution is proposed to be passed through postal ballot under the provisions of the Act, on or before the ensuing AGM.

VI. Due Dates for Transfer of Unclaimed Dividend to Investor Education and Protection Fund (IEPF)

In terms of Section 125 of the Act, unclaimed dividends are required to be transferred to the Investors Education and Protection Fund. There is no dividend which is unclaimed pertaining to previous years and year under review and hence, there is no requirement of transferring the same to the IEPF for the year under the review.

VII. Distribution of Shareholding as at March 31, 2020

Distribution of Shareholding based on Nominal Value (₹) as on March 31, 2020.

Sr. No.	Category (Nominal Value of Shares)	No. of Holders	% of Holders	No. of Shares	% to Total Equity
1	1 to 5000	21580	97.03	953895	1.22
2	5001 to 10000	260	1.17	186771	0.24
3	10001 to 20000	124	0.56	177193	0.23
4	20001 to 30000	44	0.20	107389	0.14
5	30001 to 40000	32	0.14	108763	0.14
6	40001 to 50000	15	0.07	68676	0.09
7	50001 to 100000	45	0.20	332945	0.43
8	100001 to above	140	0.63	76387029	97.53
	Total	22240	100	78322661	100.00

VIII. Shareholding details as on March 31, 2020

The Shareholding pattern of the Company, as on March 31, 2020 is as follows:-

Sr. No.	Category	No. of Holders	No. of Equity Shares	Holding in Equity Share capital (%)
1	Foreign Promoter Company	3	41872130	53.4611
2	Foreign Portfolio Investors (Corporate)	118	18515925	23.6406
3	Public	20229	6670276	8.5164
4	Non Nationalised Banks	1	4965757	6.3401
5	Mutual Funds	22	3578456	4.5689
6	Alternate Investment Funds	14	992965	1.2678
7	Insurance Companies	9	976740	1.2471
8	Other Bodies Corporate	508	451566	0.5765
9	Clearing Members	103	164393	0.2099
10	Non Resident Indians	438	49285	0.0629
11	Financial Institutions	4	29198	0.0373
12	Non Resident (Non Repatriable)	198	26377	0.0337
13	Hindu Undivided Family	585	25560	0.0326
14	Trusts	2	2245	0.0029
15	Foreign Inst. Investor	1	1455	0.0019
16	Trust (Employees)	5	333	0.0004
	Total	22240	78322661	100.00

The detailed shareholding pattern is provided in "Annexure-9", the extract of the Annual Return, annexed to the Directors' Report in Form MGT-9 as required under provisions of Section 92 of the Act.

IX. Means of Communication

Pursuant to the applicable regulations of SEBI LODR Regulations, your Company publishes Financial Results on quarterly basis which are duly reviewed by the Audit Committee before submission to the Board. The Financial Results of the Company are also posted on the website of the Company and submitted to stock exchanges. The Managing Director & CEO, Chief Financial Officer and Investor Relations Officer at regular intervals conduct conference call (s) with the analysts/ Shareholders and respond to the queries from investors. The Financial Results of the Company are generally published in the renowned daily newspapers such as Financial Express, Nafa Nuksan, Business Standard and Business Remedies. The Financial Results, presentations and press releases of the Company are also hosted on the website of the Company at www.aavas.in.

SEBI Complaints Redressal System (SCORES): A centralized web-based complaints redressal system which serves as a centralized database of all complaints received, enables uploading of Action Taken Reports by the Company and online viewing by the investors of actions taken on the complaint and its current status.

X. Other Disclosures

i. **Secretarial Audit for Financial Year 2019-20**

M/s V. M. & Associates, Company Secretaries were appointed as Secretarial Auditors to conduct Secretarial Audit of the Company for the Financial Year ended March 31, 2020 as per the provisions of the Act who have carried out an independent assessment of the compliance of SEBI LODR Regulations as a part of Secretarial Audit. The Secretarial Audit Report forms part of the Annual Report as "Annexure-4" to the Directors' Report.

ii. **Consolidated (Holding and its Subsidiary) total fees paid to Statutory Auditors and all entities in the network firm/network entity of which the statutory auditor is a part:-**

Total fees for all services paid by Company and its subsidiary, on a consolidated basis, to M/s S.R. Batliboi & Associates LLP, Statutory Auditors of the Company and other firms in the network entity of which the Statutory Auditors are a part, as included in the Consolidated Financial Statements of the Company for the year ended March 31, 2020, are as follows:

Particulars	Amount (₹ in lakh)
Fees for audit and related services paid to S.R. Batliboi & Associates LLP & Affiliates firms and to entities of the network of which the statutory auditor is a part	53.65
Other fees paid to S.R. Batliboi & Associates LLP & Affiliates firms and to entities of the network of which the statutory auditor is a part	18.10
Total	71.75

iii. **Certification from Practicing Company Secretary (PCS)**

A certificate from a Company Secretary in practice has been received stating that none of the Directors on the Board of the Company have been debarred or disqualified from being appointed or continuing as Directors of companies by SEBI/Ministry of Corporate Affairs or any such statutory authority. The same forms part of the Annual Report as "Annexure-1" to the Directors' Report.

iv. **Accounting Standards**

The Company has followed Indian Accounting Standards (Ind AS) issued by the Ministry of Corporate Affairs in the preparation of its Financial Statements.

v. **Auditors Certification on Corporate Governance**

As required under the SEBI LODR Regulations, certificate issued by V. M. & ASSOCIATES, Company Secretaries certifying that the Company has complied with the conditions of Corporate Governance as stipulated by SEBI LODR Regulations is attached to the Corporate Governance Report. The said certificate forms part of the Annual Report as "Annexure-3" to the Directors' Report.

vi. **Details of non-compliance by the Company, penalties, and strictures imposed on the Company by the Stock Exchanges or SEBI or any statutory authority, on any matter related to capital markets, during the last three Financial Years**

The Equity shares of the Company were listed on the NSE and BSE on October 08, 2018. There are no non-compliances or penalties, strictures imposed on the Company by the Stock Exchanges or SEBI or any statutory authority, on any matter related to capital markets, during the last three Financial Years viz. FY 2018, FY 2019, FY 2020.

vii. **Directors and Officers (D&O) Liability Insurance**

As per the provisions of the Act and in compliance with Regulation 25(10) of the SEBI LODR Regulations, the Company has taken a D&O Liability Insurance policy on behalf of all Directors including Independent Directors and Key Managerial Personnel of the Company for indemnifying any of them against any liability in respect of any negligence, default, misfeasance, breach of duty or breach of trust for which they may be guilty in relation to the Company.

viii. **CEO/ CFO certification**

In terms of Regulation 17(8) of the SEBI LODR Regulations, Managing Director & CEO and CFO has made a certification to the Board of Directors in the prescribed format for the year under review, which has been taken on record by the Board.

ix. **Compliance with Mandatory Requirements and adoption of the Non-Mandatory Requirements of Corporate Governance:**

During the period under review, Company has complied with all the mandatory requirements of SEBI LODR Regulations. The Company has also adopted certain voluntary compliance requirements as stipulated in the Act, SEBI LODR Regulations and other acts, rules, regulations & guidelines applicable to the Company.

The Company has appointed separate persons to the post of Chairperson and Managing Director/Whole Time Director & Chief Executive Officer, the Company is in the regime of unqualified Financial Statements by the auditors and the Internal Auditors directly report to the Audit Committee of the Company.

Compliance with the Mandatory Requirements as Specified in Regulations 17 to 27 and Clauses (b) to (i) of Sub-Regulation (2) of Regulation 46 of the SEBI LODR Regulations

The Board of Directors periodically reviews the compliance of all applicable laws. The Company has complied with all mandatory requirements of the Code of Corporate Governance as stipulated under Regulations 17 to 27 and clauses (b) to (i) of sub-regulation (2) of Regulation 46 and paragraphs C, D and E of Schedule V of the SEBI LODR Regulations. It has obtained a certificate affirming the compliances from M/s V. M. & Associates, Company Secretaries and the same is attached to the Board's Report.

Declaration on Compliance with the Company's Code of Conduct for Board of Directors and Senior Management Personnel

I, hereby confirm and declare that in terms of Regulation 26 (3) of SEBI LODR Regulations, all the Board Members and Senior Managerial Personnel of the Company have affirmed compliance with the Code of Conduct for Board of Directors and Senior Management Personnel for the Financial Year 2019-20.

For and on behalf of the Board of Directors
AAVAS FINANCIERS LIMITED

Sushil Kumar Agarwal
Managing Director & CEO
(DIN: 03154532)

Date: May 14, 2020
Place: Jaipur

Manas Tandon
Promoter Nominee Director
(DIN: 05254602)

Date: May 14, 2020
Place: Mumbai

Annexure-3

CERTIFICATE ON CORPORATE GOVERNANCE

To,
The Members,
Aavas Financiers Limited,
201-202, 2nd Floor, South End Square
Mansarover Industrial Area
Jaipur- 302 020 Rajasthan, India

1. We have examined the compliance of conditions of Corporate Governance of Aavas Financiers Limited ("the Company") for the year ended on March 31, 2020 as stipulated in Regulations 17 to 27 and clauses (b) to (i) of Regulation 46 (2) and other applicable regulations of Chapter IV pertaining to Corporate Governance and paragraphs C, D and E of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 [collectively referred as "SEBI Listing Regulations"].

Management's Responsibility for compliance with the conditions of SEBI Listing Regulations

2. The compliance with the conditions of Corporate Governance is the responsibility of the management of the Company, including the preparation and maintenance of all relevant supporting records and documents. This responsibility includes the design, implementation and maintenance of internal control and procedures to ensure the compliance with the conditions of the Corporate Governance stipulated in SEBI Listing Regulations.

Our Responsibility

3. Our responsibility is limited to examining the procedures and implementation thereof, adopted by the Company for ensuring the compliance with the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
4. We have examined the relevant records and documents maintained by the Company for the purposes of providing reasonable assurance on the compliance with the Corporate Governance requirements by the Company.
5. We conducted our examination in accordance with the Guidance Note on Corporate Governance Certificate and the Guidance Manual on Quality of Audit & Attestation Services issued by the Institute of Company Secretaries of India ("ICSI").

Opinion

6. In our opinion and to the best of our information and according to the explanations given to us and the representation made by the directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned SEBI Listing Regulations.
7. We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Restriction on use

8. The certificate is addressed and provided to the members of the Company solely for the purpose to enable the Company to comply with the requirement of the SEBI Listing Regulations and it should not be used by any other person or for any other purpose. Accordingly, we do not accept or assume any liability or any duty of care for any other purpose or to any other person to whom this certificate is shown or into whose hands it may come without our prior consent in writing.

Place: Jaipur
Date: May 14, 2020
UDIN: F003355B000239591

For **V. M. & Associates**
Company Secretaries
(ICSI Unique Code P1984RJ039200)

CS Manoj Maheshwari
Partner
Membership No.: FCS 3355
C P No.: 1971

Annexure-4

Form No. MR-3
SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED March 31, 2020

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

To,
The Members,
Aavas Financiers Limited
201-202, 2nd Floor, South End Square
Mansarover Industrial Area
Jaipur- 302 020 Rajasthan, India

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

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on March 31, 2020 ('Audit Period') complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on March 31, 2020 according to the provisions of:

(i) The Companies Act, 2013 (the Act) and the rules made thereunder;

(ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;

(iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;

(iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;

(v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-

(a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

(b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;

(c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018; (Not applicable to the Company during the Audit Period)

(d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;

(e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;

(f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;

(g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; (Not applicable to the Company during the Audit Period)

(h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018; (Not applicable to the Company during the Audit Period)

(i) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

(vi) As confirmed, following other laws are specifically applicable to the Company for which the Management has confirmed that the Company has devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively:

(a) National Housing Bank (NHB) Act, 1987;

(b) Housing Finance Companies (NHB) Directions, 2010;

(c) Guidelines on 'Know Your Customer' and Anti-Money Laundering Measures;

(d) Information Technology Framework for HFCs ("Guidelines")

(e) Housing Finance Companies issuance of Non-Convertible Debentures on private placement basis (NHB) Directions, 2014;

(f) Housing Finance Companies – Corporate Governance (National Housing Bank) Directions, 2016;

(g) Housing Finance Companies – Auditor's Report (National Housing Bank) Directions, 2016;

(h) Housing Finance Companies – Approval of Acquisition or transfer of Control (National Housing Bank) Directions, 2016; and

(i) Guidelines on Fair Practices Code for HFCs

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

i. Secretarial Standards issued by The Institute of Company Secretaries of India;

ii. The Listing Agreements entered into by the Company with BSE Limited and National Stock Exchange of India Ltd.

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

We further report that

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

Adequate notice is given to all Directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance. Further, independent director(s) were present at Board Meetings which were called at shorter notice to transact business which were considered urgent by the management in compliance of Section 173(3) of the Act. A system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Majority decision is carried through while the dissenting members' views, if any, are captured and recorded as part of the minutes.

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

We further report that during the audit period the company has:

(a) Duly passed the resolution under Section 180(1)(c) and Section 180(1)(a) of the Act, read with its applicable rules, as amended to authorize the Board of Directors to borrow money in excess of the aggregate of the paid-up share capital, free reserves and securities premium of the Company, but not exceeding a sum of ₹10,000 crore (Rupees ten thousand crore only) and to the creation of mortgage and /or charge on assets of the Company to secure the aforesaid borrowing;

(b) Allotted 2,14,760 (Two lakh fourteen thousand seven hundred and sixty only) equity shares upon exercise of options by its eligible employees under its Employee Stock Option Schemes/plans;

(c) Duly passed the resolution pursuant to Section 42 of the Act for approving issue of non-convertible debentures/bonds, in Indian/foreign currencies in the domestic and/or overseas markets for an amount up to ₹3,000 crore (Rupees three thousand crore only) on a private placement basis in one or more tranches and/or series;

(d) Approved the Equity Stock Option Plan for Employees 2019 of Aavas Financiers Limited with options exercisable into not more than 3,00,000 (Three lakh) equity shares of the Company;

(e) Issued and allotted 4,789 (Four thousand seven hundred and eighty nine) Non-convertible Debentures ('NCDs') aggregating to ₹789,40,00,000/- (Rupees seven hundred eighty nine crore forty lakh only) on a private placement basis in multiple tranches;

(f) Altered the provisions of Articles of Association of the Company;

(g) Redeemed NCDs amounting to ₹50 crore pursuant to maturity.

Place: Jaipur
Date: May 14, 2020
UDIN: F003355B000239624

For **V. M. & Associates**
Company Secretaries
(ICSI Unique Code P1984RJ039200)

CS Manoj Maheshwari
Partner
Membership No.: FCS 3355
C P No.: 1971

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

Annexure A

To,
The Members,
Aavas Financiers Limited
201-202, 2nd Floor South End Square
Mansarovar Industrial Area
Jaipur- 302020 (Rajasthan)

Our 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. Where ever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. 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.
6. The Secretarial Audit Report is neither an assurance as to the future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the company.

Place: Jaipur
Date: May 14, 2020
UDIN: F003355B000239624

For **V. M. & Associates**
Company Secretaries
(ICSI Unique Code P1984RJ039200)

CS Manoj Maheshwari
Partner
Membership No.: FCS 3355
C P No.: 1971

Annexure-5

DIVIDEND DISTRIBUTION POLICY

I. PREAMBLE

Pursuant to the provisions of Regulation 43A of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended by Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2016, ["SEBI LODR Regulations"] vide circular no. SEBI/LAD- NRO/GN/2016-17/008 dated 8th July, 2016; the Board of Directors of the Company at its meeting held on June 08, 2018 have approved and adopted the Dividend Distribution Policy ["Policy"] of the Company.

II. OBJECTIVE

This Policy aims to ensure that the Company makes rationale decision with regard to the amount to be distributed to the equity shareholders as dividend after retaining sufficient funds for the Company's growth, to meet its long-term objective and other purposes.

This Policy lays down various parameters which shall be considered by the Board of Directors of the Company before recommendation/ declaration of Dividend to its shareholders.

III. DEFINITIONS

a. "Act" means the Companies Act, 2013 and rules made thereunder [including any amendments or re-enactments thereof]
b. "Applicable laws" shall mean to include Act and rules made thereunder, [including any amendments or re-enactments thereof], Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, [including any amendments or re-enactments thereof], Rules/guidelines/notifications/circulars issued by National Housing Bank and any other regulation, rules, acts, guidelines as may be applicable to the distribution of dividend.
c. "Board" or "Board of Directors" shall mean Board of Directors of the Company, as constituted from time to time.
d. "Company" shall mean Aavas Financiers Limited.
e. "Dividend" includes any interim dividend; which is in conformity with Section 2(35) of the Act read with Companies (Declaration and Payment of Dividend) Rules, 2014.
f. "Financial year" shall mean the period starting from 1st day of April and ending on the 31st day of March every year,
g. "Free reserves" shall mean the free reserves as defined under Section 2 (43) of the Act.

IV. PARAMETERS GOVERNING THE DISTRIBUTION OF DIVIDEND

1. Factors for recommendation/declaration of Dividend.

a. Internal factors (Financial Parameters)

The Board shall consider the below mentioned financial parameters for the purpose of recommendation / declaration of dividend:

i. Current year's net operating profit
ii. Capital expenditure and working capital requirements
iii. Financial commitments w.r.t. the outstanding borrowings and interest thereon.
iv. Financial requirement for business expansion and/or diversification, acquisition etc. of new businesses.
v. Provisioning for financial implications arising out of unforeseen events and/or contingencies.
vi. Past dividend trend
vii. Cost of borrowings
viii. Other Corporate Action options (For ex. Bonus issue, Buy back of shares)
ix. Any other factor as deemed fit by the Board

b. External Factors

The Board shall also consider the below mentioned external factors at the time of taking a decision w.r.t recommendation/declaration of dividend:

i. Applicable laws and Regulations including taxation laws.
ii. Economic conditions
iii. Prevalent market practices of dividend payment in similar industry

2. Circumstances under which the shareholders of the Company may or may not expect dividend.

The decision to recommend/declare the dividend by the Board of Directors shall primarily depend on the factors listed out at point no. 1 above. The decision seeks to balance the dual objectives of appropriately rewarding shareholders through dividends and retaining profits in order to maintain a healthy capital adequacy ratio to support future growth. However, the shareholders of the Company may not expect dividend in the below mentioned circumstances:

i. In the event of a growth opportunity where the Company may be required to allocate a significant amount of capital.
ii. In the event of higher working capital requirement for business operations or otherwise.

iii. In the event of inadequacy of cash flow available for distribution.

iv. In the event of inadequacy or absence of profits.

3. Under any other circumstances as may be specified by the Act or any other applicable regulatory provisions or as may be specified under any contractual obligation entered into with the lenders.

4. Manner of utilization of Retained Earnings.

The Board of Directors of the Company may recommend/ declare dividend out of the profits of the Company or out of the profits for any previous financial year or years or out of free reserves available for distribution of dividend, as per the regulatory provisions after consideration of the factors as stated at point no. 1 above. The Board may retain its earnings in order to make better use of the available funds and increase the value of the stakeholders in the long run.

5. Manner of Declaration and Payment of Dividend.

5.1 Process for approval of Payment of Final Dividend:

Board to recommend quantum of final dividend payable to shareholders in its meeting in line with applicable laws and rules prescribed thereof, based on the profits arrived at as per the audited financial statements and post Shareholders approval for Dividend in the Annual General Meeting, the same shall be paid to the eligible shareholders within stipulated timelines as per applicable laws.

5.2 Process for approval of Payment of Interim Dividend:

Board may declare Interim Dividend, one or more times in a financial year, at its complete discretion in line with applicable laws and rules prescribed thereof, out of the surplus in the profit and loss account or out of profits of the financial year for which such interim dividend is sought to be declared or out of profits generated in the financial year till the quarter preceding the date of declaration of the interim dividend.

The Board shall consider the financial results of the Company for the period for which Interim Dividend is to be declared and shall be satisfied that the financial position of the Company justifies and supports the declaration of such Dividend.

The financial results shall take into account the following-

a) Depreciation for the full year;

b) Tax on profits of the Company including deferred tax for full year;

c) Other anticipated losses for the Financial Year;

d) Dividend that would be required to be paid at the fixed rate on preference shares;

e) The Losses incurred, if any, during the current financial year up to the end of the quarter, immediately preceding the date of declaration of Interim Dividend;

In case, where the Company has incurred losses during the current Financial Year up to the end of the quarter immediately preceding the date of declaration of Interim Dividend, such Dividend shall not be declared at a rate higher than average Dividend declared during the immediately preceding three financial years.

6. Other factors to be considered with regard to various classes of shares.

Since the company has only one class of equity shareholders, the dividend declared will be distributed equally among all the equity shareholders, based on their shareholding on the record date.

V. GENERAL

i. Pursuant to the provisions of Section 123 of the Act, Articles of Association of the Company and this Policy, the Board of Directors shall recommend the final dividend, which shall be declared by the Shareholders of the Company at the Annual General Meeting. The Board may also, from time to time, declare interim dividend which shall be subject to confirmation by the Shareholders at the Annual General Meeting.

ii. The Company shall ensure compliance with the Applicable laws w.r.t. payment of dividend to the shareholders. It shall ensure that the amount of the dividend, including interim dividend, is deposited by the Company in a Scheduled bank in a separate account within five days from the date of declaration of such dividend.

iii. Due regard shall be given to the restrictions/covenants contained in any agreement entered into with the lenders of the Company or any other financial covenant as may be specified under any other arrangement/ agreement, if any, before recommending or distributing dividend to the shareholders.

VI. DISCLOSURES

The Company shall make appropriate disclosures in compliance with the provisions of the SEBI LODR Regulations, in particular the disclosures required to be made in the annual report and on the website (www.aavas.in) of the Company.

In case, the Company proposes to declare dividend on the basis of the parameters in addition to those as specified in this Policy and/or proposes to change any of the parameters, the Company shall disclose such changes along with the rationale in the annual report and on its website.

VII. REVIEW AND UPDATES

This policy will be reviewed periodically as and when required and annually by the Board of the company, further the Board of Directors shall have the right to modify, amend or change any or all clauses of this Policy in accordance with the provisions of the Applicable laws/ Acts /Regulations or otherwise.

In case of any amendment(s), clarification(s), circular(s) etc. issued under any Applicable laws/ Regulations, which is not consistent with any of the provisions of this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this Policy shall be deemed to be amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.

Annexure-6

Form AOC-1

(Pursuant to first proviso to sub-section (3) of Section 129 read with Rule 5 of Companies (Accounts) Rules, 2014)

Statement containing salient features of the financial statements of Subsidiaries or Associate Companies or Joint Ventures

Part A:- Subsidiaries

S No.	Particulars	Details
1	Name of the subsidiary	Aavas Finserv Limited
2	The date since when subsidiary was acquired	Aavas Finserv Limited was not acquired, however it was incorporated as wholly owned subsidiary of the Company on November 30, 2017.
3	Reporting period for the subsidiary concerned, if different from the holding Company's reporting period	Not applicable
4	Reporting currency and Exchange rate as on the last date of the relevant financial year in the case of foreign subsidiaries	Not applicable
5	Share capital	₹450.00 lakh
6	Reserves and surplus	₹(1.85 lakh)
7	Total assets	₹478.16 lakh
8	Total Liabilities	₹30.01 lakh
9	Investments	Nil
10	Turnover	₹25.16 lakh
11	Profit before taxation	₹(11.03 lakh)
12	Provision for taxation	Nil
13	Profit after taxation	₹(7.93 lakh)
14	Proposed Dividend	Nil
15	Extent of shareholding (in percentage)	100%

Notes:-

1. Names of subsidiaries which are yet to commence operations:- Aavas Finserv Limited
2. Names of subsidiaries which have been liquidated or sold during the year:- NIL

Part B:- Associates and Joint Ventures

Statement pursuant to Section 129(3) of the Companies Act, 2013 related to Associate Companies and Joint Ventures

Since the Company does not have any Associate Company or Joint venture, the disclosure under this section is not applicable.

For and on behalf of the Board of Directors
AAVAS FINANCIERS LIMITED

Sushil Kumar Agarwal	Manas Tandon	Ghanshyam Rawat	Mr. Sharad Pathak
Managing Director & CEO	Promoter Nominee Director	Chief Financial Officer	Company Secretary and Compliance Officer
(DIN: 03154532)	(DIN: 05254602)		
Date: May 14, 2020	Date: May 14, 2020	Date: May 14, 2020	Date: May 14, 2020
Place: Jaipur	Place: Mumbai	Place: Jaipur	Place: Jaipur

Annexure-7

Information under Section 197(12) of the Companies Act, 2013 read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

The statement of disclosure of Remuneration under sub-section 12 of Section 197 of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014:

Sr. No.	Requirements	Disclosure	
1	Ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the Financial Year 2019-20.	**Executive Directors**	
		Mr. Sushil Kumar Agarwal :	78.23 X
		Non- Executive Directors	
		Mr. Sandeep Tandon :	3.26X
		Mrs. Kalpana Iyer :	3.26X
		Mr. Krishan Kant Rathi :	1.63X
		Mrs. Soumya Rajan :	0.33 X
		Mr. Ramachandra Kasargod Kamath :	7.82 X
		Mr. Vivek Vig :	3.26X
		Note:-	
		Mr. Manas Tandon, Mr. Nishant Sharma and Mr. Kartikeya Dhruv Kaji, Promoter Nominee Directors of the Company, have not taken any remuneration during the Financial Year 2019-20.	
2	The percentage increase/ (decrease) in remuneration of each Director, Chief Financial Officer, Chief Executive Officer, Company Secretary, if any, in the Financial Year.	**Directors**	
		Mr. Sushil Kumar Agarwal (Managing Director & CEO) :	9.18%
		Mr. Sandeep Tandon (Independent Director) :	66.67%
		Mrs. Kalpana Iyer (Independent Director) :	37.93%
		Mr. Krishan Kant Rathi (Independent Director):	(31.03%)
		Mrs. Soumya Rajan (Additional Director- Independent):	-
		Mr. Ramachandra Kasargod Kamath (Nominee Director):	20.00%
		Mr. Vivek Vig (Nominee Director):	400.00%
		KMP's Other than Directors	
		Mr. Ghanshyam Rawat (Chief Financial Officer) :	9.22%
		Mr. Sharad Pathak (Company Secretary) :	22.90%
3	The percentage increase in the Median Remuneration of Employees in the Financial Year	(3.28%)	
4	No. of permanent Employees on the rolls of company	3564 (as on March 31, 2020)	
5	Average percentile increases already made in the salaries of employees other than the managerial personnel in the last financial year 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.	The average percentage increase in the remuneration of all employees (other than Key Managerial Personnel's (KMP's) for the FY 2019-20) stood at (5.38%) whereas the average percentage increase in the remuneration of KMP's was at 9.72%. Further there was no exceptional circumstance which warranted an increase in managerial remuneration which was not justified by the overall performance of the Company.	
6	Affirmation that the remuneration is as per the remuneration policy of the Company	Yes, it is affirmed that the remuneration is as per the Remuneration Policy of the Company	

Notes:

1. Calculations of remuneration have been made on comparable and annualized basis.
2. The remuneration of KMP's was taken from the Audited financial statements for F.Y. 2019-20.
3. Remuneration comprises of salary (fixed and variable), allowances, perquisites/ taxable value of perquisites but doesn't include perquisite value of ESOPs exercised.
4. Sitting fees paid to the Directors is considered to be part of the remuneration.
5. Mr. Krishan Kant Rathi, Independent Director was retired from the Company on August 28, 2019 therefore there is percentage decrease in remuneration of him.
6. Mrs. Soumya Rajan, Additional Director (Independent) was appointed in the Company w.e.f. August 29, 2019 therefore remuneration paid to her during the year is not considered comparable.
7. Percentage increase in remuneration of Mr. Vivek Vig, Non-Executive Nominee Director accounted relatively higher due to payment of Commission in the Financial Year 2019-20.
8. The average and median remuneration of the Employees were marginally decreased due to increase in total strength of permanent Employees of the Company by 49.50% compared to the position as on March 31, 2019. However individual remuneration was increased for the employees who are eligible for increment in 2019-20.

For and on behalf of the Board of Directors
AAVAS FINANCIERS LIMITED

Sushil Kumar Agarwal
Managing Director & CEO
(DIN: 03154532)

Date: May 14, 2020
Place: Jaipur

Manas Tandon
Promoter Nominee Director
(DIN: 05254602)

Date: May 14, 2020
Place: Mumbai

DISCLOSURES OF EMPLOYEES PURSUANT TO SUB RULE 2 & 3 OF RULE 5 OF COMPANIES (APPOINTMENT & REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014

S. No	Employee Name	Designation	Nature of Employment	Qualification	Age (in years)	Total Experience	Previous Employer	Date of Joining	Remuneration received (₹ In lakh)	Percentage of equity shares held (in %)	whether any such employee is a relative of any director (if yes please provide)
1	Mr. Sushil Kumar Agarwal	Managing Director and CEO	Contractual	Chartered Accountant and Company Secretary	43	19 years	ICICI Bank Limited	23-Feb-11	240.06	3.73	No
2	Mr.Ghanshyam Rawat	Chief Financial Officer	Permanent	Chartered Accountant	52	24 years	First Blue Home Finance Limited	1-Jun-14	182.03	1.14	No
3	Mr. Surendra Kumar Sihag	Senior Vice President – Collection	Permanent	Bachelor of arts and LLB degree - both from University of Rajasthan and Master of Business Administration from the Periyar University	47	18 years	Bajaj Finance Limited	2-Jan-17	102.24	0.04	No
4	Mr. Ashutosh Atre	Chief Credit Officer	Permanent	Diploma in finance from SVKM's NMIMS University and diploma in mechanical engineering from Madhya Pradesh Board of Technical Education, Bhopal	50	30 years	Equitas Housing Finance Private Limited	14-May-14	89.15	0.16	No
5	Mr. Sunku Ram Naresh	Chief Business Officer	Permanent	Bachelor of science and Master of Business Administration - both from Sri Krishnadevaraya University	47	24 years	Bajaj Finance Limited	2-Jun-15	88.12	0.62	No
6	Mr. Rajeev Sinha	Senior Vice President-Operations	Permanent	B.Sc. and Certified in Management of Customer Relationship from IIM Ahmedabad (EE)	45	20 Years	Indiabulls Housing Finance Limited	4-May-16	74.09	0.01	No
7	Mr. Anurag Srivastava	Senior Vice President - Data Science	Permanent	Master of Arts (economics) from the University of Delhi	40	15 years	Deloitte Special Project India Private Limited	2-Sep-16	71.93	0.01	No
8	Mr. Mukesh Agarwal	Vice President-Accounts	Permanent	Chartered Accountant	44	21 years	D1 Williamson Magor Bio Fuel Ltd	17-Oct-12	66.25	0.01	No
9	Mr. Shailendra Kumar Gupta	Vice President-Sales	Permanent	B. Com, MBA from M D University / Executive MBA from IIM Lucknow	45	20 years	India bulls Housing Finance Ltd	17-Jan-17	51.15	0.01	No
10	Mr. Praveen Kumar Sharma	Vice President-Collection	Permanent	Mechanical Engineering	42	20 years	Bajaj Finance Ltd	03-Apr-17	54.43	0.01	No

Notes:

1. Remuneration comprises of salary (fixed and variable), allowances, perquisites/ taxable value of perquisites but doesn't include perquisite value of ESOPs exercised.
2. No employee of the company was employed for part of the year and was in receipt of remuneration, at a rate which, in the aggregate, was not less than ₹8.50 lakh per month.
3. No employee of the Company, employed throughout the financial year 2019-20 or part thereof, was in receipt of remuneration, at a rate which, in the aggregate, is in excess of that drawn by the Managing Director and CEO and holds by himself or along with his spouse and dependent children, not more than two percent of the Equity Shares of the Company. However, as on March 31, 2020, Mr. Sushil Kumar Agarwal, Managing Director & CEO holds 3.73% of the shares in the Company and the Company has also made the required disclosures in this regard to the respective stock exchanges.

For and on behalf of the Board of Directors
AAVAS FINANCIERS LIMITED

Sushil Kumar Agarwal
Managing Director & CEO
(DIN: 03154532)

Date: May 14, 2020
Place: Jaipur

Manas Tandon
Promoter Nominee Director
(DIN: 05254602)

Date: May 14, 2020
Place: Mumbai

Annexure-8

ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES FOR FINANCIAL YEAR 2019-20

1. **A BRIEF OUTLINE OF THE COMPANY'S CSR POLICY, INCLUDING OVERVIEW OF PROJECTS OR PROGRAMS PROPOSED TO BE UNDERTAKEN AND A REFERENCE TO THE WEB-LINK TO THE CSR POLICY AND PROJECTS OR PROGRAMS:**

   The Company has adopted CSR Policy approved by CSR Committee and the Board of Directors, in accordance with the provisions of Corporate Social Responsibility under Section 135 of the Companies Act, 2013 read with the Companies (Corporate Social Responsibility Policy) Rules, 2014 and Schedule VII of the Companies Act, 2013 ("the Act").

   The Company focuses its CSR efforts on such areas, where it could provide maximum benefits to the society at large and is committed to delivering sustainable solutions to equip and encourage equal opportunity, maximize human and social development and leverage the aspirations of youth, women and vulnerable sections of population. Under CSR activities, the Company tried to cover not only operating geographies but also extend the activities to the neglected and needy segments of society.

   Long term CSR programs are undertaken by the Company to the best possible extent within the defined ambit i.e. access to quality education to underprivileged & orphans, awareness campaigns and education on national issues, preventive health care, steps to combat the national disaster or crises like COVID-19, conservation, protection and amelioration of environment, skilling and to improve the quality of life through providing basic safety & security, health & hygiene environments at workplace to the construction workers.

   Efforts and initiatives have been taken related to conservation, protection and amelioration of environment from over exploitation of resources. The Company Planted about 1500 plants with drip irrigation and secured with tree guards.

   In this exceptionally difficult period of COVID-19 Pandemics, the Company believes that urgent emergency resources need to be deployed to cope with the needs of fighting the COVID-19 crisis which is one of the toughest challenges the human race is facing. At this great hour of need, the Company extended support through Providing Personal Protective Equipment (PPE) kits, Masks, Sanitizers, and Gloves for the medical and Police personnel on the front lines and community at large through packed food and raw food distribution to the needy people, in night shelters and slums areas.

   The Company also intends to undertake such other CSR projects, where societal and community needs are high or in special situations (natural disasters etc.). The Company shall continue its engagement with stakeholders including NGOs, professional bodies/ forums and the Government and would take up such CSR activities in line with the Government's intent, which are important for the society at large.

   The Company has established 'Aavas Foundation' ("The Foundation") to take forward the Company's CSR Vision and implement social programmes in a far more collaborative and participative way.

   The Company's CSR Policy is broadly based on the principles of undertaking socially useful programmes for welfare and sustainable development of the community as a whole. The CSR Policy as recommended by the CSR Committee and approved by the Board of the Company is available on the Company's website https://www.aavas.in/csr-policy.

2. **COMPOSITION OF THE CSR COMMITTEE:**

   Mr. Nishant Sharma, Chairperson (Non-Executive Promoter Nominee Director)

   Mrs. Kalpana Iyer, Member (Independent Director)

   Mr. Sushil Kumar Agarwal, Member (Managing Director & CEO)

3. **AVERAGE NET PROFIT OF THE COMPANY FOR LAST THREE FINANCIAL YEARS:**

   ₹15,636.04 lakh

4. **PRESCRIBED CSR EXPENDITURE FOR 2019-20 (TWO PERCENT OF THE AMOUNT AS IN ITEM 3 ABOVE):**

   ₹312.72 lakh

5. **DETAILS OF CSR SPENT DURING THE FINANCIAL YEAR:**

   (A) **UNSPENT AMOUNT OF PREVIOUS YEAR'S WHICH WAS CARRY FORWARDED :** ₹136.51 lakh

   (B) **TOTAL AMOUNT TO BE SPENT FOR THE FY 2019-20 (INCLUDING CARRY FORWARDED UNSPENT AMOUNT OF PREVIOUS YEARS):** ₹449.23 lakh

   (C) **AMOUNT UNSPENT, IF ANY:** ₹17.26 lakh

(D) MANNER IN WHICH THE AMOUNT SPENT DURING THE FINANCIAL YEAR IS DETAILED BELOW:

(1) S. No.	(2) CSR Projects or Activities identified	(3) Sector in which project is covered	(4) Projects or programs 1) Local Area or other 2) State/District where projects undertaken	(5) Amount outlay (budget) project or program– wise (In ₹)	(6) Amount spent on the Project or Programs: Sub-heads: Direct Expenditure on projects and Overheads: (In ₹)	(7) Cumulative expenditure up to the March 31, 2020 (In ₹)	(8) Amount spent Direct or through implementing agency
1	Awareness program supporting to Swachh Bharat Campaign	Healthcare	Jaipur Rajasthan	-	3,60,000	3,60,000	Contree Foundation
2	Provisioning for sports facility, Mid-day meal kitchen and Utensils at Govt. Adarsh High Secondary School, Shahpura, Jaipur	Promoting Education	Shahpura, Rajasthan	-	2,50,000	2,50,000	Ashwani Kumar Bagai Memorial Trust
3	Provisioning of educating masses regarding voting during Indian General Election, 2019 and encourage to cast their vote in elections	Promoting Education	Bikaner, Jodhpur and Jaipur (Rajasthan)	-	7,48,026	7,48,026	Direct Contribution
4	Provisioning of installing water cooler at various locations	Healthcare	Various Locations	-	99,016	99,016	Direct Contribution
5	Provisioning of Overhead Shade at waiting area including basic facility for patients at Govt. Satellite Hospital, Jaipur	Healthcare	Jaipur,Rajasthan	-	3,14,092	3,14,092	Direct Contribution
6	Provisioning of Overhead Shade at waiting area including basic facility for patients at Govindgarh Government Hospital	Healthcare	Govindgarh,Jaipur Rajasthan	-	2,57,091	2,57,091	Direct Contribution
7	Organising Blood Donation and Awareness Camp at Santokba Durlabhji Memorial Hospital	Healthcare	Jaipur, Rajasthan	-	3,00,000	3,00,000	Gemcity Charitable Trust
8	Promoting sports and related activity at National and International Level	Promoting Sports	Jaipur, Rajasthan	-	1,42,560	1,42,560	Sanskriti Sports Club
9	Provisioning for promoting sports and related activity at National and International Level	Promoting Sports	Jaipur, Rajasthan	-	50,000	50,000	O.N. Dixit Memorial Sports and Cultural Society
10	Provisioning for promoting sports and related activity at National and International Level	Promoting Sports	Jaipur, Rajasthan	-	50,000	50,000	Dojo Academy of Martial Arts
11	Tree Plantation and Drip Irrigation at DTO, Vidyadhar Nagar	Environmental Protection	Jaipur, Rajasthan	-	1,97,060	1,97,060	Direct Contribution
12	Maintenance of Hingoniya Gaushala, Jaipur	Animal Welfare	Jaipur, Rajasthan	-	7,18,890	28,18,920	Hare Krishna Movement
13	Providing Sponsorship pool to help around 400 Students	Promoting Education	Jaipur, Rajasthan	-	5,00,000	5,00,000	Jaipur Xavier Educational Association
14	Heritage Protection at Samod	Protection of Heritage	Samod, Jaipur Rajasthan	-	3,58,116	3,58,116	Direct Contribution
15	Road Safety Awareness &Helmet Distribution at DTO Vidyadhar Nagar	Promoting Education	Jaipur, Rajasthan	-	3,44,560	3,44,560	Direct Contribution
16	Heritage Protection at Aligarh	Protection of Heritage	Aligarh, UP	-	1,25,000	1,25,000	Vaish Jankalyan Samiti
17	Providing Education and care for 35 Orphan Girls at Hostel	Promoting Education	Prayagraj, UP	-	10,00,000	30,00,000	National Children Institute
18	Tree Plantation and Drip Irrigation At RTO, Jagatpura	Environmental Protection	Jaipur, Rajasthan	-	14,75,000	14,75,000	Aavas Foundation
19	School Painting Sharda Vidya Bhawan Senior Secondary School	Promoting Education	Jaipur, Rajasthan	-	65,467	65,467	Aavas Foundation
20	Solar Pump_Hare Krishna Village	Environmental Protection	Tonk, Rajasthan	-	2,77,300	2,77,300	Aavas Foundation
21	Flooring work at Hingoniya Gaushala	Animal Welfare	Jaipur, Rajasthan	-	7,00,000	7,00,000	Hare Krishna Movement
22	Food Safety and Quality Check Lab	Promoting Education	Jaipur, Rajasthan	-	12,04,313	12,04,313	Akshay Patra Foundation
23	Mid-day Meal Van for Food distribution at Schools	Promoting Education	Jaipur, Rajasthan	-	12,00,000	26,50,000	Akshay Patra Foundation
24	Food Distribution Van	Eradicating Hunger, Poverty and Malnutrition	Jaipur, Rajasthan	-	4,35,000	4,35,000	Patit Pavan Seva Samiti
25	Water Cooler	Healthcare	Jaipur, Rajasthan	-	50,529	50,529	Direct Contribution
26	Generator Installation for Hospital	Healthcare	Ganeshpur, U Kashi	-	6,82,200	16,82,200	Swami Shivanand Seva Samiti
27	Installation of Solar Plant at Hospital	Environmental Protection	Ganeshpur, U Kashi	-	7,17,800	7,17,800	Swami Shivanand Seva Samiti
28	Adoption of 50 Ekal Vidyalaya	Promoting Education	Various Locations	-	11,00,000	11,00,000	Friends of Tribal Society
29	Adoption of School	Promoting Education	Jaipur, Rajasthan	-	5,00,000	15,00,000	Aavas Foundation
30	Distribution of Helmet Distribution (5000)	Promoting Education	Various Locations	-	27,50,000	27,50,000	Direct Contribution
31	Road Safety Workshops	Promoting Education	Various Locations	-	5,00,000	5,00,000	Aavas Foundation
32	Adoption of Underprivileged Children	Promoting Education	Jaipur, Rajasthan	-	3,00,000	6,00,000	All India Movement for Seva
33	Activity for Family of Martyr	Army Welfare	Jaipur, Rajasthan	-	1,09,000	1,09,000	Zee Raj
34	Installation of Solar Plant at Hostel	Environmental Protection	Renukoot, UP	-	6,00,000	6,00,000	Samanvaya parivar
35	Promotion of Theatre Art	Promotion of Culture	Jaipur, Rajasthan	-	2,00,000	2,00,000	4th Wall Dramatic Society
36	Support players for better Coaching	Promoting Sports	Jaipur, Rajasthan	-	50,000	2,50,000	O.N. Dixit Memorial Sports and Cultural Society
37	Rehabilitation for Flood Victim	Disaster Relief	Various Locations	-	21,00,000	21,00,000	Direct Contribution
38	Promotion of Theatre Art	Promotion of Culture	Jaipur, Rajasthan	-	5,00,000	5,00,000	3M DOT BANDS Theatre Family
39	Providing 400 Uniforms to participants of 65th National Level under 17 girl's football competition	Promoting Sports	Ajmer, Rajasthan	-	1,20,000	1,20,000	HECARDS
40	Skill Development Project in Housing and Banking Sector	Skill Development	Noida, UP	-	8,75,000	8,75,000	Aavas Foundation
41	Support for Food Distribution for needy and Poor Persons	Eradicating Hunger, Poverty and Malnutrition	Jaipur, Rajasthan	-	24,00,000	24,00,000	Parmarth Avam Adhyatmik Samiti
42	Skill Development Project in Housing and Banking Sector	Skill Development	Noida, UP	-	8,95,000	8,95,000	Aavas Foundation
43	Infrastructure Support to Govt. Hospital Jobner	Healthcare	Jobner(Jaipur) Rajasthan	-	2,71,990	2,71,990	Aavas Foundation
44	Pre Christmas eve with children affected with HIV/AIDS(Pilot)	Promoting Education	Jaipur, Rajasthan	-	20,350	20,350	Aavas Foundation
45	Tution fees of Underprivileged Children	Promoting Education	Jaipur, Rajasthan	-	57,300	57,300	Aavas Foundation
46	Infrastructure Support to Govt. school Bood, Chittorgarh	Promoting Education	Chittorgarh, Rajasthan	-	1,50,000	1,50,000	Aavas Foundation
47	Infrastructure Support to a Govt. school of Jaipur	Promoting Education	Jaipur, Rajasthan	-	5,00,000	5,00,000	Aavas Foundation
48	Two days national conference of ICAI	Promoting Education	Jaipur, Rajasthan	-	6,00,000	6,00,000	Direct Contribution
49	Safety kit for Construction workers	Project for construction worker	Jaipur, Rajasthan	-	2,62,536	2,62,536	Aavas Foundation
50	Support hostel facility for Students	Promoting Education	Renukoot, UP	-	5,00,000	10,00,000	Samanvaya parivar
51	Support Social activities of VIVACITY	Promoting Education	Jaipur, Rajasthan	-	80,000	1,60,000	LMNIT
52	Safety kit for Construction workers	Project for construction worker	Jaipur, Rajasthan	-	1,30,040	1,30,040	Aavas Foundation

(1) S. No.	(2) CSR Projects or Activities identified	(3) Sector in which project is covered	(4) Projects or programs 1) Local Area or other 2) State/District where projects undertaken	(5) Amount outlay (budget) project or program– wise (In ₹)	(6) Amount spent on the Project or Programs: Sub-heads: Direct Expenditure on projects and Overheads: (In ₹)	(7) Cumulative expenditure up to the March 31, 2020 (In ₹)	(8) Amount spent Direct or through implementing agency
53	Infrastructure support at J K Loan Hospital	Healthcare	Jaipur, Rajasthan		980000	9,80,000	Aavas Foundation
54	Bag for packing of Safety Kit	Project for construction worker	Jaipur, Rajasthan	–	19,950	19,950	Aavas Foundation
55	Repairing and maintainance of plants at Jagatpura	Environmental Protection	Jaipur, Rajasthan	–	95,875	95,875	Aavas Foundation
56	Distribution of Mask and Hand Sanitizers (COVID-19)	Healthcare	Jaipur,Rajasthan	–	1,23,352	1,23,352	Aavas Foundation
57	For food packets during COVID-19	Healthcare	Jaipur,Rajasthan	–	3,40,000	3,40,000	Akshay Patra Foundation
58	To fight with COVID-19	Healthcare	India	–	11,00,000	11,00,000	PM Cares Fund
59	Mask and Gloves to Police Department Jaipur COVID-19	Healthcare	Jaipur, Rajasthan	–	89400	89400	Direct Contribution
60	Mask to Police Department Jaipur COVID-19	Healthcare	Jaipur, Rajasthan	–	1,07,880	1,07,880	Direct Contribution
61	Food distribution to migrants near Mumbai	Healthcare	Mumbai, Maharashtra	–	1,00,000	1,00,000	Direct Contribution
62	Funds Provide to Aavas Foundation for Long term Ongoing social projects	Healthcare, Education, Rural Development	Rajasthan	–	1,07,16,760	1,07,16,760	Aavas Foundation
63	Admin,Salary & Other Expences	Admin & Other Expenses	Rajasthan	–	13,30,096	13,30,096	Direct Contribution
	Total				4,31,96,549	5,18,26,579	

6. REASONS FOR SHORT SPENDING THE AMOUNT ON CSR

The Company as per its CSR budget had spent entire amount of prescribed CSR fund which included the contribution of ₹21 lakh made to Rajasthan CM Relief Fund to Mitigate the Covid-19 pandemic on March 24, 2020.

However thereafter Ministry of Corporate (MCA) vide general circular No.15/2020 dated April 10, 2020 issued the COVID-19 related FAQ on CSR, under which it was clarified that "CM Relief fund" or "State Relief Fund for COVID-19" is not included in Schedule VII of the Act and therefore any contribution to such funds shall not qualify as admissible CSR expenditure.

In this relation, Hon'ble Chief Minister of Rajasthan, on April 10, 2020, had written to Hon'ble Prime Minister of India to give directions for considering the contribution made to "CM Relief fund" or "State Relief Fund for COVID-19" as CSR Expenditure in Schedule VII of the Act.

Therefore in the absence of any subsequent directions as on the date of this Report, the Company is not considering this expense as eligible CSR expenditure and this is the reason of such shortfall.

7. RESPONSIBILITY STATEMENT OF THE CSR COMMITTEE THAT THE IMPLEMENTATION AND MONITORING OF CSR POLICY IS IN COMPLIANCE WITH CSR OBJECTIVES AND POLICY OF THE COMPANY

The CSR Committee of the Board confirms that the implementation and monitoring of the CSR Policy is in compliance with CSR objectives and Policy of the Company and are reviewed by CSR Committee and the Board at periodical intervals.

For and on behalf of the Board of Directors
AAVAS FINANCIERS LIMITED

Nishant Sharma	Sushil Kumar Agarwal	Manas Tandon
Promoter Nominee Director and Chairperson of CSR Committee	Managing Director & CEO	Promoter Nominee Director
(DIN: 03117012)	(DIN: 03154532)	(DIN 05254602)
Date: May 14, 2020	Date: May 14, 2020	Date: May 14, 2020
Place: Mumbai	Place: Jaipur	Place: Mumbai

Annexure-9

FORM NO. MGT 9
EXTRACT OF ANNUAL RETURN

As on Financial Year ended on 31.03.2020

Pursuant to Section 92 (3) of the Companies Act, 2013 and rule 12(1) of the Company (Management & Administration) Rules, 2014.

I. REGISTRATION & OTHER DETAILS:

1	CIN	L65922RJ2011PLC034297
2	Registration Date	23-Feb-2011
3	Name of the Company	AAVAS FINANCIERS LIMITED
4	Category/Sub-category of the Company	Public Company Limited by Shares/ Indian Non-Government Company (registered with National Housing Bank as a Housing Finance Company bearing registration number04.0151.17)
5	Address of the Registered office & contact details	201-202, 2nd Floor, Southend Sqaure, Mansarover Industrial Area, Jaipur– 302020 (Rajasthan) Telephone: +91 141 6618800 | Fax: +91 141 6618861 E-mail: investorrelations@aavas.in website: www.aavas.in
6	Whether Listed Company	Yes
7	Name, Address & contact details of the Registrar & Transfer Agent, if any.	Link Intime India Private Limited C 101, 247 Park, L.B.S.Marg, Vikhroli (West), Mumbai - 400083.(Maharashtra) Tel: +91 22 4918 6200 Email: rnt.helpdesk@linkintime.co.in website: www.linkintime.co.in

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

S. No.	Name and Description of main products / services	NIC Code of the Product/services	% to total turnover of the Company
1	The Company's main business is providing home loans for the purchase or construction of residential properties, and for the extension and repair of existing housing units	64910	100

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES:

S. No.	Name and address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
1	Aavas Finserv Limited 203-205, 2nd Floor, Southend Square, Mansarover, Industrial Area, Jaipur - 302020 (Rajasthan)	U65929RJ2017PLC059623	Subsidiary	100.00	2 (87)

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 [As on 01-April-2019]				No. of Shares held at the end of the year [As on 31-March-2020]				% 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.	-	-	-	-	-	-	-	-	-
e) Banks / FI	-	-	-	-	-	-	-	-	-
f) Any other	-	-	-	-	-	-	-	-	-
Sub Total (A) (1)	-	-	-	-	-	-	-	-	-
(2) Foreign	-	-	-	-	-	-	-	-	-
a) NRI Individuals	-	-	-	-	-	-	-	-	-
b) Other Individuals	-	-	-	-	-	-	-	-	-
c) Bodies Corp.	4,55,32,830	-	4,55,32,830	58.29	4,18,72,130	-	4,18,72,130	53.46	(4.83)
d) Banks/FI	-	-	-	-	-	-	-	-	-
e) Any other	-	-	-	-	-	-	-	-	-
Sub Total (A) (2):	4,55,32,830	-	4,55,32,830	58.29	4,18,72,130	-	4,18,72,130	53.46	(4.83)
TOTAL SHAREHOLDING OF PROMOTERS (A)= (A)(1)+(A)(2)	4,55,32,830	-	4,55,32,830	58.29	4,18,72,130	-	4,18,72,130	53.46	(4.83)
B. Public Shareholding									
1. Institutions									
a) Mutual Funds	80,41,474	-	80,41,474	10.30	35,78,456	-	35,78,456	4.57	(5.73)
b) Venture Capital Funds	-	-	-	-	-	-	-	-	-
c) Alternate Investment Funds	9,24,614	-	9,24,614	1.18	9,92,965	-	9,92,965	1.27	0.08
d) Foreign Venture Capital Investors	-	-	-	-	-	-	-	-	-
e) Foreign Portfolio Investor	1,02,52,310	-	1,02,52,310	13.13	1,85,17,380	-	1,85,17,380	23.64	10.52
f) Financial Institutions / Banks	56,52,655	-	56,52,655	7.24	49,94,955	-	49,94,955	6.38	(0.86)
g) Insurance Companies	-	-	-	-	9,76,740	-	9,76,740	1.25	1.25
h) Provident Funds/ Pension Funds	-	-	-	-	-	-	-	-	-
i) Central Government/ State Government(s)/ President of India	-	-	-	-	-	-	-	-	-
J) Others	-	-	-	-	-	-	-	-	-
Sub-total (B)(1):-	2,48,71,053	-	2,48,71,053	31.84	2,90,60,496	-	2,90,60,496	37.10	5.26
2. Non-Institutions									
a) Individuals	-	-	-	-	-	-	-	-	-
i) Individual shareholders holding nominal share capital upto ₹1 lakh	5,91,411	-	5,91,411	0.76	14,07,414	-	14,07,414	1.80	1.04
ii) Individual shareholders holding nominal share capital in excess of ₹1 lakh	63,94,370	-	63,94,370	8.19	52,62,862	-	52,62,862	6.72	(1.47)
b) NBFCs registered with RBI	950	-	950	0.00	-	-	-	-	(0.00)
c) Trust Employee	-	-	-	-	333	-	333	0.00	0.00
d) Overseas Depositories(holding DRs)	-	-	-	-	-	-	-	-	-
e) Any Other (Specify)									
Trusts	726		726	0.00	2,245	-	2,245	0.00	0.00
Hindu Undivided Family	15,490		15,490	0.02	25,560	-	25,560	0.03	0.01
Non Resident Indians (Non Repatriable)	3,590		3,590	0.00	26,377	-	26,377	0.03	0.03
Non Resident Indians (Repatriable)	8,359		8,359	0.01	49,285	-	49,285	0.06	0.05
Clearing Member	41,647		41,647	0.05	1,64,393	-	1,64,393	0.21	0.16
a) Bodies Corp.									
i) Indian	6,47,475	-	6,47,475	0.83	4,51,566	-	4,51,566	0.58	(0.25)
ii) Overseas	-	-	-	-	-	-	-	-	-
Sub-total (B)(2):-	77,04,018		77,04,018	9.86	73,90,035		73,90,035	9.43	(0.43)
TOTAL PUBLIC SHAREHOLDING (B) = (B)(1) + (B)(2)	3,25,75,071	-	3,25,75,071	41.71	3,64,50,531	-	3,64,50,531	46.54	4.83
SHARES HELD BY CUSTODIAN FOR GDRS & ADRS (C)	-	-	-	-	-	-	-	-	-
Grand Total (A+B+C)	7,81,07,901	-	7,81,07,901	100	7,83,22,661	-	7,83,22,661	100	0.00

(ii) Shareholding of Promoters

S. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in 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	
	Promoters							
1	Lake District Holdings Limited	2,68,01,527	34.31	-	2,31,40,827	29.55	-	(4.77)
2	Partners Group ESCL Limited	1,30,18,256	16.67	-	1,30,18,256	16.62	-	(0.05)
	Promoter Group							
3	Partners Group Private Equity (Master Fund), LLC	57,13,047	7.31	-	57,13,047	7.29	-	(0.02)
	Total	4,55,32,830	58.29	-	4,18,72,130	53.46	-	(4.83)

(iii) Change in Promoters Shareholding

S. No.	Particulars	Date	Reason	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
				No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
1	Lake District Holdings Limited						
	At the beginning of the year	-	-	2,68,01,527	34.31	2,68,01,527	34.31
	Changes During the Year	07-02-2020	Sale of shares through open market	(36,60,700)	(4.77)	2,31,40,827	29.55
	At the End of the year	-	-	2,31,40,827	29.55	2,31,40,827	29.55
2	Partners Group ESCL Limited						
	At the beginning of the year	-	-	1,30,18,256	16.67	1,30,18,256	16.67
	Changes During the Year	No Change during the year		-	-	-	-
	At the End of the year			1,30,18,256	16.62	1,30,18,256	16.62
3	Partners Group Private Equity (Master Fund), LLC						
	At the beginning of the year	-	-	57,13,047	7.31	57,13,047	7.31
	Changes During the Year	No Change during the year		-	-	-	-
	At the End of the year			57,13,047	7.29	57,13,047	7.29

Note: The % change in shareholding despite nil changes during the year is on account of increase in the share capital upon allotment of Equity Shares to employees who have exercised their Stock options during the year.

(iv) Shareholding Pattern of top ten Shareholders

(Other than Directors, Promoters and Holders of GDRs and ADRs):

Sr. No	Name & Type of Transaction	Shareholding at the beginning of the year		Transactions during the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the Company	Date of Transaction	No. of Shares	No. of Shares	% of total Shares of the Company
1	Au Small Finance Bank Limited	56,50,909	7.23			56,50,909	7.23
	Sale			10-May-19	(3,369)	56,47,540	7.23
	Sale			24-May-19	(10,000)	56,37,540	7.22
	Sale			31-May-19	(9,598)	56,27,942	7.21
	Sale			07-Jun-19	(14,991)	56,12,951	7.19
	Sale			14-Jun-19	(5,98,205)	50,14,746	6.42
	Sale			31-Jan-20	(8,619)	50,06,127	6.40
	Sale			07-Feb-20	(10,567)	49,95,560	6.39
	Sale			14-Feb-20	(29,803)	49,65,757	6.35
	At the end of the Year					49,65,757	6.34
2	Smallcap World Fund, Inc.	-	-			-	-
	Acquisition			15-Nov-19	539	539	0.00
	Acquisition			22-Nov-19	4,31,366	4,31,905	0.55
	Acquisition			29-Nov-19	2,11,996	6,43,901	0.82
	Acquisition			06-Dec-19	8,79,578	15,23,479	1.95
	Acquisition			13-Dec-19	2,24,000	17,47,479	2.23
	Acquisition			27-Dec-19	38,644	17,86,123	2.28
	Acquisition			31-Dec-19	3,797	17,89,920	2.29
	Acquisition			03-Jan-20	12	17,89,932	2.29
	Acquisition			31-Jan-20	2,36,175	20,26,107	2.59
	Acquisition			14-Feb-20	15,34,000	35,60,107	4.55
	Acquisition			21-Feb-20	12,157	35,72,264	4.56
	Acquisition			06-Mar-20	20,000	35,92,264	4.59
	Acquisition			20-Mar-20	1,71,736	37,64,000	4.81
	Acquisition			31-Mar-20	34,298	37,98,298	4.85
	At the end of the Year					37,98,298	4.85
3	SBI Equity Hybrid Fund	53,66,491	6.87			53,66,491	6.87
	Sale			05-Apr-19	(5,157)	53,61,334	6.86
	Sale			24-May-19	(29,621)	53,31,713	6.83
	Sale			31-May-19	(90,068)	52,41,645	6.71
	Sale			07-Jun-19	(1,39,794)	51,01,851	6.53
	Sale			14-Jun-19	(3,62,231)	47,39,620	6.07
	Sale			21-Jun-19	(41,857)	46,97,763	6.01
	Sale			29-Jun-19	(1,37,527)	45,60,236	5.84
	Sale			05-Jul-19	(2,94,622)	42,65,614	5.46
	Sale			12-Jul-19	(1,92,988)	40,72,626	5.21
	Sale			06-Sep-19	(18,402)	40,54,224	5.19
	Sale			13-Sep-19	(1,52,201)	39,02,023	4.99
	Sale			27-Sep-19	(28,690)	38,73,333	4.96
	Sale			30-Sep-19	(1,891)	38,71,442	4.95
	Sale			11-Oct-19	(31,448)	38,39,994	4.91
	Sale			18-Oct-19	(17,577)	38,22,417	4.89
	Sale			25-Oct-19	(2,665)	38,19,752	4.89
	Sale			01-Nov-19	(10,307)	38,09,445	4.87
	Sale			15-Nov-19	(3,43,927)	34,65,518	4.43

Sr. No	Name & Type of Transaction	Shareholding at the beginning of the year		Transactions during the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the Company	Date of Transaction	No. of Shares	No. of Shares	% of total Shares of the Company
	Sale			22-Nov-19	(2,75,518)	31,90,000	4.08
	Sale			06-Dec-19	(4,00,000)	27,90,000	3.56
	Sale			31-Dec-19	(5,000)	27,85,000	3.56
	At the end of the Year					27,85,000	3.56
4	Kotak Funds - India Midcap Fund	7,71,336	0.99			7,71,336	0.99
	Sale			12-Apr-19	(833)	7,70,503	0.99
	Sale			20-Dec-19	(4,257)	7,66,246	0.98
	Acquisition			14-Feb-20	8,87,082	16,53,328	2.11
	At the end of the Year					16,53,328	2.11
5	St. James's Place Emerging Markets Equity Unit Trust Managed By Wasatch Advisors Inc.	-	-			-	-
	Acquisition			12-Jul-19	9,26,380	9,26,380	1.18
	Acquisition			26-Jul-19	56,007	9,82,387	1.25
	Acquisition			02-Aug-19	62,044	10,44,431	1.33
	Acquisition			09-Aug-19	34,526	10,78,957	1.38
	Acquisition			16-Aug-19	83,490	11,62,447	1.48
	Acquisition			23-Aug-19	79,314	12,41,761	1.59
	At the end of the Year					12,41,761	1.59
6	Buena Vista Asian Opportunities Master Fund Ltd	15,13,310	1.94			15,13,310	1.94
	Sale			22-Nov-19	(1,97,000)	13,16,310	1.68
	Sale			06-Dec-19	(1,50,000)	11,66,310	1.49
	At the end of the Year					11,66,310	1.49
7	Mr. Ghanshyam Rawat	10,83,727	1.39			10,83,727	1.39
	Sale			10-May-19	(1,67,510)	9,16,217	1.17
	Sale			01-Nov-19	(1,062)	9,15,155	1.17
	Sale			15-Nov-19	(50)	9,15,105	1.17
	Sale			22-Nov-19	(16,026)	8,99,079	1.15
	Sale			29-Nov-19	(5,000)	8,94,079	1.14
	At the end of the Year					8,94,079	1.14
8	Tata AIA Life Insurance Co Ltd	-	-			-	-
	Acquisition			14-Jun-19	2,75,000	2,75,000	0.35
	Acquisition			08-Nov-19	37,000	3,12,000	0.40
	Acquisition			15-Nov-19	3,47,300	6,59,300	0.84
	Acquisition			29-Nov-19	1,50,000	8,09,300	1.03
	At the end of the Year					8,09,300	1.03
9	The Nomura Trust and Banking Co., Ltd as the Trustee of Nomura India Stock Mother Fund	8,17,115	1.05			8,17,115	1.05
	Acquisition			05-Apr-19	24,674	8,41,789	1.08
	Sale			10-May-19	(50,000)	7,91,789	1.01
	At the end of the Year					7,91,789	1.01
10	HSBC Global Investment Funds - Indian Equity	7,97,301	1.02				
	Sale			26-Apr-19	(19,136)	7,78,165	1.00
	Sale			10-May-19	(69,892)	7,08,273	0.91

Sr. No	Name & Type of Transaction	Shareholding at the beginning of the year		Transactions during the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the Company	Date of Transaction	No. of Shares	No. of Shares	% of total Shares of the Company
	Sale			17-May-19	(37,016)	6,71,257	0.86
	Sale			24-May-19	(6,934)	6,64,323	0.85
	Sale			29-Jun-19	(38,833)	6,25,490	0.80
	Sale			12-Jul-19	(25,563)	5,99,927	0.77
	Sale			26-Jul-19	(17,737)	5,82,190	0.75
	Sale			23-Aug-19	(3,014)	5,79,176	0.74
	Sale			30-Aug-19	(1,882)	5,77,294	0.74
	Sale			06-Sep-19	(2,113)	5,75,181	0.74
	Sale			11-Oct-19	(870)	5,74,311	0.73
	Sale			25-Oct-19	(3,501)	5,70,810	0.73
	Sale			01-Nov-19	(12,653)	5,58,157	0.71
	Sale			15-Nov-19	(220)	5,57,937	0.71
	Sale			22-Nov-19	(23,761)	5,34,176	0.68
	Sale			29-Nov-19	(19,071)	5,15,105	0.66
	Sale			06-Dec-19	(10,705)	5,04,400	0.64
	Sale			13-Dec-19	(17,625)	4,86,775	0.62
	Sale			07-Feb-20	(7,180)	4,79,595	0.61
	Sale			28-Feb-20	(41,887)	4,37,708	0.56
	Sale			06-Mar-20	(17,341)	4,20,367	0.54
	Sale			13-Mar-20	(36,421)	3,83,946	0.49
	Sale			31-Mar-20	(28,428)	3,55,518	0.45
	At the end of the Year					3,55,518	0.45

Notes:

(i) The list of top ten Shareholders is derived on the basis of PAN consolidation.

(ii) Date of transaction has been considered as the date on which the beneficiary position was provided by the Depositories to the Company.

(iii) The above list comprises top 10 Shareholders as on March 31, 2020.

(v) Shareholding of Directors and Key Managerial Personnel:

Sr. No	For Each of the Directors and KMP	Date of Transaction	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
1	Mr. Sandeep Tandon (Independent Director and Chairperson of the Board)					
	At the Beginning of the Year		-	-	-	-
	At the end of the Year		-	-	-	-
2	Mr. Sushil Kumar Agarwal (Managing Director and CEO)					
	At the Beginning of the Year		32,28,359	4.13		
	Sale	10-May-19	(2,35,000)	0.30	29,93,359	3.83
	Sale	14-Jun-19	(1,547)	0.00	29,91,812	3.83
	Sale	29-Jun-19	(50,000)	0.06	29,41,812	3.77
	Sale	29-Nov-19	(20,000)	0.03	29,21,812	3.73
	At the end of the Year				29,21,812	3.73
3	Mrs. Kalpana Iyer (Independent Director)					
	At the Beginning of the Year		17,608	0.02		
	Sale	13-Dec-19	(9,000)	0.01	8,608	0.01
	Sale	28-Feb-20	(1,000)	0.00	7,608	0.01
	At the end of the Year		7,608	0.01	7,608	0.01
4	Mrs. Soumya Rajan (Additional Director-Independent)					
	At the Beginning of the Year		-	-	-	-
	At the end of the Year		-	-	-	-
5	Mr. Ramachandra Kasargod Kamath (Nominee Director)					
	At the Beginning of the Year		1,09,940	0.14		
	Sale	29-Nov-19	(1,300)	0.00	1,08,640	0.14
	Sale	06-Dec-19	(7,300)	0.01	1,01,340	0.13
	Gift given- inter-se transfer through off market transaction	31-Dec-19	(25,000)	0.03	76,340	0.10
	Sale	03-Jan-20	(7,543)	0.01	68,797	0.09
	At the end of the Year				68,797	0.09
6	Mr. Vivek Vig (Nominee Director)					
	At the Beginning of the Year		6,08,673	0.78		
	Sale	17-May-19	(30,000)	0.04	5,78,673	0.74
	Sale	24-May-19	(35,144)	0.04	5,43,529	0.70
	Sale	14-Jun-19	(14,025)	0.02	5,29,504	0.68
	Sale	21-Jun-19	(15,927)	0.02	5,13,577	0.66
	Sale	13-Mar-20	(1,17,500)	0.15	3,96,077	0.51
	At the end of the Year				3,96,077	0.51
7	Mr. Nishant Sharma (Promoter Nominee Director)					
	At the Beginning of the Year		-	-	-	-
	At the end of the Year		-	-	-	-
8	Mr. Manas Tandon (Promoter Nominee Director)					
	At the Beginning of the Year		-	-	-	-
	At the end of the Year		-	-	-	-
9	Mr. Kartikeya Dhruv Kaji (Promoter Nominee Director)					
	At the Beginning of the Year		-	-	-	-
	At the end of the Year		-	-	-	-
10	Mr. Ghanshyam Rawat (Chief Financial Officer)					
	At the Beginning of the Year		10,83,727	1.39		
	Sale	10-May-19	(1,67,510)	0.21	9,16,217	1.17
	Sale	01-Nov-19	(1,062)	0.00	9,15,155	1.17
	Sale	15-Nov-19	(50)	0.00	9,15,105	1.17
	Sale	22-Nov-19	(16,026)	0.02	8,99,079	1.15
	Sale	29-Nov-19	(5,000)	0.01	8,94,079	1.14
	At the end of the Year				8,94,079	1.14
11	Mr. Sharad Pathak (Company Secretary and Compliance Officer)					
	At the Beginning of the Year		11,507	0.01		

Sr. No	For Each of the Directors and KMP	Date of Transaction	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
	Sale	10-May-19	(166)	0.00	11,341	0.01
	Acquisition through ESOP Exercise	13-Sep-19	1,000	0.00	12,341	0.02
	Sale	27-Sep-19	(158)	0.00	12,183	0.02
	Sale	04-Oct-19	(150)	0.00	12,033	0.02
	Sale	01-Nov-19	(2,343)	0.00	9,690	0.01
	Sale	08-Nov-19	(854)	0.00	8,836	0.01
	Sale	15-Nov-19	(500)	0.00	8,336	0.01
	Sale	22-Nov-19	(245)	0.00	8,091	0.01
	Sale	29-Nov-19	(250)	0.00	7,841	0.01
	Sale	21-Feb-20	(200)	0.00	7,641	0.01
	Acquisition through ESOP Exercise	28-Feb-20	2,000	0.00	9,641	0.01
	Sale	27-Mar-20	(500)	0.00	9,141	0.01
	At the end of the Year				9,141	0.01

Note: Date of transaction has been considered as the date on which the beneficiary position was provided by the Depositories to the Company.

V. INDEBTEDNESS

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

(₹ in crore)

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	3355.27	297.98	-	3653.25
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	7.58	3.23	-	10.81
Total (i+ii+iii)	3362.85	301.21	-	3664.06
Change in Indebtedness during the financial year				
* Addition	2361.22	-	-	2361.22
* Reduction	644.08	(0.39)	-	643.69
Net Change	1717.14	0.39	-	1717.53
Indebtedness at the end of the financial year				
i) Principal Amount	5053.70	298.34	-	5352.04
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	26.29	3.26	-	29.56
Total (i+ii+iii)	5079.99	301.60	-	5381.59

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

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

S. No.	Particulars of Remuneration	Name of MD/WTD/ Manager	Total Amount (₹ in lakh)
	Name	Mr. Sushil Kumar Agarwal	
	Designation	Managing Director and CEO	
1	Gross salary		
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	240.06	240.06
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	-	-
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	-	-
2	Stock Option	-	-
3	Sweat Equity	-	-
4	Commission	-	-
	- as % of profit	-	-
	- others, specify	-	-
5	Others, please specify	-	-
	Total (A)	240.06	240.06
	Ceiling as per the Act	In terms of the provisions of the Companies Act, 2013, ("the Act') the remuneration payable to any one Managing Director or Whole time Director or Manager shall not exceed 5% of the Net Profits of the company and if there are more than one such Director remuneration shall not exceed 10% of the net profits to all such Directors and manager taken together. The remuneration paid to Mr. Sushil Kumar Agarwal –Managing Director was well within the limits prescribed under the Section 198 of the Act.	

B. Remuneration to other Directors

S. No.	Particulars of Remuneration	Name of Directors					Total Amount (₹ in lakh)
1	Independent Directors	Mrs. Kalpana Iyer	Mr. Krishan Kant Rathi*	Mr. Sandeep Tandon	Mrs. Soumya Rajan**	-	-
	Fee for attending board & committee meetings	4.25	2.50	5.50	1.00	-	13.25
	Commission	5.75	2.50	4.50	-	-	12.75
	Others, please specify	-	-	-	-	-	-
	Total (1)	10.00	5.00	10.00	1.00	-	26.00
2	Other Non-Executive Directors	Mr. Vivek Vig	Mr. Ramachandra Kasargod Kamath	Mr. Nishant Sharma	Mr. Manas Tandon	Mr. Kartikeya Dhruv Kaji	-
	Fee for attending board committee meetings	2.50	2.00	-	-	-	4.50
	Commission	7.50	22.00	-	-	-	29.50
	Others, please specify	-	-	-	-	-	-
	Total (2)	10.00	24.00	-	-	-	34.00
	Total (B)=(1+2)						
	Total Managerial Remuneration						60.00
	Overall Ceiling as per the Act		In terms of the provisions of the Act, the remuneration payable to Directors (other than Executive Directors) shall not exceed 1% of the net profit of the Company, as calculated as per the Act. The remuneration paid to the Directors as listed above were well within the limits prescribed under the Act and approval accorded by the Members of the Company.				

*Mr. Krishan Kant Rathi has ceased to be the Independent Director of the Company on completion of his term of 5 years on August 28, 2019.

**Mrs. Soumya Rajan has been appointed as an Additional Director in the capacity of Independent Director on the Board of the Company w.e.f. August 29, 2019.

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

S. No.	Particulars of Remuneration	Name of Key Managerial Personnel		Total Amount (₹ in lakh)
	Name	Mr. Ghanshyam Rawat	Mr. Sharad Pathak	
	Designation	CFO	CS	
1	Gross salary			
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	182.03	18.69	200.72
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961*	-	-	-
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	-	-	-
2	Stock Option*	-	-	-
3	Sweat Equity	-	-	-
4	Commission	-	-	-
	- as % of profit	-	-	-
	- others, specify	-	-	-
5	Others, please specify	-	-	-
	Total	182.03	18.69	200.72

*excludes perquisite value of ₹43.82 lakh of Mr. Sharad Pathak towards the stock options exercised during the year.

VII. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES

During the year under review, the Company, its Directors or any of its Officers were not liable for any penalty, punishment or any compounding of offences under the Act.

For and on behalf of the Board of Directors
AAVAS FINANCIERS LIMITED

Sushil Kumar Agarwal
Managing Director & CEO
(DIN: 03154532)

Date: May 14, 2020
Place: Jaipur

Manas Tandon
Promoter Nominee Director
(DIN: 05254602)

Date: May 14, 2020
Place: Mumbai

Annexure-10

FORM NO. AOC.2

(Pursuant to clause (h) of sub-section (3) of Section 134 of the Companies Act, 2013 (Act) and Rule 8(2) of the Companies (Accounts) Rules, 2014)

Form for disclosure of particulars of contracts/arrangements entered into by the Company with related parties referred to in sub-section (1) of Section 188 of the Act including certain arm's length transactions under third proviso thereto.

1. Details of contracts or arrangements or transactions not at arm's length basis: Nil
   - (a) Name(s) of the related party and nature of relationship: N.A
   - (b) Nature of contracts/arrangements/transactions: N.A
   - (c) Duration of the contracts/arrangements/transactions: N.A
   - (d) Salient terms of the contracts or arrangements or transactions including the value, if any: N.A
   - (e) Justification for entering into such contracts or arrangements or transactions: N.A
   - (f) Date(s) of approval by the Board: N.A
   - (g) Amount paid as advances, if any: N.A
   - (h) Date on which the special resolution was passed in general meeting as required under first proviso to section 188: N.A
2. Details of material contracts or arrangement or transactions at arm's length basis
   - (a) Name(s) of the related party and nature of relationship: **Aavas Finserv Limited, Wholly Owned Subsidiary**
   - (b) Nature of contracts/arrangements/transactions: **Infrastructure Sharing Agreement**
   - (c) Duration of the contracts/arrangements/transactions: **Three years**
   - (d) Salient terms of the contracts or arrangements or transactions including the value, if any:

Material terms of Agreement-

1. The term of this Agreement shall be Three (3) year commencing from April 01, 2019 unless terminated by other provisions of this Agreement.
2. After the expiry of Term of this Agreement, the Parties may, by mutual consent, extend the term of this Agreement on such terms & conditions as may be agreed upon by the Parties.
3. The office space of the Holding Company shall be used amongst the Subsidiary Company and the Holding Company in a combined/joint manner for the purpose of the carrying on respective business activities by each party.
4. That while carrying out its business activities at the Office Space the Subsidiary Company can use the office facilities including furniture's, fixtures, air conditioner, computers, telephone, fax, office equipment etc. ("Facilities") along with the Holding Company.
5. Both the Holding and Subsidiary Company shall carry out their own individual finance activities during the term hereof and shall also carry out all the compliance activities as required to be done as per the applicable law/ statue.
6. SHARING OF EXPENSES & METHOD OF PAYMENT

   The Holding Company will recover the actual cost incurred and the cost recovered is on arm's length price and are similar to the cost recover from other parties for the same services if any.

   Methodology for sharing of Infrastructure cost between both the companies is given as under.

   - i Sharing of cost at Branches: All branch related cost of any particular branch which is shared by the holding Company with its subsidiary or vice versa shall be shared based on the No. of Employees of each Company operating from the particular Branch.
   - ii Sharing of other Infrastructure Cost: Other Infrastructure cost incurred by either Company on behalf of the other shall be debited to the other Company at actuals subject to Goods and Service Tax wherever applicable.
   - iii Re-imbursement of Statutory Payment: Any Statutory payment made by either Company on behalf of the other Company shall be reimbursed as per actuals.
7. Subject to its obligation to share expenses as defined above, each party of this Agreement shall own the accounts receivable generated by it and shall be entitled to all related collections. Each party shall be responsible for billing and collecting its own accounts receivable.
8. That both the parties shall endeavor to identify and incur their own specified capital and revenue expenditure to the extent possible. All the types of specific expenditure shall be incurred, paid and borne by respective parties.
   - (a) Date of approval by the Board: **May 03, 2019**
   - (b) Amount paid as advances, if any: **Nil**

For and on behalf of the Board of Directors
AAVAS FINANCIERS LIMITED

Sushil Kumar Agarwal
Managing Director & CEO
(DIN: 03154532)

Date: May 14, 2020
Place: Jaipur

Manas Tandon
Promoter Nominee Director
(DIN: 05254602)

Date: May 14, 2020
Place: Mumbai

Annexure-11

POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS AND ON DEALING WITH RELATED PARTY TRANSACTIONS

1. Objective of Policy

The Board of Directors ("the Board") of Aavas Financiers Limited (hereinafter referred to 'the Company' or 'AFL'), in pursuance of Regulation 23 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI LODR Regulations) and other applicable provisions, has adopted Related Party Transaction Policy ("this policy") to regulate the transactions between the Company and its Related Parties. The Board of Directors (the "Board") further recognizes that transaction with related party(s) could raise conflicts of interest and therefore has adopted this Related Party Transaction Policy (this "Policy") to be followed in connection with all related party transactions involving the Company. All Transactions with Related Party shall be subject to review and approval in accordance with the procedures set forth below, inter-alia, the provisions of applicable laws.

2. Definitions

Unless the term(s) otherwise defined, the following terms shall have the following meaning assigned to them wherever appearing in the policy:

i) "Applicable Laws" includes (a) the Companies Act, 2013 ('the Act') and rules made thereunder; (b) the SEBI LODR Regulations (c) Accounting Standards (d) National Housing Bank (NHB) Act, NHB Housing Finance Companies Directions, 2010 and Notifications issued by NHB from time to time and (e) any other statute, law, standards, regulations or other governmental instruction relating to Related Party Transactions.

ii) "Arm's length transaction" Section 188(1)(b) of the Act Mean transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

iii) "Audit Committee" means the committee of the Board of the Company constituted in accordance with the provisions of the Act and Rules made thereunder and SEBI LODR Regulations.

iv) "Control"

a) ownership, directly or indirectly, of more than one half of voting power of an enterprise, or

b) control of the composition of the board of directors in the case of a Company or of the composition of the corresponding governing body in case of any other enterprise, or

c) a substantial interest in voting power and the power to direct, by statute or agreement, the financial and/or operating policies of the enterprise.

v) "Key Managerial Personnel" or ("KMP") shall have the meaning as defined in the Act

vi) Omnibus approval

In case of certain frequent/ repetitive/ regular transactions with Related Parties which are in the ordinary course of business of the Company and on Arm's length basis, the Audit Committee may grant an omnibus approval for such Related Party Transactions proposed to be entered into by Company / AFL, subject to the following conditions, namely

(a) the audit committee shall, after obtaining approval of Board, lay down the criteria for granting the omnibus approval in line with the policy on related party transactions of the Company.

(b) entity and such approval shall be applicable in respect of transactions which are repetitive in nature;

(c) the audit committee shall satisfy itself regarding the need and justification for such omnibus approval and that such approval is in the interest of the entity;

(d) the omnibus approval shall specify:

(i) the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transactions that shall be entered into,

(ii) the indicative base price / current contracted price and the formula for variation in the price if any; and

(iii) 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 rupees one crore per transaction.

(iv) such other conditions as may be specified by the law from time to time.

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

(f) Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the Company.

vii) "Related Party"

In relation to the Company, means a related party as defined under sub-section (76) of Section 2 of the Act or under the applicable accounting standards:

"Provided that any person or entity belonging to the promoter or promoter group of the Company and holding 20% or more of Shareholding in the Company shall be deemed to be a related party"

viii) "Related Party Transaction" (hereinafter referred as "RPTs")

As per SEBI LODR Regulations, "related party transaction" means a transfer of resources, services or obligations between a listed entity and a related party, regardless of whether a price is charged and a "transaction" with a related party shall be construed to include a single transaction or a group of transactions in a contract.

As per Section 188(1) of Act related party transaction will include following specific transactions:

i) sale, purchase or supply of any goods or materials;

ii) selling or otherwise disposing of, or buying, property of any kind;

iii) leasing of property of any kind;

iv) availing or rendering of any services;

v) appointment of any agent for purchase or sale of goods, materials, services or property;

vi) such related party's appointment to any office or place of profit in the Company, its subsidiary Company or associate Company; and

vii) Underwriting the subscription of any securities or derivatives thereof, of the Company.

ix) Relative

In terms of Section 2(77) of the Act read with the Companies (Specification of Definitions Details) Rules, 2014 a person is said to be a relative of another, if –

a. They are members of a Hindu undivided family; b. They are husband and wife; c. Father (including step-father); d. Mother (including step-mother); e. Son (including step-son); f. Son's wife; g. Daughter; h. Daughter's husband; i. Brother (including step-brother); or sister (including step-sister).

x) "Material Related Party Transaction"

means a transaction with a Related Party if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds 10% (ten percent) of the annual consolidated Revenue/ Turnover of the Company as per the last audited financial statements of the Company.

xi) "Undertaking"

shall mean an undertaking in which the investment of the Company exceeds twenty per cent of its net worth as per the audited balance sheet of the preceding financial year or an undertaking which generates twenty per cent of the total income of the Company during the previous financial year.

3. Procedures

3.1 Audit Committee

3.1.1 Each of AFL directors and executive officers are instructed to inform the Company Secretary or Management of the Company of any potential Transaction with Related Party. All such transactions will be analysed by the Audit Committee in consultation with management to determine whether the transaction or relationship does, in fact, constitute a Related Party Transaction requiring compliance with this Policy. The Committee will be provided with the following details of each new, existing or proposed Related Party Transaction :

- The Name of the Related Party and nature of relationship;
- The nature, duration and particulars of the contract or arrangement;
- The material terms of the contract or arrangement including the value, if any;
- Any advance paid or received for the contract or arrangement, if any;
- The manner of determining the pricing and other commercial terms, both included as part of the contract and not considered as part of the contract;
- Whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors; and
- Any other information relevant or important for the Audit Committee to take a decision on the proposed transaction.

3.1.2 All transactions with related party shall require approval of the Audit Committee irrespective of ordinary course of business or arm length basis.

3.1.3 The Related Party Transactions which are not in the ordinary course of business and/or not at arm's length will be reviewed by the Audit Committee and then recommended to the Board for its approval or recommending to the Shareholders' of Company for their approval.

3.1.4 If a Related Party Transaction is ongoing, the Committee may establish guidelines for the Company's management to follow in its ongoing dealings with the Related Party. Thereafter, the Committee shall periodically review and assess ongoing relationships with the Related Party.

3.1.5 The Committee may also disapprove of a previously entered Related Party Transaction and may require that management of the Company take all reasonable efforts to terminate, unwind, cancel or annul the Related Party Transaction.

3.1.6 A Related Party Transaction entered into without pre-approval of the Committee shall not be deemed to violate this Policy, or be invalid or unenforceable, so long as the transaction is brought to the Committee as promptly as reasonably practical after it is entered into or after it becomes reasonably apparent that the transaction is covered by this policy.

3.1.7 The Committee may decide to get advice, certification, study report, transfer pricing report, rely upon certification issued as per the requirement of other laws etc. from a professional (includes statutory / internal Auditors) or technical person including price discovery process, to review transactions with Related Party.

3.1.8 Any member of the Committee who has an interest in the transaction under discussion will abstain from voting on the approval of the Related Party Transaction. However, the Chairperson of the Committee may allow participation of such member in some or all of the Committee's discussions of the Related Party Transaction.

3.1.9 Audit Committee shall review, at least on a quarterly basis, the details of RPTs entered into by the Company pursuant to each of the omnibus approval given.

3.1.10 The Audit Committee may review any previously approved or ratified RPT that is continuing and determine based on then-existing facts and circumstances, including the Company's existing contractual or other obligations, if it is in the best interests of the Company to continue, modify or terminate the transaction.

3.2 Board of Directors

3.2.1 Approval of the Board shall not be required for the RPTs to be entered into in ordinary course of business and at arm's length basis.

3.2.2 All related parties with whom the Company intends to enter into transaction as recommended by Audit Committee and which are other than in ordinary course of business or arm length basis, will require prior approval of the Board of Directors.

3.2.3 The Board of Directors shall review and recommend all transactions in terms of Section 188(1) requiring Shareholders' prior approval.

3.2.4 The Board of Directors shall annually review, the details of all Related Party Transaction, including the terms of the transaction, the business purpose of the transaction, and the benefits to the Company.

3.2.5 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.

3.2.6 Following minimum information would be placed before the Board for enabling the Board to consider and approve the Related Party Transaction:

- The Name of the Related Party and nature of relationship;
- The nature, duration and particulars of the contract or arrangement;
- The material terms of the contract or arrangement including the value, if any;

Any advance paid or received for the contract or arrangement, if any;

- The manner of determining the pricing and other commercial terms, both included as part of the contract and not considered as part of the contract;
- Whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors; and
- Any other information relevant or important for the Audit Committee to take a decision on the proposed transaction.

4. Overall Threshold Limit

4.1.1 Overall threshold limit for related party transaction is ₹10 Crore for a financial year.

4.1.2 Any transaction with related party over and above of this threshold limit shall require the prior approval of Board.

5. Approval of Shareholders

5.1.1 The contracts or agreements with any Related Party which are not in the ordinary course of business and not at arm's length in respect of transactions specified in Section 188(1) of the Act, will require prior approval of the Shareholders by a resolution.

5.1.2 For the purposes of first proviso to sub-section (1) of Section 188 of Act, except with the prior approval of the Company by a resolution, a Company shall not enter into a transaction or transactions, where the transaction or transactions to be entered into,-

a) as contracts or arrangements with respect to clauses (a) to (e) of sub-Section (1) of Section 188 of the Act, with criteria as mention below-

i) sale, purchase or supply of any goods or material, directly or through appointment of agent, amounting to ten percent or more of the turnover/Revenue of the Company or rupees one hundred crore, whichever is lower, as mentioned in clause (a) and clause (e) respectively of sub-section (1) of Section 188 of the Act.

ii) selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent, amounting to ten percent or more of net worth of the Company or rupees one hundred crore, whichever is lower, as mentioned in clause (b) and clause (e) respectively of sub-section (1) of Section 188 of the Act.

iii) leasing of property any kind amounting to ten percent of turnover or more of the net worth of company or ten per cent or more of turnover of the Company or rupees one hundred crore, whichever is lower, as mentioned in clause (c) of sub-section (1) of Section 188 of the Act;

iv) availing or rendering of any services, directly or through appointment of agent, amounting to ten percent or more of the turnover of the Company or rupees fifty crore, whichever is lower as mentioned in clause (d) and clause (e) respectively of sub-section (1) of Section 188 of the Act.

b) is for appointment to any office or place of profit in the company, its subsidiary company or associate company at a monthly remuneration exceeding two and a half lakh rupees as mentioned in clause (f) of sub-section (1) of Section 188 of Act.

c) is for remuneration for underwriting the subscription of any securities or derivatives thereof, of the company exceeding one percent of the net worth as mentioned in clause (g) of sub-section (1) of Section 188 of the Act.

5.1.3 All material related party transactions will require Shareholders' approval and no related party shall vote to approve such resolution in terms of applicable laws as on date of such approval.

5.1.4 The explanatory statement to be annexed to the notice of general meeting in this regards shall contain following particulars, inter-alia:

i. name of the related party;

ii. name of the director or key managerial personnel who is related, if any;

iii. nature of relationship;

iv. nature, material terms, monetary value and particulars of the contract or arrangement;

v. any other information relevant or important for the members to take a decision on the proposed resolution.

6. Disclosure

Each director who is, directly or indirectly, concerned or interested in any way in any transaction with the Related Party shall disclose all material information and the nature of his interest in the transaction to the Committee or Board of Directors.

7. Review of Policy

The Board may periodically review this Policy and may recommend amendments to this Policy as it deems appropriate.

8. Administrative Measures

Audit Committee / Board shall institute appropriate administrative measures to provide that all Related Party Transactions are not in violation of, and are reviewed in accordance with, these Policies and Procedures.

The Audit Committee / Board as applicable, shall evaluate such transaction and may decide such action as it may consider appropriate including ratification, revision or termination of the Related Party Transaction.

In connection with such evaluation and review of the Related Party Transaction, the Audit Committee / Board as applicable, shall have the authority to modify or waive any procedural requirements of this Policy.

9. Interpretation

In any circumstance where the terms of these Policies and Procedures differ from any existing or newly enacted law, rule, regulation or standard governing the Company, the law, rule, regulation or standard will take precedence over these policies and procedures until such time as these Policies and Procedures are changed to confirm to the law, rule, regulation or standard.

10. Dissemination of Information

AFL shall upload this Policy on its website i.e. www.aavas.in. AFL shall also make relevant disclosures in its Annual Report and maintain such registers as required under the provisions of the Act, Rules made thereunder.

11. Implementation

The policy will be implemented by the management of the Company from the date it is approved by the Board. All Related Party Transaction entered prior to the date of approval of this Policy and Procedures shall be subject to review by the Audit Committee.

12. Exclusion of Policy

This policy shall not be applicable to following related party transactions:

a. Transactions entered into with Related Parties in ordinary course of business and on arm's length basis;

b. Transactions entered into between Holding Company and Wholly Owned Subsidiary Company whose accounts are consolidated with such holding Company and placed before the Shareholders at the general meeting for approval.

Annexure-12

BUSINESS RESPONSIBILITY REPORT 2019-20

Preface

Pursuant to Regulation 34(2)(f) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI LODR Regulations"), India's top 1000 listed entities based on market capitalisation on the BSE Limited ("BSE") and the National Stock Exchange of India Limited ("NSE") are required to submit a Business Responsibility Report ('BRR') along with their Annual Report. In pursuance of its commitment to responsible business, the Company has prepared this Business Responsibility Report. It includes obligations on business to respect the environment, promote the well-being of employees and to respect the interests of all stakeholders.

The Business Responsibility Report of the Company is published on an annual basis in accordance with SEBI LODR Regulations and will be placed on Company's website: www.aavas.in.

SECTION A: GENERAL INFORMATION ABOUT THE COMPANY

1. **Corporate Identity Number (CIN) of the Company:** L65922RJ2011PLC034297
2. **Name of the Company:** Aavas Financiers Limited ("Aavas" or "the Company")
3. **Registered and Corporate office:** 201-202, 2nd Floor, South End Square, Mansarovar Industrial Area, Jaipur - 302 020, Rajasthan, India
4. **Website:** www.aavas.in
5. **E-mail ID:** investorrelations@aavas.in
6. **Financial year reported:** 2019-20
7. **Sector(s) that the Company is engaged in (industrial activity code-wise):**

NIC code	Description
64910	Housing Finance Activities

8. **List three key services that the Company provides (as in the Balance Sheet):** The Company's business is providing home loans for the purchase or construction of residential properties and for the extension and repair of existing housing units. In addition to home loans, Company offers customers other mortgage loans including loans against property.
9. **Total number of locations where business activity is undertaken by the Company:**
   (a) **Number of International Locations (Provide details of major five):** Nil
   (b) **Number of National Locations:** As on March 31, 2020, the Company has a network of 250 branches present in 10 states/Union Territories in India.
10. **Markets served by the Company - local/state/national/international:** The Company serves Local/State and National Level markets with focus on rural and semi-urban areas of India.

SECTION B: FINANCIAL DETAILS OF THE COMPANY

1. **Paid-up Capital:** ₹78,32,26,610
2. **Total Income:** ₹903.09 crore
3. **Total Comprehensive Income:** ₹249.07 crore
4. **Total Spending on Corporate Social Responsibility (CSR):** Refer to the Annual Report on CSR Activities annexed to the Directors' Report.
5. **List of the activities in which expenditure in 4 above has been incurred:** Refer to the Annual Report on CSR Activities annexed to the Directors' Report.

SECTION C: OTHER DETAILS

1. **Does the Company have any subsidiary Company/Companies?**

   The Company has one wholly owned Subsidiary named as Aavas Finserv Limited ("Aavas Finserv").

2. **Do the subsidiary Company/Companies participate in the Business Responsibility (BR) initiatives of the parent company?**

   Aavas Finserv has not yet commenced its business operations and hence it is not a part of the BR initiatives undertaken by the Company.

3. **Do any other entity/entities (e.g. suppliers, distributors, etc.) that the Company does business with, participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/entities? [Less than 30%, 30-60%, More than 60%]**

   No other entities with whom the Company does business with, participate in the BR initiatives of the Company. However the Company with its long-term strategy on CSR initiatives had set up "Aavas Foundation" a Public Charitable Trust settled by the Company for the purpose of carrying its CSR Activities.

SECTION D: BR INFORMATION

1. Details of Director/Directors responsible for BR

Serial number	Particulars	Details
1 (a)	**Details of Director/Directors responsible for BR**	DIN: 03154532 Mr. Sushil Kumar Agarwal (Managing Director and CEO) Telephone number : 0141-6618839 Email ID : ceo@aavas.in
1	Director Identification Number (DIN)	
2	Name	
3	Designation	
1 (b)	**Details of the BR head**	
1	DIN (if applicable)	
2	Name	
3	Designation	
4	Telephone number	
5	E-mail ID	

2. Principle-wise (as per NVGs) BR policy/policies

   a) Details of compliance (reply in Y/N)

Serial number	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
1.	Do you have a policy/policies for all the principles	Y	Y	Y	Y	Y	Y	Y	Y	Y
2.	Has the policy being formulated in consultation with the relevant stakeholders?	Y	Y	Y	Y	Y	Y	Y	Y	Y
3.	Does the policy conform to any national/ international standards?	Y*	Y*	Y*	Y*	Y*	Y*	Y*	Y*	Y*
4.	Has the policy being approved by the Board? If yes, has it been signed by MD/owner/CEO/ appropriate Board Director?	Y	Y	Y	Y	Y	Y	Y	Y	Y
5.	Does the Company have a specified Committee of the Board/Director/Official to oversee the implementation of the policy?	Y	Y	Y	Y	Y	Y	Y	Y	Y
6.	Indicate the link for the policy to be viewed online?	All the policies are available to the employees of the Company. Most of the policies are also available on the Company's website: www.aavas.in								
7.	Has the Policy been formally communicated to all relevant internal and external stakeholders?	Y	Y	Y	Y	Y	Y	Y	Y	Y
8.	Does the Company have in-house structure to implement the policy/policies?	Y	Y	Y	Y	Y	Y	Y	Y	Y
9.	Does the Company have a Grievance Redressal Mechanism related to the Policy/Policies to address stakeholders' grievances related to the policy/ policies?	Y	Y	Y	Y	Y	Y	Y	Y	Y
10.	Has the Company carried out Independent Audit/ evaluation of the working of this Policy by an Internal or external agency?	Y	Y	Y	Y	Y	Y	Y	Y	Y

*National standards

   b) If answer to the question at serial number 1 against any principle, is 'No', please explain why: **Not applicable**

3. Governance related to BR

a) Indicate the frequency with which the Board of Directors, Committee of the Board or CEO to assess the BR performance of the Company. Within 3 months, 3-6 months, Annually, More than 1 year.

The BR performance of the Company is assessed on an annual basis.

b) Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published?

Yes, Report is published annually. The same is available on the website of the Company at URL https://www.aavas.in/investor-relations/annual-reports.

SECTION E: PRINCIPLE-WISE PERFORMANCE

PRINCIPLE 1: BUSINESSES SHOULD CONDUCT AND GOVERN THEMSELVES WITH ETHICS, TRANSPARENCY AND ACCOUNTABILITY

1. Does the policy relating to ethics, bribery and corruption cover only the Company? Yes/ No. Does it extend to the group/joint ventures/suppliers/contractors/NGOs/others?

The Company accords utmost importance to ethical, transparent and accountable conduct by employees and stakeholders. The compliance function of the Company ensures compliance with various regulatory and statutory requirements at all appropriate levels. It updates the Board and management on the status of compliances in a rapidly changing regulatory environment. The Company believes that good governance is more than just a compliance with legal and regulatory requirements. The Company has inter alia adopted the following policies to ensure ethical, transparent and accountable conduct:

i. Customer Grievance Policy
ii. Fair Practice Code
iii. Code of Conduct for the Board of Directors and the Senior Management Personnel
iv. Code of Conduct for Employees
v. Fit and Proper Criteria for Directors
vi. Prevention of Insider Trading Policy
vii. Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information
viii. Vishakha Policy against Sexual Harassment as required under Sexual Harassment of Women at Workplace (Prevention, Prohibition And Redressal) Act, 2013
ix. Vigil Mechanism/Whistleblower Policy
x. Policy on Recording of Investor Communications
xi. Policy on 'Know Your Customer' and 'Anti-Money Laundering Measures'
xii. Dividend Distribution Policy
xiii. Code of Conduct – Prevention of Insider Trading

The Code of Conduct is communicated to all employees through various media; new joinees are trained in the Code of Conduct. The Company has put in place a Whistle Blower Policy for Directors and employees to report genuine concerns or grievances about unethical behavior, actual or suspected frauds/violations of the Company's Code of Conduct or insider trading related matters, if any.

The Code of Ethics and Business Policies are applicable to all employees, consultants, representatives and agents.

There was no violation of the Company's Code of Conduct in the Financial Year 2019-20. Further, no case was reported under the Company's Whistle Blower Policy or under the Sexual Harassment Policy during the Financial Year.

2. How many stakeholder complaints have been received in the past Financial Year and what percentage was satisfactorily resolved by the management?

The Company encourages all its stakeholders to freely share their concerns and grievances.

During the year under review no stakeholder complaints were received by the Company.

S. No.	Particulars	Complaints received	Complaints resolved	Pending	Complaint Resolution (%)
1	Customer complaints	166	166	Nil	100
2	Shareholder complaints	Nil	Nil	Nil	N/A
3	Complaints received under Whistler Blower Policy /Vigil mechanism	Nil	Nil	Nil	N/A
4	Complaints relating to sexual harassment	Nil	Nil	Nil	N/A
5	Complaints relating to Discriminatory employment	Nil	Nil	Nil	N/A
6	Complaints relating to Child/forced/ involuntary labour	Nil	Nil	Nil	N/A

PRINCIPLE 2: TO PROVIDE SERVICES THAT ARE SAFE AND CONTRIBUTE TO SUSTAINABILITY THROUGHOUT THEIR LIFE CYCLE

1. List up to three of your products or services whose design has incorporated social or environmental concerns, risks and/or opportunities

Not applicable as a Housing Finance company is not engaged in a business concerning design of products/ services that could raise social concerns, cause economic risks and/or lead to hazardous possibilities.

2. For each such product, provide the following details in respect of resource use (energy, water, raw material etc.) per unit of product (optional):

The Company operates in the financial services sector, so this aspect does not relate to the nature of business. However, the Company extensively monitors energy consumption and waste generation as a part of its sustainability roadmap.

The Company procured energy saving 'green' IT equipment and power saving lamps like LEDs installed in branches. The Company installed high-end copier machines in branches to reduce carbon footprint. Paper work at branches and Registered Office was reduced by leveraging technology and digitization. The Company leveraged technology to adopt digital disbursement model helping to reduce turnaround time significantly.

3. Does the Company have procedures in place for sustainable sourcing (including transportation)?

Not applicable.

4. Has the Company taken any steps to procure goods and services from local & small producers, including communities surrounding their place of work?

Not applicable.

5. Does the Company have a mechanism to recycle products and waste? If yes what is the percentage of recycling of products and waste (separately as <5%, 5-10%, >10%). Also, provide details thereof, in about 50 words or so.

Not applicable.

PRINCIPLE 3: TO PROMOTE THE WELL-BEING OF ALL EMPLOYEES

Aavas possesses a culture of employee empowerment that respects individual potential and helps one to achieve it Fully. The Company encourages employees to 'own' their jobs and enhance work-life balance. The Company envisages a healthy work ambience of security, inclusivity and respect. The Company has articulated a strong stance against sexual harassment in the workplace, endeavoring to provide a better workplace for women.

i. Health and Safety: The World Health Organization declared the Novel Coronavirus disease (COVID-19) a global pandemic on March 11, 2020. There is no vaccine to prevent this disease as of now. Due to this pandemic, Government of India announced a lockdown across the country from March 25, 2020. The following measures were taken by the Company for employee safety:

(a) The Company proactively framed and implemented a contingency plan by suspending bio- metric attendance and providing a work from home facility to employees.

(b) To create awareness, training was imparted; advisories were circulated to employees including security and maintenance staff.

(c) Strict social distancing within branches and office premises was implemented.

(d) Strict prohibition on the use tobacco and spitting was implemented.

(e) Large gatherings and group meetings were disallowed

(f) Facemasks and sanitizers were made available to all employees

(g) Offices and branches were regularly sanitized.

(h) Guidelines of the Central and State Governments were adhered to.

ii. Pure life: The Company ensured that employees stayed healthy and happy. A renowned nutritionist and naturopathist visited the Corporate Office to provide food-related advice. The Company facilitated medical checks of employees and their family members at the corporate office. The Company organized health care programmes comprising cancer awareness programmes, eye check programmes and first-aid training.

The Company replaced plastic water bottles with copper water bottles throughout its branches, head office and customer cells.

iii. Fitness campaign: The Company encouraged employees to participate in fitness campaigns like Cyclothon – a cycle rally, Masala Bhangra - a fun way to burn some calories and Khelutsav – Annual Sports Event.

iv. Human resource activities: The Company's HR team organized events like Women's Day celebrations, Treasure Hunt competition, Mango Day, team outings/ get together, inter-department competitions and sport events, among others.

v. Employee Stock Options: The Company implemented employee stock options to promote employee ownership and attract, retain and motivate employees.

1. Please indicate the total number of Employees:

   4581 employees as on March 31, 2020

2. Please indicate the total number of employees hired on temporary/contractual/casual basis:

   1017 contractual Employees as on March 31, 2020

3. Please indicate the number of permanent women Employees:

   88 Permanent women Employees as on March 31, 2020

4. Please indicate the number of permanent Employees with disabilities:

   Nil

5. Do you have an employee association that is recognized by management?

   Nil

6. What percentage of your permanent employees is a member of this recognised employee association?

   Nil

7. Please indicate the number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last Financial Year and pending, as on the end of the Financial Year.

Serial number	Category	Number of complaints filed during the Financial Year	Number of complaints resolved	Pending
1	Child /forced/involuntary labour	Nil	Nil	Nil
2	Sexual harassment	Nil	Nil	Nil
3	Discriminatory employment	Nil	Nil	Nil

8. What percentage of your under mentioned employees were given safety and skill upgradation training in the last year?

   Training and Development builds the right mindset and develops appropriate skill sets to ensure that Aavas employees deliver, learn and grow. The Company has a Learning and Organization Development (L&OD) team, which looks after employee skill development.

   Gurukul is the learning academy at Aavas that intends to implement a learning road map for new employees. An array of planned and calibrated efforts helps grow the people of Aavas. The Company provides training to cluster heads, branch heads in the field of sales, collection and retention. In FY 2019-20, the Company provided an opportunity window to employees by enrolling them into the Indian Institute of Management (IIM) Program to develop management skills.

   Aavas provided training on traffic rules and the importance of wearing helmets to 500 employees. Aavas trained employees in FY 2019-20, including 300 days of offline training. The L&D team provides leadership development interventions to those who manage teams with Company's Lead 1 program. An online training program called FLIP ensured that employees learned while working. The Company started different Management Development Programs with IIMs for management skill development for its employees. Continuous learning and development remained a priority at Aavas.

PRINCIPLE 4: BUSINESSES SHOULD RESPECT THE INTERESTS OF, AND BE RESPONSIVE TOWARDS ALL STAKEHOLDERS, ESPECIALLY THOSE WHO ARE DISADVANTAGED, VULNERABLE AND MARGINALISED.

The Company has always believed in aligning business practices with societal expectations. The Company treats each stakeholder around the principles of fairness and justice, irrespective of their caste, creed, religion and gender. The identification of vulnerable stakeholders and the Company's impact on them is of crucial importance in developing long-term value-enhancing strategies. The Company commenced operations in March 2012 with a focus on serving low and middle income, self-employed customers in rural and semi-urban markets, targeting geographies with low credit penetration.

The Company developed relationships through in-person customer contact. Direct contact contact with customers has helped mitigate underwriting and default risks, making it possible to provide personalized services resulting in increased customer loyalty.

The Company believes that service excellence cannot be achieved in the short-term; the quest for excellence needs to constantly do better. The Company took the following measures to improve customer experience in FY 2019-20:

i) Adopted a 'customer first' approach

ii) Created a service lobby at the Head Office for a superior customer experience

iii) Increased the customer service team and inbound call center (better service and lower call waiting)

iv) First call resolution;

v) Training initiatives especially soft skills for employees

Our customer service journey begins by understanding their requirements.

The Company is trusted for the way it manages papers or the confidentiality that the customer needs. The Company is also respected for the way it inculcates financial discipline among loan takers, how it charts the loan-seeker's multi-year financial journey. The Company is also trusted for the way it helps in mainstreaming the customers for the first ever time. It helps in catalyzing the asset creation process of the customers.

The Company selected employees for branches from the respective terrains with local familiarity and the ability to speak the local dialect. It has created a branch décor template that is uplifting enough to send out a message of order, formality and seriousness while at the same time staying friendly without becoming intimidating.

Besides, it has created customer communication protocol which is detailed, lucid, and simple and helps in hand holding the customer through the entire process.

It also links the low value borrowers with government schemes to help them in availing the credit-linked subsidy scheme benefits.

The Company commissioned branches at the district and tehsil levels to be proximate to its customers. The Company made its documentation process designed in a way that it doesn't require income proof from customers coming from the unorganized segment.

1. Has the company mapped its internal and external stakeholders?

   Yes, the Company has mapped its internal and external stakeholders.

2. Out of the above, has the Company identified the disadvantaged, vulnerable and marginalised stakeholders?

   Yes.

3. Are there any special initiatives taken by the company to engage with the disadvantaged, vulnerable and marginalised stakeholders. If so, provide details thereof, in about 50 words or so.

   The Company is serving the underserved population in rural and semi-urban parts of India and helping them to convert their dream of owning a home into reality.

   The Company's businesses focus is on servicing the key needs of people through financial products. CSR initiatives undertaken by the Company are an extension of its socially inclusive business model. These are taken up pan-India for meeting the expectations of stakeholders through need-based assessments. Various projects were initiated covering preventive health care, quality education to underprivileged and orphans, awareness campaigns and education on national issues, steps to combat the national disaster or crises like COVID-19, conservation, protection and amelioration of environment, skilling and to improve the quality of life through providing basic safety & security, health & hygiene environments at workplace to the construction workers.

PRINCIPLE 5: BUSINESSES SHOULD RESPECT AND PROMOTE HUMAN RIGHTS

The Company ensures compliance with all applicable laws pertaining to human rights. At Aavas, all stakeholders, customers and employees are treated with dignity, respect and understanding. The Company is committed to comply with human rights for the benefit of all stakeholders. The Company does not employ forced or child labour and promotes equality among employees.

In an exceptionally difficult COVID-19 period, the Company believed that urgent emergency resources need to be deployed. The Company donated funds to Rajasthan Chief Minister's Relief Fund (CMRF) COVID-19 Mitigation Fund and Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM CARES Fund). It provided food to needy people in night shelters and slums; it distributed Personal Protective Equipment, masks, sanitizers and gloves for medical and police personnel working on the frontlines.

In addition, Pursuant to Notification no. RBI/2019-20/186 DOR.No.BP.BC.47/21.04.048/2019-20 dated March 27, 2020 issued by the Reserve Bank of India (RBI) in respect of COVID-19 – Regulatory Package, the Company has framed and implemented a 'Policy on Deferment of PEMI/EMI (COVID-19)' which gave Company's borrowers an option to defer their EMIs for three months. In this difficult period, the Company continuously engaged with its borrowers for making aware about this option.

1. Does the policy of the Company on human rights cover only the Company or extend to the group/joint ventures/ suppliers/contractors/NGOs/others?

   The policy of the Company is applicable on the Company as well as on the external stakeholders.

2. How many Stakeholders complaints have been received in the past financial year and what percent was satisfactorily resolved by the management?

   During the Financial Year, the Company had not received any complaint(s) on human right violation. For details of all Stakeholder Complaints, you are requested to refer the response on Principle 1.

PRINCIPLE 6: BUSINESS SHOULD RESPECT, PROTECT, AND MAKE EFFORTS TO RESTORE THE ENVIRONMENT

The Company understands that business should utilize natural and man-made resources in a responsible manner, protecting environment sustainability by reducing waste. In this regard, the Company took a number of initiatives.

The financial services business of the Company does not require an intensive consumption of environmental resources. However, the Company is taking necessary steps for energy conservation and environment protection. Environment protection has been a key part of the Company's long-term CSR initiatives.

1. **Does the policy related to Principle 6 cover only the Company or extends to the group/joint ventures/suppliers/contractors/NGOs/others.**

   The policy of the Company is applicable on the Company and external stakeholders.

2. **Does the Company have strategies/ initiatives to address global environmental issues such as climate change, global warming, etc.? Y/N. If yes, please give hyperlink for webpage etc.**

   The Company is planning to address environmental issues through CSR Initiatives. The CSR Policy of the Company can be accessed at https://www.aavas.in/csr-policy.

3. **Does the Company identify and assess potential environmental risks?**

   Yes, the Company assesses the potential environmental risks.

4. **Does the Company have any project related to Clean Development Mechanism? If so, provide details thereof, in about 50 words or so. Also, if yes, whether any environmental compliance report is filed?**

   Not Applicable.

5. **Has the Company undertaken any other initiatives on – clean technology, energy efficiency, renewable energy, etc.? Y/N. If yes, please give hyperlink for web page etc.**

   The Company has taken various initiatives, including:

   i. Installing LED lights across offices and branches

   ii. Placing posters on lifts to motivate employees to use the stairs

   iii. Switching off major systems at 7 pm to moderate electricity consumption

   iv. Promoting employees to car pool when commuting to the office.

   v. Installing a high-end copier machine in high print volume in branches to reduce carbon footprint

   vi. Disposing waste IT assets in an environment friendly way

   vii. Participating in a tree plantation drive

   viii. Reducing paper work in branches and the registered office by promoting digitization.

   ix. Paperless Board and Committee meetings.

6. **Are the emissions/waste generated by the Company within the permissible limits given by CPCB/SPCB for the financial year being reported?**

   Not applicable.

7. **Number of show cause/ legal notices received from CPCB/ SPCB which is pending (i.e. not resolved to satisfaction) as on end of financial year.**

   The Company has not received any notice from CPCB / SPCB.

PRINCIPLE 7: BUSINESSES, WHEN ENGAGED IN INFLUENCING PUBLIC AND REGULATORY POLICY, SHOULD DO SO IN A RESPONSIBLE MANNER

The Company engages with industry bodies and associations to influence public and regulatory policies in a responsible manner and advocates best practices for the benefit of the society at large.

1. **Is your Company a member of any trade and chamber or association? If yes, name only those major ones that your business deals with:**

   The Company is a member of the following associations:

   a) The Associated Chambers of Commerce & Industry of India (ASSOCHAM)

   b) PHD Chamber of Commerce and Industry (PHD Chamber)

2. **Have you advocated/lobbied through above associations for the advancement or improvement of public good? Yes/No; if yes specify the broad areas (drop box: governance and administration, economic reforms, inclusive development policies, energy security, water, food security, sustainable business principles, among others)**

   No.

PRINCIPLE 8: BUSINESSES SHOULD SUPPORT INCLUSIVE GROWTH AND EQUITABLE DEVELOPMENT

The Company is a retail, affordable housing finance company, primarily serving low and middle income self-employed customers in semi-urban and rural areas. A majority of the customers have limited access to formal banking credit. The efforts of the Company are aligned to the mission of transforming customers lives and driving a positive change in communities.

Aavas supports inclusive growth and equitable development through CSR. The Company has a detailed CSR policy; CSR activities are monitored by the Board and the CSR Committee. The major CSR programs are being pursued in the areas where it operates. The Company's CSR initiatives focus on education (including livelihood), healthcare and environment. Programs are executed by experienced personals. The areas covered are:

i. Promoting education

ii. Preventive healthcare

iii. Providing food security

iv. Promotion of sports

v. Environment protection

The Company provides equal opportunities to employees. It offers equal roles and responsibilities to women employees; various departments are headed by women. The Company formulated stock option plans for employees. Stock options have long been recognised as an effective instrument to align the interest of employees with those of the Company and shareholders, providing an opportunity to employees to generate long-term wealth, enhance a sense of ownership and pave the way for enhanced shareholder value.

1. **Does the Company have specified programmes/initiatives/ projects in pursuit of the policy related to Principle 8? If yes details thereof.**

   Yes, the Company's approach for taking forward such programmes/Initiatives/Projects are given in the CSR Policy (https://www.aavas.in/csr-policy). Projects implemented by the Company in FY 2019-20 and Project wise CSR expenditure is given in "**Annexure-8**" of the Directors' Report. The Company also partners with Government of India to provide home loans to customers from the LIG/ MIG segments under Pradhan Mantri Awas Yojna for implementing Credit Link Subsidy Scheme (CLSS). The Company has a policy to give priority in sanctioning loans, where female member of the family acts as the Applicant/ Co-Applicant for the loan. This helps promote women's economic and social empowerment.

2. **Are the programmes/projects undertaken through in-house team/own foundation/external NGO/government structures/ any other organisation?**

   The Company is directly involved in implementing CSR projects. The Company engages external NGOs and organisations for the areas in which it lacks expertise but the projects are supervised by in-house teams. The Company has set up Aavas Foundation for implementing such programmes/projects.

3. **Have you done any impact assessment of your initiative?**

   Yes, at periodic intervals, CSR Committee and the Board of Directors are apprised with the progress and updates of the CSR initiatives undertaken as per the guidelines of Schedule VII of the Companies Act, 2013.

4. **What is your Company's direct contribution to community development projects - Amount in INR and the details of the projects undertaken?**

   Refer "**Annexure-8**" of the Directors' Report where community development projects are part of CSR Expenditure.

5. **Have you taken steps to ensure that this community development initiative is successfully adopted by the community? Please explain in 50 words, or so.**

   The Company's CSR programmes are developed by experienced professionals in consultation with the NGOs. The CSR Committee conducts quarterly review of the performance of CSR programmes in the Committee Meeting.

PRINCIPLE 9: BUSINESSES SHOULD ENGAGE WITH AND PROVIDE VALUE TO THEIR CUSTOMERS AND CONSUMERS IN A RESPONSIBLE MANNER

The Company has a vision for enriching lives by enabling people to achieve their dream of owning a home, encapsulated in its commitment of 'SAPNE AAPKE, SAATH HAMAARA'. It strives to provide the best and delightful experience to customers. The Company sources customers directly, maintaining on-going relationships. A majority of the customers are borrowers referred to by existing or former customers'; its branches act as a single point of contact.

1. **What percentage of Customer complaints/Consumer cases are pending as on the end of Financial Year.**

   For the Financial Year 2019-20, the Company resolved 100% complaints received.

2. **Does the Company display product information on the product label, over and above what is mandated as per local laws? Yes/No/N.A./Remarks (additional information)**

   The Company provides Housing Finance, so this does not apply. However, the Company provides transparent information on products through its website with detailed information on products, features, service charges and fees. The Customers also get product information from Notice Board displayed at the branches.

3. **Is there any case filed by any stakeholder against the Company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behaviour during the last five years and pending as on end of financial year? If so, provide details thereof, in about 50 words or so.**

   No

4. **Did your Company carry out any consumer survey/ consumer satisfaction trends?**

   Yes, the Company has a structured clinical customer survey/ C-Sat process, executed in a two-fold manner, one through 100% customer engagement during on-boarding through a welcome calling process, which is internal, and secondly, an external independent agency survey for C-Sat, an on-going basis conducted quarterly. The external survey is conducted by NFX Digital, a leading survey agency, which surveys the mix of newly on-boarded and vintage customers. The Voice of Customer survey provides insights for improvement and value-creation.

For and on behalf of the Board of Directors
AAVAS FINANCIERS LIMITED

Sushil Kumar Agarwal
Managing Director & CEO
(DIN: 03154532)

Date: May 14, 2020
Place: Jaipur

Manas Tandon
Promoter Nominee Director
(DIN: 05254602)

Date: May 14, 2020
Place: Mumbai

Financial Statements

INDEPENDENT AUDITOR'S REPORT

To
the Members of
Aavas Financiers Limited

Report on the Audit of the Standalone Ind AS Financial Statements

Opinion

We have audited the accompanying standalone Ind AS financial statements of Aavas Financiers Limited ("the Company"), which comprise the Balance sheet as at March 31 2020, the Statement of Profit and Loss, including the statement of Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and notes to the standalone Ind AS financial statements, including a summary of 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 standalone Ind AS financial statements give the information required by the Companies Act, 2013, as amended ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2020, its profit including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Basis for Opinion

We conducted our audit of the standalone Ind AS financial statements in accordance with the Standards on Auditing (SAs), as specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the Standalone Ind AS 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 audit opinion on the standalone Ind AS financial statements.

Emphasis of Matter

We draw attention to Note 47 to the standalone Ind AS financial statement, which describes the extent to which the COVID-19 pandemic will impact the Company's operations and its financial metrics including the expected credit loss on financial assets which are dependent on uncertain future developments. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone Ind AS financial statements for the financial year ended March 31, 2020. These matters were addressed in the context of our audit of the standalone Ind AS financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have determined the matters described below to be the key audit matters to be communicated in our report. We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the standalone Ind AS financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the standalone Ind AS financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying standalone Ind AS financial statements.

Key audit matters	How our audit addressed the key audit matter
Impairment of Financial assets *(as described in Note 4 of the standalone Ind AS financial statements)*	
Ind AS 109 requires the Company to provide for impairment of its financial assets using the expected credit loss ('ECL') approach involving an estimation of probability of loss on the financial assets over their life, considering reasonable and supportable information about past events, current conditions and forecasts of future economic conditions which could impact the credit quality of the Company's financial assets. In the process, a significant degree of judgement has been applied by the management in respect of following matters: a) Grouping of the loan portfolio under risk-based categories determined using Company's risk-management framework. Loans grouped under a particular category are assumed to represent a homogenous pool thereby expected to demonstrate similar credit characteristics. b) Staging of loans. c) Estimation of expected loss from historical observations. d) Estimation of losses in respect of those groups of loans which had no/ minimal defaults in the past. e) Management overlay for macro-economic factors and estimation of their impact on the credit quality. The Company has developed models that derive key assumptions used within the provision calculation such as probability of default (PD) and loss given default (LGD). The output of these models is then applied to the provision calculation with other information including and the exposure at default (EAD). The impact of COVID-19 on the ECL is highly uncertain, however the Company has factored the higher risk in its computation of the ECL provision and has applied management overlays which are approved by the Board of Directors. Considering the significance of such provision to the overall financial statements and the degree of management's judgment, any error or misstatement in such estimate may give rise to a material misstatement of the Ind AS financial statements or omission of any disclosure required by the standards. Therefore, it is considered as a key audit matter.	• Our audit procedures included considering the Company's accounting policies for impairment of financial instruments and assessing compliance with the policies in terms of Ind AS 109. Assessed the assumptions used by the Company for grouping and staging of loan portfolio into various categories and default buckets and their appropriateness for determining the probability-weighted default (PD) and loss-given default (LGD) rates. • Tested controls for staging of loans based on their past-due status. Also tested samples of stage 1 and Stage 2 loans to assess whether any loss indicators were present requiring them to be classified under stage 2 or stage 3. • Tested samples of the input data used for determining the PD and LGD rates and agreed the data with the underlying books of accounts and records. • Assessed the management overlays applied by the Company to factor the impact of COVID-19 on the ECL as approved by their Board of Directors. • Tested the arithmetical accuracy of computation of ECL provision performed by the Company. • Assessed that the assumptions, used by the management for estimation of allowance for expected credit losses as at March 31, 2020, are presented and disclosed in the Ind AS financial statements. • Read and assessed the specific disclosures made in the Ind AS financial statements with regards to managements evaluation of the uncertainties arising from COVID-19 and its impact on ECL.
Information Technology ("IT") systems and controls	
Our audit procedures have a focus on IT systems and controls due to the pervasive nature and complexity of the IT environment, the large volume of transactions processed in numerous locations daily and the reliance on automated and IT dependent manual controls. Due to the pervasive nature and complexity of the IT environment, we have ascertained IT systems and controls as a key audit matter.	• In assessing the reliability of electronic data processing, we included specialized IT auditors as part of the audit team. • Tested the design and operating effectiveness of the IT general controls (logical access, changes management and aspects of IT operational controls). This included testing that requests for access to systems were reviewed and authorised. • Tested the Company's periodic review of access rights. We inspected requests of changes to systems for appropriate approval and authorisation. • Considered the control environment relating to various interfaces, configuration and other application layer controls identified as key to our audit. • Where deficiencies were identified, tested compensating controls or performed alternate procedure.

Key audit matters	How our audit addressed the key audit matter
De-recognition of financial assets *(as described in note 44 of the standalone Ind AS financial statements)*	
During the year, the Company has assigned loans amounting to ₹738.59 crores for managing its funding requirements and recorded a net income of ₹76.59 crores and corresponding un-winding of excess interest spread receivable of ₹55.04 crores. As per Ind AS 109, de-recognition of loans transferred by the Company through assignment is based on the 'risk and reward' model and a 'control' model. If de-recognition criteria are met, the financial assets transferred are de-recognized and difference between carrying value and consideration including the present value of interest payments that it would not give up (excess interest spread receivable) is recorded as income in the statement of profit and loss. The Company also records a servicing asset and servicing liability at their fair value for the right retained for servicing the financial asset for the service contract and the related costs to be incurred. There are assumptions made with respect to the remaining tenor of the financial assets assigned and other factors which could materially impact the fair valuation as well the excess interest spread. Accordingly, de-recognition of financial assets was considered as a key audit matter.	• Our audit procedures included considering the Company's accounting policies for de-recognition of financial instruments and assessing compliance with the policies in terms of Ind AS 109. • Examined the terms of assignment agreements on a sample basis to evaluate whether the de-recognition criteria have been applied by the Company. • Assessed the significant estimates and judgments, including the discount rate and expected remaining life of the portfolio transferred used by the Company for computation of excess interest spread receivable servicing asset and servicing liability. • Tested the arithmetical accuracy of computation of the excess interest spread receivable, servicing asset and servicing liability. • Assessed the disclosures included in the Ind AS financial statements with respect to de-recognition in accordance with the requirements of Ind AS 109 and Ind AS 107.

Other Information

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Annual report, but does not include the standalone Ind AS financial statements and our auditor's report thereon.

Our opinion on the standalone Ind AS 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 standalone Ind AS financial statements, our responsibility is to read the other information and, in doing so, consider whether such 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.

Responsibilities of Management for the Standalone Ind AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity 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 read with [the Companies (Indian Accounting Standards) Rules, 2015, as amended. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the 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 standalone Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone Ind AS financial statements, management is 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.

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

Auditor's Responsibilities for the Audit of the Standalone Ind AS Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone Ind AS 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 standalone Ind AS 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 [standalone] Ind AS 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 standalone Ind AS financial statements, including the disclosures, and whether the standalone Ind AS 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 standalone Ind AS financial statements for the financial year ended March 31, 2020 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the "**Annexure-1**" a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. 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 the Statement of Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;

   (d) In our opinion, the aforesaid standalone Ind AS financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended;

(e) On the basis of the written representations received from the directors as on March 31, 2020 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2020 from being appointed as a director in terms of Section 164 (2) of the Act;

(f) With respect to the adequacy of the internal financial controls over financial reporting of the Company with reference to these standalone Ind AS financial statements and the operating effectiveness of such controls, refer to our separate Report in "**Annexure-2**" to this report;

(g) In our opinion, the managerial remuneration for the year ended March 31, 2020 has been paid / provided by the Company to its directors in accordance with the provisions of section 197 read with Schedule V to the Act;

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

i. The Company does not have any pending litigations which would impact its financial position Refer Note 39 in the financial statement;

ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses. Refer Note 34 in the financial statement;

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

For **S.R. Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm Registration Number: 101049W/E300004

per Sarvesh Warty
Partner
Membership Number: 121411
UDIN: 20121411AAAACE3389

Place of Signature: Mumbai
Date: May 14, 2020

Annexure 1 referred to in paragraph 1 under the heading "Report on other legal and regulatory requirements" of our report of even date

Re: Aavas Financiers Limited

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

(b) All fixed assets were physically verified by the management in the previous year in accordance with a planned programme of verifying them once in two years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.

(c) According to the information and explanations given by the management, the title deeds of immovable properties included in property, plant and equipment are held in the name of the company.

(ii) The Company's business does not involve inventories and, accordingly, the requirements under clause 3 (ii) of the Order are not applicable to the Company and hence not commented upon.

(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 Companies Act, 2013. Accordingly, the provisions of clause 3(iii) (a), (b) and (c) of the Order are not applicable to the Company and hence not commented upon.

(iv) In our opinion and according to the information and explanations given to us, there are no loans, investments, guarantees, and securities given in respect of which provisions of section 185 and 186 of the Act are applicable and hence not commented upon.

(v) The Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.

(vi) To the best of our knowledge and as explained, the Central Government has not specified the maintenance of cost records under section 148(1) of the Act, for the services of the Company.

(vii) (a) Undisputed statutory dues including provident fund, employees' state insurance, income-tax, value added tax, goods and service tax, cess and other statutory dues have generally been regularly deposited with the appropriate authorities though there has been a slight delay in a few cases. The provisions relating to duty of excise and sales-tax are not applicable to the Company.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, service tax, sales-tax, duty of custom, duty of excise, value added tax, goods and service tax, cess and other statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

(c) According to the information and explanations given to us, there are no dues of income tax, sales-tax, service tax, customs duty, excise duty, value added tax and cess which have not been deposited on account of any dispute.

(viii) In our opinion and according to the information and explanations given by the management, the Company has not defaulted in repayment of loans or borrowing to a financial institution, bank or government or dues to debenture holders.

(ix) In our opinion and according to the information and explanations given by the management, the Company has utilized the monies raised by way of initial public offer and debt instruments in the nature of Non-convertible debentures for the purposes for which they were raised.

Further, monies raised by the Company by way of term loans were applied for the purpose for which those were raised, though idle/surplus funds which were not required for immediate utilization were gainfully invested in liquid investments payable on demand. The maximum amount of idle/surplus funds invested during the year was ₹224 crores, of which ₹ Nil was outstanding at the end of the year.

(x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud by the Company or no material fraud on the Company by the officers and employees of the Company has been noticed or reported during the year.

(xi) According to the information and explanations given by the management, the managerial remuneration has been paid and provided in accordance with the requisite approvals mandated by the provisions of section 197, read with Schedule V to the Act.

(xii) In our opinion, the Company is not a nidhi company. Therefore, the provisions of clause 3(xii) of the Order are not applicable to the Company and hence not commented upon.

(xiii) According to the information and explanations given by the management, 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 notes to the financial statements, as required by the applicable accounting standards.

(xiv) According to the information and explanations given to us and on an overall examination of the balance sheet, the company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and hence, reporting requirements under clause 3(xiv) are not applicable to the company and, not commented upon.

(xv) According to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with the directors as referred to in section 192 of the Act.

(xvi) According to the information and explanations given to us, the provisions of section 45-IA of the Reserve Bank of India Act, 1934 are not applicable to the Company.

For **S.R. Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm Registration Number: 101049W/E300004

per Sarvesh Warty
Partner
Membership Number: 121411
UDIN: 20121411AAAACE3389

Place of Signature: Mumbai
Date: May 14, 2020

Annexure 2 referred in paragraph 2(f) under the heading "Report on other legal and regulatory requirements" of our report of even date

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 over financial reporting of Aavas Financiers Limited ("the Company") as of March 31, 2020 in conjunction with our audit of the standalone 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 based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. 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, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting with reference to these standalone financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing as specified under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting with reference to these standalone 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 over financial reporting with reference to these standalone financial statements and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting with reference to these standalone 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 judgement, 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 internal financial controls over financial reporting with reference to these standalone financial statements.

Meaning of Internal Financial Controls Over Financial Reporting With Reference to these Financial Statements

A company's internal financial control over financial reporting with reference to these standalone 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 over financial reporting with reference to these standalone 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 Over Financial Reporting With Reference to these Standalone Financial Statements

Because of the inherent limitations of internal financial controls over financial reporting with reference to these standalone 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 over financial reporting with reference to these standalone financial statements to future periods are subject to the risk that the internal financial control over financial reporting with reference to these standalone 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, adequate internal financial controls over financial reporting with reference to these standalone financial statements and such internal financial controls over financial reporting with reference to these standalone financial statements were operating effectively as at March 31, 2020, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **S.R. Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm Registration Number: 101049W/E300004

per Sarvesh Warty
Partner
Membership Number: 121411
UDIN: 20121411AAAACE3389

Place of Signature: Mumbai
Date: May 14, 2020

Standalone Balance Sheet as at March 31, 2020

(₹ in lakh)

Particulars	Notes	As at March 31, 2020	As at March 31, 2019
Assets			
Financial assets			
Cash and cash equivalents	2	35,022.40	15,966.22
Bank balance other than cash and cash equivalents	2	84,183.13	51,948.61
Derivative financial instruments	3	-	87.86
Loans	4	6,18,079.83	4,72,449.00
Investments	5	450.00	450.00
Other financial assets	6	18,136.68	16,359.12
Total financial assets		7,55,872.04	5,57,260.81
Non-financial assets			
Current tax assets (net)		1,438.03	1,707.41
Property, plant and equipment	7(a)	2,699.83	1,922.97
Capital work-in-progress	7(b)	30.99	-
Intangible assets under development	7(c)	39.90	9.08
Other intangible assets	7(d)	414.84	359.12
Right-of-use assets	8	2,874.20	-
Other non-financial assets	9	629.73	434.61
Total non-financial assets		8,127.52	4,433.19
Assets held for sale	10	1,804.30	988.79
Total Assets		7,65,803.86	5,62,682.79
Liabilities and Equity			
Liabilities			
Financial liabilities			
Payables	11		
(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		1,737.64	949.25
Debt securities	12	1,16,846.54	43,705.08
Borrowings (other than debt securities)	13	4,08,391.40	3,11,661.71
Subordinated liabilities	14	9,965.61	9,958.30
Lease liabilties	15	3,012.91	-
Other financial liabilities	16	10,694.78	7,163.18
Total financial liabilities		5,50,648.88	3,73,437.52
Non-financial liabilities			
Provisions	17	827.04	443.05
Deferred tax liabilities (net)	18	3,170.30	4,274.93
Other non-financial liabilities	19	1,364.27	831.36
Total non-financial liabilities		5,361.61	5,549.34
Equity			
Equity share capital	20	7,832.27	7,810.79
Other equity	21	2,01,961.10	1,75,885.14
Total equity		2,09,793.37	1,83,695.93
Total Liabilities and Equity		7,65,803.86	5,62,682.79
Summary of significant accounting policies	1		

The accompanying notes are an integral part of the financial statements

As per our report of even date

For S.R. Batliboi & Associates LLP
ICAI Firm Registration No. 101049W/E300004
Chartered Accountants

per Sarvesh Warty
Partner
Membership No. 121411
Place: Mumbai

Date: May 14, 2020

For and on behalf of the Board of Directors of
AAVAS FINANCIERS LIMITED

Manas Tandon
(Non-executive Promoter Nominee Director)
Place: Mumbai

Sushil Kumar Agarwal
(Managing Director and CEO)
Place: Jaipur

Ghanshyam Rawat
(Chief Financial Officer)
Place: Jaipur

Sharad Pathak
(Company Secretary & Compliance Officer)
Place: Jaipur

Standalone Statement of profit and loss for the year ended March 31, 2020

(₹ in lakh)

Particulars	Notes	For the year ended March 31, 2020	For the year ended March 31, 2019
Revenue from operations			
Interest income	22	78,642.51	59,354.82
Fees and commission income	23	3,327.60	2,602.73
Net gain on derecognition of financial instruments under amortised cost category		7,658.88	7,828.01
Net gain on fair value changes	24	600.43	1,211.42
Total revenue from operations		90,229.42	70,996.98
Other income	25	79.99	100.27
Total income		90,309.41	71,097.25
Expenses			
Finance costs	26	35,607.15	25,536.71
Fees and commission expense	27	490.05	492.20
Impairment on financial instruments	28	1,533.78	889.77
Employee benefits expense	29	14,707.45	11,723.54
Depreciation, amortization and impairment	7(a) & 7(c)	1,956.13	972.34
Other expenses	30	5,810.18	5,713.47
Total expenses		60,104.74	45,328.03
Profit/(loss) before tax		30,204.67	25,769.22
Tax expense:	18		
(1) Current tax		6,397.21	5,038.29
(2) Deferred tax		(1,104.63)	3,139.70
Profit/(loss) for the year		24,912.09	17,591.23
Other comprehensive income			
a) Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit liability	29	(6.97)	35.07
Income tax effect	18	1.75	(12.25)
b) Items that will be reclassified to profit or loss		-	-
Other comprehensive income , net of income tax		(5.22)	22.82
Total comprehensive income for the year		24,906.87	17,614.05
Earnings per equity share	31		
Basic (₹)		31.86	23.65
Diluted (₹)		31.49	23.08
Nominal value per share (₹)		10.00	10.00
Summary of significant accounting policies	1		

The accompanying notes are an integral part of the financial statements

As per our report of even date

For S.R. Batliboi & Associates LLP
ICAI Firm Registration No. 101049W/E300004
Chartered Accountants

per Sarvesh Warty
Partner
Membership No. 121411
Place: Mumbai

Date: May 14, 2020

For and on behalf of the Board of Directors of
AAVAS FINANCIERS LIMITED

Manas Tandon
(Non-executive Promoter Nominee Director)
Place: Mumbai

Sushil Kumar Agarwal
(Managing Director and CEO)
Place: Jaipur

Ghanshyam Rawat
(Chief Financial Officer)
Place: Jaipur

Sharad Pathak
(Company Secretary & Compliance Officer)
Place: Jaipur

Statement of Changes in Equity for the year ended March 31, 2020

a. Equity Share Capital

(₹ in lakh)

Particulars	Amount
Balance as at March 31, 2018	6,917.28
Shares issued during the year ended March 31, 2019	893.51
Balance as at March 31, 2019	7,810.79
Shares issued during the year ended March 31, 2020	21.48
Balance as at March 31, 2020	7,832.27

b. Other Equity

(₹ in lakh)

Equity Component of compounded financial instruments	Reserves and surplus				Money received against share warrants	Total
	Securities premium account	Share based payments reserve	Special Reserve	Retained earnings		
Balance as at March 31, 2018	83,239.86	3,284.86	4,820.62	20,703.79	24.00	1,12,073.13
Profit for the year (A)	-	-	-	17,591.23	-	17,591.23
Other comprehensive income for the year (B)	-	-	-	22.82	-	22.82
Total comprehensive income for the year (A+B)	-	-	-	17,614.05	-	17,614.05
Transfer to Special reserve u/s 29C of The National Housing Bank Act, 1987 read with 36 (1) (viii) of income tax Act. 1961	-	-	3,522.81	(3,522.81)	-	-
Issue of share capital	46,643.86	-	-	-	(24.00)	46,619.86
Transaction cost	(1,107.92)	-	-	-	-	(1,107.92)
Share based payments	-	686.02	-	-	-	686.02
Share options exercised during the year	3,228.53	(3,228.53)	-	-	-	-
Balance as at March 31, 2019	1,32,004.33	742.35	8,343.43	34,795.03	-	1,75,885.14
Profit for the year (C)	-	-	-	24,912.09	-	24,912.09
Other comprehensive income for the year (D)	-	-	-	(5.22)	-	(5.22)
Total comprehensive income for the year (C+D)	-	-	-	24,906.87	-	24,906.87
Transfer to Special reserve u/s 29C of The National Housing Bank Act, 1987 read with 36 (1) (viii) of income tax Act. 1961	-	-	4,981.37	(4,981.37)	-	-
Issue of share capital	523.25	-	-	-	-	523.25
Transaction cost	(3.99)	-	-	-	-	(3.99)
Share based payments	-	647.14	-	-	-	647.14
Share options exercised during the year	220.20	(220.20)	-	-	-	-
Balance as at March 31, 2020	1,32,743.79	1,169.29	13,324.80	54,720.53	-	2,01,958.41

Share application money pending allotment

(₹ in lakh)

Balance as at March 31, 2019	-
Share application money pending allotment received	2.69
Balance as at March 31, 2020	2.69

As per our report of even date

For S.R. Batliboi & Associates LLP
ICAI Firm Registration No. 101049W/E300004
Chartered Accountants

per Sarvesh Warty
Partner
Membership No. 121411
Place: Mumbai

Date: May 14, 2020

For and on behalf of the Board of Directors of
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Ghanshyam Rawat
(Chief Financial Officer)
Place: Jaipur

Sharad Pathak
(Company Secretary & Compliance Officer)
Place: Jaipur

Standalone Cash flow statement for the year ended March 31, 2020

(₹ in lakh)

Particulars	Notes	Year ended March 31, 2020	Year ended March 31, 2019
A Cash flow from operating activities:			
Net profit before tax as per statement of profit and loss		30,204.67	25,769.22
Adjustments for			
Depreciation and amortisation of PPE and right of use assets	7 & 8	1,956.13	972.34
Interest on lease liabilities		249.58	-
Net gain on derecognition on assigned loans		(2,154.54)	(4,232.09)
Provision for expected credit loss (ECL)	28	1,026.98	563.25
Provision for employee benefits		281.30	155.11
Derivative mark to market gain	24	(3.23)	(28.97)
Provision for CSR expenditure		17.28	44.79
Share based payments	29	647.14	686.02
Operating profit before working capital changes		32,225.31	23,929.67
Changes in working capital			
Increase in loans		(1,46,461.03)	(1,39,566.53)
Increase in financial and other assets		(1,572.05)	(4,352.77)
Net Increase/(decrease) in financial and other liabilities		4,708.25	(808.29)
Total of changes in working capital		(1,43,324.83)	(1,44,727.59)
Direct taxes paid		(6,126.03)	(6,809.60)
Net cash flow used in operating activities (A)		(1,17,225.55)	(1,27,607.52)
B Cash flow from investing activities:			
Inflow (outflow) on account of :			
Investment in fixed deposits		(32,234.53)	(31,301.20)
Purchase of Property, plant and equipment (including capital work-in-progress)/ intangible assets	7	(1,954.17)	(1,427.34)
Sale of Property, plant and equipment (including capital work-in-progress)		14.43	9.62
Net cash flow used in investing activities (B)		(34,174.27)	(32,718.92)
C Cash flow from financing activities:			
Issue of equity shares (including share premium)		547.42	47,513.36
Share / debenture issue expenses		(908.10)	(1,292.90)
Proceeds from borrowings		2,36,122.26	1,46,533.36
Repayment of borrowings		(64,283.88)	(52,309.87)
Repayment of lease liabilities		(1,021.70)	-
Net Cash flow generated from financing activities (C)		1,70,456.00	1,40,443.95
Net increase/(decrease) in cash and cash equivalents (A+B+C)		19,056.18	(19,882.49)
Cash and cash equivalents as at the beginning of the year		15,966.22	35,848.71
Cash and cash equivalents at the end of the year	2	35,022.40	15,966.22
Components of cash and cash equivalents			
Cash on hand		43.71	202.00
Balance in franking machine*		0.95	0.95
Balance with banks			

Standalone Cash flow statement for the year ended March 31, 2020

(₹ in lakh)

Particulars	Notes	Year ended March 31, 2020	Year ended March 31, 2019
In current accounts		-	3,872.39
In cash credit		2.74	645.06
In deposit account		34,975.00	11,245.82
Total cash and cash equivalents	2	35,022.40	15,966.22
Operational Cash Flow from Interest			
Interest Received		75,657.63	55,936.64
Interest Paid		(30,189.46)	(21,524.00)
Summary of significant accounting policies	1		

* The Company can utilize the balance towards stamping of loan agreements executed with their borrowers and also for the agreements executed by the Company for its own borrowings.

Note:-

1. Cash flow statement has been prepared under indirect method as set out in the IND AS 7 “Cash Flow Statement”.

2. Previous year figures have been regrouped/ reclassified wherever applicable.

As per our report of even date

For S.R. Batliboi & Associates LLP
ICAI Firm Registration No. 101049W/E300004
Chartered Accountants

per Sarvesh Warty
Partner
Membership No. 121411
Place: Mumbai

Date: May 14, 2020

For and on behalf of the Board of Directors of
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(Chief Financial Officer)
Place: Jaipur

Sharad Pathak
(Company Secretary & Compliance Officer)
Place: Jaipur

Notes to the Standalone Financial Statements for the year ended March 31, 2020

A. Corporate Information

AAVAS FINANCIERS LIMITED (“the Company”) is a public limited Company domiciled in India and incorporated under the provisions of the Companies Act, 1956. The Company is registered as a housing finance company with National Housing Bank (NHB) vide Registration No. 04.0151.17 and is engaged in the long term financing activity in the domestic markets to provide housing finance. The Company is a public limited company and its shares are listed on the Bombay Stock Exchange (BSE), India, and the National Stock Exchange (NSE), India.

B. Basis of preparation of financial statements

a) Basis of preparation

The standalone financial statements of the Company have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time).

The previous year financial statements i.e. year ended 31 March 2019 are the first which has prepared in accordance with Ind AS by the Company. The standalone financial statements have been prepared on a historical cost basis, except for, derivative financial instruments and other financial assets held for trading and all of which have been measured at fair value. The standalone financial statements are presented in Indian Rupees (INR) and all values are rounded to the nearest lakh, except when otherwise indicated.

Additional information required in terms of Housing Finance Companies – Corporate Governance (National Housing Bank) Directions, 2016 NHB(ND)/DRS/REG/MC-07/2018, 02 July, 2018 and Notification no. NHB.HFC.CG-DIR.1/MD&CEO/2016 dated February 09,2017 have been prepared on the basis of previous GAAP pursuant to the NHB circular no. NHB (ND)/DRS/Policy Circular No.89/2017-18 dated June 14, 2018 is given in Annexure I, which have been presented solely based on the information compiled by the Management.

b) Basis of measurement

The financial statements have been prepared on an accrual basis as a going concern and under the historical cost convention, except for foreign currency borrowings denominated in INR that are measured at fair value at the end of each reporting date as required under relevant Ind AS.

c) Changes in accounting policies and disclosures

Implementation of new Indian Accounting Standards

The Company applied Ind AS 116 from 1 April 2019 for the first time. The impact of this standard is described below. The Company has not yet adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The standard requires identification of leases that provide the Company the right to control the use of an identified asset for a period of time as a lessee. For these leases, the Company is required to recognise on-balance sheet a right-of-use (ROU) asset, representing the right to use the underlying asset, and a lease liability, representing the future lease payment obligations. Exemptions exist for leases of low value assets and for short-term leases (less than 12 months)

Transition

The Company has applied Ind AS 116 from 1 April 2019 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under previous GAAP viz. Indian GAAP AS 17. The cumulative effect of initial application is recognised in retained profits at 1 April 2019. The details of the change in accounting policy is disclosed below. The ROU asset has been calculated as if the standard has always been applied for all leases.

At transition the Company recognised ROU assets of 2302.98 lakh and a lease liability of 2302.98 lakh.

As permitted by the standard practical expedients were applied at transition and adjustments were not made for leases of low value assets and for short-term leases (less than 12 months) i.e. IT Equipments.

Judgement has been applied by the Company in determining the transition adjustment, which includes the determination of which contractual arrangements represent a lease, the period over which the lease exists and the incremental borrowing rate of the Company to be applied to each lease based on the lease term.

Notes to the Standalone Financial Statements for the year ended March 31, 2020

The table below presents a reconciliation of the operating lease commitments as disclosed by the Company on 31st March 2019.

Assets	(₹ in lakh)
Operating lease commitments as at March 31, 2019	2,788.69
Add: assets not recognised as a lease under previous GAAP	-
(Less): Impact of discounting the future lease cash flows at the incremental borrowing rate	(485.71)
Lease liabilities as at April 01, 2019	2,302.98

Identification of a lease

Under Ind AS 116 a contract is, or contains a lease, if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. On transition the Company undertook an assessment of all applicable contracts to determine if a lease exists as defined in Ind AS 116. This assessment will also be completed for each new contract or change in contract going forward.

During this assessment the Company has primarily identified property leases. The Company has further elected not to recognise ROU assets and lease liabilities for leases of low value assets and for short-term leases (less than 12 months) i.e., IT equipments. The Company recognises these lease payments as an expense on a straight-line basis.

As a lessee

The Company recognises a ROU asset and a lease liability at the lease commencement date.

The ROU asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses. Lease incentives received at commencement reduce the ROU asset value. Depreciation is calculated on a straight-line basis.

The lease liability is measured as the present value of the lease payment outstanding at commencement date, discounted using the Company's incremental borrowing rate applied to the lease term. The lease liability is then increased by the interest expense on the lease liability and decreased by lease payments made. The determination of the lease term relies on judgement as to whether any extension options or termination options are likely to be exercised.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying value of the ROU asset, or, in the statement of profit or loss, where the carrying value of the ROU asset has been fully written down.

The details of right-of-use assets held by company is as follows :-

Particulars	(₹ in lakh)
Opening Net Carrying Balance as on April 01, 2019	2,302.98
Additions	1,482.05
Depreciation	(910.83)
Closing Net Carrying Balance as on March 31, 2020	**2,874.20**

Interest on lease liabilities is ₹249.58 lakh for the year ended March 31, 2020. Lease Liabilities as on March 31, 2020 is ₹3012.91 lakh

Notes to the Standalone Financial Statements for the year ended March 31, 2020

1 Summary of significant accounting policies

1.1 Use of estimates

The preparation of financial statements in conformity with the Ind AS requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the accompanying disclosure and the disclosure of contingent liabilities, at the end of the reporting year. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future years.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

1.1.1 Business Model Assessment

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The company considers the frequency, volume and timing of sales in prior years, the reason for such sales, and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an holistic assessment of how company's stated objective for managing the financial assets is achieved and how cash flows are realised. Therefore, the company considers information about past sales in the context of the reasons for those sales, and the conditions that existed at that time as compared to current conditions. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward. Based on this assessment and future business plans of the Company, the management has measured its financial assets at amortised cost as the asset is held within a business model whose objective is to collect contractual cash flows, and the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest ('the 'SPPI criterion').

1.1.2 Defined employee benefit assets and liabilities

The cost of the defined benefit gratuity plan and other post-employment benefits and the present value of the gratuity obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

1.1.3 Impairment losses on financial assets

The measurement of impairment losses across all categories of financial assets except assets valued at Fair value through P&L (FVTPL), requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Company's Expected credit loss (ECL) calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Company's model, which assigns Probability of default (PD)s
- The Company's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a Lifetime expected credit loss (LTECL) basis
- The segmentation of financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs

Notes to the Standalone Financial Statements for the year ended March 31, 2020

- Determination of associations between macroeconomic scenarios and, economic inputs, and the effect on PDs, Exposure at default (EAD)s and Loss given default (LGD)s
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models
- Recognition of the potential impact of COVID-19 in the Company's collective provision as outlined in Notes 4(a)(3)(vii)

1.1.4 Share-based payments

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them.

1.1.5 Fair value measurement

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

1.1.6 Leases

The Company evaluates if an arrangement qualifies to be a lease as per the requirements of Ind AS 116. Identification of a lease requires significant judgment. The Company uses significant judgement in assessing the lease term (including anticipated renewals) and the applicable discount rate. The Company determines the lease term as the non-cancellable period of a lease, together with both periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option; and periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise that option. In assessing whether the Company is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, it considers all relevant facts and circumstances that create an economic incentive for the Company to exercise the option to extend the lease, or not to exercise the option to terminate the lease. The Company revises the lease term if there is a change in the non-cancellable period of a lease. The discount rate is generally based on the incremental borrowing rate specific to the lease being evaluated or for a portfolio of leases with similar characteristics.

1.2 Cash and cash equivalents

Cash and cash equivalent comprises cash in hand, demand deposits and time deposits with original maturity of less than three months held with bank, debit balance in cash credit account and balance in franking machine.

1.3 Revenue recognition

1.3.1 Interest and similar income

Interest income, for all financial instruments measured either at amortised cost or at fair value through other comprehensive income, is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the contractual life of the financial instrument to the gross carrying amount of the financial asset. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable and are an integral part of the EIR, but not future credit losses.

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 and is, therefore, regarded as 'Stage 3', 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.

Notes to the Standalone Financial Statements for the year ended March 31, 2020

1.3.2 Other charges and other interest

1.3.2.1 Overdue interest in respect of loans is recognized upon realisation.

1.3.2.2 Other ancillary charges are recognized upon realisation.

1.3.3 Commission on Insurance Policies

Commission on insurance policies sold is recognised on accrual basis when the Company under its agency code sells the insurance policies.

1.3.4 Dividend income

Dividend income is recognized when the Company's right to receive the payment is established, it is probable that the economic benefits associated with the dividend will flow to the entity and the amount of the dividend can be measured reliably. This is generally when shareholders approve the dividend .

1.4 Foreign currency

The Company's financial statements are presented in Indian Rupees (INR) which is also the Company's functional currency.

Transactions in foreign currencies are initially recorded by the Company at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Income and expenses in foreign currencies are initially recorded by the Company at the exchange rates prevailing on the date of the transaction.

Foreign currency denominated monetary assets and liabilities are translated at the functional currency spot rates of exchange at the reporting date and exchange gains and losses arising on settlement and restatement are recognized in the statement of profit and loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognized in OCI or profit or loss, respectively).

1.5 Lease

Effective April 1, 2019, the Company has adopted Ind AS 116 'Leases' and applied it to all lease contracts existing on April 1, 2019 using the Modified Retrospective Approach. Based on the same and as permitted under the specific transitional provisions in the standard, the Company has not restated the comparative figures. On transition, the adoption of the new standard resulted in recognition of an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset) and a corresponding liability to make lease payments (i.e., the lease liability). Company will separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. The Company has further elected not to recognise ROU assets and lease liabilities for leases of low value assets and for short-term leases (less than 12 months) i.e., IT equipments

1.6 Property, plant and equipment (PPE) and Intangible assets

PPE

PPE are stated at cost (including incidental expenses directly attributable to bringing the asset to its working condition for its intended use) less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Subsequent expenditure related to PPE is capitalized only when it is probable that future economic benefits associated with these will flow to the Company and the cost of item can be measured reliably. Other repairs and maintenance costs are expensed off as and when incurred.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the

Notes to the Standalone Financial Statements for the year ended March 31, 2020

asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit and loss when the asset is derecognised.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

1.7 Depreciation and amortization

Depreciation

Depreciation is provided over the useful life of the asset as per Schedule-II of Companies Act 2013 and depreciation rates have been worked out by applying written down value method. The Company has used the following useful lives to provide depreciation on its PPE.

PPE	Useful Life (In Years)
Freehold Land	NIL
Building	60
Furniture and fixtures	10
Office equipment	5
Motor Vehicles	8
Servers	6
Computers and printers	3

All fixed assets individually costing ₹5,000/- or less are fully depreciated in the year of installation/purchase.

Amortization

Intangible assets are amortized on a straight line basis over the estimated useful economic life. The Company estimates the useful life of an intangible asset will not exceed four years from the date when the asset is available for use. If the persuasive evidence exists to the affect that useful life of an intangible asset exceeds four years, the Company amortizes the intangible asset over the best estimate of its useful life.

1.8 Impairment of non-financial assets

The carrying amount of assets is reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets, net selling price 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 risks specific to the asset. In determining net selling price, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

1.9 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.The expense relating to any provision is presented in the statement of profit and loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

1.10 Contingent liabilities and assets

The Company does not recognize a contingent liability but discloses its existence in the financial statements Contingent liability is disclosed in the case of:

- A present obligation arising from past events, when it is not probable that an outflow of resources will not be required to settle the obligation.

Notes to the Standalone Financial Statements for the year ended March 31, 2020

- A present obligation arising from past events, when no reliable estimate is possible.
- A possible obligation arising from past events, unless the probability of outflow of resources is remote.

Contingent liabilities are reviewed at each balance sheet date.

Contingent assets are not recognised. A contingent asset is disclosed, as required by Ind AS 37, where an inflow of economic benefits is probable.

1.11 Retirement and other employee benefits

Retirement benefit in the form of provident fund is a defined contribution scheme. The Company has no obligation, other than the contribution payable to the provident fund. The Company recognizes contribution payable to the provident fund scheme as an expense, when an employee renders the related service. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognized as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognized as an asset to the extent that the pre-payment will lead to, for example, a reduction in future payment or a cash refund.

The Company provides gratuity benefits which is a defined benefit scheme. The cost of providing gratuity benefits is determined on the basis of actuarial valuation at each year end. Separate actuarial valuation is carried out for each plan using the projected unit credit method.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through OCI in the year in which they occur. Remeasurements are not reclassified to profit or loss in subsequent years.

Past service costs are recognised in Profit or Loss on the earlier of: The date of the plan amendment or curtailment, and The date that the Company recognises related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognises the following changes in the net defined benefit obligation as an expense in the statement of profit and loss

Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and Net interest expense or income

Accumulated leave, which is expected to be utilized within the next 12 months, is treated as short-term employee benefit. The Company measures the expected cost of such absence as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date. The Company treats accumulated leave expected to be carried forward beyond twelve months, as long term employee benefit for measurement purposes.

1.12 Taxes

Tax expense comprises current and deferred tax.

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities in accordance with Income tax Act, 1961. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Current income tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Current tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit

Notes to the Standalone Financial Statements for the year ended March 31, 2020

will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

1.13 Earning per share

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. Partly paid equity shares are treated as a fraction of an equity share to the extent that they are entitled to participate in dividends relative to a fully paid equity share during the reporting year.

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

1.14 Share based payments

Equity-settled share based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share based payments transactions are set out in Note 33.

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 year, based on the Company`s estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting year, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in Statement of Profit and Loss such that the cumulative expenses reflects the revised estimate, with a corresponding adjustment to the Share Based Payments Reserve.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

1.15 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

1.15.1 Financial Assets

1.15.1.1 Initial recognition and measurement

Financial assets, with the exception of loans and advances to customers, are initially recognised on the trade date, i.e., the date that the Company becomes a party to the contractual provisions of the instrument. Loans and advances to customers are recognised when funds are disbursed to the customers. The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention when acquiring them. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Notes to the Standalone Financial Statements for the year ended March 31, 2020

1.15.1.2 Classification and Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Debt instruments at amortised cost
- Debt instruments at fair value through other comprehensive income (FVTOCI)
- Debt instruments and equity instruments at fair value through profit or loss (FVTPL)
- Equity instruments measured at fair value through other comprehensive income (FVTOCI)

1.15.1.3 Debt instruments at amortised costs

A 'debt instrument' is measured at the amortised cost if both the following conditions are met:

- The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
- Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in interest income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit and loss.

1.15.1.4 Debt instruments at FVTOCI

A 'debt instrument' is classified as at the FVTOCI if both of the following criteria are met:

- The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and
- The asset's contractual cash flows represent SPPI.

Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognized in the other comprehensive income (OCI). However, the Company recognizes interest income, impairment losses & reversals and foreign exchange gain or loss in the P&L. On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from the equity to P&L. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method.

1.15.1.5 Debt instruments at FVTPL

FVTPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorization as at amortized cost or as FVTOCI, is classified as at FVTPL.

In addition, the company may elect to designate a debt instrument, which otherwise meets amortized cost or FVTOCI criteria, as at FVTPL. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch'). Debt instruments included within the FVTPL category are measured at fair value with all changes recognized in the P&L.

1.15.1.6 Business Model Test

An assessment of business models for managing financial assets is fundamental to the classification of a financial asset. The Company determines the business models at a level that reflects how financial assets are managed together to achieve a particular business objective. The Company's business model does not depend on management's intentions for an individual instrument, therefore the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis. The Company considers all relevant information available when making the business model assessment. The Company takes into account all relevant evidence available such as:- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Company's key management personnel; The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and

Notes to the Standalone Financial Statements for the year ended March 31, 2020

How managers of the business are compensated (e.g. whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected). At initial recognition of a financial asset, the Company determines whether newly recognized financial assets are part of an existing business model or whether they reflect a new business model.

1.15.1.7 Equity Instruments

All equity instruments in scope of Ind AS 109 are measured at fair value. Equity instruments which are held for trading classified as at FVTPL. For all other equity instruments, the Company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The Company makes such election on an instrument-by- instrument basis. The classification is made on initial recognition and is irrevocable.

If the company decides to classify an equity instrument as at FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognized in the OCI. There is no recycling of the amounts from OCI to P&L, even on sale of investment. However, the company may transfer the cumulative gain or loss within equity.

Equity instruments included within the FVTPL category are measured at fair value with all changes recognized in the P&L.

The Company has accounted for its investments in Subsidiary at cost less impairment loss (if any).

1.15.2 Financial Liabilities

1.15.2.1 Initial recognition and measurement

Financial liabilities are classified and 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 designated as on initial recognition. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and derivative financial instruments.

1.15.2.2 Classification and Subsequent measurement - Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the company that are not designated as hedging instruments in hedge relationships as defined by Ind AS 109. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied. For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risk are recognized in OCI. These gains/ loss are not subsequently transferred to P&L. However, the company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the statement of profit and loss.

1.15.2.3 Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit and loss. This category generally applies to borrowings.

1.15.3 Derivative financial instruments

The Company holds derivative to mitigate the risk of changes in exchange rates on foreign currency exposures as well as interest fluctuations. The counterparty for these contracts is generally a bank.

Notes to the Standalone Financial Statements for the year ended March 31, 2020

Financial assets or financial liabilities, at fair value through profit or loss

This category has derivative financial assets or liabilities which are not designated as hedges. Any derivative that is not designated a hedge is categorized as a financial asset or financial liability, at fair value through profit or loss.

Derivatives not designated as hedges are recognized initially at fair value and attributable transaction costs are recognized in net profit in the Statement of Profit and Loss when incurred. Subsequent to initial recognition, these derivatives are measured at fair value through profit or loss and the resulting exchange gains or losses are included in Statement of Profit and Loss.

1.15.4 Reclassification of financial assets and liabilities

The company doesn't reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the company acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified.

1.15.5 De-recognition of financial assets and liabilities

1.15.5.1 Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is de-recognised when the rights to receive cash flows from the financial asset have expired. The Company also de-recognised the financial asset if it has transferred the financial asset and the transfer qualifies for de recognition.

The Company has transferred the financial asset if, and only if, either:

- It has transferred its contractual rights to receive cash flows from the financial asset or
- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement.

Pass-through arrangements are transactions whereby the Company retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Company has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates.
- The Company cannot sell or pledge the original asset other than as security to the eventual recipients.
- The Company has to remit any cash flows it collects on behalf of the eventual recipients without material delay.

In addition, the Company is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the year between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:

- The Company has transferred substantially all the risks and rewards of the asset or
- The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The Company considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Company has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Company's continuing involvement, in which case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Notes to the Standalone Financial Statements for the year ended March 31, 2020

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Company could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Company would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.15.5.2 Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

1.16 Impairment of financial assets

1.16.1 Overview of the ECL principles

The Company is recording the allowance for expected credit losses for all loans and other debt financial assets not held at FVTPL, together with loan commitments and Excess Interest Spread (EIS) receivable, (in this section all referred to as 'financial instruments'). Equity instruments are not subject to impairment under Ind AS 109.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL) as outlined in Note 1.16.2. The Company's policies for determining if there has been a significant increase in credit risk are set out in Note 4(a)(3)(v).

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on collective basis, depending on the nature of the underlying portfolio of financial instruments. The Company's policy for grouping financial assets measured on a collective basis is explained in Note 4(a)(1).

The Company has established a policy to perform an assessment, at the end of each reporting year, of whether a financial instrument's credit risk has increased significantly since initial recognition. This is further explained in Note4(a)(3)(v).

Based on the above process, the Company group its loans into Stage 1, Stage 2, Stage 3, as described below: **Stage 1:** When loans are first recognised, the group recognises an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2 or Stage 3.

Stage 2: When a loan has shown a significant increase in credit risk since origination, the group records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.

Stage 3: Loans considered credit-impaired (as outlined in Note 4(a)(3)(i)). The group records an allowance for the LTECLs.

For financial assets for which the company has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced.

1.16.2 The calculation of ECLs

The Company calculates ECLs on loans and EIS Receivable based on a probability-weighted scenarios and historical data to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

Notes to the Standalone Financial Statements for the year ended March 31, 2020

Loan commitments: When estimating ECLs for undisbursed loan commitments, the Company estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan.For loan commitments, the ECL is recognised within Provisions. Provisions for ECLs for undisbursed loan commitments are assessed as set out in Note 4(a)(2).

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- PD - The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed year, if the facility has not been previously derecognised and is still in the portfolio.
- EAD - The Exposure at Default is an exposure at a default date. The EAD is further explained in Note 4(a)(3)(iii).
- LGD - The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD. The LGD is further explained in Note 4(a)(3)(iv).

The maximum year for which the credit losses are determined is the expected life of a financial instrument.

The mechanics of the ECL method are summarised below:

Stage 1: The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Company calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to an EAD and multiplied by the expected LGD.

Stage 2: When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. The mechanics are similar to those explained above, but PDs and LGDs are estimated over the lifetime of the instrument.

Stage 3: For loans considered credit-impaired (as defined in Note 4(a)(3)(i)), the Company recognizes the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

1.16.3 Forward looking information

While estimating the expected credit losses, the company reviews macro-economic developments occurring in the economy and market it operates in. On a periodic basis, the Company analyses if there is any relationship between key economic trends like GDP, Property Price Index, Unemployment rates, Benchmark rates set by the Reserve Bank of India, inflation etc. with the estimate of PD, LGD determined by the Company based on its internal data. While the internal estimates of PD, LGD rates by the Company may not be always reflective of such relationships, temporary overlays are embedded in the methodology to reflect such macro-economic trends reasonably.

1.16.4 Collateral repossession

To mitigate the credit risk on financial assets, the Company seeks to use collateral, where possible as per the powers conferred on the HFC under SARFAESI act. In its normal course of business, the company does not physically repossess properties or other assets in its retail portfolio, but generally engages external or internal agents to recover funds generally at auctions to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, the residential properties under legal repossession processes are not recorded on the balance sheet and are treated as assets held for sale at (i) fair value less cost to sell or (ii) principle outstanding, whichever is less, at the repossession date.

1.16.5 Write-offs

Financial assets are written off either partially or in their entirety only when the Company has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to Statement of profit and loss account.

Notes to the Standalone Financial Statements for the year ended March 31, 2020

1.17 Fair value measurement

The Company measures financial instruments, such as, derivatives at fair value at each balance sheet date using valuation techniques.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting year.

1.18 Dividend

The Company recognises a liability to make cash distributions to equity holders when the distribution is authorised and the distribution is no longer at the discretion of the Company. Final dividends on shares are recorded as a liability on the date of approval by the shareholders and interim dividends are recorded as a liability on the date of declaration by the Company's Board of Directors.

1.19 New Technical Pronouncement

Ministry of Corporate Affairs (MCA) notifies new standard or amendments to the existing standards. There is no such notification which would have been applicable from April 01, 2020.

Notes to the Standalone Financial Statements for the year ended March 31, 2020

2. Cash and bank balances

(₹ in lakh)

Particulars	As at March 31, 2020	As at March 31, 2019
Cash and cash equivalents		
Cash on hand (refer note 2(a))	44.66	202.95
Balance with banks		
In Current accounts	-	3,872.39
In Cash credit accounts	2.74	645.06
In Deposits with original maturity of less than three months	34,975.00	11,245.82
	35,022.40	15,966.22
Bank balances other than above		
Deposit with original maturity of more than 3 months less than 12 months	82,975.00	50,775.00
Deposit with original maturity of more than 12 months (refer note 2(b))	1,208.13	1,173.61
	84,183.13	51,948.61
Total	1,19,205.53	67,914.83

2(a) Cash on hand includes of ₹0.95 lakh (P.Y. ₹0.95 lakh) balance of franking machine.

2(b) Other Bank Balance in deposit accounts include deposits under lien aggregating to ₹1208.13 lakh (P.Y. ₹1173.61 lakh) towards the first loss guarantee provided by the Company under the securitization agreements.

3. Derivative financial instruments

	Notional amounts	Fair Value - Assets	Fair Value - Liabilities
As at March 31, 2020			
Part I			
Currency Derivatives:			
Currency swaps	-	-	-
Part II			
Included in above (Part I) are derivatives held for hedging and risk management purposes as follows:			
Undesignated derivatives	-	-	-
Total derivative financial instruments	-	-	-
As at March 31, 2019			
Part I			
Currency Derivatives:			
Currency swaps (refer note 3(a))	3,125.00	87.86	-
Part II			
Included in above (Part I) are derivatives held for hedging and risk management purposes as follows:			
Undesignated derivatives	3,125.00	87.86	-
Total derivative financial instruments	3,125.00	87.86	-

3(a) The Company uses Cross Currency swaps to manage its foreign currency risk arising from borrowings in foreign currencies. This contract has not been designated in a hedging relationship and are entered into for periods consistent with exposure of the underlying transactions.

Notes to the Standalone Financial Statements for the year ended March 31, 2020

4. Loans

(₹ in lakh)

Particulars	As at March 31, 2020	As at March 31, 2019
At amortised cost		
Loan assets	6,20,186.67	4,73,725.65
Total Gross	**6,20,186.67**	**4,73,725.65**
Less: Impairment loss allowance	(2,106.84)	(1,276.65)
Total Net	**6,18,079.83**	**4,72,449.00**
Secured by tangible assets (Property including land and building)	6,20,186.67	4,73,725.65
Total Gross	**6,20,186.67**	**4,73,725.65**
Less: Impairment loss allowance	(2,106.84)	(1,276.65)
Total Net	**6,18,079.83**	**4,72,449.00**
Loans in India		
Public Sector	-	-
Others	6,20,186.67	4,73,725.65
Total Gross	**6,20,186.67**	**4,73,725.65**
Less: Impairment loss allowance	(2,106.84)	(1,276.65)
Total Net	**6,18,079.83**	**4,72,449.00**

i) Loans and receivables are non-derivative financial assets which generate a fixed or variable interest income for the Company. The carrying value may be affected by changes in the credit risk of the counterparties.

ii) Loans granted by the Company are secured by equitable mortgage/registered mortgage of the property and/or undertaking to create a security and/or personal guarantees and/or hypothecation of assets and/or assignments of life insurance policies. The process of security creation was in progress for loans to the extent of ₹18,045.05 lakh at March 31, 2020 (P.Y. ₹15,376.85 lakh)

iii) Loans sanctioned but undisbursed amount is ₹26,240.62 lakh as on March 31, 2020 (P.Y. ₹25,211.36 lakh)

iv) The company is not granting any loans against gold jewellery as collateral.

v) The Company has assigned a pool of certain loans amounting to ₹73,859.15 lakh (P.Y. ₹76,268.14 lakh) by way of a direct assignment transaction. These loan assets have been de-recognised from the loan portfolio of the Company as the sale of loan assets is an absolute assignment and transfer on a 'no-recourse' basis. The Company continues to act as a servicer to the assignment transaction on behalf of assignee. In terms of the assignment agreement, the Company pays to assignee, on a monthly basis, the pro-rata collection amounts.

vi) The Company has granted certain loans to staff amounting to ₹1,039.80 lakh as on March 31,2020 (P.Y. ₹1,282.69 lakh).

vii) Loan assets include two loans which became doubtful due to fraudulent misrepresentation by the borrowers and same has been provided for.

viii) Impairment loss allowance includes ₹443.75 lakh on account of COVID-19 collective provision overlay.

Break up of financial assets carried at amortised cost

(₹ in lakh)

Particulars	As at March 31, 2020	As at March 31, 2019
Loans (Note 4)	6,18,079.83	4,72,449.00
Other financial assets (Note 6)	18,136.68	16,359.12
Total financial assets carried at amortised cost	6,36,216.51	4,88,808.12

Notes to the Standalone Financial Statements for the year ended March 31, 2020

4. Loans *(contd.)*

4(a)(1) Grouping financial assets measured on a collective basis

As explained in Note 1.16, the Company calculates ECLs on collective basis on following asset classes:

- Housing-Salaried lending
- Housing-Self Employed lending
- Non Housing-Salaried lending
- Non Housing-Self Employed lending

The Company groups these exposure into smaller homogeneous portfolios, based on a combination of internal and external characteristics of the loans such as Product type and customer type.

An analysis of changes in the gross carrying amount and the corresponding ECL allowances with respect to all asset classes have been explained below and ECL allowances includes an additional impairment allowance of ₹443.75 lakh recognised for the expected impact of COVID-19 on the collective provision as at March 31, 2020 as outlined in Note4(a)(3)(vii).

4(a)(1)(i) Housing-Salaried lending

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to Housing- Salaried lending is, as follows:

(₹ in lakh)

Particulars	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 01 April 2018	97,153.92	1,608.62	456.72	99,219.26
New assets originated	69,358.31	-	-	**69,358.31**
Assets derecognised or repaid	(27,787.56)	(388.77)	(175.30)	**(28,351.63)**
Transfers from Stage 1	(953.35)	755.89	197.46	-
Transfers from Stage 2	531.72	(639.17)	107.45	-
Transfers from Stage 3	39.34	90.09	(129.43)	-
As at March 31, 2019	1,38,342.38	1,426.66	456.90	1,40,225.94

(₹ in lakh)

Particulars	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 01 April 2019	1,38,342.38	1,426.66	456.90	1,40,225.94
New assets originated	74,668.80	-	-	**74,668.80**
Assets derecognised or repaid	(36,645.92)	(255.28)	(274.45)	**(37,175.65)**
Transfers from Stage 1	(705.16)	503.07	202.09	-
Transfers from Stage 2	502.86	(611.75)	108.89	-
Transfers from Stage 3	34.44	10.79	(45.23)	-
Amounts written off	-	-	(10.39)	**(10.39)**
As at March 31, 2020	1,76,197.40	1,073.49	437.81	1,77,708.70

(₹ in lakh)

Particulars	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 01 April 2018	110.05	10.25	73.08	**193.38**
New assets originated	79.59	-	-	**79.59**
Assets derecognised or repaid	(36.28)	(3.06)	(22.14)	**(61.48)**
Transfers from Stage 1	(6.84)	4.46	35.74	**33.36**
Transfers from Stage 2	0.57	(3.77)	19.45	**16.25**
Transfers from Stage 3	0.04	0.53	(23.43)	**(22.86)**
As at March 31, 2019	147.13	8.41	82.70	238.24

Notes to the Standalone Financial Statements for the year ended March 31, 2020

4. Loans *(contd.)*

(₹ in lakh)

Particulars	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 01 April 2019	147.13	8.41	82.70	238.24
New assets originated	176.04	-	-	176.04
Assets derecognised or repaid	(43.08)	(2.19)	(45.11)	(90.38)
Transfers from Stage 1	(28.57)	4.69	67.45	43.57
Transfers from Stage 2	0.51	(3.24)	22.43	19.70
Transfers from Stage 3	0.04	0.06	(9.32)	(9.22)
Amounts written off			(2.14)	(2.14)
As at March 31, 2020	252.07	7.73	116.01	375.81

4(a)(1)(ii) Housing-Self Employed lending

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to Housing- Self Employed lending is, as follows:

(₹ in lakh)

Particulars	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 01 April 2018	1,46,537.75	5,146.73	1,004.77	1,52,689.25
New assets originated	1,20,516.18	-	-	1,20,516.18
Assets derecognised or repaid	(44,852.15)	(1,496.81)	(359.11)	(46,708.07)
Transfers from Stage 1	(3,142.01)	2,573.88	568.13	-
Transfers from Stage 2	1,332.65	(1,760.59)	427.94	-
Transfers from Stage 3	58.68	100.27	(158.95)	-
As at March 31, 2019	2,20,451.10	4,563.48	1,482.78	2,26,497.36

(₹ in lakh)

Particulars	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 01 April 2019	2,20,451.10	4,563.48	1,482.78	2,26,497.36
New assets originated	1,24,691.00	-	-	1,24,691.00
Assets derecognised or repaid	(61,310.70)	(1,129.22)	(710.17)	(63,150.09)
Transfers from Stage 1	(2,974.48)	2,139.87	834.61	-
Transfers from Stage 2	1,287.35	(1,895.74)	608.39	-
Transfers from Stage 3	43.39	15.95	(59.34)	-
Amounts written off	(3.29)	-	(166.67)	(169.96)
As at March 31, 2020	2,82,184.37	3,694.34	1,989.60	2,87,868.31

(₹ in lakh)

Particulars	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 01 April 2018	315.22	61.35	160.76	537.33
New assets originated	368.33	-	-	368.33
Assets derecognised or repaid	(90.18)	(16.75)	(43.90)	(150.83)
Transfers from Stage 1	(108.57)	31.45	185.55	108.43
Transfers from Stage 2	2.95	(21.51)	77.46	58.90
Transfers from Stage 3	0.13	1.23	(28.77)	(27.41)
As at March 31, 2019	487.88	55.77	351.10	894.75

(₹ in lakh)

Particulars	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 01 April 2019	487.88	55.77	351.10	894.75
New assets originated	559.20	-	-	559.20
Assets derecognised or repaid	(133.47)	(16.46)	(109.23)	(259.16)
Transfers from Stage 1	(54.14)	40.37	203.57	189.80
Transfers from Stage 2	2.87	(21.70)	125.33	106.50
Transfers from Stage 3	0.10	0.18	(12.22)	(11.94)
Amounts written off	(0.01)	-	(34.33)	(34.34)
As at March 31, 2020	862.43	58.16	524.22	1,444.81

Notes to the Standalone Financial Statements for the year ended March 31, 2020

4. Loans *(contd.)*

4(a)(1)(iii) Non-Housing-Salaried lending

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to Non-Housing- Salaried lending is, as follows:

(₹ in lakh)

Particulars	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 01 April 2018	20,902.90	244.79	19.12	21,166.81
New assets originated	16,667.51	-	-	16,667.51
Assets derecognised or repaid	(10,997.90)	(32.73)	(11.87)	(11,042.50)
Transfers from Stage 1	(218.47)	199.22	19.25	-
Transfers from Stage 2	46.99	(100.19)	53.20	-
Transfers from Stage 3	-	2.81	(2.81)	-
As at March 31, 2019	26,401.03	313.90	76.89	26,791.82

(₹ in lakh)

Particulars	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 01 April 2019	26,401.03	313.90	76.89	26,791.82
High grade				
New assets originated	19,925.60	-	-	19,925.60
Assets derecognised or repaid	(8,499.22)	(93.59)	(31.91)	(8,624.72)
Transfers from Stage 1	(235.46)	221.99	13.47	0.00
Transfers from Stage 2	97.36	(110.43)	13.07	-
Amounts written off	-	-	(1.06)	(1.06)
As at March 31, 2020	37,689.31	331.87	70.46	38,091.64

(₹ in lakh)

Particulars	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 01 April 2018	11.65	0.77	3.06	15.48
New assets originated	10.82	-	-	10.82
Assets derecognised or repaid	(5.86)	(0.15)	(1.75)	(7.76)
Transfers from Stage 1	(1.22)	0.58	3.48	2.84
Transfers from Stage 2	0.03	(0.29)	9.63	9.37
Transfers from Stage 3	-	0.01	(0.51)	(0.50)
As at March 31, 2019	15.42	0.92	13.91	30.25

(₹ in lakh)

Particulars	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 01 April 2019	15.42	0.92	13.91	30.25
New assets originated	19.20	-	-	19.20
Assets derecognised or repaid	(7.29)	(0.38)	(4.65)	(12.32)
Transfers from Stage 1	(5.23)	0.77	7.67	3.21
Transfers from Stage 2	0.04	(0.27)	2.69	2.46
Amounts written off	-	-	(0.22)	(0.22)
As at March 31, 2020	22.14	1.04	19.40	42.58

4(a)(1)(iv) Non-Housing-Self Employed lending

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to Non-Housing- Self Employed lending is, as follows:

(₹ in lakh)

Particulars	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 01 April 2018	59,914.78	1,100.98	68.04	61,083.80
New assets originated	53,927.88	-	-	53,927.88
Assets derecognised or repaid	(34,360.30)	(412.20)	(28.65)	(34,801.15)
Transfers from Stage 1	(1,081.63)	951.29	130.34	-
Transfers from Stage 2	252.74	(306.44)	53.70	-
Transfers from Stage 3	10.36	2.60	(12.96)	-
As at March 31, 2019	78,663.83	1,336.23	210.47	80,210.53

Notes to the Standalone Financial Statements for the year ended March 31, 2020

4. Loans *(contd.)*

(₹ in lakh)

Particulars	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 01 April 2019	78,663.83	1,336.23	210.47	80,210.53
New assets originated	63,756.29	-	-	63,756.29
Assets derecognised or repaid	(27,082.19)	(231.54)	(100.02)	(27,413.75)
Transfers from Stage 1	(1,033.00)	866.60	166.40	-
Transfers from Stage 2	491.19	(567.44)	76.25	-
Transfers from Stage 3	6.11	3.68	(9.79)	-
Amounts written off	(35.04)	-	-	(35.04)
As at March 31, 2020	1,14,767.19	1,407.53	343.31	1,16,518.03

(₹ in lakh)

Particulars	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 01 April 2018	54.47	5.76	10.89	71.12
New assets originated	55.65	-	-	55.65
Assets derecognised or repaid	(31.97)	(2.64)	(3.76)	(38.37)
Transfers from Stage 1	(9.13)	4.31	23.59	18.77
Transfers from Stage 2	0.22	(1.39)	9.72	8.55
Transfers from Stage 3	0.01	0.01	(2.35)	(2.33)
As at March 31, 2019	69.25	6.05	38.09	113.39

(₹ in lakh)

Particulars	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 01 April 2019	69.25	6.05	38.09	113.39
New assets originated	112.92	-	-	112.92
Assets derecognised or repaid	(16.51)	0.11	(15.34)	(31.74)
Transfers from Stage 1	(12.83)	7.26	43.63	38.06
Transfers from Stage 2	0.50	(3.17)	15.71	13.04
Transfers from Stage 3	0.01	0.02	(2.02)	(1.99)
Amounts written off	(0.04)	-	-	(0.04)
As at March 31, 2020	153.30	10.27	80.07	243.64

4(a)(2) Loan commitments

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to loan commitments is, as follows:

(₹ in lakh)

Particulars	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 01 April 2018	28,574.52	146.80	4.67	28,725.99
New assets originated	20,894.89	-	-	20,894.89
Assets disbursed or cancelled	(24,336.76)	(70.33)	(2.43)	(24,409.52)
Transfers from Stage 1	(123.69)	93.30	30.39	-
Transfers from Stage 2	37.00	(37.00)	-	-
As at March 31, 2019	25,045.96	132.77	32.63	25,211.36

(₹ in lakh)

Particulars	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 01 April 2019	25,045.96	132.77	32.63	25,211.36
New assets originated	21,564.86	-	-	21,564.86
Assets disbursed or cancelled	(20,406.59)	(96.38)	(32.63)	(20,535.60)
Transfers from Stage 1	(53.45)	45.10	8.35	-
Transfers from Stage 2	9.65	(12.39)	2.74	-
As at March 31, 2020	26,160.43	69.10	11.09	26,240.62

Notes to the Standalone Financial Statements for the year ended March 31, 2020

4. Loans *(contd.)*

(₹ in lakh)

Particulars	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 01 April 2018	45.06	1.58	0.75	47.39
New assets originated	37.92	-	-	37.92
Assets disbursed or cancelled	(37.66)	(0.76)	(0.34)	(38.76)
Transfers from Stage 1	(0.64)	0.79	5.50	5.65
Transfers from Stage 2	0.08	(0.42)	-	(0.34)
As at March 31, 2019	44.76	1.19	5.91	51.86

(₹ in lakh)

Particulars	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 01 April 2019	44.76	1.19	5.91	51.86
High grade				
New assets originated	37.37	-	-	37.37
Assets disbursed or cancelled	(36.28)	(0.97)	(5.90)	(43.15)
Transfers from Stage 1	(0.11)	0.48	1.72	2.09
Transfers from Stage 2	0.02	(0.10)	0.56	0.48
As at March 31, 2020	45.76	0.60	2.29	48.65

4(a)(3) Impairment assessment

The references below show where the Company's impairment assessment and measurement approach is set out in these notes. It should be read in conjunction with the Summary of significant accounting policies.

4(a)(3)(i) Definition of default

The Company considers a financial instrument as defaulted and considered it as Stage 3 (credit-impaired) for ECL calculations in all cases, when the borrower becomes more than 90 days past due on its contractual payments. The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed year, if the facility has not been previously derecognised and is still in the portfolio.

4(a)(3)(ii) The Company's process for managing risk

Credit risk is the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company's main income generating activity is lending to customers and therefore credit risk is a principal risk. Credit risk mainly arises from loans and advances to customers , investments in debt securities and derivatives that are an asset position. The Company considers all elements of credit risk exposure such as counterparty default risk, geographical risk and sector risk for risk management purposes.

4(a)(3)(iii) Exposure at default

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.

To calculate the EAD for a Stage 1 loan, the Company assesses the possible default events within 12 months for the calculation of the 12mECL. For Stage 2 and Stage 3 financial assets, the exposure at default is considered for events over the lifetime of the instruments.

4(a)(3)(iv) Loss given default

The Company segments its retail lending products into smaller homogeneous portfolios (housing and non housing), based on key characteristics that are relevant to the estimation of future cash flows. The data applied is collected loss data and involves a wider set of transaction characteristics (e.g., product type, wider range of collateral types) as well as borrower characteristics.

4(a)(3)(v) Significant increase in credit risk

The Company continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Company assesses whether there has been a significant increase in credit risk since initial recognition. The Company considers an exposure to have significantly increased in credit risk when contractual payments are more than 30 days past due.

Notes to the Standalone Financial Statements for the year ended March 31, 2020

4. Loans *(contd.)*

In accordance with the RBI guidelines relating to COVID 19 Regulatory Package dated March 27, 2020 and April 17, 2020, the Company granted moratorium of three months on payments of all installments and/or interest falling due after March 1, 2020 till May 31, 2020 to all eligible borrowers. For all such accounts where the moratorium is granted, the prudential assets classification and stage movement has been kept on stand still during the moratorium period.

When estimating ECLs on a collective basis for a group of similar assets, the Company applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.

4(a)(3)(vi) Risk assessment model

The Company has designed and operates its risk assessment model that factors in both quantitative as well as qualitative information on the loans and the borrowers. The model uses historical empirical data to arrive at factors that are indicative of future credit risk and segments the portfolio on the basis of combinations of these parameters into smaller homogenous portfolios from the perspective of credit behaviour.

4(a)(3)(vii) Risk assessment for COVID-19

The Company has used the principles of prudence in applying judgments, estimates and possible forward looking scenarios to assess and provide for the impact of the COVID-19 pandemic on the Financial Statements specifically while assessing the expected credit loss on financial assets by applying the customer profiling within salaried and self-employed portfolio and management overlays, approved by its Board of Directors. This has resulted in an additional provision of ₹443.75 lakh against financial assets.

This impact is consistent with the outcomes from the base case scenario modelling that was performed by the Company. The base case scenario was modelled based on the facts and circumstances existing at March 31, 2020 and forecasts of future economic conditions and supportable information that was available at that date and includes significant management judgement.

4(a)(4) Collateral

The Company holds collateral to mitigate credit risk associated with financial assets.The main types of collateral and the types of assets these are associated with are listed in the table below. The collateral presented relates to instruments that are measured at amortised cost.

Particulars	As at March 31, 2020	As at March 31, 2019
Residential properties	6,20,186.67	4,73,725.65

The Company did not hold any financial instrument for which no loss allowance is recognised because of collateral at March 31, 2020. There was no change in the Company's collateral policy or collateral quality during the year.

Refer note 46(C) for risk concentration based on Loan to value(LTV).

5. Investments

(₹ in lakh)

Particulars	Amortised Cost	At fair Value				Others*	Total
		Through other comprehensive income	Through profit or loss	Designated at fair value through profit or loss	Subtotal		
As at March 31, 2020							
Aavas Finserv Limited (Subsidiary Company)	-	-	-	-	-	450.00	450.00
Total (A)	-	-	-	-	-	450.00	450.00
Investments outside India	-	-	-	-	-	-	-
Investments in India	-	-	-	-	-	450.00	450.00
Total (B)	-	-	-	-	-	450.00	450.00
Total (A) to tally with (B)	-	-	-	-	-	450.00	450.00
Less: Allowance for Impairment loss (C)	-	-	-	-	-	-	-
Total Net D = (A) -(C)	-	-	-	-	-	450.00	450.00

Notes to the Standalone Financial Statements for the year ended March 31, 2020

5. Investments *(contd.)*

(₹ in lakh)

Particulars	Amortised Cost	At fair Value				Others*	Total
		Through other comprehensive income	Through profit or loss	Designated at fair value through profit or loss	Subtotal		
As at March 31, 2019							
Aavas Finserv Limited (Subsidiary Company)	-	-	-	-	-	450.00	450.00
Total (A)	-	-	-	-	-	450.00	450.00
Investments outside India	-	-	-	-	-	-	-
Investments in India	-	-	-	-	-	450.00	450.00
Total (B)	-	-	-	-	-	450.00	450.00
Total (A) to tally with (B)	-	-	-	-	-	450.00	450.00
Less: Allowance for Impairment loss (C)	-	-	-	-	-	-	-
Total Net D = (A) -(C)	-	-	-	-	-	450.00	450.00

* The Company has accounted for its investments in Subsidiary at cost less impairment loss (if any).

6. Other financial assets

(₹ in lakh)

Particulars	As at March 31, 2020	As at March 31, 2019
Interest accrued on Bank Deposits	839.22	937.16
Security Deposit	272.77	539.84
EIS Receivable (Refer note 6(a))	17,066.15	14,911.60
Total Gross	**18,178.14**	**16,388.60**
Less: Impairment loss allowance (on EIS Receivable assets)	(41.46)	(29.48)
Total Net	18,136.68	16,359.12

6(a) Under Ind AS, with respect to Assignment deals, Company has created an Excess Interest Spread (EIS) receivable, with corresponding credit to Statement of Proft and loss for the year, which has been computed by discounting EIS to present value.

7(a) Property, plant and equipment

(₹ in lakh)

	Building and premises	Computers and printers	Furniture and fixtures	Motor vehicles	Office equipment	Land	Total
Cost							
At March 31, 2018	474.26	809.29	758.09	244.14	269.22	4.95	2,559.95
Purchase	-	349.61	463.81	190.52	229.75	-	1,233.69
Disposals	-	(4.23)	(0.23)	(35.90)	(1.46)	-	(41.82)
At March 31, 2019	474.26	1,154.67	1,221.67	398.76	497.51	4.95	3,751.82
Purchase	567.27	238.37	448.74	218.75	196.66	-	1,669.79
Disposals	-	(8.15)	(4.50)	(17.68)	(15.18)	-	(45.51)
At March 31, 2020	1,041.53	1,384.89	1,665.91	599.83	678.99	4.95	5,376.10
Depreciation							
At March 31, 2018	101.12	437.81	283.12	65.57	126.89	-	1,014.51
Charge for the year	18.16	353.96	248.02	70.62	157.32	-	848.08
Disposals	-	(3.99)	(0.23)	(28.18)	(1.33)	-	(33.73)
At March 31, 2019	119.28	787.78	530.91	108.01	282.88	-	1,828.86
Charge for the year	30.94	284.85	277.01	124.11	161.53	-	878.44
Disposals	-	(7.44)	(4.31)	(8.03)	(11.25)	-	(31.03)
At March 31, 2020	150.22	1,065.19	803.61	224.09	433.16	-	2,676.27
Net Block							
At March 31, 2019	354.98	366.90	690.76	290.75	214.63	4.95	1,922.97
At March 31, 2020	891.31	319.70	862.30	375.74	245.83	4.95	2,699.83

Notes to the Standalone Financial Statements for the year ended March 31, 2020

7(b) Capital work-in-progress

	PPE	Total
Gross block		
At March 31, 2018	-	-
Capitalised during the year	-	-
Purchase	-	-
At March 31, 2019	-	-
Capitalised during the year	-	-
Purchase	30.99	30.99
At March 31, 2020	30.99	30.99

7(c) Intangible assets under development

	Software	Total
Gross block		
At March 31, 2018	3.27	3.27
Capitalised during the year	-	-
Purchase	5.81	5.81
At March 31, 2019	9.08	9.08
Capitalised during the year	9.08	9.08
Purchase	39.90	39.90
At March 31, 2020	39.90	39.90

7(d) Other Intangible assets

	Software/Other intangible assets	Total
Gross block		
At March 31, 2018	399.85	399.85
Purchase	186.30	186.30
Disposals	-	-
At March 31, 2019	586.15	586.15
Purchase	222.57	222.57
Disposals	-	-
At March 31, 2020	808.72	808.72
Amortization		
At March 31, 2018	102.77	102.77
Charge for the year	124.26	124.26
At March 31, 2019	227.03	227.03
Charge for the year	166.85	166.85
At March 31, 2020	393.88	393.88
Net block		
At March 31, 2019	359.12	359.12
At March 31, 2020	414.84	414.84

8. Right-of-use assets

(₹ in lakh)

Particulars	As at March 31, 2020	As at March 31, 2019
Right-of-use assets	2,874.20	-
Total	2,874.20	-

Notes to the Standalone Financial Statements for the year ended March 31, 2020

9. Other non-financial assets

(₹ in lakh)

Particulars	As at March 31, 2020	As at March 31, 2019
Prepaid Expenses	134.39	101.22
Advance to staff	218.99	75.91
Advance to vendors	191.96	94.90
GST Input	-	22.22
Other Recoverable	84.39	140.36
Total	629.73	434.61

10. Assets held for sale

(₹ in lakh)

Particulars	As at March 31, 2020	As at March 31, 2019
Assets held for sale (Refer note 10(a))	1,804.30	988.79
Total	1,804.30	988.79

10(a) Assets obtained by taking possession of collateral

The Company obtained the following assets during the year by taking possession of collateral held as security against loans and advances and held at the year end. The Company's policy is to realise collateral on a timely basis. The Company does not use non-cash collateral for its operations.

(₹ in lakh)

Particulars	As at March 31, 2020	As at March 31, 2019
Residential properties	1,804.30	988.79
Total assets obtained by taking possession of collateral	1,804.30	988.79

11. Payables

(₹ in lakh)

Particulars	As at March 31, 2020	As at March 31, 2019
Trade Payables		
Total outsanding dues of Micro Enterprises and Small Enterprises	-	-
Total outstanding dues of Creditors other than Micro Enterprises and Small Enterprises	1,737.64	949.25
Total	1,737.64	949.25

12. Debt Securities

(₹ in lakh)

Particulars	As at March 31, 2020	As at March 31, 2019
At amortised cost		
Secured		
Debentures (Refer note 12(a))	96,978.28	23,865.37
Unsecured		
Debentures (Refer note 12(a))	19,868.26	19,839.71
Total	1,16,846.54	43,705.08
Debt securities in India	96,978.28	23,865.37
Debt securities outside India	19,868.26	19,839.71
Total	1,16,846.54	43,705.08

Notes to the Standalone Financial Statements for the year ended March 31, 2020

12. Debt Securities *(contd.)*

12(a) Detail of Redeemable Non-Convertible Debentures (inclusive of Interest accrued on debentures)

(₹ in lakh)

Sr. No.	ISIN No.	Date of allotment	Date of redemption	Nominal value per debenture	Total number of debentures	Rate of Interest p.a.	Face value	As at March 31, 2020	As at March 31, 2019	Secured/ Unsecured	Terms of redemption
1	INE216P07100	02-Sep-16	20-Mar-20	10	500	10.30%	5,000	-	5,011.75	Secured	Redeemed at par during the year
2	INE216P07126	20-Dec-16	19-Oct-20	10	500	9.15%	5,000	5,135.88	5,129.27	Secured	Redeemable at par
3	INE216P07134	18-Jul-17	18-May-22	10	1,300	8.43%*	13,000	13,317.45	13,276.76	Secured	Redeemable at par
4	INE216P08017	22-Dec-17	22-Dec-23	10	1,000	9.49%	10,000	10,228.21	10,223.02	Unsecured	Redeemable at par
5	INE216P07159	17-Apr-18	17-Apr-23	10	100	8.90%*	1,000	1,038.02	1,036.90	Secured	Redeemable at par
6	LRN-201812124	20-Dec-18	20-Dec-25	100	200	8.93%**	20,000	19,931.87	19,898.43	Unsecured	Redeemable at par
7	INE216P07167	16-Sep-19	15-Sep-24	100	345	8.39%*	34,500	34,266.69	-	Secured	Redeemable at par
8	INE216P07175	30-Mar-20	30-Mar-28	10	4,444	8.65%*	44,440	43,952.18	-	Secured	Redeemable at par
							Total	1,27,870.30	54,576.13		

*ROI p.a (payable half yearly)

**ROI p.a (payable quarterly)

Notes to the Standalone Financial Statements for the year ended March 31, 2020

13. Borrowings

(₹ in lakh)

Particulars	As at March 31, 2020	As at March 31, 2019
At amortised cost		
Secured		
Term loans (refer note 13(h))		
From National Housing Bank (NHB) (Refer note 13(a))	95,129.03	89,720.72
From Banks (Refer note 13(b))	2,87,113.25	2,04,003.56
From Financial institutions (Refer note 13(c))	89.78	61.45
From Insurance Companies (Refer note 13(d))	9,365.27	-
Others		
Cash Credit (refer note 13(e))	5,570.90	5,733.63
Others (refer note 13(f))	11,123.17	12,142.35
Total	4,08,391.40	3,11,661.71
Borrowings in India	4,08,391.40	3,11,661.71
Borrowings outside India	-	-
Total	4,08,391.40	3,11,661.71

13(a) Secured term loans from National Housing Bank carry rate of interest in the range of 4.18% to 9.40% p.a. The loans are having tenure of 10 to 15 years from the date of disbursement and are repayable in quarterly instalments. These loans are secured by hypothecation (exclusive charge) of the loans given by the Company.

13(b) Secured term loans from Banks include loans from various banks and carry rate of interest in the range of 8.35% to 10.20% p.a. The loans are having tenure of 5 to 15 years from the date of disbursement and are repayable in monthly or quarterly or yearly instalments. These loans are secured by hypothecation (exclusive charge) of the loans given by the Company. Secured term loan from banks include auto loans of ₹260.46 lakh (P.Y. ₹204.42 lakh) carrying rate of interest in the range of 8.40% to 9.50% p.a. which are secured by hypothecation of Company's vehicles.

13(c) Loans from financial institutions include auto loans of ₹89.78 lakh (P.Y. ₹61.45 lakh)

13(d) Secured term loan from Insurance Company carry rate of interest of 8.45% p.a. The loan is having tenure of 8 years from the date of disbursement and is repayable in half yearly instalments. The Loan is secured by hypothecation (exclusive charge) of the loans given by the Company.

13(e) Cash credit borrowings from bank are secured against hypothecation of housing loans given by the Company, are repayable on demand and carry interest rates ranging from 8.40% to 11.20%

13(f) Other borrowings includes associated liabilities to securitized asset that has been re-recognised due to non fulfillment of derecognition criteria as per Ind AS.

13(g) **Changes in liabilities arising from financing activities**

Particulars	As at March 31, 2020	Cash flows	Other*	As at March 31, 2020
Debt securities	43,705.08	73,940.00	(798.54)	1,16,846.54
Borrowings	3,11,661.71	98,726.36	(1,996.67)	4,08,391.40
Subordinate liabilities	9,958.30	(0.00)	7.31	9,965.61
Total	3,65,325.09	1,72,666.36	(2,787.90)	5,35,203.55

*Other column includes amortisation of transaction cost.

Notes to the Standalone Financial Statements for the year ended March 31, 2020

13. Borrowings *(contd.)*

13(h) Terms of repayment of long term borrowings outstanding as at March 31, 2020

(₹ in lakh)

Particulars		Due within 1 year		Due 1 to 3 years		Due 3 to 5 years		Due 5 to 10 years		Above 10 years		Total	
Original maturity of loan	Interest rate	No. of installments	Amount	No. of installments	Amount	No. of installments	Amount	No. of installments	Amount	No. of installments	Amount	No. of installments	Amount
Monthy repayment schedule													
Above 3 years	8%-10%	677	9,389.39	1,038	18,727.84	374	13,661.42	193	10,713.82	-	-	2,282	52,492.47
	10%-12%	9	286.96	-	-	-	-	-	-	-	-	9	286.96
Quarterly repayment schedule													
Above 3 years	4%-6%	27	4,673.20	56	9,968.00	56	9,968.00	33	5,090.70	-	-	172	29,699.90
	6%-8%	35	3,865.17	72	8,367.88	72	8,367.88	167	19,361.70	66	4,516.55	412	44,479.18
	8%-10%	276	33,503.74	540	73,276.67	491	66,469.87	496	78,929.40	27	2,445.52	1,830	2,54,625.20
Half yearly repayment schedule													
Above 3 years	8%-10%	2	1,243.51	9	17,707.05	12	26,102.60	13	28,557.82	-	-	36	73,610.98
Yearly repayment schedule													
Above 3 years	8%-10%	-	-	-	-	-	-	-	-	-	-	-	-
At the end of tenure													
Above 3 years	8%-10%	1	4,974.03	1	12,964.61	3	45,376.15	-	-	-	-	5	63,314.79
	10%-12%	-	-	-	-	-	-	-	-	-	-	-	-
Total		1,027	57,936.00	1,716	1,41,012.05	1,008	1,69,945.92	902	1,42,653.44	93	6,962.07	4,746	5,18,509.48

The above table doesn't include associated liabilities to securitized asset that has been re-recognised due to non fulfillment of derecognition criteria as per Ind AS amounting to ₹10,251.62 lakh (Due within 1 year ₹547.34 lakh and due more than 1 year ₹9,704.28 lakh)

Notes to the Standalone Financial Statements for the year ended March 31, 2020

14. Subordinated Liabilities

(₹ in lakh)

Particulars	As at March 31, 2020	As at March 31, 2019
At Amortised cost		
Debentures (Refer note 12(a))	9,965.61	9,958.30
Total	9,965.61	9,958.30
Subordinated Liabilities in India	9,965.61	9,958.30
Subordinated Liabilities Outside India	-	-
Total	9,965.61	9,958.30

15. Lease liabilities

(₹ in lakh)

Particulars	As at March 31, 2020	As at March 31, 2019
Lease liabilties	3,012.91	-
Total	3,012.91	-

16. Other financial liabilities

(₹ in lakh)

Particulars	As at March 31, 2020	As at March 31, 2019
Interest accrued but not due		
From non convertible debentures	731.94	589.31
From unsecured non convertible debentures	326.21	323.44
From Bank- term Loan	1,896.93	168.07
From Financial Institution- term Loan	0.45	0.39
Due to assignees towards collections in derecognised assets	3,219.41	2,452.23
Employee benefits payable	964.09	1,195.16
Others	3,555.75	2,434.58
Total	10,694.78	7,163.18

(₹ in lakh)

Break up of financial liabilities carried at amortised cost	As at March 31, 2020	As at March 31, 2019
Payables (note 11)	1,737.64	949.25
Debt Securities (note 12)	1,16,846.54	43,705.08
Borrowings (note 13)	4,08,391.40	3,11,661.71
Subordinated Liabilities (note 14)	9,965.61	9,958.30
Lease liabilities (note 15)	3,012.91	-
Other financial liabilities (note 16)	10,694.78	7,163.18
Total	5,50,648.88	3,73,437.52

17. Provisions

(₹ in lakh)

Particulars	As at March 31, 2020	As at March 31, 2019
Provision for employee benefits		
Leave availment	162.23	97.23
Gratuity	517.23	293.96
ECL on undisbursed loan commitment	48.65	51.86
Provision for others	98.93	-
Total	827.04	443.05

Notes to the Standalone Financial Statements for the year ended March 31, 2020

18. Tax Expenses

The major components of income tax expense for the year ended March 31, 2020

Profit or loss section

(₹ in lakh)

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Current income tax:		
Current income tax charge	6,397.21	5,038.29
Adjustments in respect of current income tax of previous year		
Deferred tax:		
Relating to origination and reversal of temporary differences	(1,104.63)	3,139.70
Income tax expense reported in the statement of profit or loss	5,292.58	8,177.99

OCI

Deferred tax related to items recognised in OCI during the year:

(₹ in lakh)

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Net loss/(gain) on re-measurements of defined benefit plans	(1.75)	12.25
Income tax charged to OCI	(1.75)	12.25

Reconciliation of tax expense and the accounting profit multiplied by India's domestic tax rate for March 31, 2020:

(₹ in lakh)

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Accounting profit before tax from continuing operations	30,204.67	25,769.22
Profit/(loss) before tax from a discontinued operation	-	-
Accounting profit before income tax	30,204.67	25,769.22
Tax at statutory Income Tax rate of 25.17% (P.Y. 34.94%)	7,601.91	9,004.80
Expenses Disallowed in Income tax Act	116.30	61.65
Other permanent difference	(207.93)	(92.02)
Expenses Disallowed u/s 43B of Income tax Act	16.36	4.83
Provision for special reserve u/s 29C of NHB Act	(1,052.27)	(1,105.84)
Incremental defered tax liabilities /(assets) on account of Financial assets and other items	(1,181.79)	304.56
Tax at effective Income Tax rate of 17.52% (P.Y. 31.73%) (a)	5,292.58	8,177.99
Tax on Other comprehensive income (b)	(1.75)	12.25
Total Tax expenses at effective tax rate of 17.52% (P.Y. 31.78%) (a+b)	5,290.83	8,190.24

(₹ in lakh)

Deferred Tax liabilities / (assets)	As at March 31, 2020	As at March 31, 2019
Deferred tax liability		
Unamortized Borrowings cost	392.55	129.07
Upfront EIS income	4,295.21	5,210.71
Other adjustments	-	10.13
Gross deferred tax liability	4,687.76	5,349.91
Deferred tax asset		
Expected credit loss (ECL)	(413.26)	(344.91)
Unamortized Processing fee	(653.72)	(397.49)
Fair Valuation of SARFAESI	(68.08)	(53.20)
Provision for gratuity and Leave availment	(171.01)	(136.70)
Difference between tax depreciation and depreciation/amortization charged for the financial reporting	(176.48)	(142.68)
Other adjustments	(34.91)	-
Gross deferred tax asset	(1,517.46)	(1,074.98)
Net Deferred Tax Liability	3,170.30	4,274.93

Notes to the Standalone Financial Statements for the year ended March 31, 2020

18. Tax Expenses *(contd.)*

(₹ in lakh)

Deferred Tax charged to statement of profit and loss account	Year ended March 31, 2020		Year ended March 31, 2019	
	Profit and Loss	OCI	Profit and Loss	OCI
Unamortized Borrowings cost	263.48	-	(46.88)	-
Upfront EIS income	(915.50)	-	1,514.74	-
Expected credit loss (ECL)	(68.36)	-	(45.65)	-
Unamortized Processing fee	(256.24)	-	311.08	-
Difference between tax depreciation and depreciation/ amortization charged for the financial reporting	(33.79)	-	(129.33)	-
ESOPs	-	-	1,522.57	-
Other adjustments	(94.22)	(1.75)	13.16	12.25
Deferred Tax charged to statement of profit and loss account	(1,104.63)	(1.75)	3,139.70	12.25

19. Other Non-financial Liabilities

(₹ in lakh)

Particulars	As at March 31, 2020	As at March 31, 2019
Statutory Dues Payable	248.73	157.41
Provision for Expenses	914.08	601.93
Others	201.46	72.02
Total	1,364.27	831.36

20. Equity share capital

Details of authorized, issued, subscribed and paid up share capital

(₹ in lakh)

Particulars	As at March 31, 2020	As at March 31, 2019
Authorized share Capital		
85,000,000 (P.Y. 85,000,000) Equity Shares of ₹10/- each	8,500.00	8,500.00
	8,500.00	8,500.00
Issued, Subscribed & Paid up capital		
Issued and Subscribed Capital		
78,322,661 (P.Y. 78,107,901) Equity Shares of ₹10/- each	7,832.27	7,810.79
Called-Up and Paid Up Capital		
Fully Paid-Up		
78,322,661 (P.Y. 78,107,901) Equity Shares of ₹10/- each	7,832.27	7,810.79
Total	7,832.27	7,810.79

20(a) The reconciliation of equity shares outstanding at the beginning and at the end of the reporting year.

Particulars	As at March 31, 2020		As at March 31, 2019	
	No. of shares	₹ In lakh	No. of shares	₹ In lakh
Equity Share at the beginning of year	7,81,07,901	7,810.79	6,99,50,891	6,917.28
Add:				
Equity Share Allotted during year				
Shares issued during the year*	-	-	43,84,897	438.49
Shares issued under ESOP	2,14,760	21.48	29,72,113	297.21
Shares issued pursuant to conversion of convertible share warrants**	-	-	8,00,000	80.00
Call money received on 7,20,094 @ ₹6 per share	-	-	-	43.21
Call money received on 4,32,500 @ ₹8 per share	-	-	-	34.60
Equity share at the end of year	7,83,22,661	7,832.27	7,81,07,901	7,810.79

*The Company had made an Initial Public Offer (IPO) during the year ended 31st March, 2019, for 1,99,79,503 equity shares of ₹10 each, comprising of 43,84,897 fresh issue of equity shares by the Company and 1,55,94,606 equity shares offered for sale by

Notes to the Standalone Financial Statements for the year ended March 31, 2020

20. Equity share capital *(contd.)*

Selling shareholders. The equity shares were issued at a price of ₹821 per share (including premium of ₹811 per share). Out of the total proceeds from the IPO of ₹1,64,031.72 lakh, the Company's share was ₹36,000.00 lakh from the fresh issue of 43,84,897 equity shares. Fresh equity shares were allotted by the Company on 4th October 2018 and the shares of the Company were listed on the stock exchanges on 8th October 2018.

Expenses incurred by the company aggregating to ₹998.72 lakh, in connection with IPO have been adjusted towards Securities premium account.

**During the financial year 2018-19 , the Company has converted 360,000 and 440,000 convertible warrants into the equity shares at a Issue Price of ₹328.00 and 430.50 per warrant respectively.

20(b) Details of shareholders holding more than 5% shares in the Company

Name of the shareholder	As at March 31, 2020		As at March 31, 2019	
	No. of shares	% of holding	No. of shares	% of holding
Lake District Holdings Limited 23,140,827 Equity Shares of ₹10/- each fully paid	2,31,40,827	29.55%	2,68,01,527	34.31%
Partners Group ESCL Limited 13,018,256 Equity Shares of ₹10/- each fully paid	1,30,18,256	16.62%	1,30,18,256	16.67%
Partners Group Private Equity Master Fund LLC 5,713,047 Equity Shares of ₹10/- each fully paid	57,13,047	7.29%	57,13,047	7.31%
AU Small Finance Bank Limited 4,965,757 Equity Shares of ₹10/- each fully paid	49,65,757	6.34%	56,50,909	7.23%
SBI Mutual Fund under its various scheme 2,785,000 Equity Shares of ₹10/- each fully paid	NA	NA	53,66,491	6.87%
Total	4,68,37,887	59.80%	5,65,50,230	72.39%

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

20(c) Rights, preferences and restrictions attached to shares

Equity shares:

The Company has one class of equity shares having a par value of ₹10 per share. Each shareholder is eligible for one vote per share held. The dividend as and when proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

20(d) Aggregate number of bonus shares issued during the year of five years immediately preceding the reporting date

Particular	As at March 31, 2020	As at March 31, 2019	As at March 31, 2018	As at March 31, 2017	As at March 31, 2016
Equity shares allotted as fully paid bonus shares by capitalization of securities premium	-	-	-	53,66,658	-

20(e) For details of shares reserved for issue under the employee stock option plan (ESOP) of the Company, refer note 33

Notes to the Standalone Financial Statements for the year ended March 31, 2020

21. Other equity

(₹ in lakh)

Particulars	As at March 31, 2020	As at March 31, 2019
Securities premium Account (refer note 21(a))	1,32,743.79	1,32,004.34
Special reserve u/s 29C of The National Housing Bank Act, 1987 read with 36 (1) (viii) of income tax Act. 1961(refer note 21(a))	13,324.80	8,343.42
Share Based Payments Reserve (refer note 21(a))	1,169.29	742.34
Retained earnings	54,720.53	34,795.04
Share Application money received	2.69	-
Total	2,01,961.10	1,75,885.14

21(a) Nature and purpose of reserve

Securities premium Account

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

Special reserve

Section 29C (i) of The National Housing Bank Act, 1987 defines that every housing finance institution which is a Company shall create a reserve fund and transfer therein a sum not less than twenty percent of its net profit every year as disclosed in the statement of profit and loss before any dividend is declared. For this purpose any special reserve created by the Company under Section 36(1) (viii) of Income tax Act 1961, is considered to be an eligible transfer. During the year ended March 31, 2020, The Company has transferred an amount of ₹4181.00 lakh (P.Y. ₹3164.62 lakh) to special reserve in terms of Section 36(1) (viii) of the Income Tax Act 1961 considered eligible for special reserve u/s 29C of NHB Act 1987 and also transferred an amount of ₹800.38 lakh (P.Y. ₹358.18 lakh) to the Reserve in terms of Section 29C of the National Housing Bank ("NHB") Act, 1987.

Share Based Payments Reserve

This Reserve relates to stock options granted by the Company to employees under various ESOP Schemes. This Reserve is transferred to Securities Premium Account on exercise of vested options.

22. Interest income

(₹ in lakh)

Particulars	Year ended March 31, 2020			Year ended March 31, 2019		
	On financial assets measured at fair value through OCI	On financial assets measured at Amortised cost	Interest income on financial assets classified at fair value through profit and loss	On financial assets measured at fair value through OCI	On financial assets measured at Amortised cost	Interest income on financial assets classified at fair value through profit and loss
Interest on Loans (Refer note 22(a))	-	73,676.40	-	-	55,978.31	-
Interest on deposits with Banks	-	4,966.11	-	-	3,376.51	-
Total	-	78,642.51	-	-	59,354.82	-

22(a) Loan origination income included in Interest income on Loan is disclosed net of the direct incremental costs of ₹2,647.40 lakh for year ended March 31, 2020 (P.Y. ₹2,687.17 lakh) associated with the origination of the underlying loans.

Notes to the Standalone Financial Statements for the year ended March 31, 2020

23. Fees and commission Income

(₹ in lakh)

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Insurance commission	331.10	233.78
Other fee income	2,996.50	2,368.95
Total	3,327.60	2,602.73

24. Net gain on fair value changes

(₹ in lakh)

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
a) Net gain on financial instruments at fair value through profit and loss		
i) On trading portfolio		
Investments	597.20	1,182.45
b) Others		
Derivatives	3.23	28.97
Total Net gain on fair value changes	600.43	1,211.42
Fair value changes		
Realised	600.43	1,182.45
Unrealised- MTM gain	-	28.97
Total Net gain on fair value changes	600.43	1,211.42

25. Other income

(₹ in lakh)

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Net gain on derecognition of property, plant and equipment	-	1.64
Other income	79.99	98.63
Total	79.99	100.27

26. Finance Costs

(₹ in lakh)

Particulars	Year ended March 31, 2020		Year ended March 31, 2019	
	On financial liabilities measured at fair value through Profit or loss	On financial liabilities measured at Amortised cost	On financial liabilities measured at fair value through Profit or loss	On financial liabilities measured at Amortised cost
Interest on borrowings	-	34,438.64	-	24,515.36
Interest on Securitised pool	-	918.93	-	1,021.35
Interest on lease liability	-	249.58	-	-
Total	-	35,607.15	-	25,536.71

27. Fees and commission expense

(₹ in lakh)

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Resource mobilisation expenses	263.88	288.83
Bank charges and commission	98.87	85.89
Brokerage Commission	127.30	117.48
Total	490.05	492.20

Notes to the Standalone Financial Statements for the year ended March 31, 2020

28. Impairment on financial instruments

(₹ in lakh)

Particulars	Year ended March 31, 2020		Year ended March 31, 2019	
	On financial instruments measured at fair value through OCI	On financial instruments measured at Amortised cost	On financial instruments measured at fair value through OCI	On financial instruments measured at Amortised cost
Loan Assets	-	1,145.52	-	563.25
Write offs	-	128.37	-	55.03
Assets acquired under SARFAESI	-	259.89	-	271.49
Total	-	1,533.78	-	889.77

29. Employee Benefits Expenses

(₹ in lakh)

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Salaries and wages	13,115.04	10,281.55
Contribution to provident and other funds	671.78	445.84
Share Based Payments to employees	647.14	686.02
Staff welfare expenses	273.49	310.13
Total	14,707.45	11,723.54

Gratuity and other post-employment benefit plans

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service is eligible for gratuity on cessation of employment and it is computed at 15 days salary (last drawn salary) for each completed year of service subject to such limit as prescribed by The Payment of Gratuity Act, 1972 as amended from time to time.

The following tables summarize the components of net benefits expense recognized in the statement of profit and loss and the funded status and amounts recognized in the balance sheet for the respective plans.

Statement of profit and loss

Net employee benefit expense recognized in the employee cost

(₹ in lakh)

	Year ended March 31, 2020	Year ended March 31, 2019
Current service cost	198.76	132.55
Interest cost	22.78	14.55
Net expense	221.54	147.10

Remeasurement (gains)/ loss recognised in other comprehensive income:

(₹ in lakh)

	Year ended March 31, 2020	Year ended March 31, 2019
Remeasurement (gain) / loss on obligations arising from changes in experience adjustments	6.97	(35.07)
Remeasurement (gain) / loss arising during the year	6.97	(35.07)

Balance Sheet

Net defined benefit liability

(₹ in lakh)

	Year ended March 31, 2020	Year ended March 31, 2019
Present value of defined benefit obligation	517.23	293.96
Fair value of plan assets	-	-
Plan liability	517.23	293.96

Notes to the Standalone Financial Statements for the year ended March 31, 2020

29. Employee Benefits Expenses *(contd.)*

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

(₹ in lakh)

	Year ended March 31, 2020	Year ended March 31, 2019
Opening defined benefit obligation	293.96	187.74
Current service cost	198.76	132.55
Interest cost	22.78	14.55
Benefits paid during the year	(5.24)	(5.81)
Remeasurement (gain)/loss on obligation	6.97	(35.07)
Closing defined benefit obligation	517.23	293.96

The principle assumptions used in determining gratuity obligations for the Company are shown below:

(₹ in lakh)

	Year ended March 31, 2020	Year ended March 31, 2019
Discount rate	6.75%	7.72%
Salary escalation rate	6.00%	6.50%
Employee Turnover	age 30 = 5% age 31-40 = 3% age 41-50 = 2% age 51 & above=1%	age 30 = 5% age 31-40 = 3% age 41-50 = 2% age 51 & above=1%

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

Experience adjustment for the reported years are as below:

(₹ in lakh)

	As at March 31, 2020	As at March 31, 2019	As at March 31, 2018	As at March 31, 2017	As at March 31, 2016
Defined benefit obligation	517.23	293.96	187.74	112.44	68.98
Plan assets	-	-	-	-	-
Surplus	517.23	293.96	187.74	112.44	68.98
Experience adjustments on plan liabilities	6.97	(35.07)	(10.82)	(16.81)	(7.37)
Experience adjustments on plan assets	-	-	-	-	-

Sensitivity Analysis:

A quantitative sensitivity analysis for significant assumption is as shown below:

(₹ in lakh)

Particular	Year ended March 31, 2020	Year ended March 31, 2019
a) Effect of 1% change in assumed discount rate		
- 1% increase	446.36	255.64
- 1% decrease	604.81	341.06
(b) Effect of 1% change in assumed salary escalation rate		
- 1% increase	604.59	341.41
- 1% decrease	445.30	254.75

Other Benefits

The Company has provided for compensatory leaves which can be availed and not encashed as per policy of the Company as present value obligation of the benefit at related current service cost measured using the Projected Unit Credit Method on the basis of an actuarial valuation.

Notes to the Standalone Financial Statements for the year ended March 31, 2020

30. Other expenses

(₹ in lakh)

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Advertisement and publicity	864.82	295.86
AMC charges	87.75	57.06
Auditor's remuneration (note 30(a))	50.66	47.01
Directors' fees and commission	70.85	45.78
Communication costs	300.40	237.32
CSR expenses	312.74	176.43
Donation	21.00	-
Electricity and water	247.22	214.47
Fee and subscription	26.82	1.22
General office expenses	288.62	192.61
Legal and professional charges	463.50	484.70
Collection and legal recovery expenses	183.14	193.84
IT and analytics Expenses	108.15	45.09
Manpower management cost	1,828.81	1,941.04
Postage and courier expenses	132.93	131.23
Printing and stationery	70.79	103.23
Rent, rates and taxes Expenses	53.67	785.08
Repairs and maintenance	149.04	241.04
Travelling and conveyance	549.27	520.46
Total	5,810.18	5,713.47

30(a) Auditor's remuneration

(₹ in lakh)

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Audit fees	42.24	36.79
Tax audit fees	2.18	2.18
Other services	6.24	8.04
	50.66	47.01

31. Earning per share

(₹ in lakh)

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Following reflects the profit and share data used in EPS computations:		
Basic		
Weighted average number of equity shares for computation of Basic EPS (in lakh)	781.90	743.87
Net profit for calculation of basic EPS (₹ in lakh)	24,912.09	17,591.23
Basic earning per share (In ₹)	31.86	23.65
Diluted		
Weighted average number of equity shares for computation of Diluted EPS (in lakh)	791.22	762.10
Net profit for calculation of Diluted EPS (₹ in lakh)	24,912.09	17,591.23
Diluted earning per share (In ₹)	31.49	23.08
Nominal value of equity shares (In ₹)	10.00	10.00

Notes to the Standalone Financial Statements for the year ended March 31, 2020

32. Maturity analysis of assets and liabilities

The following tables set forth, for the periods indicated, the assets and liabilities line items expected to be recovered or settled within and after twelve months after factoring prepayment assumptions.

(₹ in lakh)

Particulars	As at March 31, 2020			As at March 31, 2019		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
ASSETS						
Financial assets						
Cash and cash equivalents	35,022.40	-	35,022.40	15,966.22	-	15,966.22
Bank balance other than cash and cash equivalents	84,183.13	-	84,183.13	51,948.61	-	51,948.61
Derivative financial instruments	-	-	-	87.86	-	87.86
Loans	88,012.03	5,30,067.80	6,18,079.83	79,665.82	3,92,783.18	4,72,449.00
Investments	-	450.00	450.00	-	450.00	450.00
Other financial assets	8,362.81	9,773.87	18,136.68	7,305.37	9,053.75	16,359.12
Non-financial assets						
Current tax assets (net)	1,438.03	-	1,438.03	1,707.41	-	1,707.41
Property, plant and equipment	-	2,699.83	2,699.83	-	1,922.97	1,922.97
Capital work-in-progress	-	30.99	30.99	-	-	-
Intangible assets under development	-	39.90	39.90	-	9.08	9.08
Other intangible assets	-	414.84	414.84	-	359.12	359.12
Right-of-use assets		2,874.20	2,874.20	-	-	-
Other non-financial assets	593.83	35.90	629.73	416.75	17.86	434.61
Assets held for sale	1,804.30	-	1,804.30	988.79	-	988.79
Total Assets	2,19,416.53	5,46,387.33	7,65,803.86	1,58,086.83	4,04,595.96	5,62,682.79
LIABILITIES						
Financial liabilities						
Payables						
(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	1,737.64	-	1,737.64	949.25	-	949.25
Debt securities	4,815.32	1,12,031.22	1,16,846.54	4,940.15	38,764.93	43,705.08
Borrowings (other than debt securities)	60,118.51	3,48,272.89	4,08,391.40	47,100.01	2,64,561.70	3,11,661.71
Subordinated liabilities	(8.04)	9,973.65	9,965.61	(7.31)	9,965.61	9,958.30
Lease liabilties	899.55	2,113.36	3,012.91	-	-	-
Other financial liabilities	10,612.53	82.25	10,694.78	7,114.67	48.51	7,163.18
Non-financial liabilities						
Provisions	46.62	780.42	827.04	31.75	411.30	443.05
Deferred tax liabilities (net)	1,419.03	1,751.27	3,170.30	2,122.67	2,152.26	4,274.93
Other non-financial liabilities	1,364.27	-	1,364.27	831.36	-	831.36
Total Liabilities	81,005.43	4,75,005.06	5,56,010.49	63,082.55	3,15,904.31	3,78,986.86
Net Assets	1,38,411.10	71,382.27	2,09,793.37	95,004.28	88,691.65	1,83,695.93

Notes to the Standalone Financial Statements for the year ended March 31, 2020

33. Stock options

I. The Company has formulated various share-based payment schemes for its employees (Plan I), management team (Plan II) and directors (Plan III). Details of all grants in operation during the Year ended March 31, 2020 are as given below:

Particulars	ESOP 2016 I (a)	ESOP 2016 I (b)	ESOP 2016 II	ESOP 2016 III	ESOP 2019
Scheme Name	Equity stock option plan for Employees 2016 (ESOP 2016 I)	Equity stock option plan for Employees 2016 (ESOP 2016 I)	Equity stock option plan for Management team 2016 (ESOP 2016 II)	Equity stock option plan for Directors 2016 (ESOP 2016 III)	Equity stock option plan for Employees 2019 (ESOP 2019)
No. of options approved*	12,87,901		34,45,610	7,19,084	3,00,000
Date of grant	23-Feb-17	24-Jan-18	23-Feb-17	23-Feb-17	03-Oct-19
No. of options granted	9,80,118	4,24,687	34,45,610	7,19,084	3,00,000
Exercise price per option (in ₹)	215.25	328	215.25	215.25	1580.20
Method of settlement	Equity	Equity	Equity	Equity	Equity
Vesting year and conditions	A) 50% options to vest as per stipulated vesting schedule ("Fixed Vesting") B) 50% options to vest as per stipulated vesting schedule on fulfillment of stipulated conditions ("Conditional Vesting")				
A) Fixed Vesting year is as follows on following dates :-					
1st vesting "12 months from the date of grant	98,012	42,469	Refer note A	71,908	30,000
2nd vesting "On expiry of four months from the 1st vesting date"	98,012	NA	-	71,908	NA
2nd vesting "On expiry of one year from the 1st vesting date"	NA	42,469	-	NA	30,000
3rd vesting "On expiry of one year from the 2nd vesting date"	98,012	42,469	-	Refer note B	30,000
4th vesting "On expiry of one year from the 3rd vesting date"	98,012	42,469	-	-	30,000
5th vesting "On expiry of one year from the 4th vesting date"	98,011	42,469	-	-	30,000
B) Conditional Vesting	Linked with conditions over the next five years as stipulated in respective stock option plan		Refer note A	Linked with conditions over the next five years as stipulated in respective stock option plan (Refer note B)	Linked with conditions over the next five years as stipulated in respective stock option plan
Exercise year	Four years from the date of each vesting				

*After adjusting subsequent cancellations, if any

Note:

A. During year ended March 31, 2018, pursuant to the the Board approval dated January 25, 2018, all options granted under Management team 2016 (ESOP 2016 II) plan were vested with immediate effect with no further conditions attached to them.

Notes to the Standalone Financial Statements for the year ended March 31, 2020

33. Stock options *(contd.)*

B. During Year ended March 31, 2019, pursuant to the the Board approval dated June 08, 2018, last three tranches of options related to fixed vesting (2,15,724 options) and 25% of performance options (89,886 options) granted under Directors 2016 (ESOP 2016 III) plan were vested on June 30, 2018 subject to lock in conditions as prescribed in stock plan.

C. During Year ended March 31, 2020, pursuant to the the Board approval dated August 01, 2019, options granted for employees 2019 (ESOP 2019) plan.

II Computation of fair value of options granted during the year ended March 31, 2020

3,00,000 options granted during the Year ended March 31, 2020 for employees 2019 (ESOP 2019) plan.

The weighted average fair value of stock options granted during the year was ₹652.27 (ESOP 2019) plan.

The Black-Scholes Model has been used for computing the weighted average fair value considering the following:

(₹ in lakh)

Particulars	ESOP 2019
Share price on the date of grant (₹)	1601.11
Exercise price (₹)	1580.20
Expected volatility (%)	33.64%
Life of the options granted (years)	
First Vesting	3 years
Second Vesting	4 years
Third Vesting	5 years
Forth Vesting	6 years
Fifth Vesting	7 years
Risk-free interest rate (%)	6.21%
Expected dividend rate (%)	0%
Fair value of the option (₹)	Tranche 1 - 459.96 Tranche 2 - 582.70 Tranche 3 - 659.68 Tranche 4 - 731.79 Tranche 5 - 791.23

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a year similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

III Reconciliation of options

Particulars	ESOP 2016 I (a)	ESOP 2016 I (b)	ESOP 2016 II	ESOP 2016 III	ESOP 2019
Year ended March 31, 2020					
Options outstanding at April 1, 2019	4,76,461	4,22,187	-	2,69,656	-
Granted during the year	-	-	-	-	3,00,000
Forfeited during the year	800	11,700	-	-	-
Exercised during the year	1,41,628	73,132	-	-	-
Expired / lapsed during the year	20,712	44,200	-	-	-
Outstanding at March 31, 2020	3,13,321	2,93,155	-	2,69,656	3,00,000
Exercisable at March 31, 2020	12,744	80,791	-	2,69,656	-
Weighted average remaining contractual life (in years)	1.87	4.16	-	1.96	6.51
Weighted average share price at the time of exercise*	1,787.48	1,582.87	-	-	-

Notes to the Standalone Financial Statements for the year ended March 31, 2020

33. Stock options *(contd.)*

Particulars	ESOP 2016 I (a)	ESOP 2016 I (b)	ESOP 2016 II	ESOP 2016 III	ESOP 2019
Year ended March 31, 2019					
Options outstanding at April 1, 2018	8,63,214	4,24,687	22,23,059	7,19,084	-
Granted during the year	-	-	-	-	-
Forfeited during the year	4,388	-	-	-	-
Exercised during the year	2,99,626	-	22,23,059	4,49,428	-
Expired / lapsed during the year	82,739	2,500	-	-	-
Outstanding at March 31, 2019	4,76,461	4,22,187	-	2,69,656	-
Exercisable at March 31, 2019	4,604	84,436	-	-	-
Weighted average remaining contractual life (in years)	3.10	5.80	-	2.34	-
Weighted average share price at the time of exercise*	430.50	-	430.50	430.50	-

* Disclosure of weighted average share price at the time of exercise is applicable only for plans where there has been an exercise of options in current financial year.

34. Hedging activities and derivatives

Derivatives not designated as hedging instruments

The Company uses foreign currency denominated borrowings and Cross Currency Swaps to manage some of its transaction exposures. The Cross Currency Swaps are not designated as cash flow hedges and are entered into for years of generally 34 to 36 months.

35. Segment information

The Company has only one reportable business segment, i.e. lending to borrowers, which have similar nature of products and services, type/class of customers and the nature of the regulatory environment (which is banking), risks and returns for the purpose of Ind AS 108 on 'Segment Reporting' specified under section 133 of the Companies Act 2013, read with Rule 7 of the Companies (Accounts] Rules, 2014 . Accordingly, the amounts appearing in the financial statements relate to the Company's single business segment.

36. The Company has been granted Certificate of Registration (No. 08.0095.11) to commence/carry on the business as a housing finance company without accepting public deposits by National Housing Bank on August 04, 2011 and got a revised Certificate of Registration (02.0104.13) after conversion of Company from a private limited company to a public limited company on February 08, 2013. Further, the name of our company was changed to AAVAS FINANCIERS LIMITED, pursuant to a Shareholders resolution passed at the EOGM held on February 23, 2017. A fresh certificate of incorporation consequent to such change of name was issued on March 29, 2017 by the Registrar of companies, Jaipur and subsequently the revised certificate of Registration (No.04.0151.17) was issued on April 19, 2017 by National Housing Bank.

37. Related party

a. Names of related parties identified in accordance with Ind AS -24 "Related Party Disclosures"

1. Entities where control exists:

Holding Company

Lake District Holdings Limited - (Upto June 08, 2018)

Shareholders having Substantial interest

Lake District Holdings Limited - (From June 08, 2018)

Partners Group ESCL Limited - (Upto October 04, 2018)

Wholly owned Subsidiary Company

Aavas Finserv Limited

Notes to the Standalone Financial Statements for the year ended March 31, 2020

37. Related party *(contd.)*

2. Key Management Personnel

Mr. Krishan Kant Rathi	Chairperson and Independent Director (Ceased as Chairperson of the Board w.e.f August 01, 2019 and Retired as an Independent Director w.e.f August 28, 2019)
Mr. Sandeep Tandon	Chairperson and Independent Director (Appointed as Chairperson of the Board w.e.f August 01, 2019)
Mr. Sushil Kumar Agarwal	Managing Director and Chief Executive Officer (Designated to Managing Director & Chief Executive Officer from Whole Time Director & Chief Executive Officer w.e.f May 03, 2019)
Mrs. Kalpana Iyer	Independent Director
Mrs. Soumya Rajan	Additional Director (Appointed in the capacity of Independent Director w.e.f. August 29, 2019)
Mr. Ramachandra Kasargod Kamath	Non-Executive Nominee Director
Mr. Vivek Vig	Non-Executive Nominee Director
Mr. Nishant Sharma	Non-executive Promoter Nominee Director
Mr. Manas Tandon	Non-executive Promoter Nominee Director
Mr. Kartikeya Dhruv Kaji	Non-executive Promoter Nominee Director
Mr. Ghanshyam Rawat	Chief Financial Officer
Mr. Sharad Pathak	Company Secretary & Compliance Officer

3. Enterprises under significant influence of the Key Management Personnel

Aavas foundation (From 26th March 2019)

4. Relatives of Key Managerial Personnel

None

b. The nature and volume of transactions carried out with the above related parties in the ordinary course of

(₹ in lakh)

Name of related party	Nature of transactions	March 31, 2020			March 31, 2019		
		Amount received	Amount paid	Receivable	Amount received	Amount paid	Receivable
Aavas Finserv Limited	Reimbursement of expenses	-	1.05	13.46	-	4.98	12.41
Aavas Finserv Limited	Reimbursement of Statutory payments	-	11.17	13.11	-	1.94	1.94
Mr. Krishan Kant Rathi	Sitting fees	-	2.73	-	-	7.90	-
	Commission	-	2.73	-	-	-	-
Mr. Sandeep Tandon	Sitting fees	-	6.00	-	-	6.54	-
	Commission	-	4.91	-	-	-	-
Mr. Sushil Kumar Agarwal	Issue of Equity shares and Share warrants	-	-	-	5,784.82	-	-
	Remuneration	-	240.06	-	-	219.88	-
Mrs. Kalpana Iyer	Sitting fees	-	4.63	-	-	7.90	-
	Commission	-	6.27	-	-	-	-
Mrs. Soumya Rajan	Sitting fees	-	1.09	-	-	-	-
Mr. Ramachandra Kasargod Kamath	Issue of Equity shares	-	-	-	161.23	-	-
	Share based Payment	-	11.91	-	-	51.05	-
	Sitting fees	-	2.73	-	-	3.82	-
	Commission	-	28.89	-	-	17.44	-

Notes to the Standalone Financial Statements for the year ended March 31, 2020

37. Related party *(contd.)*

(₹ in lakh)

Name of related party	Nature of transactions	March 31, 2020			March 31, 2019		
		Amount received	Amount paid	Receivable	Amount received	Amount paid	Receivable
Mr. Vivek Vig	Issue of Equity shares	-	-	-	806.16	-	-
	Share based Payment	-	59.54	-	-	255.24	-
	Sitting fees	-	2.73	-	-	2.18	-
	Commission	-	8.18	-	-	-	-
Mr. Ghanshyam Rawat	Issue of Equity shares and Share warrants	-	-	-	1,936.11	-	-
	Remuneration	-	182.03	-	-	166.66	-
Mr. Sharad Pathak	Issue of Equity shares	7.59	-	-	37.47	-	-
	Remuneration	-	18.69	-	-	15.21	-
	Share based Payment	-	3.24	-	-	5.07	-
Aavas Foundation	Contribute as a Settler (Donation)	-	180.36	-	-	0.11	-

Note :The remuneration to the key managerial personnel does not include the provisions made for gratuity and leave benefits, as they are determined on an actuarial basis for the Company as a whole.

38. Details of dues to micro and small enterprises as defined under the MSMED Act, 2006

There are no amounts that need to be disclosed in accordance with the Micro Small and Medium Enterprise Development Act, 2006 (the 'MSMED') pertaining to micro or small enterprises for the year ended March 31, 2020

39. The Company's pending litigations comprise of claims against the Company primarily by the customers. 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 Company does not expect the outcome of these proceedings to have a material adverse effect on its financial statements of the Company as at March 31, 2020.

40. Commitments and contingencies

a. Capital and other commitments:

(₹ in lakh)

Particulars	As at March 31, 2020		
	Estimated Project cost	Paid during the year	Balance Payable
Property, plant and equipment	3.11	-	3.11
Other intangible assets	15.68	-	15.68

(₹ in lakh)

Particulars	As at March 31, 2019		
	Estimated Project cost	Paid during the year	Balance Payable
Property, plant and equipment	74.40	21.13	53.27

Refer note 4(iii) for undisbursed commitment relating to loans.

b. There are no Contingent Liability as on March 31, 2020 (March 31, 2019 ₹ Nil)

41. Expenditure in Foreign currency

(₹ in lakh)

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Interest paid	1,786.39	452.71
Other Expenses	53.38	156.15

Notes to the Standalone Financial Statements for the year ended March 31, 2020

42. CSR expenses

Operating expenses include ₹312.74 lakh for the Year ended March 31, 2020 (P.Y. ₹176.43 lakh) towards Corporate Social Responsibility (CSR), in accordance with Companies Act, 2013. Gross Amount (including deficit of previous year) required to be spent by the Company during the year is ₹449.23 lakh. (P.Y. ₹268.15 lakh).

The details of amount spent during the respective year towards CSR are as under:

(₹ in lakh)

Particulars	March 31, 2020			March 31, 2019		
	Amount Spent	Yet to be paid	Total	Amount Spent	Yet to be paid	Total
Construction/acquisition of any asset	Nil	Nil	Nil	Nil	Nil	Nil
On purposes other than above	431.97	17.26	449.23	131.64	136.51	268.15

43. Fair value measurement

43(a) Valuation Principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price), regardless of whether that price is directly/ indirectly observable or estimated using a valuation technique. In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques.

43(b) Fair Value of financial instruments which are not measured at Fair Value

The carrying amounts and fair value of the Company's financial instruments are reasonable approximations of fair values at financial statement level.

Valuation methodologies of financial instruments not measured at fair value

Loans

Most of the loans are repriced frequently, with interest rate of loans reflecting current market pricing. Hence carrying value of loans is deemed to be equivalent of fair value.

Borrowings

The Company's most of the borrowings are at floating rate which approximates the fair value.

Debt securities and subordinate liabilities are fixed rate borrowings and fair value of these fixed rate borrowings is determined by discounting expected future contractual cash flows using current market interest rates charged for similar new loans and carrying value approximates the fair value for fixed rate borrowing at financial statement level.

Short Term and Other Financial Assets and Liabilities

The management assessed that cash and cash equivalents, investments, other financial assets, trade payables and other financial liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Assets held for sale

Real estate properties are valued based on a well progressed sale process with price quotes from real estate agents.

Notes to the Standalone Financial Statements for the year ended March 31, 2020

44. Transfer of Financial assets

Transfers of financial assets that are not derecognised in their entirety

Securitisation:

The Company uses securitisations as a source of finance. Such transactions generally result in the transfer of contractual cash flows from portfolios of financial assets to holders of issued debt securities. Securitisation has resulted in the continued recognition of the securitised assets.

The table below outlines the carrying amounts and fair values of all financial assets transferred that are not derecognised in their entirety and associated liabilities.

(₹ in lakh)

Loans and advances measured at amortised cost	As at March 31, 2020	As at March 31, 2019
Carrying amount of transferred assets measured at amortised cost	10,684.14	12,559.27
Carrying amount of associated liabilities	(10,251.62)	(12,051.26)

The carrying amount of above assets and liabilities is a reasonable approximation of fair value.

Assignment Deal:

During the year ended March 31, 2020, the Company has sold some loans and advances measured at amortised cost as per assignment deals, as a source of finance. As per the terms of these deals, since substantial risk and rewards related to these assets were transferred to the buyer, the assets have been derecognised from the Company's balance sheet.

The management has evaluated the impact of assignment transactions done during the year for its business model. Based on the future business plan , the company business model remains to hold the assets for collecting contractual cash flows.

The table below summarises the carrying amount of the derecognised financial assets measured at amortised cost and the gain on derecognition, per type of asset.

(₹ in lakh)

Loans and advances measured at amortised cost	Year ended March 31, 2020	Year ended March 31, 2019
Carrying amount of derecognised financial assets	73,859.15	76,268.14
Gain from derecognition	7,658.88	7,828.01

45. Capital management:

For the purpose of the Company's capital management, capital includes issued equity capital, Securities premium and all other equity reserves attributable to the equity holders of the Company net of intangible assets. The primary objective of the Company's capital management is safety and security of share capital and maximize the shareholder value.

The Company manages its capital structure in light of changes in economic conditions and the requirements of the financial covenants. The company monitors capital using a gearing ratio, which is total debt divided by net worth. The Company's policy is to keep the gearing ratio at reasonable level of 6-8 times in imminent year while the Housing Finance Companies (National Housing Bank) Directions, 2010 (the "NHB Directions") currently permits HFCs to borrow up to 14 times of their net owned funds ("NOF"). The Company includes with in debt, its all interest bearing loans and borrowings.

Debt to net worth ratio

(₹ in lakh)

Particulars	As at March 31, 2020	As at March 31, 2019
Debts	5,38,159.07	3,66,406.30
Net worth	2,09,338.63	1,83,327.73
Debt to Net worth (in times)	**2.57**	**2.00**

In order to achieve this overall objective, the Company's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches in the financial covenants of any interest-bearing loans and borrowing in the current year.

Notes to the Standalone Financial Statements for the year ended March 31, 2020

46. Financial risk management objectives and policies

The Company's Principal financial liabilities comprise loans and borrowings. The main purpose of these financial liabilities is to finance the company's operations. At the other hand company's Principal financial assets include loans and cash and cash equivalents that derive directly from its operations.

As a lending institution, Company is exposed to various risks that are related to lending business and operating environment. The Principal Objective in Company's risk management processes is to measure and monitor the various risks that Company is subject to and to follow policies and procedures to address such risks. Company 's risk management framework is driven by Board and its subcommittees including the Audit Committee, the Asset Liability Management Committee and the Risk Management Committee. Company gives due importance to prudent lending practices and have implemented suitable measures for risk mitigation, which include verification of credit history from credit information bureaus, personal verification of a customer's business and residence, technical and legal verifications, conservative loan to value, and required term cover for insurance. The major types of risk Company face in businesses are liquidity risk, credit risk, interest rate risk.

(A) Liquidity risk

Liquidity Risk refers to the risk that the company can not meet its financial obligations. The objective of Liquidity risk management is to maintain sufficient liquidity and ensure that funds are available for use as per requirement. The unavailability of adequate amount of funds at optimum cost and co-terminus tenure to repay the financial liabilities and further growth of business resultantly may face an Asset Liability Management (ALM) mismatch caused by a difference in the maturity profile of Company assets and liabilities. This risk may arise from the unexpected increase in the cost of funding an asset portfolio at the appropriate maturity and the risk of being unable to liquidate a position in a timely manner and at a reasonable price. The Company manages liquidity risk by maintaining adequate cash reserves and undrawn credit facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The Company has given cash collateral for the securitisation transactions and do not expect any net cash outflow and hence guarantees given for securitisation transactions have not been shown as part of below table. Further, undisbursed loan amount being cancellable in nature are not disclosed as part of below mentioned maturity profile.

The table below summarises the maturity profile of the undiscounted cash flows of the Company's financial liabilities.

Maturity profile of Financial liabilities as on March 31, 2020

(₹ in lakh)

Particulars	Borrowings	Payables	Other Financial liabilities
1 Day to 1 year	1,07,861.53	1,737.64	10,612.53
Over 1 year to 3 years	2,07,214.96	-	82.25
Over 3 year to 5 years	2,10,922.09	-	-
Over 5 year to 7 years	1,08,327.16	-	-
Over 7 year to 10 years	62,532.14	-	-
Over 10 years	5,856.11	-	-
Total	7,02,713.99	1,737.64	10,694.78

Maturity profile of Financial liabilities as on March 31, 2019

(₹ in lakh)

Particulars	Borrowings	Payables	Other Financial liabilities
1 Day to 1 year	83,147.92	949.25	7,163.19
Over 1 year to 3 years	1,33,902.76	-	-
Over 3 year to 5 years	1,32,706.36	-	-
Over 5 year to 7 years	81,035.31	-	-
Over 7 year to 10 years	41,330.44	-	-
Over 10 years	19,502.25	-	-
Total	4,91,625.04	949.25	7,163.19

Notes to the Standalone Financial Statements for the year ended March 31, 2020

46. Financial risk management objectives and policies *(contd.)*

(B) Credit risk

Credit Risk arises from the risk of loss that may occur from the default of Company's customers under loan agreements. Customer defaults and inadequate collateral may lead to higher credit impaired assets. Company address credit risks by using a set of credit norms and policies, which are approved by Board and backed by analytics and technology. Company has implemented a structured and standardized credit approval process, including customer selection criteria, comprehensive credit risk assessment and cash flow analysis, which encompasses analysis of relevant quantitative and qualitative information to ascertain the credit worthiness of a potential customer. Actual credit exposures, credit limits and asset quality are regularly monitored and analysed at various levels. Company has created a robust credit assessment and underwriting practice that enables to fairly price credit risks.

The company has created more than 60 templates of customer profiles through its experience over the years, with risk assessment measures for each geography in which it operates. The company continuously seek to develop and update such profiles in order to identify and source reliable customers and improve efficiencies. The company also conduct an analysis of the existing cash flow of customer's business to assess their repayment abilities. The company has implemented a four prong system of credit assessment comprising underwriting, legal assessments, technical assessments and a risk containment unit.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk was ₹637,252.82 lakh and ₹488,637.25 lakh as of March 31, 2020 and March 31, 2019 respectively, being the total of the carrying amount of Loan assets and EIS receivable.

(C) Analysis of risk concentration

The Company's concentrations of risk are managed based on Loan to value (LTV) segregation as well as geographical spread. The following tables stratify credit exposures from housing and other loans to customers by range of loan-to-value (LTV) ratio .LTV is calculated as the ratio of gross amount of the loan - or the amount committed for loan commitments - to the value of the collateral. The value of the collateral for housing and other loans is based on collateral value at origination.

Loans to customers:

LTV wise bifurcation:

As at March 31, 2020

(₹ in lakh)

LTV bucket	Stage 1	Stage 2	Stage 3	Total
0%-40%	1,67,254.42	1,434.12	382.16	1,69,070.70
41%-60%	2,17,085.38	2,326.45	944.08	2,20,355.91
61%-80%	1,93,723.67	2,540.09	1,396.93	1,97,660.69
More than 80%	32,774.79	206.57	118.01	33,099.37
Total	6,10,838.26	6,507.23	2,841.18	6,20,186.67

As at March 31, 2019

(₹ in lakh)

LTV bucket	Stage 1	Stage 2	Stage 3	Total
0%-40%	1,36,017.43	2,082.60	337.22	1,38,437.25
41%-60%	1,66,577.76	2,615.07	531.83	1,69,724.66
61%-80%	1,44,619.81	2,720.62	1,319.97	1,48,660.40
More than 80%	16,643.34	221.97	38.03	16,903.34
Total	4,63,858.34	7,640.26	2,227.05	4,73,725.65

Notes to the Standalone Financial Statements for the year ended March 31, 2020

46. Financial risk management objectives and policies *(contd.)*

Customer profile

As at March 31, 2020

(₹ in lakh)

Customer profile	Stage 1	Stage 2	Stage 3	Total
HOUSING:				
Salaried	1,76,197.40	1,073.49	437.81	1,77,708.70
Self employed	2,82,184.37	3,694.34	1,989.60	2,87,868.31
NON-HOUSING:				
Salaried	37,689.31	331.87	70.46	38,091.64
Self employed	1,14,767.18	1,407.53	343.31	1,16,518.02
Total	6,10,838.26	6,507.23	2,841.18	6,20,186.67

As at March 31, 2019

(₹ in lakh)

Customer profile	Stage 1	Stage 2	Stage 3	Total
HOUSING:				
Salaried	1,38,342.38	1,426.65	456.91	1,40,225.94
Self employed	2,20,451.10	4,563.48	1,482.78	2,26,497.36
NON-HOUSING:				
Salaried	26,401.03	313.90	76.89	26,791.82
Self employed	78,663.83	1,336.23	210.47	80,210.53
Total	4,63,858.34	7,640.26	2,227.05	4,73,725.65

Loan Commitments:

LTV wise bifurcation:

As at March 31, 2020

(₹ in lakh)

LTV bucket	Stage 1	Stage 2	Stage 3	Total
0%-40%	7,275.64	2.18	-	7,277.82
41%-60%	11,534.90	4.82	5.14	11,544.86
61%-80%	6,422.46	52.67	3.21	6,478.34
More than 80%	927.43	9.43	2.74	939.60
Total	26,160.43	69.10	11.09	26,240.62

As at March 31, 2019

(₹ in lakh)

LTV bucket	Stage 1	Stage 2	Stage 3	Total
0%-40%	6,880.84	25.25	4.67	6,910.76
41%-60%	10,815.88	52.52	6.50	10,874.90
61%-80%	6,423.65	49.56	21.46	6,494.67
More than 80%	925.59	5.44	-	931.03
Total	25,045.96	132.77	32.63	25,211.36

Customer profile:

As at March 31, 2020

(₹ in lakh)

Customer profile	Stage 1	Stage 2	Stage 3	Total
Salaried	9,203.91	29.28	6.38	9,239.57
Self employed	16,956.52	39.82	4.71	17,001.05
Total	26,160.43	69.10	11.09	26,240.62

Notes to the Standalone Financial Statements for the year ended March 31, 2020

46. Financial risk management objectives and policies *(contd.)*

As at March 31, 2019

(₹ in lakh)

Customer profile	Stage 1	Stage 2	Stage 3	Total
Salaried	8,460.93	60.04	15.31	8,536.28
Self employed	16,585.03	72.73	17.32	16,675.08
Total	25,045.96	132.77	32.63	25,211.36

(D) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market factors. Such changes in the values of financial instruments may result from changes in the interest rates, credit, liquidity and other market changes. The Company's exposure to market risk is primarily on account of interest rate risk.

(I) Interest Rate Risk:-

The company is subject to interest rate risk, primarily since it lends to customers at rates and for maturity years that may differ from funding sources. Interest rates are highly sensitive to many factors beyond control, including the monetary policies of the Reserve Bank of India, deregulation of the financial sector in India, domestic and international economic and political conditions, inflation and other factors. In order to manage interest rate risk, the company seek to optimize borrowing profile between short-term and long-term loans. The company adopts funding strategies to ensure diversified resource-raising options to minimize cost and maximize stability of funds. Assets and liabilities are categorized into various time buckets based on their maturities and Asset Liability Management Committee supervise an interest rate sensitivity report periodically for assessment of interest rate risks.

Due to the very nature of housing finance, the company is exposed to moderate to higher Interest Rate Risk. This risk has a major impact on the balance sheet as well as the income statement of the company. Interest Rate Risk arises due to:

i) Changes in Regulatory or Market Conditions affecting the interest rates

ii) Short term volatility

iii) Prepayment risk translating into a reinvestment risk

iv) Real interest rate risk.

In short run, change in interest rate affects Company's earnings (measured by NII or NIM) and in long run it affects Market Value of Equity (MVE) or net worth. It is essential for the company to not only quantify the interest rate risk but also to manage it proactively. The company mitigates its interest rate risk by keeping a balanced portfolio of fixed and variable rate loans and borrowings. Further company carries out Earnings at risk analysis and maturity gap analysis at quarterly intervals to quantify the risk.

Interest Rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates (all other variables being constant) of the Company's statement of profit and loss:

(₹ in lakh)

Particulars	Basis Points	Effect on Profit before tax
Loans		
Increase in basis points	50	2,407.43
Decrease in basis points	-50	(2,402.40)
Borrowings		
Increase in basis points	50	1,394.89
Decrease in basis points	-50	(1,394.89)

(II) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign currency rates. The Company's exposure to the risk of changes in foreign exchange rates relates primary to the foreign currency borrowings taken from bank.

Notes to the Standalone Financial Statements for the year ended March 31, 2020

46. Financial risk management objectives and policies *(contd.)*

(E) Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and system or from external events. Operational risk is associated with human error, system failures and inadequate procedures and controls. It is the risk of loss arising from the potential that inadequate information system; technology failures, breaches in internal controls, fraud, unforeseen catastrophes, or other operational problems may result in unexpected losses or reputation problems. Operational risk exists in all products and business activities. The Company recognizes that operational risk event types that have the potential to result in substantial losses includes Internal fraud, External fraud, employment practices and workplace safety, clients, products and business practices, business disruption and system failures, damage to physical assets, and finally execution, delivery and process management. The Company cannot expect to eliminate all operational risks, but it endeavours to manage these risks through a control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, such as the use of internal audit.

47. Impact of COVID-19

COVID-19 is a global pandemic, which continues to spread across the world and India is not exception and has contributed to a significant decline and volatility in global and Indian financial markets and a unprecedented level of disruption on socio-economic activities. Since March 24, 2020, the Indian government had announced a series of lock-down which was further extended into May 2020. The recent directions from Government allows for calibrated and gradual withdrawal of lockdown and partial resumption of selected economic activities. Based on the information available till date, the Company has used the principles of prudence in applying judgments, estimates and possible forward looking scenarios to assess and provide for the impact of the pandemic on the Financial Statements specifically while assessing the expected credit loss on financial assets by applying management overlays, approved by its Board of Directors. This has resulted in an additional provision of ₹443.75 lakh against financial assets. Refer note 4(a)(3)(vii). The extent to which the COVID-19 pandemic will impact the Company's operations and financial metrics including the expected credit losses on financial assets will depend on future developments, which are highly uncertain. In accordance with the RBI guidelines relating to COVID 19 Regulatory Package dated March 27, 2020 and April 17, 2020, the Company is granting a moratorium of three months on the payment of all instalments and/or interest, as applicable, falling due between March 1, 2020 and May 1, 2020 to all eligible borrowers. For all such accounts where the moratorium is granted, the prudential assets classification shall remain stand still during the moratorium period (i.e. the number of days past due shall exclude the moratorium period for the purposes of asset classification under Income Recognition, Asset Classification and Provisioning Norms).

48. Additional information required in terms of Housing Finance Companies – Corporate Governance (National Housing Bank) Directions, 2016 NHB(ND)/DRS/REG/MC-07/2018, 02 July, 2018 and Notification no. NHB.HFC.CG-DIR.1/MD&CEO/2016 dated February 09,2017 have been prepared on the basis of previous GAAP pursuant to the NHB circular no. NHB (ND)/DRS/Policy Circular No.89/2017-18 dated June 14, 2018 is given in Annexure I, which have been presented solely based on the information compiled by the Management.

49. Previous year figures have been regrouped/ reclassified wherever applicable.

For S.R. Batliboi & Associates LLP ICAI Firm Registration No. 101049W/E300004 *Chartered Accountants*	For and on behalf of the Board of Directors of AAVAS FINANCIERS LIMITED	
per Sarvesh Warty *Partner* Membership No. 121411 Place: Mumbai	Manas Tandon *(Non-executive Promoter Nominee Director)* Place: Mumbai	Sushil Kumar Agarwal *(Managing Director and CEO)* Place: Jaipur
Date: May 14, 2020	Ghanshyam Rawat *(Chief Financial Officer)* Place: Jaipur	Sharad Pathak *(Company Secretary & Compliance Officer)* Place: Jaipur

Annexure I to Note No. 48 to the Standalone Financial Statements

for the year ended March 31, 2020

I Disclosures required by the National Housing Bank

1 Minimum Disclosures

The following additional disclosures have been given in terms of Notification no. NHB.HFC.CG-DIR.1/ MD&CEO/2016 dated February 9, 2017 issued by the National Housing Bank.

2 Summary of Significant Accounting Policies

The accounting policies regarding key areas of operations are disclosed as note 1 of Accounting policy to the Standalone Financial Statement for the year ended March 31, 2020.

3 Disclosure:

3.1 Capital

Particulars	As at March 31, 2020	As at March 31, 2019
CRAR (%)	55.86%	67.77%
CRAR - Tier I capital (%)	53.67%	64.25%
CRAR - Tier II capital (%)	2.18%	3.52%
Amount of subordinated debt raised as Tier- II Capital	6,000.00	8,000.00
Amount raised by issue of perpetual Debt instruments	0.00	0.00

3.2 Reserve Fund u/s 29C of NHB Act, 1987

(₹ in lakh)

Particulars	As at March 31, 2020	As at March 31, 2019
Statutory Reserve u/s 29C of the National Housing Bank Act, 1987		
Opening Balance	8,343.42	4,820.62
Additional during the year	4,981.38	3,522.80
Appropriation during the year	-	-
Closing Balance	13,324.80	8,343.42

(₹ in lakh)

Particulars	As at March 31, 2020	As at March 31, 2019
Special Reserve u/s 29C of The National Housing Bank Act, 1987 read with section 36 (1) (viii) of Income Tax Act, 1961		
Balance at the beginning of the year		
a) Statutory Reserve u/s 29C of the National Housing Bank Act, 1987	358.18	-
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	7,985.24	4,820.62
c) Total	8,343.42	4,820.62
Addition /Appropriation / Withdrawal during the year		
Add:		
a) Amount transferred u/s 29C of the NHB Act, 1987	800.38	358.18
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	4,181.00	3,164.62
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 purpose of provision ul 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	1,158.56	358.18
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	12,166.24	7,985.24
c) Total	13,324.80	8,343.42

Annexure I to Note No. 48 to the Standalone Financial Statements

for the year ended March 31, 2020

3.3 Investments

(₹ in lakh)

Particulars	As at March 31, 2020	As at March 31, 2019
Value of Investment		
Gross Value of Investment	1,212.82	1,288.31
In India	1,212.82	1,288.31
Outside India	-	-
Provision for Depreciation	123.86	41.29
In India	123.86	41.29
Outside India	-	-
Net Value of Investment	1,088.96	1,247.02
In India	1,088.96	1,247.02
Outside India	-	-
Movement of Provision held towards depreciation on Investment	-	-
Opening Balance	41.29	41.29
Add: Provisions made during the year	82.58	-
Less: Write off/Write Back Excess provision during the year	-	-
Closing Balance	123.87	41.29

3.4 Derivatives

1) The company has no transactions/exposure in derivatives in the current and previous year.

2) The company has no unhedged foreign currency exposure on March 31, 2020 (P.Y. ₹ Nil)

3.5 Securitisation

a. Disclosure as per NHB guidelines for assignment/securitisation transactions as an originator:

(₹ in lakh)

Particulars	No. / Amount	
	As at March 31, 2020	As at March 31, 2019
No of SPVs sponsored by the HFC for securitisation transactions	2	2
Total amount of securitised assets as per books of the SPVs sponsored	10,684.14	12,559.27
Total amount of exposures retained by the HFC towards the MRR as on the date of balance sheet		
(I) Off-balance sheet exposures towards Credit Concentration		
First Loss	-	-
Others	-	-
(II) On-balance sheet exposures towards Credit Concentration		
First Loss (In the form of Fixed Deposits)	1,147.30	1,147.30
Series A PTCs	432.52	508.01
Amount of exposures to securitisation transactions other than MRR		
(I) Off-balance sheet exposures towards Credit Concentration		
a) Exposure to own securitizations		
First Loss	-	-
Others (Guarantees provided by banks on behalf of the Company*)	430.70	430.70
b) Exposure to third party securitisations		
First Loss	-	-
Others	-	-
(II) On-balance sheet exposures towards Credit Concentration		
a) Exposure to own securitisations		
First Loss	-	-
Others	-	-
b) Exposure to third party securitisations		
First Loss	-	-
Others	-	-

* Second Loss facility

Annexure I to Note No. 48 to the Standalone Financial Statements

for the year ended March 31, 2020

b. Details of Financial Assets sold to Securitisation / Reconstruction Company for Asset Reconstruction

(₹ in lakh)

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Number of accounts	-	-
Aggregate value (net of provisions) of accounts sold to SC / RC	-	-
Aggregate consideration	-	-
Additional consideration realized in respect of accounts transferred in earlier years	-	-
Aggregate gain/loss over net book value	-	-

c. Details of Assignment transactions undertaken by company

(₹ in lakh)

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Number of accounts	10,366	7,013
Aggregate value (net of provisions) of accounts assigned	66,473.23	68,016.41
Aggregate consideration	66,473.23	68,016.41
Additional consideration realized in respect of accounts transferred in earlier years	-	-
Aggregate gain/loss over net book value	-	-

d. Details of non-performing financial assets purchased/sold

1) Details of non-performing financial assets purchased:

The company has not purchased non-performing financial assets in the current and previous year.

2) Details of non-performing financial assets sold:

The company has not sold non-performing financial assets in the current and previous year.

3.6 Asset liability management

Maturity pattern of certain items of assets and liabilities as on March 31, 2020*

(₹ in lakh)

Particulars	Liabilities				Assets			
	Deposits	Borrowings from banks	Market borrowings	Foreign currency Liability	Advance	Investments	Fixed Deposits*	Foreign currency Assets
1 Day to 31 Days / One month	-	3,457.00	2.26	-	2,719.70	1.84	24,925.00	-
Over 1 month to 2 month	-	3,969.94	2.28	-	3,386.72	1.89	32,275.00	-
Over 2 month to 3 month	-	6,150.14	2.29	-	4,008.83	1.89	25,000.00	-
Over 3 month to 6 month	-	12,925.93	632.03	-	24,210.84	336.09	30,950.00	-
Over 6 month to 1 year	-	32,324.08	5,638.92	-	47,910.82	12.13	4,800.00	-
Over 1 year to 3 years	-	1,08,922.00	25,809.00	5,000.00	1,81,000.87	53.01	-	-
Over 3 year to 5 years	-	97,748.75	61,682.00	10,000.00	1,55,455.94	61.88	-	-
Over 5 year to 7 years	-	69,389.00	16,174.00	5,000.00	1,21,137.61	64.34	-	-
Over 7 year to 10 years	-	48,128.46	7,462.00	-	65,814.34	84.71	-	-
Over 10 years	-	5,220.00	-	-	-	595.03	-	-
Total	-	3,88,235.30	1,17,404.78	20,000.00	6,05,645.67	1,212.81	1,17,950.00	-

Annexure I to Note No. 48 to the Standalone Financial Statements

for the year ended March 31, 2020

Maturity pattern of certain items of assets and liabilities as on March 31, 2019*

(₹ in lakh)

Particulars	Liabilities				Assets			
	Deposits	Borrowings from banks	Market borrowings	Foreign currency Liability	Advance	Investments	Fixed Deposits*	Foreign currency Assets
1 Day to 31 Days / One month	-	1,561.82	1.26	-	6,131.51	-	-	-
Over 1 month to 2 month	-	1,443.15	1.27	-	6,174.92	2.00	11,245.82	-
Over 2 month to 3 month	-	4,519.24	1.28	-	6,162.38	1.97	-	-
Over 3 month to 6 month	-	10,298.84	3.90	-	19,074.48	336.31	-	-
Over 6 month to 1 year	-	28,522.53	5,008.05	-	37,635.67	12.61	50,775.00	-
Over 1 year to 3 years	-	80,546.43	5,035.29	-	1,40,453.17	57.23	-	-
Over 3 year to 5 years	-	68,465.55	24,010.40	10,000.00	1,17,981.41	66.55	-	-
Over 5 year to 7 years	-	54,990.30	-	10,000.00	89,569.28	78.48	-	-
Over 7 year to 10 years	-	33,157.75	-	-	35,231.93	101.22	-	-
Over 10 years	-	16,234.66	-	-	-	631.94	-	-
Total	-	2,99,740.27	34,061.45	20,000.00	4,58,414.75	1,288.31	62,020.82	-

* Fixed desposits included in cash and bank balance other than those pledged towards first loss guarantee have been disclosed in the above table as these are considered as investment of surplus funds held by the Company for the purpose of this disclosure.

3.7 Exposure

a. Exposures to real estate sector

(₹ in lakh)

Particulars	As at March 31, 2020	As at March 31, 2019
(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. Individual housing loans upto ₹15 lakh : ₹2,80,759.17 lakh (P.Y. ₹2,31,005.12 lakh)	5,99,344.52	4,57,347.77
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;	6,301.15	1,066.98
iii) Investments in mortgage backed securities (MBS) and other securitized exposures:		
(a) Residential	432.52	508.01
(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

b. Exposure to Capital Market

The Company has no exposure to capital market directly or indirectly in the current and previous year.

Annexure I to Note No. 48 to the Standalone Financial Statements

for the year ended March 31, 2020

c. Details of financing of parent company products

There is no financing of parent company products.

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

The company has not exceeded the Single Borrower Limit and Group Borrower Limit as prescribed by NHB during the financial year.

e. Unsecured Advances

The company has not financed any unsecured advances against intangible securities such as rights, licenses, authority etc as collateral security.

4 Miscellaneous

4.1 Registration obtained from other Financial sector regulators

Regulator	Registration No.
Insurance Regulatory and Development Auhtority: As Corporate Agent (Composite)	CA0537

4.2 Disclosure of penalties imposed by NHB and other regulators

During FY 2019-20, there were no penalties imposed by NHB and or any other regulators.

4.3 Related Party Transactions

Details of all material transactions with related parties are disclosed in Note 37.

4.4 Ratings assigned by credit rating agencies and migration of ratings during the year:

During the year, CARE has reaffirmed Long term rating of AA-/ Stable and short term rating of A1+ to the company. ICRA has also reaffirmed Long term rating of A+/ Positive short term rating of A1+ to the company. India Ratings has awarded short term credit rating of A1+ to the company during the year

Aavas Financiers Limited Ratings are as under:

Term/Instrument	CARE	ICRA	India Ratings
Long term	AA- /Stable	A+/ Positive	
Short term	A1 +	A1+	A1+

4.5 Remuneration of Directors

Details of Remuneration of Directors are disclosed in Form No. MGT - 9.

4.6 Management

Refer to the Management Discussion and Analysis report for the relevant disclosures.

4.7 Net Profit or Loss for the period, prior period items and changes in accounting policies

There are no prior period items that have impact on the current year's profit and loss.

4.8 Revenue Recognition

There have been no instances in which revenue recognition has been postponed pending the resolution of significant uncertainties.

4.9 Accounting Standard 21 – Consolidated Financial Statements (CFS)

Refer to the Consolidated Financial Statements for the relevant disclosures.

Annexure I to Note No. 48 to the Standalone Financial Statements

for the year ended March 31, 2020

5 Additional Disclosures

5.1 Provisions and Contingencies

(₹ in lakh)

Break up of "Provisions and Contingencies" shown under the head Expenditure in Profit and Loss Account	Year ended March 31, 2020	Year ended March 31, 2019
1. Provisions for depreciation on investment	-	-
2. Provision made towards Income tax	6,647.59	6,905.72
3. Provision towards NPA	38.59	221.77
4. Provision for Standard Assets (with details like teaser loan , CRE , CRE-RH etc.)	479.09	353.44
5. Other Provision and contingencies*	197.04	-
6. Provision for investments	82.58	-

Provision for Standard Assets includes CRE of ₹(2.67) Lakh (P.Y ₹2.05 Lakh) , CRE-RH of ₹41.46 Lakh (P.Y ₹1.26 Lakh) and Non CRE of ₹440.29 Lakh (P.Y ₹350.14 Lakh).

*Includes additional provision taken due to COVID-19 as per RBI circular dated April 17, 2020 amounting to ₹38 lakh.

Break up of Loan & Advances and Provisions thereon	Housing		Non-Housing	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Standard Assets				
a) Total Outstanding Amount (refer note 1)	4,32,851.21	3,37,906.38	1,76,425.87	1,23,804.12
b) Provisions made	1,114.85	873.30	706.28	468.73
Sub-Standard Assets				
a) Total Outstanding Amount	1,411.05	932.02	290.75	273.98
b) Provisions made	211.66	195.72	43.61	57.54
Doubtful Assets - Category - I				
a) Total Outstanding Amount	174.77	214.46	115.64	17.41
b) Provisions made	43.69	80.42	28.91	6.53
Doubtful Assets - Category - II				
a) Total Outstanding Amount	72.26	50.50	4.42	3.86
b) Provisions made	28.90	32.32	1.77	2.47
Doubtful Assets - Category - III				
a) Total Outstanding Amount	-	-		-
b) Provisions made	-	-		-
Loss Assets				
a) Total Outstanding Amount	25.98	86.70	1.27	4.05
b) Provisions made	25.98	86.70	1.27	4.05
TOTAL				
a) Total Outstanding Amount	4,34,535.27	3,39,190.06	1,76,837.95	1,24,103.42
b) Provisions made	1,425.08	1,268.46	781.84	539.32

Note:

1. The total outstanding amount mean principal + accrued interest + other charges pertaining to loans without netting off.

5.2 Draw Down from Reserves

There has been no draw down from reserves during the year ended March 31, 2020 (P.Y. ₹ Nil)

Annexure I to Note No. 48 to the Standalone Financial Statements

for the year ended March 31, 2020

5.3 Concentration of Public Deposits, Advances, Exposures and NPAs

(₹ in lakh)

Particulars	As at March 31, 2020	As at March 31, 2019
Concentration of Public Deposits		
Total Deposits of twenty largest depositors	NA	NA
(%) of Deposits of twenty largest depositors to Total Deposits of the Company	NA	NA
Concentration of Advances		
Total Loans & Advances to twenty largest borrowers	5,799.76	6,039.75
(%) of Loans & Advances to twenty largest borrowers to Total Advances of the Company	0.96%	1.32%
Concentration of all Exposures (including off-balance sheet exposure)		
Total Exposures to twenty largest borrowers/Customers	5,914.61	6,659.50
(%) of Exposures to twenty largest borrowers/Customers to Total Exposures of the Company on borrowers/customers	0.93%	1.02%
Concentration of NPAs		
Total Exposures to top ten NPA accounts	425.86	400.21

Sector-Wise NPAs

Sector	% of NPAs to total Advances in that sector	
	As at March 31, 2020	As at March 31, 2019
A. Housing Loans:		
1 Individuals	0.39%	0.38%
2 Builders/Project Loans	0.00%	0.00%
3 Corporates	0.00%	0.00%
4 Others (specify)	0.00%	0.00%
B. Non Housing Loans:		
1 Individuals	0.24%	0.24%
2 Builders/Project Loans	0.00%	0.00%
3 Corporates	0.00%	0.00%
4 Others (specify)	0.00%	0.00%

5.4 Movement of NPAs

(₹ in lakh)

Particulars	As at March 31, 2020	As at March 31, 2019
(I) Net NPAs to Net Advances (%)	0.28%	0.24%
(II) Movement of NPAs (Gross)		
a) Opening Balance	1,582.97	1,069.14
b) Additions during the year	1,710.05	1,273.49
c) Reductions during the year	(1,196.89)	(759.66)
d) Closing Balance	**2,096.13**	**1,582.97**
(III) Movement of Net NPAs		
a) Opening Balance	1117.23	825.17
b) Additions during the year	1431.89	875.88
c) Reductions during the year	(838.78)	(583.82)
d) Closing Balance	**1710.34**	**1117.23**
(IV) Movement of Provisions for NPAs (excluding provisions on standard assets)		
a) Opening Balance	465.74	243.97
b) Provisions made during the year	278.16	397.61
c) Write-off/Write-Back of excess provisions	(358.11)	(175.84)
d) Closing Balance	**385.79**	**465.74**

Annexure I to Note No. 48 to the Standalone Financial Statements

for the year ended March 31, 2020

5.5 Overseas Assets

The company does not have any overseas assets.

5.6 Off-Balance Sheet SPVs sponsored (which are required to be consolidated as per accounting Norms)

The Company does not have any off balance sheet Special Purpose Vehicle (SPV) which are required to be consolidated as per accounting norms.

6 Disclosure of Complaints

6.1 Customers Complaints

(₹ in lakh)

Particulars	As at March 31, 2020	As at March 31, 2019
No. of complaints pending at the beginning of the year	2	0
No. of complaints received during the year	166	158
No. of complaints redressed during the year	168	156
No. of complaints pending at the end of the year	0**	2*

**Complaints uploaded on NHB-GRIDS, where company provides redressal to customer from their end. All complaints at NHB GRIDS Portal have been redressed by the Company but 14 complaints are pending to be closed by NHB-GRIDS.

*Complaints uploaded on NHB-GRIDS, where company provides redressal to customer from their end. All complaints at NHB GRIDS Portal have been redressed by the Company but 7 complaints are pending to be closed by NHB-GRIDS.

For and on behalf of the Board of Directors of
AAVAS FINANCIERS LIMITED

Manas Tandon
(Non-executive Promoter Nominee Director)
Place: Mumbai

Sushil Kumar Agarwal
(Managing Director and CEO)
Place: Jaipur

Ghanshyam Rawat
(Chief Financial Officer)
Place: Jaipur

Sharad Pathak
(Company Secretary & Compliance Officer)
Place: Jaipur

Date: May 14, 2020

INDEPENDENT AUDITOR'S REPORT

To
The Members of
Aavas Financiers Limited

Report on the Audit of the Consolidated Ind AS Financial Statements

Opinion

We have audited the accompanying consolidated Ind AS financial statements of Aavas Financiers Limited ("the Company"), its subsidiary (the Holding Company and its subsidiary together referred to as "the Group") comprising of the consolidated Balance sheet as at March 31, 2020, the consolidated Statement of Profit and Loss, including other comprehensive income, the consolidated Cash Flow Statement and the consolidated Statement of Changes in Equity for the year then ended, and notes to the consolidated Ind AS financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated Ind AS financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated Ind AS financial statements give the information required by the Companies Act, 2013, as amended ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group as at March 31, 2020, their consolidated profit including other comprehensive income, their consolidated cash flows and the consolidated statement of changes in equity for the year ended on that date.

Basis for Opinion

We conducted our audit of the consolidated Ind AS financial statements in accordance with the Standards on Auditing (SAs), as specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the Consolidated Ind AS Financial Statements' section of our report. We are independent of the Group 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 audit opinion on the consolidated Ind AS financial statements.

Emphasis of Matter

We draw attention to Note 47 to the financial statement, which describes the extent to which the COVID-19 pandemic will impact the company's operations and its financial metrics which are dependent on uncertain future developments. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated Ind AS financial statements for the financial year ended March 31, 2020. These matters were addressed in the context of our audit of the consolidated Ind AS financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have determined the matters described below to be the key audit matters to be communicated in our report. We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated Ind AS financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated Ind AS financial statements. The results of audit procedures performed by us, including those procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated Ind AS financial statements.

Key audit matters	How our audit addressed the key audit matter
Impairment of Financial assets *(as described in Note 4 of the Consolidated Ind AS financial statements)*	
nd AS 109 requires the Group to provide for impairment of its financial assets using the expected credit loss ('ECL') approach involving an estimation of probability of loss on the financial assets over their life, considering reasonable and supportable information about past events, current conditions and forecasts of future economic conditions which could impact the credit quality of the Group's financial assets. In the process, a significant degree of judgement has been applied by the management in respect of following matters:	• Our audit procedures included considering the Group's accounting policies for impairment of financial instruments and assessing compliance with the policies in terms of Ind AS 109.

Key audit matters	How our audit addressed the key audit matter
a) Grouping of the loan portfolio under risk-based categories determined, using Group's risk-management framework. Loans grouped under a particular category are assumed to represent a homogenous pool thereby expected to demonstrate similar credit characteristics. b) Staging of loans. c) Estimation of expected loss from historical observations. d) Estimation of losses in respect of those groups of loans which had no/ minimal defaults in the past. e) Management overlay for macro-economic factors and estimation of their impact on the credit quality. The Group has developed models that derive key assumptions used within the provision calculation such as probability of default (PD) and loss given default (LGD). The output of these models is then applied to the provision calculation with other information including and the exposure at default (EAD). The impact of COVID-19 on the ECL is highly uncertain, however the Group has factored the higher risk in its computation of the ECL provision and has applied management overlays which are approved by the Board of Directors. Considering the significance of such provision to the overall financial statements and the degree of management's judgment, any error or misstatement in such estimate may give rise to a material misstatement of the Ind AS financial statements or omission of any disclosure required by the standards. Therefore, it is considered as a key audit matter.	• Assessed the assumptions used by the Group for grouping and staging of loan portfolio into various categories and default buckets and their appropriateness for determining the probability-weighted default (PD) and loss-given default (LGD) rates. • Tested controls for staging of loans based on their past-due status. Also tested samples of stage 1 and Stage 2 loans to assess whether any loss indicators were present requiring them to be classified under stage 2 or stage 3. • Tested samples of the input data used for determining the PD and LGD rates and agreed the data with the underlying books of accounts and records. • Assessed the management overlays applied by the Group to factor the impact of COVID-19 on the ECL as approved by their Board of Directors. • Tested the arithmetical accuracy of computation of ECL provision performed by the Group. • Assessed that the assumptions, used by the management for estimation of allowance for expected credit losses as at March 31, 2020, are presented and disclosed in the Ind AS financial statements. • Read and assessed the specific disclosures made in the Ind AS financial statements with regards to managements evaluation of the uncertainties arising from COVID-19 and its impact on ECL.
Information Technology (IT) systems and controls	
Our audit procedures have a focus on IT systems and controls due to the pervasive nature and complexity of the IT environment, the large volume of transactions processed in numerous locations daily and the reliance on automated and IT dependent manual controls. Due to the pervasive nature and complexity of the IT environment, we have ascertained IT systems and controls as a key audit matter.	• In assessing the reliability of electronic data processing, we included specialized IT auditors as part of the audit team. • Tested the design and operating effectiveness of the IT general controls (logical access, changes management and aspects of IT operational controls). This included testing that requests for access to systems were reviewed and authorised. • Tested the Group's periodic review of access rights. We inspected requests of changes to systems for appropriate approval and authorisation. • Considered the control environment relating to various interfaces, configuration and other application layer controls identified as key to our audit. • Where deficiencies were identified, tested compensating controls or performed alternate procedure.

Key audit matters	How our audit addressed the key audit matter
De-recognition of financial assets *(as described in note 44 of the Consolidated Ind AS financial statements)*	
During the year, the Group has assigned loans amounting to ₹738.59 crores for managing its funding requirements and recorded a net income of ₹76.59 crores and corresponding un-winding of excess interest spread receivable of ₹55.04 crores. As per Ind AS 109, de-recognition of loans transferred by the Group through assignment is based on the 'risk and reward' model and a 'control' model. If de-recognition criteria are met, the financial assets transferred are de-recognized and difference between carrying value and consideration including the present value of interest payments that it would not give up (excess interest spread receivable) is recorded as income in the statement of profit and loss. The Group also records a servicing asset and servicing liability at their fair value for the right retained for servicing the financial asset for the service contract and the related costs to be incurred. There are assumptions made with respect to the remaining tenor of the financial assets assigned and other factors which could materially impact the fair valuation as well the excess interest spread. Accordingly, de-recognition of financial assets was considered as a key audit matter.	• Our audit procedures included considering the Group's accounting policies for de-recognition of financial instruments and assessing compliance with the policies in terms of Ind AS 109. • Examined the terms of assignment agreements on a sample basis to evaluate whether the de-recognition criteria have been applied by the Group. • Assessed the significant estimates and judgments, including the discount rate and expected remaining life of the portfolio transferred used by the Group for computation of excess interest spread receivable servicing asset and servicing liability. • Tested the arithmetical accuracy of computation of the excess interest spread receivable, servicing asset and servicing liability. • Assessed the disclosures included in the Ind AS financial statements with respect to de-recognition in accordance with the requirements of Ind AS 109 and Ind AS 107.

Other Information

The Holding Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Annual report, but does not include the consolidated Ind AS financial statements and our auditor's report thereon.

Our opinion on the consolidated Ind AS 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 consolidated Ind AS financial statements, our responsibility is to read the other information and, in doing so, consider whether such other information is materially inconsistent with the consolidated 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.

Responsibilities of Management for the Consolidated Ind AS Financial Statements

The Holding Company's Board of Directors is responsible for the preparation and presentation of these consolidated Ind AS financial statements in terms of the requirements of the Act that give a true and fair view of the consolidated financial position, consolidated financial performance including other comprehensive income, consolidated cash flows and consolidated statement of changes in equity of the Group in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act read with [the Companies (Indian Accounting Standards) Rules, 2015, as amended]. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Group and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the 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 consolidated Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated Ind AS financial statements by the Directors of the Holding Company, as aforesaid.

In preparing the consolidated Ind AS financial statements, the respective Board of Directors of the companies included in the Group are responsible for assessing the ability of the Group 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 Group or to cease operations, or has no realistic alternative but to do so.

Those respective Board of Directors of the companies included in the Group are also responsible for overseeing the financial reporting process of the Group.

Auditor’s Responsibilities for the Audit of the Consolidated Ind AS Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated Ind AS 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 consolidated Ind AS 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 consolidated Ind AS 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 Holding 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 ability of the Group 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 consolidated Ind AS 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated Ind AS financial statements, including the disclosures, and whether the consolidated Ind AS financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group of which we are the independent auditors and whose financial information we have audited, to express an opinion on the consolidated Ind AS financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities included in the consolidated financial statements of which we are the independent auditors.

We communicate with those charged with governance of the Holding Company and such other entities included in the consolidated Ind AS financial statements of which we are the independent auditors 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 consolidated Ind AS financial statements for the financial year ended March 31, 2020 and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

As required by Section 143(3) of the Act, we report, to the extent applicable, 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 of the aforesaid consolidated Ind AS financial statements;

(b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidation of the financial statements have been kept so far as it appears from our examination of those books and reports of the other auditors;

(c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Consolidated Cash Flow Statement and Consolidated Statement of Changes in Equity dealt with by this Report are in agreement with the books of account maintained for the purpose of preparation of the consolidated Ind AS financial statements;

(d) In our opinion, the aforesaid consolidated Ind AS financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended;

(e) On the basis of the written representations received from the directors of the Holding Company as on March 31, 2020 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors who are appointed under Section 139 of the Act, of its subsidiary company, none of the directors of the Group’s companies, incorporated in India, is disqualified as on March 31, 2020 from being appointed as a director in terms of Section 164 (2) of the Act;

(f) With respect to the adequacy and the operating effectiveness of the internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements of the Holding Company and its subsidiary companies incorporated in India, refer to our separate Report in “Annexure 1” to this report;

(g) The provisions of section 197 read with Schedule V of the Act are not applicable to the Holding Company and its subsidiary incorporated in India for the year ended March 31, 2020;

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

   i. The Group does not have any pending litigations which would impact its consolidated financial position;

   ii. The Group did not have any material foreseeable losses in long-term contracts including derivative contracts during the year ended March 31, 2020;

   iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Holding Company and its subsidiaries incorporated in India during the year ended March 31, 2020.

For S.R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm Registration Number: 101049W/E300004

per Sarvesh Warty
Partner
Membership Number: 121411
UDIN: 20121411AAAACF9417

Place of Signature: Mumbai
Date: May 14, 2020

ANNEXURE 1 TO THE INDEPENDENT AUDITORS' REPORT

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (the Act)

In conjunction with our audit of the consolidated financial statements of Aavas Financiers Limited as of and for the year ended March 31, 2020, we have audited the internal financial controls over financial reporting of Aavas Financiers Limited (hereinafter referred to as the Holding Company). The provisions for reporting on internal financial control under clause (i) of sub section 3 of Section 143 of the Companies Act, 2013 do not apply to Aavas Finserv Limited and accordingly it is excluded from the definition of subsidiaries for the purpose of opinion on internal controls over financial reporting.

Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the Holding Company and its subsidiary company, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Holding Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. 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 respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting with reference to these consolidated financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, both, issued by Institute of Chartered Accountants of India, and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting with reference to these consolidated 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 over financial reporting with reference to these consolidated financial statements and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting with reference to these consolidated 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 judgement, 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 and the audit evidence obtained by the other auditors in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls over financial reporting with reference to these consolidated financial statements.

Meaning of Internal Financial Controls Over Financial Reporting With Reference to these Consolidated Financial Statements

A company's internal financial control over financial reporting with reference to these consolidated 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 over financial reporting with reference to these consolidated 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 Over Financial Reporting With Reference to these Consolidated Financial Statements

Because of the inherent limitations of internal financial controls over financial reporting with reference to these consolidated 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 over financial reporting with reference to these consolidated financial statements to future periods are subject to the risk that the internal financial control over financial reporting with reference to these consolidated 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 Holding Company and its subsidiary company, which are companies incorporated in India, have, maintained in all material respects, adequate internal financial controls over financial reporting with reference to these consolidated financial statements and such internal financial controls over financial reporting with reference to these consolidated financial statements were operating effectively as at March 31, 2020, based on the internal control over financial reporting criteria established by the Holding Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For S.R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm Registration Number: 101049W/E300004

per Sarvesh Warty
Partner
Membership Number: 121411
UDIN: 20121411AAAACF9417

Place of Signature: Mumbai
Date: May 14, 2020

Consolidated Balance Sheet as at March 31, 2020

(₹ in lakh)

Particulars	Notes	As at March 31, 2020	As at March 31, 2019
ASSETS			
Financial assets			
Cash and cash equivalents	2	35,059.39	16,002.99
Bank balance other than cash and cash equivalents	2	84,613.13	52,378.61
Derivative financial instruments	3	-	87.86
Loans	4	6,18,079.83	4,72,449.00
Other financial assets	5	18,111.12	16,348.94
Total financial assets		7,55,863.47	5,57,267.40
Non-financial assets			
Current tax assets (net)		1,443.24	1,707.73
Property, plant and equipment	6(a)	2,700.97	1,922.97
Capital work-in-progress	6(b)	30.99	-
Intangible assets under development	6(c)	39.90	9.08
Other intangible assets	6(d)	414.84	359.12
Right-of-use assets	7	2,874.20	-
Other non-financial assets	8	630.46	434.92
Total non-financial assets		8,134.60	4,433.82
Assets held for sale	9	1,804.30	988.79
Total assets TOTAL		7,65,802.37	5,62,690.01
LIABILITIES AND EQUITY			
LIABILITIES			
Financial liabilities			
Payables	10		
(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		1,738.64	950.24
Debt securities	11	1,16,846.54	43,705.08
Borrowings (other than debt securities)	12	4,08,391.40	3,11,661.72
Subordinated liabilities	13	9,965.61	9,958.30
Lease liabilities	14	3,012.91	-
Other financial liabilities	15	10,694.78	7,163.18
Total financial liabilities		5,50,649.88	3,73,438.52
Non-financial liabilities			
Provisions	16	827.04	443.05
Deferred tax liabilities (net)	17	3,167.20	4,274.93
Other non-financial liabilities	18	1,366.73	831.50
Total non-financial liabilities		5,360.97	5,549.48
Equity			
Equity share capital	19	7,832.27	7,810.79
Other equity	20	2,01,959.25	1,75,891.22
Total equity		2,09,791.52	1,83,702.01
Total liabilities and equity TOTAL		7,65,802.37	5,62,690.01
Summary of significant accounting policies	1		

The accompanying notes are an integral part of the financial statements

As per our report of even date

For S.R. Batliboi & Associates LLP
ICAI Firm Registration No. 101049W/E300004
Chartered Accountants

For and on behalf of the Board of Directors of
AAVAS FINANCIERS LIMITED

per Sarvesh Warty
Partner
Membership No. 121411
Place: Mumbai

Manas Tandon
(Non-executive Promoter Nominee Director)
Place: Mumbai

Sushil Kumar Agarwal
(Managing Director and CEO)
Place: Jaipur

Ghanshyam Rawat
(Chief Financial Officer)
Place: Jaipur

Sharad Pathak
(Company Secretary & Compliance Officer)
Place: Jaipur

Date: May 14, 2020

Consolidated Statement of profit and loss for the year ended March 31, 2020

(₹ in lakh)

Particulars	Notes	For the year ended March 31, 2020	For the year ended March 31, 2019
Revenue from operations			
Interest income	21	78,667.67	59,374.89
Fees and commission income	22	3,327.60	2,602.73
Net gain on derecognition of financial instruments under amortised cost category		7,658.88	7,828.01
Net gain on fair value changes	23	600.43	1,211.42
Total revenue from operations		90,254.58	71,017.05
Other income	24	79.99	100.27
Total income		90,334.57	71,117.32
Expenses			
Finance costs	25	35,607.15	25,536.71
Fees and commission expense	26	490.05	492.20
Impairment on financial instruments	27	1,533.78	889.77
Employee benefits expense	28	14,740.79	11,723.54
Depreciation, amortization and impairment	6(a) & 6(c)	1,956.26	972.34
Other expenses	29	5,812.90	5,717.79
Total expenses		60,140.93	45,332.35
Profit/(loss) before tax		30,193.64	25,784.97
Tax expense:	17		
(1) Current tax		6,397.21	5,042.18
(2) Deferred tax		(1,107.73)	3,139.70
Profit/(loss) for the year		24,904.16	17,603.09
Other comprehensive income			
a) Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit liability	28	(6.97)	35.07
Income tax effect	17	1.75	(12.25)
b) Items that will be reclassified to profit or loss		-	-
Other comprehensive income , net of income tax		(5.22)	22.82
Total comprehensive income for the year		24,898.94	17,625.91
Earnings per equity share	30		
Basic (₹)		31.85	23.66
Diluted (₹)		31.48	23.10
Nominal value per share (₹)		10.00	10.00
Summary of significant accounting policies	1		

The accompanying notes are an integral part of the financial statements

As per our report of even date

For S.R. Batliboi & Associates LLP
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Chartered Accountants

For and on behalf of the Board of Directors of
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Sharad Pathak
(Company Secretary & Compliance Officer)
Place: Jaipur

Date: May 14, 2020

Statement of Changes in Equity for the year ended March 31, 2020

a. Equity Share Capital

(₹ in lakh)

Particulars	Amount
Balance as at March 31, 2018	6,917.29
Shares issued during the year ended March 31, 2019	893.50
Balance as at March 31, 2019	7,810.79
Shares issued during the year ended March 31, 2020	21.48
Balance as at March 31, 2020	7,832.27

b. Other Equity

(₹ in lakh)

Equity Component of compounded financial instruments	Reserves and surplus				Money received against share warrants	Total
	Securities premium account	Share based payments reserve	Special Reserve	Retained earnings		
Balance as at March 31, 2018	83,239.86	3,284.86	4,820.62	20,698.01	24.00	1,12,067.35
Profit for the year (A)	-	-	-	17,603.09	-	17,603.09
Other comprehensive income for the year (B)	-	-	-	22.82	-	22.82
Total comprehensive income for the year (A+B)	-	-	-	17,625.91	-	17,625.91
Transfer to Special reserve u/s 29C of The National Housing Bank Act, 1987 read with 36 (1) (viii) of income tax Act. 1961	-	-	3,525.18	(3,525.18)	-	-
Issue of share capital	46,643.86	-	-	-	(24.00)	46,619.86
Transaction cost	(1,107.92)	-	-	-	-	(1,107.92)
Share based payments	-	686.02	-	-	-	686.02
Share options exercised during the year	3,228.53	(3,228.53)	-	-	-	-
Balance as at March 31, 2019	1,32,004.33	742.35	8,345.80	34,798.74	-	1,75,891.22
Profit for the year (C)	-	-	-	24,904.16	-	24,904.16
Other comprehensive income for the year (D)	-	-	-	(5.22)	-	(5.22)
Total comprehensive income for the year (C+D)	-	-	-	24,898.94	-	24,898.94
Transfer to Special reserve u/s 29C of The National Housing Bank Act, 1987 read with 36 (1) (viii) of income tax Act. 1961	-	-	4,979.00	(4,979.00)	-	-
Issue of share capital	523.25	-	-	-	-	523.25
Transaction cost	(3.99)	-	-	-	-	(3.99)
Share based payments	-	647.14	-	-	-	647.14
Share options exercised during the year	220.20	(220.20)	-	-	-	-
Balance as at March 31, 2020	1,32,743.79	1,169.29	13,324.80	54,718.68	-	2,01,956.56

Share application money pending allotment

(₹ in lakh)

	Amount
Balance as at March 31, 2019	-
Share application money pending allotment received	2.69
Balance as at March 31, 2020	2.69

As per our report of even date

For S.R. Batliboi & Associates LLP
ICAI Firm Registration No. 101049W/E300004
Chartered Accountants

per Sarvesh Warty
Partner
Membership No. 121411
Place: Mumbai

Date: May 14, 2020

For and on behalf of the Board of Directors of
AAVAS FINANCIERS LIMITED

Manas Tandon
(Non-executive Promoter Nominee Director)
Place: Mumbai

Sushil Kumar Agarwal
(Managing Director and CEO)
Place: Jaipur

Ghanshyam Rawat
(Chief Financial Officer)
Place: Jaipur

Sharad Pathak
(Company Secretary & Compliance Officer)
Place: Jaipur

Consolidated Cash flow statement for the year ended March 31, 2020

(₹ in lakh)

Particulars	Notes	Year ended March 31, 2020	Year ended March 31, 2019
A. CASH FLOW FROM OPERATING ACTIVITIES:			
Net profit before tax as per statement of profit and loss		30,193.64	25,784.97
Adjustments for			
Depreciation and amortisation of PPE and right of use assets	6 & 7	1,956.27	972.34
Interest on lease liabilities		249.58	-
Net gain on derecognition on assigned loans		(2,154.54)	(4,232.09)
Provision for expected credit loss (ECL)	27	1,026.98	563.25
Provision for employee benefits		281.30	155.11
Derivative mark to market gain	23	(3.23)	(28.97)
Provision for CSR expenditure		17.28	44.79
Share based payments	28	647.14	686.02
Operating profit before working capital changes		32,214.42	23,945.42
Changes in working capital			
Increase in loans		(1,46,461.03)	(1,39,566.53)
Increase in financial and other assets		(1,569.30)	(4,349.93)
Net Increase/(decrease) in financial and other liabilities		4,722.78	(808.16)
Total of changes in working capital		(1,43,307.55)	(1,44,724.62)
Direct taxes paid		(6,130.92)	(6,811.54)
Net cash flow used in operating activities (A)		(1,17,224.05)	(1,27,590.74)
B CASH FLOW FROM INVESTING ACTIVITIES:			
Inflow (outflow) on account of :			
Investment in fixed deposits		(32,234.53)	(31,281.20)
Purchase of Property, plant and equipment (including capital work-in-progress)/ intangible assets	6	(1,955.45)	(1,427.34)
Sale of Property, plant and equipment (including capital work-in-progress)		14.43	9.62
Net cash flow used in investing activities (B)		(34,175.55)	(32,698.92)
C. CASH FLOW FROM FINANCING ACTIVITIES:			
Issue of equity shares (including share premium)		547.42	47,513.35
Share / debenture issue expenses		(908.10)	(1,292.90)
Proceeds from borrowings		2,36,122.26	1,46,533.36
Repayment of borrowings		(64,283.88)	(52,309.87)
Repayment of lease liabilities		(1,021.70)	-
Net Cash flow generated from financing activities (C)		1,70,456.00	1,40,443.94
Net increase/(decrease) in cash and cash equivalents (A+B+C)		19,056.40	(19,845.72)
Cash and cash equivalents as at the beginning of the year		16,002.99	35,848.71
Cash and cash equivalents at the end of the year	2	35,059.39	16,002.99

Consolidated Cash flow statement for the year ended March 31, 2020

(₹ in lakh)

Particulars	Notes	Year ended March 31, 2020	Year ended March 31, 2019
Components of cash and cash equivalents			
Cash on hand		43.71	202.00
Balance in franking machine*		0.95	0.95
Balance with banks			
In current accounts		36.99	3,909.16
In cash credit		2.74	645.06
In deposit account		34,975.00	11,245.82
Total cash and cash equivalents	2	**35,059.39**	**16,002.99**
Operational Cash Flow from Interest			
Interest Received		75,657.63	55,936.64
Interest Paid		(30,189.46)	(21,524.00)
Summary of significant accounting policies	1		

* The Group can utilize the balance towards stamping of loan agreements executed with their borrowers and also for the agreements executed by the Company for its own borrowings.

Note:-

1. Cash flow statement has been prepared under indirect method as set out in the IND AS 7 "Cash Flow Statement".
2. Previous year figures have been regrouped/ reclassified wherever applicable.

As per our report of even date

For S.R. Batliboi & Associates LLP
ICAI Firm Registration No. 101049W/E300004
Chartered Accountants

per Sarvesh Warty
Partner
Membership No. 121411
Place: Mumbai

Date: May 14, 2020

For and on behalf of the Board of Directors of
AAVAS FINANCIERS LIMITED

Manas Tandon
(Non-executive Promoter Nominee Director)
Place: Mumbai

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(Managing Director and CEO)
Place: Jaipur

Ghanshyam Rawat
(Chief Financial Officer)

Place: Jaipur

Sharad Pathak
(Company Secretary & Compliance Officer)
Place: Jaipur

Notes to the Consolidated Financial Statements for the year ended March 31, 2020

A. Corporate Information

AAVAS FINANCIERS LIMITED ("the Company") is a public limited Company domiciled in India and incorporated under the provisions of the Companies Act, 1956. The Company is registered as a housing finance company with National Housing Bank (NHB) vide Registration No. 04.0151.17 and is engaged in the long term financing activity in the domestic markets to provide housing finance. The Company is a public limited company and its shares are listed on the Bombay Stock Exchange (BSE), India, and the National Stock Exchange (NSE), India.

AAVAS FINSERV LIMITED ("the subsidiary") is a public limited Company domiciled in India and incorporated under the provisions of the Companies Act, 2013. The company has been incorporated during the year on November 30, 2017 to carry on the business of financing by way of lending/hire-purchase and to provide on lease, sub-lease or on hire, including but not limited to, all type of vehicles, automobiles, industrial plant and machinery, office equipment, movable and immovable assets, building, real estate, household and domestic appliances and equipment, furniture, fixtures, finishing items and all type of machinery, etc. The company has neither obtained Certificate of Registration from Reserve Bank of India nor has commenced any business activity during the year ending March 31, 2020.

B. Basis of preparation of financial statements

a) Basis of preparation

The consolidated financial statements relates to Aavas Financiers Limited ("the Company") and its subsidiary company i.e. Aavas Finserv Limited (hereinafter collectively referred to as the 'Group').

The consolidated financial statements of the Group have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time).The previous year financial statements i.e. year ended 31 March 2019 are the first which has prepared in accordance with Ind AS by the Group. The consolidated financial statements have been prepared on a historical cost basis, except for fair value through other comprehensive income (FVOCI) instruments, derivative financial instruments, other financial assets held for trading and financial assets and liabilities designated at fair value through profit or loss (FVTPL), all of which have been measured at fair value. The consolidated financial statements are presented in Indian Rupees (INR) and all values are rounded to the nearest lakh, except when otherwise indicated.

Presentation of financial statements

Financial assets and financial liabilities are generally reported gross in the balance sheet. They are only offset and reported net when, in addition to having an unconditional legally enforceable right to offset the recognised amounts without being contingent on a future event, the parties also intend to settle on a net basis in all of the following circumstances:

- The normal course of business
- The event of default
- The event of insolvency or bankruptcy of the Group and/or its counterparties

Derivative assets and liabilities with master netting arrangements are only presented net when they satisfy the eligibility of netting for all of the above criteria and not just in the event of default.

C. Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary as at 31 March 2020 including controlled structured entities. The Company consolidates a subsidiary when it controls it. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the

Notes to the Consolidated Financial Statements for the year ended March 31, 2020

Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Company's voting rights and potential voting rights
- The size of the Company's holding of voting rights relative to the size and dispersion of the holdings of the other voting rights holders

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Company gains control until the date the Company ceases to control the subsidiary.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. If a member of the Company uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that Company member's financial statements in preparing the consolidated financial statements to ensure conformity with the Company's accounting policies.

The financial statements of all entities used for the purpose of consolidation are drawn up to same reporting date as that of the parent company, i.e., year ended on 31 March. When the end of the reporting period of the parent is different from that of a subsidiary, the subsidiary prepares, for consolidation purposes, additional financial information as of the same date as the financial statements of the parent to enable the parent to consolidate the financial information of the subsidiary, unless it is impracticable to do so.

Consolidation procedure:

(a) Combine like items of assets, liabilities, equity, income, expenses and cash flows of the parent with those of its subsidiary. For this purpose, income and expenses of the subsidiary are based on the amounts of the assets and liabilities recognised in the consolidated financial statements at the acquisition date.

(b) Offset (eliminate) the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary. Business combinations policy explains how to account for any related goodwill.

(c) Eliminate in full intra-company assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Company (profits or losses resulting from intraCompany transactions that are recognised in assets, such as inventory and fixed assets, are eliminated in full). IntraCompany losses may indicate an impairment that requires recognition in the consolidated financial statements. Ind AS 12 Income Taxes applies to temporary differences that arise from the elimination of profits and losses resulting from intraCompany transactions.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiary to bring their accounting policies in line with the Company's accounting policies. All intra-company assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Company are eliminated in full on consolidation.

D. Basis of measurement

The financial statements have been prepared on an accrual basis as a going concern and under the historical cost convention, except for foreign currency borrowings denominated in INR that are measured at fair value at the end of each reporting date as required under relevant Ind AS.

Notes to the Consolidated Financial Statements for the year ended March 31, 2020

E. Changes in accounting policies and disclosures

Implementation of new Indian Accounting Standards

The Group applied Ind AS 116 from 1 April 2019 for the first time. The impact of this standard is described below. The Group has not yet adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The standard requires identification of leases that provide the Group the right to control the use of an identified asset for a period of time as a lessee. For these leases, the Group is required to recognise on-balance sheet a right-of-use (ROU) asset, representing the right to use the underlying asset, and a lease liability, representing the future lease payment obligations. Exemptions exist for leases of low value assets and for short-term leases (less than 12 months).

Transition

The Group has applied Ind AS 116 from 1 April 2019 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under previous GAAP viz. Indian GAAP AS 17. The cumulative effect of initial application is recognised in retained profits at 1 April 2019. The details of the change in accounting policy is disclosed below. The ROU asset has been calculated as if the standard has always been applied for all leases.

At transition the Group recognised ROU assets of 2302.98 lakh and a lease liability of 2302.98 lakh.

As permitted by the standard practical expedients were applied at transition and adjustments were not made for leases of low value assets and for short-term leases (less than 12 months) i.e. IT Equipments.

Judgement has been applied by the Group in determining the transition adjustment, which includes the determination of which contractual arrangements represent a lease, the period over which the lease exists and the incremental borrowing rate of the Group to be applied to each lease based on the lease term.

The table below presents a reconciliation of the operating lease commitments as disclosed by the Group on 31st March 2019.

Assets	(₹ in lakh)
Operating lease commitments as at March 31, 2019	2,788.69
Add: assets not recognised as a lease under previous GAAP	-
(Less): Impact of discounting the future lease cash flows at the incremental borrowing rate	(485.71)
Lease liabilities as at April 01, 2019	2,302.98

Identification of a lease

Under Ind AS 116 a contract is, or contains a lease, if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. On transition the Group undertook an assessment of all applicable contracts to determine if a lease exists as defined in Ind AS 116. This assessment will also be completed for each new contract or change in contract going forward.

During this assessment the Group has primarily identified property leases. The Group has further elected not to recognise ROU assets and lease liabilities for leases of low value assets and for short-term leases (less than 12 months) i.e., IT equipments. The Group recognises these lease payments as an expense on a straight-line basis.

As a lessee

The Group recognises a ROU asset and a lease liability at the lease commencement date.

The ROU asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses. Lease incentives received at commencement reduce the ROU asset value. Depreciation is calculated on a straight-line basis.

The lease liability is measured as the present value of the lease payment outstanding at commencement date, discounted using the Group's incremental borrowing rate applied to the lease term. The lease liability is then increased by the interest expense on the lease liability and decreased by lease payments made. The determination of the lease term relies on judgement as to whether any extension options or termination options are likely to be exercised.

Notes to the Consolidated Financial Statements for the year ended March 31, 2020

When the lease liability is remeasured, a corresponding adjustment is made to the carrying value of the ROU asset, or, in the statement of profit or loss, where the carrying value of the ROU asset has been fully written down.

The details of right-of-use assets held by Group is as follows :-

Particulars	(₹ in lakh)
Opening Net Carrying Balance as on April 01, 2019	2,302.98
Additions	1,482.05
Depreciation	(910.83)
Closing Net Carrying Balance as on March 31, 2020	**2,874.20**

Interest on lease liabilities is ₹249.58 lakh for the year ended March 31, 2020. Lease Liabilities as on March 31, 2020 is ₹3012.91 lakh

1 Summary of significant accounting policies

1.1 Use of estimates

The preparation of financial statements in conformity with the Ind AS requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the accompanying disclosure and the disclosure of contingent liabilities, at the end of the reporting year. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future years.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

1.1.1 Business Model Assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Group considers the frequency, volume and timing of sales in prior years, the reason for such sales, and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an holistic assessment of how Group's stated objective for managing the financial assets is achieved and how cash flows are realised. Therefore, the Group considers information about past sales in the context of the reasons for those sales, and the conditions that existed at that time as compared to current conditions.

If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Based on this assessment and future business plans of the Group, the management has measured its financial assets at amortised cost as the asset is held within a business model whose objective is to collect contractual cash flows, and the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest ('the 'SPPI criterion').

1.1.2 Defined employee benefit assets and liabilities

The cost of the defined benefit gratuity plan and other post-employment benefits and the present value of the gratuity obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

1.1.3 Impairment losses on financial assets

Notes to the Consolidated Financial Statements for the year ended March 31, 2020

The measurement of impairment losses across all categories of financial assets except assets valued at Fair value through P&L (FVTPL), requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's Expected credit loss (ECL) calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's model, which assigns Probability of Default (PD)s criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a Lifetime expected credit loss (LTECL) basis
- The segmentation of financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and, economic inputs, and the effect on PDs, Exposure at default (EAD)s and Loss given default (LGD)s
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models
- Recognition of the potential impact of COVID-19 in the Group's collective provision as outlined in Notes 4(a)(3)(vii).

1.1.4 Share-based payments

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them.

1.1.5 Fair value measurement

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

1.1.6 Leases

The Group evaluates if an arrangement qualifies to be a lease as per the requirements of Ind AS 116. Identification of a lease requires significant judgment. The Group uses significant judgement in assessing the lease term (including anticipated renewals) and the applicable discount rate. The Group determines the lease term as the non-cancellable period of a lease, together with both periods covered by an option to extend the lease if the Group is reasonably certain to exercise that option; and periods covered by an option to terminate the lease if the Group is reasonably certain not to exercise that option. In assessing whether the Group is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, it considers all relevant facts and circumstances that create an economic incentive for the Group to exercise the option to extend the lease, or not to exercise the option to terminate the lease. The Group revises the lease term if there is a change in the non-cancellable period of a lease. The discount rate is generally based on the incremental borrowing rate specific to the lease being evaluated or for a portfolio of leases with similar characteristics.

1.2 Cash and cash equivalents

Cash and cash equivalent comprises cash in hand, demand deposits and time deposits with original maturity of less than three months held with bank, debit balance in cash credit account and balance in franking machine.

Notes to the Consolidated Financial Statements for the year ended March 31, 2020

1.3 Revenue recognition

1.3.1 Interest and similar income

Interest income, for all financial instruments measured either at amortised cost or at fair value through other comprehensive income, is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the contractual life of the financial instrument to the gross carrying amount of the financial asset. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable and are an integral part of the EIR, but not future credit losses.

The Group 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 and is, therefore, regarded as 'Stage 3', the Group 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 Group reverts to calculating interest income on a gross basis.

1.3.2 Other charges and other interest

1.3.2.1 Overdue interest in respect of loans is recognized upon realisation.

1.3.2.2 Other ancillary charges are recognized upon realisation.

1.3.3 Commission on Insurance Policies

Commission on insurance policies sold is recognised on accrual basis when the Group under its agency code sells the insurance policies.

1.3.4 Dividend income

Dividend income is recognized when the Group's right to receive the payment is established, it is probable that the economic benefits associated with the dividend will flow to the entity and the amount of the dividend can be measured reliably. This is generally when shareholders approve the dividend.

1.4 Foreign currency

The Group's financial statements are presented in Indian Rupees (INR) which is also the Group's functional currency.

Transactions in foreign currencies are initially recorded by the Group at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Income and expenses in foreign currencies are initially recorded by the Group at the exchange rates prevailing on the date of the transaction.

Foreign currency denominated monetary assets and liabilities are translated at the functional currency spot rates of exchange at the reporting date and exchange gains and losses arising on settlement and restatement are recognized in the statement of profit and loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognized in OCI or profit or loss, respectively).

1.5 Lease

Effective April 1, 2019, the Group has adopted Ind AS 116 'Leases' and applied it to all lease contracts existing on April 1, 2019 using the Modified Retrospective Approach. Based on the same and as permitted under the specific transitional provisions

Notes to the Consolidated Financial Statements for the year ended March 31, 2020

in the standard, the Group has not restated the comparative figures. On transition, the adoption of the new standard resulted in recognition of an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset) and a corresponding liability to make lease payments (i.e., the lease liability). Group will separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group has further elected not to recognise ROU assets and lease liabilities for leases of low value assets and for short-term leases (less than 12 months) i.e., IT equipments

1.6 Property, plant and equipment (PPE) and Intangible assets

PPE

PPE are stated at cost (including incidental expenses directly attributable to bringing the asset to its working condition for its intended use) less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Subsequent expenditure related to PPE is capitalized only when it is probable that future economic benefits associated with these will flow to the Group and the cost of item can be measured reliably. Other repairs and maintenance costs are expensed off as and when incurred.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit and loss when the asset is derecognised.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

1.7 Depreciation and amortization

Depreciation

Depreciation is provided over the useful life of the asset as per Schedule-II of Companies Act 2013 and depreciation rates have been worked out by applying written down value method. The Group has used the following useful lives to provide depreciation on its PPE.

PPE	Useful Life (In Years)
Freehold Land	NIL
Building	60
Furniture and fixtures	10
Office equipment	5
Motor Vehicles	8
Servers	6
Computers and printers	3

All fixed assets individually costing ₹5,000/- or less are fully depreciated in the year of installation/purchase.

Amortization

Intangible assets are amortized on a straight line basis over the estimated useful economic life. The Group estimates the useful life of an intangible asset will not exceed four years from the date when the asset is available for use. If the persuasive evidence exists to the affect that useful life of an intangible asset exceeds four years, the Group amortizes the intangible asset over the best estimate of its useful life.

1.8 Impairment of non-financial assets

The carrying amount of assets is reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets, net selling price and value in use. In assessing value in use, the estimated

Notes to the Consolidated Financial Statements for the year ended March 31, 2020

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 risks specific to the asset. In determining net selling price, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

1.9 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the statement of profit and loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

1.10 Contingent liabilities and assets

The Group does not recognize a contingent liability but discloses its existence in the financial statements Contingent liability is disclosed in the case of:

- A present obligation arising from past events, when it is not probable that an outflow of resources will not be required to settle the obligation.
- A present obligation arising from past events, when no reliable estimate is possible.
- A possible obligation arising from past events, unless the probability of outflow of resources is remote.

Contingent liabilities are reviewed at each balance sheet date.

Contingent assets are not recognised. A contingent asset is disclosed, as required by Ind AS 37, where an inflow of economic benefits is probable.

1.11 Retirement and other employee benefits

Retirement benefit in the form of provident fund is a defined contribution scheme. The Group has no obligation, other than the contribution payable to the provident fund. The Group recognizes contribution payable to the provident fund scheme as an expense, when an employee renders the related service. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognized as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognized as an asset to the extent that the pre-payment will lead to, for example, a reduction in future payment or a cash refund.

The Group provides gratuity benefits which is a defined benefit scheme. The cost of providing gratuity benefits is determined on the basis of actuarial valuation at each year end. Separate actuarial valuation is carried out for each plan using the projected unit credit method.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through OCI in the year in which they occur. Remeasurements are not reclassified to profit or loss in subsequent years.

Past service costs are recognised in Profit or Loss on the earlier of: The date of the plan amendment or curtailment, and The date that the Group recognises related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the

Notes to the Consolidated Financial Statements for the year ended March 31, 2020

following changes in the net defined benefit obligation as an expense in the statement of profit and loss.

Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and Net interest expense or income

Accumulated leave, which is expected to be utilized within the next 12 months, is treated as short-term employee benefit. The Group measures the expected cost of such absence as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date. The Group treats accumulated leave expected to be carried forward beyond twelve months, as long term employee benefit for measurement purposes.

1.12 Taxes

Tax expense comprises current and deferred tax.

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities in accordance with Income tax Act, 1961. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Current income tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Current tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

1.13 Earning per share

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. Partly paid equity shares are treated as a fraction of an equity share to the extent that they are entitled to participate in dividends relative to a fully paid equity share during the reporting year.

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders

Notes to the Consolidated Financial Statements for the year ended March 31, 2020

and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

1.14 Share based payments

Equity-settled share based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share based payments transactions are set out in Note 32.

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 year, based on the Group`s estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting year, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in Statement of Profit and Loss such that the cumulative expenses reflects the revised estimate, with a corresponding adjustment to the Share Based Payments Reserve.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

1.15 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

1.15.1 Financial Assets

1.15.1.1 Initial recognition and measurement

Financial assets, with the exception of loans and advances to customers, are initially recognised on the trade date, i.e., the date that the Group becomes a party to the contractual provisions of the instrument. Loans and advances to customers are recognised when funds are disbursed to the customers. The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention when acquiring them. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

1.15.1.2 Classification and Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Debt instruments at amortised cost
- Debt instruments at fair value through other comprehensive income (FVTOCI)
- Debt instruments and equity instruments at fair value through profit or loss (FVTPL)
- Equity instruments measured at fair value through other comprehensive income (FVTOCI)

1.15.1.3 Debt instruments at amortised costs

A 'debt instrument' is measured at the amortised cost if both the following conditions are met:

- The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
- Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in interest income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit and loss.

Notes to the Consolidated Financial Statements for the year ended March 31, 2020

1.15.1.4 Debt instruments at FVTOCI

A 'debt instrument' is classified as at the FVTOCI if both of the following criteria are met:

- The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and
- The asset's contractual cash flows represent SPPI.

Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognized in the other comprehensive income (OCI). However, the Group recognizes interest income, impairment losses & reversals and foreign exchange gain or loss in the P&L. On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from the equity to P&L. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method.

1.15.1.5 Debt instruments at FVTPL

FVTPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorization as at amortized cost or as FVTOCI, is classified as at FVTPL.

In addition, the Group may elect to designate a debt instrument, which otherwise meets amortized cost or FVTOCI criteria, as at FVTPL. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch'). Debt instruments included within the FVTPL category are measured at fair value with all changes recognized in the P&L.

1.15.1.6 Business Model Test

An assessment of business models for managing financial assets is fundamental to the classification of a financial asset. The Group determines the business models at a level that reflects how financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument, therefore the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis. The Group considers all relevant information available when making the business model assessment. The Group takes into account all relevant evidence available such as:- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel; The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and How managers of the business are compensated (e.g. whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected). At initial recognition of a financial asset, the Group determines whether newly recognized financial assets are part of an existing business model or whether they reflect a new business model.

1.15.1.7 Equity Instruments

All equity instruments in scope of Ind AS 109 are measured at fair value. Equity instruments which are held for trading classified as at FVTPL. For all other equity instruments, the Group may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The Group makes such election on an instrument-by- instrument basis. The classification is made on initial recognition and is irrevocable.

If the Group decides to classify an equity instrument as at FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognized in the OCI. There is no recycling of the amounts from OCI to P&L, even on sale of investment. However, the Group may transfer the cumulative gain or loss within equity.

Equity instruments included within the FVTPL category are measured at fair value with all changes recognized in the P&L.

The Group has accounted for its investments in Subsidiary at cost less impairment loss (if any).

Notes to the Consolidated Financial Statements for the year ended March 31, 2020

1.15.2 Financial Liabilities

1.15.2.1 Initial recognition and measurement

Financial liabilities are classified and 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 designated as on initial recognition. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and derivative financial instruments.

1.15.2.2 Classification and Subsequent measurement - Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by Ind AS 109. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied. For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risk are recognized in OCI. These gains/ loss are not subsequently transferred to P&L. However, the Group may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the statement of profit and loss.

1.15.2.3 Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit and loss. This category generally applies to borrowings.

1.15.3 Derivative financial instruments

The Group holds derivative to mitigate the risk of changes in exchange rates on foreign currency exposures as well as interest fluctuations. The counterparty for these contracts is generally a bank.

Financial assets or financial liabilities, at fair value through profit or loss

This category has derivative financial assets or liabilities which are not designated as hedges. Any derivative that is not designated a hedge is categorized as a financial asset or financial liability, at fair value through profit or loss.

Derivatives not designated as hedges are recognized initially at fair value and attributable transaction costs are recognized in net profit in the Statement of Profit and Loss when incurred. Subsequent to initial recognition, these derivatives are measured at fair value through profit or loss and the resulting exchange gains or losses are included in Statement of Profit and Loss.

1.15.4 Reclassification of financial assets and liabilities

The Group doesn't reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Group acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified.

Notes to the Consolidated Financial Statements for the year ended March 31, 2020

1.15.5 De-recognition of financial assets and liabilities

1.15.5.1 Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of a Group of similar financial assets) is de-recognised when the rights to receive cash flows from the financial asset have expired. The Group also de-recognised the financial asset if it has transferred the financial asset and the transfer qualifies for de recognition.

The Group has transferred the financial asset if, and only if, either:

- It has transferred its contractual rights to receive cash flows from the financial asset or
- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement.

Pass-through arrangements are transactions whereby the Group retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Group has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates.
- The Group cannot sell or pledge the original asset other than as security to the eventual recipients.
- The Group has to remit any cash flows it collects on behalf of the eventual recipients without material delay.

In addition, the Group is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the year between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:

- The Group has transferred substantially all the risks and rewards of the asset or
- The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The Group considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Group has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Group's continuing involvement, in which case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Group could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Group would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.15.5.2 Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of

Notes to the Consolidated Financial Statements for the year ended March 31, 2020

the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

1.16 Impairment of financial assets

1.16.1 Overview of the ECL principles

The Group is recording the allowance for expected credit losses for all loans and other debt financial assets not held at FVTPL, together with loan commitments and Excess Interest Spread (EIS) receivable, (in this section all referred to as 'financial instruments'). Equity instruments are not subject to impairment under Ind AS 109.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL) as outlined in Note 1.16.2. The Group's policies for determining if there has been a significant increase in credit risk are set out in Note 4(a)(3)(v).

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on collective basis, depending on the nature of the underlying portfolio of financial instruments. The Group's policy for grouping financial assets measured on a collective basis is explained in Note 4(a)(1).

The Group has established a policy to perform an assessment, at the end of each reporting year, of whether a financial instrument's credit risk has increased significantly since initial recognition. This is further explained in Note4(a)(3)(v).

Based on the above process, the Group categorized its loans into Stage 1, Stage 2, Stage 3, as described below:

Stage 1: When loans are first recognised, the group recognises an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2 or Stage 3.

Stage 2: When a loan has shown a significant increase in credit risk since origination, the group records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.

Stage 3: Loans considered credit-impaired (as outlined in Note 4(a)(3)(i)). The group records an allowance for the LTECLs.

For financial assets for which the Group has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced.

1.16.2 The calculation of ECLs

The Group calculates ECLs on loans and EIS Receivable based on a probability-weighted scenarios and historical data to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

Loan commitments: When estimating ECLs for undisbursed loan commitments, the Group estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan.For loan commitments, the ECL is recognised within Provisions.

Provisions for ECLs for undisbursed loan commitments are assessed as set out in Note 4(a)(2).

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- PD - The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed year, if the facility has not been previously derecognised and is still in the portfolio.
- EAD - The Exposure at Default is an exposure at a default date. The EAD is further explained in Note 4(a)(3)(iii).
- LGD - The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD. The LGD is further explained in Note 4(a)(3)(iv).

The maximum year for which the credit losses are determined is the expected life of a financial instrument.

The mechanics of the ECL method are summarised below:

Stage 1: The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Group calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to an EAD and multiplied by the expected LGD.

Stage 2: When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. The mechanics are similar to those explained above, but PDs and LGDs are estimated over the lifetime of the instrument.

Stage 3: For loans considered credit-impaired (as defined in Note 4(a)(3)(i)), the Group recognizes the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

1.16.3 Forward looking information

While estimating the expected credit losses, the Group reviews macro-economic developments occurring in the economy and market it operates in. On a periodic basis, the Group analyses if there is any relationship between key economic trends like GDP, Property Price Index, Unemployment rates, Benchmark rates set by the Reserve Bank of India, inflation etc. with the estimate of PD, LGD determined by the Group based on its internal data. While the internal estimates of PD, LGD rates by the Group may not be always reflective of such relationships, temporary overlays are embedded in the methodology to reflect such macro-economic trends reasonably.

1.16.4 Collateral repossession

To mitigate the credit risk on financial assets, the Group seeks to use collateral, where possible as per the powers conferred on the HFC under SARFAESI act. In its normal course of business, the Group does not physically repossess properties or other assets in its retail portfolio, but generally engages external or internal agents to recover funds generally at auctions to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, the residential properties under legal repossession processes are not recorded on the balance sheet and are treated as assets held for sale at (i) fair value less cost to sell or (ii) principle outstanding, whichever is less, at the repossession date.

1.16.5 Write-offs

Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to Statement of profit and loss account.

1.17 Fair value measurement

The Group measures financial instruments, such as, derivatives at fair value at each balance sheet date using valuation techniques.

Notes to the Consolidated Financial Statements for the year ended March 31, 2020

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting year.

1.18 Dividend

The Group recognises a liability to make cash distributions to equity holders when the distribution is authorised and the distribution is no longer at the discretion of the Group. Final dividends on shares are recorded as a liability on the date of approval by the shareholders and interim dividends are recorded as a liability on the date of declaration by the Group's Board of Directors.

1.19 New Technical Pronouncement

Ministry of Corporate Affairs ("MCA") notifies new standard or amendments to the existing standards. There is no such notification which would have been applicable from April 01, 2020.

Notes to the Consolidated Financial Statements for the year ended March 31, 2020

2. Cash and bank balances

(₹ in lakh)

Particulars	As at March 31, 2020	As at March 31, 2019
Cash and cash equivalents		
Cash on hand (refer note 2(a))	44.66	202.95
Balance with banks		
In Current accounts	36.99	3,909.16
In Cash credit accounts	2.74	645.06
In Deposits with original maturity of less than three months	34,975.00	11,245.82
	35,059.39	16,002.99
Bank balances other than above		
Deposit with original maturity of more than 3 months less than 12 months	83,405.00	51,205.00
Deposit with original maturity of more than 12 months (refer note 2(b))	1,208.13	1,173.61
	84,613.13	52,378.61
Total	1,19,672.52	68,381.60

2(a) Cash on hand includes of ₹0.95 lakh (P.Y. ₹0.95 lakh) balance of franking machine.

2(b) Other Bank Balance in deposit accounts include deposits under lien aggregating to ₹1208.13 lakh (P.Y. ₹1173.61 lakh) towards the first loss guarantee provided by the Group under the securitization agreements.

3. Derivative financial instruments

(₹ in lakh)

	Notional amounts	Fair Value - Assets	Fair Value - Liabilities
As at March 31, 2020			
Part I			
Currency Derivatives:			
Currency swaps	-	-	-
Part II			
Included in above (Part I) are derivatives held for hedging and risk management purposes as follows:			
Undesignated derivatives	-	-	-
Total derivative financial instruments	-	-	-
As at March 31, 2019			
Part I			
Currency Derivatives:			
Currency swaps (refer note 3(a))	3,125.00	87.86	-
Part II			
Included in above (Part I) are derivatives held for hedging and risk management purposes as follows:			
Undesignated derivatives	3,125.00	87.86	-
Total derivative financial instruments	3,125.00	87.86	-

3(a) The Group uses Cross Currency swaps to manage its foreign currency risk arising from borrowings in foreign currencies. This contract has not been designated in a hedging relationship and are entered into for periods consistent with exposure of the underlying transactions.

Notes to the Consolidated Financial Statements for the year ended March 31, 2020

4. Loans

(₹ in lakh)

Particulars	As at March 31, 2020	As at March 31, 2019
At amortised cost		
Loan assets	6,20,186.67	4,73,725.65
Total Gross	6,20,186.67	4,73,725.65
Less: Impairment loss allowance	(2,106.84)	(1,276.65)
Total Net	6,18,079.83	4,72,449.00
Secured by tangible assets (Property including land and building)	6,20,186.67	4,73,725.65
Total Gross	6,20,186.67	4,73,725.65
Less: Impairment loss allowance	(2,106.84)	(1,276.65)
Total Net	6,18,079.83	4,72,449.00
Loans in India		
Public Sector	-	-
Others	6,20,186.67	4,73,725.65
Total Gross	6,20,186.67	4,73,725.65
Less: Impairment loss allowance	(2,106.84)	(1,276.65)
Total Net	6,18,079.83	4,72,449.00

i) Loans and receivables are non-derivative financial assets which generate a fixed or variable interest income for the Group. The carrying value may be affected by changes in the credit risk of the counterparties.

ii) Loans granted by the Group are secured by equitable mortgage/registered mortgage of the property and/or undertaking to create a security and/or personal guarantees and/or hypothecation of assets and/or assignments of life insurance policies. The process of security creation was in progress for loans to the extent of ₹18,045.05 lakh at March 31, 2020 (P.Y. ₹15,376.85 lakh)

iii) Loans sanctioned but undisbursed amount is ₹26,240.62 lakh as on March 31, 2020 (P.Y. ₹25,211.36 lakh)

iv) The Group is not granting any loans against gold jewellery as collateral.

v) The Group has assigned a pool of certain loans amounting to ₹73,859.15 lakh (P.Y. ₹76,268.14 lakh) by way of a direct assignment transaction. These loan assets have been de-recognised from the loan portfolio of the Group as the sale of loan assets is an absolute assignment and transfer on a 'no-recourse' basis. The Group continues to act as a servicer to the assignment transaction on behalf of assignee. In terms of the assignment agreement, the Group pays to assignee, on a monthly basis, the pro-rata collection amounts.

vi) The Group has granted certain loans to staff amounting to ₹1,039.80 lakh as on March 31,2020 (P.Y. ₹1,282.69 lakh).

vii) Loan assets include two loans which became doubtful due to fraudulent misrepresentation by the borrowers and same has been provided for.

viii) Impairment loss allowance includes ₹443.75 lakh on account of COVID-19 collective provision overlay.

Notes to the Consolidated Financial Statements for the year ended March 31, 2020

Break up of financial assets carried at amortised cost

(₹ in lakh)

Particulars	As at March 31, 2020	As at March 31, 2019
Loans (Note 4)	6,18,079.83	4,72,449.00
Other financial assets (Note 6)	18,111.12	16,348.94
Total financial assets carried at amortised cost	6,36,190.95	4,88,797.94

4(a)(1) Grouping financial assets measured on a collective basis

As explained in Note 1.16, the Group calculates ECLs on collective basis on following asset classes:

- Housing-Salaried lending
- Housing-Self Employed lending
- Non Housing-Salaried lending
- Non Housing-Self Employed lending

The Group categorized these exposure into smaller homogeneous portfolios, based on a combination of internal and external characteristics of the loans such as Product type and customer type.

An analysis of changes in the gross carrying amount and the corresponding ECL allowances with respect to all asset classes have been explained below and ECL allowances includes an additional impairment allowance of ₹443.75 lakh recognised for the expected impact of COVID-19 on the collective provision as at March 31, 2020 as outlined in Note4(a)(3)(vii).

4(a)(1)(i) Housing-Salaried lending

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to Housing- Salaried lending is, as follows:

(₹ in lakh)

Particulars	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 01 April 2018	97,153.92	1,608.62	456.72	99,219.26
New assets originated	69,358.31	-	-	69,358.31
Assets derecognised or repaid	(27,787.56)	(388.77)	(175.30)	(28,351.63)
Transfers from Stage 1	(953.35)	755.89	197.46	-
Transfers from Stage 2	531.72	(639.17)	107.45	-
Transfers from Stage 3	39.34	90.09	(129.43)	-
As at March 31, 2019	1,38,342.38	1,426.66	456.90	1,40,225.94

(₹ in lakh)

Particulars	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 01 April 2019	1,38,342.38	1,426.66	456.90	1,40,225.94
New assets originated	74,668.80	-	-	74,668.80
Assets derecognised or repaid	(36,645.92)	(255.28)	(274.45)	(37,175.65)
Transfers from Stage 1	(705.16)	503.07	202.09	-
Transfers from Stage 2	502.86	(611.75)	108.89	-
Transfers from Stage 3	34.44	10.79	(45.23)	-
Amounts written off	-	-	(10.39)	(10.39)
As at March 31, 2020	1,76,197.40	1,073.49	437.81	1,77,708.70

Notes to the Consolidated Financial Statements for the year ended March 31, 2020

(₹ in lakh)

Particulars	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 01 April 2018	110.05	10.25	73.08	193.38
New assets originated	79.59	-	-	79.59
Assets derecognised or repaid	(36.28)	(3.06)	(22.14)	(61.48)
Transfers from Stage 1	(6.84)	4.46	35.74	33.36
Transfers from Stage 2	0.57	(3.77)	19.45	16.25
Transfers from Stage 3	0.04	0.53	(23.43)	(22.86)
As at March 31, 2019	147.13	8.41	82.70	238.24

(₹ in lakh)

Particulars	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 01 April 2019	147.13	8.41	82.70	238.24
New assets originated	176.04	-	-	176.04
Assets derecognised or repaid	(43.08)	(2.19)	(45.11)	(90.38)
Transfers from Stage 1	(28.57)	4.69	67.45	43.57
Transfers from Stage 2	0.51	(3.24)	22.43	19.70
Transfers from Stage 3	0.04	0.06	(9.32)	(9.22)
Amounts written off			(2.14)	(2.14)
As at March 31, 2020	252.07	7.73	116.01	375.81

4(a)(1)(ii) Housing-Self Employed lending

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to Housing- Self Employed lending is, as follows:

(₹ in lakh)

Particulars	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 01 April 2018	1,46,537.75	5,146.73	1,004.77	1,52,689.25
New assets originated	1,20,516.18	-	-	1,20,516.18
Assets derecognised or repaid	(44,852.15)	(1,496.81)	(359.11)	(46,708.07)
Transfers from Stage 1	(3,142.01)	2,573.88	568.13	-
Transfers from Stage 2	1,332.65	(1,760.59)	427.94	-
Transfers from Stage 3	58.68	100.27	(158.95)	-
As at March 31, 2019	2,20,451.10	4,563.48	1,482.78	2,26,497.36

(₹ in lakh)

Particulars	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 01 April 2019	2,20,451.10	4,563.48	1,482.78	2,26,497.36
New assets originated	1,24,691.00	-	-	1,24,691.00
Assets derecognised or repaid	(61,310.70)	(1,129.22)	(710.17)	(63,150.09)
Transfers from Stage 1	(2,974.48)	2,139.87	834.61	-
Transfers from Stage 2	1,287.35	(1,895.74)	608.39	-
Transfers from Stage 3	43.39	15.95	(59.34)	-
Amounts written off	(3.29)	-	(166.67)	(169.96)
As at March 31, 2020	2,82,184.37	3,694.34	1,989.60	2,87,868.31

Notes to the Consolidated Financial Statements for the year ended March 31, 2020

(₹ in lakh)

Particulars	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 01 April 2018	315.22	61.35	160.76	537.33
New assets originated	368.33	-	-	368.33
Assets derecognised or repaid	(90.18)	(16.75)	(43.90)	(150.83)
Transfers from Stage 1	(108.57)	31.45	185.55	108.43
Transfers from Stage 2	2.95	(21.51)	77.46	58.90
Transfers from Stage 3	0.13	1.23	(28.77)	(27.41)
As at March 31, 2019	487.88	55.77	351.10	894.75

(₹ in lakh)

Particulars	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 01 April 2019	487.88	55.77	351.10	894.75
New assets originated	559.20	-	-	559.20
Assets derecognised or repaid	(133.47)	(16.46)	(109.23)	(259.16)
Transfers from Stage 1	(54.14)	40.37	203.57	189.80
Transfers from Stage 2	2.87	(21.70)	125.33	106.50
Transfers from Stage 3	0.10	0.18	(12.22)	(11.94)
Amounts written off	(0.01)	-	(34.33)	(34.34)
As at March 31, 2020	862.43	58.16	524.22	1,444.81

4(a)(1)(iii) Non-Housing-Salaried lending

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to Non-Housing- Salaried lending is, as follows:

(₹ in lakh)

Particulars	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 01 April 2018	20,902.90	244.79	19.12	21,166.81
New assets originated	16,667.51	-	-	16,667.51
Assets derecognised or repaid	(10,997.90)	(32.73)	(11.87)	(11,042.50)
Transfers from Stage 1	(218.47)	199.22	19.25	-
Transfers from Stage 2	46.99	(100.19)	53.20	-
Transfers from Stage 3	-	2.81	(2.81)	-
As at March 31, 2019	26,401.03	313.90	76.89	26,791.82

(₹ in lakh)

Particulars	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 01 April 2019	26,401.03	313.90	76.89	26,791.82
High grade				
New assets originated	19,925.60	-	-	19,925.60
Assets derecognised or repaid	(8,499.22)	(93.59)	(31.91)	(8,624.72)
Transfers from Stage 1	(235.46)	221.99	13.47	0.00
Transfers from Stage 2	97.36	(110.43)	13.07	-
Amounts written off	-	-	(1.06)	(1.06)
As at March 31, 2020	37,689.31	331.87	70.46	38,091.64

Notes to the Consolidated Financial Statements for the year ended March 31, 2020

(₹ in lakh)

Particulars	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 01 April 2018	11.65	0.77	3.06	15.48
New assets originated	10.82	-	-	10.82
Assets derecognised or repaid	(5.86)	(0.15)	(1.75)	(7.76)
Transfers from Stage 1	(1.22)	0.58	3.48	2.84
Transfers from Stage 2	0.03	(0.29)	9.63	9.37
Transfers from Stage 3	-	0.01	(0.51)	(0.50)
As at March 31, 2019	15.42	0.92	13.91	30.25

(₹ in lakh)

Particulars	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 01 April 2019	15.42	0.92	13.91	30.25
New assets originated	19.20	-	-	19.20
Assets derecognised or repaid	(7.29)	(0.38)	(4.65)	(12.32)
Transfers from Stage 1	(5.23)	0.77	7.67	3.21
Transfers from Stage 2	0.04	(0.27)	2.69	2.46
Amounts written off	-	-	(0.22)	(0.22)
As at March 31, 2020	22.14	1.04	19.40	42.58

4(a)(1)(iv) Non-Housing-Self Employed lending

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to Non-Housing- Self Employed lending is, as follows:

(₹ in lakh)

Particulars	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 01 April 2018	59,914.78	1,100.98	68.04	61,083.80
New assets originated	53,927.88	-	-	53,927.88
Assets derecognised or repaid	(34,360.30)	(412.20)	(28.65)	(34,801.15)
Transfers from Stage 1	(1,081.63)	951.29	130.34	-
Transfers from Stage 2	252.74	(306.44)	53.70	-
Transfers from Stage 3	10.36	2.60	(12.96)	-
As at March 31, 2019	78,663.83	1,336.23	210.47	80,210.53

(₹ in lakh)

Particulars	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 01 April 2019	78,663.83	1,336.23	210.47	80,210.53
New assets originated	63,756.29	-	-	63,756.29
Assets derecognised or repaid	(27,082.19)	(231.54)	(100.02)	(27,413.75)
Transfers from Stage 1	(1,033.00)	866.60	166.40	-
Transfers from Stage 2	491.19	(567.44)	76.25	-
Transfers from Stage 3	6.11	3.68	(9.79)	-
Amounts written off	(35.04)	-	-	(35.04)
As at March 31, 2020	1,14,767.19	1,407.53	343.31	1,16,518.03

Notes to the Consolidated Financial Statements for the year ended March 31, 2020

(₹ in lakh)

Particulars	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 01 April 2018	54.47	5.76	10.89	71.12
New assets originated	55.65	-	-	55.65
Assets derecognised or repaid	(31.97)	(2.64)	(3.76)	(38.37)
Transfers from Stage 1	(9.13)	4.31	23.59	18.77
Transfers from Stage 2	0.22	(1.39)	9.72	8.55
Transfers from Stage 3	0.01	0.01	(2.35)	(2.33)
As at March 31, 2019	69.25	6.05	38.09	113.39

(₹ in lakh)

Particulars	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 01 April 2019	69.25	6.05	38.09	113.39
New assets originated	112.92	-	-	112.92
Assets derecognised or repaid	(16.51)	0.11	(15.34)	(31.74)
Transfers from Stage 1	(12.83)	7.26	43.63	38.06
Transfers from Stage 2	0.50	(3.17)	15.71	13.04
Transfers from Stage 3	0.01	0.02	(2.02)	(1.99)
Amounts written off	(0.04)	-	-	(0.04)
As at March 31, 2020	153.30	10.27	80.07	243.64

4(a)(2) Loan commitments

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to loan commitments is, as follows:

(₹ in lakh)

Particulars	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 01 April 2018	28,574.52	146.80	4.67	28,725.99
New assets originated	20,894.89	-	-	20,894.89
Assets disbursed or cancelled	(24,336.76)	(70.33)	(2.43)	(24,409.52)
Transfers from Stage 1	(123.69)	93.30	30.39	-
Transfers from Stage 2	37.00	(37.00)	-	-
As at March 31, 2019	25,045.96	132.77	32.63	25,211.36

(₹ in lakh)

Particulars	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 01 April 2019	25,045.96	132.77	32.63	25,211.36
New assets originated	21,564.86	-	-	21,564.86
Assets disbursed or cancelled	(20,406.59)	(96.38)	(32.63)	(20,535.60)
Transfers from Stage 1	(53.45)	45.10	8.35	-
Transfers from Stage 2	9.65	(12.39)	2.74	-
As at March 31, 2020	26,160.43	69.10	11.09	26,240.62

Notes to the Consolidated Financial Statements for the year ended March 31, 2020

(₹ in lakh)

Particulars	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 01 April 2018	45.06	1.58	0.75	47.39
New assets originated	37.92	-	-	37.92
Assets disbursed or cancelled	(37.66)	(0.76)	(0.34)	(38.76)
Transfers from Stage 1	(0.64)	0.79	5.50	5.65
Transfers from Stage 2	0.08	(0.42)	-	(0.34)
As at March 31, 2019	44.76	1.19	5.91	51.86

(₹ in lakh)

Particulars	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 01 April 2019	44.76	1.19	5.91	51.86
High grade				
New assets originated	37.37	-	-	37.37
Assets disbursed or cancelled	(36.28)	(0.97)	(5.90)	(43.15)
Transfers from Stage 1	(0.11)	0.48	1.72	2.09
Transfers from Stage 2	0.02	(0.10)	0.56	0.48
As at March 31, 2020	45.76	0.60	2.29	48.65

4(a)(3) Impairment assessment

The references below show where the Group's impairment assessment and measurement approach is set out in these notes. It should be read in conjunction with the Summary of significant accounting policies.

4(a)(3)(i) Definition of default

The Group considers a financial instrument as defaulted and considered it as Stage 3 (credit-impaired) for ECL calculations in all cases, when the borrower becomes more than 90 days past due on its contractual payments. The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed year, if the facility has not been previously derecognised and is still in the portfolio.

4(a)(3)(ii) The Group's process for managing risk

Credit risk is the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's main income generating activity is lending to customers and therefore credit risk is a principal risk. Credit risk mainly arises from loans and advances to customers , investments in debt securities and derivatives that are an asset position. The Group considers all elements of credit risk exposure such as counterparty default risk, geographical risk and sector risk for risk management purposes.

4(a)(3)(iii) Exposure at default

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.

To calculate the EAD for a Stage 1 loan, the Group assesses the possible default events within 12 months for the calculation of the 12mECL. For Stage 2 and Stage 3 financial assets, the exposure at default is considered for events over the lifetime of the instruments.

4(a)(3)(iv) Loss given default

The Group segments its retail lending products into smaller homogeneous portfolios (housing and non housing), based on key

Notes to the Consolidated Financial Statements for the year ended March 31, 2020

characteristics that are relevant to the estimation of future cash flows. The data applied is collected loss data and involves a wider set of transaction characteristics (e.g., product type, wider range of collateral types) as well as borrower characteristics.

4(a)(3)(v) Significant increase in credit risk

The Group continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Group assesses whether there has been a significant increase in credit risk since initial recognition. The Group considers an exposure to have significantly increased in credit risk when contractual payments are more than 30 days past due.

In accordance with the RBI guidelines relating to COVID 19 Regulatory Package dated March 27, 2020 and April 17, 2020, the Company granted moratorium of three months on payments of all installments and/or interest falling due after March 1, 2020 till May 31, 2020 to all eligible borrowers. For all such accounts where the moratorium is granted, the prudential assets classification and stage movement has been kept on stand still during the moratorium period.

When estimating ECLs on a collective basis for a group of similar assets, the Group applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.

4(a)(3)(vi) Risk assessment model

The Group has designed and operates its risk assessment model that factors in both quantitative as well as qualitative information on the loans and the borrowers. The model uses historical empirical data to arrive at factors that are indicative of future credit risk and segments the portfolio on the basis of combinations of these parameters into smaller homogenous portfolios from the perspective of credit behaviour.

4(a)(3)(vii) Risk assessment for COVID-19

The Group has used the principles of prudence in applying judgments, estimates and possible forward looking scenarios to assess and provide for the impact of the COVID- 19 pandemic on the Financial Statements specifically while assessing the expected credit loss on financial assets by applying the customer profiling within salaried and self-employed portfolio and management overlays, approved by its Board of Directors. This has resulted in an additional provision of ₹443.75 lakh against financial assets.

This impact is consistent with the outcomes from the base case scenario modelling that was performed by the Group. The base case scenario was modelled based on the facts and circumstances existing at March 31, 2020 and forecasts of future economic conditions and supportable information that was available at that date and includes significant management judgement.

4(a)(4) Collateral

The Group holds collateral to mitigate credit risk associated with financial assets.The main types of collateral and the types of assets these are associated with are listed in the table below. The collateral presented relates to instruments that are measured at amortised cost.

(₹ in lakh)

Particulars	As at March 31, 2020	As at March 31, 2019
Residential properties	6,20,186.67	4,73,725.65

The Group did not hold any financial instrument for which no loss allowance is recognised because of collateral at March 31, 2020. There was no change in the Group's collateral policy or collateral quality during the year.

Refer note 46(C) for risk concentration based on Loan to value(LTV).

Notes to the Consolidated Financial Statements for the year ended March 31, 2020

5. Other financial assets

(₹ in lakh)

Particulars	As at March 31, 2020	As at March 31, 2019
Interest accrued on Bank Deposits	839.75	940.84
Security Deposit	246.68	525.98
EIS Receivable (Refer note 5(a))	17,066.15	14,911.60
Total Gross	18,152.58	16,378.42
Less: Impairment loss allowance (on EIS Receivable assets)	(41.46)	(29.48)
Total Net	18,111.12	16,348.94

5(a) Under Ind AS, with respect to Assignment deals, Group has created an Excess Interest Spread (EIS) receivable , with corresponding credit to Statement of Proft and loss for the year, which has been computed by discounting EIS to present value.

6(a). Property, plant and equipment

(₹ in lakh)

	Building and premises	Computers and printers	Furniture and fixtures	Motor vehicles	Office equipment	Land	Total
Cost							
At March 31, 2018	474.26	809.29	758.09	244.14	269.22	4.95	2,559.95
Purchase	-	349.61	463.81	190.52	229.75	-	1,233.69
Disposals	-	(4.23)	(0.23)	(35.90)	(1.46)	-	(41.82)
At March 31, 2019	474.26	1,154.67	1,221.67	398.76	497.51	4.95	3,751.82
Purchase	567.27	239.64	448.74	218.75	196.66	-	1,671.06
Disposals	-	(8.15)	(4.50)	(17.68)	(15.18)	-	(45.51)
At March 31, 2020	1,041.53	1,386.16	1,665.91	599.83	678.99	4.95	5,377.37
Depreciation							
At March 31, 2018	101.12	437.81	283.12	65.57	126.89	-	1,014.51
Charge for the year	18.16	353.96	248.02	70.62	157.32	-	848.08
Disposals	-	(3.99)	(0.23)	(28.18)	(1.33)	-	(33.73)
At March 31, 2019	119.28	787.78	530.91	108.01	282.88	-	1,828.86
Charge for the year	30.94	284.98	277.01	124.11	161.53	-	878.57
Disposals	-	(7.44)	(4.31)	(8.03)	(11.25)	-	(31.03)
At March 31, 2020	150.22	1,065.32	803.61	224.09	433.16	-	2,676.40
Net Block							
At March 31, 2019	354.98	366.90	690.76	290.75	214.63	4.95	1,922.97
At March 31, 2020	891.31	320.84	862.30	375.74	245.83	4.95	2,700.97

6(b) Capital work-in-progress

(₹ in lakh)

	PPE	Total
Gross block		
At March 31, 2018	-	-
Capitalised during the year	-	-
Purchase	-	-
At March 31, 2019	-	-
Capitalised during the year	-	-
Purchase	30.99	30.99
At March 31, 2020	30.99	30.99

Notes to the Consolidated Financial Statements for the year ended March 31, 2020

6(c) Intangible assets under development

(₹ in lakh)

	Software	Total
Gross block		
At March 31, 2018	3.27	3.27
Capitalised during the year	-	-
Purchase	5.81	5.81
At March 31, 2019	9.08	9.08
Capitalised during the year	9.08	9.08
Purchase	39.90	39.90
At March 31, 2020	39.90	39.90

6(d) Other Intangible assets

(₹ in lakh)

	Software/Other intangible assets	Total
Gross block		
At March 31, 2018	399.85	399.85
Purchase	186.30	186.30
Disposals	-	-
At March 31, 2019	586.15	586.15
Purchase	222.57	222.57
Disposals	-	-
At March 31, 2020	808.72	808.72
Amortization		
At March 31, 2018	102.77	102.77
Charge for the year	124.26	124.26
At March 31, 2019	227.03	227.03
Charge for the year	166.85	166.85
At March 31, 2020	393.88	393.88
Net block		
At March 31, 2019	359.12	359.12
At March 31, 2020	414.84	414.84

7. Right-of-use assets

(₹ in lakh)

Particulars	As at March 31, 2020	As at March 31, 2019
Right-of-use assets	2,874.20	-
Total	2,874.20	-

Notes to the Consolidated Financial Statements for the year ended March 31, 2020

8. Other non-financial assets

(₹ in lakh)

Particulars	As at March 31, 2020	As at March 31, 2019
Prepaid Expenses	134.39	101.22
Advance to staff	218.99	75.91
Advance to vendors	191.96	94.90
GST Input	0.62	22.53
Other Recoverable	84.50	140.36
Total	630.46	434.92

9. Assets held for sale

(₹ in lakh)

Particulars	As at March 31, 2020	As at March 31, 2019
Assets held for sale (Refer note 9(a))	1,804.30	988.79
Total	1,804.30	988.79

9(a) Assets obtained by taking possession of collateral

The Group obtained the following assets during the year by taking possession of collateral held as security against loans and advances and held at the year end. The Group's policy is to realise collateral on a timely basis. The Group does not use non-cash collateral for its operations.

(₹ in lakh)

Particulars	As at March 31, 2020	As at March 31, 2019
Residential properties	1,804.30	988.79
Total assets obtained by taking possession of collateral	1,804.30	988.79

10. Payables

(₹ in lakh)

Particulars	As at March 31, 2020	As at March 31, 2019
Trade Payables		
Total outsanding dues of Micro Enterprises and Small Enterprises	-	-
Total outstanding dues of Creditors other than Micro Enterprises and Small Enterprises	1,738.64	950.24
Total	1,738.64	950.24

11. Debt Securities

(₹ in lakh)

Particulars	As at March 31, 2020	As at March 31, 2019
At amortised cost		
Secured		
Debentures (Refer note 11(a))	96,978.28	23,865.37
Unsecured		
Debentures (Refer note 11(a))	19,868.26	19,839.71
Total	1,16,846.54	43,705.08
Debt securities in India	96,978.28	23,865.37
Debt securities outside India	19,868.26	19,839.71
Total	1,16,846.54	43,705.08

Notes to the Consolidated Financial Statements for the year ended March 31, 2020

11(a) Detail of Redeemable Non-Convertible Debentures (inclusive of Interest accrued on debentures)

(₹ in lakh)

Sr. No.	ISIN No.	Date of allotment	Date of redemption	Nominal value per debenture	Total number of debentures	Rate of Interest p.a.	Face value	As at March 31, 2020	As at March 31, 2019	Secured/ Unsecured	Terms of redemption
1	INE216P07100	02-Sep-16	20-Mar-20	10	500	10.30%	5,000	-	5,011.75	Secured	Redeemed at par during the year
2	INE216P07126	20-Dec-16	19-Oct-20	10	500	9.15%	5,000	5,135.88	5,129.27	Secured	Redeemable at par
3	INE216P07134	18-Jul-17	18-May-22	10	1,300	8.43%*	13,000	13,317.45	13,276.76	Secured	Redeemable at par
4	INE216P08017	22-Dec-17	22-Dec-23	10	1,000	9.49%	10,000	10,228.21	10,223.02	Unsecured	Redeemable at par
5	INE216P07159	17-Apr-18	17-Apr-23	10	100	8.90%*	1,000	1,038.02	1,036.90	Secured	Redeemable at par
6	LRN-201812124	20-Dec-18	20-Dec-25	100	200	8.93%**	20,000	19,931.87	19,898.43	Unsecured	Redeemable at par
7	INE216P07167	16-Sep-19	15-Sep-24	100	345	8.39%*	34,500	34,266.69	-	Secured	Redeemable at par
8	INE216P07175	30-Mar-20	30-Mar-28	10	4,444	8.65%*	44,440	43,952.18	-	Secured	Redeemable at par
	Total							1,27,870.30	54,576.13		

*ROI p.a (payable half yearly)

**ROI p.a (payable quarterly)

Notes to the Consolidated Financial Statements for the year ended March 31, 2020

12. Borrowings

(₹ in lakh)

Particulars	As at March 31, 2020	As at March 31, 2019
At amortised cost		
Secured		
Term loans (refer note 12(h))		
From National Housing Bank (NHB) (Refer note 12(a))	95,129.03	89,720.72
From Banks (Refer note 12(b))	2,87,113.25	2,04,003.57
From Financial institutions (Refer note 12(c))	89.78	61.45
From Insurance Companies (Refer note 12(d))	9,365.27	-
Others		
Cash Credit (refer note 12(e))	5,570.90	5,733.63
Others (refer note 12(f))	11,123.17	12,142.35
Total	4,08,391.40	3,11,661.72
Borrowings in India	4,08,391.40	3,11,661.72
Borrowings outside India	-	-
Total	4,08,391.40	3,11,661.72

12(a) Secured term loans from National Housing Bank carry rate of interest in the range of 4.18% to 9.40% p.a. The loans are having tenure of 10 to 15 years from the date of disbursement and are repayable in quarterly instalments. These loans are secured by hypothecation (exclusive charge) of the loans given by the Group.

12(b) Secured term loans from Banks include loans from various banks and carry rate of interest in the range of 8.35% to 10.20% p.a. The loans are having tenure of 5 to 15 years from the date of disbursement and are repayable in monthly or quarterly or yearly instalments. These loans are secured by hypothecation (exclusive charge) of the loans given by the Group. Secured term loan from banks include auto loans of ₹260.46 lakh (P.Y. ₹204.42 lakh) carrying rate of interest in the range of 8.40% to 9.50% p.a. which are secured by hypothecation of Group's vehicles.

12(c) Loans from financial institutions include auto loans of ₹89.78 lakh (P.Y. ₹61.45 lakh)

12(d) Secured term loan from Insurance Company carry rate of interest of 8.45% p.a. The loan is having tenure of 8 years from the date of disbursement and is repayable in half yearly instalments. The Loan is secured by hypothecation (exclusive charge) of the loans given by the Group.

12(e) Cash credit borrowings from bank are secured against hypothecation of housing loans given by the Group, are repayable on demand and carry interest rates ranging from 8.40% to 11.20%

12(f) Other borrowings includes associated liabilities to securitized asset that has been re-recognised due to non fulfillment of derecognition criteria as per Ind AS.

12(g) Changes in liabilities arising from financing activities

(₹ in lakh)

Particulars	As at March 31, 2019	Cash flows	Other*	As at March 31, 2020
Debt securities	43,705.08	73,940.00	(798.54)	1,16,846.54
Borrowings	3,11,661.72	98,726.36	(1,996.68)	4,08,391.40
Subordinate liabilities	9,958.30	(0.00)	7.31	9,965.61
Total	3,65,325.10	1,72,666.36	(2,787.91)	5,35,203.55

*Other column includes amortisation of transaction cost.

Notes to the Consolidated Financial Statements for the year ended March 31, 2020

12(h) Terms of repayment of long term borrowings outstanding as at March 31, 2020

(₹ in lakh)

Particulars		Due within 1 year		Due 1 to 3 years		Due 3 to 5 years		Due 5 to 10 years		Above 10 years		Total	
Original maturity of loan	Interest rate	No. of installments	Amount	No. of installments	Amount	No. of installments	Amount	No. of installments	Amount	No. of installments	Amount	No. of installments	Amount
Monthly repayment schedule													
Above 3 years	8%-10%	677	9,389.39	1,038	18,727.84	374	13,661.42	193	10,713.82	-	-	2,282	52,492.47
	10%-12%	9	286.96	-	-	-	-	-	-	-	-	9	286.96
Quarterly repayment schedule													
Above 3 years	4%-6%	27	4,673.20	56	9,968.00	56	9,968.00	33	5,090.70	-	-	172	29,699.90
	6%-8%	35	3,865.17	72	8,367.88	72	8,367.88	167	19,361.70	66	4,516.55	412	44,479.18
	8%-10%	276	33,503.74	540	73,276.67	491	66,469.87	496	78,929.40	27	2,445.52	1,830	2,54,625.20
Half yearly repayment schedule													
Above 3 years	8%-10%	2	1,243.51	9	17,707.05	12	26,102.60	13	28,557.82	-	-	36	73,610.98
Yearly repayment schedule													
Above 3 years	8%-10%	-	-	-	-	-	-	-	-	-	-	-	-
At the end of tenure													
Above 3 years	8%-10%	1	4,974.03	1	12,964.61	3	45,376.15	-	-	-	-	5	63,314.79
	10%-12%	-	-	-	-	-	-	-	-	-	-	-	-
Total		1,027	57,936.00	1,716	1,41,012.05	1,008	1,69,945.92	902	1,42,653.44	93	6,962.07	4,746	5,18,509.48

The above table doesn't include associated liabilities to securitized asset that has been re-recognised due to non fulfillment of derecognition criteria as per Ind AS amounting to ₹10,251.62 lakh (Due within 1 year ₹547.34 lakh and due more than 1 year ₹9,704.28 lakh)

Notes to the Consolidated Financial Statements for the year ended March 31, 2020

13. Subordinated Liabilities

(₹ in lakh)

Particulars	As at March 31, 2020	As at March 31, 2019
At Amortised cost		
Debentures (Refer note 11(a))	9,965.61	9,958.30
Total	9,965.61	9,958.30
Subordinated Liabilities in India	9,965.61	9,958.30
Subordinated Liabilities Outside India	-	-
Total	9,965.61	9,958.30

14. Lease liabilities

(₹ in lakh)

Particulars	As at March 31, 2020	As at March 31, 2019
Lease liabilties	3,012.91	-
Total	3,012.91	-

15. Other financial liabilities

(₹ in lakh)

Particulars	As at March 31, 2020	As at March 31, 2019
Interest accrued but not due		
From non convertible debentures	731.94	589.31
From unsecured non convertible debentures	326.21	323.44
From Bank- term Loan	1,896.93	168.07
From Financial Institution- term Loan	0.45	0.39
Due to assignees towards collections in derecognised assets	3,219.41	2,452.23
Employee benefits payable	964.09	1,195.16
Others	3,555.75	2,434.58
Total	10,694.78	7,163.18

(₹ in lakh)

Break up of financial liabilities carried at amortised cost	As at March 31, 2020	As at March 31, 2019
Payables (note 10)	1,738.64	950.24
Debt Securities (note 11)	1,16,846.54	43,705.08
Borrowings (note 12)	4,08,391.40	3,11,661.72
Subordinated Liabilities (note 13)	9,965.61	9,958.30
Lease liabilities (note 14)	3,012.91	-
Other financial liabilities (note 15)	10,694.78	7,163.18
Total	5,50,649.88	3,73,438.52

Notes to the Consolidated Financial Statements for the year ended March 31, 2020

16. Provisions

(₹ in lakh)

Particulars	As at March 31, 2020	As at March 31, 2019
Provision for employee benefits		
Leave availment	162.23	97.23
Gratuity	517.23	293.96
ECL on undisbursed loan commitment	48.65	51.86
Provision for others	98.93	-
Total	827.04	443.05

17. Tax Expenses

The major components of income tax expense for the year ended March 31, 2020

Profit or loss section

(₹ in lakh)

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Current income tax:		
Current income tax charge	6,397.21	5,042.18
Adjustments in respect of current income tax of previous year		
Deferred tax:		
Relating to origination and reversal of temporary differences	(1,107.73)	3,139.70
Income tax expense reported in the statement of profit or loss	5,289.48	8,181.88

OCI

Deferred tax related to items recognised in OCI during the year:

(₹ in lakh)

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Net loss/(gain) on re-measurements of defined benefit plans	(1.75)	12.25
Income tax charged to OCI	(1.75)	12.25

Reconciliation of tax expense and the accounting profit multiplied by India's domestic tax rate for March 31, 2020:

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Accounting profit before tax from continuing operations	30,193.64	25,784.97
Profit/(loss) before tax from a discontinued operation	-	-
Accounting profit before income tax	30,193.64	25,784.97
Tax at statutory Income Tax rate of 25.17% (P.Y. 34.94%)	7,599.14	9,010.30
Expenses Disallowed in Income tax Act	116.30	60.04
Other permanent difference	(207.94)	(92.02)
Expenses Disallowed u/s 43B of Income tax Act	16.36	4.83
Provision for special reserve u/s 29C of NHB Act	(1,052.27)	(1,105.84)
Incremental defered tax liabilities /(assets) on account of Financial assets and other items	(1,182.11)	304.57
Tax at effective Income Tax rate of 17.52% (P.Y. 31.73%) (a)	5,289.48	8,181.88
Tax on Other comprehensive income (b)	(1.75)	12.25
Total Tax expenses at effective tax rate of 17.51% (P.Y. 31.78%) (a+b)	5,287.73	8,194.13

Notes to the Consolidated Financial Statements for the year ended March 31, 2020

Deferred Tax liabilities / (assets)

(₹ in lakh)

	As at March 31, 2020	As at March 31, 2019
Deferred tax liability		
Unamortized Borrowings cost	392.55	129.07
Upfront EIS income	4,295.21	5,210.71
Other adjustments	-	10.13
Gross deferred tax liability	4,687.76	5,349.91
Deferred tax asset		
Expected credit loss (ECL)	(413.26)	(344.91)
Unamortized Processing fee	(653.72)	(397.49)
Fair Valuation of SARFAESI	(68.08)	(53.20)
Provision for gratuity and Leave availment	(171.01)	(136.70)
Difference between tax depreciation and depreciation/amortization charged for the financial reporting	(176.48)	(142.68)
Other adjustments	(38.01)	-
Gross deferred tax asset	(1,520.56)	(1,074.98)
Net Deferred Tax Liability	3,167.20	4,274.93

Deferred Tax charged to statement of profit and loss account

(₹ in lakh)

	Year ended March 31, 2020		Year ended March 31, 2019	
	Profit and Loss	OCI	Profit and Loss	OCI
Unamortized Borrowings cost	263.48	-	(46.88)	-
Upfront EIS income	(915.50)	-	1,514.75	-
Expected credit loss (ECL)	(68.36)	-	(45.65)	-
Unamortized Processing fee	(256.24)	-	311.08	-
Difference between tax depreciation and depreciation/amortization charged for the financial reporting	(33.79)	-	(129.33)	-
ESOPs	-	-	1,522.57	-
Other adjustments	(97.32)	(1.75)	13.16	12.25
Deferred Tax charged to statement of profit and loss account	(1,107.73)	(1.75)	3,139.70	12.25

18. Other Non-financial Liabilities

(₹ in lakh)

Particulars	As at March 31, 2020	As at March 31, 2019
Statutory Dues Payable	251.19	157.55
Provision for Expenses	914.08	601.93
Others	201.46	72.02
Total	1,366.73	831.50

Notes to the Consolidated Financial Statements for the year ended March 31, 2020

19. Equity share capital

Details of authorized, issued, subscribed and paid up share capital

(₹ in lakh)

Particulars	As at March 31, 2020	As at March 31, 2019
Authorized share Capital		
85,000,000 (P.Y. 85,000,000) Equity Shares of ₹10/- each	8,500.00	8,500.00
	8,500.00	8,500.00
Issued, Subscribed & Paid up capital		
Issued and Subscribed Capital		
78,322,661 (P.Y. 78,107,901) Equity Shares of ₹10/- each	7,832.27	7,810.79
Called-Up and Paid Up Capital		
Fully Paid-Up		
78,322,661 (P.Y. 78,107,901) Equity Shares of ₹10/- each	7,832.27	7,810.79
Total	7,832.27	7,810.79

19(a) The reconciliation of equity shares outstanding at the beginning and at the end of the reporting year.

Particulars	As at March 31, 2020		As at March 31, 2019	
	No. of shares	₹ In lakh	No. of shares	₹ In lakh
Equity Share at the beginning of year	7,81,07,901	7,810.79	6,99,50,891	6,917.29
Add:				
Equity Share Allotted during year				
Shares issued during the year*	-	-	43,84,897	438.48
Shares issued under ESOP	2,14,760	21.48	29,72,113	297.21
Shares issued pursuant to conversion of convertible share warrants**	-	-	8,00,000	80.00
Call money received on 7,20,094 @ ₹6 per share	-	-	-	43.21
Call money received on 4,32,500 @ ₹8 per share	-	-	-	34.60
Equity share at the end of year	7,83,22,661	7,832.27	7,81,07,901	7,810.79

*The Company had made an Initial Public Offer (IPO) during the year ended 31st March, 2019, for 1,99,79,503 equity shares of ₹10 each, comprising of 43,84,897 fresh issue of equity shares by the Company and 1,55,94,606 equity shares offered for sale by Selling shareholders. The equity shares were issued at a price of ₹821 per share (including premium of ₹811 per share). Out of the total proceeds from the IPO of ₹1,64,031.72 lakh, the Company's share was ₹36,000.00 lakh from the fresh issue of 43,84,897 equity shares. Fresh equity shares were allotted by the Company on 4th October 2018 and the shares of the Company were listed on the stock exchanges on 8th October 2018.

Expenses incurred by the company aggregating to ₹998.72 lakh, in connection with IPO have been adjusted towards Securities premium account.

**During the financial year 2018-19 , the Company has converted 360,000 and 440,000 convertible warrants into the equity shares at a Issue Price of ₹328.00 and 430.50 per warrant respectively.

Notes to the Consolidated Financial Statements for the year ended March 31, 2020

19(b) Details of shareholders holding more than 5% shares in the Group

Name of the shareholder	As at March 31, 2020		As at March 31, 2019	
	No. of shares	% of holding	No. of shares	% of holding
Lake District Holdings Limited	2,31,40,827	29.55%	2,68,01,527	34.31%
23,140,827 Equity Shares of ₹10/- each fully paid				
Partners Group ESCL Limited	1,30,18,256	16.62%	1,30,18,256	16.67%
13,018,256 Equity Shares of ₹10/- each fully paid				
Partners Group Private Equity Master Fund LLC	57,13,047	7.29%	57,13,047	7.31%
5,713,047 Equity Shares of ₹10/- each fully paid				
AU Small Finance Bank Limited	49,65,757	6.34%	56,50,909	7.23%
4,965,757 Equity Shares of ₹10/- each fully paid				
SBI Mutual Fund under its various scheme	NA	NA	53,66,491	6.87%
2,785,000 Equity Shares of ₹10/- each fully paid				
Total	4,68,37,887	59.80%	5,65,50,230	72.39%

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

19(c) Rights, preferences and restrictions attached to shares

Equity shares:

The Company has one class of equity shares having a par value of ₹10 per share. Each shareholder is eligible for one vote per share held. The dividend as and when proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

19(d) Aggregate number of bonus shares issued during the year of five years immediately preceding the reporting date

Particulars	As at March 31, 2020	As at March 31, 2019	As at March 31, 2018	As at March 31, 2017	As at March 31, 2016
Equity shares allotted as fully paid bonus shares by capitalization of securities premium	-	-	-	53,66,658	-

19(e) For details of shares reserved for issue under the employee stock option plan (ESOP) of the Company, refer note 32.

20. Other equity

(₹ in lakh)

Particulars	As at March 31, 2020	As at March 31, 2019
Securities premium account (refer note 20(a))	1,32,743.79	1,32,004.33
Special reserve u/s 29C of The National Housing Bank Act, 1987 read with 36 (1) (viii) of income tax Act. 1961(refer note 20(a))	13,324.80	8,345.80
Share Based Payments Reserve (refer note 20(a))	1,169.29	742.35
Retained earnings	54,718.68	34,798.74
Share Application money received	2.69	-
Total	2,01,959.25	1,75,891.22

Notes to the Consolidated Financial Statements for the year ended March 31, 2020

20(a) Nature and purpose of reserve

Securities premium account

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

Special reserve

Section 29C (i) of The National Housing Bank Act, 1987 defines that every housing finance institution which is a Company shall create a reserve fund and transfer therein a sum not less than twenty percent of its net profit every year as disclosed in the statement of profit and loss before any dividend is declared. For this purpose any special reserve created by the Company under Section 36(1) (viii) of Income tax Act 1961, is considered to be an eligible transfer. During the year ended March 31, 2020, The Company has transferred an amount of ₹4181.00 lakh (P.Y. ₹3164.62 lakh) to special reserve in terms of Section 36(1) (viii) of the Income Tax Act 1961 considered eligible for special reserve u/s 29C of NHB Act 1987 and also transferred an amount of ₹800.38 lakh (P.Y. ₹358.18 lakh) to the Reserve in terms of Section 29C of the National Housing Bank ("NHB") Act, 1987.

Share Based Payments Reserve

This Reserve relates to stock options granted by the Group to employees under various ESOP Schemes. This Reserve is transferred to Securities Premium Account on exercise of vested options.

21. Interest income

(₹ in lakh)

Particulars	Year ended March 31, 2020			Year ended March 31, 2019		
	On financial assets measured at fair value through OCI	On financial assets measured at Amortised cost	Interest income on financial assets classified at fair value through profit and loss	On financial assets measured at fair value through OCI	On financial assets measured at Amortised cost	Interest income on financial assets classified at fair value through profit and loss
Interest on Loans (Refer note 21(a))	-	73,676.40	-	-	55,978.31	-
Interest on deposits with Banks	-	4,991.27	-	-	3,396.58	-
Total	-	78,667.67	-	-	59,374.89	-

21(a) Loan origination income included in Interest income on Loan is disclosed net of the direct incremental costs of ₹2,647.40 lakh for year ended March 31, 2020 (P.Y. ₹2,687.17 lakh) associated with the origination of the underlying loans.

22. Fees and commission Income

(₹ in lakh)

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Insurance commission	331.10	233.78
Other fee income	2,996.50	2,368.95
Total	3,327.60	2,602.73

Notes to the Consolidated Financial Statements for the year ended March 31, 2020

23. Net gain on fair value changes

(₹ in lakh)

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
a) Net gain on financial instruments at fair value through profit and loss		
i) On trading portfolio		
Investments	597.20	1,182.45
b) Others		
Derivatives	3.23	28.97
Total Net gain on fair value changes	600.43	1,211.42
Fair value changes		
Realised	600.43	1,182.45
Unrealised- MTM gain	-	28.97
Total Net gain on fair value changes	600.43	1,211.42

24. Other income

(₹ in lakh)

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Net gain on derecognition of property, plant and equipment	-	1.64
Other income	79.99	98.63
Total	79.99	100.27

25. Finance Costs

(₹ in lakh)

Particulars	Year ended March 31, 2020		Year ended March 31, 2019	
	On financial liabilities measured at fair value through Profit or loss	On financial liabilities measured at Amortised cost	On financial liabilities measured at fair value through Profit or loss	On financial liabilities measured at Amortised cost
Interest on borrowings	-	34,438.64	-	24,515.36
Interest on Securitised pool	-	918.93	-	1,021.35
Interest on lease liability	-	249.58	-	-
Total	-	35,607.15	-	25,536.71

26. Fees and commission expense

(₹ in lakh)

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Resource mobilisation expenses	263.88	288.83
Bank charges and commission	98.87	85.89
Brokerage Commission	127.30	117.48
Total	490.05	492.20

Notes to the Consolidated Financial Statements for the year ended March 31, 2020

27. Impairment on financial instruments

(₹ in lakh)

Particulars	Year ended March 31, 2020		Year ended March 31, 2019	
	On financial instruments measured at fair value through OCI	On financial instruments measured at Amortised cost	On financial instruments measured at fair value through OCI	On financial instruments measured at Amortised cost
Loan Assets	-	1,145.52	-	563.25
Write offs	-	128.37	-	55.03
Assets acquired under SARFAESI	-	259.89	-	271.49
Total	-	1,533.78	-	889.77

28. Employee Benefits Expenses

(₹ in lakh)

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Salaries and wages	13,148.26	10,281.55
Contribution to provident and other funds	671.90	445.84
Share Based Payments to employees	647.14	686.02
Staff welfare expenses	273.49	310.13
Total	14,740.79	11,723.54

Gratuity and other post-employment benefit plans

The Group has a defined benefit gratuity plan. Every employee who has completed five years or more of service is eligible for gratuity on cessation of employment and it is computed at 15 days salary (last drawn salary) for each completed year of service subject to such limit as prescribed by The Payment of Gratuity Act, 1972 as amended from time to time.

The following tables summarize the components of net benefits expense recognized in the statement of profit and loss and the funded status and amounts recognized in the balance sheet for the respective plans.

Statement of profit and loss

Net employee benefit expense recognized in the employee cost

(₹ in lakh)

	Year ended March 31, 2020	Year ended March 31, 2019
Current service cost	198.76	132.55
Interest cost	22.78	14.55
Net expense	221.54	147.10

Remeasurement (gains)/ loss recognised in other comprehensive income:

(₹ in lakh)

	Year ended March 31, 2020	Year ended March 31, 2019
Remeasurement (gain) / loss on obligations arising from changes in experience adjustments	6.97	(35.07)
Remeasurement (gain) / loss arising during the year	6.97	(35.07)

Balance Sheet

Net defined benefit liability

(₹ in lakh)

	Year ended March 31, 2020	Year ended March 31, 2019
Present value of defined benefit obligation	517.23	293.96
Plan liability	517.23	293.96

Notes to the Consolidated Financial Statements for the year ended March 31, 2020

Changes in the present value of the defined benefit obligation are as follows: (₹ in lakh)

	Year ended March 31, 2020	Year ended March 31, 2019
Opening defined benefit obligation	293.96	187.74
Current service cost	198.76	132.55
Interest cost	22.78	14.55
Benefits paid during the year	(5.24)	(5.81)
Remeasurement (gain)/loss on obligation	6.97	(35.07)
Closing defined benefit obligation	517.23	293.96

The principle assumptions used in determining gratuity obligations for the Group are shown below:

	Year ended March 31, 2020	Year ended March 31, 2019
Discount rate	6.75%	7.72%
Salary escalation rate	6.00%	6.50%
Employee Turnover	age 30 = 5%	age 30 = 5%
	age 31-40 = 3%	age 31-40 = 3%
	age 41-50 = 2%	age 41-50 = 2%
	age 51 & above=1%	age 51 & above=1%

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

Experience adjustment for the reported years are as below:

	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016
Defined benefit obligation	517.23	293.96	187.74	112.44	68.98
Surplus	517.23	293.96	187.74	112.44	68.98
Experience adjustments on plan liabilities	6.97	(35.07)	(10.82)	(16.81)	(7.37)

Sensitivity Analysis:

A quantitative sensitivity analysis for significant assumption is as shown below: (₹ in lakh)

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
a) Effect of 1% change in assumed discount rate		
- 1% increase	446.36	255.64
- 1% decrease	604.81	341.06
(b) Effect of 1% change in assumed salary escalation rate		
- 1% increase	604.59	341.41
- 1% decrease	445.30	254.75

Other Benefits

The Group has provided for compensatory leaves which can be availed and not encashed as per policy of the Group as present value obligation of the benefit at related current service cost measured using the Projected Unit Credit Method on the basis of an actuarial valuation.

Notes to the Consolidated Financial Statements for the year ended March 31, 2020

29. Other expenses

(₹ in lakh)

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Advertisement and publicity	864.82	295.86
AMC charges	87.75	57.06
Auditor's remuneration (note 29(a))	51.79	48.19
Directors' fees and commission	70.85	45.78
Communication costs	300.40	237.32
CSR expenses	312.74	176.43
Donation	21.00	-
Electricity and water	247.22	214.47
Fee and subscription	26.82	1.22
General office expenses	288.62	192.61
Legal and professional charges	464.62	487.84
Collection and legal recovery expenses	183.14	193.84
IT and analytics Expenses	108.15	45.09
Manpower management cost	1,828.81	1,941.04
Postage and courier expenses	132.93	131.23
Printing and stationery	70.79	103.23
Rent, rates and taxes Expenses	53.75	785.08
Repairs and maintenance	149.22	241.04
Travelling and conveyance	549.48	520.46
Total	5,812.90	5,717.79

29(a) Auditor's remuneration

(₹ in lakh)

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Audit fees	43.33	37.97
Tax audit fees	2.18	2.18
Other services	6.28	8.04
	51.79	48.19

30. Earning per share

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Following reflects the profit and share data used in EPS computations:		
Basic		
Weighted average number of equity shares for computation of Basic EPS (in lakh)	781.90	743.87
Net profit for calculation of basic EPS (₹ in lakh)	24,904.16	17,603.09
Basic earning per share (In ₹)	31.85	23.66
Diluted		
Weighted average number of equity shares for computation of Diluted EPS (in lakh)	791.22	762.10
Net profit for calculation of Diluted EPS (₹ in lakh)	24,904.16	17,603.09
Diluted earning per share (In ₹)	31.48	23.10
Nominal value of equity shares (In ₹)	10.00	10.00

Notes to the Consolidated Financial Statements for the year ended March 31, 2020

31. Maturity analysis of assets and liabilities

The following tables set forth, for the periods indicated, the assets and liabilities line items expected to be recovered or settled within and after twelve months after factoring prepayment assumptions. (₹ in lakh)

Particulars	As at March 31, 2020			As at March 31, 2019		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
ASSETS						
Financial assets						
Cash and cash equivalents	35,059.39	-	35,059.39	16,002.99	-	16,002.99
Bank balance other than cash and cash equivalents	84,613.13	-	84,613.13	52,378.61	-	52,378.61
Derivative financial instruments	-	-	-	87.86	-	87.86
Loans	88,012.03	5,30,067.80	6,18,079.83	79,665.82	3,92,783.18	4,72,449.00
Other financial assets	8,363.34	9,747.78	18,111.12	7,294.71	9,054.23	16,348.94
Non-financial assets						
Current tax assets (net)	1,443.24	-	1,443.24	1,707.73	-	1,707.73
Property, plant and equipment	-	2,700.97	2,700.97	-	1,922.97	1,922.97
Capital work-in-progress	-	30.99	30.99	-	-	-
Intangible assets under development	-	39.90	39.90	-	9.08	9.08
Other intangible assets	-	414.84	414.84	-	359.12	359.12
Right-of-use assets		2,874.20	2,874.20	-	-	-
Other non-financial assets	594.56	35.90	630.46	416.75	18.17	434.92
Assets held for sale	1,804.30	-	1,804.30	988.79	-	988.79
Total Assets	2,19,889.99	5,45,912.38	7,65,802.37	1,58,543.26	4,04,146.75	5,62,690.01
LIABILITIES						
Financial liabilities						
Payables						
(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	1,738.64	-	1,738.64	950.24	-	950.24
Debt securities	4,815.32	1,12,031.22	1,16,846.54	4,940.15	38,764.93	43,705.08
Borrowings (other than debt securities)	60,118.51	3,48,272.89	4,08,391.40	47,100.01	2,64,561.71	3,11,661.72
Subordinated liabilities	(8.04)	9,973.65	9,965.61	(7.31)	9,965.61	9,958.30
Lease liabilties	899.55	2,113.36	3,012.91	-	-	-
Other financial liabilities	10,612.53	82.25	10,694.78	7,114.67	48.51	7,163.18
Non-financial liabilities						
Provisions	46.62	780.42	827.04	31.75	411.30	443.05
Deferred tax liabilities (net)	1,415.92	1,751.28	3,167.20	2,122.67	2,152.26	4,274.93
Other non-financial liabitilies	1,366.73	-	1,366.73	831.50	-	831.50
Total Liabilities	81,005.78	4,75,005.07	5,56,010.85	63,083.68	3,15,904.32	3,78,988.00
Net Assets	1,38,884.21	70,907.31	2,09,791.52	95,459.58	88,242.43	1,83,702.01

Notes to the Consolidated Financial Statements for the year ended March 31, 2020

32. Stock options

I The Group has formulated various share-based payment schemes for its employees (Plan I), management team (Plan II) and directors (Plan III). Details of all grants in operation during the Year ended March 31, 2020 are as given below:

Particulars	ESOP 2016 I (a)	ESOP 2016 I (b)	ESOP 2016 II	ESOP 2016 III	ESOP 2019
Scheme Name	Equity stock option plan for Employees 2016 (ESOP 2016 I)	Equity stock option plan for Employees 2016 (ESOP 2016 I)	Equity stock option plan for Management team 2016 (ESOP 2016 II)	Equity stock option plan for Directors 2016 (ESOP 2016 III)	Equity stock option plan for Employees 2019 (ESOP 2019)
No. of options approved*	12,87,901		34,45,610	7,19,084	3,00,000
Date of grant	23-Feb-17	24-Jan-18	23-Feb-17	23-Feb-17	03-Oct-19
No. of options granted	9,80,118	4,24,687	34,45,610	7,19,084	3,00,000
Exercise price per option (in H)	215.25	328	215.25	215.25	1580.20
Method of settlement	Equity	Equity	Equity	Equity	Equity
Vesting year and conditions	A) 50% options to vest as per stipulated vesting schedule ("Fixed Vesting") B) 50% options to vest as per stipulated vesting schedule on fulfillment of stipulated conditions ("Conditional Vesting")				
A) Fixed Vesting year is as follows on following dates :-					
1st vesting "12 months from the date of grant	98,012	42,469	Refer note A	71,908	30,000
2nd vesting "On expiry of four months from the 1st vesting date"	98,012	NA	-	71,908	NA
2nd vesting "On expiry of one year from the 1st vesting date"	NA	42,469	-	NA	30,000
3rd vesting "On expiry of one year from the 2nd vesting date"	98,012	42,469	-	Refer note B	30,000
4th vesting "On expiry of one year from the 3rd vesting date"	98,012	42,469	-	-	30,000
5th vesting "On expiry of one year from the 4th vesting date"	98,011	42,469	-	-	30,000
B) Conditional Vesting	Linked with conditions over the next five years as stipulated in respective stock option plan		Refer note A	Linked with conditions over the next five years as stipulated in respective stock option plan (Refer note B)	Linked with conditions over the next five years as stipulated in respective stock option plan
Exercise year	Four years from the date of each vesting				

*After adjusting subsequent cancellations, if any

Note:

A. During year ended March 31, 2018, pursuant to the the Board approval dated January 25, 2018, all options granted under Management team 2016 (ESOP 2016 II) plan were vested with immediate effect with no further conditions attached to them.

B. During Year ended March 31, 2019, pursuant to the the Board approval dated June 08, 2018, last three tranches of options related to fixed vesting (2,15,724 options) and 25% of performance options (89,886 options) granted under Directors 2016 (ESOP 2016 III) plan were vested on June 30, 2018 subject to lock in conditions as prescribed in stock plan.

C. During Year ended March 31, 2020, pursuant to the the Board approval dated August 01, 2019, options granted for employees 2019 (ESOP 2019) plan.

Notes to the Consolidated Financial Statements for the year ended March 31, 2020

II Computation of fair value of options granted during the year ended March 31, 2020

3,00,000 options granted during the Year ended March 31, 2020 for employees 2019 (ESOP 2019) plan.

The weighted average fair value of stock options granted during the year was ₹652.27 (ESOP 2019) plan.

The Black-Scholes Model has been used for computing the weighted average fair value considering the following:

(₹ in lakh)

Particulars	ESOP 2019
Share price on the date of grant (₹)	1601.11
Exercise price (₹)	1580.20
Expected volatility (%)	33.64%
Life of the options granted (years)	
First Vesting	3 years
Second Vesting	4 years
Third Vesting	5 years
Forth Vesting	6 years
Fifth Vesting	7 years
Risk-free interest rate (%)	6.21%
Expected dividend rate (%)	0%
Fair value of the option (₹)	Tranche 1 - 459.96 Tranche 2 - 582.70 Tranche 3 - 659.68 Tranche 4 - 731.79 Tranche 5 - 791.23

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a year similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

III Reconciliation of options (₹ in lakh)

Particulars	ESOP 2016 I (a)	ESOP 2016 I (b)	ESOP 2016 II	ESOP 2016 III	ESOP 2019
Year ended March 31, 2020					
Options outstanding at April 1, 2019	4,76,461	4,22,187	-	2,69,656	-
Granted during the year	-	-	-	-	3,00,000
Forfeited during the year	800	11,700	-	-	-
Exercised during the year	1,41,628	73,132	-	-	-
Expired / lapsed during the year	20,712	44,200	-	-	-
Outstanding at March 31, 2020	3,13,321	2,93,155	-	2,69,656	3,00,000
Exercisable at March 31, 2020	12,744	80,791	-	2,69,656	-
Weighted average remaining contractual life (in years)	1.87	4.16	-	1.96	6.51
Weighted average share price at the time of exercise*	1,787.48	1,582.87	-	-	-

Notes to the Consolidated Financial Statements for the year ended March 31, 2020

(₹ in lakh)

Particulars	ESOP 2016 I (a)	ESOP 2016 I (b)	ESOP 2016 II	ESOP 2016 III	ESOP 2019
Year ended March 31, 2019					
Options outstanding at April 1, 2018	8,63,214	4,24,687	22,23,059	7,19,084	-
Granted during the year	-	-	-	-	-
Forfeited during the year	4,388	-	-	-	-
Exercised during the year	2,99,626	-	22,23,059	4,49,428	-
Expired / lapsed during the year	82,739	2,500	-	-	-
Outstanding at March 31, 2019	4,76,461	4,22,187	-	2,69,656	-
Exercisable at March 31, 2019	4,604	84,436	-	-	-
Weighted average remaining contractual life (in years)	3.10	5.80	-	2.34	-
Weighted average share price at the time of exercise*	430.50	-	430.50	430.50	-

* Disclosure of weighted average share price at the time of exercise is applicable only for plans where there has been an exercise of options in current financial year.

33. Hedging activities and derivatives

Derivatives not designated as hedging instruments

The Company uses foreign currency denominated borrowings and Cross Currency Swaps to manage some of its transaction exposures. The Cross Currency Swaps are not designated as cash flow hedges and are entered into for years of generally 34 to 36 months.

34. Segment information

The Company has only one reportable business segment, i.e. lending to borrowers, which have similar nature of products and services, type/class of customers and the nature of the regulatory environment (which is banking), risks and returns for the purpose of Ind AS 108 on 'Segment Reporting' specified under section 133 of the Companies Act 2013, read with Rule 7 of the Companies (Accounts] Rules, 2014 . Accordingly, the amounts appearing in the financial statements relate to the Company's single business segment.

35. The Company has been granted Certificate of Registration (No. 08.0095.11) to commence/carry on the business as a housing finance company without accepting public deposits by National Housing Bank on August 04, 2011 and got a revised Certificate of Registration (02.0104.13) after conversion of Company from a private limited company to a public limited company on February 08, 2013. Further, the name of our company was changed to AAVAS FINANCIERS LIMITED, pursuant to a Shareholders resolution passed at the EOGM held on February 23, 2017. A fresh certificate of incorporation consequent to such change of name was issued on March 29, 2017 by the Registrar of companies, Jaipur and subsequently the revised certificate of Registration (No.04.0151.17) was issued on April 19, 2017 by National Housing Bank.

36. Related party

a. Names of related parties identified in accordance with Ind AS -24 "Related Party Disclosures"

1. Entities where control exists:

Holding Company

Lake District Holdings Limited - (Upto June 08, 2018)

Shareholders having Substantial interest

Lake District Holdings Limited - (From June 08, 2018)

Partners Group ESCL Limited - (upto October 04, 2018)

Notes to the Consolidated Financial Statements for the year ended March 31, 2020

2. Key Management Personnel

Mr. Krishan Kant Rathi	Chairperson and Independent Director (Ceased as Chairperson of the Board w.e.f August 01, 2019 and Retired as an Independent Director w.e.f August 28, 2019)
Mr. Sandeep Tandon	Chairperson and Independent Director (Appointed as Chairperson of the Board w.e.f August 01, 2019)
Mr. Sushil Kumar Agarwal	Managing Director and Chief Executive Officer (Designated to Managing Director & Chief Executive Officer from Whole Time Director & Chief Executive Officer w.e.f May 03, 2019)
Mrs. Kalpana Iyer	Independent Director
Mrs. Soumya Rajan	Additional Director (Appointed in the capacity of Independent Director w.e.f. August 29, 2019)
Mr. Ramachandra Kasargod Kamath	Non-Executive Nominee Director
Mr. Vivek Vig	Non-Executive Nominee Director
Mr. Nishant Sharma	Non-Executive Promoter Nominee Director
Mr. Manas Tandon	Non-Executive Promoter Nominee Director
Mr. Kartikeya Dhruv Kaji	Non-Executive Promoter Nominee Director
Mr. Ghanshyam Rawat	Chief Financial Officer
Mr. Sharad Pathak	Company Secretary & Compliance Officer

3. Enterprises under significant influence of the Key Management Personnel
   Aavas Foundation (From 26th March 2019)

4. Relatives of Key Managerial Personnel
   None

b. The nature and volume of transactions carried out with the above related parties in the ordinary course of :

(₹ in lakh)

Name of related party	Nature of transactions	March 31, 2020			March 31, 2019		
		Amount received	Amount paid	Receivable	Amount received	Amount paid	Receivable
Mr. Krishan Kant Rathi	Sitting fees	-	2.73	-	-	7.90	-
	Commission	-	2.73	-	-	-	-
Mr. Sandeep Tandon	Sitting fees	-	6.00	-	-	6.54	-
	Commission	-	4.91	-	-	-	-
Mr. Sushil Kumar Agarwal	Issue of Equity shares and Share warrants	-	-	-	5,784.82	-	-
	Remuneration	-	240.06	-	-	219.88	-
Mrs. Kalpana Iyer	Sitting fees	-	4.63	-	-	7.90	-
	Commission	-	6.27	-	-	-	-
Mrs. Soumya Rajan	Sitting fees	-	1.09	-	-	-	-
Mr. Ramachandra Kasargod Kamath	Issue of Equity shares	-	-	-	161.23	-	-
	Share based Payment	-	11.91	-	-	51.05	-
	Sitting fees	-	2.73	-	-	3.82	-
	Commission	-	28.89	-	-	17.44	-

Notes to the Consolidated Financial Statements for the year ended March 31, 2020

(₹ in lakh)

Name of related party	Nature of transactions	March 31, 2020			March 31, 2019		
		Amount received	Amount paid	Receivable	Amount received	Amount paid	Receivable
Mr. Vivek Vig	Issue of Equity shares	-	-	-	806.16	-	-
	Share based Payment	-	59.54	-	-	255.24	-
	Sitting fees	-	2.73	-	-	2.18	-
	Commission	-	8.18	-	-	-	-
Mr. Ghanshyam Rawat	Issue of Equity shares and Share warrants	-	-	-	1,936.11	-	-
	Remuneration	-	182.03	-	-	166.66	-
Mr. Sharad Pathak	Issue of Equity shares	7.59	-	-	37.47	-	-
	Remuneration	-	18.69	-	-	15.21	-
	Share based Payment	-	3.08	-	-	5.07	-
Aavas Foundation	Contribute as a Settler (Donation)	-	180.36	-	-	0.11	-

Note : The remuneration to the key managerial personnel does not include the provisions made for gratuity and leave benefits, as they are determined on an actuarial basis for the Company as a whole.

37. Details of dues to micro and small enterprises as defined under the MSMED Act, 2006

There are no amounts that need to be disclosed in accordance with the Micro Small and Medium Enterprise Development Act, 2006 (the 'MSMED') pertaining to micro or small enterprises for the year ended March 31, 2020

38. The Group's pending litigations comprise of claims against the Group primarily by the customers. The Group 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 Group does not expect the outcome of these proceedings to have a material adverse effect on its financial statements of the Group as at March 31, 2020.

39. Commitments and contingencies

a Capital and other commitments: (₹ in lakh)

Particulars	As at March 31, 2020		
	Estimated Project cost	Paid during the year	Balance Payable
Property, plant and equipment	3.11	-	3.11
Other intangible assets	15.68	-	15.68

(₹ in lakh)

Particulars	As at March 31, 2019		
	Estimated Project cost	Paid during the year	Balance Payable
Property, plant and equipment	74.40	21.13	53.27

Refer note 4(iii) for undisbursed commitment relating to loans.

b There are no Contingent Liability as on March 31, 2020 (March 31, 2019 ₹ Nil)

Notes to the Consolidated Financial Statements for the year ended March 31, 2020

40. Expenditure in Foreign currency

(₹ in lakh)

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Interest paid	1,786.39	452.71
Other Expenses	53.38	156.15

41. CSR expenses

Operating expenses include ₹312.74 lakh for the Year ended March 31, 2020 (P.Y. ₹176.43 lakh) towards Corporate Social Responsibility (CSR), in accordance with Companies Act, 2013. Gross Amount (including deficit of previous year) required to be spent by the Group during the year is ₹449.23 lakh. (P.Y. ₹268.15 lakh).

The details of amount spent during the respective year towards CSR are as under: (₹ in lakh)

Name of related party	March 31, 2020			March 31, 2019		
	Amount Spent	Yet to be paid	Total	Amount Spent	Yet to be paid	Total
Construction/acquisition of any asset	Nil	Nil	Nil	Nil	Nil	Nil
On purposes other than above	431.97	17.26	449.23	131.64	136.51	268.15

42. Statutory Company information

(₹ in lakh)

Name of the entity in the Group	As at March 31, 2020		For the year ended March 31, 2020					
	Net Assets, i.e., total assets minus total liabilities		Share in profit and Loss		Share in other comprehensive income		Share in total comprehensive income	
	As % of consolidated net assets	Amount	As % of consolidated profit & loss	Amount	As % of consolidated other comprehensive income	Amount	As % of total other comprehensive income	Amount
Parent								
Aavas Financiers Limited		2,09,793.36		24,912.09		(5.22)		24,906.87
Less: Inter Company elimination		(450.00)		-		-		-
Net of Elimination	99.79%	2,09,343.36	100.03%	24,912.09	100.00%	(5.22)	100.03%	24,906.87
Subsidiary								
Indian								
Aavas Finserv Limited	0.21%	448.15	-0.03%	(7.93)	0.00%	-	-0.03%	(7.93)
Total	100.00%	2,09,791.51	100.00%	24,904.16	100.00%	(5.22)	100.00%	24,898.94

(₹ in lakh)

Name of the entity in the Group	As at March 31, 2019		For the year ended March 31, 2019					
	Net Assets, i.e., total assets minus total liabilities		Share in profit and Loss		Share in other comprehensive income		Share in total comprehensive income	
	As % of consolidated net assets	Amount	As % of consolidated profit & loss	Amount	As % of consolidated other comprehensive income	Amount	As % of total other comprehensive income	Amount
Parent								
Aavas Financiers Limited		1,83,695.93		17,591.23		22.82		17,614.05
Less: Inter Company elimination		(450.00)		-		-		-
Net of Elimination	99.75%	1,83,245.93	99.93%	17,591.23	100.00%	22.82	99.93%	17,614.05
Subsidiary								
Indian								
Aavas Finserv Limited	0.25%	456.08	0.07%	11.86	0.00%	-	0.07%	11.86
Total	100.00%	1,83,702.01	100.00%	17,603.09	100.00%	22.82	100.00%	17,625.91

Notes to the Consolidated Financial Statements for the year ended March 31, 2020

43. Fair value measurement

43(a) Valuation Principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price), regardless of whether that price is directly/ indirectly observable or estimated using a valuation technique. In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques.

43(b) Fair Value of financial instruments which are not measured at Fair Value

The carrying amounts and fair value of the Group's financial instruments are reasonable approximations of fair values at financial statement level.

Valuation methodologies of financial instruments not measured at fair value

Loans

Most of the loans are repriced frequently, with interest rate of loans reflecting current market pricing. Hence carrying value of loans is deemed to be equivalent of fair value.

Borrowings

The Group's most of the borrowings are at floating rate which approximates the fair value.

Debt securities and subordinate liabilities are fixed rate borrowings and fair value of these fixed rate borrowings is determined by discounting expected future contractual cash flows using current market interest rates charged for similar new loans and carrying value approximates the fair value for fixed rate borrowing at financial statement level.

Short Term and Other Financial Assets and Liabilities

The management assessed that cash and cash equivalents, investments, other financial assets, trade payables and other financial liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Assets held for sale

Real estate properties are valued based on a well progressed sale process with price quotes from real estate agents.

44. Transfer of Financial assets

Transfers of financial assets that are not derecognised in their entirety

Securitisation:

The Group uses securitisations as a source of finance. Such transactions generally result in the transfer of contractual cash flows from portfolios of financial assets to holders of issued debt securities. Securitisation has resulted in the continued recognition of the securitised assets.

The table below outlines the carrying amounts and fair values of all financial assets transferred that are not derecognised in their entirety and associated liabilities.

(₹ in lakh)

Loans and advances measured at amortised cost	As at March 31, 2020	As at March 31, 2019
Carrying amount of transferred assets measured at amortised cost	10,684.14	12,559.27
Carrying amount of associated liabilities	(10,251.62)	(12,051.26)

The carrying amount of above assets and liabilities is a reasonable approximation of fair value.

Assignment Deal:

During the year ended March 31, 2020, the Group has sold some loans and advances measured at amortised cost as per assignment deals, as a source of finance. As per the terms of these deals, since substantial risk and rewards related to these assets were transferred to the buyer, the assets have been derecognised from the Group's balance sheet.

Notes to the Consolidated Financial Statements for the year ended March 31, 2020

The management has evaluated the impact of assignment transactions done during the year for its business model. Based on the future business plan , the Group business model remains to hold the assets for collecting contractual cash flows.

The table below summarises the carrying amount of the derecognised financial assets measured at amortised cost and the gain on derecognition, per type of asset.

(₹ in lakh)

Loans and advances measured at amortised cost	Year ended March 31, 2020	Year ended March 31, 2019
Carrying amount of derecognised financial assets	73,859.15	76,268.14
Gain from derecognition	7,658.88	7,828.01

45. Capital management:

For the purpose of the Group's capital management, capital includes issued equity capital, securities premium and all other equity reserves attributable to the equity holders of the Group net of intangible assets. The primary objective of the Group's capital management is safety and security of share capital and maximize the shareholder value.

The Group manages its capital structure in light of changes in economic conditions and the requirements of the financial covenants. The Group monitors capital using a gearing ratio, which is total debt divided by net worth. The Group's policy is to keep the gearing ratio at reasonable level of 6-8 times in imminent year while the Housing Finance Companies (National Housing Bank) Directions, 2010 (the "NHB Directions") currently permits HFCs to borrow up to 14 times of their net owned funds ("NOF"). The Group includes with in debt, its all interest bearing loans and borrowings.

Debt to net worth ratio (₹ in lakh)

Particulars	As at March 31, 2020	As at March 31, 2019
Debts	5,38,159.07	3,66,406.31
Net worth	2,09,336.77	1,83,333.81
Debt to Net worth (in times)	2.57	2.00

In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches in the financial covenants of any interest-bearing loans and borrowing in the current year.

46. Financial risk management objectives and policies

The Group's Principal financial liabilities comprise loans and borrowings. The main purpose of these financial liabilities is to finance the Group's operations. At the other hand Group's Principal financial assets include loans and cash and cash equivalents that derive directly from its operations.

As a lending institution, Group is exposed to various risks that are related to lending business and operating environment. The Principal Objective in Group's risk management processes is to measure and monitor the various risks that Group is subject to and to follow policies and procedures to address such risks. Group 's risk management framework is driven by Board and its subcommittees including the Audit Committee, the Asset Liability Management Committee and the Risk Management Committee. Group gives due importance to prudent lending practices and have implemented suitable measures for risk mitigation, which include verification of credit history from credit information bureaus, personal verification of a customer's business and residence, technical and legal verifications, conservative loan to value, and required term cover for insurance. The major types of risk Group face in businesses are liquidity risk, credit risk, interest rate risk.

(A) Liquidity risk

Liquidity Risk refers to the risk that the Group can not meet its financial obligations. The objective of Liquidity risk management is to maintain sufficient liquidity and ensure that funds are available for use as per requirement. The unavailability of adequate amount of funds at optimum cost and co-terminus tenure to repay the financial liabilities and further growth of business

Notes to the Consolidated Financial Statements for the year ended March 31, 2020

resultantly may face an Asset Liability Management (ALM) mismatch caused by a difference in the maturity profile of Group assets and liabilities. This risk may arise from the unexpected increase in the cost of funding an asset portfolio at the appropriate maturity and the risk of being unable to liquidate a position in a timely manner and at a reasonable price. The Group manages liquidity risk by maintaining adequate cash reserves and undrawn credit facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The Group has given cash collateral for the securitisation transactions and do not expect any net cash outflow and hence guarantees given for securitisation transactions have not been shown as part of below table. Further, undisbursed loan amount being cancellable in nature are not disclosed as part of below mentioned maturity profile.

The table below summarises the maturity profile of the undiscounted cash flows of the Group's financial liabilities.

Maturity profile of Financial liabilities as on March 31, 2020 (₹ in lakh)

Particulars	Borrowings	Payables	Other Financial liabilities
1 Day to 1 year	1,07,861.53	1,737.64	10,612.53
Over 1 year to 3 years	2,07,214.96	-	82.25
Over 3 year to 5 years	2,10,922.09	-	-
Over 5 year to 7 years	1,08,327.16	-	-
Over 7 year to 10 years	62,532.14	-	-
Over 10 years	5,856.11	-	-
Total	7,02,713.99	1,737.64	10,694.78

Maturity profile of Financial liabilities as on March 31, 2019 (₹ in lakh)

Particulars	Borrowings	Payables	Other Financial liabilities
1 Day to 1 year	83,147.92	949.25	7,163.18
Over 1 year to 3 years	1,33,902.76	-	-
Over 3 year to 5 years	1,32,706.36	-	-
Over 5 year to 7 years	81,035.31	-	-
Over 7 year to 10 years	41,330.44	-	-
Over 10 years	19,502.25	-	-
Total	4,91,625.04	949.25	7,163.18

(B) Credit risk

Credit Risk arises from the risk of loss that may occur from the default of Group's customers under loan agreements. Customer defaults and inadequate collateral may lead to higher credit impaired assets. Group address credit risks by using a set of credit norms and policies, which are approved by Board and backed by analytics and technology. Group has implemented a structured and standardized credit approval process, including customer selection criteria, comprehensive credit risk assessment and cash flow analysis, which encompasses analysis of relevant quantitative and qualitative information to ascertain the credit worthiness of a potential customer. Actual credit exposures, credit limits and asset quality are regularly monitored and analysed at various levels. Group has created a robust credit assessment and underwriting practice that enables to fairly price credit risks.

The Group has created more than 60 templates of customer profiles through its experience over the years, with risk assessment measures for each geography in which it operates. The Group continuously seek to develop and update such profiles in order to identify and source reliable customers and improve efficiencies. The Group also conduct an analysis of the existing cash flow of customer's business to assess their repayment abilities. The Group has implemented a four prong system of credit assessment comprising underwriting, legal assessments, technical assessments and a risk containment unit.

Notes to the Consolidated Financial Statements for the year ended March 31, 2020

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk was ₹637,252.82 lakh and ₹488,637.25 lakh as of March 31, 2020 and March 31, 2019 respectively, being the total of the carrying amount of Loan assets and EIS receivable.

(C) Analysis of risk concentration

The Group's concentrations of risk are managed based on Loan to value (LTV) segregation as well as geographical spread. The following tables stratify credit exposures from housing and other loans to customers by range of loan-to-value (LTV) ratio .LTV is calculated as the ratio of gross amount of the loan - or the amount committed for loan commitments - to the value of the collateral. The value of the collateral for housing and other loans is based on collateral value at origination.

Loans to customers:

LTV wise bifurcation:

As at March 31, 2020 (₹ in lakh)

LTV bucket	Stage 1	Stage 2	Stage 3	Total
0%-40%	1,67,254.43	1,434.12	522.80	1,69,211.35
41%-60%	2,17,085.38	2,326.45	803.43	2,20,215.26
61%-80%	1,93,723.66	2,540.09	1,396.94	1,97,660.69
More than 80%	32,774.79	206.57	118.01	33,099.37
Total	6,10,838.26	6,507.23	2,841.18	6,20,186.67

As at March 31, 2019 (₹ in lakh)

LTV bucket	Stage 1	Stage 2	Stage 3	Total
0%-40%	1,36,017.43	2,082.60	337.22	1,38,437.25
41%-60%	1,66,577.76	2,615.07	531.83	1,69,724.66
61%-80%	1,44,619.81	2,720.62	1,319.97	1,48,660.40
More than 80%	16,643.34	221.97	38.03	16,903.34
Total	4,63,858.34	7,640.26	2,227.05	4,73,725.65

Customer profile

As at March 31, 2020 (₹ in lakh)

Customer profile	Stage 1	Stage 2	Stage 3	Total
HOUSING:				
Salaried	1,76,197.40	1,073.49	437.81	1,77,708.70
Self employed	2,82,184.37	3,694.34	1,989.60	2,87,868.31
NON-HOUSING:				
Salaried	37,689.31	331.87	70.46	38,091.64
Self employed	1,14,767.18	1,407.53	343.31	1,16,518.02
Total	6,10,838.26	6,507.23	2,841.18	6,20,186.67

As at March 31, 2019 (₹ in lakh)

Customer profile	Stage 1	Stage 2	Stage 3	Total
HOUSING:				
Salaried	1,38,342.38	1,426.65	456.91	1,40,225.94
Self employed	2,20,451.10	4,563.48	1,482.78	2,26,497.36
NON-HOUSING:				
Salaried	26,401.03	313.90	76.89	26,791.82
Self employed	78,663.83	1,336.23	210.47	80,210.53
Total	4,63,858.34	7,640.26	2,227.05	4,73,725.65

Notes to the Consolidated Financial Statements for the year ended March 31, 2020

Loan Commitments:

LTV wise bifurcation:

As at March 31, 2020 (₹ in lakh)

LTV bucket	Stage 1	Stage 2	Stage 3	Total
0%-40%	7,275.64	2.18	-	7,277.82
41%-60%	11,534.90	4.82	5.14	11,544.86
61%-80%	6,422.46	52.67	3.21	6,478.34
More than 80%	927.43	9.43	2.74	939.60
Total	26,160.43	69.10	11.09	26,240.62

As at March 31, 2019 (₹ in lakh)

LTV bucket	Stage 1	Stage 2	Stage 3	Total
0%-40%	6,880.84	25.25	4.67	6,910.76
41%-60%	10,815.88	52.52	6.50	10,874.90
61%-80%	6,423.65	49.56	21.46	6,494.67
More than 80%	925.59	5.44	-	931.03
Total	25,045.96	132.77	32.63	25,211.36

Customer profile:

As at March 31, 2020 (₹ in lakh)

Customer profile	Stage 1	Stage 2	Stage 3	Total
Salaried	9,203.91	29.28	6.38	9,239.57
Self employed	16,956.52	39.82	4.71	17,001.05
Total	26,160.43	69.10	11.09	26,240.62

As at March 31, 2019 (₹ in lakh)

Customer profile	Stage 1	Stage 2	Stage 3	Total
Salaried	8,460.93	60.04	15.31	8,536.28
Self employed	16,585.03	72.73	17.32	16,675.08
Total	25,045.96	132.77	32.63	25,211.36

(D) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market factors. Such changes in the values of financial instruments may result from changes in the interest rates, credit, liquidity and other market changes. The Group's exposure to market risk is primarily on account of interest rate risk.

(I) Interest Rate Risk:-

The Group is subject to interest rate risk, primarily since it lends to customers at rates and for maturity years that may differ from funding sources. Interest rates are highly sensitive to many factors beyond control, including the monetary policies of the Reserve Bank of India, deregulation of the financial sector in India, domestic and international economic and political conditions, inflation and other factors. In order to manage interest rate risk, the Group seek to optimize borrowing profile between short-term and long-term loans. The Group adopts funding strategies to ensure diversified resource-raising options to minimize cost and

Notes to the Consolidated Financial Statements for the year ended March 31, 2020

maximize stability of funds. Assets and liabilities are categorized into various time buckets based on their maturities and Asset Liability Management Committee supervise an interest rate sensitivity report periodically for assessment of interest rate risks.

Due to the very nature of housing finance, the Group is exposed to moderate to higher Interest Rate Risk. This risk has a major impact on the balance sheet as well as the income statement of the Group. Interest Rate Risk arises due to:

i) Changes in Regulatory or Market Conditions affecting the interest rates

ii) Short term volatility

iii) Prepayment risk translating into a reinvestment risk

iv) Real interest rate risk.

In short run, change in interest rate affects Group's earnings (measured by NII or NIM) and in long run it affects Market Value of Equity (MVE) or net worth. It is essential for the Group to not only quantify the interest rate risk but also to manage it proactively. The Group mitigates its interest rate risk by keeping a balanced portfolio of fixed and variable rate loans and borrowings. Further Group carries out Earnings at risk analysis and maturity gap analysis at quarterly intervals to quantify the risk.

Interest Rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates (all other variables being constant) of the Group's statement of profit and loss:

(₹ in lakh)

Particulars	Basis Points	Effect on Profit before tax
Loans		
Increase in basis points	50	2,407.43
Decrease in basis points	-50	(2,402.40)
Borrowings		
Increase in basis points	50	1,394.89
Decrease in basis points	-50	(1,394.89)

(II) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign currency rates. The Group's exposure to the risk of changes in foreign exchange rates relates primary to the foreign currency borrowings taken from bank.

(E) Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and system or from external events. Operational risk is associated with human error, system failures and inadequate procedures and controls. It is the risk of loss arising from the potential that inadequate information system; technology failures, breaches in internal controls, fraud, unforeseen catastrophes, or other operational problems may result in unexpected losses or reputation problems. Operational risk exists in all products and business activities.

The Group recognizes that operational risk event types that have the potential to result in substantial losses includes Internal fraud, External fraud, employment practices and workplace safety, clients, products and business practices, business disruption and system failures, damage to physical assets, and finally execution, delivery and process management.

The Group cannot expect to eliminate all operational risks, but it endeavours to manage these risks through a control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, such as the use of internal audit.

Notes to the Consolidated Financial Statements for the year ended March 31, 2020

47. Impact of COVID-19

COVID-19 is a global pandemic, which continues to spread across the world and India is not exception and has contributed to a significant decline and volatility in global and Indian financial markets and a unprecedented level of disruption on socio-economic activities. Since March 24, 2020, the Indian government had announced a series of lock-down which was further extended into May 2020. The recent directions from Government allows for calibrated and gradual withdrawal of lockdown and partial resumption of selected economic activities. Based on the information available till date, the Group has used the principles of prudence in applying judgments, estimates and possible forward looking scenarios to assess and provide for the impact of the pandemic on the Financial Statements specifically while assessing the expected credit loss on financial assets by applying management overlays, approved by its Board of Directors. This has resulted in an additional provision of ₹443.75 lakh against financial assets. Refer note 4(a)(3)(vii). The extent to which the COVID-19 pandemic will impact the Group's operations and financial metrics including the expected credit losses on financial assets will depend on future developments, which are highly uncertain. In accordance with the RBI guidelines relating to COVID 19 Regulatory Package dated March 27, 2020 and April 17, 2020, the Group is granting a moratorium of three months on the payment of all instalments and/or interest, as applicable, falling due between March 1, 2020 and May 1, 2020 to all eligible borrowers. For all such accounts where the moratorium is granted, the prudential assets classification shall remain stand still during the moratorium period (i.e. the number of days past due shall exclude the moratorium period for the purposes of asset classification under Income Recognition, Asset Classification and Provisioning Norms).

48. Previous year figures have been regrouped/ reclassified wherever applicable.

As per our report of even date

For S.R. Batliboi & Associates LLP
ICAI Firm Registration No. 101049W/E300004
Chartered Accountants

per Sarvesh Warty
Partner
Membership No. 121411
Place: Mumbai

Date: May 14, 2020

For and on behalf of the Board of Directors of AAVAS FINANCIERS LIMITED

Manas Tandon
(Non-executive Promoter Nominee Director)
Place: Mumbai

Sushil Kumar Agarwal
(Managing Director and CEO)
Place: Jaipur

Ghanshyam Rawat
(Chief Financial Officer)
Place: Jaipur

Sharad Pathak
(Company Secretary & Compliance Officer)
Place: Jaipur

SAPNE AAPKE, SAATH HAMAARA

AAVAS FINANCIERS LIMITED

CIN: L65922RJ2011PLC034297
Registered and Corporate Office: 201-202, 2nd Floor, South End Square,
Mansarover Industrial Area, Jaipur 302 020, Rajasthan, India
Tel: +91 14 1661 8800 Fax: +91 14 1661 8861
E-mail: investorrelations@aavas.in | **Website:** www.aavas.in

NOTICE TO MEMBERS

NOTICE is hereby given that the **Tenth Annual General Meeting** of the Members of Aavas Financiers Limited will be held on Wednesday, July 22, 2020 at 3:30 P.M., Indian Standard Time ("IST") through Video Conferencing ("VC") / Other Audio Visual Means ("OAVM") Facility to transact the following businesses:

ORDINARY BUSINESSES

1. To consider and adopt:
   (a) the audited Standalone Financial Statements of the Company for the Financial Year ended March 31, 2020 together with the reports of the Board of Directors and Auditors thereon; and

   (b) the audited Consolidated Financial Statements of the Company for the Financial Year ended March 31, 2020 together with the report of the Auditors thereon

2. To appoint a Director in place of Mr. Manas Tandon (DIN: 05254602), who retires by rotation and being eligible, offers himself for re-appointment

3. To appoint a Director in place of Mr. Kartikeya Dhruv Kaji (DIN: 07641723), who retires by rotation and being eligible, offers himself for re-appointment

SPECIAL BUSINESSES

4. **To appoint Mrs. Soumya Rajan (DIN: 03579199) as an Independent Director of the Company**

   To consider and, if thought fit, to pass the following resolution as an **Ordinary Resolution:**

   "**RESOVLED THAT** pursuant to the provisions of Sections 149, 150, 152, 161 read with Schedule IV and other applicable provisions of the Companies Act, 2013 ("the Act") and the Companies (Appointment and Qualification of Directors) Rules, 2014, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI LODR Regulations"), Housing Finance Companies – Corporate Governance (National Housing Bank) Directions, 2016 issued by the National Housing Bank ("NHB") (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force) and as per the provisions of Articles of Association of the Company, Mrs. Soumya Rajan (DIN: 03579199) who was appointed as an Additional Director in the capacity of an Independent Director of the Company w.e.f. August 29, 2019, who has submitted a declaration that she meets the criteria for independence as provided under Section 149(6) of the Act and Regulation 16(1) (b) & 25 (8) of the SEBI LODR Regulations and is not debarred from holding the office of director by virtue of any SEBI order or any other such authority and who is eligible for appointment, be and is hereby appointed as an Independent Director of the Company not liable to retire by rotation, to hold office for a term of 5 consecutive years effective from August 29, 2019 till August 28, 2024.

   RESOLVED FURTHER THAT for the purpose of giving effect to the aforesaid resolution, the Board of Directors of the Company be and is hereby authorized to do all such acts, deeds and things, as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in the said regard."

5. **To approve increase in the borrowing powers in excess of Paid-up Share Capital, Free Reserves and Securities Premium of the Company under Section 180(1)(c) of the Companies Act, 2013**

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

   "RESOLVED THAT in supersession of all the earlier resolution(s) passed in this regard and pursuant to the provisions of Section 180(1)(c) and other applicable provisions, if any, of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) and as per the applicable directions/ guidelines issued by the Reserve Bank of India ("RBI") or National Housing Bank ("NHB") and the relevant provisions of the Articles of Association of the Company and all other applicable rules, laws and acts (if any) and subject to all other requisite approvals, permissions and sanctions and subject to such conditions as may be prescribed by any of the concerned authorities (if any), the consent of the Members of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as the "the Board" which term shall be deemed to include any Committee of the Board, which the Board has constituted/reconstituted or hereinafter constitute/ reconstitute to exercise its powers including the powers conferred by this resolution) for borrowing from time to time as they may think fit, any sum or sums of money not exceeding ₹12,500 crore (Rupees Twelve thousand and five hundred crore only) (including the money already borrowed by the Company) in Indian Rupees or in any equivalent foreign currency(ies) on such terms and conditions as the Board may deem fit, whether the same may be secured or unsecured and if secured, whether domestic or international, whether by way of mortgage, charge or hypothecation, pledge or otherwise in any way whatsoever, on, over or in any respect of all, or any of the Company's assets and effects or properties including stock in trade (receivables), notwithstanding that the money to be borrowed together with the money already borrowed by the Company (apart from the temporary loans obtained from the Company's Bankers in the ordinary course of business) and remaining un-discharged at any given time, exceed the aggregate, for the time being, of the paid up share capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, and securities premium provided that the total borrowing limit shall be within the limits as prescribed under the Housing Finance Companies (NHB) Directions, 2010 issued by the NHB.

   RESOLVED FURTHER THAT the Board be and is hereby authorized for borrowing from time to time as it may think fit, any sum or sums of money not exceeding ₹12,500 crore (Rupees Twelve thousand and five hundred crore only) in Indian Rupees or equivalent thereof in any foreign currency(ies) in aggregate (including the monies already borrowed by the Company) on such terms and conditions as the Board may deem fit, by way of loans or in any other form whatsoever, or issue of Bonds and/or Non-Convertible Debentures or other Securities or Term Loans, Cash Credit facilities or other facilities in form of debt in the nature of Debentures, Commercial Papers and the like to Bank(s), Financial or other Institution(s), Mutual Fund(s), Non-Resident Indians (NRIs), Foreign Institutional Investors (FIIs) or any other person(s), body(ies) corporate, etc., whether Shareholder of the Company or not, provided that the total borrowing limit shall be within the limits as prescribed under the Housing Finance Companies (NHB) Directions, 2010.

   RESOLVED FURTHER THAT for the purpose of giving effect to the aforesaid resolution, the Board be and is hereby authorized to do all such acts, deeds and things, as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in the this regard."

6. **To approve creation of charges on assets of the Company under Section 180(1)(a) of the Companies Act, 2013 to secure borrowings made/to be made under section 180(1)(c) of the Companies Act, 2013**

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

   "**RESOLVED THAT** in supersession of all the earlier resolution(s) passed in this regard and pursuant to the provisions of Section 180(1)(a) and other applicable provisions, if any, of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) and as per the directions/guidelines issued by the Reserve Bank of India ("RBI") or National Housing Bank ("NHB") and relevant provisions of the Articles of Association of the Company, and all other applicable rules, laws and acts (if any) and subject to all other requisite approvals, permissions and sanctions and subject to such conditions as may be prescribed by any of the concerned authorities (if any), the consent of the Members of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as the "the Board" which term shall be deemed to include any Committee of the Board, which the Board has constituted/ reconstituted or hereinafter constitute/ reconstitute to exercise its powers including the powers conferred by this resolution) to the creation of mortgage and/or charge (s) and/or hypothecate and/or lien on any of movable and / or immovable properties of the Company including receivables in the form of book debts, wherever situated both present and future or on whole or substantially the whole of the undertaking of the Company or where the Company owns more than one undertaking, of the whole or substantially the whole of any such undertaking(s), on such terms and conditions at such time(s) and in such form and manner, and with such ranking as to priority as the Board in its absolute discretion thinks fit, to or in favor of any bank(s) or body(ies) corporate or person(s), whether Shareholders of the Company or not, together with interest, cost, charges and expenses thereon for amount not exceeding ₹12,500 crore (Rupees Twelve thousand and five hundred crore only) at any point of time.

RESOLVED FURTHER THAT the securities to be created by the Company as aforesaid may rank exclusive/prior/pari-passu/subsequent with/to the hypothecation/mortgages/lien and/or charges already created or to be created by the Company as may be agreed to between the concerned parties.

RESOLVED FURTHER THAT for the purpose of giving effect to the aforesaid resolution, the Board be and is hereby authorized to do all such acts, deeds and things, as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in this regard."

7. **To approve issuance of Non-Convertible Debentures, in one or more tranches /issuances on Private Placement Basis**

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

"RESOLVED THAT pursuant to the provisions of Sections 42, 71 and all other applicable provisions, if any, of the Companies Act, 2013 ("the Act") and Rules made thereunder, Housing Finance Companies Issuance of Non-Convertible Debentures on private placement basis (NHB) Directions, 2014, Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 and other applicable SEBI Regulations and guidelines (including any statutory modification(s) or re-enactment(s) thereof for the time being in force), the provisions of Articles of Association of the Company and subject to applicable laws, rules and regulations and guidelines, the consent of the Members of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as the "the Board" which term shall be deemed to include any Committee of the Board, which the Board has constituted/reconstituted or hereinafter constitute/ reconstitute to exercise its powers including the powers conferred by this resolution) for making offers and / or invitations and / or issue, in one or more tranches, Non-convertible Debentures (NCDs), whether secured or unsecured and/or listed or unlisted including but not limited to subordinate debentures, bonds, and/or other debt securities as per section 2(30) of the Act on private placement basis, during the period of one year from the date of passing of the Special Resolution by the Members in this Annual General Meeting, for amount not exceeding ₹3,500 crore (Rupees Three thousand and five hundred crore only) on such terms and conditions and at such times at par or at such premium, as may be decided by the Board to such person(s), including one or more Company(ies), bodies corporate(s), statutory corporations, commercial banks, lending agencies, financial institutions, insurance companies, mutual funds, pension/provident funds and individuals, as the case may be or such other person(s) as the Board may decide so for onward lending business of the Company and general corporate purposes and on the following terms:

(i) The Company shall issue the NCDs for deployment of funds on its own balance sheet, not to facilitate the resource requests of group entities/parent Company/associates of the Company.

(ii) The Board shall have the sole discretion to deal with the unsubscribed portion of the Debenture Issue on such terms and conditions as it may deem fit.

RESOLVED FURTHER THAT the aggregate amount of funds to be raised by issue of NCDs, subordinate debentures, bonds, and/or other debt securities etc. shall not exceed the overall borrowing limits of the Company, as approved or may be approved by the Members of Company from time to time.

RESOLVED FURTHER THAT for the purpose of giving effect to the aforesaid resolution, the Board be and is hereby authorized to do all such acts, deeds and things, as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in the said regard."

8. **To approve "Equity Stock Option Plan For Employees 2020" ("ESOP-2020") of Aavas Financiers Limited**

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

"RESOLVED THAT pursuant to provisions of Section 62(1)(b) and other applicable provisions, if any, of the Companies Act, 2013 read with the rules made thereunder, provisions of Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force), as per the provisions of Memorandum of Association and Articles of Association of the Company, and subject to such other approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed while granting such approvals, permissions and sanctions, the consent of the Members of the Company be and is hereby accorded to approve "Equity Stock Option Plan for Employees 2020" (hereinafter referred to as "ESOP-2020") of Aavas Financiers Limited for formulation and implementation, and the Board of Directors of the Company (hereinafter referred to as "the Board" which terms shall be deemed to include the Nomination & Remuneration Committee of the Board) be and is hereby authorized to create, grant, offer, issue and allot, at any time, to the benefit of such eligible person(s), who are permanent employees of the Company (present or future), options exercisable into not more than 3,00,000 (Three lakh) Equity Shares of ₹10/- each of the Company under the ESOP-2020, on such terms and conditions as may be fixed in accordance with applicable laws.

RESOLVED FURTHER THAT each option would be exercised for one Equity Share of the face value of ₹10/- each fully paid-up on payment of the requisite exercise price to the Company, provided that in case the Equity Shares are either sub-divided or consolidated or any other corporate actions done in the Company, then the number of shares to be allotted under the Scheme shall automatically be adjusted to ensure there is no change in the economic value for the option holder, without affecting any other rights or obligations of the said allottees.

RESOLVED FURTHER THAT the number of Equity shares to be allotted under the ESOP-2020 shall automatically stand augmented or reduced, as the case may be, in the same proportion as the present face value of ₹10/- per Equity Share bears to the revised face value of the Equity Shares consequent to any corporate action(s) such as Right Issue/ Bonus Issue/ Merger/ De-Merger/ Sub-Division/ Splitting etc. of Equity Shares of the Company.

RESOLVED FURTHER THAT the Board be and is hereby authorized to issue and allot Equity Shares upon exercise of options from time to time in accordance with the ESOP-2020 and such Equity Shares shall rank Pari- Passu with all the existing Equity Shares of the Company.

RESOLVED FURTHER THAT the Board be and is hereby authorized to take necessary steps for listing of the shares allotted under the Scheme on the Stock Exchanges.

RESOLVED FURTHER THAT for the purpose of giving effect to the aforesaid resolution, the Board be and is hereby authorized to do all such acts, deeds and things, as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in this regard."

By Order of the Board of Directors
For Aavas Financiers Limited

Sharad Pathak
Company Secretary and Compliance Officer
Membership No.: FCS- 9587

Jaipur, June 22, 2020

Registered and Corporate Office:
201-202, 2nd Floor, South End Square,
Mansarover Industrial Area, Jaipur 302 020, Rajasthan, India
CIN: L65922RJ2011PLC034297
Tel: +91 14 1661 8800 Fax: +91 14 1661 8861
E-mail: investorrelations@aavas.in | Website: www.aavas.in

NOTES:

1. Explanatory Statement pursuant to Section 102 of the Companies Act, 2013 ("the Act") setting out material facts concerning the special business under Item Nos. 4 to 8 of the accompanying Notice, is annexed hereto. The Board of Directors of the Company on June 22, 2020 considered that the special business under Item Nos. 4 to 8, being considered unavoidable, be transacted at the 10th AGM of the Company.

2. In view of the COVID-19 pandemic, continuing restriction on gathering of persons in the country to maintain social distancing and pursuant to General Circular Nos. 14/2020, 17/2020 and 20/2020 dated April 08, 2020, April 13, 2020 and May 05, 2020, respectively, issued by the Ministry of Corporate Affairs (MCA) and Circular No. SEBI/HO/CFD/CMD1/CIR/P/2020/79 dated May 12, 2020 issued by the Securities and Exchange Board of India (SEBI) ("hereinafter collectively referred to as "the Circulars") and in compliance with the provisions of the Act and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI LODR Regulations"), the 10th AGM of the Company is being conducted through VC/OAVM Facility, which does not require physical presence of Members at a common venue. The deemed venue for the 10th AGM shall be the Registered Office of the Company.

3. This is to inform that as physical presence of Members has been dispensed with for attending the Meeting through VC/OAVM Facility, therefore there is no requirement of appointment of proxies. Accordingly, the facility of appointment of proxies by Members under Section 105 of the Act will not be available for the 10th AGM. However, the Body Corporates are entitled to appoint authorized representatives to attend the 10th AGM through VC/OAVM Facility and participate there at and cast their votes through e-voting.

4. Attendance of the Members participating in the 10th AGM through VC/OAVM Facility shall be counted for the purpose of reckoning the quorum under Section 103 of the Act.
5. Since the AGM will be held through VC/OAVM Facility, the Route Map, proxy form and attendance slip are not annexed to this Notice.
6. In compliance with the Circulars, the Annual Report 2019-20, the Notice of the 10th AGM, and instructions for e-voting are being sent only through electronic mode to those Members whose e-mail addresses are registered with the Company / depository participant(s).
7. In compliance with the provisions of Section 108 of the Act, read with Rule 20 of the Companies (Management and Administration) Rules, 2014, Regulation 44 of the SEBI LODR Regulations , Secretarial Standard on General Meetings (SS-2) issued by the Institute of Company Secretaries of India and the circulars, the Company is providing facility of remote e-voting to its Members in respect of the business to be transacted at the 10th AGM. For this purpose, the Company has entered into an agreement with National Securities Depository Limited (NSDL) for facilitating voting through electronic means, as the authorized agency. The facility of casting votes by a Member using remote e-voting system as well as voting on the date of the 10th AGM will be provided by NSDL.
8. The manner of voting remotely by Members including the Members who have not registered their e-mail addresses is provided in the instructions for e-voting section which forms part of this Notice.
9. Members may please note that the Notice of the 10th AGM will also be available on the website of the Company at www.aavas.in, websites of the Stock Exchanges, i.e. BSE Limited and National Stock Exchange of India Limited, at www.bseindia.com and www.nseindia.com respectively and also on the website of NSDL at www.evoting.nsdl.com.
10. The Register of Directors and Key Managerial Personnel and their shareholding, maintained under Section 170 of the Act, and the Register of Contracts or Arrangements in which the Directors are interested, maintained under Section 189 of the Act, will be available electronically for inspection by the Members during the 10th AGM. All documents referred to in the Notice will also be available for electronic inspection without any fee by the Members from the date of circulation of this Notice up to the date of AGM, i.e. July 22, 2020. Members seeking to inspect such documents can send an e-mail to investorrelations@aavas.in.
11. The certificate from Statutory Auditors of the Company certifying that the Company's Employees Stock Option Schemes are being implemented in accordance with the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 ("SEBI SBEB Regulations") and in accordance with the resolutions passed by the Members of the Company, will be available for electronic inspection without any fee by the Members from the date of circulation of this Notice up to the date of AGM, i.e. July 22, 2020. Members seeking to inspect such document can send an e-mail to investorrelations@aavas.in.
12. The Board of Directors of the Company ("the Board") has appointed Mr. Manoj Maheshwari (Membership No. FCS 3355) Practicing Company Secretary and Partner of M/s V. M. & ASSOCIATES, as the Scrutinizer ("Scrutinizer") to scrutinize the casting vote through remote e-voting and casting vote through the e-voting system during the Meeting process in a fair and transparent manner.
13. The Scrutinizer shall after the conclusion of e-voting at the 10th AGM shall make a scrutinizer's report of the total votes cast in favour or against, invalid votes, if any, and whether the resolution has been carried or not, and such Report shall then be sent to the Chairperson or a person authorized by him, within 48 (forty eight) hours from the conclusion of the 10th AGM, who shall then countersign and declare the result of the voting forthwith.
14. The Results declared along with the report of the Scrutinizer shall be placed on the website of the Company at www.aavas.in and on the website of NSDL at www.evoting.nsdl.com immediately after the declaration of Results by the Chairperson or a person authorized by him. The results shall also be immediately forwarded to the Stock Exchanges, i.e. BSE Limited and National Stock Exchange of India Limited.
15. Details as required in sub-regulation (3) of Regulation 36 of the SEBI LODR Regulations and Secretarial Standard on General Meeting (SS-2) of ICSI, in respect of the Directors seeking appointment/ re-appointment at the 10th AGM, forms integral part of the Notice of the 10th AGM as Annexure. Requisite declarations have been received from the Directors for seeking appointment/ re-appointment.
16. As an eco-friendly measure intending to benefit the society at large, we request you to be part of the e-initiative and register your e-mail address to receive all communication and documents including Annual Reports from time to time in electronic form to the e-mail address provided by you. Members may send such communication to their respective Depository Participants (DPs).
17. Members can avail the facility of nomination in respect of shares held by them pursuant to the provisions of Section 72 of the Act read with Rule 19(1) of the Companies (Share Capital and Debentures) Rules, 2014. Members desiring to avail this facility may contact their respective DPs for recording their Nomination.
18. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members are, therefore, requested to submit their PAN details to their DPs with whom they are maintaining their demat accounts.
19. Members are requested to intimate changes, if any, pertaining to their name, postal address, e-mail address, telephone/ mobile numbers, Permanent Account Number (PAN), mandates, nominations, power of attorney, bank details such as, name of the bank and branch details, bank account number, MICR code, IFSC code, etc., to their DPs.
20. Members desirous of obtaining any information / clarification relating to the accounts are requested to submit their query in writing to the Company well in advance so as to enable the Management to keep the information ready.
21. **Instructions for Members for Remote e-Voting are as under:-**
    a. The remote e-voting period will commence on Saturday, July 18, 2020 (9:00 a.m. IST) and end on Tuesday, July 21, 2020 (5:00 p.m. IST). During this period, Members of the Company, holding shares as on the cut-off date i.e. as on July 15, 2020, may cast their vote by remote e-voting. The remote e-voting module shall be disabled by NSDL for voting thereafter. Once the vote on a resolution is cast by the Member, the Member shall not be allowed to change it subsequently. The voting rights of Members shall be in proportion to their share in the paid up equity share capital of the Company as on the cut- off date.
    b. A person who is not a Member as on the cut-off date should treat this Notice of 10th AGM for information purpose only.
    c. Any person, who acquires shares of the Company and becomes Member of the Company after the Company sends the Notice of the 10th AGM by e-mail and holds shares as on the cut-off date i.e. on July 15, 2020, may obtain the User ID and password by sending a request to e-mail address evoting@nsdl.co.in. However, if he/she is already registered with NSDL for remote e-voting then he/she can use his/her existing user ID and password for casting his/her vote. In the case of forgot password, the same can be reset by using "Forgot User Details/ Password?" or "Physical User Reset Password" option available on www.evoting.nsdl.com.
    d. The Members who have cast their vote by remote e-voting prior to the AGM may also attend the AGM but shall not be entitled to cast their vote again.
    e. Institutional / Corporate Shareholders (i.e. other than individuals / HUF, NRI, etc.) are required to send a scanned copy (PDF/JPG Format) of its Board or governing body Resolution/Authorization etc., authorizing its representative to attend the AGM through VC / OAVM on its behalf and to vote through remote e-voting. The said Resolution/Authorization shall be sent to the Scrutinizer by e-mail through its registered e-mail address to cs.vmanda@gmail.com with a copy marked to evoting@nsdl.co.in.
    f. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential. Login to the e-voting website will be disabled upon five unsuccessful attempts to key in the correct password. In such an event, you will need to go through the "Forgot User Details/Password?" or "Physical User Reset Password?" option available on www.evoting.nsdl.com to reset the password.
    g. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Shareholders and e-voting user manual for Shareholders available at the download section of www.evoting.nsdl.com or call on toll free no.: 1800-222-990 or send a request at evoting@nsdl.co.in. or contact Mr. Amit Vishal, Senior Manager or Ms Pallavi Mhatre Manager, National Securities Depository Ltd., Trade World, 'A' Wing, 4th Floor, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai – 400 013, at the designated e-mail IDs: evoting@nsdl.co.in or AmitV@nsdl.co.in or pallavid@nsdl.co.in or at telephone nos. : +91-22-24994360 or +91-99202 64780 or +91-22-24994545 who will also address the grievances connected with the voting by electronic means. Members may also write to the Company Secretary at the Company's e-mail address investorrelations@aavas.in.
    h. The details of the process and manner for remote e-voting are explained herein:

       Step 1: Log-in to NSDL e-Voting system at https://www.evoting.nsdl.com/

       Step 2: Cast your vote electronically on NSDL e-Voting system.

       Details on Step 1 are mentioned below:

       How to Log-in to NSDL e-Voting website?

       1. Visit the e-voting website of NSDL. Open web browser by typing the following URL: https://www.evoting.nsdl.com/ either on a Personal Computer or on a mobile.
       2. Once the home page of e-voting system is launched, click on the icon "Login" which is available under 'Shareholders' section.
       3. A new screen will open. You will have to enter your

User ID, your Password and a Verification Code as shown on the screen.

Alternatively, if you are registered for NSDL eservices i.e. IDEAS, you can log-in at https://eservices.nsdl.com/ with your existing IDEAS login. Once you log-in to NSDL eservices after using your log-in credentials, click on e-voting and you can proceed to Step 2 i.e. Cast your vote electronically.

4. Your User ID details are given below:

Manner of holding shares i.e. Demat (NSDL or CDSL) or Physical	Your User ID is:
a) For Members who hold shares in demat account with NSDL.	8 Character DP ID followed by 8 Digit Client ID For example if your DP ID is IN300*** and Client ID is 12****** then your user ID is IN300***12******.
b) For Members who hold shares in demat account with CDSL.	16 Digit Beneficiary ID For example if your Beneficiary ID is 12************** then your user ID is 12**************

5. Your password details are given below:
   a) If you are already registered for e-voting, then you can use your existing password to login and cast your vote.
   b) If you are using NSDL e-voting system for the first time, you will need to retrieve the 'initial password' which was communicated to you. Once you retrieve your 'initial password', you need to enter the 'initial password' and the system will force you to change your password.
   c) How to retrieve your 'initial password'?
      i) If your e-mail ID is registered in your demat account or with the company, your 'initial password' is communicated to you on your e-mail ID. Trace the e-mail sent to you from NSDL from your mailbox. Open the e-mail and open the attachment i.e. a .pdf file. Open the .pdf file. The password to open the .pdf file is your 8 digit client ID for NSDL account, last 8 digits of client ID for CDSL account or folio number for shares held in physical form. The .pdf file contains your 'User ID' and your 'initial password'.
      ii) If your e-mail ID is not registered, please follow steps mentioned below in **process for those shareholders whose e-mail IDs are not registered**
6. If you are unable to retrieve or have not received the "Initial password" or have forgotten your password:
   a) Click on "Forgot User Details/Password?"(If you are holding shares in your demat account with NSDL or CDSL) option available on www.evoting.nsdl.com.
   b) If you are still unable to get the password by aforesaid two options, you can send a request at evoting@nsdl.co.in mentioning your demat account number/folio number, your PAN, your name and your registered address.

      Members can also use the OTP (One Time Password) based login for casting the votes on the e-voting system of NSDL.
7. After entering your password, tick on Agree to "Terms and Conditions" by selecting on the check box.
8. Now, you will have to click on "Login" button.
9. After you click on the "Login" button, Home page of e-voting will open.

Details on Step 2 are mentioned below:
How to cast your vote electronically on NSDL e-voting system?

1. After successful login at Step 1, you will be able to see the Home page of e-voting. Click on e-voting. Then, click on Active Voting Cycles.
2. After click on Active Voting Cycles, you will be able to see all the companies "EVEN" in which you are holding shares and whose voting cycle is in active status.
3. Select "EVEN" of company for which you wish to cast your vote.
4. Now you are ready for e-Voting as the Voting page opens.
5. Cast your vote by selecting appropriate options i.e. assent or dissent, verify/modify the number of shares for which you wish to cast your vote and click on "Submit" and also "Confirm" when prompted.
6. Upon confirmation, the message "Vote cast successfully" will be displayed.
7. You can also take the printout of the votes cast by you by clicking on the print option on the confirmation page.
8. Once you confirm your vote on the resolution, you will not be allowed to modify your vote.

Process for those Members whose e-mail ID's are not registered for procuring user ID and password and registration of e-mail ID's for e-voting on the resolutions set out in this Notice:

- Members may obtain the login ID and password by sending scanned copy of (i) a signed request letter mentioning your name, DP ID-Client ID (16 digit DP ID + Client ID or 16 digit beneficiary ID); (ii) self-attested scanned copy of client master or Consolidated Demat Account statement; and (iii) self-attested scanned copy of the PAN Card, to the e-mail address of the Company at investorrelations@aavas.in.

22. **Instructions for Members for attending the 10th AGM through VC/OAVM Facility are as under:**
   a. Members may join the 10th AGM through VC/OAVM Facility which shall be kept open for the Members from 3:00 p.m. IST i.e. 30 minutes before the time scheduled to start the 10th AGM and the Company may close the window for joining the VC/OAVM Facility 30 minutes after the scheduled time to start the 10th AGM.
   b. Member will be provided with a facility to attend the 10th AGM through VC/OAVM Facility through the NSDL e-voting system. Members may access the same at https://www.evoting.nsdl.com under shareholders/ members login by using the remote e-voting credentials. The link for VC/OAVM will be available in shareholder/ members login where the EVEN of Company will be displayed. Please note that the members who do not have the User ID and Password for e-voting or have forgotten the User ID and Password may retrieve the same by following the remote e-voting instructions mentioned in the notice to avoid last minute rush. Further members can also use the OTP based login for logging into the e-voting system of NSDL.
   c. Members may note that the VC/OAVM Facility, provided by NSDL, allows participation of atleast 1,000 Members on a first-come-first-served basis. The large shareholders (i.e. shareholders holding 2% or more shareholding), promoters, institutional investors, Directors, Key Managerial Personnel, the Chairpersons of the Audit Committee, Nomination & Remuneration Committee and Stakeholders Relationship Committee, Auditors, etc. can attend the 10th AGM without any restriction on account of first-come- first-served principle.
   d. Members are encouraged to join the Meeting through Laptops for better experience.
   e. Further Members will be required to allow Camera and use Internet with a good speed to avoid any disturbance during the Meeting.
   f. Please note that Participants Connecting from Mobile Devices or Tablets or through Laptop connecting via Mobile Hotspot may experience Audio/Video loss due to Fluctuation in their respective network. It is therefore recommended to use Stable Wi-Fi or LAN Connection to mitigate any kind of aforesaid glitches.
   g. Members who would like to express their views/ask questions as a speaker during the Meeting may register themselves as a speaker from July 15, 2020 to July 17, 2020 by sending their request mentioning their name, demat account number/folio number, e-mail ID, mobile number at investorrelations@aavas.in.
   h. Members who would like to express their views/have questions may send their questions in advance from July 15, 2020 to July 17, 2020 by mentioning their name demat account number/folio number, e-mail ID, mobile number at investorrelations@aavas.in. The same will be replied by the Company suitably.
   i. Those Members who have registered themselves as a speaker will only be allowed to express their views/ask questions during the meeting.
23. **The instructions for Members for e-voting on the day of the 10th AGM are as under:-**
   a. The procedure for e-voting on the day of the 10th AGM is same as the instructions mentioned above for remote e-voting.
   b. Only those Members/ shareholders, who will be present in the AGM through VC/OAVM Facility and have not casted their vote on the Resolutions through remote e-voting and are otherwise not barred from doing so, shall be eligible to vote through e-voting system in the AGM.
   c. Members who have voted through Remote e-voting will be eligible to attend the 10th AGM. However, they will not be eligible to vote at the AGM again.
   d. The details of the person who may be contacted for any grievances connected with the facility for e-voting on the day of the AGM shall be the same person mentioned for Remote e-voting

EXPLANATORY STATEMENT PURSUANT TO THE SECTION 102 OF THE COMPANIES ACT, 2013 ("the Act")

The following Statement sets out all material facts relating to the Special Businesses mentioned in the accompanying Notice:

ITEM NO. 4

The Board of Directors of the Company on the recommendations of the Nomination & Remuneration Committee have appointed Mrs. Soumya Rajan as an Additional Director in the capacity of Independent Director of the Company, not liable to retire by rotation, with effect from August 29, 2019 to hold the office up to the date of ensuing Annual General Meeting (AGM).

Mrs. Rajan holds office as an Additional Director till the date of this AGM and is eligible for being appointed as an Independent Director. The Company has received necessary declaration(s) from Mrs. Rajan confirming that she meets the criteria as prescribed under the Act, Directions of National Housing Bank (NHB) and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI LODR Regulations).

Further Mrs. Rajan is not disqualified from being appointed as a Director under provisions of Section 164 of the Act, nor debarred from holding the office of Director by virtue of any SEBI order, NHB or any other such authority and has given her consent to act as a Director of the Company.

Mrs. Soumya Rajan is the Founder, MD and CEO of Waterfield Advisors, India's largest independent Multi-Family Office and Wealth Advisory firm that advises on assets of US$3.5bn. She previously worked at Standard Chartered Bank India for 16 years, where she headed their Private Banking Division from 2008 to 2010. Prior to that, Mrs. Rajan was the Head of SME Risk at Standard Chartered and spent 5 years in Credit and Risk Management both in India and Singapore. Mrs. Rajan currently serves on the Boards of several non-profit organisations - Peepul, an education-based charity that focuses on creating a school transformation platform for government schools, as an Advisory Council Member of the Indian Institute of Technology (IIT) Gandhinagar's Research Park and Entrepreneurship Centre and as a Board Member of CSTEP, a research think tank that recommends public policy on the use of new emerging technologies for social and economic development in the areas of energy, environment and infrastructure. Mrs. Soumya Rajan has a post graduate degree in Mathematics from Oxford University, UK and was recognized in 2019 by the Association of International Wealth Management of India as amongst India's Top 100 Women in Finance.

In the opinion of the Board, Mrs. Rajan fulfils the conditions for her appointment as an Independent Director as specified in the Act and SEBI LODR Regulations and is independent of the Management. Your Board believes that induction of Mrs. Rajan on the Board will support in broadening the overall expertise of the Board and will bring wide experience particularly in the areas of corporate governance and various laws.

As an Independent Director, Mrs. Rajan shall be entitled to sitting fee for attending Board/ Committee Meetings and Commission, if any, to be paid in terms of the provisions of the Act.

A copy of the appointment letter, setting out terms and conditions of her appointment is available for inspection as per details mentioned in note no. 10 to the accompanying Notice of the Annual General Meeting.

None of the Directors or Key Managerial Personnel and their relatives, except Mrs. Rajan and her relatives, are concerned or interested, financially or otherwise in this Resolution. The Board recommends the Resolution set out at Item No. 4 for approval of the Members as an Ordinary Resolution.

ITEM NO. 5 & 6

The Board of Directors of the Company ("Board") envisages requirements of funds in future. As per the provisions of Section 180(1)(c) of the Companies Act, 2013 ("Act"), the Board can borrow money subject to the condition that the money to be borrowed together with the money already borrowed by the Company (apart from the temporary loans obtained from the Company's bankers in the ordinary course of business) shall not exceed the aggregate, for the time being, of the paid-up share capital and free reserves, that is to say, reserves not set apart for any specific purpose and securities premium unless the Members have authorized the Board to borrow the monies up to some higher limits.

Further as per Paragraph 3(2) of "The Housing Finance Companies (NHB) Directions, 2010" No housing finance company can have its total Borrowing limit in aggregate, in excess of twelve times of its Net Owned Fund (NOF).

Hence, it is proposed to empower and authorize the Board to borrow money from any Bank(s), Financial Institutions (FIs,), Foreign Institutional Investors (FII's) Bodies Corporate or Business Associates or any other person/s or entity/ies etc., in excess of paid up share capital and free reserves and securities premium of the Company by a sum not exceeding ₹12,500 crore (Rupees Twelve thousand and five hundred crore only) for the purposes of business activities of the Company, provided that the total borrowing limit shall always be within the limits as prescribed under the Housing Finance Companies (NHB) Directions, 2010.

The resolution as set out at item no. 5 of the Notice is placed for your approval by way of Special Resolution of the aforesaid limits of borrowing by the Board up to an amount not exceeding ₹12,500 crore (Rupees Twelve thousand and five hundred crore only) or equivalent thereof in any foreign currency(ies).

With a view to meet fund requirements for the aforesaid purpose, the Company would be required to borrow funds from time to time by way of loans or in any other form whatsoever including but not limited to issue of bonds, debentures or other securities as detailed in the resolution no. 5.

The said borrowings/ issue of securities may be required to be secured by way of charge through lien / hypothecation / mortgage over all or any part of the movable and / or immovable properties of the Company and as per the provisions of Section 180 (1) (a) of the Act, the mortgage or charge on all or any part of the movable and /or immovable properties of the Company, may be deemed as disposal of the whole, or substantially the whole, of the undertaking of the Company and hence the approval of the Members of the Company is required by way of an Special Resolution as set out at Item No. 6 of the Notice.

As per Section 180(1)(a) and 180(1)(c) and other applicable provisions of the Act, approval of the Members is being sought by way of passing Special Resolution. Hence, the Board recommends passing of the enabling Special Resolutions set out at item No. 5 and 6 of the Notice.

None of the Directors or Key Managerial Personnel of the Company or their relatives are in any way, concerned or interested, financially or otherwise, in the resolutions set out at Item No. 5 and 6 of the accompanying Notice.

ITEM NO. 7

Your Company has been issuing debentures, which may be referred to as one of the option for raising money from time to time, for onward lending business of the Company and general corporate purposes, on terms and conditions as are appropriate and in the best interest of the Company and in due compliance with the applicable provisions of the Companies Act, 2013 ("the Act"), SEBI (Issue and Listing of Debt Securities) Regulation 2008, Debt Listing Agreement and Guidelines as issued by National Housing Board etc. Accordingly, the Company, subject to the approval of Members, proposes to issue Non-convertible Debentures (including bonds, and/or other debt securities as per Section 2(30) of the Act to various person(s) on private placement basis, at such terms and conditions and at such price(s) in compliance with the requirements of regulatory authorities, if any and as may be finalized by the Board and/or Committee of Board. The amount to be raised by way of issue of listed or unlisted, secured/unsecured redeemable Non-convertible Debentures on a private placement basis however shall not exceed ₹3,500 crore (Rupees Three thousand and five hundred crore only) in aggregate, in one or more series/ tranches on private placement basis. The aforesaid borrowings are within overall borrowing limits authorized by Members. It may be noted that that as per Rule 14 of Companies (Prospectus and Allotment of Securities) Second amendment Rules, 2018 read with Section 42 of the Act, allows a company to pass a Special Resolution once in a year for all the offer or invitation for Non-Convertible Debentures to be made during the year through a private placement basis in one or more tranches.

Therefore Consent of the Members is accordingly sought in connection with the aforesaid issue of debentures/bonds from time to time and they are requested to enable and authorize the Board (including any Committee of the Board) to issue Non-convertible Debentures on private placement basis of ₹3,500 crore (Rupees Three thousand and five hundred crore only) as stipulated above, in one or more tranches, during the period of one year from the date of passing of the Resolution set out at Item No. 7 of this Notice, within the overall borrowing limits of the Company, as approved by the Members from time to time.

The Board accordingly recommends the Special Resolution as set out at Item No. 7 of the Notice for the approval of the Members.

None of the Directors or Key Managerial Personnel of the Company or their relatives are in any way, concerned or interested, financially or otherwise, in the resolutions set out at Item No. 7 of the accompanying Notice.

ITEM NO.8

The Company intends to formulate and implement Equity Stock Option Plan for Employees 2020" ("ESOP-2020") of Aavas Financiers Limited.

The principle object of ESOP-2020 is to promote the culture of employee ownership and to attract, retain, motivate senior management as well as critical talent of the Company and to give them opportunity to participate and gain from the Company's performance, thereby, acting as a retention tool as well as to align the efforts of such talent towards long term value creation in the organization. Under the ESOP-2020, options are proposed to be issued to employees fulfilling the criteria; each stock option would give right to the option holder to subscribe one Equity Share.

The Members are informed that the Company intends to offer not more than 3,00,000 (Three lakh) Equity Shares of face value ₹10 each of the Company under the ESOP-2020 by way of grant of Options which will be granted directly by the Company. The Plan will be administered by the Nomination & Remuneration Committee of Board of Directors ("Board").

ESOP-2020 has been prepared and formulated in compliance with provisions of the Companies Act, 2013 ("the Act") and Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 ("SEBI SBEB Regulations").

Particulars of disclosures as required under Rule 12 of the Companies (Share Capital and Debentures) Rules, 2014 and SEBI SBEB Regulations and circulars issued by SEBI are given below:

a) Total number of Options to be granted

1. A total of 3,00,000 (Three lakh) options would be available for grant to the eligible employees of the Company under the ESOP-2020.

2. Each option when exercised would give the option holder a right to get one fully paid Equity Share of the Company.

3. In cases where options, whether vested or unvested, lapse or expire or are forfeited for any reason under the applicable laws, the Nomination & Remuneration Committee may re-issue the options to other eligible employees. The options so issued shall be subject to the terms and conditions of the ESOP-2020.

b) Identification of Classes of employees entitled to participate in the ESOP-2020

For the purpose of the ESOP-2020, the eligible employees shall be amongst from the following persons:

1. A permanent employee of the Company working in India or outside India; or

2. A Director of the Company, whether Managing Director or not but excluding an Independent Director; or

3. An employee as defined in above clause (1) or (2) of a subsidiary of the Company, in India or outside India, or of a Holding Company of the Company, if any;

Further, the following persons are not eligible to be categorized as eligible employees under the ESOP–2020:

1. An employee who is a promoter of the Company or belongs to the promoter group; or

2. A Director of the Company, who either by himself or through his relatives or through any body corporate, directly or indirectly holds more than 10% of the outstanding Equity Shares of the Company.

Following the above conditions, the eligibility to participate in the Plan is further subject to such criteria as may be decided by the Nomination & Remuneration Committee at its own discretion, including, but not limited to the date of joining of the Employee with the Company, grade of the Employee, performance evaluation, period of service with the Company, criticality or any other criteria, as the Nomination & Remuneration Committee determines.

c) Requirements of Vesting and period of Vesting (not less than 1 year)

The options granted shall vest so long as the employee continues to be in the employment of the Company.

The vesting period shall not be less than 1 year from date of grant of options. The vesting may happen in one or more tranches. The detailed terms and conditions of vesting are mentioned in the ESOP-2020.

The Nomination & Remuneration Committee may, at its sole & absolute discretion, lay down performance metrics which shall inter-alia include business performance and achievement of set business targets on the achievement of which such options would vest, the detailed terms and conditions relating to such performance-based vesting and the proportion in which options granted would vest.

d) Maximum Period within which the options shall be vested

Under the ESOP-2020, the vesting will occur in not more than 5 years from the date of grant of option.

e) Conditions under which Vested Options may lapse

In case of termination of employment of the employee 'for cause', the vested options may lapse. The events included under 'for cause' are specifically mentioned in the ESOP-2020.

f) Exercise Price or pricing formula

The Exercise Price shall be the closing price of the Shares of the Company on the Stock Exchange with the higher trading volume on the trading day immediately preceding the date of Grant.

g) Exercise Period and process of exercise

The vested options shall be eligible for exercise on and from the date of vesting. The exercise period shall be four (4) years from the date of vesting of options except in case of termination without cause and resignation by the employee.

The employee can exercise stock options at any time after the vesting date either in full or in tranches by making full payment of exercise price and applicable taxes and by execution of such documents as may be prescribed by the Nomination & Remuneration Committee, from time to time. The options shall lapse if not exercised within the specified exercise period.

h) Exercise Period for Vested Options in Case of Termination of or Resignation from Employment

The exercise period for vested options in case of termination of employment 'without cause' or resignation from employment is 90 days from the date of termination or resignation as the case may be.

i) Appraisal process for determining the eligibility of the Eligible Employees

The process for determining the eligibility of the Eligible Employees will be specified by the Nomination & Remuneration Committee and will be based on designation; period of service, loyalty, value addition, present & past contribution, band, performance linked parameters such as work performance and such other criteria as may be determined by the Nomination & Remuneration Committee at its sole discretion, from time to time.

j) Maximum number of options to be granted per Eligible Employee and in aggregate

Maximum number of options to be granted to an Eligible Employees will be determined by the Nomination & Remuneration Committee on a case to case basis and shall not exceed the limit prescribed under the applicable laws.

k) Maximum quantum of benefits to be provided per Employee:

The maximum quantum of benefits underlying the options issued to an employee shall be equal to the difference between the option exercise price and the market price of the shares on the exercise date.

l) Lock in Period

The Equity Shares arising out of exercise of vested options would not be subject to any lock-in period after such exercise unless the Nomination & Remuneration Committee decides otherwise.

m) Implementation and Administration of ESOP-2020

ESOP-2020 shall be implemented directly by the Company through the Nomination & Remuneration Committee of the Board. Further, all acts, deeds, things and matters in connection to ESOP-2020 shall be administered by the Nomination & Remuneration Committee of the Board.

n) Source of acquisition of shares under the ESOP-2020

Equity Shares shall be allotted to the eligible employees exercising their Options by way of a primary issuance.

o) Amount of loan to be provided for implementation of the Scheme(s) by the Company to the trust, its tenure, utilization, repayment terms, etc.

Not applicable

p) Maximum percentage of secondary acquisition:

Not applicable

q) Compliance with Accounting Policies

The Company shall comply with the disclosures, the accounting policies and other requirements as may be prescribed under the applicable laws from time to time.

r) Method of valuation of options

The Company shall adopt the fair value Method by using Black- Scholes Option Pricing Formula for determining the value of an option granted under the ESOP-2020.

As the ESOP-2020 would require issue of further Equity Shares, in terms of Sections 62(1)(b) and rules made thereunder and all other applicable provisions, if any, of the Act, as amended and the SEBI SBEB Regulations, consent of the Members of the Company is required by passing a Special Resolution in a General Meeting.

A draft copy of the ESOP-2020 is available for inspection as per details mentioned in note no. 10 to the accompanying Notice of the Annual General Meeting.

None of the Directors or Key Managerial Personnel (KMP) of the Company and their relatives are, in any way, concerned or interested, financially or otherwise, in the resolution set out at Item No. 08 of the accompanying Notice, except to the extent of the stock options that may be granted to them under ESOP-2020.

The Board of Directors recommends resolution set out at Item No. 08 for your consideration and approval by way of Special Resolution.

By Order of the Board of Directors
For Aavas Financiers Limited

Sharad Pathak
Company Secretary and Compliance Officer
Membership No.: FCS- 9587

Jaipur, June 22, 2020

Registered and Corporate Office:
201-202, 2nd Floor, South End Square,
Mansarover Industrial Area, Jaipur 302 020, Rajasthan, India
CIN: L65922RJ2011PLC034297
Tel: +91 14 1661 8800 Fax: +91 14 1661 8861
E-mail: investorrelations@aavas.in | Website: www.aavas.in

ANNEXURE

Details of Directors seeking Appointment/re-appointment vide this Notice pursuant to Regulation 36 (3) of SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015 and Secretarial Standards on General Meetings issued by Institute of Company Secretaries of India (ICSI):

Name of Director	Mrs. Soumya Rajan	Mr. Manas Tandon	Mr. Kartikeya Dhruv Kaji
Date of Birth	April 04, 1970	May 07, 1977	March 22, 1983
DIN	03579199	05254602	07641723
Age	50 years	43 years	37 years
Qualification	Post Graduate- mathematics	MBA	MBA
Brief Resume and Experience	Mrs. Rajan is the Founder, MD and CEO of Waterfield Advisors, India's largest independent Multi-Family Office and Wealth Advisory firm that advises on assets of US$3.5bn. She previously worked at Standard Chartered Bank India for 16 years, where she headed their Private Banking Division from 2008 to 2010. Prior to that, Mrs.Rajan was the Head of SME Risk at Standard Chartered and spent 5 years in Credit and Risk Management both in India and Singapore. Mrs.Rajan currently serves on the Boards of several non-profit organisations - Peepul, an education-based charity that focuses on creating a school transformation platform for government schools, as an Advisory Council Member of the Indian Institute of Technology (IIT) Gandhinagar's Research Park and Entrepreneurship Centre and as a Board Member of CSTEP, a research think tank that recommends public policy on the use of new emerging technologies for social and economic development in the areas of energy, environment and infrastructure. Mrs.Soumya Rajan has a post graduate degree in Mathematics from Oxford University, UK and was recognized in 2019 by the Association of International Wealth Management of India as amongst India's Top 100 Women in Finance.	Mr. Tandon is a Promoter nominee Director appointed on the Board of Aavas by ESCL and Master Fund. He is the Head of Private Equity in Asia for Partners Group and is a member of its Private Equity Directs Investment Committee. Prior to joining Partners Group, Mr. Tandon co-led TPG Growth's investments in India, having started his investing career with Matrix Partners, where he was responsible for investments in mobility and financial services. Before that, Manas was engaged in designing and selling cutting-edge telecom solutions for start-ups such as MaxComm Technologies (acquired by Cisco Systems) and Camiant Inc. (now part of Oracle). Mr. Tandon holds an MBA in Finance from The Wharton School of the University of Pennsylvania, where he was a Palmer Scholar, and a Bachelor's Degree in Technology (Electrical Engineering) from the Indian Institute of Technology, Kanpur, where he was awarded the General Proficiency Medal for outstanding academic performance. Mr. Tandon holds eight US patents and is a member of the Mumbai chapters of the Young Presidents' Organization (YPO) and the Entrepreneurs' Organization (EO).	Mr. Kaji is a Promoter nominee Director, and is appointed on the Board of Aavas by one of our Promoters, Lake District Holdings Limited. He is a Director at Kedaara Capital, a leading India focused private equity firm, where he leads the financial services investing practice. Mr. Kaji has over 9 years of investment experience, encompassing the full lifecycle of private equity, across geographies and sectors. Prior to Kedaara, Mr. Kaji was at the Mumbai office of the global investment firm Temasek Holdings, where he focused on public and private market investments across sectors. Previously, he worked as investment banker in New York, first at Merrill Lynch & Co., and then at leading boutique firm Perella Weinberg Partners. Mr. Kaji holds an MBA from The Wharton School of the University of Pennsylvania, and a Bachelor of Arts in Economics from Dartmouth College. He is a member of the Mumbai chapter of the Entrepreneurs Organization.

Nature of expertise in specific functional areas	Banking, Finance, Risk Management and Corporate Governance	Finance and Risk Management	Investment Banking, Finance and Risk Management
Relationships with other directors and Key Managerial Personnel inter-se	None	None	None
Directorship held in other Listed Companies in India	Nil	Nil	Spandana Sphoorty Financial Limited
Membership / Chairmanship of Committees in other Companies in India	Nil	Nil	Nil
No. of Equity shares held in the Company (As on March 31, 2020)	Nil	Nil	Nil
Key terms and conditions of re-appointment	Copy of the appointment letter, setting out terms and conditions of her appointment is available for inspection as per details mentioned in note no. 10 to the accompanying Notice of the Annual General Meeting.	Re-appointment as Promoter Nominee Director liable to retire by rotation	Re-appointment as Promoter Nominee Director liable to retire by rotation
Remuneration proposed to be paid	Sitting Fees for attending the Meetings of the Board of Directors and profit related commission as approved by the Members from time to time.	Nil	Nil
Date of first appointment on Board, last drawn remuneration and number of board meetings attended	Mrs. Rajan has been associated with the Company as an Additional Director- Independent since August 29, 2019 During the Previous financial year Mrs. Rajan was paid sitting fees amounting to ₹1.00 lakh During the Financial Year 2019-20, 5 (Five) Board Meetings were convened and held. However Mrs. Rajan was entitled to attend 2 (Two) Meetings and she attended all the 2 (Two) Board Meetings.	Mr. Tandon has been associated with the Company as Promoter Nominee Director from June 23, 2016. He was not paid any remuneration during the previous Financial Year. During the Financial Year 2019-20, 5 (Five) Board Meetings were convened and held and all 5 (Five) Meetings were attended by Mr. Tandon.	Mr. Kaji has been associated with the Company as Promoter Nominee Director from July 27, 2017. He was not paid any remuneration during the previous Financial Year. During the Financial Year 2019-20, 5 (Five) Board Meetings were convened and held and 2 (Two) Meetings were attended by Mr.Kaji.

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SAPNE AAPKE. SAATH HAMAARA

AAVAS FINANCIERS LIMITED
CIN No. L65922RJ2011PLC034297

Regd. & Corp. Office:
201-202, 2nd Floor, Southend Square,
Mansarovar Industrial Area, Jaipur-302020
Phone: +91 141 6618800 | Fax: +91 141 6618861
Email: info@aavas.in | Website: www.aavas.in