

5,56,887

CUSTOMER ACCOUNTS

₹ 10,734 Cr.

ASSET UNDER MANAGEMENT

8,515

EMPLOYEES

THE BETTER
YOU START,
THE FARTHER
YOU GO.

FINANCIERS TURNING INTO BANKERS



It's a proud moment for Au FINANCIERS (INDIA) LIMITED
having received the License
on 20th December, 2016 from RBI for
AU SMALL FINANCE BANK

Forward Looking Statement

In this Annual Report, we have disclosed forward looking information to enable investors to comprehend our prospects and take investment decisions. This report and other statements – written and oral – that we periodically make contain forward looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward looking statements will be realised, although we believe we have been prudent in our assumptions. The achievements of results are subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise.

Disclaimer

"A licence authorising the Bank to carry on small finance bank business has been obtained from the Reserve Bank of India in terms of Section 22 of the Banking Regulation Act, 1949. It must be distinctly understood, however, that in issuing the licence, the Reserve Bank of India does not undertake any responsibility for the financial soundness of the bank or for the correctness of any of the statements made or opinion expressed in this connection." (RBI Disclaimer issued via letter dated 20th Dec-16)

↑ ₹ **6,730** cr
DISBURSEMENT

↑ ₹ **10,734** cr
ASSETS UNDER
MANAGEMENT (AUM)

↑ ₹ **1,387** cr
REVENUE

↑ ₹ **822** cr
PROFIT AFTER TAX (PAT)

Amount as on FY 2016-17

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चलो आगे बढ़ें



Commencing our joyful journey as Small Finance Bank on 19th April, 2017



We are honoured!

Thanks for your overwhelming support.



With the trust and confidence that our investors reposed in us, our IPO was oversubscribed by 54 times. It was followed by our Company's successful listing on the National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE) on 10th July, 2017.



Incorporated in 1996, AU Small Finance Bank (previously known as Au Financiers (India) Limited) emerged as a prominent, retail-focused Non-Banking Finance Company (NBFC) prior to becoming a Small Finance Bank. It is mainly serving low and middle income individuals and businesses that have limited or no access to formal banking and finance channels.

We primarily operated in vehicle finance, comprising Micro, Small and Medium Enterprises (MSME) loans and Small and Medium Enterprises (SME) loans. Our Company was categorised as a 'Systemically Important', Non-Deposit Accepting Asset Finance Company (NBFC-ND-SI-AFC) by the Reserve Bank of India.

During FY 2015-16, our hard work of two decades was rewarded with the Reserve Bank of India's 'in-principle approval' for converting into a small finance bank. Moreover, we received a licence from the RBI to set up a small finance bank on 20th December, 2016 and we are the only NBFC categorised as an asset finance company to obtain such a licence.

In April 2017, as we transformed into a bank, we expanded and strengthened our business model to offer a diverse suite of banking products and services. We leveraged our asset-based lending strengths, existing customer base and cost-efficient technology driven model. Taking a leap forward, we also got listed on the National Stock Exchange and the Bombay Stock Exchange on 10th July, 2017.

We believe that our transition to a small finance bank offers us a significant growth potential. The RBI's objective to start this new segment of banking was to create inclusive growth.

As an NBFC, we had provided financial solutions to the unbanked and the underbanked sections of the population for over two decades.

Now, as we move forward, we aim to be a retail focused, preferred, trusted small finance bank, offering integrated and tailored solutions to more customers.

As a small finance bank, we have taken multiple initiatives for building a differentiated simplified customer-centric Bank.

We enriched our portfolio of products.

We invested in best-in-class infrastructure.

We widened our network of branches.

We built a robust technology platform.

We built strong audit and compliance framework.

We incorporated risk and governance practices.

We prepared a dynamic team to provide quality services to stakeholders and our customers.

The year also saw the launch of our initial public offer, which attracted an overwhelming response from esteemed investors. We are humbled and honoured by the faith that our growing fraternity of stakeholders have reposed in us.

In our maiden post-IPO Report, we demonstrated our capability and the commitment to take appropriate initiatives to gain momentum and go farther because we believe we have started our journey in right earnest.

With our credo 'चलो आगे बढ़ें' we are partnering progress with our customers.



VISION STATEMENT

To be the world's most trusted retail bank and coveted employer, that is admired as the epitome of financial inclusion and economic success, where ordinary people do extraordinary things to transform society at large, thereby guaranteeing trust, confidence and customer delight.



MISSION STATEMENT

To build one of India's largest retail franchise by 2022 that is admired for:

- ▶ Making every customer feel supreme while being served
- ▶ Aspiring that no Indian is deprived of banking
- ▶ Bias for action, dynamism, detail orientation and product & process innovation
- ▶ Globally respected standards of integrity, governance and ethics
- ▶ Being an equal opportunity employer, providing a collaborative and rewarding platform to all its employees
- ▶ Fastest growth to ₹ 1 trillion book size and a client base of 10 Mn+ delighted customers



1 INTEGRITY

We are fair and consistent in all our dealings - employees, customers, partners or shareholders



2 CUSTOMER FOCUS

If our customers need it we will make it happen



3 BIAS FOR ACTION

Urgency in everything we do



4 RESPONSIBLY ENTREPRENEURIAL

100% ownership accountability and 0% excuses



5 WORK HARD AND LOOK FOR DETAILS

Willing to go the extra mile in everything we do and thoroughly understand customer needs, issues and organisational delivery model



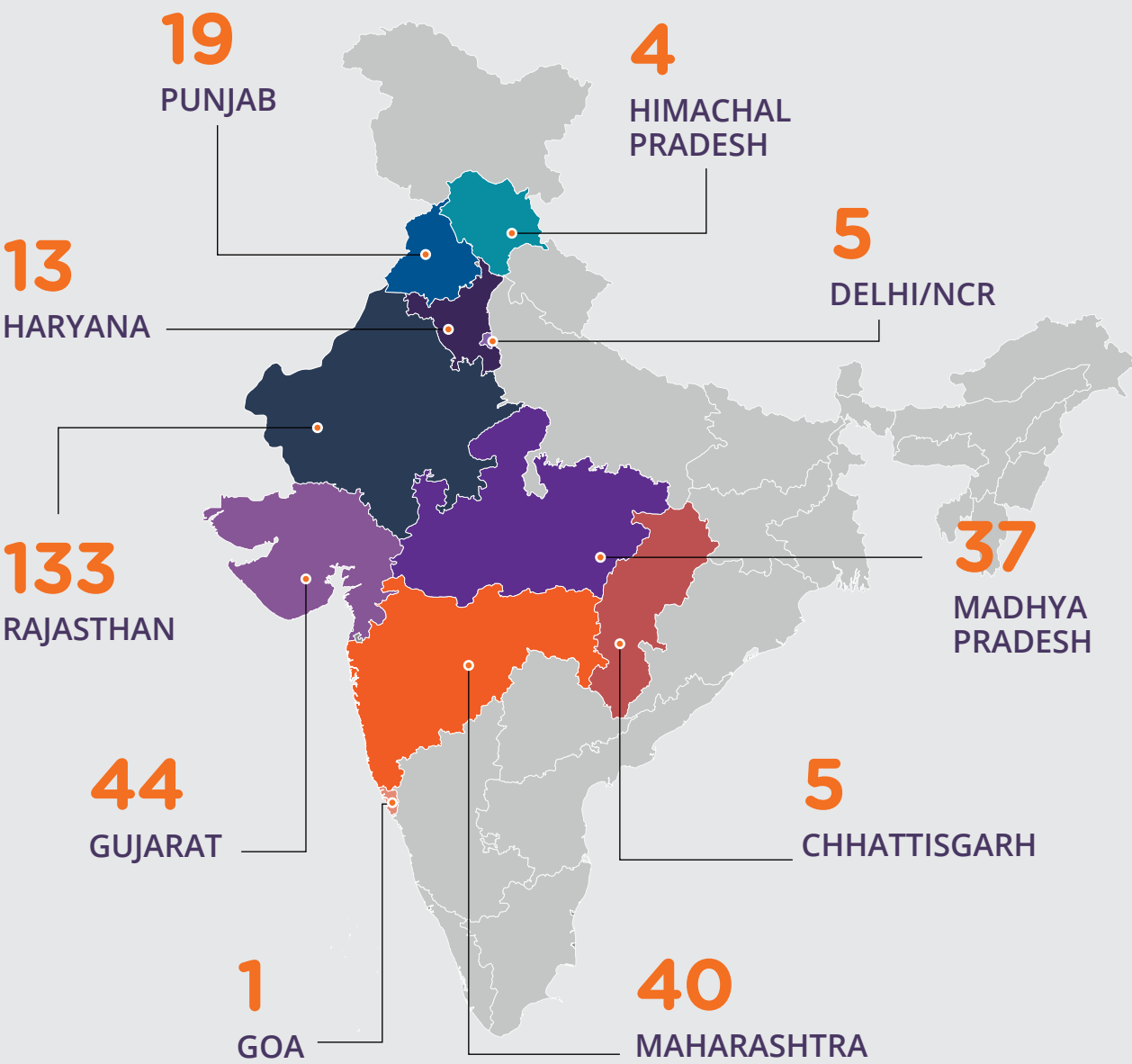
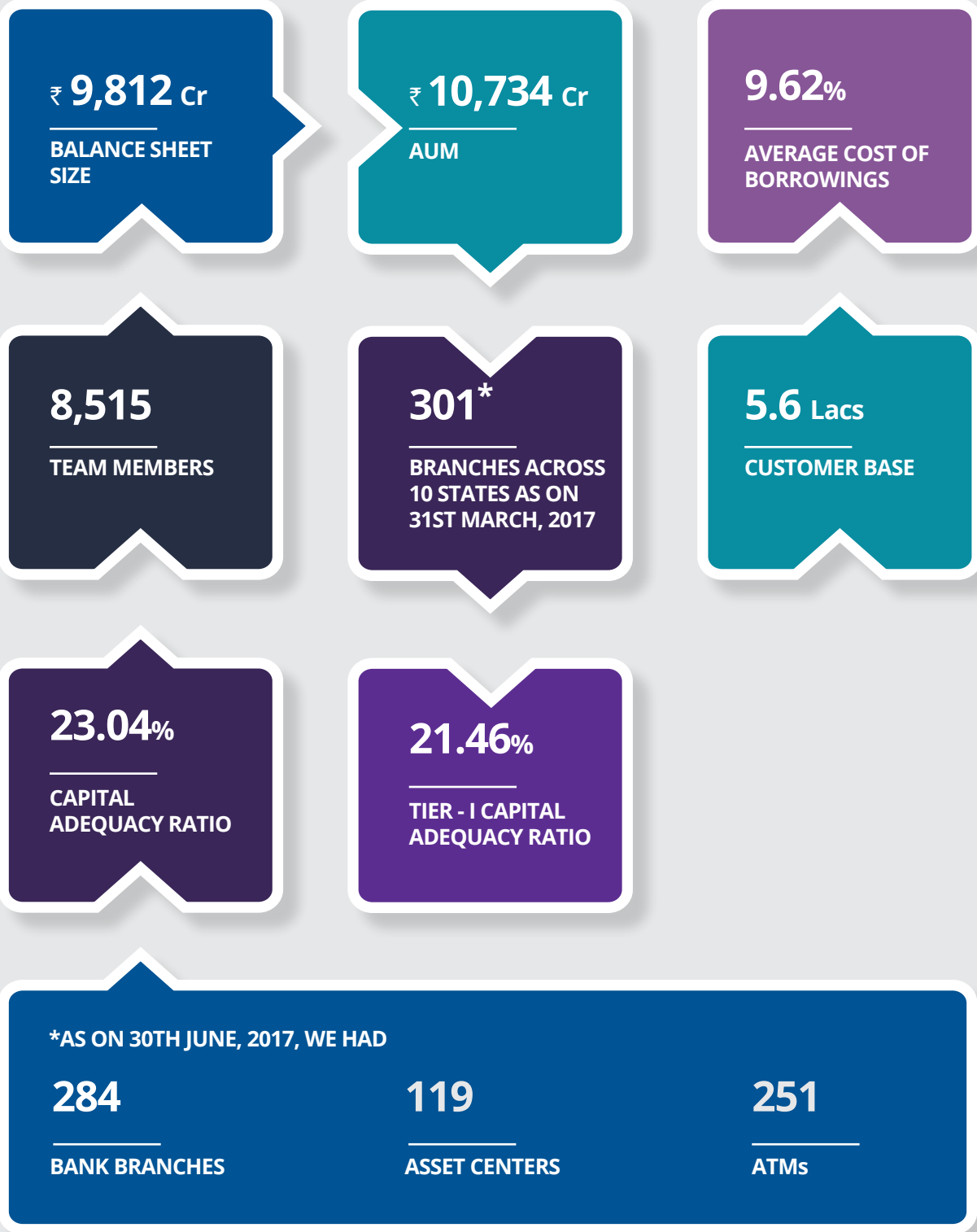
6 NURTURE TALENT AND SUCCEED TOGETHER

We nurture talent and together we are a great team working for common goals

AU
DHARMA
THE WAY
WE WORK

The Big Picture is Encouraging

Our Footprint



Offerings that Meet Every Need



Savings Account

At AU Small Finance Bank, we have designed our savings account product bouquet, based on the philosophy of relevance. Each variant of our savings account represents our philosophy and aims to cater to a differentiating and significant demographic aspect of one's life.

Samarth

It is our flagship savings account and is aimed at providing our customers with a 'holistic' and 'hassle-free' banking experience through best-in-class features, services and conveniences. The Samarth Savings Account is the ideal blend of financial freedom and security.

Bachpan

It is a simple saving instrument for children. The Bachpan Savings Account allows children to understand the concept of finance and banking, while giving them a first-hand banking experience.

Vidyaarthi

AU's Vidyaarthi Savings Account is aimed at meeting student-specific banking needs.



Samarth Pravasi

This provides an enhanced banking experience for Non-Resident Indians (NRIs) and Persons of Indian Origin (PIOs). Samarth Pravasi Savings Account helps to manage overseas earnings with best-in-class services like high interest rate, monthly interest payouts and many more.

Tejaswini

This savings account is meant for women who take on many roles today.

Varishtha

A savings account for senior citizens, tailor-made to offer them a host of services like discounts on locker rentals, higher interest rates on fixed deposits and doorstep banking.

Aarambh

This is AU's basic savings account that allows customers to meet their basic expectations from a savings account.

Pragati

A comprehensive salary savings account, designed to keep professionals and service-class individuals in mind.

Sahyog

A multi-functional savings account providing top-notch banking services to institutions, especially government-related institutions.



Current Account

Our Current Account variants cater to all requirements of the business community. With us, businessmen can relax, while handling their daily transactions, credits, payouts and transfers.

Mangalam

Our flagship business account offers customers bespoke solutions for their business needs with seamless transactional experience.

Shubh Labh

This is designed for dynamic businesses, which require customised financial solutions to keep them abreast of market demands. Subh Labh offers secured transactional independence to these businesses.

Shubh Shuruaat

An account exclusively designed for India's start-ups. All businesses recognised or registered with incubators, the Department of Industrial Policy and Promotion (DIPP), accelerators among others are eligible for Shubh Shuruaat.

Parivahan

A Current Account specially designed for transport businesses, it allows them to improve efficiencies of fuel management, vehicle maintenance expenses, collections and payments.

Paryatan

This current account variant offers tour operators, travel agents and hotels to provide better services, by improving their collections from customers and payments to partners.

Vikray

This is a current account offering for retailers, focused on securing the day-end cash deposits and streamlining collections.

AU Samriddhi

An exclusive current account for AU's existing asset customers with benefits like no minimum balance commitment for the first year.



Term Deposits

AU offers a variety of Term Deposits options, where the savings are invested, as a single payment or in recurring installments for a fixed time period. It offers a fixed rate of interest.

Fixed Deposit

Our fixed deposit schemes come with great rates, flexibility and security. We offer higher interest for our senior citizens and quarterly and monthly payout options.

Regular Fixed Deposit

Our regular fixed deposit gives greater flexibility and security with benefits like higher interest for our senior citizens, also, quarterly and monthly payout options.

Five-year tax saving Fixed Deposit

This term deposit option allows customers to grow their wealth in five years, with deposits between ₹ 1000 and ₹ 1.5 lakh.

Sweep-in facility

This facility allows customers to link their existing fixed deposit to their savings or current account.

Recurring Deposits

Our recurring deposits (RDs) allow customers to choose a duration and amount to invest every month and earn guaranteed returns similar to regular fixed deposits.



Debit Cards

Apart from our carefully designed product portfolio, we offer a range of additional features and benefits tied together in our debit cards. Our debit card bouquet comprises:



RETAIL BANKING



Secured Business Loan

We help small entrepreneurs with loans that are available without much hassle and with easy repayment options.



Gold Loan

We help people optimise their investment with our easy gold loans.



Agri Term Loan

We support farmers to meet their production and investment credit requirements.



Wheels

After financing commercial vehicles for years, now our wheels loan segment has expanded to fund a variety of needs related to vehicles.

Commercial Vehicle Loan

We help our customers grow their business and add more vehicles to their fleet.

Auto and Car Loan

With this loan segment, we help our customers fulfil their dream of buying their first car.

Tractors Loan

We provide loans for the purchase of new and used tractors; and support with re-finance as well.

Two Wheelers Loan

Our two-wheeler loan segment funds motorcycles, scooters and mopeds, among others.

Construction Equipment Loan

We offer simplified loans for procuring construction equipment to business owners.

WHOLESALE BANKING



Business Banking

We provide finance to micro small and medium enterprises (MSMEs), small and medium enterprises (SMEs) for their working capital needs to all segments of business.



Real Estate

Real estate developers can avail our loans to meet their working capital demands for various construction-related tasks.



NBFC

Having been a part of the NBFC space ourselves, we have first-hand perspective and experience



GOVERNMENT BANKING

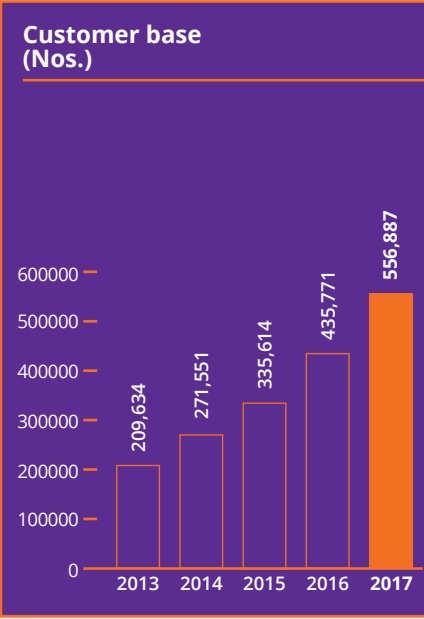
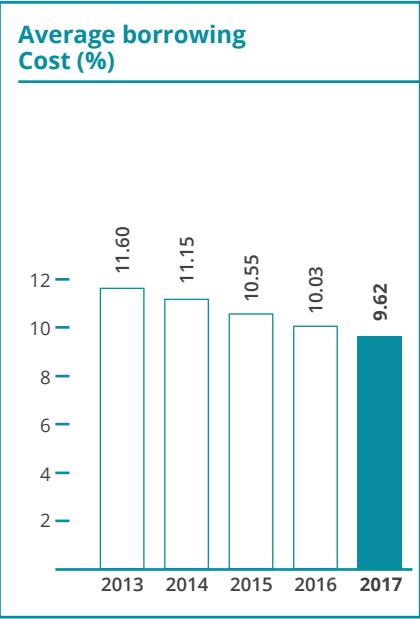
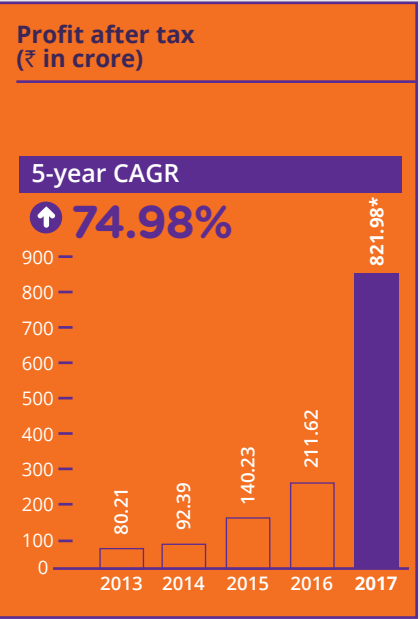
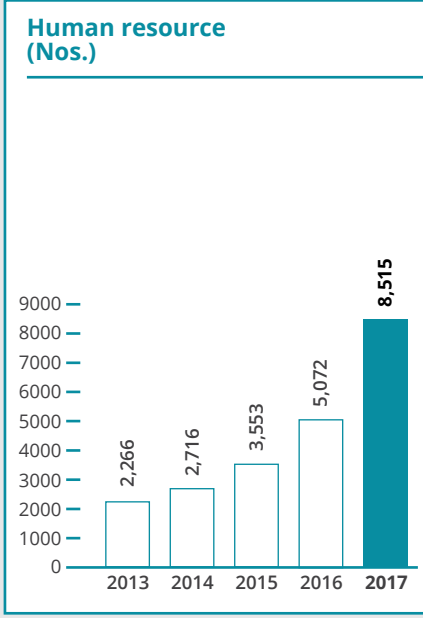
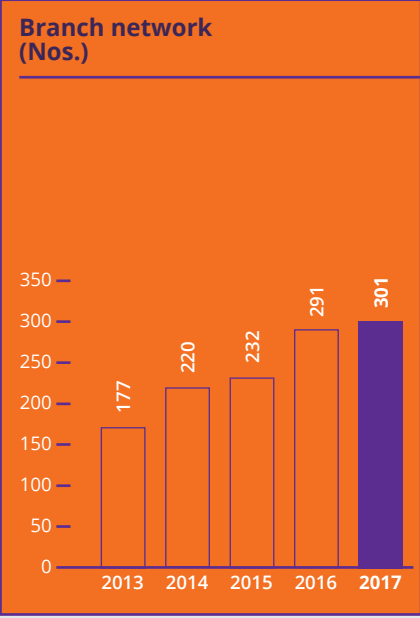
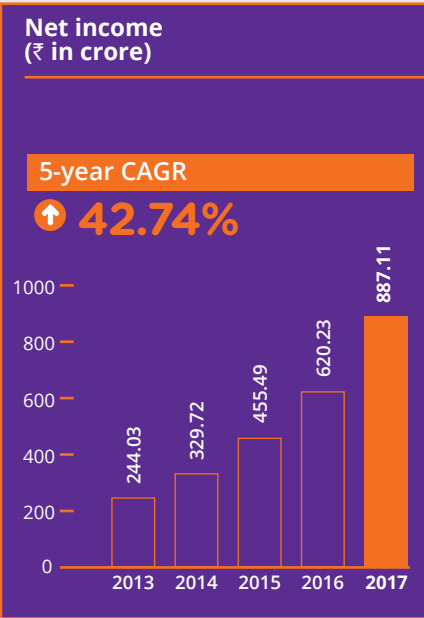
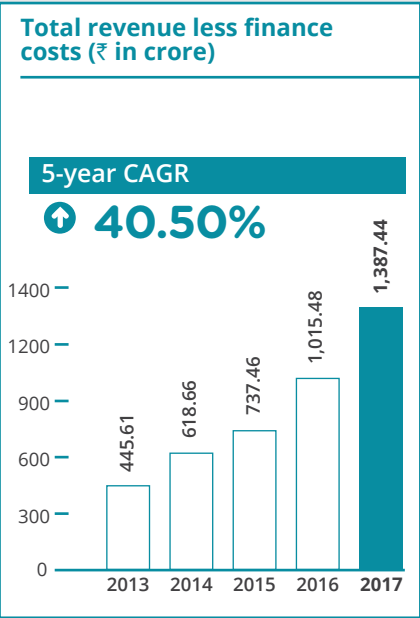
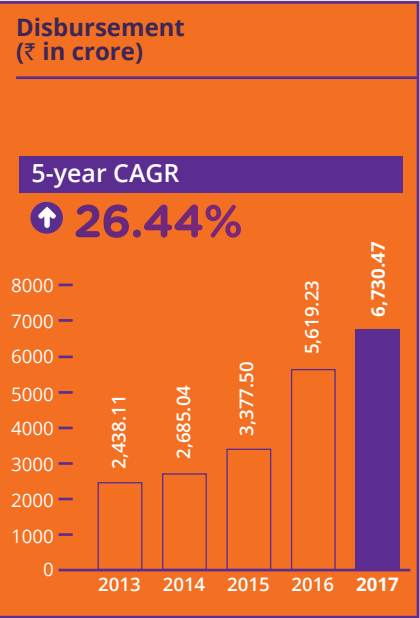


We have established a specialised government banking group to cater to banking requirements of governments and Public-Sector Undertakings (PSUs), various boards and other government departments.

We provide them a custom-made 'institutional value proposition' by bundling the following:

- ▶ Sahyog, a special savings account for government institutions.
- ▶ Pragati, our exclusive salary offering for the respective government institutions or department's employees.
- ▶ Term deposits at attractive interest rates.

Our Performance



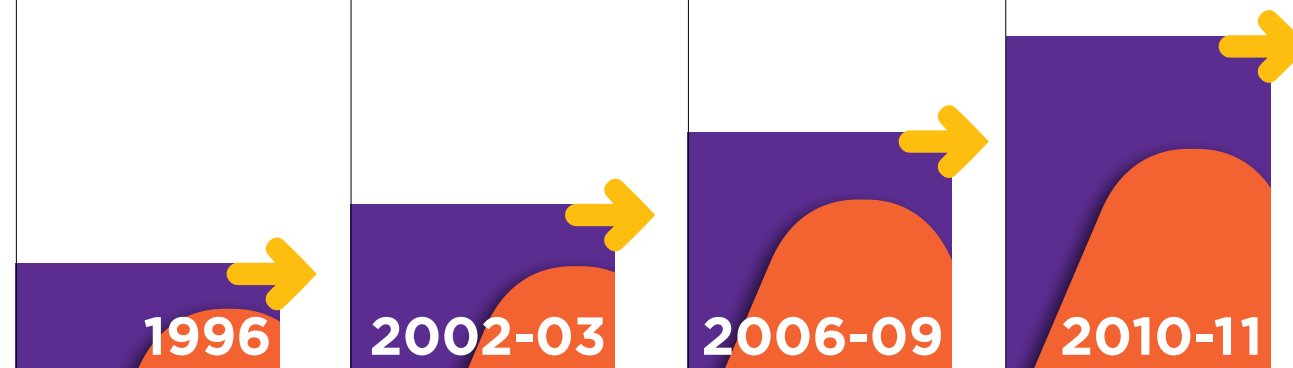
Key ratios	2012-13	2013-14	2014-15	2015-16	2016-17
Return on Equity	20.25	20.05	21.94	27.74	20.36*
Return on Assets	2.56	2.27	2.80	3.07	3.22*
Capital Adequacy Ratio (CAR)	20.82	20.44	18.54	17.10	23.04
Tier - I Capital Adequacy Ratio	17.12	17.45	17.07	13.66	21.46

*Calculated after exclusion of profits from exceptional items.

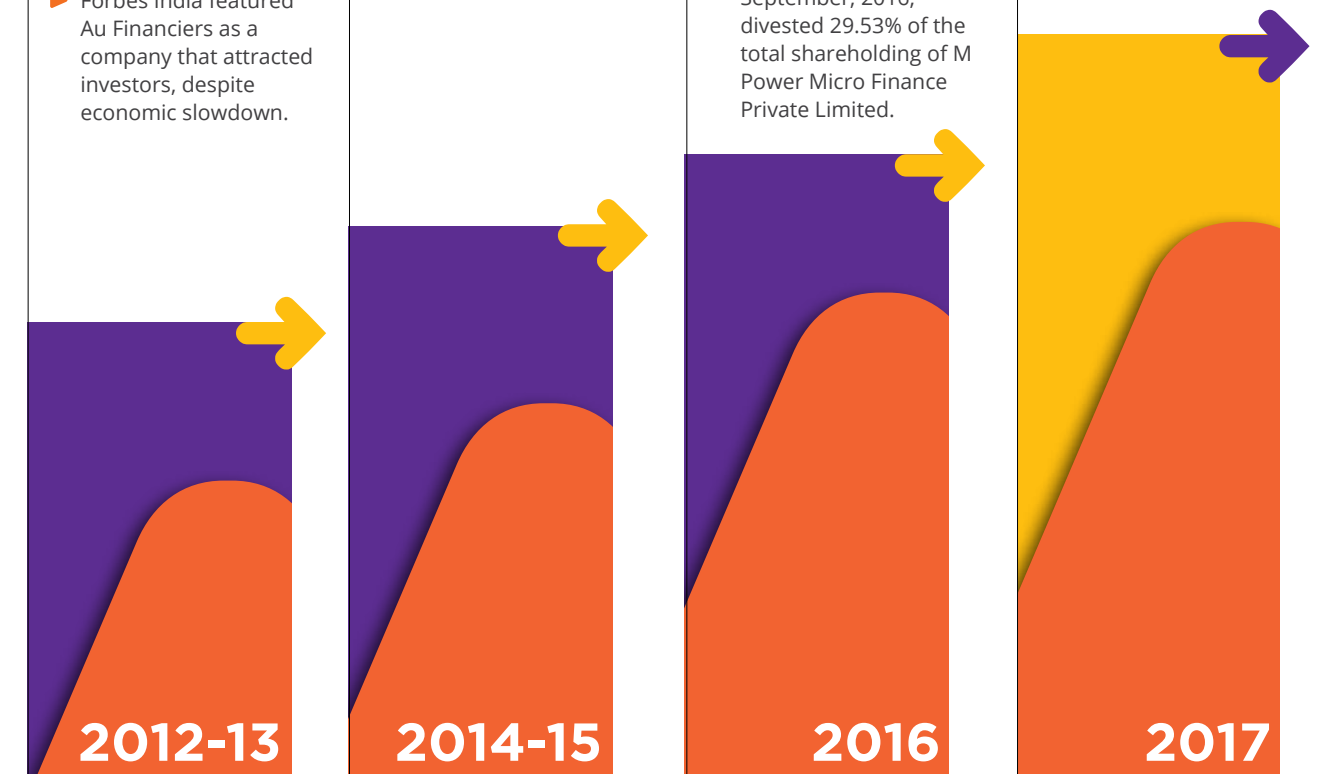
*PAT is including profit from exceptional items

Building Blocks

- | | | | |
|--|--|---|---|
| <p>▶ AU's eventful journey started in 1996. AU SMALL FINANCE BANK LIMITED was initially incorporated in the name of L.N. Finco Gems Private Limited on 10th January, 1996. It was promoted by its founder, Mr. Sanjay Agarwal, a first-generation entrepreneur and an all-India rank holder Chartered Accountant. The Company was incorporated as a private limited company in Rajasthan, with an authorised share capital of ₹ 0.1 million.</p> <p>▶ The Company started its business with vehicle finance.</p> | <p>▶ The Company received the certificate of registration from the RBI under Section 45 IA of the RBI Act, to carry on the business of non-banking financial institution without accepting public deposits.</p> <p>▶ The Company built its commercial association with HDFC Bank, as a channel business partner on a risk-sharing model for its commercial vehicles (CV) business.</p> | <p>▶ The Company expanded its base to venture into Maharashtra.</p> <p>▶ The Company obtained an investment of ₹ 200 million from India Business Excellence Fund and India Business Excellence Fund-1 (private equity funds Advised by Motilal Oswal Private Equity).</p> <p>▶ The Company spread its reach into Gujarat.</p> | <p>▶ Received fresh certificate of registration under Section 45-IA of the RBI Act from the RBI, pursuant to which the RBI has classified our Company as a NBFC-ND-AFC.</p> <p>▶ The Company obtained investments of ₹ 350 million, ₹ 60 million and ₹ 140 million, from International Finance Corporation, a member of the World Bank Group (IFC), IBE Fund and IBE Fund-I, respectively.</p> <p>▶ The Company attained the status of 'Systemically Important Non-Deposit Taking Asset Finance Company'.</p> <p>▶ Started offering Housing Loans, through whole-time subsidiary, Au Housing Finance Private Limited.</p> <p>▶ The Company further expanded its operations into Punjab, Madhya Pradesh and Goa.</p> |
|--|--|---|---|



- | | | | |
|---|--|--|--|
| <ul style="list-style-type: none"> ▶ The Company obtained investments worth ₹ 1,500 million and ₹ 330.44 million from Redwood Investment Ltd (Fund Advised by Warburg Pincus) and International Finance Corporation (IFC, a member of the World Bank Group), respectively. ▶ Established Au Insurance Broking Services Private Limited to provide insurance and broking services. ▶ The Company's operations penetrated in Delhi, Himachal Pradesh and Haryana. ▶ Credit rating upgraded two notches to CRISIL A / Stable for long-term credit facilities. ▶ Forbes India featured Au Financiers as a company that attracted investors, despite economic slowdown. | <ul style="list-style-type: none"> ▶ The Company was assigned credit rating of IND A+ / Stable for long-term credit facilities and IND A1+ for short-term credit facilities. ▶ Received a credit rating of CARE A+ for long-term banking facilities by CARE ratings. ▶ Became the only Asset Financing Company (AFC) to receive 'in-principle' approval from the RBI for establishing a Small Finance Bank. | <ul style="list-style-type: none"> ▶ The Company received final approval from the RBI for transforming its business into a Small Finance Bank. ▶ Brickwork Ratings upgraded long-term credit rating to BWRAA with stable outlook. ▶ Assigned a credit rating of CRISIL A/ watch positive by CRISIL Ratings. ▶ Pursuant to the RBI approval, dated 6th April and 18th May, 2016, the Company successfully divested its equity stake into Au Housing Finance Limited, Index Money Limited and Au Insurance Broking Services Private Limited at incredible valuation. ▶ Pursuant to the RBI approval, dated 6th September, 2016, divested 29.53% of the total shareholding of M Power Micro Finance Private Limited. | <ul style="list-style-type: none"> ▶ AU adjudged runner-up in 'Best Retail NBFC' category by Outlook Money Awards, 2016 ▶ In April 2017, pursuant to transformation of AU from an NBFC to Small Finance Bank, name of the Company was changed to AU Small Finance Bank Limited and commenced operation as a Small Finance Bank with focus on financial inclusion by providing banking services to unbanked and underbanked. ▶ AU Small Finance Bank ₹ 1,913 crore IPO had overwhelming response and Bank got Listed on 10th July, 2017. |
|---|--|--|--|



Model for Value Creation

WE AIM TO BE A RETAIL-FOCUSED, PREFERRED AND TRUSTED SMALL FINANCE BANK, OFFERING INTEGRATED AND TAILOR-MADE SOLUTIONS TO CUSTOMERS.

COMPETITIVE STRENGTH



Diversified product portfolio and revenue streams

- ▶ Tailor-made products cater to the emerging needs of our existing underserved customers.
- ▶ Serve low and middle income individuals and businesses that have limited or no access to formal banking and finance channels.
- ▶ AUM of ₹ 10,733.86 crore as on 31st March, 2017 was diversified across three business line – Vehicle Finance (50.27%) MSME (29.96%) and SME (19.77%).

Customer-centric approach

- ▶ Recruit local employees who ensure better understanding of customers in that region and their requirements.
- ▶ Personal contact with customers in rural and semi-urban markets encourages repeat business, leads to business referrals and results in high collection efficiency.
- ▶ Call centres ensure seamless flow of new business, customer service and collections.
- ▶ Customer referrals and employee referrals drive more quality portfolio.

Robust credit assessment and risk management framework

- ▶ Effective risk management policy, driven by asset-liability management committee and credit and risk committee.
- ▶ Separate credit teams for each of our business lines driven by in-house field investigation officers.

- ▶ Bespoke credit policies are periodically updated to cater to different market requirements.
- ▶ Robust collections management system - collection control room and specialised collections team for chronic case.

Experienced management team and qualified operational personnel

- ▶ Key management with more than 20 years of experience.
- ▶ Senior Management with diverse experience in a range of financial products and functions.
- ▶ In-depth understanding of geographic regions, loan products and types of collateral and businesses of customers.
- ▶ Benefited significantly from the vision, leadership, innovation and experience of our promoter, Mr. Sanjay Agarwal.

Significant presence in rural and semi-urban markets with focus on low- and middle-income customers

- ▶ Over 20 years of operating experience in rural and semi-urban markets of India.
- ▶ Widespread network of 284 branches as on 30th June, 2017.
- ▶ Focus on customers in such markets, particularly those without credit history, offers us significant growth opportunities and customer loyalty.

Delivering on Strategies

GROWTH
STRATEGIES



Leverage our existing capabilities and customer base as we transition into a retail-focused SFB

- ▶ Capitalise on our existing competencies as an asset-financing NBFC, including our branch network, existing customer base, technology proficiencies, low-cost hub-and-spoke model and local know-how.
- ▶ Offer a diverse suite of banking products and services - a single platform for multiple products and services.
- ▶ Drive a go-to-market approach.
- ▶ Emerge as a retail-focused, trusted Small Finance Bank that offers integrated and bespoke solutions.

Grow our SFB branch network in our existing markets

- ▶ Continue expanding our branch network to drive greater and deeper penetration in the western and northern states of India, where we operate.
- ▶ Focus on low- and middle-income individuals and businesses that have limited or no access to formal banking and finance channels, spread across rural, semi-urban and urban markets.
- ▶ Expanding our Branch Network in 11 states where we are operating.

Provide a comprehensive suite of banking services

- ▶ Expand beyond our existing business lines to offer a comprehensive basket of asset and liability products, along with financial advisory services.
- ▶ Operate as a one-stop shop for all banking needs, delivering high-quality products and services, along with a standardised customer experience across branches to a diversified customer base.
- ▶ Offer transaction banking operations - serve our existing customers' liquidity and cash flow

requirements; our new product offerings would enable us to supplement our existing sources of liquidity and strengthen our liability profile.

Leverage technology to grow our business

- ▶ Differentiated technology infrastructure, enhancing convenience for customers and reducing operational expenditure at our end.
- ▶ Providing tablets integrated with biometric devices and Bluetooth printers to our SFB personnel to enable faster customer verification, account opening and activation.
- ▶ Explore delivering services through alternate digital channels, such as secure online banking, mobile banking, digital wallets, online loan processing and credit approvals.

Enhance our brand presence

- ▶ Leverage and enhance our brand across our operating geographies.
- ▶ Gradually take our SFB brand towards a pan-India presence.
- ▶ Explore opportunities to enter into strategic as well as service-level collaborations for customer aggregation and servicing.

Chairman’s Review



ACHIEVED REMARKABLE FINANCIAL RESULTS - OUR DISBURSEMENTS GREW BY 20%; REVENUES ROSE BY 37%; PROFIT AFTER TAX STOOD AT ₹ 822 CRORE (INCLUDING EXCEPTIONAL PROFITS ON SALE OF STAKE IN SUBSIDIARIES OF ₹ 516.9 CRORE), WHICH WAS HIGHER BY 288% OVER FY 2015-16

THE BETTER YOU START,
THE FARTHER YOU GO.

It gives me immense pleasure to welcome you all to the first Annual General Meeting post our conversion to the Au Small Finance Bank. Financial year 2016-17 was a very eventful and exciting year for us, as we successfully transitioned into a vibrant Small Finance Bank (SFB) from an Asset Financing NBFC. Our Bank’s operations commenced on 19th April, 2017.

For the last two decades, Au FINANCIERS (INDIA) LIMITED, the NBFC, served the underbanked and unbanked customers in rural and emerging areas of north, west and central India. As an NBFC, we supported our customers to realise their personal and business aspirations by offering them vehicle finance, micro, small and medium enterprises (MSMEs) loans; and small and medium enterprise (SME) loans. Now as an SFB, we hope to do at a bigger scale, simultaneously providing a host of liability products and services covering a larger geography.

Financial year 2016-17 will remain a remarkable year for India’s economy as well as for us. The year recorded a GDP growth rate of 7.1%, positioning India as one of the fastest-growing major economies in the world. The Government continues to create an enabling economic atmosphere for fast-paced growth with right strategies and schemes.

In this context, we must mention the demonetisation drive and the implementation of the Goods and Services Tax (GST). Both these measures ushered in radical reforms in the economy, bolstering its foundations for future. Moreover, other government initiatives, such as Make in India; less-cash economy; affordable housing; Real Estate Regulatory Authority (RERA) Bill; Aadhar-linked transaction validations; Pradhan Mantri Jan-Dhan Yojana (PMJDY); Pradhan Mantri Mudra Loan Bank Yojana (PMMY) and Pradhan Mantri Suraksha Bima Yojana (PMSBY), among others, are likely to steer long-term economic development of the country.

Thus, India’s evolving economic landscape is creating both opportunities and challenges for new-age Small Finance and Payment Banks, which aim to create more

convenient and tech-friendly banking solutions. It is under this canopy of economic development that we have begun our journey as a Small Finance Bank.

For us, the year under review was progressive, as reflected below in our working results:

- ▶ Achieved remarkable financial results - our disbursements grew by 20%; revenues rose by 37%; Profit After Tax stood at ₹ 822 crore (including exceptional profits on sale of stake in subsidiaries of ₹ 516.9 crore), which was higher by 288% over FY 2015-16;
- ▶ Equipped for our Offer-for-Sale IPO of ₹ 1,913 crore, which got concluded in July 2017 - received an excellent response from all categories of investors; and
- ▶ Commenced operations as a Bank on 19th April, 2017.

We believe our operational experience as an NBFC will enable us to develop our SFB operations to create a single platform for multiple financial products and services. Our existing synergies with our customer base will help us to open more accounts and receive deposits from them.

Before I conclude, I wish to express my sincere gratitude to the Reserve Bank of India, Securities and Exchange Board of India and other Regulators for their valuable advice and support. I also thank our investors and customers for their contributions and support during our journey of transition from a Non-Banking Finance Company to a Small Finance Bank.

I also congratulate Sanjay and his team for their dedication, commitment and relentless efforts that have helped AU Financiers transform into AU Small Finance Bank.

With warm regards,
M. Venugopalan
Chairman

Managing Director & CEO’s Communique



IT GIVES ME IMMENSE PLEASURE TO SHARE WITH YOU THAT AS ON 30TH JUNE, 2017, AU BANK IS OPERATING OUT OF 284 BANK BRANCHES, 119 ASSET CENTRES, AND 23 OFFICES WITH 251 ATMS IN 11 STATES AND ONE UNION TERRITORY IN NORTH, WEST AND CENTRAL INDIA.

Dear All,

‘BIAS FOR ACTION’ IS ONE OF OUR SIX IMPORTANT AU DHARMAS, WHICH WE HAVE ABIDED BY SINCE OUR INCEPTION. EVER SINCE WE GOT THE IN-PRINCIPLE APPROVAL FOR SFB IN SEPTEMBER 2015, WE HAVE FURTHER IMBIBED AN ANCIENT SHLOKA FROM KATHA UPANISHAD AND ITS SHORTER VERSION, POPULARISED BY SWAMI VIVEKANANDA ;

उत्तिष्ठत जाग्रत प्राप्य वरान्निबोधत...
क्षुरासन्न धारा निशिता दुरत्यद्दुर्गम
पथः तत् क्वयो वदन्ति।

(कठ उपनिषद्, अध्याय १.३.१४)

“Arise, awake, and stop not till the goal is reached.”

- Shri Swami Vivekananda

For the last 24 months, the entire AU team dutifully practised this golden rule, which kept us inspired, motivated and driven to relentlessly burn the midnight oil and institute AU Small Finance Bank (AU Bank) on 19th April, 2017. It gives me immense pleasure to share with you that as on 30th June, 2017, AU Bank is operating out of 284 bank branches, 119 asset centres, and 23 offices with 251 ATMs in 11 states and one union territory in North, West and Central India. In the very first year of our banking operations, we are serving nearly 4 lacs active customers and providing employment and career opportunities to our committed workforce of more than 9,000 employees, of which, nearly 40% are employed in rural and semi-urban India.

Best time to be in business

I strongly feel that there could not have been a better time to start AU bank. Today, our economy is one of

the fastest-growing economies in the world. We are undertaking several unprecedented and radical reforms, which would perhaps take place only once in several decades or once in a century. For instance, the recent GST roll out, which followed the progressive and bold move of demonetisation in November last year.

Simultaneously, the Government of India (GOI) is also driving several path-breaking initiatives, such as Less-cash economy, Digitalisation, Financial inclusion, Make in India, Aadhaar-based transaction monitoring, affordable housing, Real Estate (Regulation and Development) Act (RERA), Swachh Bharat Abhiyan, and so on. Particularly for Banks; 1) Implementation of Insolvency and Bankruptcy Code and 2) Hardening the stance on bad loan recoveries and allowing bank to take ownership and management control are two critical welcome steps. These purposeful initiatives are further corroborated in spirit and action by the Reserve Bank of India (RBI), Securities and Exchange Board of India (SEBI), Insurance Regulatory and Development Authority (IRDA), National Bank for Agriculture and Rural Department (NABARD), National Housing Bank (NHB), other regulators and the Indian Judiciary.

However, the desired results will not come in a day and a lot of hard work, collective efforts and patience will be required from all of us. We, at AU Bank, stand committed to fully support and contribute to these initiatives.

Recapping our Bank’s journey - 2nd half of FY 2015-16 and FY 2016-17

For us, the last 12 months were a continuation of what we had set out to achieve for ourselves in September 2015. During this long spell (first between September 2015 and March 2016 and then between April 2016 and March 2017), we did multiple things simultaneously, viz.

- ▶ Divested AU Housing, AU Insurance, M Power, Index and also converted AU Financiers into an Indian company, to comply with SFB guidelines
- ▶ Built 280+ state-of-the-art modern bank branches and added ~8 lac sq ft of modern retail and office space;

- ▶ Hired more than 3,000 people (without employing any consultant and internally screening more than 1 lakh online applications)
- ▶ Inducted a superior technology platform
- ▶ Got the requisite IPO approvals from SEBI in record time, received an overwhelming response to our IPO and nonetheless delivered an outstanding performance in FY 2016-17, same like we did in FY 2015-16.

FY 2016-17, another year of outstanding results
I am pleased to apprise you that in FY 2016-17, our revenues grew 37% to ₹ 1,388 crore. Our Profit After Tax (including extraordinary income) grew by 288% to ₹ 822 crore, from ₹ 212 crore in FY 2015-16. As mentioned earlier, in FY 2016-17, we had divested companies including AU Housing, which was sold at an attractive valuation of 4.75 times of P/B wherein we made a one-off PAT of ₹ 517 crore. Our disbursements went up by 20% to ₹ 6,730 crore and our AUM (excluding AU Housing) increased by 31% to ₹ 10,734 crore over the last year. Needless to mention, our performance could have been even better save the minor impact of demonetisation.

Right from our inception, asset quality has been an area of immense importance and has received utmost management focus. Our Capital Adequacy Ratio stood at 23.04% with a Tier 1 Capital of 21.46%.

Overwhelming IPO response and listing
Another major highlight of the last few months was, gearing up for our IPO, which was also slated to be one of the largest private sector bank IPOs in last 10 years. For the IPO, I extensively travelled for nearly two months and personally met all the fund managers and investors in Hongkong, Singapore, USA, Europe and in key cities of India and explained to them our uniqueness, our DNA, our culture, our vision and our long-term plans. Our team along with our merchant bankers, extensively marketed AU Bank IPO by personally visiting 12 key cities of India.

Our IPO of ₹ 1,913 crore, a pure offer-for-sale IPO, received an overwhelming response from all categories of investors and was oversubscribed by nearly 54 times. Our listing has provided an investment and wealth

creation opportunity to a wider set of investors. You would be pleased to know that both, the AU Bank launch and the AU Bank IPO, have given us tremendous brand visibility and this will go a long way to build our brand and will also fast track our growth.

The 'BIG' India opportunity
India continues to remain among the fastest-growing economies in the world. Our economy is projected to grow at 7.2% in FY 2017-18 and later accelerate at 7.7% by FY 2019-20 (Source: World Bank).

Within banking, there lies a big opportunity. In India, only 53% of the households have bank account compared to ~97% in the UK and ~88% in USA. Likewise, our current penetration of 0.4 Cards, 0.1 ATMs and 0.9 POS terminals for every 1,000 people is lowest, even among developing nations. In branch network also, there is a big disparity between number of branches for every 100,000 individuals in rural and urban areas (Source: Mckinsey, RBI, Research Reports).

In December 2016, we had ~432 million internet users, the third highest in the world after China and USA, and the number is growing exponentially. India is perhaps the only country, which has issued Digital IDs (Aadhaar cards) to almost all its citizens. Our mobile phone penetration has already crossed 1 billion handsets (including 150 million plus smartphones) and experts estimate that by FY 2020, we will have roughly half a billion smartphone users in India.

As we rise to explore this big opportunity, we remain cognizant of the novel ways and tech-enabled, newer disruptive models, which are redefining conventional banking in India.

New priorities and AU Bank's strategy
Therefore, while our primary objectives would be to

- ▶ Make banking simple, easy and accessible
- ▶ Provide employment opportunities to people
- ▶ Contribute in financial inclusion
- ▶ Maintain and grow our asset quality
- ▶ Be best among the new generation SFBs

I would feel proud, if alongside, we could replicate the Apple-like 'Product' innovation and Uber-like 'Disruptive' innovation in Indian Banking industry.

Post commencement of the Bank in April 2017 and the subsequent successful listing, we have already shifted our entire focus on our key priorities.

Talking of our strategy, historically, AU has been a retail asset franchise and even now as AU Bank, we will continue to focus on retail assets for the next 2-3 years. Concurrently, during this period, we will build a granular liability franchise and offer differentiated yet simplified products through our state-of-the-art bank branches. Wholesale assets would continue as a secondary conduit to our funnel. We have also started to work on Digital Banking and Analytics, which will not only supplement assets and liabilities but will also independently bring major growth in future.

Key constituents of our strategy would be Customer centricity
Customers have always been of paramount importance at AU and for last 20 years, we have constantly strived to delight our customers. We are committed to serve the unbanked and the underbanked population and will continue to focus on reaching larger number of people.

Since a large pool of our valued customers come from rural, semi-urban, and low-income urban population, we are striving to make banking easy, simple and accessible for them. Some of the differentiated ways by which we are trying to achieve this are:

- ▶ Digital on-boarding and account opening through e-KYC (no forms/ documents needed)
- ▶ Paperless transactions at branches (with no or minimal forms, no cash deposit or withdrawal slips, no RTGS forms, and so on)
- ▶ Concept of 'No home branch'- strictly advocating this concept to ensure same service levels to our customers at all our branches
- ▶ Higher interest rates and monthly interest payouts

- ▶ Biometric ATMs (soon to become operational)
- ▶ Provision of cash recyclers at 50 locations

Distribution
We intend to offer our retail asset and liabilities products through online and branch banking channels. We are also on-boarding individual customers digitally through a tab-based application, which employs e-KYC verification and enables paperless account opening. Soon we will use this facility to offer a wider range of services.

We have categorised our 284 bank branches in five categories (from A to E). Our A and B category branches are focused more on urban businesses, whereas C, D and E category branches are focused more on inclusive banking.

On top of our existing network, we aim to have more than 500 customer touch points by March 2018, which would comprise liability branches, asset centres and unbanked branches. For next the 2-3 years, we would prioritise deepening our presence and outreach in

OUR REVENUES GREW 37% TO ₹ 1,388 CRORE. OUR PROFIT AFTER TAX (INCLUDING EXTRAORDINARY INCOME) GREW BY 288% TO ₹ 822 CRORE, FROM ₹ 212 CRORE IN FY 2015-16.

our existing core markets and would also explore the business correspondent model.

Product bouquet

We have started our banking operations with a complete bouquet of differentiated products, which have been carefully designed keeping in mind the requirements of our customers.

In the Retail Bank, we have added new products, such as Gold Loan, Agri Loan and CC/Overdraft (OD) facility in addition to our primary products of Wheel Loans, MSME Loans and SME Loans. We will soon add Housing Loans as a part of the product offerings.

In the Wholesale Bank, we have added Business Banking Loans with the facility of CC & OD. We will continue our selective focus on non-banking financial company (NBFCs) and micro-finance institutions (MFI) and real estate group.

On the Liability side, we are offering a full array of products and services like current accounts (CA), saving accounts (SA), term deposits, locker services and collections. We have also started offering online banking

with NEFT fund transfer facility. We have started building our digital payment solutions, such as internet banking, Bharat Bill Payment System, NACH, cash management services, wallet services, IMPS, and so on. These services are in their implementation phase and will stabilise fully till next year, by when we will start offering the digital payment services exhaustively.

As on 30th June, 2017, we had opened nearly 50,000 Current and Savings Account, and had mobilised ₹ 815 crore of Current and Savings Account Deposits, Retail and bulk deposits.

In the newly established Digital Banking vertical, we are working towards starting a new product line, which will be offered completely through digital channels/digitally assisted modes.

Information technology

Being a late entrant in the banking business, we capitalised on the late comer's advantage and carefully selected a mature technology stack, which is used by some of the leading private sector banks in India, as well as globally.

Realising that banking is increasingly becoming techno-functional, we had allocated a large budget on our IT infrastructure. We have acquired a contemporary IT stack mainly from Oracle, comprising 18 core applications and other secondary applications.

We have already implemented several key applications including Oracle's Core Banking and Accounting Platform (Flexcube), Newgen's Loan Origination Platform and CRM Next's – Customer Relationship Management (CRM tool) and are in the process of implementing others.

Our investment in technology architecture is commensurate with the current size of our operations and the expected growth for the next few years. Our IT platform is the backbone of our bank. It will take a few months to fully stabilise our IT function before it starts yielding results and aids us in managing our risk, compliance, productivity and profitability.

Risk management, internal audit and internal control

We seek to promote a stronger risk management culture as we now act as custodians of public money and our shareholders investment in us. To ensure active risk administration, the ownership of overall governance and risk management lies with our Board of Directors. To execute this function efficiently we have set up key risk management committees at the Bank, such as Credit Risk & NPA Management Committee (CRNPAC), Risk Management Committee of the Board (RMCB), Operational Risk & Information Technology Risk Management (OR & ITRC) and Asset Liability & Market Risk Committee (ALCO & MR Committee).

These committees assist the Board and the management by overseeing and reviewing the risk management principles, policies, strategies, processes and controls. We will always remain committed to put in place advanced risk management models commensurate with size, scale and complexity of our business. The Audit Committee of AU Bank is appointed by the Board of Directors and it assists the Board in review of the auditing and accounting matters and the risks related thereto and also assesses the robustness, adequacy and reliability of our internal control systems.

Analytics

We consider technology to be a big enabler and value creator. With our track record of last 20 years, we have obtained data of more than one million existing customers, past customers, co-borrowers, and guarantors put together and are additionally generating numerous data points about our customers, daily. At AU Bank, we have created a framework to store, analyse and use this data to generate analytics to help us design and define impactful strategies specific to customer groups and customer behaviours.

People management, career orientation and skill development

After capital, 'people' are the most valuable pool of asset for any organisation. At AU Bank, we have an excellent track record of nurturing talent and leadership. Most of our regional leaders of Retail Bank and Wholesale Bank are old homegrown AU colleagues. At AU, we believe in inclusive development of all our colleagues and have

offered employee stock ownership plan (ESOPs) since 2008 to employees of all ranks and work profiles ranging from starting level employees to the members of Senior Leadership Team. AU Bank also offered ESOPs to almost all the recent senior management recruits and people hired at branch manager level and above in the liabilities vertical.

AU Bank has significantly invested in Human Capital Management (HCM), one of the best digital applications, in order to objectively monitor, manage and develop its workforce.

Board of Directors

At AU, good corporate governance has always been by choice rather than by rule. Now that we have become a bank, we have a far bigger responsibility of better governance, as we now act as the custodians and trustees of public money.

Our Board comprises Independent Directors and all the members are committed to ensure sound corporate governance practices. We are also looking forward to expanding our Board in the near future, which will be subject to any applicable conditions in our licensing/ operating guidelines or any other statute or directives of the RBI or other agencies.

Time and again, we have received guidance and support from our Board of Directors and I would express sincere thanks to all my present and past Board members for their immense contributions in our journey.

Corporate Social Responsibility (CSR)

At AU, we firmly believe in giving back to the society and an integral part of our sustainability strategy is to engage with the marginalised communities and contribute towards their socio-economic wellbeing. Our CSR initiatives focus on education, healthcare and community development. We have associated with multiple non-government organisations like Banasthali Vidyapith, Akshaya Patra, Louis Braille Drishtiheen Vikas Sansthan, Rajasthan Netrahin Kalyan Sangh, JK Lon Hospital and Adarsh Vidya Mandir, among others to drive our social outreach programmes.

AS ON 30TH JUNE, 2017, WE HAD OPENED NEARLY 50,000 CURRENT AND SAVINGS ACCOUNT, AND HAD MOBILISED ₹ 815 CRORE OF CURRENT AND SAVINGS ACCOUNT DEPOSITS, RETAIL AND BULK DEPOSITS.

of

Acknowledgement

I hereby convey my deepest gratitude and a ‘big’ thank you to the Government of India and the Reserve Bank of India for providing us an opportunity of this stature, which happens only once in a lifetime.

I extend a special thanks to the respected dignitaries of the Reserve Bank of India and their teams, for believing in AU Financiers, for handholding and guiding us through our application and approval process, for teaching the ethos that as a bank we are the custodian of public money.

I am also thankful to SEBI for supporting us in our IPO process. I also want to acknowledge the support of our merchant bankers, brokers, media, PR agencies, analyst community and investors and want to thank them for their undeterred cooperation in all our endeavours. I express my humble gratitude to financial institutions like NABARD, SIDBI, Mudra, HDFC Bank and other lenders for extending their support in our transition from an NBFC to an SFB.

I strongly believe AU could achieve all this in such a short span of time, primarily because of the non-stop and relentless hard work of the entire team of AU. I would like to thank everyone at AU and their families, who contributed in our journey. It is indeed a good job done and I express my deepest gratitude for their support and trust.

As I conclude, I would remind myself and my team, the two lines from the poem of Shri Harivansh Rai Bachchan

Chalo Aage Badhe!

Regards
Sanjay Agarwal
Managing Director & CEO

जब तक न सफल हो,
नींद चैन को त्यागो तुम,
संघर्ष का मैदान छोड़ कर
मत भागो तुम।

कुछ किये बिना ही
जयजयकार नहीं होती,
कोशिश करने वालों की
कभी हार नहीं होती।

Whole Time Director’s Review



Dear Friends,

Financial year 2016-17 was a landmark year for all of us at AU. We began the journey for AU Small Finance Bank, when we applied for the small bank licence about

two-and-a-half years ago. In September 2015, we got an in-principle approval that began our journey of transformation.

Today, we, at Au Financiers (India) Ltd., a reputed Indian Non-Banking Finance Company, have transformed into AU Small Finance Bank. We believe that although the country has regional rural banks, cooperative banks and other small entities, besides a giant network of public and private sector banks, there is still a significant void in the banking sector. This gap can be bridged by small finance banks.

Financial inclusion is one of the important agendas of our government. Small finance banks, with their penetration in Tier-2 and Tier-3 geographies and middle and lower income groups, can help achieve this objective very well. As a small finance bank, we aim to support the vision of our government and the RBI to the best of our capability.

Customer at the core

In line with the vision of our Managing Director & CEO, we have built a customer-centric bank where we keep the customer at the heart of all our strategies.

We have created a customized products and services bouquet to cater to the needs of different customer segments, with differentiated propositions for their personal and business banking needs.

We strengthened our business model to offer a diverse suite of banking products and services by leveraging our asset-based lending strengths. In addition, our existing customer base and cost-efficient technology-driven branch operating model has helped us create a successful new Small Finance Bank.

We believe that transitioning to a bank offers us significant growth potential; and we aim to be a retail-focused, preferred and trusted SFB, offering integrated and tailor-made solutions to customers.

With Regards,
Uttam Tibrewal
Whole Time Director

Going Farther with Big Aspirations

INDIA IS HOME TO OVER 21% OF THE WORLD'S UNBANKED ADULTS. WITH MORE THAN TWO DECADES OF EXPERIENCE IN RURAL AND SEMI-URBAN MARKETS, AU CONTINUES TO SERVE CUSTOMERS IN SUCH MARKETS, PARTICULARLY THOSE WITHOUT CREDIT HISTORY. OUR INSIGHT OF LOCAL CHARACTERISTICS HAS ENABLED US TO UNDERSTAND UNIQUE NEEDS OF TARGET CUSTOMERS AND PENETRATE DEEPER.



At AU Bank, we enable a convenient banking experience for all sections of society. Our focus is to un-complicate banking and we will continue to cater to the aspirations of those near the bottom of the pyramid.

Our Company was categorised as a 'Systemically Important, Non-Deposit Accepting Asset Finance Company' (NBFC-ND-SI-AFC) by the RBI. We are the only NBFC considered as an asset finance company to obtain the small finance bank licence. Our decision to convert into an SFB was pursuant to our mission of financial inclusion and offering a diverse range of financial products and services to the underserved and unserved segments of the Indian population.

What began as a dream to be one of the fastest growing NBFCs, Au Financiers is now AU Small Finance Bank. Throughout our journey, we have focused on solutions, completely based on the evolving needs of our customers.

We aim to be a retail focused, preferred and trusted SFB, providing integrated and tailor-made solutions for the underserved ecosystem with a technology-led model for superior service and low-cost reach. Our ecosystem is supported by robust IT, risk management and human resource processes, policies and systems.

This transformation from being a finance company to a bank reflects our corporate credo.

- INCLUSIVENESS
- PROGRESS FOR ALL
- SIMPLICITY
- ACTION AND URGENCY

Convenience-first approach

As a new bank, we are committed to deliver customer delight through:



Paperless account opening

We follow an Aadhaar-enabled paperless account opening procedure



Something for everyone

Our Savings Account basket comprises customised products for children, students, women, salaried people, senior citizens and self-employed people, among others. Each product offers distinct USPs.



Simple and fast

We have put in place a paperless banking procedure, where our customers have no/minimum form/slip filling. Transactions can be initiated through a simple thumb impression.

SFB Branch Expansion Strategy

WE CONTINUED THE CONTIGUOUS EXPANSION OF OUR BRANCHES ACROSS REGIONS BY LEVERAGING OUR EXISTING BRANCH NETWORK. ALL OUR BRANCHES WILL BE OPTIMALLY EQUIPPED IN TERMS OF PERSONNEL, INFRASTRUCTURE AND PRODUCT OFFERINGS AND WE INTEND TO OFFER CUSTOMERS A STANDARDIZED EXPERIENCE ACROSS ALL BRANCHES.



Our urban branches will be in urban and metro centres, while our semi-urban branches will be in semi-urban centres that have growth potential. Our rural branches will have cost-effective and lean infrastructure and will be in rural areas that have growth potential targeting the disbursement of credit to low and middle income individuals and micro businesses. We also intend to engage business correspondent partners to enhance our reach in unbanked locations for the sale and service of deposit and asset products.

Branch expansion plans

In terms of starting of our banking operations, we set a humongous task of starting our banking operation at big scale, wherein we launched our 1st Branch, 'Hathroi Fort Branch – Ajmer Road' on 19th April, 2017. This is the place where we belong to when we started our operations as an NBFC two decades ago, with a vision to build a financial institution to recon with.

We have received the RBI approval to open 431 SFB branches during the financial year 2017-18. We have opened 284 Bank Branches, have 119 Asset Centres and 251 ATMs spread across 11 states and a union territory, as on 30th June, 2017 and shall open balance branches also gradually.

The Bank offers comprehensive suite of product and services. On the Asset side, Bank is offering Retail Loans – Wheels Loan, Secured Business Loans to MSME & SME, Gold Loan and Agri Term Loans – NBFC Loans, Real Estate Group Loans and Business Banking Loans. We also offer Wholesale Loans as part of secured Business loan offerings.

On the liability side, the Bank is offering Current Account, Savings Account, Term Deposits, Recurring Deposits and transaction banking services. In addition, the Bank is also offering locker services.



Taking our Brand Places

WE ARE COMMITTED TO STRENGTHEN OUR BRAND AND BUILD OUR PRESENCE IN THE HIGHLY COMPETITIVE INDIA'S BANKING LANDSCAPE. AT THE SAME TIME, WE ARE SHARPENING OUR FOCUS AND DEVELOPING NEW CUSTOMERS AND INDUSTRY RELATIONSHIPS BEYOND OUR EXISTING BUSINESS LINES. WE ARE EXPLORING OPPORTUNITIES TO ENTER INTO STRATEGIC, AS WELL AS SERVICE-LEVEL COLLABORATIONS FOR CUSTOMER AGGREGATION AND SERVICING, TO TAKE OUR SFB TO THE CUSTOMER. AND THEREBY, BUILD AND EXPAND OUR NETWORK OF BRANCHES AND WIDEN OUR PENETRATION TO THE NON-INSTITUTIONAL DEPOSITOR AND CUSTOMER BASE.



We will continue to leverage our brand by engaging with existing and potential customers through customer literacy programmes, sponsor popular events in regions where we operate and place advertisements in newspapers, on the radio and in other advertising media. We have rolled out a new logo for our bank and will continue to invest in various brand enhancement initiatives.



AU Bank brand identity

Reminiscent of the rising sun, AU Bank heralds a new dawn into the lives of everyone it touches. This sentiment is perfectly captured in our thoughtfully designed logo. The colours are young and vivid, providing relief from the clutter and demand attention. The colour **ORANGE** is warm, inviting and depicts optimism. The colour **PURPLE** evokes

creativity, innovation and a sense of premiumness. To balance the attributes of the above two colours, we have used white, which depicts simplicity, transparency and symbolises new beginnings.

Our logo philosophy seamlessly blends with our tagline **'चलो आगे बढ़ें'**

It is a no-frills articulation of our brand ethos – 'no matter what your goal is, we'll help you achieve it'. The simple idea that we will walk with the customer all the way is communicated succinctly with this carefully crafted tagline.

Getting ready for the bank rollout

As we are bringing on new talent on board with the establishment of branches across 11 states, we ensured there was a uniformity of thought across the organisation. Hence, each staff member of the branch went through a 30-day rigorous training, which was done in association with the Manipal Global Education Services. The training did not only brief them on different aspects of our business but also ensured that the entire team is adequately equipped to cater to the requirements of our existing and new customers.

Bank branch reinforces brand AU

The unique look of branches of AU Small Finance Bank is the outcome of extensive and meticulous research. This extensive research done by a reputed agency in branding, led to the concept of 'Meri Branch'. This is to give our customers a sense of comfort with the imagery of their city or state.

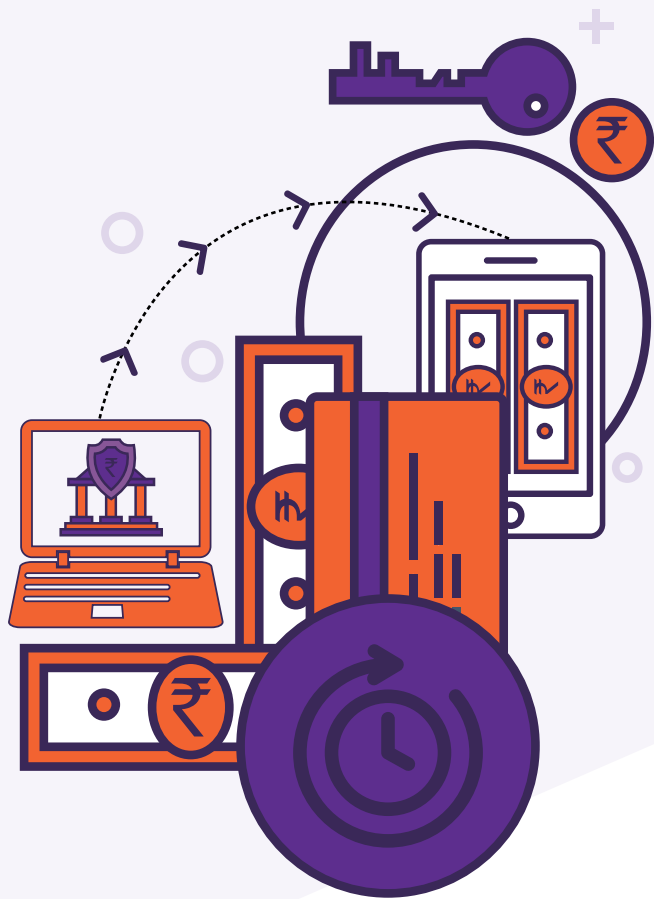
While the branches of Jaipur have the imagery of 'Hawamahal', Delhi AU branch welcomes their customers with 'Qutab Minar'. Besides, we created an innovative and unique visual language, prominently placed in the branch. Even when the customer is not interacting, we communicate our customer-centric approach through our visual language.

Over 280 branches launched

Within less than four months of its operation, AU SFB is already operating 284 branches across Rajasthan, Delhi NCR, Madhya Pradesh, Himachal Pradesh, Chhattisgarh, Punjab, Haryana, Gujarat, Goa, Maharashtra and Uttar Pradesh. Besides, our new Head Office 'Bank House', and Corporate Office were also launched recently.

Technology takes us Ahead

WE BELIEVE INFORMATION TECHNOLOGY (IT) IS SIGNIFICANTLY CRITICAL TO ACHIEVING OUR OBJECTIVE OF PROVIDING EXCEPTIONAL CUSTOMER-CENTRIC SERVICES. TO UPGRADE OUR CUSTOMER-SATISFACTION INDEX, WE HAVE STEADILY ENHANCED OUR INVESTMENTS IN OUR IT ARCHITECTURE. WE BELIEVE, THIS WILL HELP US TO PROVIDE QUALITY SERVICES AT LOW-COSTS AS AN SFB.



Partnering success

We partnered with several software services companies like Accenture to implement and integrate our IT systems. Our core banking solution, internet and mobile banking solutions, mobile applications and enterprise risk management systems were implemented by Accenture. Moreover, we migrated to Oracle Flexcube Core Banking Solution to better support our SFB offerings and assist handling large transactional volumes.

Other IT-enabled functions like customer relationship management (CRM), loan origination system, collections system, and HRMS application, among others were integrated and implemented by respective OEMs. The same OEMs have taken over the maintenance of these systems. Entire application stack is hosted at a Data Centre in Mumbai, along with equivalent capacity of Disaster Recovery site in Bengaluru.

In FY 2016-17, we launched the following IT initiatives:

Mobility solutions for customers and sales force

We launched internet banking services for our customers, while mobile banking app will be launched soon. Besides, we implemented digital on-boarding of customers in assisted mode. Through this application, our customers can digitally sign documents and provide biometric verification for further transactions with the bank.

Additionally, our sales and collections team use IT enabled systems through mobiles and tablets that enable them to upload documents, conduct transactions and check credit history reports online. Moreover, the system can be used for loan origination, field investigation, and capturing leads and opening current and savings accounts.

Customer data analytics

We used customer analytics data across multiple touch points, such as call centres, sales force, branches and web-based and mobile applications to design custom offerings. Analytic insights will be used to launch new campaigns and loyalty programmes to further engage customers.

Internal processing and monitoring

We have built an effective credit assessment framework. A detailed credit score model was used to establish the credit assessment process. The result is a simplified interface to ensure faster assessment. Our model is based on a centralised risk-based loan-to-value pricing matrix. This has enabled centralised processing units and upgraded our existing platforms for our SFB.

The following initiatives were launched to enhance our processes:

Call centre operations

We increased the size of our call centre team to approximately 200 personnel to manage the SFB operations. We integrated IVR system with the CRM and have set the IVR in select regional languages. This will help us to cater to our extensive customer base.

Liability processing hub

To honour our liability customers with high-quality services and low turnaround time, we established a central liability processing hub. This hub is focused on executing backend operations, including account opening, preparing and dispatching welcome kits and generating PINs. Thus, providing a single-window experience to our customers.

Cheque processing centre

We have established a cheque processing hub for the cheque truncation system. This helped perform the tasks according to the specifications and standards prescribed for data and images by regulatory authorities. The hub simplified our inward and outward clearing processes.

Complaints management and grievance redressal system

We have instituted a dedicated grievance helpline and grievance redressal mechanism through our call centres. This will help us resolve customer complaints in an effective way.

Better cash dispensing machines

We purchased cash dispensers from AGS Transact Technologies Limited and NCR Corporation India Private Limited. Moreover, we procured automated cash

recyclers from Hitachi Payment Services Private Limited that will let customers deposit cash in ATMs. This will enable us to do away with the task of re-filling the cash reserves at these designated ATMs.

IT modules and functionalities

Name of application	Modules/Functionalities
CRMNext	<ul style="list-style-type: none">▶ Lead management▶ Customer on-boarding and know your customer (KYC)▶ Service request management and complaint management▶ Campaign management (sales)▶ Call centre/interactive voice response (IVR)▶ Customer 360-degree view
Flexcube Core Banking Solutions	<ul style="list-style-type: none">▶ Liability accounts: CASA, payments, clearing and remittances▶ Trade finance, loans/OD/CC, limits and collaterals
Newgen - Cheque Truncation System (CTS)	<ul style="list-style-type: none">▶ Cheque truncation system (inward and outward cheque processing)▶ Loan origination and collection system
OmniDocs	<ul style="list-style-type: none">▶ Document management system
Oracle Banking Digital Experience (OBDX)	<ul style="list-style-type: none">▶ Internet banking and mobile banking
Oracle Financial Services Analytical Application (OFSAA)	<ul style="list-style-type: none">▶ Anti-money laundry system▶ Asset Liability Management▶ Fraud Management▶ Risk Management
Oracle - Enterprise Generation Language (EGL)	<ul style="list-style-type: none">▶ General ledger, accounts payable and fixed assets
BAZ expense management system	<ul style="list-style-type: none">▶ Expense management: vendor/ employee claims, vendor empanelment
Oracle - Human Capital Management (HCM)	<ul style="list-style-type: none">▶ Human resources management system (HRMS)▶ Employee lifecycle management
Oracle Business Intelligence Enterprise Edition (OBIEE)	<ul style="list-style-type: none">▶ Enterprise reports and dashboards

Reinforcing the Risk and Governance Architecture

WE INTEND TO AUGMENT OUR RISK MANAGEMENT INFRASTRUCTURE BY SETTING UP A RISK MANAGEMENT COMMITTEE OF THE BOARD AND AN OPERATIONAL RISK MANAGEMENT COMMITTEE.

The Risk Management Committee (RMC) will assist our Board by supervising and assessing our Bank's risk management principles, policies, strategies, processes and controls. Its functions will include evaluating credit risk policies and overseeing the credit risk management of our SFB. Besides, the RMC will appraise non-performing assets (NPAs) and capital adequacy computations, review audit and regulatory findings, and any related non-compliances. This committee will be supported by our Credit Risk and NPA Management Committee, Asset Liability Management Committee and IT & Operational Risk Management Committee.

IT & Operational Risk Management Committee will identify, evaluate, control and work to mitigate operational risks at our SFB. We will follow a basic indicator approach for calculating operational risk capital requirements. Moreover, we intend to enhance the scope of our Credit Risk and NPA Management Committee and Asset Liability Management Committee in connection with our SFB operations. We are implementing a number of risk management policies including Risk Management & NPA Management Policy, for the Bank.



Comprehensive audit mechanism

At present, we work with internal and external audit teams. The audit reports are scrutinised by the Enterprise Risk Management team to address any deviations from our policies. As an SFB, we are introducing new internal audits to ensure rigorous monitoring and compliance, such as:

- ▶ Risk-based process audits for all branch and non-branch processes
- ▶ Know your customer (KYC) audits for all new and existing accounts at liabilities processing hub and loan processing centres
- ▶ ATM and vault audit; currency chest audit
- ▶ Management audit for all functional departments at our head office and regional offices
- ▶ Compliance audit for ensuring compliance with all regulatory requirements
- ▶ Snap audits for new branches and existing branches identified as high-risk branches
- ▶ System-based offsite surveillance to detect risk triggers and provide inputs to field auditors before branch audits
- ▶ Self-audits by branches at periodic intervals to ensure compliance with our policies and applicable rules and regulations.

Robust internal audit mechanism

Our Bank's internal audit function performs independent and objective assessment. It monitors adequacy, effectiveness and adherence to internal controls, processes and procedures instituted by the management and extant regulations. The function has adopted a risk-based approach of internal audit (RBIA). The RBIA approach has been structured taking into account the RBI guidelines and internationally established practices. In line with the RBI's guidelines on RBIA, we have adopted a robust internal audit policy, which helps us conduct RBIA across all auditable entities. The internal audit function assesses business and controls risks of all branches and business units to formulate a risk-based internal audit plan, as recommended by the RBI. The audit frequencies are aligned with the risk profile of each unit to be audited. The audit function also proactively recommends improvements in operational processes and service quality.

Moreover, the internal audit function carries out management self-assessment of the Bank's Internal Financial Controls adequacy and operating effectiveness of such controls in terms of the Companies Act, 2013.

The Internal Audit department functions independently, under the supervision of the Board's Audit Committee. The Board reviews the efficacy of the Internal Audit function, effectiveness of internal controls laid down by the Bank and compliance with internal and regulatory guidelines. This is in alignment with the best practices on corporate governance.

Growing Stronger with Human Talent

AT AU BANK, OUR SUCCESS IS BUILT ON THE FOUNDATION OF TALENT, HARD WORK AND SKILLS OF OUR PEOPLE. WE BELIEVE, PROVIDING EMPLOYEES WITH A CONDUCTIVE WORK ENVIRONMENT MOTIVATES THEM. MOREOVER, WE OFFER OUR TEAM WITH A HEALTHY WORK-LIFE BALANCE, WHICH ENHANCES THEIR PRODUCTIVITY IN THE LONG RUN. WE PROVIDE OUR DIVERSE WORKFORCE WITH AMPLE OPPORTUNITIES TO DEVELOP PROFESSIONALLY THROUGH VARIOUS SKILL DEVELOPMENT PROGRAMMES.



Recruitment, training and employee engagement strategy
Our customer-centric approach influenced our recruitment strategy. We emphasise on hiring local employees, who assist us better in understanding customers and their requirements of the region. To train our new recruits in each line of our Bank's business, we organised a trainee programme for them. This further helped the new team members acclimatise in the work-ecosystem.

Moreover, our employees received regular training focused on leadership, behavioural and functional development. These training sessions were designed to keep the teams updated on latest development in the finance sector and enhance their capabilities. Besides, these helped us identify talent for leadership roles and develop a pipeline of leaders. Additionally,



we implemented an Employee Stock Ownership Plan (ESOP) scheme, along with a range of incentives and employee engagement programmes.

These initiatives served to motivate our team and help enhance their performance through different growth opportunities and skill development.

FY 2016-17 was an eventful year for us, as we embarked on the journey of a small finance bank (SFB). To smoothen our transition into the new role we have recruited 3,000+ new personnel till March 2017. For a successful transformation into an SFB, we undertook the following initiatives:

Manpower planning and recruitment
We continued to hire local candidates. Our 'home coming' policy allowed out-station employees to find jobs in their hometowns with our Bank. All recruits went through classroom training sessions on our values and culture. The newcomers were further trained on advanced banking concepts, processes and systems, complemented by field visits and branch-based training for newcomers. This helped our team prepare better to handle clients.

Skill-building
We introduced training programmes for all employees and ensured they undergo 20 hours of training each year. We focused on training our sales personnel about our new products and services. We are confident this will help our team to improve customer experience. We employed in-house trainers and external training agencies to train our personnel on credit assessment, risk modelling and information technology security.

We believe in providing our employees with a conducting work environment and ample opportunities to develop professionally through various skill development programmes.

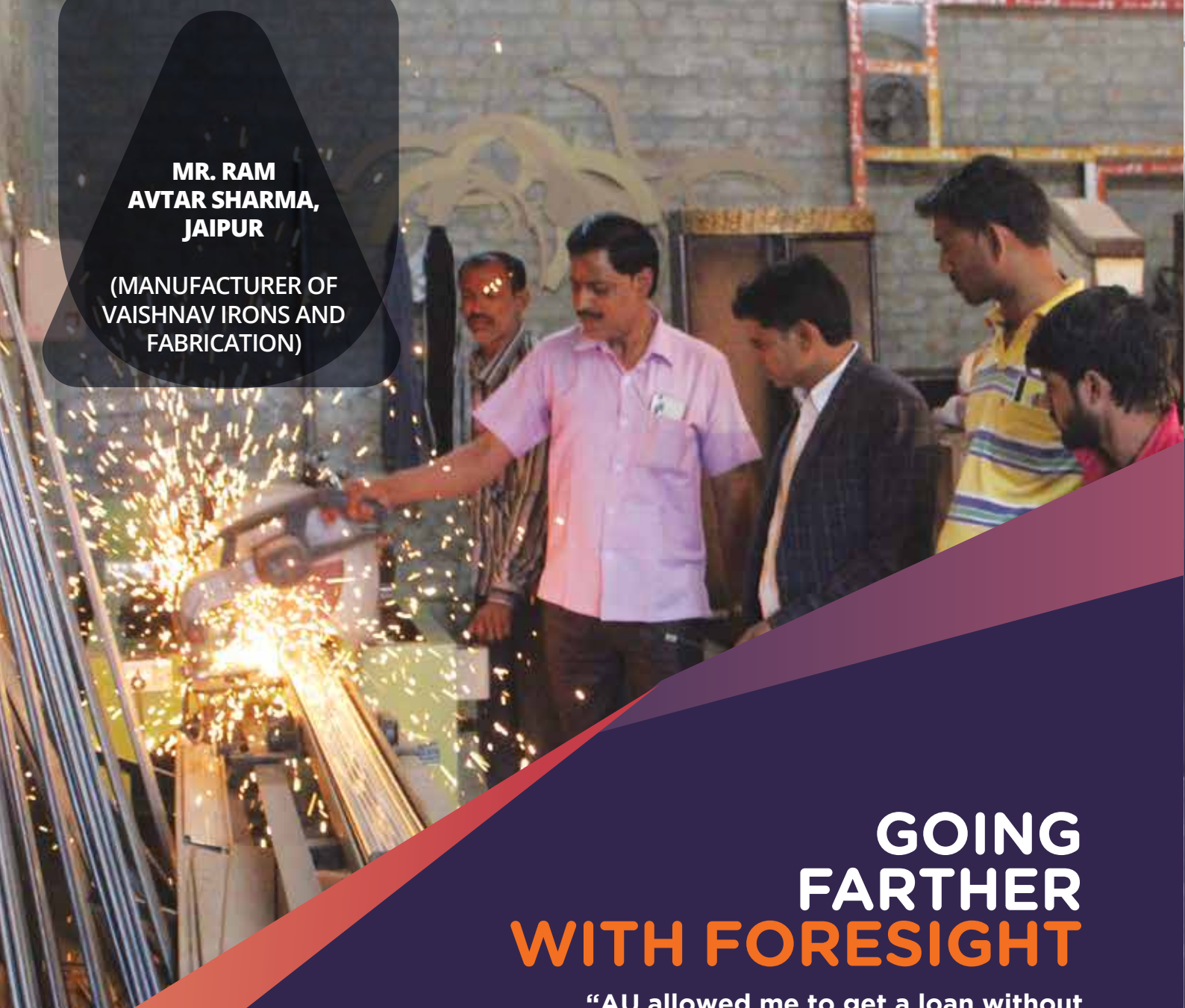
Performance management
We used our appraisal process and incentive structure to augment employee motivation with a recognition mechanism of monthly and quarterly awards for special contributions. Apart from motivating employees, continuous assessment will help us identify talent better.

Leadership development
We made investments in developing leaders across business functions in the Company. We utilised targeted coaching and mentoring programmes for the purpose. Moreover, we introduced a succession-planning programme as a definite and sustainable model of supplying in-house talent for various business functions.

Distinct HR structure
We needed to strengthen our HR framework to handle our growing workforce. Our HR team was governed by well-defined policies on all HR processes, including recruitment, training and performance management. In FY 2016-17, we focused on creating more robust HR functions that could successfully engage employees and develop their capabilities further.

HR team
Our HR team is clearly organised and comprises HR managers reporting to the HR heads. Each HR manager has teams monitoring functions, such as recruitment, training and development, talent management, resource deployment and payroll management.

External consultants to explore better opportunities
We hired consultants, to train our management and leadership teams. The consultants reviewed our human resources policies, while validating and analysing our recruitment programme. Their suggestions were duly studied and implemented to improve performance of the workforce.

A photograph of Mr. Ram Avatar Sharma, a man in a pink shirt, standing in a workshop. He is surrounded by other men, and there are sparks flying from a welding process in the background.

**MR. RAM
AVTAR SHARMA,
JAIPUR**

(MANUFACTURER OF
VAISHNAV IRONS AND
FABRICATION)

GOING FARTHER WITH FORESIGHT


“AU allowed me to get a loan without any hassle. I look forward to a long and rewarding relationship with AU.”

Mr. Ram Avatar Sharma has a rags-to-riches story. There was a time when he earned his living as a bus conductor. He was then a fabricator at one of Jaipur's many iron workshops, where he would make elegant furniture. What began as a job, turned into a passion for Mr. Sharma. Soon enough, he had the idea of owning a fabrication and furniture business. He finally saved enough money to own the workshop where he laboured.

He now realised the need for having cutting-edge machinery, which would allow him to produce more and grow the business. Therefore, he approached almost all financial institutions in

Jaipur. But he couldn't see the light at the end of the tunnel. When he thought his dreams were nearly dashed, he benefited from the timely assistance of AU.

Mr. Sharma was impressed by AU's friendly staff and convenient loan schemes, which made repayment easily manageable. He applied for his first loan in 2013. His loan was approved and he had the growth capital for his business. Today, the growth curve of his business is reaching new heights and Mr Sharma has more plans for the future.

A photograph of Mr. Jagdish Narayan Gurjar, a man in a white shirt, standing with a group of people in front of a building. They are all smiling and looking towards the camera.

**MR. JAGDISH
NARAYAN GURJAR,
JAIPUR**

(FOUNDER OF VIKAS
INTERNATIONAL
SAMITI SCHOOL)

SUPPORTING AMBITIONS WITH COMMITMENT

“Getting a loan from AU was hassle-free, as the entire team was very cooperative. Their guidance helped me to extend my loan amount.”

Mr. Jagdish Narayan Gurjar is an ordinary individual. But he had always nurtured an extraordinary ambition. He wanted to set up an institution of learning to educate and empower children, who would make a difference to the nation's future. Driven by his ambition, he founded the Vikas International School Samiti in Jaipur, Rajasthan in 2010. He wanted to introduce CBSE Board's education in the school to set higher standards of learning. However, receiving the education Board's approval was a big stumbling block. The reason: lack of adequate infrastructure. So, he approached every bank he knew about, but each one of them refused on separate grounds. Mr Gurjar lost all hope.

Luckily, a friend introduced him to AU and its low-interest loans. He still wanted to try for one last time, so that his school could get the required affiliation from the Board.

He was surprised when his loan was disbursed. Now, he has the resources to follow his dreams. He is confident the extra amount will help him provide more facilities at the school. Today, Mr. Gurjar is a happy man. He knows he has AU by his side to help shape future of his school's children.

Credit Management

CREDIT UNDERWRITING PLAYS A VITAL ROLE IN MAINTAINING OUR PROFITABILITY. AS MOST OF OUR CUSTOMERS BELONG TO THE UNORGANISED SEGMENT, THEY LACK DOCUMENTS TO JUSTIFY EXACT PICTURE OF THEIR BUSINESS.

This is where credit underwriting comes into play to ensure the quality of assets. We have a separate credit team for each business vertical – Wheels, Secured Business Loans, Agri Term Loan, Business Banking, and so on. The teams evaluate business needs, identify expansion plans and analyse the borrower’s ability to repay the loan. We have a three-layered system of assessment process, which includes visits by credit officers, relationship officers and business officers to analyse the business and collateral quality.



Credit management in vehicle finance business
Our credit management process in vehicle finance is based on the following steps:

Customer visits by business team
Our business executives assess customers based on several parameters, including vehicle type, experience in transportation, repayment track record (if any), age and usage of vehicle.

Profile report
Later, field investigation officers prepare a profile report confirming accuracy of the information provided by the customer through field visits.

Credit verification
The credit team then verifies the applicant’s credit history through a credit bureau check. Subsequently, the credit team contacts the customer and makes a final assessment.

Risk-based pricing matrix for interest rates
We determine the interest rate to be charged for different loans using a risk-based pricing matrix. We have customised disbursement policies and periodically update them to cater to the requirements in different markets where we operate.

Categorise vehicle manufacturers and models
We have classified vehicle manufacturers and models based on operating efficiency, maintenance costs, serviceability and secondary-market value. We fund loans based on these categories. Moreover, we review and update the criteria, periodically.

Advise customers
We guide customers on the suitability of their chosen vehicle and the purpose for which they propose to use it. For pre-owned vehicles, we provide customers with an assessment of the vehicle’s value. We have developed an internal valuation grid and use Insurance Regulatory and Development Authority (IRDA) licensed valuers.

Credit management in Secured Business Loan business
Assess customers
We have a relationship officer visit the customer’s business premises to assess credit needs, the collateral offered and repayment capabilities.

Cash flow assessment
We evaluate the cash flow of the business based on financial documents and other information received.

Verification of document
Appraisal officer verifies documents, such as bills of purchase and sale, stock registers, cash books, fuel and energy consumption bills. These documents help judge the turnover and margins of a customer’s business and repayment capability.

Credit bureau checks
We employ credit bureau investigations and assess the value of collaterals through internal and external teams. We use a risk-based pricing matrix to determine the interest rates charged for different loans.

Loan sanction
After satisfying all these criteria, the loan application is approved by a credit officer and sent to our sanctioning authority for final approval.

Credit management in SME business
Evaluate customer
A relationship officer visits the customer’s business premises to assess the credibility of the customer. The officer investigates the collateral offered and repayment capabilities. Further, a detailed cash flow assessment is made by examining the business and financial documents; market reputation of the customer and the business; and track record of loan repayment.

Financial assessment of business
The business viability is assessed by examining inventory levels, number of employees and operational machinery; tax returns and business expenses, among others.

Document verification
Documents, such as bills of purchase and sale, stock registers, cash books, fuel and energy consumption bills are used to assess the turnover and margins of the business and repayment capabilities.

Collateral valuation
We conduct collateral valuation by internal and external teams, and credit-bureau checks. A collateral of value more than ₹ 10 million is examined by the head of our technical valuation team.

Risk-based pricing matrix for interest rate
We use this technique to determine loan rates. The loan application is then approved by a credit officer and sent to our sanctioning authority for final approval.

Specific covenants in documentation help mitigate risk
We seek to mitigate the risk of default by including specific covenants in the loan documentation in addition to our general terms and conditions, on a case-by-case basis.

Collection Management

COLLECTION MANAGEMENT IS A VERY IMPORTANT ASPECT OF RETAIL LENDING BUSINESS. AT AU, WE HAVE A DEDICATED COLLECTION TEAM, WHO FOLLOW UP WITH OUR CUSTOMERS FOR PAYMENTS. OUR COLLECTION CONTROL ROOM MANAGES AND PROVIDES TIMELY INFORMATION TO BE USED BY OUR COLLECTION TEAM. A MOBILE APP AND BLUETOOTH PRINTERS HELP OUR COLLECTION OFFICERS GENERATE RECEIPTS AND UPDATE DATA, WHILE COLLECTING PAYMENTS.



Allocation and efforts are optimised by using an analytics model, which enables selection of the most cost-effective method for reminding or contacting customers about overdue payments. In certain cases, our in-house team visits our customers for payment reminders. If payment is not received by the due date, despite several follow-ups, we initiate legal action after due diligence.

Specialised collections team

We have established a specialised collection team for all business segments. This team initiates the recovery process 90 days after ‘payment from customers get overdue’. Experienced professionals trained in negotiations and legal processes manage the recovery process.

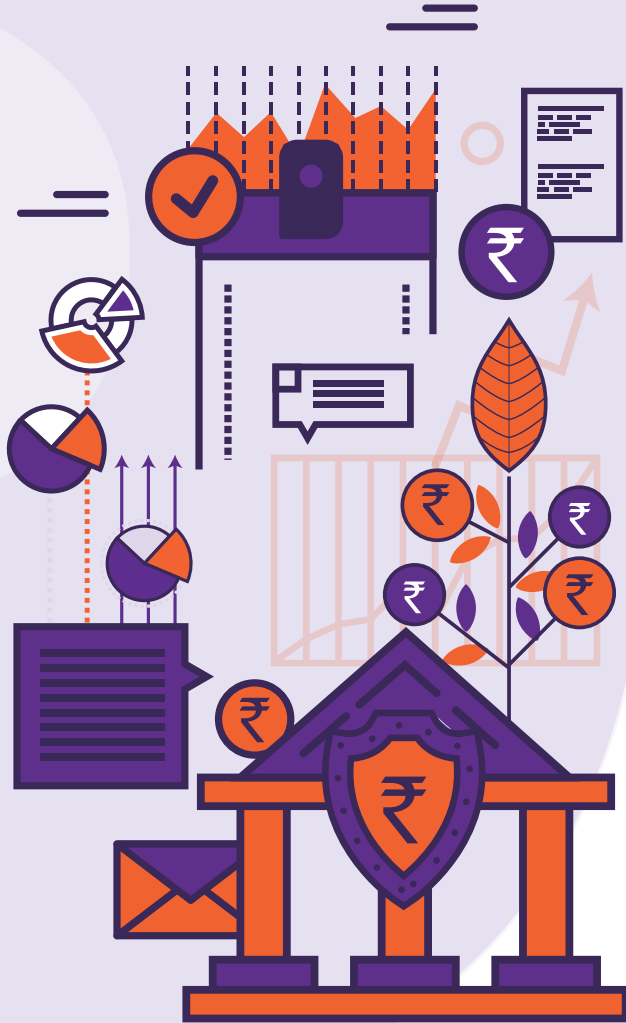
This team initiates the recovery process once the customer becomes unresponsive to our follow up to pay the dues.

Portfolio monitoring

We have established a robust portfolio monitoring process, which enables us to take corrective measures based on events that impact our portfolio. Our teams analyse our loan portfolio and report on pre-default and post-default behaviour of customers and prevailing economic conditions. Additionally, these teams provide periodic reports along with geographical and collateral risk notes to assist us in developing our product strategies. We have an early warning mechanism with pre-defined triggers to identify areas of concern.

Data Analytics

WE BELIEVE GREATER ADOPTION OF DATA ANALYTICS IS RESULTING IN BETTER CUSTOMER PROFILING, ENHANCED COLLECTION EFFICIENCY AND EFFICIENT SFB OPERATIONS



We use analytics to monitor every aspect of our business. Some of them are:

Business-information management system

We introduced this to track and monitor the status of loan documentation and turnaround times.

Nurture customer profiles

We have an integrated analytics platform with customer databases. Through it, we identify and reward customers based on their repayment and purchase history. In addition, we use the platform to cross-sell products, improve turnaround times and as a tool for customer retention.

Collection-allocation optimisation model

We implemented analytics to help us determine the collection strategy for each customer, allowing us to reduce collection costs.

SFB operations

We use analytics in designing of our SFB operations and established branches based on it. Our sales and portfolio dashboard are based on analytics results that provide our teams critical information on their fingertips.

Marketing Activities

THROUGHOUT THIS YEAR, WE HAVE UNDERTAKEN STRATEGIC MARKETING INITIATIVES TO INCREASE OUR BRAND VISIBILITY. BESIDES OUR BRAND PROMOTION ACTIVITIES, WE ALSO INITIATED REFERRAL PROGRAMMES WITH OUR EXISTING CUSTOMERS.

We participated in joint marketing activities with Original Equipment Manufacturers (OEMs) and associated with reputed events for sponsorship. In FY 2016-17, as we launched our bank, to raise awareness about our new identity, we did large scale advertising in popular newspapers, radio, TV, outdoor and multiplexes. For the BTL marketing, we reached our target audience through multiple innovative initiatives like:



Key initiatives

AU on Wheels

This is our national activity that aims at raising awareness on our products to a large geographical spread. Through this activity, AU branded vehicles travel region wise to ensure every area is covered. The vehicle stops at high footfall areas to spread awareness on AU product offerings. The data collected through this activity is shared with our in house state-of-the-art call centre. The hot leads are shared with respective branch sales teams for one-on-one interaction with the client and closure.

AU Samarth

AU Samarth is a twice-a-month activity that is done across our branches throughout the country. The MSME team from each branch sets up a stall in the surrounding high footfall area to create awareness about our products amongst the prospective customers. Here, team tries to engage the visitors, explains about product offerings, offers them token branded gifts and collect their data. The leads generated through this activity are then targeted for conversions.

AU market mapping activity

The objective of this activity is to reach out to those areas that are untouched by our presence so far. The team from AU visits each shop of the area, meets the shopkeepers and updates them on our offering like vehicle loans and MSME loans, among other. The leads generated are targeted for conversions.

AU Chai Chopal activity

This activity is aimed at targeting the driver community for vehicle loans. We identify tea stalls that are frequented by this community. In this activity, hot tea is offered to connect with the audience. At the same time, they are made aware about the lucrative offers on vehicle loans. The data is collected and visitors are given brand reminder souvenirs like branded key rings, pen and small spiral notebooks.

AU Mandi activity

In this activity, we visit all vendors across an identified Anaaj or vegetable mandi to share information about the Company and its products suite. Their data is collected for future lead generation and branded gifts are distributed to maintain a top of the mind recall.

AU health checkup activity

AU associates with leading hospitals or nursing homes and conducts a joint activity of free health check-up camps. The idea is to engage with the audience and use the platform to create awareness about our products.

AU corporate connect activity

This activity is aimed at creating awareness and generating leads from employees of corporate houses. On a particular day, a stall is set up at the premise of a corporate house to spread awareness on our products and generate leads.

AU pollution check activity

It is a residential society connect programme aimed at establishing connect with the residents. A free pollution check for their vehicles is organised. The data collected is used for business conversion.

AU customer delight activity

If a customer happens to visit our branch on his/her birthday, we celebrate their birthday. This helps us establish a more personal connect with the customer and provides them with a sense of belongingness to the brand.

Customer referral programme

The group introduced a couple of initiatives to reach new customers through referrals, including 'dost banaye dost' initiative, where we encourage our existing customers to refer us new customers. Another initiative is employee business referral policy that offers incentives to employees, who refer customers to us. We also incentivise our sales team to cross-sell products. In all these cases, there is incentivisation based on lead conversion.



**MR. SUDHIR
JAIN, JAIPUR**

(OWNER OF TOURS
AND TRAVELS
BUSINESS)



HELPING SMALL BUSINESSES GROW

“I have always found AU beside me, whenever I needed any assistance. It has always delivered on my expectations with empathy and expertise.”

Mr. Sudhir Jain started a small tour and travels business in Jaipur with just two cabs. With time, his business began to stagnate and he found it difficult to make profits.

In 2009, one of his acquaintances told him about AU support for small businesses. After making initial enquiries he applied for a loan, which

was sanctioned in just few minutes. Mr. Jain's happiness knew no bounds and soon he added a third taxi to his fleet.

This was just the beginning of Mr. Jain's growth story, with AU by his side as a dependable friend in need. He went on to add nine more taxis to his fleet.

**MR. SITA RAM
CHAUDHARY,
JAIPUR**

(MANUFACTURER OF
KANCHAN BRICKS
UDYOG)



LENDING SUPPORT WHEN IT IS NEEDED

“AU has been a real friend in need. I am highly satisfied with AU's doorstep service; and I am looking forward to an enduring relationship.”

Mr. Sita Ram Chaudhary owned a small construction products workspace in Jaipur. However, he dreamt of establishing bricks factory one day. But that required a large capital investment.

As low-cost fund was not available, Mr. Chaudhary was on the verge of losing all hope. It is then that he remembered AU and how easily the Company had funded one of his friend's business. He was surprised to find that his loan amount got sanctioned very fast.

After running from pillar to post to acquire the much-needed capital for so long, he wondered, **“Who thought getting a loan could be so easy?”**

In 2011, Mr. Chaudhary established his first brick plant with a loan to manufacture and supply cement bricks for construction. In a short period of time, his business started flourishing. When he wanted to set up another brick plant in 2016, he never thought twice as to who would be his financial partner. He again applied and received a loan from AU to start his second bricks plant. Mr. Chaudhary happily recalls how his rewarding partnership with AU changed his fortunes.

Treasury Management

AS AN NBFC, WE HAVE ESTABLISHED A STRONG RESOURCE MOBILISATION/TREASURY DEPARTMENT RESPONSIBLE FOR FUND RAISING, ASSET LIABILITY MANAGEMENT, MINIMISING THE COST OF BORROWINGS, LIQUIDITY MANAGEMENT AND CONTROL. MOREOVER, THIS DEPARTMENT MANAGES RESOURCE DIVERSIFICATION, INTEREST RATE RISK AND INVESTING SURPLUS FUNDS IN ACCORDANCE WITH THE CRITERIA SET OUT IN OUR INVESTMENT POLICY.

In terms of our liquidity management, we secure funding from various sources in form of NCDs, term loans and working capital facilities, refinance from SIDBI / NABARD/ Mudra, Commercial Papers and Portfolio securitisation/ assignment.

Our treasury and finance team periodically submit their reports to the Asset Liability Management Committee (ALCO), which submits its findings to our Board along with periodic reporting to management. We believe that we have been able to access cost-effective debt financing due to our stable credit history, improving credit ratings and strong risk management policies.

Since, we have started our Small Finance Bank operations w.e.f. 19th April, 2017, we have rolled our Current Accounts and Savings Accounts (CASA) and Term Deposits products through our 284 bank branch network across 11 states as on 30th June, 2017, enabling us a broad base for our funding profile and this will be key products for liquidity management in bank going forward.

Focus areas of treasury as a Bank

- ▶ Liquidity Planning and Management
- ▶ Maintenance and Compliance of Regulatory Ratios
- ▶ Including CRR, SLR & Liquidity Coverage Ratio (LCR)

- ▶ Management of Interest Rate Risk and Liquidity Risks
- ▶ Funds Planning and Asset Liability Management to avoid any mismatch
- ▶ Investment of surplus funds to get optimum returns
- ▶ Minimise Cost of Borrowing
- ▶ Diversify fund raising resources as a bank within regulatory and internal limits
- ▶ Maintain relationship with banks, FIs, FIIs, Mutual Funds, Insurance companies and Refinance Agencies.

Treasury team submit their reports to the Asset Liability Management Committee (ALCO) on periodic basis on Liquidity Position, ALM, Interest Rate Sensivity, Deposit rates within the criteria of board approved ALM & MR Policy. ALCO submits its findings to our Board, along with periodic reporting to management.

Treasury investment are being carried out in eligible products which are allowed in Board approved Investment Policy. Treasury team submit periodic review of bank`s investment portfolio to Investment Committee for their review and approval and then present to Risk Management Committee of Board (RMCB) & Board for their review and further approval as per approved policy and in line with regulatory requirements.

Credit Ratings	
Agency	Ratings (Long Term / Short Term)
Brickwork	BWR AA (Stable)
India Ratings & Research	IND A+ (Positive) / IND A1+
CRISIL	CRISIL A+ (Stable)
Care Ratings	CARE A+ (Stable)
ICRA	ICRA A+ (Stable)

9.62%
AVERAGE COST OF FUNDS IN FY 2016-17

₹ 11,206.53 cr
BORROWINGS AS ON 31ST MARCH, 2017

Operations

THE OPERATIONS SEGMENT PLAYS A VITAL ROLE ACROSS THE ACCOUNT LIFE CYCLE. AT THE BRANCH LEVEL, THE MOST IMPORTANT PART OF OPERATIONS IS TO ESTABLISH INITIAL CONTACT WITH CUSTOMERS AND ENSURE TO MEET THE COMMITTED SERVICE STANDARDS SUBSEQUENTLY, WE MANAGE ALL CUSTOMER REQUIREMENTS USING OUR MANPOWER AND SYSTEM-BASED INFRASTRUCTURE AT THE CENTRAL AND BRANCH LEVEL.

All activities and transactions for customers are subject to internal control audit, risk audit, IAD and compliance audits, and for concurrent audit. The area of activities broadly covers account opening, account servicing, trade services, ATM operations, deliverables, clearing operations and so on. It further involves electronic transactions through National Electronic Funds Transfer (NEFT), Real Time Gross Settlement (RTGS), National Automated Clearing House (NACH), Immediate Payment Services (IMPS) and customer escalations, among others. The quality-check mechanism ensures transactions within well-defined quality parameters and specified turnaround time. We have automated our processes with robust software architecture, developed and certified by competent authorities. All transactions are process-driven and not person-driven, reinforcing control mechanism and enhancing customer delight.

Key features

- ▶ Operations are subject to routine audit (concurrent, internal, quality and external) that inspects if transactions are conducted according to defined parameters and turnaround time (TAT). Each audit report is presented to the management and direct regulatory authority
- ▶ Processes are automated, controlling deviations and reducing TAT
- ▶ Transactions are process-driven, strengthening control and customer experience



- ▶ Monthly funds management system ensures optimal use
- ▶ Active communication process (SMS, emails and phone calls) generate personalised customer engagement methods
- ▶ To mitigate operational risks, the Bank has put in place extensive internal controls including audit trails, appropriate segregation of front- and back-office operations, post-transaction monitoring processes at the back-end to ensure independent checks and balances, adherence to the laid down policies and procedures of the Bank and to all applicable regulatory guidelines.
- ▶ Training plans are developed based on analysis of training needs identified in consultation with various businesses. An extensive bouquet of training programmes are delivered, which involve on-boarding, product and process training.
- ▶ Digital banking at our end embraces centralised core banking system, online real-time centralised ATM switch, debit cards, CRM system for a 360-degree view of customers in one go to build right framework for understanding customer needs.



**MR. MAN SINGH
BENIWAL,
JAIPUR**

(OWNER OF TOURS
AND TRAVELS
BUSINESS)

PARTNERING PROGRESS CONSISTENTLY

“AU has partnered my progress over the years, and I am grateful to them for whatever I have achieved.”

Mr. Man Singh Beniwal is a tours and travels operator. With over 25 years of experience, he has developed a deep insight about the business. Mr. Beniwal wanted to scale his business further. He was looking for a reliable partner, when his friends introduced him to AU.

Relying on the advice of his friends, Mr. Beniwal approached AU in 2005. And what began was a mutually satisfying association. The AU team provided him with timely support.

In return, he helped the Company increase its customer base as he referred more than 50 loan applicants to AU. And as he puts it, “I did not recommend AU for any personal gains, but I genuinely feel this is the Financial Institution to do business with.”

With AU by his side, Mr. Beniwal’s business is flourishing, ever since.



**MR. LAXMI KANT
SHARMA,
JAIPUR**

(FOUNDER OF NEW
ADARSH SENIOR
SECONDARY SCHOOL)

BRIDGING ASPIRATIONS AND ACHIEVEMENTS

“AU is more of a family now. It has helped me fulfil my dreams, when no other source was available. I am thankful to AU for its constant support.”

Mr. Laxmi Kant Sharma was not entirely happy with his job. He wanted to do something meaningful in the realm of education. Therefore, he quit his comfortable job to translate his vision into reality.

He wanted to set up an educational institution for which he needed capital. He approached several financial institutions, both large and small for a loan. But since he was unemployed, no bank or NBFC was ready to support his social development scheme.

Mr. Sharma was almost on the verge of giving up, when his friend took him to the local AU branch. Mr. Sharma was astonished that the AU team listened to all his requirements and offered him a loan in just five days. In the last five years, Mr. Sharma has set up a senior secondary English medium school, a post-graduate science college, a B.Ed college with relentless support from AU.

Robust Risk Management

AS A LENDING INSTITUTION, WE ARE EXPOSED TO SEVERAL RISKS RELATED TO OUR LENDING BUSINESS AND OPERATING ENVIRONMENT. WE HAVE ESTABLISHED A STRUCTURED AND CONTINUOUS RISK MANAGEMENT AND AUDIT FRAMEWORK. WE FOLLOW AN AGILE APPROACH TOWARDS IDENTIFYING, ASSESSING, MONITORING AND MANAGING VARIOUS TYPES OF INTERNAL AND EXTERNAL RISKS.



Risk management architecture
Audit Committee

- ▶ The audit committee reviews statutory reports, internal and branch auditors’ reports; selects and establishes accounting policies; evaluates internal financial controls and risk management systems. The committee acts as a link between the management, internal auditors and statutory auditors.

Asset Liability Management Committee

- ▶ It evaluates liquidity and other risks, devises strategies to mitigate such risks and reports its findings to our Board. It annually reviews and approves our risk management policy and reviews the effectiveness of asset liability management.

Credit Risk & NPA Management Committee

- ▶ The committee reviews and identifies current and emerging risks and develops risk assessment and measurement systems. Moreover, it establishes policies, practices and other control mechanisms to manage risks, develop risk tolerance limits for approval by the management and monitor positions against approved risk tolerance limits. The Credit Risk & NPA Management Committee further scrutinises and ensures compliance with regulatory bodies and third parties.

Additionally, we have formulated a vigil mechanism framework to enable employees to report genuine concerns about unethical behaviour; and actual or suspected fraud or violation of any of our policies. Our anti-bribery policy mechanism is designed to check corrupt practices and report issues to our Board.

Credit risk arises from any loss that may occur from defaults by our customers under our loan agreements.

Risk mitigation

- ▶ Each of our business lines has a separate set of credit policies that outline a standardised approach for customer selection.
- ▶ Credit approvers and field investigation officers are responsible for ensuring adherence to these policies.

- ▶ A robust collections management system that includes a collection control room has been set up. It centrally manages allocations between collection agents and we use analytics for the optimum allocation of cases to the collections team.
- ▶ We established consistent operating procedures that are backed by our technology platform.
- ▶ We implemented a real-time analytics software for risk management through portfolio profiling, early warning systems, static pool reports, delinquency trend analysis, geographical mapping of risk areas and collection predictive reports.
- ▶ We track cases for early signs of stress, ensuring that corrective action is taken in the case of non-starter or early delinquency cases.

Interest rate arises principally because we lend customers at fixed interest rates and for periods that may differ from our funding sources, while our borrowings are at both fixed and variable interest rates for different periods.

Risk mitigation

- ▶ Assess and manage our interest rate risk by managing our assets and liabilities.
- ▶ Asset Liability Management Committee evaluates asset liability management and ensures that all significant mismatches, if any, are being managed appropriately.

Liquidity risk arises due to the unavailability of adequate funds at an appropriate cost or tenure.

Risk mitigation

- ▶ Resource mobilisation department obtains funds from multiple sources, including banks, financial institutions and capital markets.
- ▶ Resource mobilisation department is also responsible for diversifying fundraising sources, managing interest rate risks and maintaining a strong relationship with banks, financial institutions, mutual funds, insurance companies, other domestic and foreign financial institutions and rating agencies.

Operational risk arises from inadequate or failed internal processes, people or systems, or from external events.

Risk mitigation

- ▶ We maintain a comprehensive system of internal controls.
- ▶ Our dedicated operation risk management team identifies all people and process related risks and updates them in a risk register with rank, impact and controllability.
- ▶ We leverage technology to protect us from fraud by taking measures, such as verifying customer details and documentation online and using credit bureau data to get information on potential frauds.
- ▶ Team also manages compliance with requirements set forth by regulatory bodies and our internal standards.

Cash management risk arises for misappropriation of collected and deposited cash across branches.

Risk mitigation

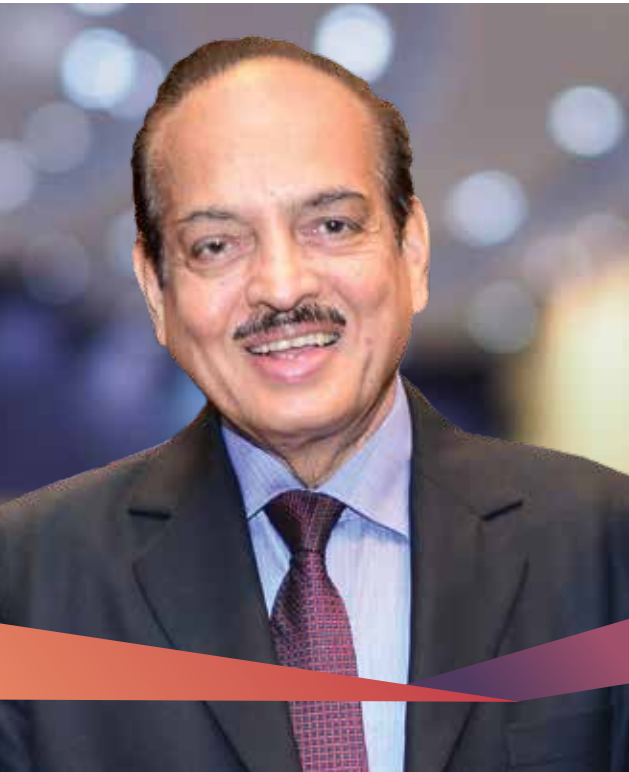
- ▶ At AU, we developed advanced cash management checks that we employ at every level to track and tally accounts.
- ▶ We ensure that cash collected up to a certain time is deposited at local bank branches on the same day.
- ▶ Cash that is to be deposited is accounted for at the branch level and at a central level to avoid discrepancies.
- ▶ We conduct regular audits to ensure the highest levels of compliance with our cash management systems.

Asset risks arise due to the decrease in the value of collateral over time. We may also face certain practical and execution difficulties during the process of seizing collateral of defaulting customers.

Risk mitigation

- ▶ We engage collections agencies to repossess such assets and ensure that these repossession agents follow legal procedures and take appropriate care in dealing with customers for seizing assets.
- ▶ We established a collateral appraisal system and legal and technical teams for our MSME and SME loan business to mitigate collateral risk across geographies.

Board of Directors



Mr. Mannil Venugopalan
Non-Executive Chairman
Mr. Mannil Venugopalan is the Non-Executive Chairman of Board of our Bank. He holds a bachelor's degree in Commerce from the University of Kerala and received a gold medal for securing the first position in his graduation. He is a recipient of the Canara Bank prize awarded by the University of Kerala in 1967 for securing the highest marks in commerce. He was also conferred the honorary fellowship by the governing council of Indian Institute of Banking and Finance in 2005. He has been associated with the Company as Director since 27th August, 2011 as an Additional Director and was appointed as Non-Executive Director on 26th September, 2012. He was associated with Bank of India as the Chairman and Managing Director and also served as CEO & MD of Federal Bank and ED of Union Bank of India. He has over 47 years of experience in the finance and banking industry and his track record of driving positive and transformational changes in leading commercial banks.



Mr. Sanjay Agarwal
Managing Director & CEO
Mr. Sanjay Agarwal is the Promoter, Managing Director and CEO of our Bank. He holds a bachelor's degree in Commerce from the Government College, Ajmer. He qualified as a Chartered Accountant from the Institute of Chartered Accountants of India and was the all-India 39th rank holder. Mr. Agarwal has been associated with our Company since 10th January, 1996 and was first appointed as our Managing Director on 14th February, 2008. Subsequently, he was re-appointed as our Managing Director on 14th February, 2013. He is also the Vice President of Rajasthan Finance Companies Association. He has over 21 years of experience in finance, accounting, strategic planning and credit risk management. Mr. Agarwal is the recipient of the 'Rajasthan Entrepreneur and Excellence Award - Personality of the year (finance category)' in 2016 and has also been chosen as the 'Our Business Leader of the Year' at the Institute of Chartered Accountants of India Awards, 2017.



Mr. Uttam Tibrewal
Whole Time Director
Mr. Uttam Tibrewal is the Whole Time Director of our Bank. He holds a bachelor's degree in commerce from the University of Delhi. He has been associated with us since the year 2003 as the head of Business Operations and was appointed as a Whole Time Director on 14th February, 2008. Subsequently, Mr. Tibrewal was reappointed as a Whole Time Director on 14th February, 2013.

He supervises, lead and Direct the marketing and Business Development Functions and his strategic contribution in this analysis and business development has benefited the Company immensely. He has proactively conducted opportunity analysis by keeping abreast of market trends.

His learnings from the entrepreneurship exercises that he undertook over the years gave him courage and proved fruitful in the long run. Under his leadership, all business verticals blossomed with hard work, diligence and working at ground for years. He has over 21 years of extensive experience in Retail and Financial Service sector.



Mr. Krishan Kant Rathi
Independent Director
Mr. Krishan Kant Rathi is an Independent Director of our Bank. He holds a bachelor's degree with honours in Commerce from the Rajasthan University. He is a qualified Chartered Accountant and is a member of the Institute of Chartered Accountants of India. Mr. Rathi is also a qualified Company Secretary and is a member of the Institute of Company Secretaries of India. He has been associated with our Company since 18th March, 2008 as Director. He was associated with, the Future Group as the Chief Financial Officer, Future Consumer Limited as the Chief Investment Officer and Chief Executive Officer, H & R Johnson (I) Limited as the president of finance and KEC International Limited as the controller of corporate finance. He has over 29 years of experience working with various large corporates of the fields in finance and accounting.



Ms. Jyoti Narang
Independent Director
Ms. Jyoti Ishwar Chandra Narang is an Independent Director of our Bank. She holds a Bachelor’s degree in Arts (Economics) from Lady Shriram College for Women, University of Delhi and a Master’s Degree in Business Administration from the University of Delhi. She has also completed an Advanced Management Programme from the Harvard Business School. Ms. Narang was appointed as an Independent Director of AU on 30th March, 2015. Prior to joining us, she was associated with The Indian Hotels Company Limited as the Chief Operating Officer. She has over 37 years of work experience including 20 years in senior leadership positions in the hospitality industry.

Key Management Personnel



Mr. Deepak Jain
Chief Financial Officer
Mr. Deepak Jain is a qualified Chartered Accountant and has been associated with the Company since May 2010 as the Chief Financial Officer. Prior to joining the Company, he was a practising Chartered Accountant. He has over 19 years of experience in the fields of financial, treasury operations and audit functions.



Mr. Manmohan Parnami
Company Secretary & Compliance Officer
Mr. Manmohan Parnami is a qualified Company Secretary and a member of the Institute of Company Secretaries of India. He has been associated with our Company since 2008, as the Company Secretary. He has over 13 years of experience in the fields of corporate laws compliance and financial regulations.

Awards and Accolades



2011

AU SMALL FINANCE BANK INDIA LIMITED, formerly known as Au FINANCIERS (INDIA) LIMITED was shortlisted for the Financial Times/International Finance Corporation-Sustainable Finance Awards in the 'Achievement in the Financing at the Base of the Pyramid' category.



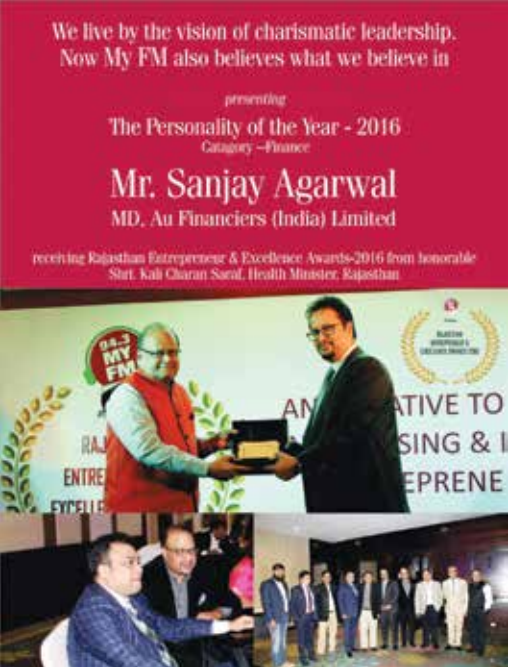
2012

AU SMALL FINANCE BANK LIMITED was awarded as the 'Best PE-backed Financial Service Company' by VC Circle.



2014

Our MD & CEO, Mr. Sanjay Agarwal, was among Finalists for EY 'Entrepreneur of the Year'.



2016

Mr. Sanjay Agarwal, MD & CEO of AU SMALL FINANCE BANK LIMITED bagged the ICAI Award 2016, under the category 'Business Leader- Financial Sector'.



2017

AU was adjudged as runner-up in 'Best Retail NBFC' category by Outlook Money Awards, 2016.

Addressing Community Aspirations

AT AU, CORPORATE SOCIAL RESPONSIBILITY UNDERLINES OUR COMMITMENT TO ETHICAL, SOCIAL, AND ENVIRONMENTAL PRIORITIES. OUR SOCIAL RESPONSIBILITY ALSO ENABLES US TO FOSTER A CLOSE AND REWARDING RELATIONSHIP WITH COMMUNITIES AROUND US.

As a socially responsible organisation, we have been following responsible practices that ensure a systematic distribution of resources and wellbeing. We consider these practices as an imperative to achieve sustainable growth in our operations in the long run.

At AU, we have a purpose-driven approach to create meaningful and measurable positive impact on persisting challenges faced by the marginalised section of the country. With need-based interventions, we expect to bring decisive changes in the realms of education, healthcare and preservation of national heritage. Our multi-pronged method creates enduring values for all our stakeholders. Our Board-approved CSR policy encompasses our Company's philosophy for delineating its responsibility as a corporate citizen. It lays down the guidelines for undertaking socially useful programmes for the welfare and sustainable development of the communities at large.

AU'S SOCIAL COMMITMENTS

EDUCATION

HEALTHCARE

COMMUNITY DEVELOPMENT



Lighting up lives with education

Collaboration with Banasthali Project

Our collaboration with Banasthali Vidhyapeeth, a women’s university in Rajasthan, aims at amalgamation of spiritual values and scientific achievements for all-round development of students. We have been regularly providing financial support to the university by helping in their infrastructure projects. We had undertaken responsibility of building some key blocks of this education institute that helped uplift the standard of women’s education in the state. Thus far, we have contributed ₹ 300 lacs to Banasthali Vidhyapeeth in various ways and will benefit over 15,000 people.



Joining hands with Akshaya Patra Foundation

Akshaya Patra Foundation is an NGO that provides nutritious meals to underprivileged children in government schools. The meal is an incentive for these children to pursue their education, despite adversities. Hence, through this programme, the Akshaya Patra Foundation aims at countering two critical issues simultaneously – hunger and illiteracy. Our strategic partnership with Akshaya Patra, over the years, has made it possible to raise a generation of hunger-free, educated and nourished Indians.

Association with Pratham Shiksha Charitable Trust

We provide financial assistance to ‘Pratham Shiksha Charitable Trust’ for operating schools in Jaipur district for underprivileged children. The Trust is committed to promoting basic education among underprivileged children from backward and low-income segments. They collect funds from personal and corporate contributions and thereafter, channelise this money for furthering their mission.

Helping educate children of our employees

We sponsor education for our employees’ children, who belong to economically weaker sections. Through this initiative, we take up complete financial responsibility of their children’s education and support them.

Promoting good health

Louis Braille Drishteheen Vikas Sansthan -- AU Drishti

Louis Braille Drishteheen Vikas Sansthan is a non-governmental social service organisation based in Jaipur. The establishment works to provide services to the visually challenged with emphasis on women, socially-backward and weaker sections of society. They impart education and vocational training to visually-challenged individuals. We have been continuously associated with this organisation to further their purpose. We helped develop their infrastructure to make their living conditions more comfortable and hygienic.

Construction of AU Kids Zone – Blossoming future

At AU, we have consistently worked towards child development. One such unique initiative is ‘Au Kids Zone’, a comfortable, child-friendly, guarded and enclosed play area for sick children, within the premise of J. K. Lon Hospital. J K Lon is the biggest children’s hospital in Rajasthan. There are many colourful slides and swings in this area, which instantly capture children’s fancies. This initiative, in association with HECARDS NGO, aims at providing sick children, an environment that lifts their spirit and helps them in recovering fast.



Support to Indian Cancer Society

We have constantly provided support to the Indian Cancer Society, which undertakes comprehensive care of economically disadvantaged cancer patients in India. The society takes care of patients’ needs including food, medicines, transport, prosthetics, colostomy bags, counselling services, social welfare and job placement services. Besides, they offer cancer patients the chance to be self-employed, particularly those who hail from rural areas.

Association with Rajasthan Netraheen Kalyan Sangh

Rajasthan Netreheen Kalyan Sangh (RNKS) is a leading non-government and non-profitable organisation working for the visually challenged. The NGO helps visually-challenged individuals attain professional skills

so that they can seek reverential jobs, start with self-employment and live inclusively with dignity. A number of people, who used to be a part of RNKS, are now placed as reputed government or private employees, entrepreneur, engineers and others.

We have helped RNKS build a hygienic infrastructure and promoted their education by distributing computers to selected bright children.

Installation of water coolers

We installed more than 60 water coolers at different places across Jaipur, aiming to provide clean drinking water for the residents. We further involve in timely repair and maintenance of these water coolers.



Setting up medical camps

With an aim of bringing light into the lives of visually challenged, we regularly organise eye camps. These camps provide free eye checks, eye operations, spectacles and medicine. We further organise blood donation camps at regular intervals and at varied locations. Blood donated in these camps is, used for saving many lives.



Installing open air gym

We have installed an open air gym in Central Park, Jaipur to ensure proper fitness and health of public at large.

Heritage preservation

Protecting Isar Lat

Isar Lat or Swargasuli in Jaipur, is the highest tower on the western horizon of the Tripolia Bazaar. This tower has rich historical significance. Over the years, the national heritage building started losing its lustre. Hence, we came forward to take responsibility for the preservation and protection of this monument.

Locational Spread

CHHATTISGARH

Bhilai
Bilaspur
Dhamtari
Korba
Raipur

DELHI

Delhi NSP
Dwarka Mor
Faridabad
Gurgaon
Laxmi Nagar
Pataudi
Rajendra Place Delhi
South Delhi

GOA

Margao

GUJARAT

Ahmedabad
Anand
Bavla
Bayad
Bhavnagar
Bhuj
Bodeli
Borsad
Dahod
Deesa
Deodar
Dhanera
Gandhidham
Gandhinagar
Godhra
Himmat Nagar
Idar
Jamnagar
Jetpur
Junagadh
Kalol

Kathlal
Lunawada
Mehasana
Modasa
Morbi
Nadiad
Naroda
Narol
Navsari
Palanpur
Patan
Rajkot
Surat
Surendranagar
Vadodara
Vapi

HIMACHAL PRADESH

Baddi
Shimla
Solan
UNA

HARYANA

Ambala Cantt
Bhiwadi-Dharuheda
Dabawali Cv
Hisar
Kaithal
Karnal
Kurukshetra
Narnaul
Panipat
Rewari
Sirsa
Yamuna Nagar

MADHYA PRADESH

Aalot
Agar Malwa
Ashta
Badwani
Baraily

Betul
Bhawar- kuan
Bhopal
Biaora
Chhatarpur
Chhindwara
Devas
Dhar
Ganj Basoda
Hoshangabad
Indore
Jabalpur
Katni
Khandwa
Khargone
Khategaon
Mandla
Mandsaur
Misrod
Nasrullaganj
Neemuch
Pandurna
Pithampur
Raisen
Ratlam
Rewa
Satna
Shamgarh
Shujalpur
Tikamgarh
Ujjain
Vidisha

MAHARASHTRA

Ahmednagar
Akola
Amrawati
Aurangabad
Baramati
Belapur
BKC Mumbai
Boisar
Borivali
Chandrapur
Chiplun

Dhule
Gondia
Hadapsar
Jalgaon
Jalna
Kalyan
Kankavali
Kolapur
Latur
Nagpur
Nanded
Naraingaon
Nasik
Pandharpur
Pimpri
Pune
Ratnagiri
Sangamner
Sangli
Satara
Shrirampur
Solapur
Thane
Vasai
Wadkhal
Wani
Wardha
Yawatmal

PUNJAB

Abohar
Barnala
Bathinda
Chandigarh
Faridkot
Fazilka
Firozpur
Hoshiarpur
Jalandhar
Khanna
Ludhiana
Mansa
Moga
Mohali
Muktsar

RAJASTHAN

Nakodar
Nawanshasr
Patiala
Sangrur

Abu Road
Ajmer
Alwar
Anupgarh
Apna Auto
Ashind
Bagru
Balesar
Balotra
Bandikui
Bansur
Banswara
Baran
Barmer
Bassi
Beawar
Begun
Behror
Bhiwidi
Bhankrota
Bhilwara
Bhinder
Bhinmal
Bidasar
Bijay nagar
Bijoliya
Bikaner
Bikaner2
Bundi
Chaksu
Chhabra
Chirawa
Chittorgarh
Chomu
Chouhtan
Churu
Dantaramgarh
Dausa
Deedwana

Degana
Deoli
Dudu
Dungarpur
Fatehnagar
Fatehpur
Gangapur
Ghatwari
Gotan
Hanumangarh
Jaislmer
Jaipur
Jaitaran
Jalore
Jalsu
Jamwa Ramgarh
Jhalawar
Jhunjhunu
Jobner
Jodhpur
Kekri
khandela
Khejroli
Khetri
Kishangarh
Kishangarh-Bass
Kota
Kotputli
Kuchaman City
Lakheri
Loonkaransar
Merta
Nagour
Nasirabad
Nawa
Nawalgarh
Neem Ka thana
Nohar
Nokha
Osian
Pali
Paota
Parbatsar
Phagi
Phalodi
Pipar

Pokaran
Pratapgarh
Raisingh nagar
Rajsamand
Ramganjmandi
Ratangarh
Rawatsar
Renwal
Reodar
Ringus
Sagwara
Sahwa
Salumber
Sangod
Sardar Shahar
Sarwar
Sawaimadhopur
Shahpura
Shri Ganganagar
Sikar
Sirohi
Sri Dungargarh
Sri Vijaynagar
Srimadhopur
Sujangarh
Sumerpur
SuratGarh
Taranagar
Thanagazi
Thoi
Tonk
Udaipur
Udaipurwati

UTTAR PRADESH

Ghaziabad
Noida



For Nearby Location,
Visit <https://www.aubank.in/branch-locator>

Corporate Information

Board of Directors

- 1. Mr. Mannil Venugopalan
Non-Executive - Chairman - Independent Director
- 2. Mr. Sanjay Agarwal
Managing Director & CEO
- 3. Mr. Uttam Tibrewal
Whole Time Director - ED
- 4. Mr. Krishan Kant Rathi
Independent Director
- 5. Ms. Jyoti Narang
Independent Director

Chief Financial Officer

Mr. Deepak Jain

Company Secretary and Compliance Officer

Mr. Manmohan Parnami

Registered Office

19A, Dhuleshwar Garden, Ajmer Road,
Jaipur – 302001, Rajasthan, India

Head Office

Bank House, Mile 0, Ajmer Road,
Jaipur – 302001, Rajasthan

Corporate Office

5th Floor, E- Wing, Kanakia Zillion,
Junction of CST Road & LBS Marg, Kurla (West)
Mumbai- 400070, Maharashtra

Statutory Auditor

M/s S.R. Batliboi & Associates LLP
Chartered Accountants
Golf View, Corporate Tower B,
Sector 42, Sector Road,
Gurgaon-122002, Haryana

Secretarial Auditor

M/s V. M. & Associates
Company Secretaries
403, Royal World, S.C. Road,
Jaipur - 302001
Rajasthan

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Board’s Report

To
The Members,
AU SMALL FINANCE BANK LIMITED

Your Directors are pleased to present the 22nd Annual Report on the performance of your Company for the financial year ended 31st March, 2017 along with the Audited Financial Statements including Consolidated Financial Statements, Auditor’s Report and Secretarial Auditor’s Report thereon.

Results of operations

The Summarized Financial Performance of your Company for the Financial Year (FY) ended 2016-17 is as follows:

Key Performance Highlights

Particulars	2016-17	2015-16
(₹ in Cr.)		
Total Revenue	1387.44	1015.48
Total Expenditure	908.66	684.31
Profit Before Depreciation & Tax	478.78	331.17
Exceptional Items*	670.35	-
Depreciation	5.78	8.52
Current Tax	310.48	115.08
Deferred Tax	6.43	-3.8
Adjustment of tax relating to earlier periods	4.46	-0.25
Profit after Tax	821.98	211.62
Transfer to Statutory Reserve	164.40	42.32
EPS (₹ per share)		
Basic (₹ per share)	30.18	8.00
Diluted (₹ per share)	29.61	7.95

- ▶ There has been an increase in revenue of the Company in FY 2016-17 which stood at ₹ **1387.44 Cr** with a growth of 36.63% over the total revenue of ₹ **1015.48 Cr** for FY 2015-16. Your company maintained consistent growth over the last few years with right strategic steps including introduction of new product lines and expansion to newer geographies.
- ▶ Profit after tax stood at ₹ **821.98 Cr** for FY 2016-17, from ₹ **211.62 Cr** showing Y-o-Y growth of 288.42% considering exceptional items over that of FY 2015-16.
- ▶ *Above exceptional item included the profit on sale of shares of Aavas Financiers Limited

(formerly known as Au Housing Finance Limited), Index Money LLP (formerly known as Index Money Limited), M Power Micro Finance Private Limited and Au Insurance Broking Services Private Limited of ₹ 516.9 Cr. (net of the expenses incurred in connection with such sale and net of tax) for the financial year ended 31st March, 2017.

Other Operational Performance Highlights:
Disbursements

Your Company achieved a disbursement figure of ₹ 6730.46 Cr. for the FY 2016-17 as compared to ₹ 5619.23 Cr. for FY 2015-16 registering a growth of 20%. The credit offtake for loan products remained healthy during the year.

This became possible with commitment to offer a bouquet of customized loan products to a wide spectrum of customers expansion of business to newer geographies and increased penetration in rural areas. Alternate distribution channels, customer connect schemes, referral schemes, reinforcement of customer faith on AU Brand and distribution vertical also supported in achieving good loan disbursement numbers beyond what were envisaged for FY 2016-17.

Assets Under Management

During the period under review, the net loan book size grew to ₹ **10733.86 Cr.** at the end of **FY 2016-17** as compared to ₹ **8221.29 Cr.** at the end of **FY 2015-16** registering a growth of 31%.

Lending operations

The demand for products offered by your Company remained healthy during the year, with growth predominantly in MSME loan products in rural and semi urban areas. Expansion of business in Madhya Pradesh, Gujarat and other states and reaching out to more customers ensured that we continue to grow our loan books at healthy rate on consistent basis.

Non-performing assets

The net Non-Performing Assets (NPA) as on 31st March, 2017 was 1.22% vis-à-vis 0.80% as on 31st March, 2016 There was also change of NPA classification norms from 150+ DPD to 120+ DPD during the year under review in view of applicable RBI guidelines for NBFCs and despite increase in loan book size, the asset quality remained under control.

Company’s Strategy & Transformation

Your Company is prominent, retail focused finance company primarily serving low and middle income individuals and businesses that have limited or no access to formal banking and finance channels.

As an NBFC, Au FINANCIERS (INDIA) LIMITED built a successful track record of serving underbanked and unbanked customers in rural and emerging areas of north, west and central India and supported them to realise their personal and business aspirations by offering Vehicle, MSME & SME Loans.

As on 31st March, 2017, your company was carrying out its business operations through 301 branches spread across 10 states and one union territory in India, with significant presence in the states of Rajasthan, Gujarat, Maharashtra and Madhya Pradesh and employed 8,515 personnel serving 5,56,887 Loan Account customers.

Small Finance Bank

Your Company received Banking license from the RBI to set up a ‘Small Finance Bank’ (“SFB”) on 20th December, 2016. Thereafter, your Company changed its name from “AU FINANCIERS (INDIA) LIMITED” to “AU SMALL FINANCE BANK LIMITED” on 13th April, 2017, your company commenced Banking Business as Small Finance Bank on 19th April, 2017.

As a bank, your company intend to expand and strengthen business model to offer a diverse suite of banking products and services by leveraging our asset based lending strengths, existing customer base and cost efficient, technology driven branch operating model to create a successful new SFB. Your company believes that our transition into SFB has offered us significant growth potential and we aim to be a retail focused, preferred trusted SFB offering integrated and tailored solutions to customers.

On Banking platform, primary objective would be to make banking simple, easy and accessible, to provide employment opportunities, to contribute in financial inclusion maintain and grow our asset quality.

Your Company has adopted a strategy of contiguous expansion across regions and Your Banking Business is firmly integrated with our business strategies, approach & target market and customer segment, enabling us to create shared stakeholder value both in the near and long-term future and we shall continue to focus on executing the promised plans, motivating our teams

under right leaders, with a mission to build AUSFB an admired retail franchise with collective entrepreneurial approach backed by future ready tech friendly platform for our customers.

Secondary Sale

During the period of review one of the important condition to apply for the final license for Small Finance Bank was to bring down the Foreign Equity to 49% (which was earlier close to 64%) as stipulated by RBI in its In-Principle Approval dated 7th October, 2015. Transaction involved selling of 15.7% of shareholding on fully diluted basis from Foreign Investors to Domestic Investors consisting of Domestic Institutional Investors, HNIs, and Employees of the Company for ₹ 751 Crores and complied with conditions stipulated by RBI.

Subsidiaries, Associates & Joint Venture Companies (including major change with Subsidiaries & associates in reference to RBI Guidelines)

During the year, company divested its stake from its subsidiary companies viz. Index Money Limited, Au Housing Finance Limited and its associate companies viz. M Power Micro Finance Private Limited, Au Insurance Broking Services Private Limited in compliance of conditions laid down by the Reserve Bank of India in its in-principle approval letter dated 07th October, 2015 and in its correspondences thereafter.

Brief Summary of Divestment

Name of company	Nature of interest at the time Stake Sale	Date of divestment
Index Money LLP (formerly Known as Index Money Limited)	Subsidiary Company	17th June 2016
Aavas Financiers Limited (formerly Known as Au Housing Finance Limited)	Subsidiary Company	23rd June 2016
M Power Micro Finance Private Limited	Associate Company	08th September 2016
Au Insurance Broking Services Private Limited	Associate Company	08th December 2016

Since above companies were subsidiaries and associate for the part of FY 2016-17, a statement containing the salient features of the financial statement of our subsidiaries & associates in the prescribed format **AOC 1** is appended as Annexure I to this report.

During the year under review your Company has divested its stake in its subsidiaries and associates and the aggregate profit on sale of these investments has been disclosed in financial statements.

The details of divestments by your Company during the year are as follows:

Divestment of stake in Aavas Financiers Limited (Formerly known as “AU Housing Finance Limited”), wholly owned Subsidiary of your Company

Your Company had received in-principle approval to establish a SFB from RBI on 7th October, 2015, wherein it was stipulated to merge Aavas Financiers Limited with your Company. Further, by way of RBI Letter dated 18th January, 2016, our Company had obtained no-objection from RBI to divest stake in Aavas Financiers Limited. Pursuant to Aavas Financiers Limited SPA, your Company sold 33,773,484 equity shares of Aavas Financiers Limited to Lake District Holdings Limited, Kedaara Capital Alternative Investment Fund – Kedaara Capital AIF 1, Partners Group Private Equity Master Fund LLC and Partner Group ESCL Limited for an aggregate consideration of ₹ 8,28.35 Cr. Obtaining RBI approval for the divestment was a condition precedent to the execution of the transaction in the Aavas Financiers Limited SPA. Pursuant to RBI letter dated 6th April, 2016, final approval for divestment of 90.10% stake in Aavas Financiers Limited was obtained by your Company.

Divestment of stake in Index Money LLP (Formerly known as “Index Money Limited”), wholly owned subsidiary of your Company

Your Company had received in-principle approval to establish a SFB from RBI on 7th October, 2015, wherein it was stipulated to merge Index Money LLP with your Company. Your Company by way of RBI Letter dated 18th January, 2016, had obtained no-objection from RBI to divest stake in Index Money LLP and stake sale was successfully completed in year under review.

Divestment of Stake in M power Micro Finance Pvt. Limited

Your Company has divested 29.53% of the outstanding equity shares of M Power Micro Finance Private Limited on 08th September, 2016 and it is no more associate of your Company in compliance of conditions stipulated by RBI to set up Small Finance Bank.

Divestment of stake in Au Insurance Broking Services Private Limited

26% of the outstanding equity shares of Au Insurance Broking Services Private Limited was transferred on 08th December, 2016 and it is no more associate of your Company in terms of stipulations to set up Small Finance Bank.

In view of above divestments, there was partial stake sale in Aavas Financiers Limited & M Power Micro Finance Private Limited and complete stake sale in Index Money Limited and Au Insurance Broking Services Private Limited during FY 2016-17 and your company had no subsidiaries & associates as on 31st March 2017.

Consolidated Financial Statements - FY 2016-17

Pursuant to sub-section (3) of Section 129 of the Companies Act, 2013, Company prepared a consolidated financial statement including its subsidiaries & associates Companies which shall be laid before the ensuing Annual General Meeting along with the Financial Statement under sub-section (2) of section 129 i.e. Standalone Financial Statements and in compliance of other applicable sections of Companies Act, 2013 and rules thereunder and under applicable accounting standards.

Appropriations/Transfer to reserves

Your Company proposes to transfer ₹ 164.40 Cr. of the net profits to statutory reserve, created under Section 45 IC of the Reserve Bank of India Act, 1934 and Company does not propose to transfer any amount to general reserves.

Dividend

Your Company converted into a small finance bank and owing to increased expenditure for IT software & hardware, branch expansions, infrastructure and Branding expenses, it will be prudent for the Company to conserve resources for being used in transformation of Banking business. Hence, Board does not propose to declare any dividend for the year ended 31st March, 2017.

Share capital

During the period under review several key corporate actions were carried out wherein changes in share capital took place and your company, reclassified its unissued share capital, increased its authorised share capital, issued bonus shares, converted warrants into equity shares and cancelled the unsubscribed portion of issued capital under the review.

Reclassification of unissued portion of Authorised Capital

During the period under review company's Authorised Share Capital of ₹ 97,00,00,000/- (Rupees Ninety-Seven Crores Only) was divided into 7,81,50,000 (Seven Crore Eighty One Lakh and Fifty Thousand) Equity Shares of ₹ 10/-(Rupee Ten Only) each and 18,85,000 (Eighteen Lakh Eighty Five Thousand) Compulsory Convertible Preference Shares of ₹ 100/- (Rupee One Hundred Only) each which was reclassified by shifting the unissued part of preference

share capital as mentioned above into the Equity Share Capital of the Company, as a result of which the authorized capital changed to ₹ 97,00,00,000/- (Rupees Ninety-Seven Crores Only) which was divided into 9,70,00,000 (Nine Crore Seventy Lakh Equity Shares of ₹ 10/- Each..

Increased Authorised Share Capital

Keeping growth objectives mind and in view of proposed bonus issue, it was imperative to increase the authorised Share Capital of the Company and Therefore, authorised capital of the was increased from ₹ 97,00,00,000/- (Rupees Ninety Seven Crores Only) to ₹ 35,00,00,000/- (Rupees Three Hundred and Fifty Crores Only) during year under review.

Bonus Shares

In view of the strong financial performance, profits were capitalized in benefit of the shareholders and Company issued 22,86,25,755 (Twenty Two Crore Eighty Six Lakhs, Twenty Five Thousand and Seven Hundred and Fifty Five Only) bonus equity shares duly approved by the shareholders at their meeting dated 10th October 2016 Equity Shares of ₹10/- (Rupees ten only) each and 5 (Five) equity share for every 1 (One) existing equity share held by the Members were issued as bonus shares.

Allotment of Equity Shares on conversion of Share Warrants

During the year company allotted equity shares on conversion share of Warrants in the following manner:

Company issued 16,44,399 (Sixteen Lakh Forty-Four Thousand Three Hundred Ninety Nine) warrants which were converted & allotted into equal nos. of equity shares to Mr. Sanjay Agarwal, Key Person as approved by the shareholders at their meeting dated 10th June 2016 and 99,00,000 (Ninety-Nine Lakhs) equity shares were allotted on conversion of warrants to KMPs out of which 90,00,000 (Ninety Lakh) Equity shares were allotted to Mr. Sanjay Agarwal – MD, 7,50,000 (Seven Lakh & Fifty Thousand) Equity Shares were allotted to Mr. Uttam Tibrewal - WTD and 1,50,000 (One Lakh Fifty Thousand) Equity Shares were allotted to Mr. Deepak Jain - CFO on 03rd January, 2017 which was approved by Shareholders at their meeting dated 10th October, 2016.

Cancellation of Unsubscribed Issued Capital

During the year company cancelled unsubscribed issued capital for 13,061 (Thirteen Thousand and Sixty One) equity shares. These Equity Shares were originally approved by Board of Directors on 28th March, 2014 for allotment to the proposed subscribers and the said

shareholders did not subscribe to the said shares within the stipulated time as per the Companies Act. Therefore, in compliance of applicable laws, cancellation of said shares was approved at shareholders meeting dated 25th February, 2017 to streamline the issued, subscribed and paid up share Capital of the Company.

After above corporate actions in FY2016-17, Company's authorized capital stood at ₹35,00,00,000/- (Rupees Three Hundred and Fifty Crores Only) divided into 35,00,00,000 (Thirty Five Crores) equity shares of face value of ₹ 10 (Ten) each and issued and paid up capital was ₹ 284,25,09,060 (Two Hundred and Eighty Four Crores, Twenty Five Lakhs and Nine Thousand and Sixty) divided into 28,42,50,906 (Twenty Eight Crores, Forty Two Lakhs Fifty Thousand Nine Hundred and Six) equity shares having face value of ₹ 10 (Ten) each as on 31st March, 2017.

Employee stock Option Plan

Your Company has instituted Stock Option Schemes is to attract and retain the personnel for positions of substantial responsibility and to provide additional incentive to Employees. The ESOP Plan is implemented to enable the Employees to share the wealth that they help to create for the Company over a certain period of time. The Company strongly believes that an equity linked component in the wealth creation goes a long way in aligning the objectives of an individual with those of the Company. Through ESOP Plan, the Company intends to offer an opportunity of sharing the wealth created to those Employees who have contributed in creation of this wealth. The Stock Option Schemes also enable the Company to hire the best talent for its senior management and key positions.

The Company instituted “2011 Au Employees Stock Option Plan” on 21st September, 2011 pursuant to Resolution dated 21st May, 2011 and 27th September, 2011, passed by Board of Directors and Shareholders, respectively. This ESOP scheme was completed and shares underlying the ESOP scheme were issued. Board of Directors formulated ‘Employees Stock Option Scheme 2015’ in their Meeting dated 10th August, 2015 which was subsequently approved by the shareholders of the Company at their Extra-ordinary General meeting dated 31st August, 2015 and empowering the Board & Nomination and remuneration committee to execute the said employees stock option scheme as “Au FINANCIERS (INDIA) LIMITED- Employees Stock Option Plan A & Plan B 2015”.

Board of Directors at its meeting dated 23rd August, 2016 passed a resolution to approve ESOP Scheme called as

“Au FINANCIERS (INDIA) LIMITED-Employees Stock Option Plan 2016” which was approved by shareholders at extra-ordinary general meeting dated 10th October, 2016 approving the scheme”.

The above referred ESOP Scheme 2015 and ESOP Scheme 2016, i.e. ESOP Plans called as “Au FINANCIERS (INDIA) LIMITED-Employees Stock Option Plan A & Plan B 2015

and Au FINANCIERS (INDIA) LIMITED-Employees Stock Option Plan 2016” were subsequently amended by the shareholders on 24th January, 2017 through postal ballot.

The Employee Stock Option Plans are administered by the Nomination & Remuneration Committee of the Board of the Company.

The details of vesting of various schemes in which ESOP is granted are as follows:

ESOP Schemes	Vesting period	
ESOP Plan - A – 2015	Vesting Date	% of vesting of options
	1 year from the date of grant or at the time of IPO whichever is later	20%
	Expiry of 1 year from 1st vesting	30%
	Expiry of 2 years from 1st vesting	50%
	Total	100%
ESOP Plan - B 2015	1 year from the date of grant or at the time of IPO whichever is later	20%
	Expiry of 1 year from 1st vesting	30%
	Expiry of 2 years from 1st vesting	50%
	Total	100%
ESOP Scheme 2016	Options granted under this scheme would vest after one year but not later than six years from the date of grant of options.	

Various details including option movement during the year under Schemes i.e. ESOP Plan - A 2015, ESOP Plan - B 2015 and ESOP Scheme 2016 respectively as on 31st March, 2017 are as follows:

Particulars	ESOP Plan A 2015	ESOP Plan B 2015	ESOP Scheme 2016
Date of Shareholder's Approval	31st August 2015	31st August 2015	23rd August 2016
Total Number of Options approved	3,836,058	4,933,194	2,100,000
Total Number of options outstanding at the Beginning of the period	3,338,418	2,862,846	-
Total No. of Options granted (during FY 2016-17)	418,512	1,122,654	268,300
The Pricing Formula	10.11	33.37	140
Options Vested (during FY 2016-17)	-	-	-
Options Exercised (during FY 2016-17)	-	-	-
Total No of shares arising as a result of exercise of option	-	-	-
Options lapsed/ Forfeited (during FY 2016-17) (available for reissue)	318,864	109,716	-
Total No of options exercisable at the end of the year	-	-	-
Total No of options outstanding at the end of the year	3,438,066	3,875,784	268,300
Variation in terms of options	Refer Note 1	Refer Note 1	Refer Note1
Money realized by exercise of Options (during FY 2016-17) (in ₹)	-	-	-
Total No of Options granted to Senior Management Personnel (SMP) i.e. Directors and Key managerial personnel	2,188,212 Refer Note 2	2,075,178 Refer Note 2	-
Any other employee who received a grant in any one year of options amounting to 5% or more of options granted during that year	Nil	Nil	Nil
Identified employees who are granted options, during any one year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	Nil	Nil	Nil

Particulars	ESOP Plan A 2015	ESOP Plan B 2015	ESOP Scheme 2016
Diluted Earnings Per Share (EPS) of the Company after considering the effect of potential equity shares on account of exercise of Options	Refer Note 3		
Impact of the difference between the Intrinsic Value of the Options and the Fair Value of the Options on Profits and on EPS	Refer Note 3	Refer Note 3	Refer Note 3
Weighted average share/exercise price of the shares exercised during the year (in ₹)	10.11	66.67	140
Weighted average fair value(WAFV) of the outstanding options (in ₹)	Refer note 33 to notes to accounts of Standalone Annual Audited Financial Results of FY2016-17		

Note: Pursuant to issuance of Bonus issue in the ratio of 5:1 on 19th October, 2016 all the ESOP option/price converted into multiple/divide in 6 after effecting bonus issue and all the figures mentioned above has been converted to such post bonus issue nos. and value

The Securities and Exchange Board of India ('SEBI') has prescribed two methods to account for stock grants; namely (i) the intrinsic value method; (ii) the fair value method. The Company adopts the intrinsic value method to account for the stock options it grants to the employees. The Company also calculates the fair value of options at the time of grant, using Black-Scholes pricing model with the following assumptions:

Particulars	31st March, 2017
Risk free interest rate	6.86%
Expected life	3.1 -4.1 year
Expected volatility	49.91%
Expected dividends	0%

Note 1:
The above referred ESOP Plan 2015 and ESOP Scheme 2016 were subsequently amended by the shareholders on 24th January, 2017 through postal ballot and the amended as follows:

ESOP Plan A 2015:

Particulars	Existing Terms	Amended Terms, if any
Name of Plan	Au FINANCIERS (INDIA) LIMITED-Employees Stock Option Plan-A 2015	same as original
ESOP Scheme Nos. of ESOPs	639,343	3,836,058 (post bonus)
Exercise Price	₹ 60.65/- each	₹ 10.11/- each (post bonus)
Exercise Period	the time period of 4 years from the 1st Vesting Date within which an Employee should exercise his right to apply for Shares against the Vested Option in pursuance to this ESOP Plan. The Options shall not be permitted to be exercised after the expiry of the above-mentioned Exercise Period. After the above-mentioned date, all the Options vested but remaining unexercised under the ESOP Plan shall lapse and such Options which were subject thereto, shall become available for future grant under the ESOP Plan (unless the ESOP Plan is terminated)	Same as original
Vesting Schedule	As detailed above	Same as original
Secondary	-	Au Financiers Employee Welfare Trust can purchase shares from stock exchanges where shares of Company would be listed
Acquisition Post Listing		

ESOP Plan B 2015:

Particulars	Existing Terms	Amended Terms, if any
Name of Plan	Au FINANCIERS (INDIA) LIMITED-Employees Stock Option Plan-B 2015	same as original
ESOP Scheme Nos. of ESOPs	822,199	4,933,194 (post bonus)
Exercise Price	₹ 200.21/- each	₹ 33.37/- each (post bonus)
Exercise Period	The time period of 4 years from the1stVesting Date within which an Employee should exercise his right to apply for Shares against the Vested Option in pursuance to this ESOP Plan. The Options shall not be permitted to be exercised after the expiry of the above-mentioned Exercise Period. After the above-mentioned date, all the Options vested but remaining unexercised under the ESOP Plan shall lapse and such Options which were subject thereto, shall become available for future grant under the ESOP Plan (unless the ESOP Plan is terminated)	Same as original
Vesting Schedule	As detailed above	Same as original
Secondary Acquisition Post Listing	-	Au Financiers Employee Welfare Trust can purchase shares from stock exchanges where shares of Company would be listed

ESOP Scheme 2016:

Particulars	Existing Terms	Amended Terms, if any
Name of Plan	Au FINANCIERS (INDIA) LIMITED-Employees Stock Option Plan 2016	No change
ESOP Scheme Nos. of ESOPs	3,50,000	21,00,000 (post bonus)
Exercise Price	₹ 840/- each	₹ 140/-each (post bonus)
Exercise Period	Time period of four years starting from the first vesting date.	Time period of six years from first vesting date.
Vesting Schedule	First vesting - 20% -One (1) year from Initial Public Offer ("IPO") or twelve (12) months from grant date, whichever is later. Second Vesting - 30%- after 2 year from date of 1st grant. Third Vesting - 50% - after 3 year from date of 1st grant.	Options granted under this scheme would vest after one year but not later than six years from the date of grant of options.
Secondary Acquisition Post Listing	-	Au Employee Welfare Trust can purchase shares from stock exchanges where shares of Company would be listed.

Note 2:

Details of Options granted to senior managerial personnel i.e., Directors and Key managerial personnel

S. NO.	Name	Designation	No. of ESOP Granted in ESOP Plan –A 2015	No. of ESOP Granted in ESOP Plan –B 2015	No. of ESOP Granted in ESOP Scheme 2016
1	Mr. Uttam Tibrewal	Whole-time Director	1,665,000 @ ₹ 10.11/-	2,061,924 @₹ 33.37/-	-
2	Mr. Deepak Jain	Chief Financial Officer	509,562 @ ₹ 10.11/-	-	-
3	Mr. Manmohan Parnami	Company Secretary	13,650 @ ₹ 10.11/-	13,254 @ ₹ 33.37/-	-

Note 3:

The Company measures the cost of ESOP using the intrinsic value method. Had the Company used the fair value model to determine compensation, its profit after tax and earnings per share as reported would have changed to the amounts indicated below:

Particulars	Year ended 31st March, 2017	(₹ in Lakh) Year ended 31st March, 2016
Profit after tax as reported (₹ in Lakh)	82,197.61	21,161.95
Add: ESOP cost using intrinsic value method (net of tax)	266.45	135.87
Less: ESOP cost using fair value method (net of tax) (₹ in Lakh)	408.67	202.42
Profit after tax (adjusted) (₹ in Lakh)	82,055.38	21,095.40
Earnings Per Share*		
Basic		
- As reported	30.18	8.00
- Adjusted for ESOP cost using fair value method	30.12	7.98
Diluted		
- As reported	29.61	7.95
- Adjusted for ESOP cost using fair value method	29.56	7.91

*Earning Per share is in ₹

Contracts or Arrangements with related parties

All contracts / arrangements / transactions entered by the Company during the financial year with related parties have been covered in note no. 28 to Financial Statements for the period 31st March, 2017 and all related party transactions are placed before the Audit Committee & Board for approval. Prior omnibus approval for relevant transactions is also obtained from the Audit Committee & Board for the related party transactions and accordingly the required disclosures are made to the Committee & Board on quarterly basis in terms of the applicable requirements under the law.

The policy on Related Party Transactions and materiality dealing with Related Party Transactions as approved by the Audit Committee and the Board of Directors is uploaded on the website of the Company and link for the same is <https://www.aubank.in/au-notice-board>.

Particulars of contracts or arrangements with related parties referred to in Section 188 of the Companies Act, 2013, in the prescribed Form AOC-2, is appended as Annexure II to the Board's report.

Loans, Guarantees or Investment in Securities

Required disclosure on Loans, guarantees and investments covered under Section 186 of the Companies Act, 2013 form part of the notes to the financial statements provided in this Annual Report and in reference to Section 186 of the Companies Act, 2013 read with Rule 11(2) of the Companies (Meetings of Board and its Powers) Rules, 2014,

the loans made, guarantee given or security provided are in the ordinary course of business by a Non-Banking Financial Company (NBFC) registered with Reserve Bank of India (RBI) is exempt from the applicability of provisions of Section 186 of the Act.

Change in Nature of Business

During the year under review, we continued to operate as a retail focused "Systemically Important, Non-Deposit Accepting Asset Finance Company" (NBFC-ND-AFC) a non-banking finance company ("NBFC") offering vehicle finance; micro, small and medium enterprises ("MSMEs") loans; and small and medium enterprises ("SMEs") loans and there was no change in nature of business during FY 2016-17.

However, Company changed its name from "Au FINANCIERS (INDIA) LIMITED" to "AU SMALL FINANCE BANK LIMITED" on 13th April, 2017 and commenced its banking operations formally on 19th April, 2017.

Treasury & Finance
Mobilization of Funds

During the year under report and as per business requirement, your Company raised funds at lower cost, mainly by way of private placement of Non-Convertible Debentures with comfortable liquidity position, undrawn cash credit lines, working capital demand loan, rupee Term Loans from Banks.

During the year, your Company further focused on bringing reduction in its cost of borrowings by raising

funds through short term instruments like Commercial Papers, WCDL etc., and further reduction in rate of interest on existing lines of credit from banks. We are pleased to inform that Company successfully raised credit lines from National Bank for Agriculture and Rural Development (NABARD).

Non-Convertible Debentures

During the year under review your company raised funds via issuance of ₹ 2,555 Cr. Non-Convertible Debentures. Company earned trust of the investor's viz. HDFC Bank Limited, ICICI Bank, State Bank of India Mutual Fund, IDFC Bank Limited, International Finance Corporation, ICICI Prudential Mutual Fund, Reliance Mutual Fund, FMO, Franklin Templeton, DSP Blackrock Investments Managers and Asian Development Bank under their various schemes.

Credit Ratings

Your Company was rated by leading rating agencies of India as on 31st March, 2017 and the ratings have been presented under note no. 37 (P) of the financial statements of the Company for FY 2016-17.

Capital Adequacy Ratio

Your Company is well capitalized and the Capital Adequacy Ratio (CRAR) of your Company is 23.04% as on 31st March, 2017, which is higher than minimum requirement as prescribed by the RBI. Strong Capital Adequacy Ratio not only defines that your Company is adequately capitalized and it also signifies that it has strong capacity to meet the time liabilities and had cushion for other risks such as credit risk, operational & other inherent risks of the Business.

Corporate Governance

Board & Committees Brief and Composition

Duty of the Board of Directors of your Company is to oversee that the operation & management of Company is run in ethical manner. The Board is scheduled to meet at least once a quarter and each quarterly meeting of the Board will generally include a business and finance update and discussion. Board reviews the Company's annual financial plan and monitors the Company's performance against its annual financial plan.

Board Meetings:

There were 10 meetings of the Board held during the year under review and the intervening gap between the meetings was within the period prescribed under the Companies Act, 2013 & Secretarial Standard-I.

The composition, number of meetings held under the review, the scope of work of the respective committees including Nomination & Remuneration Committee, Audit Committee, Stakeholder's relationship committee and Corporate Social responsibility committee have been appended in the report on corporate governance, forming part of this Annual Report.

Declaration by Independent directors

Company has received necessary declaration from each independent director under Section 149(7) of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations'), that they meet the criteria of independence laid down in the Companies Act, 2013 and Listing Regulations.

Board of Directors and Key Managerial Personnel

Board of Directors

- ▶ The composition of the Board of your Company is in conformity with the provisions of the Companies Act, 2013 as amended from time to time and has a well-structured Board with a balanced mix of Executive and Non-Executive Directors comprising of Five (5) Directors with 3 (Three) Non-Executive (Independent Directors) and 2 (Two) Executive Directors. Your Company is also in compliance of requirement of having 1 woman Director on Board. The Executive and Non-Executive Directors are competent and knowledgeable personalities possessing required skills and competencies in compliance to the requirements of Banking Regulations Act 1949, Companies Act 2013 and other applicable laws and regulations.
- ▶ None of the Directors of the Company are disqualified from being appointed as Directors as specified under Section 164 (2) of the Companies Act, 2013, read with its applicable rules.
- ▶ Following directors resigned from the Board of Company during the period under review:

Mr. Vishal Mahadevia (Nominee Director)	23rd January, 2017
Mr. Nishant Sharma (Nominee Director)	24th January, 2017
Mr. Ravindra Bahl (Nominee Director)-	24th January, 2017

Company applied with RBI for granting approval for Mr. Mannil Venugopalan for the position of Non-Executive Part Time Chairman and considering his vast experience, RBI granted approval and he is being designated as Non Executive Part Time Chairman of the Bank.

Pursuant to the applicable provisions of the Companies Act, 2013, Regulation Act, 1949 and Articles of Association of the Company and subject to the approval of Reserve Bank of India (RBI) and on approval by shareholders at their meeting held on 31st March, 2017 for appointment of Mr. Sanjay Agarwal as the "Managing Director & CEO" and Mr. Uttam Tibrewal as the "Whole time Director" in view of proposed transition to Banking platform for the tenure of 3 years from date of taking the charge.

In terms of Section 152 of the Companies Act, 2013, Mr. Uttam Tibrewal, being director liable to retire by rotation, shall retire at the ensuing AGM and being eligible for reappointment, offers himself for re-appointment.

Other Key Managerial Personnel

Mr. Deepak Jain, Chief Financial Officer and Mr. Manmohan Parnami, Company Secretary are the other 2 Key Managerial Personnel of your Company as per the provisions of the Companies Act, 2013 and rules made thereunder.

Performance evaluation

Board evaluation is the most effective way to ensure the Board members understand their duties and to adopt effective good governance practices. To be effective, boardroom appraisals need to have specific, clearly defined steps and practices and a special commitment from the Board. Your Company evaluates the performance of individual directors, the Board as a whole and its committees annually.

Evaluation mechanism is based on independent assessment of performance of Directors and Board as a whole and of its committees. The performance of the committees was evaluated by the Board after seeking inputs from the committee members on the basis of criteria such as the composition of committees, manner of conducting the meetings, value additions made by the members of the committees, sharing of relevant knowledge, effectiveness of committee meetings etc.

The Board and the Nomination and Remuneration Committee reviewed the performance of individual directors on the basis of criteria covering their knowledge, participation and the contribution of the

individual director to the Board and committee meetings like attendance of the directors in the meetings, their contribution & inputs and expertise and other relevant parameters.

Familiarization Programme for Independent Directors

In compliance with the requirements of the act and the regulations, the Company has put in place a familiarization programmes for the Independent Directors to familiarize them with their role, rights and responsibility as directors, the working of the Company, nature of the industry in which the Company operates, business model etc. The details of such familiarization programmes imparted to Independent Directors are posted on the website of the Company and can be accessed at <https://www.aubank.in/au-notice-board>

Meetings of Independent Directors

The Independent Directors met once during the year under review. The meeting was conducted in an informal manner without the presence of any of the Executive Directors, the Non-Executive, Non-Independent Directors or any other Management Personnel.

The meeting was held inter alia to discuss:

- ▶ Review of the performance of Non-independent Directors and the Board of Directors as a whole.
- ▶ Review of the performance of the Chairman of the Company, taking into account the views of the Executive and Non-executive directors.
- ▶ Assess the quality, content and timeliness of flow of information between the management and the Board that is necessary for the Board to effectively and reasonably perform its duties.

Regulatory Compliances
RBI Guidelines

Your Company continued to comply with guidelines of RBI, Companies Act, 2013 and other applicable regulation as applicable to a Non-Banking Non-Deposit Taking Systemically Important Asset Finance Company ('NBFC-ND-SI-AFC') Your Company continues to comply with all requirements prescribed by RBI from time to time.

Deposits

Your Company was a non-deposit taking NBFC as on 31st March, 2017, and thus has not accepted any public deposits during the FY 2016-17.

Material Events Occurring After Balance Sheet Date-
Sec 134 (3) (I) of Companies Act, 2013

The major events after the balance sheet date, i.e. after 31st March, 2017 were as follows:

Name Change

Your Company received license from Reserve Bank of India dated 20th December, 2016 to commence banking business under Section 22(1) of the Banking Regulation Act, 1949 and changed name of the company from “Au FINANCIERS (INDIA) LIMITED” to “AU SMALL FINANCE BANK LIMITED” and approval of Registrar of Companies, Rajasthan was received on 13th April, 2017.

Governance Framework

Bank formed the Board and Board delegated committees, approved the policies as applicable on Banks in terms of applicable RBI guidelines and Listing Regulations for building strong governance framework for Banking platform.

Commencement of Banking Business Operations

Commenced its banking operations on 19th April 2017 to build AU SMALL FINANCE BANK an admired retail franchise offering diverse suite of banking products and services by leveraging our asset based lending strengths. Simultaneously, Company also surrendered its NBFC-ND-SI AFC License with RBI on the same day.

Approval to the terms of appointment of MD & CEO & Whole Time Director

RBI granted approval to the terms of the appointment Mr. Sanjay Agarwal as the “Managing Director & CEO” and Mr. Uttam Tibrewal as the “Whole time Director”.

Initial Public Offer

In terms of in-principle approval of RBI to set up Small Finance Bank, it was mandatory to get Company listed within a period of 3 years. During 2016-17 taking this initiative forward, Company filed Draft Red Herring Prospectus and received approval for the same on 22nd March, 2017 and in recently concluded IPO, there was an overwhelming response across all the categories of investors and issue was oversubscribed by 54 times. We are sufficiently capitalized and IPO of ₹ 1913 crore was a pure Offer for Sale which provided liquidity to our existing shareholders and Bank got listed on 10th July, 2017 on NSE & BSE Bourses.

With commencement of the bank and the completion of our listing, we are now focused to build our Bank and

stabilize our operations. Our key priorities for the future will be to continue to serve the customers in the best possible way, maintain and continuously improve the asset quality, thoroughly abide by all the regulations mandated on us, control our operational expenditure, strengthen our product portfolio across assets and liabilities.

Extract of annual return

Pursuant to sub-section 3(a) of Section 134 and sub-section (3) of Section 92 of the Companies Act, 2013 read with Rule 12 of the Companies (Management and Administration) Rules, 2014, extract of annual return in the prescribed form MGT-9 as annexure IV is attached to this Report.

Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo

The disclosures to be made under sub-section (3) (m) of Section 134 of the Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) Rules, 2014 by your Company are as under:

Conservation of Energy

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

Your Company has adopted social environment management system and installed energy conserving computer monitors, LED lights, AC with good electric saving ratings wherever possible at branches & other offices to conserve energy and plans to carry out operations with low cost, highly technology lean operations model.

(ii) The steps taken by the company for utilising alternate sources of energy

We are taking measures to utilize the day light to the extent possible to save electricity at Branches and other offices.

(iii) The capital investment on energy conservation equipments

In view of banking transition, Bank shall explore more options to have monitoring and control over usage of electricity and other resources by the Branches to ensure efficiency in our operations.

Technology Absorption

(i) The efforts made towards technology absorption

Your Company has implemented social media, cutting-edge technologies like virtualisation and continue to invest in the best-in-class IT systems with the objective to make IT systems as business enabler and tool for improving efficiency and speed of its operations.

Your Company has incurred huge amount to build a lean and efficient Banking infrastructure and availed services of Netmagic an NTT Communication Company to manage its Datacentre, Near DR & DR site with view to ensure Business Continuity and seamless working.

For easy & convenient banking for our customers and to take maximum benefit of available technology resources for improving our efficiencies, we have taken following measures

- ▶ Aadhar enabled authentication,
- ▶ Account opening over tabs,
- ▶ Paperless account banking with no deposition and withdrawal slips at Branches required for carrying out transactions.

(ii) The benefits derived like product improvement, cost reduction, product development or import substitution;

Above measures would help us in cost reduction, increase in efficiency of operations and productivity per employee.

Company implemented several key applications for Customer Relationship Management and is currently underway of implementing the other applications to improve its technology architecture further.

(iii) In case of imported technology (imported during the last three years reckoned from the beginning of the financial year) - NA

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

Foreign Exchange Earnings and Outgo

The foreign exchange earnings and the foreign exchange outgo of the Company is furnished in note no. 32 of Annual Financial Statements for FY2016-17.

Management Discussion and Analysis Report

The Management Discussion and Analysis Report for the year under review is presented in a separate section forming part of Annual Report.

Policies & Framework:

Policies regarding appointment & remuneration

Your Company has formulated a policy for nomination and remuneration of Director and KMPs which laid down

the process for appointment of Directors including the required skill sets, experience, etc. The Policy covers aspects of board composition, skill sets, diversification of board of directors as required under the Companies Act, 2013. Nomination & Remuneration committee (NRC) identifies and scrutinizes the prospective candidates for the position of Director keeping in view the requisite qualifications, expertise, skill sets, track record, etc. The NRC has also put in place the policy on board diversity and policy for nomination and remuneration of Directors and KMPs. Policy is placed on the website of your company at weblink <https://www.aubank.in/au-notice-board>.

Vigil, Whistle Blower Mechanism & Anti-Bribery and Corruption Policy

The Company formulated and established a Vigil Mechanism Framework to enable directors and employees to report genuine concerns about unethical behavior, actual or suspected fraud or violation of Code of Conduct. This policy promotes open and fearless environment of direct communication by employees to management of the Company. Further, this policy seeks to provide necessary safeguards for protection of employees from reprisals or victimization, for whistle blowing in good faith. The Policy neither releases employees, customers and/or vendors from their duty of confidentiality in the course of their work, nor is it a route for taking up a grievance about personal situation. During the year, no whistle blower event was reported and mechanism is functioning well. No personnel has been denied access to the Audit Committee.

The Vigil Mechanism, whistle blower policy has been uploaded on the website of the Company i.e. <https://www.aubank.in/au-notice-board> Anti-Bribery Policy mechanism is also in place to ensure that no bribe and corrupt practices are carried out by the Company or its employees and associates and report on the same being submitted to the Board.

Disclosures under Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013

The Company is committed to provide a safe and conducive work environment to its employees and has formulated Policy for Prevention of Sexual Harassment to prohibit, prevent or deter any acts of sexual harassment at workplace and to provide the procedure for the redressal of complaints pertaining to sexual harassment, thereby providing a safe and healthy work environment. During the year under review, no case of sexual harassment was reported. The internal complaint committee has been formed to ensure safe and conducive work environment is

provided to its employees and to monitor the compliance of applicable guidelines in this regard.

Corporate Social Responsibility

Your Board has constituted a Corporate Social Responsibility committee in accordance with requirement of Section 135 of Companies Act, 2013. Details of CSR Committee are available in the report on Corporate Governance. CSR Committee has formulated and recommended a CSR policy, which has been approved by the Board and periodically reviewed. Your Company's CSR policy is committed towards CSR activities as envisaged in Schedule VII of the Companies Act, 2013. The Annual Report on CSR activities as required under Companies (CSR Policy) Rules 2014, which is attached to this report as Annexure V. The CSR Policy can be accessed at <https://www.aubank.in/au-notice-board>

Your company has implemented Social Environment Management System as agreed upon with International Finance Corporation & Asian Development Bank in its internal credit and management assessment processes with respect to offering its financial services to its customers.

Internal Financial Controls and their Adequacy

The Companies Act, 2013 has introduced a reasonably advanced reporting concept for auditors i.e., Internal Financial Control (IFC) over financial reporting. Auditors of the Company are required to report on adequacy and operating effectiveness of Internal Financial Controls of the Company with report on financial statements prepared under Section 143 of the Act.

The Company as per the requirement of section 134 (5) (e) has adopted the policies and procedures to ensure orderly and efficient conduct of its business, including adherence to the Company's policies, safeguarding of its assets, prevention and detection of frauds and errors, accuracy and completeness of accounting records, timely preparation of reliable financial information.

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

Auditors & Auditors' report: Statutory Auditor

Your Company recently converted into Small Finance Bank and commenced its Banking Business on 19th April, 2017. It is regulated by the Banking Regulation Act 1949, therefore, as per the Section 30 of the Banking Regulation Act and as per the prescribed Circulars of RBI, it is required to take prior approval of RBI for the Appointment of Statutory Auditor in the Bank for each financial year and we hereby inform that Company received approval from RBI for the appointment of M/S S.R. BATLIBOI & ASSOCIATES LLP, Chartered Accountants as Auditors of the Bank for the FY 2017-18.

In terms of Sections 139 and 141 of the Companies Act, 2013, read with Companies (Audit and Auditors) Rules, 2014, it is hereby informed that RBI has granted approval to the name of M/s. S. R. BATLIBOI & ASSOCIATES LLP, Chartered Accountants, (Registration No. 101049W/E300004) for appointment as statutory auditor of the Company for FY 2017-18 and it is proposed for approval of the members in the forthcoming Annual General Meeting for auditing the Annual Accounts of the Company for FY 2017-18 and for appointing them as statutory auditors from the conclusion of 22nd Annual General Meeting till the conclusion of the 26th Annual General Meeting of Bank to be held in the calendar year 2021 subject to ratification of their appointment by the Members of the Bank at every subsequent Annual General Meeting. A certificate under Section 141 of the Companies Act, 2013, is received from the M/s S. R. BATLIBOI & ASSOCIATES. LLP, Chartered Accountants, existing auditors and proposed audit firm which fulfils the criteria, prescribed in the said section to the effect that their appointment, if made, would be within the prescribed limits under Section 141 of the Act and that, they are not disqualified for such appointment within the meaning of Section 141 of the Act and the Company.

Reports & qualifications, if any

The notes on the financial statements referred to in the Auditors' Report are self-explanatory and do not call for any further comments. The Auditors' Report does not contain any qualification, reservation or adverse remark.

Secretarial Auditor

Pursuant to Section 204 of the Companies Act 2013, your Company had appointed M/s V. M. Associates, Practicing Company Secretaries, Jaipur as its Secretarial Auditors to

conduct the secretarial audit of the Company for FY 2016-17. Your Directors recommended and approved their appointment as the Secretarial Auditors of the Company for FY 2017-18.

Reports & qualifications, if any

Company provided all assistance and facilities to the Secretarial Auditor for conducting their audit for FY 2016-17. The Secretarial Audit Report as specified in Section 204 of Companies Act, 2013 in Form MR-3 as annexure VI to this report. There are no qualifications or adverse remarks in the Secretarial Audit Report except observation on expense on CSR activities were below the prescribed limit. Board's explanation has been formed as set out in Annexure V Annual Report on Corporate Social Responsibility.

Details of significant and material orders passed by the Regulators or Courts or Tribunals impacting the going concern status and the Company's operations in future.

No significant and material orders were passed by the regulators or courts or tribunals impacting the going concern status and the Company's operations in future.

Risk Management Framework & Policy

The Board of Directors has overall responsibility for Risk Management of the Company. The Board oversees the Company's Risk and related control environment, reviews and approves the policies designed during transition of company from Non-Banking Finance Company to Bank.

The Board ensures that comprehensive policies, systems and controls are in place to identify, monitor and manage material risks at banking platform. The Board has laid down a Risk appetite framework which identifies the quantum of risk and the Company is willing and able to assume in its exposures and business activities in pursuit of its strategic objectives and desired returns. The Board has also established policies governing risk management frame work and hired experienced senior personnel to identify and look overall risk framework.

In view of Banking transition, Board has taken following steps to strengthen the risk governance framework:

- a. Board has reviewed and approved applicable regulatory and business operations policies to enhance & improve the monitoring mechanism of its risk embedded in Banking business model
- b. Board has constituted 21 committees including following committees for monitoring and

mitigating the risk involved on Banking platform with a view to strengthen its framework for risk governance and control and for risk management following are the committees of the Board

- ▶ Risk Management Committee of the Board
- ▶ Operational Risk Management & IT Committee and
- ▶ Credit Risk & NPA management committees
- c. Each new product is assessed, recommended by product approval committee and approved by Board before being introduced.
- d. There are separate Audit, Risk & Compliance functions in the Bank led by respective department heads for monitoring the regulatory and other business risks.
- e. Chief Risk Officer has also been appointed for building, governing & monitoring the risk management framework of the Bank.
- f. Risk Management Policy has been uploaded on the website of the Company i.e. at <https://www.aubank.in/au-notice-board>

Human Resources

The Company aims to align HR practices, policies and processes with business objectives, goals, to motivate people for higher performance and build a competitive working environment. The Company strongly believes that its employees are the most important asset base and all measures introduced by the Company is aimed at providing employee satisfaction, enabling them to deliver better results year over year. At the end of March 2017, the Company had 8,515 employees. With increase in growth and size, it was inevitable for the Company to increase ability to hire manpower faster to handle and manage banking operations. In line of banking business requirements, the Company hired manpower from external manpower service companies and direct recruitments to ensure that growth envisaged by management can be achieved on consistent basis. Employee relations remained cordial and the work atmosphere remained congenial during the year.

Brief of Bank Products

Your Bank successfully commenced banking operation and bifurcated its products offered to the customers covering Liability and Asset Products.

► **Assets Products Portfolio**

Your Bank launched various customized assets products such as Retail bank & Wholesale Banking Products and commits to provide consistent customization in asset products to meet evolving need of our customers.

► **Liability Products Portfolio**

Your Bank launched various liability customized liability products viz. Saving Accounts, Currents Accounts, Fixed Deposit (FD), Recurring Deposit (RD), Gold Loans, Agri Term Loan, Locker Facility, Assets, Point of Sale (POS) and Fixed Deposit Overdraft (FDOD) and commits to provided consistent development of liability products.

Brief of asset products is mentioned below.

ASSET PRODUCTS

RETAIL BANKING
WHEELS

a. Commercial Vehicle Loan

b. Auto/Car Loan

c. Tractors Loan

d. Two Wheelers Loan

e. Construction Equipment Loan

f. Gold Loan

SECURED BUSINESS LOAN

a. MSME & SME LOANS

b. Agriculture Term Loan

WHOLESALE BANKING

a. Lending to NBFC, HFC & MFIs

b. Business Banking

c. Real Estate Finance

IT Strategy

Unified Payment Interface (UPI), Aadhar Enabled Authentication, Payment E-wallets, mobile banking and post demonization less cash environment has led to revolution in the banking sector wherein convenience, ease of use and cost effective way of transacting are key enablers for Bank to get more customers and to enhance customer convenience.

At AU Bank, we focus on building a Differentiated technology infrastructure, enhancing convenience for customers and building a differentiated simplified banking experience for our customers.

It included the Mobility solutions for our sales force, call center operations, liability centralized processing hub, cheque clearing centers, unified platform for customer relationship management and cash dispensation machines and we shall take forward digital banking & analytics for tapping growing digital banking culture that

Brief of liability products is mentioned below.

LIABILITY PRODUCTS

PERSONAL BANKING
SAVINGS ACCOUNT

CURRENT ACCOUNT

TERM DEPOSITS

a. Fixed Deposit

b. Regular Fixed Deposit

c. 5-year tax saving Fixed Deposit

d. Sweep-in facility

e. Recurring Deposits

DEBIT CARDS

will allow the unbanked masses to open their accounts and those with bank accounts to easily manage their finances.

Digital Banking

Your Bank committed to provide digitalized banking services to its customer and enhance scope of paper less banking for our customers. As per the commitment of Bank we have associated with various technology partners.

Particular of Employees

The Particular of Employees pursuant to sub Rule 2 & 3 of Rule 5 of Companies (Appointment & Remuneration of Managerial Personnel) Rules, 2014, as amended is covered under annexure III & for particular of employees under Rule 5 (1) of Companies (Appointment & Remuneration of Managerial Personnel) Rules, 2014 is covered in annexure VII to this report.

Investor Relations

To communicate details of performance, important developments and exchange of information, any investor can write at investorrelations@aubank.in and for other enquiries, investors can visit the Company's website www.aubank.in

Your Company ensures that critical information about the Company is available to all the investors by hosting all such information on the Company's website

MD & CEO / CFO Certification

The MD & CEO and the CFO of the company have issued certificate certifying that the financial statements do not contain any materially untrue statement and these statements represent a true and fair view of the Company's affairs. They also certify that no transactions entered into during the year were fraudulent, illegal or violative of the code of conduct of the Company, they are responsible for establishment and maintenance of the Internal Financial Controls for financial reporting and they have indicated to the auditors and the Audit Committee about any significant changes in internal control over financial reporting, significant changes in the accounting policies and instances of significant frauds, if any, which they were aware. The Annual certificate is annexed and forms part of the Annual Report.

Directors' responsibility statement

As required under clause (c) of sub-section (3) of section 134 of the Companies Act, 2013 directors, to the best of their knowledge and belief, state that –

- a. In the preparation of the annual accounts, the applicable Accounting Standards had 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

For and on behalf of the Board of Directors
AU SMALL FINANCE BANK LIMITED
Erstwhile Au FINANCIERS (INDIA) LIMITED

Sanjay Agarwal
Managing Director & CEO
DIN: 00009526

Date: 09th August, 2017
Place: Mumbai
CIN No. L36911RJ1996PLC011381

and prudent, so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit and loss of the Company for that period;

- c. The directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the Company's assets and for preventing and detecting fraud and other irregularities;

d. The directors had prepared the annual accounts on a going concern basis;

e. 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; and

f. 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.

Acknowledgements

We place our sincere appreciation to our Chairman and other Independent Directors during the course of transition from NBFC to Bank and in getting the Bank Listed.

Your Company would like to acknowledge the role of all its stakeholders including shareholders, customers, key partners and lenders for their continued support to the Company.

The directors appreciate the guidance received from various regulatory authorities including RBI, SEBI, MCA, Registrar of Companies, the Stock Exchanges and the depositories.

Your directors place on record their appreciation of the hard work and dedication of all the employees towards company.

Uttam Tibrewal
Whole Time Director
DIN: 01024940

CERTIFICATE ON COMPLIANCE WITH CODE OF CONDUCT

I hereby confirm that the Company has obtained from all the members of the Board and Management Personnel, affirmation that they have complied with the 'Code of Conduct' for the financial year 2016-17.

Jaipur
13th May, 2017

Sanjay Agarwal
Managing Director & CEO

CEO / CFO Certification

To,
The Board of Directors,
AU Small Finance Bank Limited

- a. We have reviewed financial statements and the cash flow statement for the year ended 31st March, 2017 and that to the best of our knowledge and belief:

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

ii. these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b. There are, to the best of our knowledge and belief, no transactions entered into by the Company's during the year which are fraudulent, illegal or violative of the Company's Code of Conduct.
- c. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Bank pertaining to financial reporting and have disclosed to the Auditors and Audit Committee, the deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or proposed to take to rectify these deficiencies.
- d. We have indicated, to the Auditors and the Audit Committee:

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

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

iii. instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having significant role in the Bank's internal control system over financial reporting.

Yours faithfully,
Place: Jaipur
Date: 13th May, 2017

Sanjay Agarwal
Managing Director & CEO

Deepak Jain
Chief Financial Officer

Annexure I

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 statement of Subsidiaries or associate companies or joint ventures

Part "A" : Subsidiaries

Particulars	(Rupees in Lakhs)	
	Name 1	Name 2
Name of the Subsidiary	Aavas Financiers Limited (Formerly known as "Au Housing Finance Limited")	Index Money LLP (Formerly known as "Index Money Limited") (refer note (i) below)
The date since when subsidiary was acquired	23rd February 2011	29th September 2009
Reporting Period for the Subsidiary concerned, if different from the holding company's reporting period.	NA	NA
Reporting currency and exchange rate as on the last date of the relevant financial year in case of foreign subsidiaries.	NA	NA
Share Capital	NA	NA
Reserves & Surplus	NA	NA
Total Assets	NA	NA
Total Liabilities	NA	NA
Investments	NA	NA
Turnover/Income	NA	NA
Profit before taxation	NA	NA
Provision for taxation	NA	NA
Profit after Taxation	NA	NA
Proposed Dividend	NA	NA
% of Shareholding	7.39%	0%
Notes:		
1. Name of Subsidiaries which are yet to commence operations: There are no subsidiaries of the Company which are yet to commence their business.		

Part "B": Associates and joint ventures
Statement Pursuant to Section 129 (3) of the companies Act, 2013 related to Associate Companies and joint ventures

2. Name of Subsidiaries which have been liquidated or sold during the year: Our Company sold 90.10% of the outstanding equity shares of AU Housing Finance Limited (now known as "Aavas Financiers Limited") on June 22, 2016 and 100% of the outstanding equity shares of Index Money Limited (now known as "Index Money LLP") on June 16, 2016. Hence, Company has no subsidiaries as on financial year ended 31st March, 2017.

Particulars	Name 1	Name 2
Name of Associates/ Joint ventures	Au Insurance Broking Services Private Limited	M Power Micro Finance Private Limited (refer note (i) below)
1. Latest audited Balance Sheet Date	31st March 2017	31st March 2017
2. Date on which the Associate or joint venture was associated or acquired	23rd March 2010	13th December 2013
3. Shares of Associate / Joint venture held by the company on the year end		
i. No. of Equity shares held	-	-
ii. Amount of investment in Associates in ₹	-	-
iii. Extend of Holding %	-	-
4. Description of how there is significant influence	See Note No. 2 Below	See Note No. 2 Below
5. Reason why the associate/ joint venture is not consolidated	See Note No. 2 Below	See Note No. 2 Below
6. Net worth attributable to shareholding as per latest audited Balance Sheet {(Net worth=Share Capital+Reserves & Surplus-DTA/(DTL))*%of holding}	NA	NA
7. Profit / Loss for the year	NA	NA
i. Considered in consolidation	NA	NA
ii. Not Considered in consolidation	NA	NA

Notes :

1. Name of associates or joint venture which are yet to commence operations: There are no associates or joint venture of the Company which are yet to commence their business.

2. Name of associates or joint venture which have been liquidated or sold during the year: Our Company sold 29.53% of the outstanding equity shares of M Power Micro Finance Private Limited and 26% of the outstanding equity shares of Au Insurance Broking Services Private Limited during the financial year ended 31st March, 2017 and they are no more associate Company within the meaning of section 2 (6) of Companies Act, 2013 as on 31st March, 2017.

As per our report of even date
For S.R. Batliboi & Associates LLP

Chartered Accountants
per **Amit Kabra**
Partner
Membership No. 094533

For and on behalf of the Board of Directors
AU Small Finance Bank Limited
(Formerly Au Financiers (India) Limited)

Sanjay Agarwal
(Managing Director and CEO)

Uttam Tibrewal
(Whole Time Director)

Deepak Jain
(Chief Financial Officer)

Manmohan Parnami
(Company Secretary)

Place: Mumbai

Date: 9th August, 2017

Note: i) The Financial Statements have been audited by firm of chartered accountants other than S.R. Batliboi & Associates LLP

ANNEXURE – II

AOC - 2
FORM FOR DISCLOSURE OF PARTICULARS OF CONTRACTS OR ARRANGEMENTS ENTERED INTO BY THE COMPANY WITH RELATED PARTIES REFERRED TO IN SUB-SECTION (1) OF SECTION 188 OF THE COMPANIES ACT, 2013 INCLUDING CERTAIN ARM'S LENGTH TRANSACTIONS

DETAILS OF MATERIAL CONTRACTS OR ARRANGEMENT OR TRANSACTIONS AT ARM'S LENGTH BASIS

S. No.	Name(s) of the related party and nature of relationship	Nature of contracts/ arrangements/ transactions	Duration of the contracts/ arrangements/transactions	Salient terms of the contracts or arrangements or transactions including the value, if any	Justification for entering into such contracts or arrangements or transactions	Date(s) of approval by the Board	Amount paid as advances, if any
1	AAVAS FINANCIERS LIMITED formerly known as Au HOUSING FINANCE LIMITED	Infrastructure Sharing Agreement	Duration of agreement will be for a one year, term can be extended with the mutual consent of parties	a) The office spaces of the branch network of the Holding Company in the state of Rajasthan, Gujarat, Maharashtra, Madhya Pradesh, and Haryana i.e. the Branch Offices shall be used for the purpose of the carrying on respective business activities by each party. b) The Wholly owned Subsidiary shall be entitled to use the utilities in the Branch Offices including furniture's, fixtures, air conditioner, computers, telephone, fax, office equipments etc. along with the Holding Company. c) Both the Holding and Subsidiary company will retain their own individual finance activities during the terms hereof and also to do all compliance activities as required to be done as per RBI and NHB respectively. d) Towards contribution in expenses of office spaces of Branch Offices and Facilities, the Subsidiary Company shall pay the Holding Company the amount equal to 5% to 10% (varying for each branch depending upon the scale of operations of the Subsidiary Company and proportion of sharing of resources utilized by the Subsidiary Company.) e) That the Subsidiary shall make payment to the Holding Company of the amounts due under this Agreement on Monthly basis. f) That both the Parties shall endeavour to identify and incur their own specified capital and revenue expenditure to the extent possible. g) This Agreement may be terminated by either party at any time, upon provision of thirty (30) days' notice in writing to the other party.	For the purpose of the carrying on respective business activities.	27th May 2016	NIL
2	MPOWER MICRO FINANCE PRIVATE LIMITED	Borrowings in ordinary course of Business	Ongoing till the requirement subsists	The Company granted loans to M power Micro Finance Private Limited for their business requirements and for fulfilment of its working capital needs. The loan so granted in the FY 16-17 falls within the ambit of sub section 11 of section 186 of Companies Act, 2013, read with its applicable rules.	For onward lending business	27th May 2016	NIL

S. No.	Name(s) of the related party and nature of relationship	Nature of contracts/arrangements/transactions	Duration of the contracts/arrangements/transactions	Salient terms of the contracts or arrangements or transactions including the value, if any	Justification for entering into such contracts or arrangements or transactions	Date(s) of approval by the Board	Amount paid as advances, if any
3	Mr. Sanjay Agarwal – Managing Director	Rent Agreement	Ceased on 30th September 2016	Rent agreement with Mr. Sanjay Agarwal to take on lease property situated at 301/302, Atharwa Plaza, 3rd floor, Opp. Shankar Maharaj Nath Mandir, Pune Satara Road, Dhankawadi, Pune-411043, belonging to Mr. Sanjay Agarwal, Managing Director of the Company. Monthly rent of ₹ 0.57 lakh was payable as per terms of rent agreement.	Taken on lease for purpose of the carrying on business activities.	23rd May, 2014	NIL
4	Mr. Sanjay Agarwal – Managing Director	Purchase Agreement	Executed on 30th September 2016	Purchase agreement with Mr. Sanjay Agarwal to Purchase property at consideration of ₹ 113 lakhs at arm's length basis situated at 301/302, Atharwa Plaza, 3rd floor, Opp. Shankar Maharaj Nath Mandir, Pune Satara Road, Dhankawadi, Pune-411043, belonging to Mr. Sanjay Agarwal, Managing Director of the Company.	For purchase of said property by the Company	23rd August, 2016	NIL

For and on behalf of the Board of Directors
AU SMALL FINANCE BANK LIMITED
Erstwhile Au FINANCIERS (INDIA) LIMITED

Sanjay Agarwal
Managing Director & CEO
DIN: 00009526

Date: 09th August, 2017
Place: Mumbai
CIN No. L36911RJ1996PLC011381

Uttam Tibrewal
Whole Time Director
DIN: 01024940

ANNEXURE – III

The ratio of the remuneration of each director to the median employee’s remuneration and other details in terms of 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.	*Mr. Sanjay Agarwal, MD 2034X *Mr. Uttam Tibrewal, WTD 519X *remuneration includes Bonus of KMP mentioned above.
2.	The percentage increase in remuneration of each director, Chief Financial Officer, Chief Executive Officer, Company Secretary, in the financial year.	Name & Designation of KMP Increase%/ (Decrease)% Mr. Sanjay Agarwal, MD* 906.16% Mr. Uttam Tibrewal, WTD* 382.74% Mr. Deepak Jain, CFO* 126.65% Mr. Manmohan Parnami, CS* 17.96% *The figures for FY16-17 have been inclusive of Bonus figures for the previous year 15-16 in above calculations for KMP’s remuneration while calculating percentage increase/(decrease). If Bonus figure would not have been considered the Increase in remuneration of Key Managerial Person (KMP) would have been 25.01% for Mr. Sanjay Agarwal, 42.10% for Mr. Uttam Tibrewal, 29.12% for Mr. Deepak Jain and 9.90% for Mr. Manmohan Parnami for the FY 2016-17.
3.	The percentage decrease/increase in the median remuneration of employees in the financial year.	There has been decrease of 9.84% in median remuneration of employees. (The employees have been taken as on year end and there has been increase in no. of employees during FY16-17 over FY15-16 and median has been calculated taking employees on comparable basis and annualized remuneration arrived considering employees as on year end worked for whole year. The Company hired staff in FY16-17 for successful rollout to bank due to which there was increase in manpower.
4.	The number of permanent employees on the rolls of company as on 31st March, 2017.	There were 8515 employees as on 31st March, 2017
5.	Average percentile increase 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.	There was average percentile decrease of 3.73% in FY16-17 over FY15-16 for employees other than in managerial capacity. For managerial personnel, there were increase of 574% in remuneration of managerial personnel on overall basis in Financial Year 2016-17 over previous year, this was because of increase in nos. of Employees in view of Banking transition and strategic contribution by Managerial Personnel.
6.	Affirmation that the remuneration is as per the remuneration policy of the Company	The Directors hereby confirm that remuneration is as per remuneration policy of the Company.

General Note:
For KMP's remuneration figures have been arrived as recorded in Audited financial statements of the Company. Calculations above have been made on comparable and annualised basis wherever applicable.

For and on behalf of the Board of Directors
AU SMALL FINANCE BANK LIMITED
Erstwhile Au FINANCIERS (INDIA) LIMITED

Sanjay Agarwal
Managing Director & CEO
DIN: 00009526

Date: 09th August, 2017
Place: Mumbai
CIN No. L36911RJ1996PLC011381

Uttam Tibrewal
Whole Time Director
DIN: 01024940

ANNEXURE - IV

FORM NO. MGT-9
EXTRACT OF ANNUAL RETURN

As on the financial year ended on 31st March, 2017

{Pursuant to Section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014}

I. REGISTRATION AND OTHER DETAILS

CIN	L36911RJ1996PLC011381
Registration Date	10th January, 1996
Name of the Company	Au FINANCIERS (INDIA) LIMITED Changed its name w.e.f. 13th April, 2017 to "AU SMALL FINANCE BANK LIMITED"
Category	Company limited by shares
Sub-Category of the Company	Non-govt Company
Address of the Registered office and contact Details	19-A, Dhuleshwar Garden, Ajmer Road, Jaipur-302001, Rajasthan Phone no. 0141-4110060 Website: www.aubank.in Email id: investorrelations@aubank.in
Whether listed company	YES (Privately Placed Debentures are listed at WDM segment of National Stock Exchange of India Limited & BSE Ltd.) Note: Company also listed its Equity Shares on National Stock Exchange of India Ltd. and BSE Ltd. w.e.f. 10th July, 2017.
Name, Address and Contact details of Registrar and Transfer Agent	Link Intime India Pvt Ltd. C 101, 247 Park , L B S Marg, Vikhroli West, Mumbai 400 083 Tel No: +91 22 49186000 Fax: +91 22 49186060 Website: www.linkintime.co.in

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

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

Sr. No.	Name and description of main products/ services	NIC Code of the Product/service	% to total turnover of the company
1.	Financial Services	64920	100%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANY:

Sr. No.	Name and address of the company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable section
Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

IV. SHARE HOLDING PATTERN (Equity share capital breakup as percentage of Total equity)

i. Category wise shareholding

Category of Share holders	No. of Shares held at the beginning of the year*				No. of Shares held at the end of the year*				% of Change During in FY 16-17
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a) Individual/HUF	1,25,30,276	-	1,25,30,276	28.43%	9,48,73,926	-	9,48,73,926	33.38%	4.95%
b) Central Govt	-	-	-	-	-	-	-	-	-
c) State Govt(s)	-	-	-	-	-	-	-	-	-
d) Bodies Corp.	-	-	-	-	-	-	-	-	-
e) Banks / FI	-	-	-	-	-	-	-	-	-
f) Any Other....	-	-	-	-	-	-	-	-	-
Sub-total A.(1)	1,25,30,276	-	1,25,30,276	28.43%	9,48,73,926	-	9,48,73,926	33.38%	4.95%
(2) Foreign									
a) NRIs –Individuals	-	-	-	0	-	-	-	0	0
b) Other –Individuals	-	-	-	0	-	-	-	0	0
c) Bodies Corp.	-	-	-	0	-	-	-	0	0
d) Banks / FI	-	-	-	0	-	-	-	0	0
e) Any Other	-	-	-	0	-	-	-	0	0
Sub-total A.(2):-	-	-	-	0	-	-	-	0	0
Total Shareholding of Promoter (A)= (A)(1)+(A)(2)	1,25,30,276	-	1,25,30,276	28.43%	9,48,73,926	-	9,48,73,926	33.38%	4.95%
B. Public Shareholding									
1. Institutions									
a) Mutual Funds	-	-	-	-	-	-	-	-	-
b) Banks / FI	-	-	-	-	-	-	-	-	-
c) Central Govt	-	-	-	-	-	-	-	-	-
d) State Govt(s)	-	-	-	-	-	-	-	-	-
e) Venture Capital Fund	8,01,642	-	8,01,642	1.82%	-	-	-	-	(1.82%)
f) Insurance Companies	-	-	-	-	1,45,81,602	-	1,45,81,602	5.13%	5.13%
g) FIIs	60,47,875	-	60,47,875	13.72%	3,02,88,678	-	3,02,88,678	10.66%	(3.06%)
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i) Others-Trust	1,90,907	-	1,90,907	0.43%	8,86,806	-	8,86,806	0.31%	(0.11%)
Sub-total(B)(1):-	70,40,424	-	70,40,424	15.97%	4,57,57,086	-	4,57,57,086	16.10%	0.13%
2. Non Institutions									
a) Bodies Corp.	-	-	-	-	-	-	-	-	-
i) Indian	11,23,710	-	11,23,710	2.55%	1,58,28,732	-	1,58,28,732	5.57%	3.02%
ii) Overseas	2,25,68,460	-	2,25,68,460	51.20%	10,34,57,388	-	10,34,57,388	36.40%	(14.8%)
b) Individual	-	-	-	-	-	-	-	-	-
i) Individual shareholders holding nominal share capital upto ₹ 1 Lakh	96,937	-	96,937	0.22%	26,03,718	-	26,03,718	0.92%	0.7%
ii) Individual shareholders holding nominal share capital in excess of ₹ 1 Lakh	7,20,945	-	7,20,945	1.64%	1,94,18,616	-	1,94,18,616	6.83%	5.19%

Category of Share holders	No. of Shares held at the beginning of the year*				No. of Shares held at the end of the year*				% of Change During in FY 16-17
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
c) Other (HUF)	-	-	-	-	85,572	-	85,572	0.03%	0.03%
Other (LLP)	-	-	-	-	21,42,864	-	21,42,864	0.75%	0.75%
Other (Trust)	-	-	-	-	83,004	-	83,004	0.03%	0.03%
Sub-total (B)(2):	2,45,10,052	-	2,45,10,052	55.60%	14,36,19,894	-	14,36,19,894	50.53%	(5.07%)
Total Public Shareholding (B)=(B) (1) + (B)(2)	3,15,50,476	-	3,15,50,476	71.57%	18,93,76,980	-	18,93,76,980	66.62%	(4.95%)
c. Shares held by Custodian for GDRs & ADRs	-	-	-	-	-	-	-	-	-
Grand Total (A+B+C)	4,40,80,752	-	4,40,80,752	100.00%	28,42,50,906	-	28,42,50,906	100.00%	

*Note: All Above shares are having face value of ₹ 10 each

(ii) Shareholding of Promoters:

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% Change in the Shareholding during the year
		No. of Shares	% of total shares of the company	% of shares pledged/ encumbered to total shares	No. of Shares	% of total shares of the company	% of shares pledged/ encumbered to total shares	
1	Sanjay Agarwal	6,601,789	14.98	-	58,477,128	20.57	5.61	5.59
2	Jyoti Agarwal	2,363,712	5.36	-	14,182,272	4.99	-	-0.37
3	Shakuntala Agarwal	2,274,326	5.16	-	14,094,756	4.96	-	-0.20
4	Chiranji Lal Agarwal	1,290,449	2.93	-	8,119,770	2.86	-	-0.07
	Total	12,530,276	28.43	0.00	94,873,926	33.38	5.61	4.95

(iii) Change in Promoters' Shareholding:

A. Mr. Sanjay Agarwal						
Sr. No	Date	Shareholding at the beginning of the year		Cumulative Shareholding during the year		
		No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company	
1	At the beginning of the year	6,601,789	14.98	6,601,789	14.98	
	Increase (Conversion of share warrants)	9th September, 2016	1,644,399	3.60	8,246,188	18.58
	Increase (Bonus Issue)	19th October, 2016	41,230,940	0.00	49,477,128	18.58
	Increase (Conversion of share warrants)	3rd January, 2017	9,000,000	3.17	58,477,128	21.75
	At the End of the year		58,477,128	20.57	58,477,128	20.57

Note: During the year under review, there is change in percentage of capital because of issuance and allotment of additional Equity shares by the Company to 3 KMPs upon conversion of shares warrants during FY 2016-17

B. Ms. Jyoti Agarwal						
Sr. No	Particulars	Date	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
2	At the beginning of the year		2,363,712	5.36	2,363,712	5.36
	Increase (Bonus Issue)	19th October, 2016	11,818,560	0.00	14,182,272	5.36
	At the End of the year		14,182,272	4.99	14,182,272	4.99

Note: During the year under review, there is change in percentage of capital because of issuance and allotment of additional Equity shares by the Company to 3 KMPs upon conversion of shares warrants during FY 2016-17

C. Ms. Shakuntala Agarwal						
Sr. No	Particulars	Date	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
3	At the beginning of the year		2,274,326	5.16	2,274,326	5.16
	Increase (Purchase)	24th June, 2016	74,800	0.17	2,349,126	5.33
	Increase (Bonus Issue)	19th October, 2016	11,745,630	0.00	14,094,756	5.33
	At the End of the year		14,094,756	4.96	14,094,756	4.96

Note: During the year under review, there is change in percentage of capital because of issuance and allotment of additional Equity shares by the Company to 3 KMPs upon conversion of shares warrants during FY 2016-17

D. Mr. Chiranji Lal Agarwal						
Sr. No	Particulars	Date	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
4	At the beginning of the year		1,290,449	2.93	1,290,449	2.93
	Increase (Purchase)	24th June, 2016	61,464	0.14	1,351,913	3.07
	Increase (Purchase)	24th June, 2016	1,382	0.00	1,353,295	3.07
	Increase (Bonus Issue)	19th October, 2016	6,766,475	0.00	8,119,770	3.07
	At the End of the year		8,119,770	2.86	8,119,770	2.86

Note: During the year under review, there is change in percentage of capital because of issuance and allotment of additional Equity shares by the Company to 3 KMPs upon conversion of shares warrants during FY 2016-17

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

1	REDWOOD INVESTMENT LTD					
Sr. No	Particulars	Date	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
	At the beginning of the year		11,934,699	27.07	11,934,699	27.07
	Decrease (Sale)	24th June, 2016	(1,972,900)	-4.48	9,961,799	22.59
	Increase (Bonus Issue)	19th October, 2016	49,808,995	0.00	59,770,794	22.59
	At the End of the year		59,770,794	21.03	59,770,794	21.03

Note: During the year under review, there is change in percentage of capital because of issuance and allotment of additional Equity shares by the Company to 3 KMPs upon conversion of shares warrants during FY 2016-17

2 INTERNATIONAL FINANCE CORPORATION (IFC)

Sr. No	Particulars	Date	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
	At the beginning of the year		6,047,875	13.72	6,047,875	13.72
	Decrease (Sale)	24th June, 2016	(999,762)	-2.27	5,048,113	11.45
	Increase (Bonus Issue)	19th October, 2016	25,240,565	0.00	30,288,678	11.45
	At the End of the year		30,288,678	10.66	30,288,678	10.66

Note: During the year under review, there is change in percentage of capital because of issuance and allotment of additional Equity shares by the Company to 3 KMPs upon conversion of shares warrants during FY 2016-17

3 LABH INVESTMENTS LIMITED

Sr. No	Particulars	Date	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
	at the beginning of the year		4,500,169	10.21	4,500,169	10.21
	Decrease (Sale)	24th June, 2016	(743,914)	-1.69	3,756,255	8.52
	Increase (Bonus Issue)	19th October, 2016	18,781,275	0.00	22,537,530	8.52
	At the End of the year		22,537,530	7.93	22,537,530	7.93

Note: During the year under review, there is change in percentage of capital because of issuance and allotment of additional Equity shares by the Company to KMPs upon conversion of shares warrants during FY 2016-17

4 OUREA HOLDINGS LIMITED

Sr. No	Particulars	Date	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
	at the beginning of the year		4,222,927	9.58	4,222,927	9.58
	Decrease (Sale)	24th June, 2016	(698,083)	-1.58	3,524,844	8.00
	Increase (Bonus Issue)	19th October, 2016	17,624,220	0.00	21,149,064	8.00
	At the End of the year		21,149,064	7.44	21,149,064	7.44

Note: During the year under review, there is change in percentage of capital because of issuance and allotment of additional Equity shares by the Company to 3 KMPs upon conversion of shares warrants during FY 2016-17

5 MYS HOLDINGS PRIVATE LIMITED

Sr. No	Particulars	Date	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
	at the beginning of the year		576,744	1.31	576,744	1.31
	Increase (Purchase)	24th June, 2016	666,667	1.51	1,243,411	2.82
	Increase (Bonus Issue)	19th October, 2016	6,217,055	0.00	7,460,466	2.82
	At the End of the year		7,460,466	2.62	7,460,466	2.62

Note: During the year under review, there is change in percentage of capital because of issuance and allotment of additional Equity shares by the Company to 3 KMPs upon conversion of shares warrants during FY 2016-17

6 SBI LIFE INSURANCE CO. LTD.

Sr. No	Particulars	Date	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
	At the beginning of the year		0	0.00	0	0.00
	Increase (Purchase)	24th June, 2016	809524	1.84	809,524	1.84
	Increase (Bonus Issue)	19th October, 2016	4,047,620	0.00	4,857,144	1.84
	At the End of the year		4,857,144	1.71	4,857,144	1.71

Note: During the year under review, there is change in percentage of capital because of issuance and allotment of additional Equity shares by the Company to 3 KMPs upon conversion of shares warrants during FY 2016-17

7 ICICI PRUDENTIAL LIFE INSURANCE CO LTD NOT FOR SOLVENCY MARGIN

Sr. No	Particulars	Date	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
	At the beginning of the year		0	0.00	0	0.00
	Increase (Purchase)	24th June, 2016	809,524	1.84	809,524	1.84
	Increase (Bonus Issue)	19th October, 2016	4,047,620	0.00	4,857,144	1.84
	At the End of the year		4,857,144	1.71	4,857,144	1.71

Note: During the year under review, there is change in percentage of capital because of issuance and allotment of additional Equity shares by the Company to 3 KMPs upon conversion of shares warrants during FY 2016-17

8 MOTILAL OSWAL SECURITIES LTD.

Sr. No	Particulars	Date	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
	At the beginning of the year		546,966	1.24	546,966	1.24
	Increase (Bonus Issue)	19th October, 2016	2,734,830	0.00	3,281,796	1.24
	At the End of the year		3,281,796	1.15	3,281,796	1.15

Note: During the year under review, there is change in percentage of capital because of issuance and allotment of additional Equity shares by the Company to 3 KMPs upon conversion of shares warrants during FY 2016-17

9 MR. AKASH BHANSHALI

Sr. No	Particulars	Date	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
	At the beginning of the year		0.00	0.00	0	0.00
	Increase (Purchase)	24th June, 2016	461,905	1.05	461,905	1.05
	Increase (Bonus Issue)	19th October, 2016	2,309,525	0.00	2,771,430	1.05
	At the End of the year		2,771,430	0.97	2,771,430	0.97

Note: During the year under review, there is change in percentage of capital because of issuance and allotment of additional Equity shares by the Company to 3 KMPs upon conversion of shares warrants during FY 2016-17

10	BAJAJ ALLIANZ LIFE INSURANCE COMPANY LTD.					
Sr. No	Particulars	Date	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
	At the beginning of the year		0.00	0.00	0	0.00
	Increase (Purchase)	24th June, 2016	358838	0.81	358,838	0.81
	Increase (Bonus Issue)	19th October, 2016	1,794,190	0.00	2,153,028	0.81
	At the End of the year		2,153,028	0.76	2,153,028	0.76
Note: During the year under review, there is change in percentage of capital because of issuance and allotment of additional Equity shares by the Company to 3 KMPs upon conversion of shares warrants during FY 2016-17						

(v) Shareholding of Directors and Key Managerial Personnel:

1	Mr. Sanjay Agarwal – Managing Director & CEO					
Sr. No	Particulars	Date	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
	At the beginning of the year		6,601,789	14.98	6,601,789	14.98
	Increase (Conversion of share warrants)	9th September, 2016	1,644,399	3.60	8,246,188	18.58
	Increase (Bonus Issue)	19th October, 2016	41,230,940	0.00	49,477,128	18.58
	Increase (Conversion of share warrants)	3rd January, 2017	9,000,000	3.17	58,477,128	21.75
	At the End of the year		58,477,128	20.57	58,477,128	20.57
Note: During the year under review, there is change in percentage of capital because of issuance and allotment of additional Equity shares by the Company to 3 KMPs upon conversion of shares warrants during FY 2016-17						

2	Mr. Uttam Tibrewal - Whole Time Director					
Sr. No	Particulars	Date	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
	At the beginning of the year		294,965	0.67	294,965	0.67
	Increase (Bonus Issue)	19th October, 2016	1,474,825	0.00	1,769,790	0.67
	Increase (Conversion of share warrants)	3rd January, 2017	750,000	0.26	2,519,790	0.93
	At the End of the year		2,519,790	0.89	2,519,790	0.89
Note: During the year under review, there is change in percentage of capital because of issuance and allotment of additional Equity shares by the Company to 3 KMPs upon conversion of shares warrants during FY 2016-17						

3	Mr. Krishan Kant Rathi- Independent Director					
Sr. No	Particulars	Date	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
	At the beginning of the year		0	0.00	0	0.00
	Increase (Purchase)	24th June, 2016	19,048	0.04	19,048	0.04
	Increase (Bonus Issue)	19th October, 2016	95,240	0.00	114,288	0.04
	At the End of the year		114,288	0.04	114,288	0.04
Note: During the year under review, there is change in percentage of capital because of issuance and allotment of additional Equity shares by the Company to KMPs upon conversion of shares warrants during FY 2016-17						

4	Mr. Deepak Jain - Chief Financial Officer					
Sr. No	Particulars	Date	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
	At the beginning of the year		165,073	0.37	165,073	0.37
	Increase (Bonus Issue)	19th October, 2016	825,365	0.00	990,438	0.37
	Increase (Conversion of share warrants)	3rd January, 2017	150,000	0.05	1,140,438	0.42
	At the End of the year		1,140,438	0.40	1,140,438	0.40
Note: During the year under review, there is change in percentage of capital because of issuance and allotment of additional Equity shares by the Company to 3 KMPs upon conversion of shares warrants during FY 2016-17.						

5	Mr. Manmohan Parnami - Company Secretary					
Sr. No	Particulars	Date	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
	At the beginning of the year		4,814	0.01	4,814	0.01
	Increase (Purchase)	24th June, 2016	3,334	0.01	8,148	0.02
	Increase (Bonus Issue)	19th October, 2016	40,740	0.00	48,888	0.02
	At the End of the year		48,888	0.02	48,888	0.02
Note: During the year under review, there is change in percentage of capital because of issuance and allotment of additional Equity shares by the Company to 3 KMPs upon conversion of shares warrants during FY 2016-17.						

v. INDEBTEDNESS

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

	Secured Loans excluding deposits	Unsecured Loans	Deposits	(₹ In Lakhs) Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	368,802.09	109,459.47	-	478,261.56
ii) Interest accrued and due on borrowings	260.09	-	-	260.09
iii) Interest accrued but not due	11,944.90	1,574.59	-	13,519.49
Total (i+ii+iii)	381,007.08	111,034.06	-	492,041.14
Changes in Indebtedness during the financial year				
• Addition	298,811.77	302,475.44	-	601,287.21
• Reduction	144,491.60	227,959.47	-	372,451.07
Net Change	154,320.17	74,515.97	-	228,836.14
Indebtedness at the end of the financial year				
i) Principal Amount	523,122.26	183,975.44	-	707,097.70
ii) Interest accrued and due on borrowings	16.89	-	-	16.89
iii) Interest accrued but not due	16,647.60	1,847.60	-	18,495.20
Total (i+ii+iii)	539,786.75	185,823.04	-	725,609.79

VI) REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

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

Sl. No	Particulars of Remuneration	Name of MD/WTM/Manger		Total Amount (₹ in Lakhs)
		Mr. Sanjay Agarwal MD & CEO	Mr. Uttam Tibrewal WTD	
1.	Gross salary	137.36	116.52	253.87
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961			
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961			
	(c) Profits in lieu of salary under section 17(3) Income tax Act, 1961			
2	Stock Option	-	3,726,924 ESOP	-
3	Sweat Equity	-	-	-
4	Commission as % of profit others specify	-	-	-
5	Others please specify (It includes amount of Bonus and arrear appraisal for FY 2015-16)	3109.81	711.09	3820.91
Total (A)		3247.17	827.61	4074.77
Ceiling as per the Act:		Being 10% of the net profits of the Company calculated as per Section 198 of the Companies Act, 2013		

Note: As recorded in Audited Financial Statements of the Company.

B. Remuneration to other directors:

Sl. No.	Particulars of remuneration	Name of Directors			Total amount
		Krishan Kant Rathi	Mannil Venugopalan	Jyoti Narang	
1.	Independent Directors	4.40	2.60	3.20	10.20
	For attending board committee meetings	5.60	7.40	6.80	19.80
	Commission Others, Please specify				
Total (1)*		10.00	10.00	10.00	30.00
		Name of Directors			Total amount
		Ravindra Bahl	Nishant Sharma	Vishal Mahadevia	
2.	Other Non-Executive Directors Fee For attending board committee meetings	0.00	0.00	0.00	0.00
	Commission Others, Please specify				
Total (2)*		0.00	0.00	0.00	0.00
Total (B)=(1)+(2)		10.00	10.00	10.00	30.00
Total managerial remuneration					
Ceiling as per the Act					

*₹ 16.13 Lakh were recorded as expenditure in books of accounts pertaining to Director sitting fees in books of accounts for FY2016-17.
Mr. Ravindra Bahl; Mr. Nishant Sharma resigned from Board of Company w.e.f. 24th January 2017 and Mr. Vishal Mahadevia resigned from Board of Company w.e.f.23rd January 2017 and no sitting fee was payable to them.

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

Sl. No	Particulars of Remuneration	Key Managerial Personnel		
		Deepak Jain (CFO)	Manmohan Parnami (Company Secretary)	(₹ in Lakhs) Total
1.	Gross salary	81.37	29.62	110.99
	Salary as per provisions contained in Section 17(1) of the income tax act,1961			
	Value of perquisites u/s 17(2) Income tax act,1961			
	Profits in lieu of salary u/s 17(3) Income tax Act,1961			
2	Stock Option	509,562 ESOP	26,904 ESOP	-
3	Sweat Equity	-	-	-
4	Commission as % of profit others specify	-	-	-
5	Others please specify (It includes amount of Bonus and arrear appraisal for FY 2015-16)	207.02	7.89	214.91
Total		288.39	37.51	325.90

Note: As recorded in Audited Financial Statements of the Company.

VII) PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES:

Type	Section of the Companies Act	Brief description	Details of penalty /punishment / compounding fees imposed	Authority { RD/ NCLT/COURT }	Appeal made, if any
Company					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-
Directors					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-

Note: There were neither any Penalties levied on the Company nor any punishment was granted and no compounding of offences was carried out during the year under Companies Act, 2013 and by RBI.

For and on behalf of the Board of Directors
AU SMALL FINANCE BANK LIMITED
Erstwhile Au FINANCIERS (INDIA) LIMITED

Sanjay Agarwal
Managing Director & CEO
DIN: 00009526

Uttam Tibrewal
Whole Time Director
DIN: 01024940

Date: 09th August, 2017
Place: Mumbai
CIN No. L36911RJ1996PLC011381

Annexure V

Annual Report on Corporate Social Responsibility (CSR)

[Pursuant to clause (o) of sub-section (3) of section 135 of the Act and Rule 9 of the Companies (Corporate Social Responsibility) Rules, 2014]

Our CSR Policy

1. A brief outline of the 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:

AU SMALL FINANCE BANK LIMITED (formally known as Au FINANCIERS(INDIA) LIMITED, hereinafter referred to as “Au”) has framed a Corporate Social Responsibility (CSR) Policy in compliance with the provisions of Section 135 of Companies Act, 2013 which has delivered internal and external positive socio-environmental impact by following a unique approach.

We promote initiatives through multiple models that preserve, restore and enhance environment, ecological balance and natural resources and ensure to reach out communities across India on pertinent social and environmental issues. Our initiatives are guided by three core principles of scale, impact and sustainability leading to maximization of societal value. With our consistent belief that social responsibility should be carried out as a blended activity along with business and not just as a mere obligation, we try our best to involve itself in nation building through dedicated efforts of educating and empowering people, especially the deprived and disadvantaged. This is done by undertaking various measures to eradicate poverty and reduce inequalities faced by socially and economically backward groups.

The impact of our programmes conducted through reputed external partners has been manifold viz. building community institutions, greater access of women to financial services, placement of trainees leading to employment and substantial increase in income over baseline income, resulting in holistic development of communities. We assess the needs of the community, engages the community in a participatory manner, especially the influencers and the beneficiaries and ensures that the right intervention is extended in association with external partners for eligible products Projects, identified through such a consensus process are designed, developed, prioritized and implemented in a focused manner to support the society in making a measurable and positive difference and to improve the living quality.

Approach towards CSR:

We have engaged with stakeholders to plan the CSR activities with the objective of having positive long term impact on society in manner envisaged by Board and CSR committee. For implementation of the same, collaboration with likeminded institutions and partnerships remained our main focus to have meaningful results of our social outreach programs.

Our Bank’s focus areas under CSR:

- 1. Livelihood security and enhancement
 - a) Education
 - b) Skills/ Employability training
- 2. Healthcare and Social welfare
- 3. Promotion Arts/Sports and culture
- 4. Environment Sustainability

Web-link to the CSR policy: <https://www.aubank.in/au-notice-board>

2. The composition of CSR Committee as on 31st March, 2017:

- a. Mr. Krishan Kant Rathi (Independent Director) - Chairman
- b. Mr. Mannil Venugopalan (Independent Director) - Member
- c. Ms. Jyoti Ishwar Chandra Narang (Independent Director) - Member
- d. Mr. Sanjay Agarwal (Managing Director & CEO) – Member

3. Average net profits of the company for last three financial years is ₹ 22,313.96 Lakh:

4. Prescribed CSR Expenditure (2% of amount as item 3 above): ₹ 446.28 Lakh

5. Details of CSR spent during the financial year:

- a. Total Amount to be spent for the financial year as per the act: ₹ 672 Lakh (inclusive of ₹ 226 Lakh of previous year FY 15-16)
- b. Amount spent for the financial year : ₹ 622.65 Lakh
- c. Amount unspent for the financial year : ₹ 49.35 Lakh
- d. Manner in which the amount spent during the financial year is detailed below:

Sr. No.	CSR Project or Activity Identified	Sector in which the project is covered	Projects or Programs 1) Local Area or other 2) State where the project or program is undertaken	Amount Outlay (₹ In lakhs)	Amount Spent (₹ In lakhs)	Cumulative expenditure upto the reporting period (₹ In lakhs)	Amount Spent directly or through implementing agency
1	Promotion of Education	Promoting education, including special Education and employment enhancing vocation skills especially among children, women, elderly and the differently abled and livelihood enhancement projects	Building of Research Centre at Banasthali Vidhyapith “Au C-SEED” at Tonk, Rajasthan	300.0	300.0	300.0	Directly
2	Promotion of Education	Promoting education, including special Education and employment enhancing vocation skills especially among children, women, elderly and the differently abled and livelihood enhancement projects	Building & Improvement of infrastructure at Louis Braille Drishtiheen Vikas Sansthan at Jaipur, Rajasthan	45.00	45.00	77.00	Directly

Sr. No.	CSR Project or Activity Identified	Sector in which the project is covered	Projects or Programs 1) Local Area or other 2) State where the project or program is undertaken	Amount Outlay (₹ In lakhs)	Amount Spent (₹ In lakhs)	Cumalative expenditure upto the reporting period (₹ In lakhs)	Amount Spent directly or through implementing agency
3	Promotion of Education	Promoting education, including special Education and employment enhancing vocation skills especially among children, women, elderly and the differently abled and livelihood enhancement projects	Contribution to <ul style="list-style-type: none">▶ Akshay patra▶ Pratham Shiksha Charitable Trust▶ Arsha Vidya Trust▶ Sanjay girls School▶ Kids club School▶ Adarsh Vidya Mandir▶ Government School▶ Hecards▶ Yogesh Sheshik Punarwas Awan Shodh Sansthan▶ Maulana Azad University Marwar Muslim Educational & Welfare Society The Above mentioned trusts/ societies are situated at Jaipur, Rajasthan and the projects/ programs were carried out their itself	91.64	91.64	106.64	Directly and Through implementing agencies
4	Promotion of Health Care	Eradicating hunger, poverty and malnutrition and sanitation and making available safe drinking water	Establishment of open Air Gym for preventive health care at Jaipur, Rajasthan	12.30	12.30	12.30	Directly
5	Promotion of Health Care	Eradicating hunger, poverty and malnutrition and sanitation and making available safe drinking water & health care	<ul style="list-style-type: none">▶ Building of Kids Zone at JK Lone Hospital▶ Organizing Cataract & Eye camps▶ Organizing Blood donation camps▶ Organizing Medical health camps The Above mentioned projects/ programs were carried out at Jaipur, Rajasthan	88.5	88.5	88.5	Directly and through implementing agency
6	Promotion of safe drinking Water	Eradicating hunger, and malnutrition and sanitation and making available safe drinking water	<ul style="list-style-type: none">▶ Installation of water coolers at Jaipur and at the places nearby, Rajasthan	15.70	15.70	15.70	Directly
7	Promotion of Sports Training	Training to promote Rural Sports, nationally recognized sports, paralympic sports and Olympic Sports	Providing Training for Nationally Recognised Sports, Jaipur, Rajasthan	22.53	22.53	22.53	Directly
8	Promotion of National Heritage	Protection of National Heritage, Art and Culture including restoration of building and sites of historical importance and works of art; setting up of public libraries; promotion and development of traditional arts and handicrafts	Protection of National Heritage at ISARLAT at Jaipur, Rajasthan	0.94	0.94	0.94	Directly

Sr. No.	CSR Project or Activity Identified	Sector in which the project is covered	Projects or Programs 1) Local Area or other 2) State where the project or program is undertaken	Amount Outlay (₹ In lakhs)	Amount Spent (₹ In lakhs)	Cumalative expenditure upto the reporting period (₹ In lakhs)	Amount Spent directly or through implementing agency
9	Promotion of Art and Culture	Protection of National Heritage, Art and Culture including restoration of building and sites of historical importance and works of art; setting up of public libraries; promotion and development of traditional arts and handicrafts	Promotion of Art & Culture Jaipur, Rajasthan	30.00	30.00	30.00	Directly
10	Promotion of vocational Training	Promoting education, including special Education and employment enhancing vocation skills especially among children, women, elderly and the differently abled and livelihood enhancement projects	Conducting Road safety & awareness programs for taxi drivers through Muskaan Foundation at Jaipur, Rajasthan	0.90	0.90	0.90	Through implementing agency
11	Promotion of Old age Home	Promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centres and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups	Contribution to Old Age homes at Shri Shankar Sevadham Sansthan and Friends with tribal society at Jaipur, Rajasthan	15.00	15.00	15.00	Directly & Through implementing agency
12	Promotion of flora and fauna	Ensuring environmental Sustainability, ecological balance and protection of flora and fauna	Installation of tree guards for protection of flora and fauna at Jaipur, Rajasthan	0.14	0.14	0.14	Directly
13	Other Activities	Activities to be undertaken by the Company in accordance with Schedule VII of the Companies Act, 2013		49.35			Directly
Total				672.00	622.65	669.65	

Details of implementing agencies are:

- **HECARDS:** For encouraging the youth and women, AU had joined hands with Human Educational Cultural Art & Rural Development Society and funded during FY 2016-17 to promote skill development training among the women of society
- **JK Lone** is a one of the largest Children Govt. hospital in state of Rajasthan situated at Jaipur. Your Bank in association with Hecards has set up this kids zone, to provide a blissful and recovering environment to kids admitted in the hospital. Kids zone has a playing area and swings which are duly taken care and maintained of by Au.
- **Akshay Patra Foundation:** The Akshay Patra Foundation is a not-for-profit organization head quartered in Bangaluru. Today, Akshaya Patra is the world's largest mid-day meal programme serving food to over 1.4 million children from 10,845 schools across 10 states in India. India is striving to fight issues like hunger and malnutrition in India. By implementing its very popular Mid-Day Meal Scheme in Government Schools and Government aided Schools, Akshaya Patra aims not only to fight hunger but also to bring children to school as a step towards their bright future. Since 2000, the organization has worked towards reaching out more children with wholesome food on every single school day.
- **Louis Braille Drishteheen Vikas Sansthan:** Louis Braille Drishteheen Vikas Sansthan is a non-governmental social service organization based in Jaipur, Rajasthan, established in year 1981 on the birth date and in the loving memory Sir Louis Braille, Father of literacy for the Blind.

The organization works to provide service to the visually impaired and disabled with emphasis on women, socially backward and weaker sections of society by imparting education and vocational training. It aims at building a balance between need of modern/urban and rural blind & creating network with other organizations working in the field of all disabilities.

To support the fact that every visually impaired and disabled person should lead a happy life, Au has been contributing since FY 2015-16.

- **Pratham Shiksha Charitable Trust:** The trust believes the lack of education is the education is the root of several problems afflicting Indian Society. It is a serious impediment towards development and improvement in quality of life and nation. The organization directs its efforts towards meaningful and sustainable improvements instead of temporary relief. It aims to enable and empower people to improve their living conditions. Therefore, projects and activities supported by Pratham Shiksha are focused on planned human and social development instead of random charity.

Pratham Shiksha together with the company aims to make incredible difference in the area of promoting education by providing a healthy academic environment in schools, enriched and dependable quality of education and providing all basic facilities to children.

- **Muskaan Foundation:** is a registered NPO trust committed in providing awareness, education, advocacy and training about road safety measures. It was registered as a charitable trust in the year 2001. As road safety is a shared responsibility, the NGO uses an integrated, community-centric approach to the complex issue of road safety.

AU joined hands with Muskaan Foundation to provide Drivers training in the city and started contributing since FY 2015-16. Free workshops were conducted by AU under guidance of Muskaan Foundation to impart training related to road safety measures and road accidents to the drivers. AU has organized around 45 workshops in Jaipur training 2000 drivers approximately in association with Muskaan Foundations.

- **Shri Shankar Sewadham Sansthan:** Shri Shankar Sewadham Sansthan was set up at Jaipur to provide to shelter & food to old age, physically challenged, DIVYANG persons with an aim of providing basic amenities to the people in need. Au also associated with Hecards since FY 2015-16 to promote skill development training among the women of the society.

Direct Initiatives

- **Banasthali Project:** Banasthali Vidyapith is a fully residential women's university which offers an integrated system extending from the primary to the Ph.D. level. It is one of the five universities in India meant exclusively for Women. Over these

seventy five years Banasthali has developed into a National Centre for women's education. Banasthali's educational programme aims at an all-round development of the student's personality. To achieve its objective of 'synthesis of spiritual values and scientific achievements of the East and the West', it has evolved Five-fold Educational Programme (Panchmukhi Shiksha) comprising of the following aspects : (i) Physical, (ii) Practical, (iii) Aesthetic, (iv) Moral and (v) Intellectual. This way the students develop an integrated and balanced personality.

AU associated with Banasthali in year 2016 aiming to develop a research centre at Banasthali campus named as "Centre for Skill Enhancement and Entrepreneurial Development of women".

- **Water Coolers:** Water prone diseases are one of the biggest causes of illness among children below age of 10 and Clean water is necessity for drinking, cooking food and is enabling ingredient for good health, taking this vision forward of Govt. of India, AU has installed more than 60 nos. of waters cooler in Jaipur and nearby areas to encourage healthy and safe drinking.
- **Health & Fitness:** To nurture and development of awareness for self-health and fitness, Au has installed health equipment's under Open Air gym concept in **Central Park**, Jaipur and other parks with tie up with JDA for persons Visiting Park for preventive health care and encouraging fitness.

6. Reason for not spending 2% of the average net profit of the last three financial year or any part thereof:

As an integral part of society, AU is aware of its Corporate Social Responsibilities and has been engaged in contribution for social sustainability initiatives. It also conducts programs on Environmental Sustainability, Skill development and Financial Literacy and Inclusions.

During 2015-16, the focus of CSR initiatives was to enhance the in-house capabilities and to tie up with more reputed external Partner organization for implementing the CSR programmes having long term impact on society in promoting education and health.

The amount spent in FY 2016-17 was RS. 622.65 Lakh, 160% higher than ₹ 239.25 Lakh spent towards CSR in FY2015-16. The amount spent in FY2016-17 was 2.79% of the average net profits of the last three financial years. The lower spend vis-à-vis the plan was due to lower than anticipated project requirements and delay in implementation of certain planned spends.

With a vision to increase its investment in CSR Activities in future years, Au will continuously explore new initiatives directly & through various CSR Implementing Agencies who are aligned to its CSR philosophy to cater maximum benefit to the society.

7. A responsibility statement of the CSR committee that the implementation and monitoring of CSR Policy is in compliance with the CSR objectives and policy of the Company.

CSR Committee, hereby confirms that the implementation and monitoring of CSR Policy is in compliance with the CSR objectives and CSR policy of the Company.

For and on behalf of the Board of Directors
AU SMALL FINANCE BANK LIMITED

Krishan Kant Rathi
Chairman - CSR committee
DIN: 00040094

Sanjay Agarwal
Managing Director & CEO
DIN: 00009526

Date: 09th August, 2017
Place: Mumbai
CIN No. L36911RJ1996PLC011381

ANNEXURE - VI

Form No. MR-3

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31st March, 2017

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

To, extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;

The Members,

AU Small Finance Bank Limited
[erstwhile Au Financiers (India) Limited]
19-A, Dhuleshwar Garden
Jaipur – 302 001 (Rajasthan)

(v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **AU Small Finance Bank Limited [erstwhile Au Financiers (India) 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.

(a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011; (Not applicable to the Company during the Audit Period)

(b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015; (Not applicable to the Company during the Audit Period)

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 31st March, 2017 ('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:

(c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;

(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, 1998; (Not applicable to the Company during the Audit Period) and

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 31st March, 2017 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

(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) The Reserve Bank of India Act, 1934;
- (b) The Banking Regulation Act, 1949;
- (c) Guidelines issued by Reserve Bank of India ("RBI") on Small Finance Bank dated 27th November, 2014 and Operational Guidelines issued dated 6th October, 2016;
- (d) The Banking Regulation (Companies) Rules, 1949;
- (e) Recovery of Debts Due to Banks and Financial institutions Act, 1993 (DRT Act);
- (f) The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002;
- (g) Prevention of Money Laundering Act, 2002;
- (h) Negotiable Instrument Act, 1881;
- (i) Systemically Important Non-Banking financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2015 as updated on 11th April, 2016;
- (j) Non-Banking Financial Companies Auditor's Report (Reserve Bank) Directions, 2008;
- (k) Reserve Bank of India Guidelines on raising money through Private Placement of NCDs by NBFCs;
- (l) Guidelines on Corporate Governance issued by Reserve Bank of India for NBFCs;
- (m) Notification of Reserve Bank of India on Future approach towards monitoring of Frauds in NBFCs;
- (n) Reserve Bank of India "Know your Customer" (KYC) Guidelines – Anti-Money Laundering Standards – Prevention of Money Laundering Act, 2002-Obligations of NBFC;
- (o) Guideline on Fair Practices Code for NBFCs;
- (p) Other Applicable RBI Guidelines to a "Banking Company"; and
- (q) Master Circulars/ Circulars/ press Releases issued by the RBI from time to time.

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 Ltd. and National Stock Exchange of India Limited.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. as mentioned above *except expense on CSR activities below the prescribed limit.*

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 or have ratified the decisions made at such 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. Received banking license from Reserve Bank of India ("RBI") for starting operations as a Small Finance Bank;
- b. Altered the provisions of Memorandum of Association in terms of provisions of the Act and the Banking Regulation Act, 1949;
- c. Adopted new set of regulations in Articles of Association in terms of the Banking Regulation Act, 1949;
- d. Approved the Initial Public Offer ("IPO") through offer for sale by existing shareholders of the Company;
- e. Filed the Draft Red Herring Prospectus ("DRHP") and has received the in-principle approvals from the Securities and Exchange Board of India ("SEBI"), BSE Limited ("BSE") and National Stock Exchange of India Limited ("NSE") on the proposed IPO;
- f. Divested/diluted its stake in the subsidiary and associate companies;
- g. Duly passed the resolutions under section 180(1)(a) and 180(1)(c) of the Act, read with its applicable rules, as amended for borrowing limits to the extent of ₹ 22,000 Crores (Rupees Twenty Two Thousand Crores Only);
- h. Adopted Au ESOP Scheme 2016 to grant options to the employees of the Company;
- i. Reclassified the unissued Preference Share Capital into Equity Share Capital and thereafter increased the Authorized Share Capital from ₹ 97,00,00,000/- (Rupees Ninety Seven Crores Only) to ₹ 350,00,00,000/- (Rupees Three Hundred and Fifty Crores Only);
- j. Cancelled the issued and unsubscribed 13,061 (Thirteen Thousand and Sixty One) equity shares which have not been taken by person to whom so offered from Issued Equity share Capital of the Company;

- k. Issued and allotted equity shares to eligible shareholders pursuant to Bonus issue of equity shares in the proportion of 5 (Five) equity shares for every 1 (one) existing equity share held;
- l. Issued and allotted 1,15,44,399 (One Crore Fifteen Lakh Forty Four Thousand Three Hundred and Ninety Nine) share warrants convertible into equity shares on private placement basis/preferential issue in multiple tranches;
- m. Issued and allotted 1,15,44,399 (One Crore Fifteen Lakh Forty Four Thousand Three Hundred and Ninety Nine) equity shares (on conversion of share warrants) of ₹ 10/- each at premium aggregating to ₹ 1,59,97,81,133.79/- (Rupees One Hundred Fifty Nine Crore Ninety Seven Lakh Eighty One Thousand One Hundred Thirty Three Rupees and Seventy Nine Paise only) on private placement basis/preferential issue in multiple tranches; and
- n. Issued and allotted 20550 Redeemable Non-convertible Debentures of ₹ 10,00,000/- each aggregating to ₹ 20,55,00,00,000/- (Rupees Two Thousand Fifty Five Crores only) on private placement basis in multiple tranches

NOTES:

- 1. As confirmed by the Management, RBI has granted License dated 20th December, 2016 to commence the business of "Small Finance Bank" under section 22(1) of the Banking Regulation Act 1949;
- 2. Company has changed its name from Au FINANCIERS (INDIA) LIMITED to AU SMALL FINANCE BANK LIMITED and has received Certificate of Incorporation pursuant to Change of Name dated 13th April, 2017 from the Registrar of Companies, Rajasthan and has commenced its banking business w.e.f. 19th April, 2017; and
- 3. Consequently, Company has surrendered its NBFC License bearing no. B.00.139 to Department of Non-Banking Supervision ("DNBS") of RBI on 19th April, 2017.

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

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

**Place: Jaipur
Date: 13th May, 2017**

Annexure A

To,

The Members,
AU Small Finance Bank Limited
(Erstwhile Au Financiers (India) Limited)
19-A, Dhuleshwar Garden
Jaipur – 302 014 (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.

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

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

**Place: Jaipur
Date: 13th May, 2017**

ANNEXURE VII

Particular of Employees

DISCLOSURES OF EMPLOYEES PURSUANT TO SUB RULE 2 & 3 OF RULE 5 OF COMPANIES (APPOINTMENT & REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014, AS IN FORCE

S. No.	Name of Employee	Designation	Remuneration (Amount ₹ In Lakh)	Nature of employment (Contractual/ Otherwise)	Qualifications and experience of the employee	Date of commencement of employment	Age of such employee	The last employment held by such employee	The percentage of equity shares held by the employee in the company within the meaning of clause (iii) of sub-rule (2) above and	Whether any such employee is a relative of any director or manager of the Company and if so name of such director or manager
1	Mr. Sanjay Agarwal	Managing Director & CEO	3247.17	Contractual	FCA, B. Com, 21 Years	Appointed as Managing Director since 14th February, 2008 and was re-appointed for a further period of 5 years by the Shareholders of the company with effect from 26th August, 2013. Appointed for a period of 3 years with effect from taking the charge.	46	NA	25.56%	NO
2	Mr. Uttam Tibrewal	Whole time Director	827.61	Contractual	B. Com, 21 Years	Appointed as Whole Time Director since 14th February, 2008 and was re-appointed for a further period of 5 years by the Shareholders of the company with effect from 26th August, 2013. Appointed for a period of 3 years with effect from taking the charge	46	NA	-	NO
3	Mr. Deepak Jain	Chief Financial Officer	288.51	Permanent Employee	FCA, 19 Years	17th May, 2010	43	NA	-	NO
4	Mr. Manoj Tibrewal	Chief of Marketing and Communication	105.91	Permanent Employee	Company Secretary, 24 Years	1st February, 2009	47	NA	-	NO
5	Mr. Rishi Dhanwal	Chief of Credit and Collection - Retail Bank	97.48	Permanent Employee	BE(Mechanical), MBA (IIM,Ahmedabad), 24 Years	15th November, 2013	46	Citibank	-	NO
6	Mr. Azfar Hussain Kausar	Chief People Officer	73.48	Permanent Employee	Masters in Human Resource Management from J.M.I, New Delhi, 16 Years	03rd June, 2015	41	Larsen & Turbo Limited	-	NO

S. No.	Name of Employee	Designation	Remuneration (Amount ₹ In Lakh)	Nature of employment (Contractual/ Otherwise)	Qualifications and experience of the employee	Date of commencement of employment	Age of such employee	The last employment held by such employee	The percentage of equity shares held by the employee in the company within the meaning of clause (iii) of sub-rule (2) above and	Whether any such employee is a relative of any director or manager of the Company and if so name of such director or manager
7	Mr. Vivek Tripathi	Chief of Wholesale Banking	67.04	Permanent Employee	Post-graduate diploma in management for executives from Indian Institute of Management Society, Lucknow and Masters of Textiles from University of Mumbai, 15 Years	09th April, 2014	38	ICICI Bank Limited	-	NO
8	Mr. Vinay Vaish	Chief of Credit and Collection Wholesale and Business Banking	65.53	Permanent Employee	FCA, 21 Years	20th May, 2015	46	CITIBANK NA	-	NO
9	Mr. Priyam Alok	Chief of Business Banking	65.46	Permanent Employee	MBA, 14 Years	22nd March, 2016	37	Reliance Broadcast Network Limited	-	NO
10	Mr. Dilip K Vidyarthi	National Business Manager - Banca Insurance	61.33	Permanent Employee	B.Com, 21 Years	06th April, 2015	42	DHFL Pramerica Life Insurance Co. Limited	-	NO

For and on behalf of the Board of Directors
AU SMALL FINANCE BANK LIMITED
Erstwhile Au FINANCIERS (INDIA) LIMITED

Sanjay Agarwal
Managing Director & CEO
DIN: 00009526

Uttam Tibrewal
Whole Time Director
DIN: 01024940

Date: 09th August, 2017
Place: Mumbai
CIN No. L36911RJ1996PLC011381



Management Discussion and Analysis



In FY 2015-16, we received an ‘in-principle approval’ from the Reserve Bank of India for converting into Small Finance Bank and in FY 2016-17, we received RBI license for Small Finance Bank on 20th December, 2016. We underwent transformation covering building of Risk, IT, Compliance, Audit, Branch Infrastructure and on 19th April, 2017 we commenced Small Finance Bank operations.

Our focus and passion is to establish a high quality, customer-centric and service-driven institution catering the smallest financial needs of the people of India.

Indian economic review

In an environment of moderate global economic growth, the Indian economy clocked a GDP of 7.1% in 2016-17. India has successfully navigated global uncertainties, and emerged as a preferred destination for foreign investors in the last year. The Government of India rolled out several bold reforms to enable the country reach its true potential resulting in a balanced inflation and an improvement in both its current and fiscal deficits.

The biggest reform in 2016-17 was the announcement of demonetisation of high denomination currency notes by the Government. The decision was aimed at curbing corruption, counterfeiting, terrorist activities and accumulation of black money. With demonetisation,

the economy was introduced to various long-term benefits like greater digitisation and formalisation of the economy. Besides, the process galvanised the increase in the flow of financial savings into the banking system. Further, demonetisation is expected to lead to a higher GDP growth in the long run with the vision of a better tax compliance and greater tax revenues by reducing corruption.

The Government of India also announced the introduction of the GST bill which is implemented from 1st July, 2017. GST will lead the Indian economy into an era of growth, greater competitiveness, indirect tax simplification and transparency, widening the tax net. It is expected to contribute significantly to the GDP.

Way forward: Overall India’s GDP is expected to be in the range of 7.3%-7.5% in 2017-18 as a rebound in consumption demand which had dampened due to demonetisation. A normal monsoon is expected to increase the agricultural incomes. Softer interest rates driven by the RBI will stimulate consumption growth and a benign inflation is anticipated due to the ongoing remonetisation and the trickle-down impact of past policy reforms.

Indian non-banking financial companies

Indian Non-Banking Financial Companies (NBFCs) are institutions which perform the function of financial intermediation in a wide variety of ways, for example, by accepting deposits, providing loans and advances and financing leasing and hire purchase transactions. NBFCs often advance loans to customers in rural and semi-urban areas who lack credit histories and may be excluded from being served by banks or large financial institutions.

NBFCs are looking towards niche segments such as SME Loans and low cost housing financing for diversification. In the coming years, a series of joint ventures between global and local players will come into picture in order to boost the overall sector. However, the key drivers of this sector are the low penetration in Tier-II and Tier-III cities, product and process innovation with continued focus on the core business.

Indian automobile industry

Key growth drivers for Indian automobile industry

- ▶ Increase in addressable households
- ▶ Rapid urbanization
- ▶ Growth in economic activity
- ▶ Marginal decline in cost of ownership
- ▶ Entry of new players
- ▶ Increase in dealerships and easy access to finance
- ▶ Shorter replacement cycle

In FY 2016-17, automobile sales is projected to grow above 10% owing to low fuel prices, interest rate cuts and an increase in demand from the mining and construction sectors. Simultaneously, the vehicle finance industry will see a double-digit growth driven by an increase in new CV, MUV disbursements, a recovery in new private vehicle disbursements and growth in used vehicle loans.

Used Cars: Disbursement and growth trends

Category of Vehicle	FY13	FY14	FY15	FY16	FY17 (P)	FY18 (P)
Medium and Heavy Commercial Vehicles	-23%	-27%	21%	32%	1%	2%
Light Commercial Vehicles	14%	-18%	-13%	-1%	7%	6%
Cars	-8%	-5%	5%	7%	6%	7%
Utility Vehicles	32%	-9%	1%	9%	20%	8%
Two-wheelers	3%	7%	8%	4%	11%	9%
Tractors	-2%	20%	-13%	-10%	17%	10%

(Source: CRISIL Research)

Vehicle finance is expected to grow at a 15% CAGR over the next two years from 2015-16 driven by recovery in the sales of new CV and a faster growth in sales of PV due to an improvement in the economy, a good monsoon, lower costs of ownership, continued fall in inflation and improving incomes.

introduction of a host of global players that introduce new models. PV disbursements increased due to the upward revision of vehicle prices, an increase in loan-to-values (LTV), and higher vehicle finance penetration levels

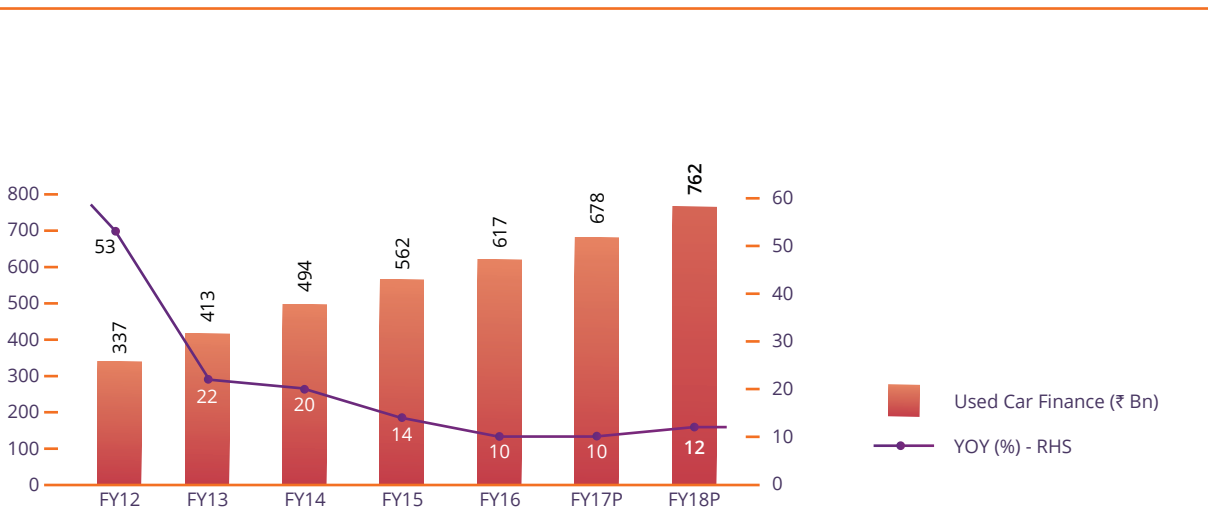
Passenger Vehicles (PV)

During FY 2016-17, car sales is projected to grow by ~6% driven primarily by an increase in disposable income, a marginal decline in the cost of car ownership and the

Used Passenger Vehicles

During FY 2016-17, used PV disbursements is expected to grow by 10%. The unorganized players have over 50% market share, where as organized dealers have under 20% market share with remaining 30% being direct customer to customer transactions.

Used Cars: Disbursement and growth trends



Source: CRISIL Research

Over the past five years, the launch of new models by manufacturers and the rising income of the Indian middle class has reduced the average retention period. As a result, the used car finance market is expected to grow at a CAGR of 11% over the next two years. It is expected that used car sales from organized players will grow at a CAGR of 20%, due to the capacity of organized players to offer a wide choice of multi-brand cars, warranty, insurance and competitive prices.

Commercial Vehicles (CV)

During FY 2016-17, CV sales is expected to grow by ~4% supported by an improvement in agricultural output, industrial activity and a focus on infrastructure project execution.

Used Commercial Vehicles

A sharp decline in commercial vehicle sales over the last few years has adversely impacted the stock of commercial

vehicles available for resale. This decline was partly due to economic slowdown that resulted in subdued growth in rail freight loading, mining activity and port traffic in the years prior to the FY 2015-16. The improving economic scenario and higher freight availability is expected to result in high utilization of commercial vehicles.

NBFCs in vehicle financing

NBFCs have increased their market share from an estimated 40% in FY 2011-12 to 47% in FY2016-17. The share gain is partially due to NBFCs developing stronger risk management capabilities and a better understanding of their customers, and consequently being able to serve customers that banks do not have the risk appetite to cater to. These customers, many of whom may have weaker credit profiles, include small fleet operators, first time buyers, first time users and used vehicle buyers.

Breakup of funding in vehicle finance

	2013-14	2014-15	2015-16	2016-17(P)	2017-18(P)
NBFCs Vehicles	46%	48%	47%	47%	46%
Banks	54%	52%	53%	53%	54%

(Source: CRISIL Research)

Key operating metrics for different segments in vehicle finance

Vehicle Category	Indicative yields	Gross NPA's	Details
Used cars and utility vehicles	15% - 18%	2 - 2.5%	<ul style="list-style-type: none">▶ Attractive for financiers due to higher margins▶ Disbursement growth to moderate going forward▶ GNPA's higher in new cars and utility vehicles due to relatively weaker borrower profile.
New cars and utility vehicles	11% - 13%	0.5% - 1.5%	<ul style="list-style-type: none">▶ Profitability of car and used vehicle financiers to remain stable in the short term;▶ Loan disbursement growth to be higher on account of higher LTV and sales growth;▶ Despite early recognition of NPA norms, NBFCs are expected to limit their credit costs with better monitoring and recovery mechanisms
Used CV	17 - 20%	3.5% - 4.5%	<ul style="list-style-type: none">▶ Used commercial vehicle sales to grow by consistently
New CV	13% - 15%	3.5% - 4.0%	<ul style="list-style-type: none">▶ New commercial vehicle disbursements expected to increase at a much faster rate in the financial year 2017 due to higher competition, growth in MHCV sales and higher vehicle prices.
Tractors	18% - 20%	5.5% - 6.0%	<ul style="list-style-type: none">▶ Inherent risk in tractor financing keeps delinquencies high;▶ Tractor financing to grow at a double digit CAGR over the next two years.

Indian MSME industry

Key growth drivers for MSME industry

- ▶ Serving the unbanked customers
- ▶ Growing entrepreneurship drive in India
- ▶ Improvement of SME lending

- ▶ Growth in Fintech and startup firms
- ▶ Rising Government's focus

Micro, Small and Medium Enterprises (MSMEs) are key parts of the Indian economy. It is majorly accounted for an estimated 45% of India's manufacturing output and 40% of the total exports for the financial year 2016-17.

MSME classification

Classification	Manufacturing	Services
Micro	Below 0.25 Crore	Below 0.1 Crore
Small	From 0.25 Crore to 5 Crore	From 0.1 Crore to 2 Crore
Medium	From 5 Crore to 10 Crore	From 2 Crore to 5 Crore

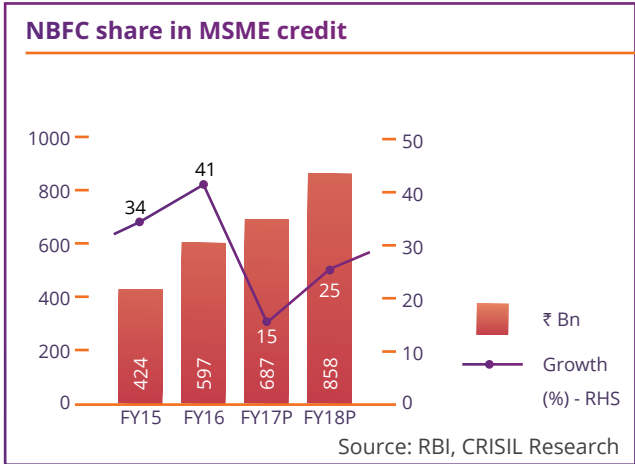
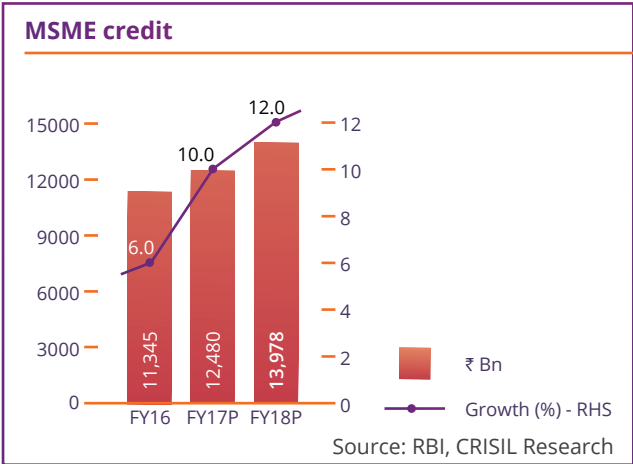
Note: As per RBI classification

Over the past five to six years, the number of MSMEs have been growing in between 4% to 5%. MSME credit also grew at a CAGR of 11% between the financial year 2012 and 2016 due to organised financiers growing focus. The key growth driver is the recovery of the economy which has resulted in significant unmet demand for credit in the MSME sector. (Source: CRISIL Research)

NBFCs' share have grew in the overall MSME credit majorly due to the increasing penetration in untapped territories

over the past four to five years. System and process innovation, superior product delivery and a focus on relationship building have resulted in improved operating efficiency of NBFCs.

NBFCs in order to expand its loan book are targeting new customers. The expansion will be supported by better customer reach, faster documentation and a higher risk craving. In addition, NBFCs loan books are growing as they replace credit typically extended by the unorganised sector.



Indian banking industry

Key growth drivers for Indian banking industry

- ▶ Economic and demographic changes
- ▶ Exhaustive policy support
- ▶ Rising rural income
- ▶ Technological Innovation

The Indian Banking system consist of 26 public sector banks, 20 private sector banks, 43 foreign banks, 56 regional rural banks, 1589 urban cooperative banks and 93,550 rural cooperative banks.

India's banking sector is well regulated and sufficiently capitalised. The economic and financial conditions in the country are far superior in comparison to any other country in the World. Despite the global turndown, Indian banks have always withstood resiliently.

Indian banking industry has recently witnessed the roll out of innovative banking models like small finance Bank and payments. The central bank granted in-principle approval to 10 small finance banks and 11 payments banks in FY 2015-16. RBI's new measures may go a long way to increase the depth of the domestic banking industry and reach to masses of rural and upcoming India.

Key growth drivers

- ▶ Favourable demographics, structural economic stability and rising income levels are expected to facilitate expansion of the banking sector.
- ▶ The Government has undertaken several measures to strengthen the Indian banking sector. For example, in July 2016, the government allocated US\$ 341 Crore as capital infusion in 13 public sector banks, which is expected to improve their liquidity and lending operations, and boost economic growth in the country. The simplification of know your customer norms, reduction of repo rates by 25 basis points and introduction of simple bank accounts are also expected to increase banking penetration.
- ▶ The real annual disposable household income in rural India is forecasted to grow at a CAGR of 3.6% over the next fifteen years. Rising incomes are expected to enhance the need for banking services in rural areas, and therefore drive growth of the sector.
- ▶ Between 2007 and 2016, telephone density increased at a CAGR of nearly 71%. Banks, telecom providers and the RBI are making efforts to reach the unbanked rural India through mobile banking solutions. Increased use of technology is expected to improve products and services as well as improve access in a cost-effective way.

Small Finance Bank (SFB)
Key growth drivers for Small Finance Banks

- ▶ Drive financial inclusions
- ▶ Drive India towards cashless economy

- ▶ Built for deeper reach with wider offering
- ▶ Huge addressable market
- ▶ Convenient and Tech-Friendly Banking

SFBs are intended to primarily cater to provision of savings vehicles for the unserved and underserved sections of the population. They also help supply credit to small business units and micro and small industries through high technology and low cost operations. SFBs can also under take other simple financial services activities, such as the distribution of mutual fund units, insurance products and pension products. The minimum paid-up equity capital for SFBs is ₹ 100 Crore.

The entities eligible to set up an SFB include resident individuals or professionals with ten years of experience in banking and finance, companies and societies, existing NBFCs, microfinance institutions and local area banks. SFBs are subject to all prudential norms and RBI regulations applicable to existing commercial banks, including the requirement to maintain cash reserve ratio and statutory liquidity ratio. They are also required to have 25% of all branches in unbanked rural centres within one year from the data of commencement of operations. The priority sector lending requirement for SFBs is 75% of adjusted net bank credit, which is considerably higher than the 40% requirement for small commercial banks. At least 50% of an SFB's loan portfolio should constitute loans and advances of a size up to ₹ 0.25 Crore.

Porter's analysis for small finance banks

Bargaining power of suppliers - HIGH

- ▶ With number of new banks, new fin-tech companies and existing bank vying for same talent pool, bargaining power of banking talent is high.
- ▶ With little differentiation as deposits takers, SFBs' main bargaining tool to mobilise retail or bulk deposits are interest rates. This reflects high bargaining of depositors.
- ▶ The bargaining power against technology providers are evenly placed due to high competition among vendors and banks requirement to choose right technology.

Bargaining power of buyers - MODERATE

- ▶ A large number of customers from low-income group are first time users of financial services and have little to choose from in terms of lenders.
- ▶ Given bulk of the lending is microfinance with no collateral, borrowers have little to lose in case of defaults. This gives lower bargaining power to borrowers in terms of pricing, but higher pricing power in case of default.
- ▶ With credit penetration rising, increasingly multiple lenders are chasing same customers which raises bargaining power of borrowers.

Competitive intensity - MEDIUM

- ▶ Competition from NBFC-MFIs/NBFCs is intense, however lower cost of funds, stable liability base and better brand and customer trust will give an edge to SFBs.
- ▶ A favourable operating model (large share of low cost front-line field staff) protects from competition from banks.
- ▶ Most upcoming SFBs are regional entities with little over-lap of home states among them, which limits the competition among SFBs.

Barriers to entry - HIGH

- ▶ SFB licenses are regulated by the RBI and even though the RBI could, at some stage, begin issuing "on-tap" licenses, the entry of new banks is likely to be some years away, which will allow first batch of SFBs to establish their presence.
- ▶ Banks are trying to enter low income group customer segment through tie-up with MFIs and BC channel. However, the model is yet unproven and fraught with operational risks linked with customer selection, cash management and banks' brand and reputation.

Threat of substitution - LOW

- ▶ Due to low financial literacy and technological awareness, these customers yet need extensive door-step servicing. Thus, these customers are unlikely to be catered by technological solutions offered by banks/fintech companies.
- ▶ Erratic cashflow requirements against uniform and low income pattern mean that customers will continue to need credit to meet the financial needs during fluctuating shortfall from income cashflow.

Outlook

The Indian economy is on the brink of a major transformation, with several policy initiatives set to be implemented shortly. Positive business sentiments, improved consumer confidence and more controlled inflation are likely to prop-up the country's the economic growth. Enhanced spending on infrastructure, speedy implementation of projects and continuation of reforms are expected to provide further impetus to growth. All these factors suggest that India's banking sector is also poised for robust growth as the rapidly growing business would turn to banks for their credit needs. Moreover, the advancements in technology have brought the mobile and internet banking services to the fore. The banking sector is laying greater emphasis on providing improved services to their clients and also upgrading their technology infrastructure, in order to enhance the customer's overall experience as well as give banks a competitive edge.

About Au Small Finance Bank

We are a small finance bank (SFB) that has recently transitioned from a prominent, retail focused non-banking finance company (NBFC), which primarily served low and middle-income individuals and businesses that have limited or no access to formal banking and finance channels.

We received a license from the Reserve Bank of India to set up an SFB on 20th December, 2016 and we were the only NBFC categorized as an asset finance company to obtain such license. We commenced our SFB operations with effect from 19th April, 2017. Prior to such date, our Company was categorized as a 'Systemically Important, Non-Deposit Accepting Asset Finance Company' (NBFC-ND-AFC) by the RBI.

As an NBFC, we operated in three business lines: vehicle finance; micro, small and medium enterprises (MSMEs) loans; and small and medium enterprises (SMEs) loans. As we commenced our SFB operations, we have expanded

We have received RBI approval to open 431 SFB branches during the financial year 2017-18 and out of which 284 branches opened till 30th June, 2017.

and strengthened our business model to offer a diverse suite of banking products and services by leveraging our asset-based lending strengths, NBFC customer base and cost efficient, technology driven hub-and-spoke branch operating model to successfully operate our SFB. In addition to our vehicle finance, MSME and SME offerings, our asset product offerings include working capital facilities, gold loans, agriculture related term loans, Kisan credit cards for farmers and loans against securities. Our liability product offerings include current accounts, savings accounts, term deposits, recurring deposits and collections and payments solutions for MSME and SME customers. We believe that transitioning to a SFB has offered us significant growth potential and we aim to be a retail focused, preferred trusted SFB offering integrated and tailored solutions to customers.

We adopted a strategy of contiguous expansion across regions and as of 31st March, 2017, we conducted our operations through 301 NBFC branches spread across 10 states - Rajasthan, Gujarat, Maharashtra, Madhya Pradesh, Punjab, Chhattisgarh, Haryana, Himachal Pradesh, Delhi, Goa and union territory of Chandigarh. As of 31st March, 2017, we employed 8,515 personnel with 5,56,887 total loan accounts sourced since inception.

We are all set to turn over a new leaf as a small finance bank (SFB). This transformation will help the Company become a highly-consistent, scalable, visible and trusted platform for financial services. Further, AU Small Finance Bank aims to create more customer-centric services that will enable deeper penetration into untapped markets. Additionally, the Company is striving to create a single platform for all financial services. Besides, it will focus on stimulating the workforce to contribute more while improving its risk management platform.

Competitive strengths
Diversified product portfolio and revenue streams

We are a retail focused, technology driven SFB with a diversified portfolio of financial products comprising Vehicle Finance Loans, MSME Loans, SME Loans and

Other Asset products which includes working capital facilities, gold loans, agriculture related term loans and loans against securities. Our liability product offerings include current accounts, savings accounts, term deposits and recurring deposits and collections and payments solutions for MSME and SME customers.

Customer-centric approach

We are a customer centric organization having serviced 5,56,887 loans accounts since inception. We have developed strong relationships with our customers through in-person contact by addressing their financial needs, our knowledge of the local markets and our widespread network of branches. Interactions with our customers are primarily undertaken by our own employees. As part of our customer-centric approach, we have undertaken the following steps:

- ▶ Hire local personnel
- ▶ Establish relationships with vehicle manufacturers and dealers
- ▶ Set up call centers
- ▶ Conduct referral and other programs

Significant presence in rural and semi-urban markets

We have over 20 years of operating experience in rural and semi-urban markets of India and as of 31st March, 2017. We believe that we have successfully adopted a strategy of contiguous expansion across regions, which has enabled us to increase our customer base in the 11 states and one union territory in which we operate. A large segment of India's rural and semi-urban population is currently unserved and underserved by formal financial institutions. According to the Global Findex Database 2014, India is home to 21% of the world's unbanked adults and approximately two-thirds of South Asia's. Over the years, we have focused on customers in such markets, particularly those without a credit history, that offer us significant growth opportunities and customer loyalty. We believe that our understanding of the local characteristics of these markets and customers has allowed us to address the unique needs of our low and middle income customers and assisted us to penetrate deeper into such markets. The reach of our branches allows us to service our existing customers and attract new customers as a result of personal relationships cultivated through proximity and frequent interaction by our employees.

Through our decentralized model, we believe we have been able to optimize turnaround times for our customers while managing our credit requirements and

associated risks. We have received RBI approval to open 431 SFB branches during the financial year 2017-18. We have opened 284 Bank Branches, have 119 Asset Centres, and 251 ATMs spread across 11 states and a union territory till 30th June, 2017 and shall open balance Bank branches gradually. Certain administrative and other functions have been centralized to allow us to benefit from economies of scale and uniformity in operations.

Robust and Comprehensive Credit Assessment and Risk Management Framework

We have a robust and comprehensive credit assessment and risk management framework to identify, monitor and manage risks inherent in our operations. We have a risk management policy and several processes in place to assist our personnel to take significant measures to mitigate risks and have set up separate credit teams for our key business lines of vehicle finance, MSME loans and SME loans. Our credit teams, through in-house field investigation officers, conduct an independent verification of customers and evaluate their business and financing needs, and analyze their ability to repay loans.

In our vehicle finance and MSME loans business, we are focused on disbursing loans primarily towards revenue generating assets, which we believe results in lower risk. We have adopted a multi-layered system to strengthen our credit assessment process. We have a deep understanding of the cost of ownership and resale potential for various vehicle types in each geography, which we use in determining our credit policies and we have customized such policies and periodically update them to cater to the requirements of the different markets in which we are present. We have set up a robust collections management system, which includes a collection control room that centrally manages allocations among collection executives and we use analytics for the optimum allocation of cases to the collections team. We have also set up a specialized collections team to manage cases where collections are overdue for a certain period. Our effective credit risk management is reflected in our portfolio quality indicators such as high repayment rates, and low rates of GNPA's and NNPA's across business and economic cycles. As of 31st March, 2017, our net NPA was 1.22%.

We have set-up an Asset Liability Management Committee and a Credit Risk and NPA Committee for retail and wholesale Banking. Our Asset Liability Management Committee evaluates liquidity and other risks, devises strategies to mitigate such risks and reports its findings to our Board. Our Credit Risk and NPA Committee for

retail and wholesale Banking was formed to review and identify current and emerging risks, develop risk assessment and measurement systems and establish policies, practices and other control mechanisms. As an SFB, we have enhanced our risk management framework by setting up a Risk Management Committee of the Board and an IT & Operational Risk Management Committee as well as introduced new internal audits to ensure rigorous monitoring and compliance. We have also formulated a vigil mechanism framework to enable employees to report genuine concerns about unethical behaviour and actual or suspected fraud or violation of any of our policies. Our anti-bribery policy mechanism is designed to check corrupt practices and report any issues to our Board.

Consistent reduction in cost of funds

We have set up a Treasury department that is responsible for fund raising and asset liability management, minimizing the cost of our borrowings, liquidity management and control, diversify fund raising sources, managing interest rate risk and investing funds in accordance with the criteria set forth in our investment policy. Prior to the commencement of our SFB operations, our sources of liquidity included term loans and working capital facilities; proceeds from loans assigned and securitized; proceeds from the issuance of non-convertible debentures (NCDs) and commercial paper; and subordinated debt borrowings from banks, mutual funds, insurance companies and other domestic and foreign financial institutions.

As an SFB, we have access to various sources of funds such as savings accounts, current accounts, term deposits and recurring deposits. We can also raise funds from liquidity adjustment facility and market stabilization fund of the RBI, refinance facilities from financial institutions, capital market borrowings such as infrastructure bonds, tier II bonds and perpetual bonds. We will continue to securitize and assign loans, which qualify as priority sector lending, as well as our non-priority sector loans through securitization or direct assignment to banks, financial institutions and mutual funds, which enables us to optimize our cost of borrowings, funding and liquidity requirements, capital management and asset liability management. We will also have access to inter-bank participatory certificates and will be able to participate in the priority sector lending certificates market wherein we will be able to trade our right of claim for priority sector loans for a fee. Money market borrowings, interbank borrowings and issuance of certificates of deposit will only be permitted or available to us once we become a

scheduled commercial bank, which will require additional time. However, we will be unable to raise secured borrowings from banks and financial institutions or raise funds from the issuance of secured NCDs as a result of transitioning to an SFB.

As of 31st March, 2017, our Total Borrowings were ₹ 7,071.14 Crore comprising 50.03% of NCDs, 32.95% of term loans, 6.78% of commercial paper, 4.67% of subordinated debt borrowings, and 5.58% of working

capital facilities. In addition, we securitize and assign loans to meet our funding requirements from time to time. Our average cost of borrowings has reduced from 11.60% for the financial year 2013 to 9.62% for the financial year 2017. We believe that we have been able to access cost-effective debt financing due to our stable credit history, improving credit ratings, Comprehensive financial performance and conservative risk management policies. The following table reflects the improvement in our credit ratings for the periods indicated” & Rating Agency, Term Credit rating as of 31st March, 2013 Current credit ratings.

Rating Agency	Term	Credit rating as of 31st March, 2013	Current credit ratings
CRISIL Ratings	Long Term	CRISIL A / Stable	CRISIL A+ / Stable
	Short Term	CRISIL A1	-
ICRA	Long Term	[ICRA]A (Stable)	ICRA A+ (Stable)
	Short Term	-	-
India Ratings	Long Term	-	IND A+ (Positive)
	Short Term	-	IND A1+
CARE Ratings	Long Term	CARE A	CARE A+ (Stable)
	Short Term	CARE A1	-
Brickwork Ratings	Long Term	-	BWR AA / Stable
	Short Term	-	-

Internal accruals constitute a significant portion of the net worth of our Company as at 31st March, 2017. While our net worth was ₹ 1987.60 Crore as at 31st March, 2017, as of such date, the Company had recognized profit on sale of shares of Aavas Financiers Limited (formerly known as Au Housing Finance Limited), Index Money LLP (formerly known as Index Money Limited), M Power Micro Finance Private Limited and Au Insurance Broking Services Private Limited of ₹ 516.86 Crore (net of the expenses incurred in connection with such sale and net of tax) for the financial year ended 31st March, 2017.

According to data of 31st March 2017, the Company recorded a strong growth of Assets Under Management (AUM) of 31%. Further, the Company had consistent returns: ROA 3.22% and ROE 20.36% for FY 2016-17.

Experienced Management Team and Qualified Operational Personnel

We have an experienced management team, which is supported by a qualified, capable and motivated pool of managers and other employees. Our Key Management Personnel have been with us for an average of over 15 years. Our management team and managers have diverse experience in a range of financial products and functions related to our business and operations. Our managers have an in-depth understanding of the geographic regions, loan products and types of collateral and businesses of our borrowers. In connection with our transition to an SFB, we had undertaken an extensive recruitment drive focusing on growing our team at all levels of management and employees. We are focused on hiring individuals with experience, drive and commitment. We believe we have benefited significantly from the vision, leadership, innovation and experience of our promoter, Mr. Sanjay Agarwal, who is a first-generation entrepreneur.

Human Resources

We have built a robust team. Built on the virtues of transparent mechanisms of growth and performance-oriented culture, the team is nurtured by the Company. Every individual performer is recognised with rewards.

For us, our team is biggest asset. With starting the small finance bank, the Company has had numerous recruits to fill its ranks. These recruits were part of a rigorous training programme that will align them with the Company objectives and latest technologies employed by it.

The Company has a well-defined HR structure that consists of a central HR team comprising HR managers reporting to the HR Head. In FY 2016-17, the HR team strengthened the Company's employee engagement and development framework with well-governed policies that involved recruitment, training and performance management.

While the Company recruited professionals to manage functions like risk management and IT, the HR team continued to hire personnel from local communities to enhance the sales force. Besides, there was a training programme for new personnel with classroom sessions on the Company's values and culture. Apart from assimilating new people into the organisation, the training served to upgrade skills in advanced banking concepts, processes and systems. The programme was complemented by field visits and branch-based training for fresh recruits.

In FY 2016-17, training programmes was made mandatory for all employees, which ensured every personnel undergoes 20 hours of training. Further, the Company focused on training its sales staff about the new products and services. AU employed in-house trainers and external training agencies to equip its team with better credit assessment, risk modelling and IT security skills.

During FY 2016-17, the Company continued to motivate its people utilising a transparent appraisal process and incentive structure. Moreover, it emphasised on improving the recognition mechanism with monthly and quarterly awards for special contributions.

Information Technology

With its transformation into a small finance bank, the Company achieved a major information technology (IT) facelift. AU Small Finance Bank engaged with technology giant Accenture to create their technology framework and implement it. The Bank aims to have a differentiated technology framework that enhances the convenience of customers and reduces operational costs.

The Company has taken the following IT initiatives in 2016-17

- ▶ Upgraded Backend and Frontend systems to deal with Banking infrastructure requirements
- ▶ Updated HRMS – Human Resource Management System - for employees
- ▶ Implemented new technology that enables real-time backup of information
- ▶ Applied seven layers of protection for customer data in collaboration with IT security giant McAfee
- ▶ Deployed the Oracle Flexcube Core Banking solutions
- ▶ Distributed tablets integrated with biometric devices and Bluetooth printers to our SFB personnel. This will enable faster customer verification, and account opening and activation.
- ▶ Employed Netmagic Solutions for co-location hosting, managed hosting, remote infrastructure monitoring, Data Center services and management services. Moreover, this will provide security services, application hosting, and disaster recovery services.
- ▶ Applied CRM Next solutions which will lead to a comprehensive customer relationship management (CRM) solution for the Company
- ▶ Powered by Newgen Software, Bank will manage workflow based Loan origination and collections system and cheque truncation solution.
- ▶ IT service provider has designed and implemented our network infrastructure through interconnecting our branches. It is to handle management of the whole framework.

AU Small Finance Bank will witness some exciting IT-enabled banking services like:

- ▶ Automated account opening process through App and E-KYC
- ▶ Explore delivering services through alternate digital channels such as secure online banking, mobile banking, digital wallets.
- ▶ Automated Cash Recyclers Payment Services to do away with cash loadings at ATMs.
- ▶ Technology Partner to monitor ATM services including card management in case of cards misused, digital banking, fraud management services and back-end services.

Risk Management

The Bank recognises the need for a robust risk management system in the face of evolving market risks. As the Company makes a shift towards being a small finance bank, it has developed a three-layer defence mechanism in the face of risks – the business itself, risk and mitigation, and audit.

The company has the following risk management process



The following risks for the Bank were identified and suitably mitigated with right strategic decisions:

Our inability to successfully transition from an NBFC to an SFB may have an adverse effect on our business, results of operations, financial condition and cash flows.

We received a license to set up an SFB on December 20, 2016 from the RBI and commenced SFB operations with effect from 19th April, 2017. However, we have no operating history or experience as an SFB and as such are exposed to several risks and uncertainties, including an inability to:

- ▶ set up SFB branches and commence SFB operations in a timely manner;
- ▶ introduce and manage new product and service offerings;
- ▶ maintain our asset quality;
- ▶ create value propositions to attract and retain customers and cross-sell our SFB products to them;
- ▶ meet our branch and branch infrastructure expansion targets on commercially viable terms, or at all;
- ▶ successfully develop and institutionalize our procedures and policies for our SFB operations and manage increased volume of transactions;
- ▶ attract deposits from retail and corporate customers;
- ▶ recruit suitable personnel and train them for our SFB operations;
- ▶ set-up and update our information technology systems for our SFB operations;
- ▶ comply with the terms of our licenses and rules and regulations applicable to an SFB; and
- ▶ prevent fraud committed by our personnel or customers.

Further, SFB operations pose risk management challenges, including setting up of a comprehensive risk management and reporting framework, audit mechanism and adopting

an enhanced asset liability management system, which may cause our management to divert significant time and resources towards such activities. Accordingly, our operations may be subject to higher degree of risk compared to banks with established operational histories and with demonstrated financial performance. We cannot assure you that we will be able to successfully transition from an NBFC to an SFB and sustain our growth or financial performance post the commencement of our SFB operations, which may have an adverse effect on our business, results of operations, financial condition and cash flows

If our customers default in their repayment obligations, our business, results of operations, financial condition and cash flows may be adversely affected.

We are primarily focused on serving low and middle-income individuals and businesses that have limited or no access to formal banking and finance channels. A significant number of our customers are first time buyers of financial products and often do not have credit histories supported by tax returns and other documents that would enable us to accurately assess their creditworthiness.

We may also not receive updated information regarding any change in the financial condition of our customers or may receive inaccurate or incomplete information as a result of any fraudulent misrepresentation by our customers or employees. Further, in India, there may be less financial information available about individuals, particularly in our customer segments, which primarily comprise low and middle-income earners. It may therefore be difficult for us to carry out precise credit risk analysis for all our customers.

Our customers may default in their repayment obligations due to various reasons including insolvency, lack of liquidity, increase in operating costs and failure of their business operations. We cannot assure you that our risk management controls will be sufficient to prevent

future losses on account of customer defaults, which may adversely affect our business, results of operations, financial condition and cash flows

We may face asset-liability mismatches, which could affect our liquidity and consequently may adversely affect our operations and profitability.

Assets and liability mismatch (ALM), which represents a situation when the financial terms of an institution's assets and liabilities do not match, is a key financial parameter for us. We cannot assure you that we will be able to maintain a positive ALM. We may rely on funding options with a short-term maturity period for extending long term loans, which may lead to negative ALM. Further, mismatches between our assets and liabilities are compounded in case of pre-payments of the financing facilities we grant to our customers. Any mismatch in our ALM, may lead to a liquidity risk and have an adverse effect on our operations and profitability.

We are dependent on our senior management and other key personnel, and the loss of, or our inability to attract or retain, such persons could adversely affect our business, results of operations, financial condition and cash flows.

Our performance depends largely on the efforts and abilities of our senior management and other key personnel, including our operational, credit managers and branch managers. We believe that the inputs and experience

of our senior management, in particular, and other key personnel are valuable for the development of our business and operations and the strategic directions taken by our Company. We cannot assure you that these individuals or any other member of our senior management team will not leave us or join a competitor or that we will be able to retain such personnel or find adequate replacements in a timely manner, or at all. We may require a long period of time to hire and train replacement personnel when qualified personnel terminate their employment with our Company. We may also be required to increase our levels of employee compensation more rapidly than in the past to remain competitive in attracting employees that our business requires. The loss of the services of such persons may have an adverse effect on our business, results of operations, financial condition and cash flows.

Cautionary statement

Statements in the Management Discussion and Analysis, describing the Company's objectives, outlook, opportunities and expectations may constitute 'Forward Looking Statements' within the meaning of applicable laws and regulations. Actual results may differ from those expressed or implied expectations or projections, among others. Several factors make a significant difference to the Company's operations including the government regulations, taxation and economic scenario affecting demand and supply, natural calamity and other such factors over which the Company does not have any direct control.

Report on Corporate Governance

Philosophy on Code of Governance

The Company in order to adhere with the Corporate Governance has an ethically driven business process that is committed to values aimed at enhancing an organization's wealth generating capacity and by ensuring that business is run in transparent and fair manner for all of its stakeholders.

Fundamental principles to sound Corporate Governance is about carrying out business in Transparent and accountable manner which ensures that the organization is managed and monitored in a responsible manner for 'creating and sharing value'. The same is ensured by taking ethical business decisions and conducting business with a firm commitment to values, while meeting stakeholders' expectations.

Your Company has set the standards of Corporate Governance right from its inception benchmarked with the best in class practices across the globe. Effective Corporate Governance is the manifestation of professional beliefs and values, which configures the organizational values, credo and actions of its employees.

We believe that an active, well-informed and independent Board & committees is necessary to ensure the highest standards of Corporate Governance is maintained & improved upon. It is well-recognized that an effective Board & committees are pre-requisite for a strong and effective Corporate Governance.

The Company recognizes and embraces the importance of a diverse board in its success and is endowed with appropriate balance of skills, experience and diversity of perspectives, thereby ensuring effective board governance. The Board of Directors ("the Board") of our company are at the core of our Corporate Governance practices and oversees how the Management serves and protects the long-term interests of our stakeholders. Our Corporate Governance framework ensures that we make timely disclosures and share accurate information regarding our financials and performance, as well as the leadership and governance of the Company.

Company's Corporate Governance Philosophy

The Company's corporate governance philosophy is based on the following principles:

- ▶ Responsibility
- ▶ Accountability
- ▶ Fairness and Integrity
- ▶ Transparency
- ▶ Creation of Long –Term Value for all Stakeholders

The company has three core components to enhance these philosophies:

- ▶ Professional management team capable and proficient in fulfilling their own responsibilities, honest, disciplined, accountable and willing to accept improvement and able to respond to changes
- ▶ Strong Internal Control System
- ▶ Fair and equal fiduciary duties towards all stakeholders

Governing Policies and Framework

We strive to conduct our business and strengthen our relationships in a manner that is dignified, distinctive and responsible. To ensure good corporate governance, we have adopted various codes and policies to carry out our duties in an ethical manner. Some of these codes and policies are:

- ▶ Code of Conduct for Board and Senior Management
- ▶ Code of Conduct for employees
- ▶ Code of Fair Disclosure & Conduct
- ▶ Code of conduct – Prevention of Insider Trading
- ▶ Social Environment & Management System
- ▶ Policy on Prevention and Redressal against Sexual Harassment

- ▶ Vigil Mechanism and Whistle Blower Policy
- ▶ Corporate Social Responsibility Policy
- ▶ Policy on Director's, KMP and Senior Management Appointment and Remuneration
- ▶ Policy on Document Preservation
- ▶ Archival Policy
- ▶ Risk Management Policy
- ▶ Policy for determining materiality of events/ information
- ▶ Policy on Related Party Transaction and Materiality
- ▶ Customer Grievance Redressal Policy

Corporate Governance Practices

The Company ensures at maintaining the highest standards of Corporate Governance. It is the Company's constant endeavor to adopt the best Corporate Governance practices and governance norms.

Company also undergoes internal audit, secretarial audit & statutory audit conducted by an independent professional firms. The quarterly Internal Audit reports and annual audit reports are placed before the Board on regular basis.

Audits and Internal Checks and Balances

M/s G. M. Kapadia & Co., Chartered Accountants, one of India's leading audit firm was Internal Auditor of the Company during F.Y. 2016-17. Internal audit is carried out as per scope of services and it is annually reviewed in line with changes in size of operations and risk of the Company. The scope of work is broadened to ensure that the Internal Audit scope commensurate with changes in businesses, growth and size of the Company and external factors affecting the business.

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 Act.

During F.Y. 2016-17 company's Audit plan has several audits covering. i.e. Internal Audit, Statutory Audit, Secretarial Audit, Branch Audit and Concurrent Audit to ensure controls, checks are in place in carrying out business operations of the Company.

In house Audit team duly staffed with qualified professionals consisting of CAs, CSs and MBA professionals have been put in place covering internal audit & control governance framework for Banking business operations. Bank is also looking forward to set up Concurrent audit framework in view of specialization & experience of external firms to monitor the relevant business operations of the Bank.

Board of Directors & Governance

The Board of Directors and their Committees are vested with extensive rights and responsibilities to guide the Company's management in right direction to meet the performance expected by its stakeholders. The Board of Directors along with its Committees provides leadership and guidance to the Company's management for credit, risk, asset and liability management and other business areas.

In terms of the provisions of the Companies Act, 2013, your Bank has laid down criteria for performance evaluation of Directors, Chairperson, MD & CEO, Board Committees and Board as a whole.

Board of Directors

Your Company has optimal combination of Executive Directors, Non-Executive Directors and Independent Directors constituted in compliance with the Companies Act, 2013, Banking Regulation Act 1949 and prescribed SEBI Regulations to implement the best practices in Corporate Governance. The Board and its various Committees constituted to oversee the Policy formulation, setting up of goals, reviewing of the operations & overall performance, providing guidance to Senior management on strategic issues. The Committees have oversight of operational issues assigned to them by the Board. We firmly believe that Board's independence is essential to bring objectivity and transparency in the Management and in the dealings of the Company.

On Banking Platform, the Company has set separate positions of the part-time Chairman and the Managing Director & Chief Executive Officer of the Bank to ensure strong governance over the operation of the Bank.

Your Company had conducted various sessions during the financial year to familiarize Independent and other Directors, their roles, rights, responsibilities, business model, risk management system and technology architecture. Further, the Directors are also encouraged to attend the training programs being organized by various Regulators/Bodies/ Institutions.

Composition of Board

As on 31st March, 2017, the Board consists of five (5) Directors with optimum mix of Executive, Non-Executive and Independent Directors. The Chairman of the Board is an Independent Non-Executive Director. The board also consists of a woman director to fulfill the criteria made under Companies Act, 2013 and rules thereunder.

The Composition of Board of Directors as on 31st March, 2017 are as follows*:

Category of Directors	Name and Designation of Director*
Executive Directors	Mr. Sanjay Agarwal - Managing Director
	Mr. Uttam Tibrewal - Whole Time Director
Non-Executive Directors	Mr. Mannil Venugopalan - Independent Director
	Mr. Krishan Kant Rath i - Independent Director
	Ms. Jyoti Narang - Independent Director

*On conversion into Bank, Mr. Mannil Venugopalan was designated as Part – Time Chairman – Non Executive Independent Director, Mr. Sanjay Agarwal as Managing Director & CEO and Mr. Uttam Tibrewal as Whole Time Director of the Bank.

During the financial year ended 31st March, 2017, following changes in the Board have taken place:

- ▶ Mr. Vishal Mahadevia, Investor Nominee Director (on behalf of Redwood Investment Limited), resigned with effect from 23rd January 2017.

- ▶ Mr. Nishant Sharma, Investor Nominee Director (on behalf of Ourea Investments Limited), resigned with effect from 24th January 2017.
- ▶ Mr. Ravindra Bahl, Investor Nominee Director (on behalf of Labh Investments Limited), resigned with effect from 24th January 2017.

All the Directors make the necessary annual disclosures regarding their directorships and committee positions and intimate the changes to the Company as and when they take place and the same is being put before the Board.

Board Meetings

In Compliance of Companies Act 2013 and Secretarial Standard – I, the Board meets at least once in a calendar quarter to consider among other businesses, quarterly performance of the Company and financial results and gap between Two Board meetings was not more than 120 days. To enable the Board to discharge its responsibilities effectively and take informed decisions, necessary information is made available to the Board including circulation of notice & agenda and notes thereof as well as presentations on financials and other critical areas of operations of the company. The Board is also kept informed of major events/items and approvals taken wherever necessary. The Managing Director & CEO and Whole Time Director at the Board Meetings apprises the overall performance of the Company.

The Board met ten (10) times (including meetings through Video Conferencing) during the financial year 2016-17 on 9th May 2016, 27th May 2016, 23rd August 2016, 11th November 2016, 19th December 2016, 20th December 2016, 24th January 2017, 22nd February 2017 (Two Board meetings), and 14th March 2017.

The names and categories of the Directors, their attendance at Board meetings and directorships held by them in other companies including Public and Private companies as on 31st March 2017 are given below*:-

Name of Director	Category of Director	Board Meetings held During the tenure of Director in the Year	Board Meetings Attended	Attendance at AGM	Number of Other Directorship held (in other companies) as on 31st March, 2017
Mr. Sanjay Agarwal	Managing Director (Executive Director)	10	10	Yes	Nil
Mr. Uttam Tibrewal	Whole Time Director (Executive Director)	10	7	Yes	Nil
Mr. Mannil Venugopalan	Independent director (Non-Executive Director)	10	5	No	11
Mr. Krishan Kant Rath i	Independent Director (Non-Executive Director)	10	8	No	13
Ms. Jyoti Narang	Independent Director (Non-Executive Director)	10	7	No	4
Mr. Vishal Mahadevia (resigned with effect from 23rd January 2017)	Nominee Director (Non-Executive Director)	6	3	No	8
Mr. Ravindra Bahl (resigned with effect from 24th January 2017)	Nominee Director (Non-Executive Director)	7	4	No	1
Mr. Nishant Sharma (resigned with effect from 24th January 2017)	Nominee Director (Non-Executive Director)	7	6	No	1

*On conversion into Bank, Mr. Mannil Venugopalan was designated as Part – Time Chairman – Non Executive Independent Director, Mr. Sanjay Agarwal as Managing Director & CEO and Mr. Uttam Tibrewal as Whole Time Director of the Bank.

Committees of Board & Management

The Company and its Board has constituted a set of independent, qualified and focused committees of the Board constituting Directors of the Company and expert senior management personnel to support the board in discharging its responsibilities. These Board Committees have specific terms of reference/scope to focus effectively on the issues and ensure expedient resolution of diverse matters. The Committees operate as empowered agents of the Board as per their charter/terms of reference.

The matters pertaining to financial results and auditor’s report are taken care of by the Audit Committee and those pertaining to evaluation of performance and remuneration of Key Executives and Directors are within the realms of Nomination and Remuneration Committee (NRC). Besides the Board also has an Asset Liability Management Committee (ALCO) dealing with liquidity position, Asset Liability mismatch and investments

of the company The Corporate Social Responsibility (CSR) Committee, focuses on compliance of CSR policy and framework by the Company and monitors the expenditure to be incurred on such CSR activities by the Company. The company also has a separate Committee to look after Credit & Risk Management functions.

The aforesaid Committees have been constituted under the mandatory legal requirements and considering significance of business operation requiring detailed monitoring by the Committee of Board.

Audit Committee

As on 31st March, 2017, the Audit Committee comprises of four members, viz. Mr. Krishan Kant Rath i, (Independent Director), Mr. Mannil Venugopalan (Independent Director), Mr. Sanjay Agarwal (Managing Director) and Ms. Jyoti Narang (Woman Independent Director).

Mr. Krishan Kant Rathi being Independent Director on Board of the Company is the Chairman of the Audit Committee.

The Audit Committee was constituted pursuant to the resolution passed by our Board on 22nd August, 2008. The Audit Committee was last re-constituted and its terms of reference were amended pursuant to the resolution passed by our Board on 24th January, 2017. The scope and functions of the Audit Committee, which are in accordance with Section 177 of the Companies Act, 2013 and Regulation 18 of the SEBI (Listing Obligation and Disclosure Requirement) Regulation 2015, include the following:

Financial and Internal Control	<div><div></div>Review accuracy and completeness of books of accounts and the auditor's report.</div> <div><div></div>Review the appropriateness, application and quality of the accounting policies and practices and the financial reporting process.</div>
Internal Audit	<div><div></div>Review the Bank's internal financial controls and the internal controls systems.</div> <div><div></div>Consider, approve and recommend to the Board, the quarterly unaudited financial results of the Company for the quarter ended.</div> <div><div></div>Consider major findings of internal quarterly, semi-annual and annual audit reviews and management's response and to promote co-ordination between the internal and external auditors</div> <div><div></div>Review appointment, removal, performance, terms of appointment of the Head of Internal Audit.</div> <div><div></div>Review with the Head of Internal Audit the internal audit budget, resource plan, activities, and organizational structure of the internal audit function.</div>
External Audit	<div><div></div>Discuss & timely Resolution of observations if any, arising from the interim and final audits.</div> <div><div></div>Review and monitor implementation and effectiveness of the policies laid down by the Risk Management Committee.</div> <div><div></div>Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up.</div> <div><div></div>To review and note the compliances as stipulated by RBI</div>

The Audit Committee met four times during the year under review on 27th May 2016, 23rd August 2016, 11th November 2016, and 24th January 2017.

The composition and attendance record of the members of the Audit committee meetings are as follows:-

Name of Member	Category	Audit Committee Meetings held during the tenure of member	Audit Committee Meetings Attended
Mr. Krishan Kant Rathi	Chairman	4	4
Mr. Mannil Venugopalan	Member	4	3
Mr. Sanjay Agarwal*	Member	-	-
Ms. Jyoti Narang	Member	4	3
Mr. Vishal Mahadevia (resigned with effect from 23rd January 2017)	Member	3	2
Mr. Nishant Sharma (resigned with effect from 24th January 2017)	Member	4	3

.* Mr. Sanjay Agarwal is included as member of Audit Committee on 24th January 2017

Asset Liability Management Committee (ALCO)

The Company has an ALCO Committee comprises the senior management executives of the Company. Mr. Sanjay Agarwal (Managing Director), Mr. Deepak Jain (Chief Financial Officer), Mr. Vimal Jain (Chief of Finance and Accounts) and Mr. Hemant Sethia (Senior Vice President- Investor Relations) are the members of the ALCO Committee.

The Committee is responsible for:

- Recommend revision in tolerance limits to the Board, as and when such revisions are deemed necessary.
- Review and approve the Investment and ALM & Market Risk Policy of the Bank prior to submitting the same to the Board for approval.

- Review Investment, Market Risk and ALM limits proposed by the Treasury & Risk and table the same to the Board for approval.
- Review and approve Fund Transfer Policy and methodology of Bank.
- Review reports pertaining to the Treasury, Market Risk and ALM required to be submitted to the RBI.

The ALCO Committee met four times during the year on 25th May 2016, 22nd August 2016, 10th November 2016, 23rd January 2017.

The composition and attendance record of the members of the committee meetings are as follows:-

Name of Member	Category	ALCO Committee Meetings Held During the tenure of member	ALCO Committee Meetings Attended
Mr. Sanjay Agarwal	Chairman	4	4
Mr. Deepak Jain	Member	4	4
Mr. Vimal Jain	Member	4	4
Mr. Hemant Sethia	Member	4	4

Corporate Governance Committee

The Corporate Governance Committee consisted of 5 members namely Mr. Krishan Kant Rathi (Independent Director), Mr. Sanjay Agarwal (Managing Director), Mr. Mannil Venugopalan (Independent Director), Ms Jyoti Narang (Independent Director), Mr. Vishal Mahadevia (Nominee Director) and Mr. Ravindra Bahl (Nominee Director) of the Company.

Mr. Krishan Kant Rathi is elected as the Chairman of the Committee during 2016-17.

Terms of reference of the Committee are as follows:-

- To set up the scope and provide the guidelines/policy on Corporate Governance to the Board of Directors.
- To provide the suggestions on Governance to the Board of Directors.
- To review the performance on good Corporate Governance in the reference to the guidelines of leading companies based on structure, duties and responsibilities and consider and suggest subject to change related to rules and regulations of the Board of Directors and sub-committees to amend continuously.

During the year under review, the Corporate Governance Committee met two times in a year on 27th May 2016 and 24th January 2017.

Name of Member	Category	Meetings Held during the tenure of the member	Meetings Attended
Mr. Krishan Kant Rathi	Chairman	2	2
Mr. Sanjay Agarwal	Member	2	2
Mr. Mannil Venugopalan	Member	2	2
Ms. Jyoti Narang	Member	2	2
Mr. Vishal Mahadevia (resigned with effect from 23rd January 2017)	Member	1	0
Mr. Ravindra Bahl (resigned with effect from 24th January 2017)	Member	2	1

Nomination and Remuneration Committee

The Nomination and Remuneration Committee consisted of 5 members namely Mr. Krishan Kant Rathi (Independent Director), Mr. Sanjay Agarwal (Managing Director), Mr. Mannil Venugopalan (Independent Director), Ms. Jyoti Narang (Independent Director), Mr. Vishal Mahadevia (Nominee Director) and Mr. Ravindra Bahl (Nominee Director).

- ▶ Recommend to the Board for appointment, reappointment, removal and evaluate performance of directors.
- ▶ Perform such functions as are required to be performed by the compensation committee under the SEBI (Share Based Employee Benefits) Regulations, 2014, for administering the ESOP plans;
- ▶ Assist in defining the performance evaluation criteria for directors and other key management personnel and ensure that relationship of remuneration to performance is clear and meets appropriate performance benchmarks.

Mr. Krishan Kant Rathi is elected Chairman of the Committee during FY 2016-17.

Terms of reference of the Committee are as follows:

- ▶ Recommend remuneration Policy to the Board.
- ▶ Assist the Board in formulation, review and implementation of the compensation policy related to remuneration for the directors, key management personnel and other Senior employees.

In view of the listing, the terms of reference of nomination & remuneration committee was revised on 24th January, 2017.

The Committee met six times during the year under review on 27th May 2016, 23rd August, 2016, 11th November 2016, 20th December 2016, 24th January 2017 and 22nd February 2017.

Name of Member	Category	Meetings held during the tenure of membership	Meetings Attended
Mr. Krishan Kant Rathi	Chairman	6	6
Mr. Sanjay Agarwal (ceased to be member from 24th January 2017)	Member	5	5
Mr. Mannil Venugopalan	Member	6	4
Ms. Jyoti Narang	Member	6	5
Mr. Vishal Mahadevia (resigned with effect from 23rd January 2017)	Member	4	3
Mr. Ravindra Bahl (resigned with effect from 24th January 2017)	Member	5	4

Corporate Social Responsibility Committee

In compliance with Section 135 of the Companies Act, 2013 read with the Companies (Corporate Social Responsibility Policy) Rules, 2014, the Company has constituted Corporate Social Responsibility ('CSR'). Committee and statutory disclosures with respect to compliance of the applicable CSR provisions being made in this annual report.

The Board has approved company's CSR Policy which was recommended by CSR Committee, covering various procedural and other aspects of CSR Activities, to be undertaken by the company. During the year under review, the committee met two times on 27th May 2016 and 11th November 2016.

The terms of reference of the Committee are as follows:

- ▶ Recommend the amount of expenditure to be incurred on such activities.

The composition and attendance record of the members of the committee meetings are as follows:

Name of Member	Category	Meetings Held during the tenure of the member	Meetings Attended
Mr. Krishan Kant Rathi	Chairman	2	2
Mr. Sanjay Agarwal	Member	2	2
Mr. Vishal Mahadevia (resigned with effect from 23rd January 2017)	Member	2	1
Ms. Jyoti Narang*	Member	-	-
Mr. Mannil Venugopalan*	Member	-	-

*Mr. Mannil Venugopalan and Ms. Jyoti Narang were inducted as member on 24th January, 2017

Credit and Risk Management Committee

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 to the Board. Credit and Risk Management Committee comprises of six members, viz. Mr. Sanjay Agarwal (Managing Director), Mr. Uttam Tibrewal (Whole Time Director), Mr. Deepak Jain (Chief Financial Officer), Mr. Rishi Dhariwal (Chief of Collections and Credit), Mr. Vimal Jain (Chief of Finance and Accounts), and Mr. Vijendra Shekhawat (Head-Information Technology and Operations)

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

- ▶ The Credit and Risk Management Committee shall annually review and approve the Risk Management Policy and associated frameworks, processes and practices of the Company.

- ▶ Monitor the CSR Policy of the company from time to time.
- ▶ Based on the recommendations of the CSR Committee, the Board to approve the CSR Policy for the company and ensure that the activities as included in CSR Policy are undertaken by the company.

The CSR Committee consisted of 5 members, viz. Mr. Krishan Kant Rathi (Independent Non- Executive Director), Mr. Mannil Venugopalan (Independent Director), Mr. Sanjay Agarwal (Managing Director) and Ms. Jyoti Narang (Woman – Independent Director) and Mr. Vishal Mahadevia (Nominee Director)

The Corporate Social Responsibility Committee was last reconstituted and the terms of reference were amended pursuant to the Board resolution dated 24th January, 2017.

- ▶ The Credit and Risk Management Committee shall ensure that the Company is taking appropriate measures to achieve prudent balance between risk and reward in both ongoing and new business activities.
- ▶ The Credit and Risk Management Committee shall evaluate significant risk exposures of the Company and assess Management's actions to mitigate the exposures in a timely manner. This includes one-off initiatives, and ongoing activities such as business continuity planning and disaster recovery planning and testing.
- ▶ The Credit and Risk Management Committee will coordinate its activities with the audit committee and Board to ensure that risks pertaining to business is duly monitored.
- ▶ Credit & Risk Management policy should also address exposure to credit risk, interest rate risk, liquidity risk, price risk, transaction risk, compliance risk, strategic

- risk, reputation risk and asset management risk that conforms to regulatory requirements and risk management best practices;

► Review and discuss risk tolerance levels and metrics taking into consideration the strength of the Company's capital, adequacy of retained earnings and overall quality of risk management, measurement and reporting systems;

► Oversee the Company's risk framework and controls, and monitor the activities of the enterprise risk categories;

► Review the Loan portfolio stress tests and Risk Assessments;

► Inform the Board of the status of risk exposures and risk management processes in the Company;

► Review reports that monitor compliance with the risk parameters established by regulation or Company policy. Measure the adequacy of risk monitoring, testing and governance;
- Review on an annual basis a risk assessment that identifies and evaluates all material risks;

► Provide oversight to ensure that the risk management monitoring and reporting functions in the Company are independent of business line or risk-taking processes;

► Discuss and evaluate the Company's risk exposures in light of current market conditions, established risk limits, operating performance, regulatory climate and other relevant factors;

► Monitor and coordinate the compliance with the provisions of all agreements with the regulatory bodies/third parties.
- The Committee met four times during the year under review on 25th May 2016, 22nd August 2016, 10th November 2016 and 23rd January 2017. The composition and attendance record of the members of the committee meetings are as follows:-

Name of Member	Category	Meetings Held during the tenure of the member	Meetings Attended
Mr. Sanjay Agarwal	Chairman	4	4
Mr. Uttam Tibrewal	Member	4	4
Mr. Deepak Jain	Member	4	4
Mr. Rishi Dhariwal	Member	4	4
Mr. Vijendra Shekhawat	Member	4	4
Mr. Vimal Jain	Member	4	4

Stakeholder Relationship Committee

In term of Section 178 of the Companies Act, 2013 and regulation 20 of the SEBI Listing Regulations the Stakeholders' Relationship Committee was constituted pursuant to a resolution passed by our Board dated 24th January, 2017.

The scope and function of the Stakeholders' Relationship Committee considering and resolving grievances of shareholders', debenture holders and other security holders, Allotment or transfer of Equity Shares, approval of transfer or transmission of Equity Shares, debentures or

any other securities, Issue of duplicate certificates and new certificates on, inter alia, split or consolidation or renewal and carrying out any other function contained in the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The Stakeholders' Relationship Committee consisted of 3 members, viz. Mr. Mannil Venugopalan (Independent Director), Mr. Krishan Kant Rathi (Independent Director) and Mr. Sanjay Agarwal (Managing Director). There was no committee meeting held during FY 2016-17.

Name of Member	Category	Meetings Held during the tenure of the member	Meetings Attended
Mr. Mannil Venugoplan	Chairman	-	-
Mr. Krishan Kant Rathi	Member	-	-
Mr. Sanjay Agarwal	Member	-	-

Executive Committee

The Executive Committee functions according to the Borrowing framework defining the role and the powers of the committee, including borrowing limits depending on the cost of funds and quantum of liabilities to be raised by the Company. The Committee is constituted to take best advantage of borrowing options made available to the company from time to time and enable quick decision making at the operating level. The Committee consisted of 4 members, i.e. Mr. Sanjay Agarwal (Managing Director), Mr. Deepak Jain (Chief Financial Officer) Mr. Yogesh Jain (Chief Treasury Officer), Mr. Hemant Sethia (Senior Vice President- Investor Relations) were members of Committee. Further, Mr. Prince Tiwari - VP Financial Institution Group was inducted as member of Committee during 2016-17.

Terms of reference of committee is as follows:

- To keep under review the reasonableness of use of powers conferred to it, and to review the management responses.
- To oversee the institution's policy for raising of funds.
- To satisfy itself that satisfactory arrangements are in place to promote economy, efficiency and effectiveness.
- To decide on operational issues.

The Executive Committee met 76 times during the year under review on 2nd April 2016, 18th April 2016, 26th April 2016, 4th May 2016, 7th May 2016,10th May 2016,18th May 2016, 26th May 2016, 31st May 2016, 3rd June 2016, 8th June 2016, 13th June 2016, 27th June 2016, 30th June 2016, 5th July 2016, 14th July 2016,19th July 2016, 30th July 2016, 3rd August 2016,12th August 2016, 22nd August 2016, 26th August 2016, 29th August 2016, 2nd September 2016, 8th September 2016, 14th September 2016, 16th September 2016, 22nd September 2016, 28th September, 2016, 20th October 2016, 26th October 2016, 28th October 2016, 5th November 2016, 12th November 2016, 18th November 2016, 19th November 2016, 28th November 2016, 29th November 2016, 1st December 2016, 12th December, 2016, 14th December 2016, 21st December 2016, 24th December 2016, 26th December 2016, 28th December 2016, 30th December 2016 and 31st December 2016, 5th January, 2017, 7th January, 2017, 28th January, 2017, 30th January, 2017, 3rd February, 2017, 6th February, 2017, 8th February, 2017, 13th February, 2017, 14th February, 2017, 16th February, 2017, 17th February, 2017, 20th February, 2017, 23rd February, 2017, 27th February, 2017, 28th February, 2017, 3rd March, 2017, 7th March, 2017, 8th March, 2017, 11th March, 2017, 15th March, 2017, 16th March, 2017, 17th March, 2017, 21st March, 2017, 22nd March, 2017, 23rd March, 2017, 25th March, 2017, 28th March, 2017, 29th March, 2017 and 30th March, 2017.

The composition and attendance record of the members of the Executive committee meetings are as follows:

Name of Member	Category	Meetings Held during the tenure of the member	Meetings Attended
Mr. Sanjay Agarwal	Chairman (elected)	76	76
Mr. Deepak Jain	Member	76	76
Mr. Yogesh Jain	Member	76	76
Mr. Hemant Sethia	Member	59	59
Mr. Prince Tiwari	Member	17	17

*Mr. Hemant Sethia ceased as member and Mr. Prince Tiwari Vice President- Financial Institution Group was inducted as a member of Executive Committee on 22nd February, 2017.

IPO Committee

IPO Committee of company is formulated with the powers delegated by Board of directors on 20th December, 2016 to carry out activities in relation to the proposed Initial Public offer of the Company. Further, IPO committee

was re-constituted dated on 24th January, 2017. The committee met one time during the year under review on 1st February, 2017.

The composition and attendance record of the members of the IPO Committee are as follows:

Name of Member	Category	Meetings Held during the tenure of the member	Meetings Attended
Mr. Krishan Kant Rathi	Chairman (elected)	1	1
Mr. Sanjay Agarwal	Member	1	1
Mr. Uttam Tibrewal	Member	1	1

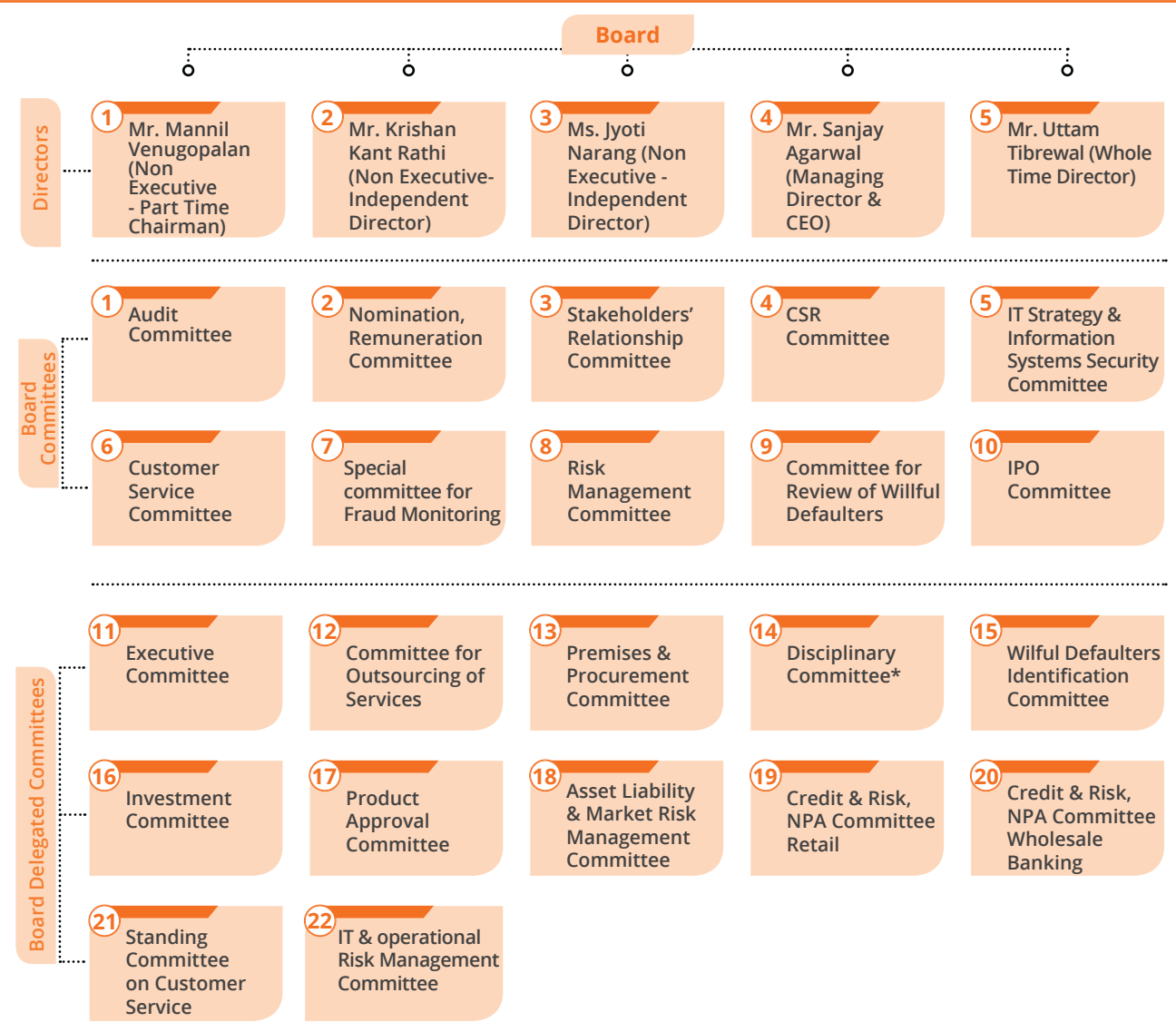
Board and Committees of the Bank

Being custodians of public money on Banking platform, complexity in banking operations and in view of applicable RBI guidelines, It was imperative to reconstitute committees, add more committees, devise their scope of work, quorum, frequency of meetings to ensure that right governance framework is in place, we have reviewed applicable requirements under RBI Guidelines, circulars, Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and other applicable statutes for formation of the required Committee of Board.

All the Committees consists of Senior Management of Company as well, members from Board of Directors who provide their guidance, share their knowledge & experience for building of Governance framework for Bank in line with applicable RBI guidelines wherein clear defined roles & responsibilities and structure commensurate with business operations have been put in place from start of operations as Bank.

Below is Board and Board delegated committee structure of the Bank:

Bank Board and its Committees



>Board Committees consist of Board Members
>Board Delegated Committees may have members other than Board members also.
* also includes in its scope, review of protection against sexual harassment of women at workplace.

Role of the Company Secretary in governance process:

Section 205 of Companies Act, 2013 lays down the roles and responsibilities of Company secretary in the Corporate World. Company Secretary plays a vital role in conducting all board and committee meetings, attend and record minutes of all board and committee meetings, ensuring timely execution of the assigned tasks on corporate level and facilitating Board communications with external stakeholders. He advises the Board on its roles, responsibilities and helps in decision making process based on all relevant information, details and

documents. He is responsible for corporate disclosure and compliance with state corporation laws, stock exchange listing standards. The Company Secretary monitors corporate governance developments and assist the Board in tailoring good corporate governance practices to meet the Board's requirement and investor's expectation. He serves as a focal point for investor communication and engagement on corporate governance issues. He interfaces between the management and regulatory authorities for governance matters and the Compliances thereof.

General Shareholder Information

Financial Year - 1st April, 2016 to 31st March, 2017

The details of the location and time of the last three annual general meetings are given below:

Year	Date & Time	Venue	Special Resolutions Passed
2013-14	6th August, 2014 11.30 A.M.	Registered Office: 19 – A, Dhuleshwar Garden, Ajmer Road, Jaipur	1. To borrow money in excess of paid up capital and free reserves of the company u/s Section 180(1)(c) and to sell, lease or otherwise dispose of the assets of the Company for such borrowings u/s Section 180(1)(a) of the Companies Act, 2013; 2. To take on lease property situated at 301/302, Atharwa Plaza, 3rd Floor, Opp. Shankar Maharaj Nath Mandir, Pune, Satara Road, Dhanakwadi, Pune-411043, belonging to Mr. Sanjay Agarwal, Managing Director of the Company; 3. To approve continuation of appointment of Mr. Subhash Tibrewal, Vice President (Branding and Infrastructure) and brother of Mr. Uttam Tibrewal, Whole Time Director of the Company.
2014-15	13th July, 2015 3.00 P.M.	Registered Office: 19 – A, Dhuleshwar Garden, Ajmer Road, Jaipur	1. Authorisation to borrow money in excess of paid up capital and free reserves of the company u/s Section 180(1)(c) 2. Authorisation to sell, lease or otherwise dispose of the assets of the Company for such borrowings u/s Section 180(1)(a) of the Companies Act, 2013; 3. Alteration of Existing Articles of Association of the Company.
2015-16	31st August, 2016 11.00 am	Flexible Meeting Room, AU FINANCIERS (INDIA) LIMITED, B-11-E, behind CEG Building Malviya Nagar, Industrial Area, Malviya Nagar, Jaipur - 302017	1. Authorization to Borrow money in excess of paid up capital and free reserves of company U/s 180 (1) (c) of the companies Act, 2013 2. Authorisation to sell, lease or otherwise dispose of the assets of the Company for such borrowings u/s Section 180(1)(a) of the Companies Act, 2013; 3. Alteration of Existing Articles of Association of the Company.

Annual General Meeting

Day, Date, Time: Wednesday, 27th September, 2017, 2:00 pm

Venue: Suryavanshi Mahal – Ground Floor, Hotel ITC Rajputana, Palace Road, Jaipur-302006, Rajasthan, India

Compliance Officer

Mr. Manmohan Parnami, Company Secretary & Compliance Officer of the Company in compliance with requirements of SEBI (Listing Obligations and the Disclosure Requirements) Regulations, 2015.

SEBI Complaints Redress System (SCORES)

The investor complaints are processed in a centralized web based complaints redress system. The salient features of this system are: Centralized database of all complaints, online upload of Action Taken Reports (ATRs) by concerned companies and online viewing by investors of actions taken on the complaint and its current status. There were no Complaints received during the financial year 2016-17.

Debenture Trustees:

IDBI Trusteeship Services Ltd.
Regd. Office: Asian Building, Ground Floor,
17, R Kamani Marg, Ballard Estate, Mumbai 400001
Phone: +91 022 40807000
Fax: +91 022 66311776
Email: itsl@idbitrustee.com

Registrar and Share Transfer Agent:

The Equity Shares of Your Company have been admitted with both the depositories viz. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). Company has appointed Link Intime India Pvt. Ltd. as the connectivity agent to provide electronic connectivity interface with NSDL & CDSL for securities of the company.

As on 31st March, 2017, 100% of the company's shares are held in dematerialized form.

The ISIN that have been activated in NSDL & CDSL are appended hereunder:

ISIN for Equity Share: INE949L01017

Dematerialisation of Shares:

Following is the Position of Dematerialization of Share capital of the Company as on 31st March, 2017:

Mode of holding	percentage
NSDL	99.30%
CDSL	0.70%
TOTAL	100.00%

Details of Registrar and 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
Email ID: rent.helpdesk@linkintime.co.in

Listing

As on 31st March, 2017, Equity Shares of the Company were not listed on any Stock Exchange(s). However, the Non-Convertible Debentures (Secured/Unsecured) issued by the Company from time to time were listed on the Wholesale Debt Market (WDM) segment of the National Stock Exchange of India Limited (NSE) and the Bombay Stock Exchange Limited (BSE) ('Stock Exchanges') in terms of the issue conditions as applicable and the Company has paid the requisite listing fees to the said Exchanges.

Further, in view of Initial Public Offer company filed Draft Red Herring Prospectus ("DRHP"), with SEBI on 1st February, 2017 which was approved on 10th February, 2017 and 17th February, 2017 by Bombay Stock Exchange Limited (the "BSE") and the National Stock Exchange of India Limited (the "NSE") respectively. Company filed its Red Herring Prospectus dated 14th June, 2017 which was

duly approved, post which issue opened on 28th June,2017 and closed on 30th June, 2017. Thereafter, prospectus was approved on 4th July, 2017 and Bank got listed at BSE & NSE main bourses on 10th July, 2017.

Financial Statements of Subsidiary Companies

As per section 129(3) of the Companies Act, 2013, the company has included in its Board's Report, a separate statement containing the salient features of the financial statement of the subsidiaries and associate companies.

Address for Correspondence

The Company Secretary & Compliance Officer,
AU SMALL FINANCE BANK LIMITED
Registered Office: 19-A, Dhuleshwar Garden, Ajmer Road,
Jaipur – 302 001
Tel: +91-141-4110060 | Fax: +91-141-4110090
Email: investorrelations@aubank.in

For and on behalf of the Board of Directors

For AU Small Finance Bank Limited

Sanjay Agarwal	Uttam Tibrewal
Managing Director & CEO	Whole-time Director

Date: 9th August, 2017
Place: Mumbai

Independent Auditor’s Report

To
The Members of AU Small Finance Bank Limited
(formerly known as Au Financiers (India) Limited)

Report on the Financial Statements

We have audited the accompanying standalone financial statements of AU Small Finance Bank Limited (formerly known as Au Financiers (India) Limited) (the “Company”), which comprise the Balance Sheet as at March 31, 2017, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management’s Responsibility for the Financial Statements

The Company’s Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 (the “Act”) with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016. 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 control that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these standalone financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which

are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India, as specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the state of affairs of the Company as at March 31, 2017, its profit, and its cash flows for the year ended on that date.

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 purpose 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, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
- (d) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016;
- (e) On the basis of written representations received from the directors as on March 31, 2017, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2017, from being appointed as a director in terms of section 164 (2) of the Act;
- (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in Annexure 2 to this report;
- (g) With respect to the other matters to be included in the Auditor’s Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Company has disclosed the impact of pending litigations on its financial position

in its financial statements – Refer Note 38 to the standalone financial statements.

- ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
- iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.
- iv. The Company has provided disclosures in Note 35 to these financial statements as to the holding of Specified Bank Notes (SBNs) on November 8, 2016 and December 30, 2016 as well as dealings in Specified Bank Notes during the period from November 9, 2016 to December 30, 2016. Based on audit procedures and relying on management representations, except for the segregation between SBNs and other denominations as more fully described in Note 35 (a) to these financial statements, on which we are unable to comment in the absence of sufficient appropriate audit evidence, we report that the amounts disclosed in the said note are in accordance with the books of account maintained by the Company and produced before us for verification. Further, as stated in Note 35 (e) to the financial statements, the borrowers of the Company have directly deposited cash in the Company’s bank accounts and, as represented to us, the denomination wise details of all such deposits are not available with the Company and accordingly, in the absence of sufficient appropriate audit evidence in this regard, we are unable to comment on the matter.

For S. R. BATLIBOI & ASSOCIATES LLP
ICAI Firm registration number: 101049W/E300004
Chartered Accountants

per Amit Kabra
Partner
Membership No. 094533

Jaipur
May 13, 2017

Annexure

Annexure 1 referred to in paragraph 1 under the heading “Report on other legal and regulatory requirements” of our report of even date

Re: AU Small Finance Bank Limited

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

(b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification 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 Act. 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.
- (b) According to the records of the Company, the dues outstanding of income-tax, sales-tax, service tax, duty of custom, duty of excise, value added tax and cess on account of any dispute, are as follows:

Name of the Statute	Nature of dues	Amount under dispute (₹)	Amount paid (₹)	Period to which its relates	Forum where dispute is pending
Rajasthan Value Added Tax Act, 2003	Value Added Tax	1,389,000 #	-#	Financial years 2008-09 to 2011-12	Rajasthan Tax Board, Ajmer
Chapter V of the Finance Act, 1994	Service Tax	204,754,318 *	9,072,158 **	April 2008 – March 2015	Central Excise and Service Tax Appellate Tribunal
Income Tax Act, 1961	Income Tax	47,257,170	5,194,780 @	Financial years 2012-13 and 2013-14	Income Tax Appellate Tribunal (FY 12-13); CIT-(A) (FY 13-14)

Represents amount of penalty, fully covered by bank guarantee furnished
* Excluding interest and penalty, as applicable
** Paid under protest
@ Includes an amount of ₹3,600,000 paid under protest

- (iv) In our opinion and according to the information and explanations given to us, there are no loans, investments, guarantees, and securities granted in respect of which provisions of section 185 and 186 of the 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, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess and other statutory dues have generally been regularly deposited with the appropriate authorities though there have been delays in a few cases.

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, 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.

- (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 borrowings to a financial institution or bank or dues to debenture holders.

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

Further, monies raised by the Company by way of 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 assets payable on demand.

(x) We have been informed that, during the year, there was an instance reported whereby amounts aggregating ₹ 8,606,679 were collected from customers against issue of counterfeit receipts and the cash was misappropriated by the employees over a period of time. As informed, the Company has terminated the services of the employees involved and has initiated legal action against them. The outstanding balance in such loan accounts, net of recovery, has been fully provided.

(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
- (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 complied with provisions of section 42 of the Act in respect of the preferential allotment or private placement of shares during the year. According to the information and explanations given by the management, we report that the amounts raised, have been used for the purposes for which the funds were raised.

(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 him as referred to in section 192 of the Act.

(xvi) According to the information and explanations given to us, we report that the Company has registered as required, under section 45-IA of the Reserve Bank of India Act, 1934.
- For **S. R. BATLIBOI & ASSOCIATES LLP**
ICAI Firm registration number: 101049W/E300004
Chartered Accountants

per **Amit Kabra**
Partner
Membership No. 094533

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May 13, 2017
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Annexure

Annexure 2 referred to in paragraph 2 (f) under the heading “Report on other legal and regulatory requirements” of our report of even date

Report on 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 AU Small Finance Bank Limited (the “Company”) as of March 31, 2017 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 Act.

Auditor’s Responsibility

Our responsibility is to express an opinion on the Company’s internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) and the Standards on Auditing as specified under section 143(10) of the Act, 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 was established and maintained and if such controls operated effectively in all material respects.

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

Meaning of Internal Financial Controls Over Financial Reporting

A 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. A company’s internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made

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

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2017, 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**
ICAI Firm registration number: 101049W/E300004
Chartered Accountants

per **Amit Kabra**
Partner
Membership No. 094533

Jaipur
May 13, 2017

Balance Sheet
as at March 31, 2017

	Note No.	As at March 31, 2017	(₹ in Lacs) As at March 31, 2016
Equity and liabilities			
Shareholders' funds			
Share capital	3	28,425.09	4,408.08
Reserves and surplus	4	170,334.17	96,535.43
		198,759.26	100,943.51
Non-current liabilities			
Long-term borrowings	5	493,673.63	281,085.17
Other long-term liabilities	6	5,914.02	5,673.40
Long-term provisions	7	6,856.73	4,444.30
		506,444.38	291,202.87
Current liabilities			
Short-term borrowings	8	99,404.57	100,657.55
Other current liabilities	9	175,796.25	134,448.27
Short-term provisions	7	765.45	2,169.80
		275,966.27	237,275.62
TOTAL		981,169.91	629,422.00
Assets			
Non-current assets			
Fixed assets			
Property, Plant and Equipment	10(A)	3,455.90	2,246.13
Intangible assets	10(B)	142.10	174.47
Capital work-in-progress	10(A)	15,982.76	39.14
Intangible assets under development	10(B)	8,003.75	-
Non-current investments	12	61,521.88	5,934.24
Deferred tax assets (net)	13	1,193.60	1,836.19
Receivable under financing activity	14	451,777.89	378,045.48
Loans and advances	15	3,678.46	885.15
Other non-current assets	16	95.23	644.81
		545,851.57	389,805.61
Current assets			
Current investments	12	153,509.53	17,222.66
Cash and bank balances	17	62,449.68	12,343.36
Receivable under financing activity	14	207,720.68	203,210.87
Loans and advances	18	5,310.23	2,101.44
Other current assets	19	6,328.22	4,738.06
		435,318.34	239,616.39
TOTAL		981,169.91	629,422.00
Summary of significant accounting policies			
	2.1		

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

As per our report of even date
For **S.R. Batliboi & Associates LLP**
ICAI Firm Registration No.: 101049W/E300004
Chartered Accountants

per **Amit Kabra**
Partner
Membership No. 094533

Place: Jaipur
Date: May 13, 2017

For and on behalf of the Board of Directors
AU SMALL FINANCE BANK LIMITED
(Formerly Au Financiers (India) Limited)

Sanjay Agarwal
(Managing Director and CEO)

Deepak Jain
(Chief Financial Officer)

Place: Jaipur
Date: May 13, 2017

Uttam Tibrewal
(Whole time Director)

Manmohan Parnami
(Company Secretary)

Statement of Profit and Loss
for the year ended March 31, 2017

	Note No.	Year ended March 31, 2017	(₹ in Lacs) Year ended March 31, 2016
Income			
Revenue from operations	20	137,390.96	101,046.37
Other income	21	1,352.80	501.80
Total Revenue (I)		138,743.76	101,548.17
Expenses			
Employee benefit expenses	22	19,277.80	15,772.67
Finance costs	23	50,033.30	39,525.21
Depreciation and amortization expense	10	578.30	852.09
Other expenses	24	15,037.51	8,752.32
Provisions and write offs	25	6,517.56	4,381.04
Total expenses (II)		91,444.47	69,283.33
Profit before exceptional items and tax (III)= (I)-(II)		47,299.29	32,264.84
Exceptional Item (IV) (refer note 34)		67,034.89	-
Profit before tax (V)= (III)+(IV)		114,334.18	32,264.84
Tax expenses:			
Current tax	26	31,048.36	11,507.83
Deferred tax	26	642.60	(379.83)
Tax relating to earlier periods	26	445.61	(25.11)
Total tax expenses (VI)		32,136.57	11,102.89
Profit after tax (V)-(VI)		82,197.61	21,161.95
Earnings per equity share (including exceptional item)	27		
Basic (₹)		30.18	8.00
Diluted (₹)		29.61	7.95
Nominal value per share (₹)		10.00	10.00
Earnings per equity share (excluding exceptional item)	27		
Basic (₹)		11.20	8.00
Diluted (₹)		10.99	7.95
Nominal value per share (₹)		10.00	10.00
Summary of significant accounting policies	2.1		

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

As per our report of even date
For **S.R. Batliboi & Associates LLP**
ICAI Firm Registration No.: 101049W/E300004
Chartered Accountants

per **Amit Kabra**
Partner
Membership No. 094533

Place: Jaipur
Date: May 13, 2017

For and on behalf of the Board of Directors
AU SMALL FINANCE BANK LIMITED
(Formerly Au Financiers (India) Limited)

Sanjay Agarwal
(Managing Director and CEO)

Deepak Jain
(Chief Financial Officer)

Place: Jaipur
Date: May 13, 2017

Uttam Tibrewal
(Whole time Director)

Manmohan Parnami
(Company Secretary)

Cash Flow Statement

for the year ended March 31, 2017

Particulars	As at March 31, 2017	(₹ In Lacs) As at March 31, 2016
Cash flow from operating activities		
Net profit before tax as per statement of profit and loss	114,334.18	32,264.84
Add/(Less) :		
Depreciation and amortization expense	578.30	852.09
Loss/(Profit) on sale of Fixed Assets	(5.68)	(6.11)
Profit on sale of investments (considered in Investing activities)	(67,034.89)	-
Income received on investments (considered in Investing activities)	(832.83)	(143.27)
Contingent provision against standard assets	547.98	839.69
Provision for non-performing assets	1,670.77	(228.40)
Provision for doubtful debts	21.33	47.89
Provision on old assigned cases	(3.08)	(27.18)
Provision for employee benefits	323.20	236.39
Share issue expenses	204.23	-
Employee stock option expenditure	407.46	207.78
Operating profit before working capital changes	50,210.97	34,043.72
Movement in working capital		
Decrease / (increase) in Receivable under financing activity	(78,242.22)	(221,419.68)
Decrease / (increase) in Short term loans and advances	(3,230.12)	(762.78)
Decrease / (increase) in Long-term loans and advances	(2,751.57)	4.23
Decrease / (increase) in Other current assets	(1,637.85)	(1,776.71)
(Decrease) / increase in Other long-term liabilities	(1,779.80)	(459.56)
(Decrease) / increase in Other current liabilities	19,914.08	6,782.95
Cash generated from/(used in) operations	(17,516.51)	(183,587.83)
Direct taxes paid	(32,038.95)	(10,213.65)
Wealth tax paid	-	(1.68)
Net cash flow from/ (used in) operating activities (A)	(49,555.46)	(193,803.16)
Cash flows from investing activities		
Purchase of intangible assets (including intangible asset under development)	(8,046.25)	(112.89)
Purchase of fixed assets (including CWIP)	(17,669.53)	(1,311.48)
Sale of fixed assets	18.40	16.54
Sale of investment in subsidiaries / associate (net of related expenses)	80,941.09	-
Decrease / (increase) in deposits (net)	(8,322.61)	7,099.57
Investments in government securities and others	(91,399.41)	-
Investment in shares of subsidiaries	-	(7,000.00)
Purchase of mutual fund units and PTCs	(647,482.97)	(176,369.32)
Sale of mutual fund units and PTCs	533,982.19	174,339.64
Net cash flow from/ (used in) investing activities (B)	(157,979.09)	(3,337.94)

Cash Flow Statement

for the year ended March 31, 2017

Particulars	As at March 31, 2017	(₹ In Lacs) As at March 31, 2016
Cash flows from financing activities		
Net proceeds/repayment from long term borrowing	234,022.37	193,472.97
Net proceeds/repayment from short term borrowing	(1,252.98)	3,394.01
Issue of Equity Shares (including Securities Premium)	17,152.25	-
Share Issue expenses	(204.23)	-
Debentures issue expenses	(948.73)	(473.96)
Net cash flow from/ (used in) in financing activities (C)	248,768.68	196,393.02
Net increase/(decrease) in cash and cash equivalents (A + B + C)	41,234.13	(748.08)
Cash and cash equivalents at the beginning of the period	2,941.01	3,689.09
Cash and cash equivalents at the end of the period	44,175.14	2,941.01
Components of cash and cash equivalents		
Cash on hand	1,342.04	1,564.42
Balance with franking machine *	58.34	88.92
Balance with banks		
In current accounts	5,199.61	952.59
In deposit account	37,575.15	335.08
Total cash and cash equivalents (Refer note no. 17)	44,175.14	2,941.01

* The Company can utilize the balance only towards stamping of loan agreements executed with their borrowers.

As per our report of even date
For **S.R. Batliboi & Associates LLP**
ICAI Firm Registration No.: 101049W/E300004
Chartered Accountants

per **Amit Kabra**
Partner
Membership No. 094533

Place: Jaipur
Date: May 13, 2017

For and on behalf of the Board of Directors
AU SMALL FINANCE BANK LIMITED
(Formerly Au Financiers (India) Limited)

Sanjay Agarwal
(Managing Director and CEO)

Deepak Jain
(Chief Financial Officer)

Place: Jaipur
Date: May 13, 2017

Uttam Tibrewal
(Whole time Director)

Manmohan Parnami
(Company Secretary)

Notes to Financial Statements

for the year ended March 31, 2017

1 Corporate information

AU Small Finance Bank Limited (formerly known as Au Financiers (India) Limited) (‘the Company’) is a public company domiciled in India and incorporated under the provisions of the Companies Act, 1956.

The Company is engaged in lending activities. The Company had obtained its license from Reserve Bank of India (‘RBI’) to operate as a non deposit accepting Non Banking Financial Company (NBFC-ND) on November 7, 2000 vide certificate of registration no. B-10-00139.

The Company has changed its name to AU Small Finance Bank Limited with effect from April 13, 2017 and commenced its operations as a Small Finance Bank from April 19, 2017 pursuant to the approval received from the Reserve Bank of India dated December 20, 2016. The financial statements for the year ended March 31, 2017 have been prepared using the basis of preparation as applicable to a non-banking financial company, detailed in note 2 below.

2 Basis of preparation

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP). The Company has prepared these financial statements to comply in all material respects with the Accounting Standards notified under section 133 of the Companies Act, 2013 (‘the Act’), read with Rule 7 of the Companies (Accounts) Rules, 2014; the Companies (Accounting Standards) Amendment Rules, 2016 and the provisions of the RBI as applicable to a Systemically Important Non-Banking Financial Company (‘NBFC-ND-SI’). The financial statements have been prepared on an accrual basis and under the historical cost convention except as detailed in 2.1 (c) below.

The accounting policies adopted in the preparation of the interim financial statements are consistent with those of previous year.

All assets and liabilities have been classified as current or non-current as per the Company’s normal operating cycle and other criteria set out in the

Schedule III to the Act. The Company has ascertained its operating cycle as 12 months for the above purpose.

2.1 Summary of significant accounting policies

(a) (i) Change in method of depreciation and useful lives of assets

With effect from April 1, 2016, the Company has revised the method of depreciation of fixed assets from ‘written down value method’ to ‘straight line method’ and has also reassessed the estimates of useful lives of certain classes of fixed assets. As a result of these changes in the estimates, the depreciation for the period is lower by ₹501.84 lacs.

(a) (ii) Change in provisioning for loan portfolio

With effect from April 1, 2016, the Company has revised its estimates of provisioning for loan portfolio, in line with the requirements of the RBI Master direction DNBR.PD.008/03.10.119/2016-17 dated September 01, 2016. As a result of such change the profit for current period is lower by ₹ 455.31 lacs (including the effect of income reversal on non performing assets).

(b) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles in India (Indian GAAP) requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. Although these estimates are based on the management’s best knowledge of current events and actions, these assumptions and estimates could result in the outcomes requiring an adjustment to the carrying amounts of assets or liabilities in future periods.

(c) Revenue Recognition

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

Notes to Financial Statements

for the year ended March 31, 2017

(i) Income from financing activities

(a) Interest Income is recognized on a time proportion accrual basis taking into account the amount outstanding and the interest rate implicit in the underlying agreements. Income or any other charges on non-performing assets or on assets taken in custody for recovery of loan through disposal of such assets during the period are recognized only when realized. Any such income recognized and remaining unrealized, before the asset became non-performing or before disposal of assets in custody of the company, is reversed.

Overdue interest is recognized on realization basis. Overdue interest is treated to accrue on realisation, due to the uncertainty of their realisation.

(b) Loan origination income i.e. processing fee and other charges collected upfront are recognised at the inception of the loan.

(c) All other charges such as cheque return charges, legal charges, seizing charges, etc. are recognised on realisation basis. These charges are treated to accrue on realisation, due to the uncertainty of their realisation.

(ii) Income from assignment/securitization

(a) For assignment transactions done prior to RBI circular no. DNBS.PD.No. 301/3.10.01/2012-13 dated August 21, 2012.

In case of assignment of loan assets and related receivables “at par”, income is accounted for by applying the interest rate implicit in such assigned contracts as reduced by Internal Rate of Return (IRR) committed to the purchaser of loan assets.

(b) For transactions done after issuance of RBI circular no. DNBS.PD.No. 301/3.10.01/2012-13 dated August 21, 2012.

Gains arising on securitisation of assets is recognised over the tenure of securities issued by SPV as per guidelines on securitisation of standard assets issued by RBI. Income from excess interest spread is accounted for net of losses when redeemed in cash. Expenditure in respect of securitisation (except bank guarantee fees for credit enhancement) is recognised upfront. Bank guarantee fees for credit enhancement are amortised over the tenure of the agreements. Income arising on direct assignment is recognised over the tenure of agreement on accrual basis.

(iii) Income from deposits:

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

(iv) Income from investment:

(i) Dividend is recognised as income when right to receive dividend is established by the date of balance sheet.

(ii) Interest income on investment is recognised on accrual basis.

(d) Property, Plant and Equipment/ Intangible Assets/ Capital work-in-progress/ Intangible assets under development, Depreciation/ Amortisation and Impairment

(i) Property, Plant and Equipment
Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. The cost comprises purchase price, borrowing costs if capitalization criteria are met, directly attributable cost of bringing the asset to its working condition for the intended use.

Gains or losses arising from derecognition of property, plant and equipment are measured as the difference between the net disposal proceeds and the carrying amount of the asset

Notes to Financial Statements

for the year ended March 31, 2017

and are recognized in the statement of profit and loss when the asset is derecognized.

(a) Depreciation on property, plant and equipment:

Leasehold land is amortized on a straight line basis over the period of lease.

Depreciation on property, plant and equipment is calculated on a straight-line basis using the rates arrived at, based on the useful lives estimated by the management as given below. Based on technical advice, determination of useful life of an asset is a matter of judgment and based on various factors such as type and make of an item, its place and pattern of usage, nature of technology, obsolescence factors, availability of spares, etc. makes a significant impact on the useful life of an asset.

Particulars	Useful lives (years) adopted from April 1, 2016
Building	60
Addition to leased premises	10
Furniture and Fixtures	10
Vehicles	8
Computers, Printers, Servers and other office equipment	3-6
Vaults, Strong Room Door, ATM and other equipment for bank operations	10-15

All fixed assets individually costing ₹ 5,000 or less are fully depreciated in the year of installation/ purchase as the management estimates the useful life of such assets as one year.

Depreciation on assets acquired/sold during the period is recognised on a pro-rata basis to the statement of profit and loss from/upto the date of acquisition/sale.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial period end and adjusted prospectively, if appropriate.

(ii) Intangible assets

Intangible assets are amortized on a straight line basis over the estimated useful economic life. The Company uses a rebuttable presumption that the useful life of an intangible asset will not exceed seven 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 seven years, the company amortizes the intangible asset over the best estimate of its useful life. Such intangible assets and intangible assets not yet available for use are tested for impairment annually, either individually or at the cash-generating unit level. All other intangible assets are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortization period and the amortization method are reviewed at least at each financial period end. If the expected useful life of the asset is significantly different from previous estimates, the amortization period is changed accordingly. If there has been a significant change in the expected pattern of economic benefits from the asset, the amortization method is changed to reflect the changed pattern. Such changes are accounted for in accordance with AS 5 Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized.

(iii) Impairment of 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

Notes to Financial Statements

for the year ended March 31, 2017

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.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

(iv) Capital work-in-progress/ Intangible assets under development

Costs incurred towards acquisition of assets, including expenses incurred prior to those assets being put to use and directly attributable to bringing them to their working condition are included under “Capital Work in Progress” or “Intangible assets under development”. Capital Work in Progress and Intangible assets under development are stated at the amount incurred up to the date of Balance Sheet including advances given to vendors.

(e) Retirement and other employee benefits

(i) Defined Contribution Plans

The Provident Fund and Employees State Insurance are defined contribution plans and the contribution to the same are charged to the statement of profit and loss during the year in which the services are rendered.

(ii) Defined Benefit Plans

Gratuity is a defined benefit obligation and is provided for at the year end on the basis of an actuarial valuation using the Projected Unit Credit method. Actuarial gains and losses are recognised in the statement of profit and loss as and when incurred.

(iii) Compensated absences

Compensated absences are considered as a long-term employee benefit and is provided for based on an actuarial valuation using Projected Unit Credit method. Actuarial gains and losses are recognised in the statement of profit and loss as and when incurred.

(f) Taxes on Income

Tax expenses comprises of current income tax and deferred tax.

Income tax

Current income-tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961 enacted in India. 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 directly in equity is recognised in equity and not in statement of Profit and Loss.

Deferred taxes

Deferred income taxes reflect the impact of timing differences between taxable income and accounting income originating during the current year and reversal of timing differences for the earlier years. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted at the reporting date. Deferred income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit and loss.

Deferred tax liabilities are recognised for all taxable timing differences. Deferred tax assets are recognised for deductible timing differences only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

The carrying cost of the deferred tax assets are reviewed at each balance sheet date. The Company writes down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can

Notes to Financial Statements

for the year ended March 31, 2017

be realised. Any such write down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available

(g) Investments

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

On initial recognition, all investments are measured at cost. The cost comprises purchase price and directly attributable acquisition charges such as brokerage, fees and duties.

Current investments are carried in the financial statements at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of the investments.

On disposal of an investment, the difference between its carrying amount and net disposal proceeds is charged or credited to the statement of profit and loss.

(h) Borrowing cost

Borrowing cost includes interest and amortization of ancillary costs incurred in connection with the arrangement of borrowings.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur.

(i) Share/ Debenture issue expenses incurred are expensed in the year of issue and redemption premium payable on debentures is expensed over the term of debentures. These are adjusted

to the securities premium account in accordance with Section 52 of the Act to the extent of balance available in such premium account.

(j) Operating Leases

Leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognised as an expense in the statement of profit and loss on a straight-line basis over the lease term.

(k) Provisioning / write off of assets

(i) Secured / Unsecured loans and receivables are provided for/written off as per Company's policy, as given in sub-para (ii) below, subject to the minimum provision required as per Master Direction - Non-Banking Financial Company – Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 issued vide Master Direction DNBR.PD.008/03.10.119/2016-17 dated September 01, 2016 ("the NBFC-ND-SI Master Directions").

(ii) As per Company's policy, loans with principal or interest overdue for more than 4 months are considered as non performing loans and provided at following rates :

Customers with 4 month to less than 6 months overdue	: provision @ 10% of outstanding amount
Customers with 6 month to less than 12 months overdue	: provision @ 40% of outstanding amount
Customers with 12 months and above overdue	: written off @100%

(iii) Provision on standard assets is made @ 0.35% pursuant to the NBFC-ND-SI Master Directions.

(iv) Provision for delinquencies and servicing costs on assets securitised/assigned before introduction of RBI guidelines on Direct Assignment dated August 21, 2012 is made at following rates, which are based on management estimates developed using the historical data:

Notes to Financial Statements

for the year ended March 31, 2017

On premium structure:	@ 0.75% of the principal outstanding
On at par structure:	@ 0.25% of the principal outstanding

(l) Provisions, contingent liabilities

A provision is recognised when the Company has a present obligation as a result of 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. Provisions are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates.

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

(m) Earning Per Share (EPS)

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the period. 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 period.

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

(n) Cash and cash equivalents

Cash and cash equivalents for the purposes of cash flow statement comprise cash at bank and in hand, short-term deposits with an original maturity of three months or less and stamping/ franking balance.

(o) Foreign currency transactions

(i) Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

(ii) Foreign currency monetary items are retranslated using the exchange rate prevailing on the close of the financial year.

(iii) Exchange differences arises on the settlement of monetary items or on reporting the Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise.

(iv) Forward exchange contracts entered into to hedge foreign currency risk of an existing asset/liability

The premium or discount arising at the inception of the forward exchange contract is amortized and recognised as an income/expense in the statement of profit and loss over the life of the contract. Exchange difference on such contracts are recognised in the statement of profit and loss in the period in which the exchange rates change.

Notes to Financial Statements

for the year ended March 31, 2017

(p) Share based payments

In case of stock option plan, measurement and disclosure of the employee share-based payment plans is done in accordance with the Guidance Note on Accounting for Employee Share-based Payments, issued by the Institute of Chartered Accountants of India as applicable for equity-settled share based payments.

The cost of equity-settled transactions is measured using the intrinsic value method and recognised, together with a corresponding

increase in the “Stock options outstanding account” in reserves. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The expense or credit recognised in the statement of profit and loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

3 Share capital

	As at March 31, 2017	As at March 31, 2016
(₹ in Lacs)		
Authorized shares		
35,00,00,000 (P.Y. 7,81,50,000) equity shares of ₹ 10/- each	35,000.00	7,815.00
Compulsorily Convertible Preference Shares of ₹ 100/- each (P.Y. 1,885,000 Shares)	-	1,885.00
	35,000.00	9,700.00
Issued Capital		
28,42,50,906 (P.Y. 4,40,93,813) Equity Shares of ₹ 10/- each	28,425.09	4,409.38
Total Issued Share Capital	28,425.09	4,409.38
Subscribed Capital		
28,42,50,906 (P.Y. 4,40,80,752) Equity Shares of ₹ 10/- each	28,425.09	4,408.08
Total Subscribed Capital	28,425.09	4,408.08
Issued, subscribed and paid-up shares		
Paid-up Capital		
Fully Paid-Up:		
28,42,50,906 (P.Y. 4,40,80,752) Equity Shares of ₹ 10/- each	28,425.09	4,408.08
Total issued, subscribed and fully paid-up share capital	28,425.09	4,408.08

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

Equity Shares	As at March 31, 2017		As at March 31, 2016	
	No. of Shares	₹ In lacs	No. of Shares	₹ In lacs
At the beginning of the year	44,080,752	4,408.08	44,080,752	4,408.08
Add: Issued during the year - Share issue	11,544,399	1,154.44	-	-
Add: Issued during the year - Bonus issue	228,625,755	22,862.57	-	-
Outstanding at the end of the year	284,250,906	28,425.09	44,080,752	4,408.08

(b) Terms/ rights attached to equity shares

The Company has only one class of equity shares having par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

Notes to Financial Statements

for the year ended March 31, 2017

(c) Details of shareholders holding more than 5% shares in the Company

Equity Shares Name of the Shareholder	As at March 31, 2017		As at March 31, 2016	
	No. of Shares	% holdings	No. of Shares	% holdings
Redwood Investment Ltd	59,770,794	21.03	11,934,699	27.07
Sanjay Agarwal	58,477,128	20.57	6,601,789	14.98
International Finance Corporation	30,288,678	10.66	6,047,875	13.72
Labh Investments Limited	22,537,530	7.93	4,500,169	10.21
Ourea Holdings Limited	21,149,064	7.44	4,222,927	9.58
Jyoti Agarwal	14,182,272	4.99	2,363,712	5.36
Shakuntala Agarwal	14,094,756	4.96	2,274,326	5.16

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.

(d) Aggregate number of bonus shares issued during the period of five years immediately preceding the reporting date

Particulars	As at March 31, 2017	As at March 31, 2016
Equity shares allotted as fully paid bonus shares by capitalization of securities premium	228,625,755	-

On October 19, 2016, the Company has issued bonus shares to its existing equity shareholders in the ratio of five shares for every one share held by them by capitalising its securities premium account

(e) For details of shares reserved for issue under the employee stock option (ESOP) plan of the Company, refer note 33.

4. Reserves and surplus

	As at March 31, 2017	As at March 31, 2016
(₹ In Lacs)		
Statutory Reserve u/s 45- IC of RBI Act, 1934		
Balance as per last Balance Sheet	12,749.35	8,516.96
Add: Transfer during the year *	16,439.51	4,232.39
Closing Balance	29,188.86	12,749.35
Securities premium account		
Balance as per last financial statements	32,605.71	34,107.56
Add: Addition on allotment of equity shares	15,997.81	-
	48,603.52	34,107.56
Less: Amount utilised during the year		
Debentures issue expenses (net of tax)	620.40	309.93
Premium payable on Redemption of Debentures (net of tax)	1,321.17	1,191.92
Issue of Bonus Shares	22,862.57	-
Closing Balance	23,799.38	32,605.71

Notes to Financial Statements

for the year ended March 31, 2017

4. Reserves and surplus (Contd.)

	As at March 31, 2017	As at March 31, 2016
Employee Stock Options Outstanding		
Balance as per last Balance Sheet	207.78	-
Add: Employee stock option compensation for the year	407.46	207.78
Closing Balance	615.24	207.78
Surplus/ (deficit) in the statement of profit and loss		
Balance as per last financial statements	50,972.59	34,043.03
Profit for the year	82,197.61	21,161.95
	133,170.20	55,204.98
Less: Transferred to Statutory Reserve u/s 45-IC of RBI Act 1934	16,439.51	4,232.39
Closing Balance	116,730.69	50,972.59
Total reserves and surplus	170,334.17	96,535.43

* Represents transfer of twenty percent of net profit after tax in accordance with the provision of Section 45-IC of Reserve Bank of India Act, 1934

5. Long-term borrowings

	As at March 31, 2017		As at March 31, 2016	
	Non-current	Current	Non-current	Current
Secured				
Redeemable Non - Convertible Debentures (refer note 5.1 (a))	234,500.00	28,250.00	137,250.00	48,250.00
Term loans				
(i) Term loan from banks				
Andhra Bank	1,740.74	1,203.70	2,777.78	303.12
Bank of Baroda	105.00	1,108.45	-	400.00
Bank of India	100.00	1,200.00	-	-
Bank of Maharashtra	-	-	-	937.50
Central Bank of India	-	-	-	1,111.11
IDBI Bank Limited	1,260.00	2,704.00	3,756.00	2,496.00
Indian Bank	-	-	-	1,190.48
Indian Overseas Bank	-	-	-	382.75
Karnataka Bank	1,375.00	500.00	2,250.00	338.27
Kotak Mahindra Bank	-	1,687.50	1,687.50	-
Oriental Bank of Commerce	2,499.52	1,250.00	3,749.97	1,250.00
State Bank of Bikaner & Jaipur	1,595.84	2,187.25	4,444.44	1,131.32
State Bank of Hyderabad	1,142.04	571.43	1,714.29	523.77
State Bank of India	24,086.00	6,943.15	12,224.00	5,948.00
State Bank of Patiala	-	-	-	1,876.44
State Bank of Travancore	-	-	-	458.09
The Jammu And Kashmir Bank Limited	-	-	-	265.55
The Ratnakar Bank Limited	374.57	1,742.42	2,613.64	1,742.42
Union Bank of India	-	-	-	960.87

Notes to Financial Statements

for the year ended March 31, 2017

	As at March 31, 2017		As at March 31, 2016	
	Non-current	Current	Non-current	Current
United Bank of India	-	-	-	475.71
	34,278.71	21,097.90	35,217.62	21,791.40
(ii) Term loan from financial institutions				
Small Industries Development Bank of India	33,900.00	14,100.00	28,500.00	7,020.20
National Bank for Agriculture & Rural Development (NABARD)	70,300.00	28,366.67	16,666.67	3,333.33
	104,200.00	42,466.67	45,166.67	10,353.53
(iii) Term loan from non-banking financial companies				
Bajaj Finance	1,731.58	1,052.63	3,684.21	1,052.63
HDFC Limited	7,005.58	2,994.42	10,000.00	-
	8,737.16	4,047.05	13,684.21	1,052.63
(iv) Term loan from insurance company				
SBI Life insurance company limited	4,125.00	1,500.00	5,625.00	1,500.00
	4,125.00	1,500.00	5,625.00	1,500.00
(v) Auto loan from banks				
HDFC Bank Limited	332.76	157.90	141.67	60.99
	332.76	157.90	141.67	60.99
(vi) Auto loan from Non Banking Financial Companies				
Daimler Financial Services India Private Limited	-	-	-	10.28
	-	-	-	10.28
Total term loans	151,673.63	69,269.52	99,835.17	34,768.83
Total secured borrowings	386,173.63	97,519.52	237,085.17	83,018.83
Unsecured				
Redeemable Non - Convertible Debentures (Sub-ordinated debts) (refer note 5.1(b))	24,500.00	4,500.00	29,000.00	2,000.00
Redeemable Non - Convertible Debentures (refer note 5.1(b))	80,000.00	11,000.00	11,000.00	11,000.00
Term loans				
(i) Banks (Sub-ordinated debts)				
ICICI Bank Limited	3,000.00	1,000.00	4,000.00	500.00
Total term loans	3,000.00	1,000.00	4,000.00	500.00
Total unsecured borrowings	107,500.00	16,500.00	44,000.00	13,500.00
Amount disclosed under the head "other current liabilities" (refer note no. 9)	-	(114,019.52)	-	(96,518.83)
	493,673.63	-	281,085.17	-

Secured borrowings are secured by hypothecation of loans under financing activity. Personal guarantees by directors and shareholders of the Company have been given for borrowing amount of ₹ 76,843.70 lacs at March 31, 2017 (₹ 84,948.33 lacs as at March 31, 2016). Borrowings to the extent of ₹ 305,029.15 Lacs at March 31, 2017 (₹109,362.48 lacs as at March 31, 2016) are secured by pledge of property of Company and margin money deposits. Auto loans from banks are secured by hypothecation of Company's vehicles.

Notes to Financial Statements
for the year ended March 31, 2017

5.1 (a) Detail of Secured Redeemable Non-Convertible Debentures as at March 31, 2017

Sr. No.	ISIN No.	Date of allotment	Date of redemption	Nominal value per debenture	Nos.	Rate of Interest p.a.	Total amount	Non-current maturity as at March 31, 2017	Current maturity as at March 31, 2017	Non-current maturity as at March 31, 2016	Current maturity as at March 31, 2016	(₹ In Lacs) Terms of redemption
1	INE949L07493	Jan 05, 2017	Dec 20, 2021	1,000,000	3,350	8.65%	33,500.00	33,500.00	-	-	-	Redeemable at Par
2	INE949L07535	Mar 16, 2017	Mar 16, 2021	1,000,000	1,700	8.79%	17,000.00	17,000.00	-	-	-	Redeemable at Par
3	INE949L07337	Jun 26, 2015	Jun 26, 2020	1,000,000	3,000	9.40%	30,000.00	30,000.00	-	30,000.00	-	Redeemable at Par
4	INE949L07485	Jun 13, 2016	Jun 12, 2020	1,000,000	500	10.05%	5,000.00	5,000.00	-	-	-	Redeemable at Par
5	INE949L07451	May 31, 2016	May 29, 2020	1,000,000	500	10.05%	5,000.00	5,000.00	-	-	-	Redeemable at Par
6	INE949L07329	May 21, 2015	May 21, 2020	1,000,000	2,000	9.40%	20,000.00	20,000.00	-	20,000.00	-	Redeemable at Par
7	INE949L07519	Feb 28, 2017	Apr 30, 2020	1,000,000	500	8.90%	5,000.00	5,000.00	-	-	-	Redeemable at Par
8	INE949L07444	May 10, 2016	Mar 30, 2020	1,000,000	650	10.05%	6,500.00	6,500.00	-	-	-	Redeemable at Par
9	INE949L07436	May 10, 2016	Nov 10, 2019	1,000,000	500	10.05%	5,000.00	5,000.00	-	-	-	Redeemable at Par
10	INE949L07428	May 10, 2016	Sep 30, 2019	1,000,000	450	10.05%	4,500.00	4,500.00	-	-	-	Redeemable at Par
11	INE949L07402	Sep 22, 2015	Sep 20, 2019	1,000,000	250	10.00%	2,500.00	2,500.00	-	2,500.00	-	Redeemable at Par
12	INE949L07279	Aug 08, 2014	Aug 08, 2019	1,000,000	1,500	11.30%	15,000.00	15,000.00	-	15,000.00	-	Redeemable at Par
13	INE949L07477	Jun 13, 2016	Jun 13, 2019	1,000,000	500	10.05%	5,000.00	5,000.00	-	-	-	Redeemable at Par
14	INE949L07469	May 31, 2016	May 31, 2019	1,000,000	500	10.00%	5,000.00	5,000.00	-	-	-	Redeemable at Par
15	INE949L07386	Sep 09, 2015	Apr 19, 2019	1,000,000	1,250	10.50%	12,500.00	12,500.00	-	12,500.00	-	Redeemable at Par
16	INE949L07410	May 10, 2016	Mar 29, 2019	1,000,000	400	10.05%	4,000.00	4,000.00	-	-	-	Redeemable at Par
17	INE949L07527	Feb 28, 2017	Jan 28, 2019	1,000,000	1,500	8.75%	15,000.00	15,000.00	-	-	-	Redeemable at Par
18	INE949L07501	Feb 23, 2017	Oct 23, 2018	1,000,000	1,500	8.75%	15,000.00	15,000.00	-	-	-	Redeemable at Par
19	INE949L07394	Sep 22, 2015	Sep 21, 2018	1,000,000	250	10.00%	2,500.00	2,500.00	-	2,500.00	-	Redeemable at Par
20	INE949L07378	Aug 25, 2015	Aug 24, 2018	1,000,000	250	10.50%	2,500.00	2,500.00	-	2,500.00	-	Redeemable at Par
21	INE949L07345	Aug 11, 2015	Aug 10, 2018	1,000,000	1,000	10.50%	10,000.00	10,000.00	-	10,000.00	-	Redeemable at Par
22	INE949L07360	Aug 25, 2015	Jul 16, 2018	1,000,000	200	10.50%	2,000.00	2,000.00	-	2,000.00	-	Redeemable at Par
23	INE949L07352	Aug 19, 2015	Jun 25, 2018	1,000,000	500	10.50%	5,000.00	5,000.00	-	5,000.00	-	Redeemable at Par
24	INE949L07311	May 08, 2015	Jun 13, 2018	1,000,000	350	10.50%	3,500.00	3,500.00	-	3,500.00	-	Redeemable at Par
25	INE949L07303	May 08, 2015	Apr 26, 2018	1,000,000	350	10.50%	3,500.00	3,500.00	-	3,500.00	-	Redeemable at Par
26	INE949L07295	Apr 30, 2015	Mar 08, 2018	1,000,000	500	10.50%	5,000.00	-	5,000.00	5,000.00	-	Redeemable at Par
27	INE949L07204	Mar 06, 2013	Mar 06, 2018	1,000,000	100	12.20%	1,000.00	-	1,000.00	1,000.00	-	Redeemable at Par
28	INE949L07196	Jan 24, 2013	Jul 24, 2017	1,000,000	125	11.95%	1,250.00	-	1,250.00	1,250.00	-	Redeemable at Par
29	INE949L07253	Jun 13, 2014	May 28, 2017	1,000,000	1,475	10.86%	14,750.00	-	14,750.00	14,750.00	-	Redeemable at Par
30	INE949L07188	Jan 24, 2013	May 24, 2017	1,000,000	125	11.95%	1,250.00	-	1,250.00	1,250.00	-	Redeemable at Par

Notes to Financial Statements
for the year ended March 31, 2017

Sr. No.	ISIN No.	Date of allotment	Date of redemption	Nominal value per debenture	Nos.	Rate of Interest p.a.	Total amount	Non-current maturity as at March 31, 2017	Current maturity as at March 31, 2017	Non-current maturity as at March 31, 2016	Current maturity as at March 31, 2016	(₹ In Lacs) Terms of redemption
31	INE949L07238	Mar 28, 2014	Apr 24, 2017	1,000,000	500	11.47%	5,000.00	-	5,000.00	5,000.00	-	Redeemable at Par
32	INE949L07170	Jan 24, 2013	Mar 24, 2017	1,000,000	125	11.95%	1,250.00	-	-	-	1,250.00	Redeemable at Par
33	INE949L07204	Mar 06, 2013	Mar 06, 2017	1,000,000	75	12.20%	750.00	-	-	-	750.00	Redeemable at Par
34	INE949L07162	Jan 24, 2013	Jan 24, 2017	1,000,000	125	11.95%	1,250.00	-	-	-	1,250.00	Redeemable at Par
35	INE949L07097	Jul 05, 2012	Jan 04, 2017	10,000,000	25	12.25%	2,500.00	-	-	-	2,500.00	Redeemable at Par
36	INE949L07287	Feb 23, 2015	Dec 23, 2016	1,000,000	1,000	10.75%	10,000.00	-	-	-	10,000.00	Redeemable at Par
37	INE949L07154	Jan 24, 2013	Nov 24, 2016	1,000,000	125	11.95%	1,250.00	-	-	-	1,250.00	Redeemable at Par
38	INE949L07089	Jul 05, 2012	Nov 04, 2016	10,000,000	25	12.25%	2,500.00	-	-	-	2,500.00	Redeemable at Par
39	INE949L07147	Jan 24, 2013	Sep 24, 2016	1,000,000	125	11.95%	1,250.00	-	-	-	1,250.00	Redeemable at Par
40	INE949L07071	Jul 05, 2012	Sep 04, 2016	10,000,000	25	12.25%	2,500.00	-	-	-	2,500.00	Redeemable at Par
41	INE949L07139	Jan 24, 2013	Jul 24, 2016	1,000,000	125	11.95%	1,250.00	-	-	-	1,250.00	Redeemable at Par
42	INE949L07063	Jul 05, 2012	Jul 04, 2016	10,000,000	25	12.25%	2,500.00	-	-	-	2,500.00	Redeemable at Par
43	INE949L07212	Jun 27, 2013	Jun 27, 2016	1,000,000	250	11.10%	2,500.00	-	-	-	2,500.00	Redeemable at Par
44	INE949L07121	Jan 24, 2013	May 24, 2016	1,000,000	125	11.95%	1,250.00	-	-	-	1,250.00	Redeemable at Par
45	INE949L07220	Nov 08, 2013	May 08, 2016	1,000,000	500	11.95%	5,000.00	-	-	-	5,000.00	Redeemable at Par, if Option is Exercise then in Call Redeemable at Premium & in Put Redeemable at Discount
46	INE949L07055	Jul 05, 2012	May 04, 2016	10,000,000	25	12.25%	2,500.00	-	-	-	2,500.00	Redeemable at Par
47	INE949L07246	Apr 29, 2014	Apr 28, 2016	1,000,000	1,000	11.47%	10,000.00	-	-	-	10,000.00	Redeemable at Par
Total								234,500.00	28,250.00	137,250.00	48,250.00	

Notes to Financial Statements
for the year ended March 31, 2017

5.1 (b) Detail of Unsecured Redeemable Non-Convertible Debentures & Sub-ordinated debts as at March 31, 2017

Sr. No.	ISIN No.	Date of allotment	Date of redemption	Nominal value per debenture	Nos.	Rate of Interest p.a.	Total amount	Non-current maturity as at March 31, 2017	Current maturity as at March 31, 2017	Non-current maturity as at March 31, 2016	Current maturity as at March 31, 2016	Terms of redemption (₹ in Lacs)
1	INE949L08160	Nov 19, 2015	May 19, 2021	1,000,000	200	11.65%	2,000.00	2,000.00	-	2,000.00	-	Redeemable at Par
2	INE949L08152	Nov 04, 2015	May 04, 2021	1,000,000	750	11.75%	7,500.00	7,500.00	-	7,500.00	-	Redeemable at Par
3	INE949L08145	Sep 30, 2015	Apr 02, 2021	1,000,000	700	12.25%	7,000.00	7,000.00	-	7,000.00	-	Redeemable at Par
4	INE949L08129	Sep 30, 2013	Sep 30, 2020	1,000,000	100	12.41%	1,000.00	1,000.00	-	1,000.00	-	Redeemable at Par
5	INE949L08202	Mar 22, 2017	Mar 23, 2020	1,000,000	500	9.10%	5,000.00	5,000.00	-	-	-	Redeemable at Par
6	INE949L08194	Mar 17, 2017	Mar 17, 2020	1,000,000	4,500	8.85%	45,000.00	45,000.00	-	-	-	Redeemable at Par
7	INE949L08137	Nov 19, 2013	Sep 19, 2019	1,000,000	100	13.00%	1,000.00	1,000.00	-	1,000.00	-	Redeemable at Par
8	INE949L08111	Sep 04, 2013	Jul 03, 2019	1,000,000	50	12.50%	500.00	500.00	-	500.00	-	Redeemable at Par
9	INE949L08095	Jun 05, 2013	Mar 05, 2019	1,000,000	100	13.00%	1,000.00	1,000.00	-	1,000.00	-	Redeemable at Par
10	INE949L08186	Mar 15, 2017	Feb 15, 2019	1,000,000	1,000	8.89%	10,000.00	10,000.00	-	-	-	Redeemable at Par
11	INE949L08210	Mar 22, 2017	Sep 24, 2018	1,000,000	1,000	8.84%	10,000.00	10,000.00	-	-	-	Redeemable at Par
12	INE949L08079	Mar 18, 2013	Sep 18, 2018	1,000,000	100	12.75%	1,000.00	1,000.00	-	1,000.00	-	Redeemable at Par
13	INE949L08178	Mar 15, 2017	Sep 14, 2018	1,000,000	1,000	8.84%	10,000.00	10,000.00	-	-	-	Redeemable at Par
14	INE949L08061	Jan 30, 2013	Jul 30, 2018	1,000,000	100	12.75%	1,000.00	1,000.00	-	1,000.00	-	Redeemable at Par
15	INE949L08046	Jul 27, 2012	Jun 27, 2018	1,000,000	250	13.50%	2,500.00	2,500.00	-	2,500.00	-	Redeemable at Par
16	INE949L08087	Mar 25, 2013	Mar 25, 2018	1,000,000	275	12.35%	2,750.00	2,750.00	-	2,750.00	-	Redeemable at Par
17	INE949L08012	Mar 25, 2011	Mar 24, 2018	1,000,000	200	15.00%	2,000.00	2,000.00	-	2,000.00	-	Redeemable at Par
18	INE949L08038	Jul 20, 2012	Feb 20, 2018	1,000,000	250	12.50%	2,500.00	2,500.00	-	2,500.00	-	Redeemable at Par
19	INE949L08087	Mar 25, 2013	Dec 25, 2017	1,000,000	275	12.35%	2,750.00	2,750.00	-	2,750.00	-	Redeemable at Par
20	INE949L08087	Mar 25, 2013	Sep 25, 2017	1,000,000	275	12.35%	2,750.00	2,750.00	-	2,750.00	-	Redeemable at Par
21	INE949L08087	Mar 25, 2013	Jun 25, 2017	1,000,000	275	12.35%	2,750.00	2,750.00	-	2,750.00	-	Redeemable at Par
22	INE949L08087	Mar 25, 2013	Mar 25, 2017	1,000,000	275	12.35%	2,750.00	2,750.00	-	-	2,750.00	Redeemable at Par
23	INE949L08087	Mar 25, 2013	Dec 25, 2016	1,000,000	275	12.35%	2,750.00	2,750.00	-	-	2,750.00	Redeemable at Par
24	INE949L08020	May 28, 2011	Nov 28, 2016	1,000,000	200	14.40%	2,000.00	2,000.00	-	-	2,000.00	Redeemable at Par
25	INE949L08087	Mar 25, 2013	Sep 25, 2016	1,000,000	275	12.35%	2,750.00	2,750.00	-	-	2,750.00	Redeemable at Par
26	INE949L08087	Mar 25, 2013	Jun 25, 2016	1,000,000	275	12.35%	2,750.00	2,750.00	-	-	2,750.00	Redeemable at Par
Total								114,500.00	15,500.00	40,000.00	13,000.00	

Notes to Financial Statements
for the year ended March 31, 2017

5.2 Terms of principal repayment of long term borrowings as at March 31, 2017

Original maturity of loan	Interest rate (Range)	Due within 1 year		Due 1 to 3 Years		Due 3 to 5 Years		Due 5 to 7 Years		Due 7 to 9 Years		Total (₹ In Lacs)
		No. of installments	Amount	No. of installments	Amount	No. of installments	Amount	No. of installments	Amount	No. of installments	Amount	
Monthly Repayment												
Upto 3 years	8% to 12%	60	4,466.37	48	1,661.32	-	-	-	-	-	-	6,127.69
3 to 5 years	8% to 12%	902	23,665.88	1,357	40,733.85	237	7,065.00	-	-	-	-	71,464.73
5 to 7 Years	8% to 12%	21	3,830.00	51	10,880.00	30	8,165.00	-	-	-	-	22,875.00
	12% to 14%	3	500.00	-	-	-	-	-	-	-	-	500.00
Quarterly Repayment												
3 to 5 years	8% to 12%	17	7,253.10	27	12,743.46	3	1,125.00	-	-	-	-	21,121.56
	12% to 14%	4	11,000.00	-	-	-	-	-	-	-	-	11,000.00
Half Yearly Repayment												
Upto 3 yrs	8% to 12%	2	13,666.67	4	24,000.00	4	12,000.00	-	-	-	-	49,666.67
5 to 7 Years	8% to 12%	2	14,700.00	4	29,400.00	4	3,920.00	1	980.00	-	-	49,000.00
Annual Repayment												
Upto 3 years	8% to 12%	1	1,687.50	1	11,333.33	1	5,666.67	-	-	-	-	18,687.50
3 to 5 years	12% to 14%	1	1,000.00	-	-	-	-	-	-	-	-	1,000.00
5 to 7 Years	14% to 18%	1	500.00	-	-	-	-	-	-	-	-	500.00
Bullet Repayment												
Upto 3 yrs	8% to 12%	3	24,750.00	15	147,000.00	-	-	-	-	-	-	171,750.00
3 to 5 years	8% to 12%	2	2,500.00	8	52,000.00	6	98,500.00	-	-	-	-	153,000.00
5 to 7 Years	8% to 12%	-	-	-	-	3	11,500.00	-	-	-	-	11,500.00
	12% to 14%	1	2,500.00	6	7,000.00	2	8,000.00	-	-	-	-	17,500.00
	14% to 18%	1	2,000.00	-	-	-	-	-	-	-	-	2,000.00
Total		114,019.52		336,751.96		155,941.67		980.00		-		607,693.15

Notes to Financial Statements
for the year ended March 31, 2017

5.2 Terms of principal repayment of long term borrowings as at March 31, 2016

Original maturity of loan	Interest rate (Range)	Due within 1 year		Due 1 to 3 Years		Due 3 to 5 Years		Due 5 to 7 Years		Due 7 to 9 Years		Total (₹ In Lacs)
		No. of installments	Amount	No. of installments	Amount	No. of installments	Amount	No. of installments	Amount	No. of installments	Amount	
Monthly Repayment												
Upto 3 years	10% to 12%	47	4,408.04	36	6,369.65	-	-	-	-	-	-	10,777.69
3 to 5 years	10% to 12%	610	18,733.12	894	17,575.88	190	7,890.63	2	111.11	-	-	44,310.74
5 to 7 Years	8% to 12%	6	250.00	24	1,000.00	27	2,000.00	6	250.00	-	-	3,500.00
	12% to 14%	-	-	3	500.00	-	-	-	-	-	-	500.00
Quarterly Repayment												
3 to 5 years	8% to 12%	22	8,044.31	56	24,680.94	47	21,102.80	3	1,500.00	-	-	55,328.05
	12% to 14%	4	11,000.00	4	11,000.00	-	-	-	-	-	-	22,000.00
Half Yearly Repayment												
Upto 3 yrs	8% to 12%	1	3,333.33	4	13,333.33	1	3,333.33	-	-	-	-	19,999.99
Annual Repayment												
Upto 3 years	8% to 12%	17	20.43	1	1,687.50	-	-	-	-	-	-	1,707.93
3 to 5 years	12% to 14%	1	750.00	1	1,000.00	-	-	-	-	-	-	1,750.00
5 to 7 Years	14% to 18%	1	500.00	1	500.00	-	-	-	-	-	-	1,000.00
Bullet Repayment												
Upto 3 yrs	8% to 12%	11	27,479.60	8	47,750.00	-	-	-	-	-	-	75,229.60
3 to 5 years	8% to 12%	6	7,500.00	4	8,500.00	5	80,000.00	-	-	-	-	96,000.00
	12% to 14%	5	12,500.00	-	-	-	-	-	-	-	-	12,500.00
5 to 7 Years	8% to 12%	-	-	-	-	-	-	3	11,500.00	-	-	11,500.00
	12% to 14%	-	-	5	8,000.00	4	2,500.00	1	7,000.00	-	-	17,500.00
	14% to 18%	1	2,000.00	1	2,000.00	-	-	-	-	-	-	4,000.00
Total			96,518.83		143,897.30		116,826.76		20,361.11		-	377,604.00

Notes to Financial Statements
for the year ended March 31, 2017

6. Other long-term liabilities

	As at March 31, 2017		As at March 31, 2016	
	Non-current	Current	Non-current	Current
Security deposits from borrowers	932.47	946.60	1,506.51	1,003.56
Security deposits under assignment transactions and dealers	-	2.74	-	36.09
Security deposit from employees for vehicles provided	42.47	-	27.12	-
Interest accrued but not due on borrowings (including premium on debenture)	4,939.08	13,556.12	4,139.77	9,379.71
Amount disclosed under the head “other current liabilities” (refer note 9)	-	(14,505.46)	-	(10,419.36)
	5,914.02	-	5,673.40	-

7. Provisions

	As at March 31, 2017		As at March 31, 2016	
	Non-current	Current	Non-current	Current
Provision for employees benefits				
Leave availment	223.92	11.43	138.18	8.71
Gratuity	690.40	8.20	457.98	5.88
	914.32	19.63	596.16	14.59
Other provisions				
Estimated loss on old assignments	0.58	0.31	2.02	1.95
Contingent provisions against standard assets	1,536.83	745.51	1,111.89	622.47
Provision on non- performing assets	4,405.00	-	2,734.23	-
Income tax (net of advance tax)	-	-	-	1,530.79
	5,942.41	745.82	3,848.14	2,155.21
	6,856.73	765.45	4,444.30	2,169.80

8. Short-term borrowings

	As at March 31, 2017	As at March 31, 2016
Secured		
(i) Working capital facilities from banks repayable on demands		
Andhra Bank	-	4,859.31
Axis Bank	-	9,185.47
Bank of India	-	4,957.86
Central Bank of India	-	25.25
Corporation Bank	2,500.00	-
HDFC Bank Limited	36,505.62	17,861.11
ICICI Bank Limited	423.50	138.27
IDBI Bank Limited	-	29.06
Indian Bank	-	5.73
Kotak Mahindra Bank	-	1,622.61
Punjab National Bank	-	2,521.09

Notes to Financial Statements

for the year ended March 31, 2017

8. Short-term borrowings (Contd.)

	As at March 31, 2017	(₹ in Lacs) As at March 31, 2016
State Bank of Bikaner & Jaipur	-	2.80
State Bank of Hyderabad	-	3,482.37
State Bank of Mysore	-	2,499.62
State Bank of Patiala	-	9.67
State Bank of Travancore	-	1,484.09
The Ratnakar Bank Limited	-	13.78
	39,429.12	48,698.09
Unsecured		
(i) Commercial paper issued to banks		
HDFC Bank Limited	26,231.35	7,401.69
DOHA Bank	2,418.00	-
	28,649.35	7,401.69
(ii) Commercial paper issued to Mutual Funds		
Bajaj Allianz Life Insurance Company Ltd.	2,492.94	2,353.86
Birla Sun Life Insurance Company Limited	2,492.94	-
HDFC Liquid Fund	4,806.78	-
HSBC Mutual Fund	-	2,449.36
Kotak Mutual Fund	-	19,983.54
Reliance Mutual Fund	9,533.44	-
Religare Mutual Fund	-	9,934.20
UTI Mutual Fund	-	9,836.81
	19,326.10	44,557.77
(iii) Term loan from non-banking financial companies		
Citicorp Finance (India) Ltd	12,000.00	-
	12,000.00	-
	59,975.45	51,959.46
	99,404.57	100,657.55

All working capital facilities from banks are repayable on demand and are secured by hypothecation of loans under financing activity. Personal guarantees by directors and shareholders of the Company have been given for borrowing amount of ₹ 36,929.12 lacs at March 31, 2017 (₹ 36,234.18 lacs as at March 31, 2016). Borrowings to the extent of ₹ 36,505.62 lacs (₹ 17,895.90 lacs as at March 31, 2016) are secured by pledge of property of Company and margin money deposits. Interest rate on short term borrowing ranges between 8% to 12% (PY: 8% to 12%)

Notes to Financial Statements

for the year ended March 31, 2017

9. Other current liabilities

	As at March 31, 2017	(₹ in Lacs) As at March 31, 2016
a. Current maturities of long-term borrowings		
Secured		
Debentures (refer note 5)	28,250.00	48,250.00
Term loan from banks (refer note 5)	21,097.90	21,791.40
Term loan from financial institutions (refer note 5)	42,466.67	10,353.53
Term loan from non-banking financial companies (refer note 5)	4,047.05	1,052.63
Term loan from insurance company (refer note 5)	1,500.00	1,500.00
Auto loan from banks (refer note 5)	157.90	60.99
Auto loan from non-banking financial companies (refer note 5)	-	10.28
	97,519.52	83,018.83
Unsecured		
Debentures (refer note 5)	15,500.00	13,000.00
Term loan from banks (refer note 5)	1,000.00	500.00
	16,500.00	13,500.00
Total Current maturities of long-term borrowings	114,019.52	96,518.83
b. Interest accrued but not due on borrowings (including premium on debenture) (refer note 6)	13,556.12	9,379.71
	13,556.12	9,379.71
c. Interest accrued and due on borrowings	16.89	260.09
	16.89	260.09
d. Other payables*		
Margin money refundable/adjustable against disbursement	460.02	190.71
Payable to dealers/manufacturers	2,198.52	1,103.47
Due to assignees towards collections from assigned/securitized assets	30,972.01	17,946.42
Security deposit from borrowers (refer note 6)	946.60	1,003.56
Security deposits under assignment transactions and dealers (refer note 6)	2.74	36.09
Book overdrafts	4,890.84	2,586.33
Statutory liabilities	535.67	156.46
Employee benefits payable	4,731.01	3,395.76
Other current liabilities	3,466.31	1,870.84
	48,203.72	28,289.64
	175,796.25	134,448.27

* **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, 2017, no supplier has intimated the Company about its status as micro or small enterprises or its registration with the appropriate authority under MSMED.

Notes to Financial Statements

for the year ended March 31, 2017

10(A). Property, Plant and Equipment :

	Leasehold Land	Freehold Land	Buildings	Furniture and fixtures	Office equipment	Vehicles	Total	(₹ In Lacs) WIP
Cost								
As at March 31, 2015	303.46	243.54	258.43	800.73	1,150.00	493.89	3,250.05	46.32
Additions	-	-	-	315.13	823.57	179.89	1,318.59	39.14
Deductions	-	-	-	(0.86)	(4.54)	(37.52)	(42.92)	(46.32)
As at March 31, 2016	303.46	243.54	258.43	1,115.00	1,969.03	636.26	4,525.72	39.14
Additions	-	-	155.87	135.81	902.96	531.27	1,725.91	15,982.76
Deductions	-	-	-	(0.52)	(6.36)	(52.16)	(59.04)	(39.14)
As at March 31, 2017	303.46	243.54	414.30	1,250.29	2,865.63	1,115.37	6,192.59	15,982.76
Depreciation								
As at March 31, 2015	13.92	-	58.32	429.34	761.61	264.27	1,527.46	
Charge for the year	3.48	-	9.76	190.39	474.73	106.26	784.62	
Deductions	-	-	-	(0.81)	(3.13)	(28.55)	(32.49)	
As at March 31, 2016	17.40	-	68.08	618.92	1,233.21	341.98	2,279.59	
Charge for the year	3.48	-	6.87	91.28	333.12	68.68	503.43	
Other adjustments	-	-	-	-	-	-	-	
Deductions	-	-	-	(0.52)	(3.09)	(42.72)	(46.33)	
As at March 31, 2017	20.88	-	74.95	709.68	1,563.24	367.94	2,736.69	
Net Block								
As at March 31, 2016	286.06	243.54	190.35	496.08	735.82	294.28	2,246.13	39.14
As at March 31, 2017	282.58	243.54	339.35	540.61	1,302.39	747.43	3,455.90	15,982.76

10(B). Intangible assets :

	Software	(₹ In Lacs) WIP
Cost		
As at March 31, 2015	234.64	0.26
Additions	113.15	-
Deductions	-	(0.26)
As at March 31, 2016	347.79	-
Additions	42.50	8,003.75
Deductions	-	-
As at March 31, 2017	390.29	8,003.75
Depreciation		
As at March 31, 2015	105.85	-
Charge for the year	67.47	-
Deductions	-	-
As at March 31, 2016	173.32	-
Charge for the year	74.87	-
Other adjustments	-	-
As at March 31, 2017	248.19	-
Net Block		
As at March 31, 2016	174.47	-
As at March 31, 2017	142.10	8,003.75

Notes to Financial Statements

for the year ended March 31, 2017

11(A) Components of capital work-in progress and intangible assets under development

Particulars	Opening work-in progress	Addition during the year	Capitalised during the year	(₹ In Lacs) Closing work-in progress
Capital work in progress				
Furniture and fixtures (Refer note 11(B))	39.14	11,324.89	39.14	11,324.89
Office equipment	-	4,652.12	-	4,652.12
Others	-	5.75	-	5.75
Intangible assets under development				
Software (Refer note 11(B))	-	8,003.75	-	8,003.75
Total	39.14	23,986.51	39.14	23,986.51

11(B) Expenses included in furniture and fixtures and software

Particulars	(₹ In Lacs) Amount
Employee benefit expenses (incl. salaries and other benefits to employees)	2,867.03
Rent	424.1
Rates and taxes	166.96
Traveling and conveyance	138.92
Legal and professional fee	2,617.00
Total	6,214.02

12. Investments

	Face value (In ₹)	As at March 31, 2017		As at March 31, 2016	
		Non-current	Current	Non-current	Current
Long Term Trade Investments (valued at cost unless stated otherwise)					
Unquoted equity instruments					
Investment in subsidiaries					
Aavas Financiers Limited (formerly known as Au Housing Finance Limited)					
0 Equity shares (P.Y. 3,809,850) fully paid up (non current)	10	-	-	1,492.68	13,232.32
0 Equity shares (P.Y. 33,773,484) fully paid up (current)					
Index Money Limited					
0 Equity shares (P.Y.: 1,724,490) fully paid up	10	-	-	-	309.50
		-	-	1,492.68	13,541.82
Investment in associates					
Au Insurance Broking Services Private Limited					
Nil Equity shares (P.Y.: 195,000) fully paid up	10	-	-	19.50	-
M Power Micro Finance Private Limited					
Nil Equity shares (P.Y.: 4,500,000) fully paid up	10	-	-	-	450.00
		-	-	19.50	450.00
Investment in others					
M Power Micro Finance Private Limited					
1,051,200 Equity shares (P.Y. Nil) fully paid up	10	105.12	-	-	-
Aavas Financiers Limited (formerly known as Au Housing Finance Limited)					
4,341,149 Equity shares (P.Y. Nil) fully paid up	10	1,492.68	-	-	-
		1,597.80	-	-	-

Notes to Financial Statements

for the year ended March 31, 2017

12. Investments (Contd.)

	Face value (In ₹)	As at March 31, 2017		As at March 31, 2016	
		Non-current	Current	Non-current	Current
(₹ In Lacs)					
Other Investments (valued at cost unless stated otherwise)					
Investment in pass through certificates (PTCs)		10,538.98	6,912.87	4,422.06	3,230.84
Investment in liquid mutual Funds (unquoted)					
531,089.39 (P.Y. Nil) units in HDFC Liquid Fund - Direct Plan - Growth option		-	17,000.00	-	-
418,002.95 (P.Y. Nil) units in SBI Magnum Insta Cash Fund -Direct Plan - Growth		-	15,000.00	-	-
411,782.02 (P.Y. Nil) units in Franklin India Treasury Management Account - Super Institutional Plan - Direct		-	10,000.00	-	-
8,058,534.01 (P.Y. Nil) units in ICICI Prudential Saving Fund - Direct plan - Growth		-	20,000.00	-	-
56,033,982.31 (P.Y. Nil) units in DHFL Pramerica Low Duration Fund - Direct Plan - Growth		-	12,534.67	-	-
990,395.06 (P.Y. Nil) units in Kotak Low Duration Fund Direct Growth		-	20,000.00	-	-
322,970.54 (P.Y. Nil) units in DSP BlackRock Liquidity Fund - Direct Plan - Growth		-	7,500.00	-	-
134,216.19 (P.Y. Nil) units in BOI AXA Liquid Fund - Regular Plan - Growth (LFRGG)		-	2,500.00	-	-
Total investment in liquid mutual fund		-	104,534.67	-	-
Investment in government securities (quoted)					
2,500,000 (P.Y. Nil) units of 8.15% GOI 2026	100	2,621.58	-	-	-
2,500,000 (P.Y. Nil) units of 7.72% GOI 2025	100	2,567.75	-	-	-
5,000,000 (P.Y. Nil) units of 8.20% GOI 2025	100	5,276.86	-	-	-
7,500,000 (P.Y. Nil) units of 8.24% GOI 2027	100	7,968.08	-	-	-
5,000,000 (P.Y. Nil) units of 8.60% GOI 2028	100	5,461.85	-	-	-
3,000,000 (P.Y. Nil) units of 7.71% GSDL 2027	100	3,006.45	-	-	-
1,500,000 (P.Y. Nil) units of 7.87% UPSDL 2027	100	1,502.17	-	-	-
1,500,000 (P.Y. Nil) units of 7.89% HRSDL 2027	100	1,504.13	-	-	-
500,000 (P.Y. Nil) units of 8.36% MHSDL 2026	100	521.27	-	-	-
2,095,000 (P.Y. Nil) units of 7.85% TNSDL 2027	100	2,098.25	-	-	-
2,500,000 (P.Y. Nil) units of 7.86% KARTSDL 2027	100	2,504.88	-	-	-
3,000,000 (P.Y. Nil) units of 7.73% RJSDDL 2027	100	3,006.45	-	-	-
2,500,000 (P.Y. Nil) units of 8.13% HARSDL 2025	100	2,571.19	-	-	-
500,000 (P.Y. Nil) units of 8.06% KERSDL 2025	100	511.32	-	-	-
1,000,000 (P.Y. Nil) units of 8.17% TNSDL 2025	100	1,031.15	-	-	-
500,000 (P.Y. Nil) units of 8.12% GUJSDL 2025	100	513.98	-	-	-
500,000 (P.Y. Nil) units of 8.01% TNSDL 2026	100	510.97	-	-	-
500,000 (P.Y. Nil) units of 8.24% MHSDL 2024	100	516.28	-	-	-
3,000,000 (P.Y. Nil) units of 8.31% APSDL 2025	100	3,114.37	-	-	-
2,500,000 (P.Y. Nil) units of 8.17% UPSDL 2025	100	2,576.12	-	-	-
Total investment in government securities		49,385.10	-	-	-
Investment in certificate of deposits (unquoted)					
12,500 (P.Y. Nil) Units Of IDFC bank ltd	100,000	-	12,430.53	-	-
5,000 (P.Y. Nil) Units Of ICICI bank ltd	100,000	-	4,948.93	-	-
10,000 (P.Y. Nil) Units Of Axis bank ltd	100,000	-	9,860.89	-	-
15,000 (P.Y. Nil) Units Of Indusind bank ltd	100,000	-	14,821.64	-	-
Total investment in certificate of Deposits		-	42,061.99	-	-
		61,521.88	153,509.53	5,934.24	17,222.66
Aggregate Value of quoted Investments					
Cost		49,385.10	-	-	-
Aggregate Value of Unquoted Investments					
Cost		12,136.78	153,509.53	5,934.24	17,222.66

Notes to Financial Statements

for the year ended March 31, 2017

12.1 Investment Detail

	As at March 31, 2017		As at March 31, 2016	
	Non-current	Current	Non-current	Current
(₹ In Lacs)				
Value of Investment				
Gross Value of Investment	61,521.88	153,509.53	5,934.24	17,222.66
In India	61,521.88	153,509.53	5,934.24	17,222.66
Outside India	-	-	-	-
Provision for Depreciation	-	-	-	-
In India	-	-	-	-
Outside India	-	-	-	-
Net Value of Investment	61,521.88	153,509.53	5,934.24	17,222.66
In India	61,521.88	153,509.53	5,934.24	17,222.66
Outside India	-	-	-	-
Movement of provisions held towards depreciation on investment				
Opening Balance	-	-	-	-
Add: Provisions made during the year	-	-	-	-
Less: Write off/Write back excess provision during the year	-	-	-	-
Closing Balance	-	-	-	-

13. Deferred tax assets (net)

	As at March 31, 2017	As at March 31, 2016
(₹ in Lacs)		
Deferred tax liability		
Unamortized resource mobilization expenses	153.73	130.84
Gross deferred tax liability	153.73	130.84
Deferred tax asset		
Impact of expenditure charged to the statement of profit and loss in the current year but allowed for tax purposes on payment basis	323.22	234.03
Impact of difference between tax depreciation and depreciation charged for financial reporting	55.44	168.56
Provision for doubtful debts and advances	968.67	1,564.44
Gross deferred tax asset	1,347.33	1,967.03
Net deferred tax asset	1,193.60	1,836.19

Deferred tax assets and deferred tax liabilities have been offset wherever the Company has a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority.

Notes to Financial Statements

for the year ended March 31, 2017

14. Receivable under financing activity

	As at March 31, 2017		As at March 31, 2016	
	Non-current	Current	Non-current	Current
Secured				
Loans under financing activity				
-Considered good	426,535.11	195,990.50	361,759.42	185,181.01
-Considered doubtful	12,170.09	-	7,458.08	-
Loans placed towards minimum retention requirement (MRR) for direct assignment transactions				
-Considered good	12,624.60	5,320.40	8,542.48	5,568.27
-Considered doubtful	217.03	-	285.50	-
	451,546.83	201,310.90	378,045.48	190,749.28
Unsecured				
Loans under financing activity				
-Considered good	-	310.06	-	1,002.52
-Considered doubtful	-	-	-	-
Trade advances to dealers - Considered good	-	6,099.72	-	11,459.07
Trade advances to dealers - Considered doubtful	231.06	-	-	-
	231.06	6,409.78	-	12,461.59
	451,777.89	207,720.68	378,045.48	203,210.87

15. Long-term loans and advances

	As at March 31, 2017		As at March 31, 2016	
	Non-current	Current	Non-current	Current
Unsecured considered good				
Security deposits (refer note 18)	1,601.18	109.30	251.53	65.05
Indirect tax recoverable	1,141.18	-	90.72	-
Prepaid expenses (refer note 18)	591.26	651.92	230.80	212.53
Advance tax (net of Provision)	344.84	-	303.10	-
Security deposits with NBFC's/Financial institutions	-	9.00	9.00	-
Amount disclosed under the head "short-term loans and advances" (refer note 18)	-	(770.22)	-	(277.58)
	3,678.46	-	885.15	-

16. Other Non-current assets

	As at March 31, 2017	As at March 31, 2016
Deposits with banks (refer note 17)	95.23	644.81
(Deposits with original maturity for more than 12 months)	95.23	644.81

Notes to Financial Statements

for the year ended March 31, 2017

17. Cash and bank balances

	As at March 31, 2017		As at March 31, 2016	
	Current	Non-current	Current	Non-current
Cash and cash equivalents				
Balances with banks:				
- On current accounts	5,199.61	-	952.59	-
- Deposits with original maturity of less than three months (refer note 17.1)	37,575.15	-	335.08	-
Stamps/franking balance	58.34	-	88.92	-
Cash on hand	1,342.04	-	1,564.42	-
	44,175.14	-	2,941.01	-
Other bank balances				
- Deposits with original maturity for more than 3 months but less than 12 months (refer note 17.1)	2,369.92	-	1,978.05	-
- Deposits with original maturity for more than 12 months (refer note 17.1)	15,904.62	95.23	7,424.30	644.81
Amount disclosed under the head "other non-current assets" (refer note 16)	-	(95.23)	-	(644.81)
	62,449.68	-	12,343.36	-

17.1 Deposits include ₹ 13,619.48 lacs as at March 31, 2017 (₹ 7,642.89 lacs as at March 31, 2016) as cash collateral for assignment/securitization, ₹ 2,934.12 lacs as at March 31, 2017 (₹ 1,070.04 lacs as at March 31, 2016) as cash collateral for bank guarantees under assignment/securitization transactions, ₹ 19.49 lacs as at March 31, 2017 (₹ 15.14 lacs as at March 31, 2016) as cash collateral for other bank guarantees, ₹ 385.00 lacs as at March 31, 2017 (₹ 739.00 lacs as at March 31, 2016) as cash collateral for working capital/term loan facilities from banks repayable on demand and Nil as at March 31, 2017 (₹ 32.00 lacs as at March 31, 2016) as cash collateral for channel financing business.

18. Short-term loans and advances

	As at March 31, 2017	As at March 31, 2016
Unsecured, considered good		
Prepaid expenses (refer note 15)	651.92	212.53
Advances to suppliers/service providers	1,023.02	855.28
Advances to staff	291.67	163.15
Security deposits (refer note 15)	109.30	65.05
Security deposits with NBFC's/Financial institutions (refer note 15)	9.00	-
Recoverable in cash or in kind or for value to be received		
-Considered good	3,181.74	805.43
-Considered doubtful	112.80	47.89
	5,379.45	2,149.33
Provision for doubtful advances	69.22	47.89
	5,310.23	2,101.44

Notes to Financial Statements

for the year ended March 31, 2017

19. Other current assets

Particulars	(₹ in Lacs)	
	As at March 31, 2017	As at March 31, 2016
Interest accrued but not due on loans to borrowers	5,051.90	4,280.51
Charges recoverable from borrowers	473.54	354.93
Interest accrued but not due on deposit with banks and others	125.03	102.47
Interest accrued but not due on government securities	671.52	-
Other current asset	6.23	0.15
	6,328.22	4,738.06

20 Revenue from operations

Particulars	(₹ in Lacs)	
	Year ended March 31, 2017	Year ended March 31, 2016
Interest income and other charges on :		
Loan portfolio	122,001.36	92,516.57
Securitisation and direct assignment	14,414.52	7,533.77
Channel finance business	-	0.37
Bank deposits placed as collateral	975.08	995.66
	137,390.96	101,046.37

20.1 Information of assignment/securitisation activity as an originator:

Particulars		(₹ in Lacs)	
		Year ended March 31, 2017	Year ended March 31, 2016
Total number of loan assets assigned/securitized	Nos.	104,012	60,793
Total book value of loan assets assigned/securitized	₹(Lacs)	349,517	181,746
Sale consideration received for loan assets assigned/securitized	₹ (Lacs)	349,517	181,746
Income recognised in statement of profit and loss (incl. income on MRR)	₹ (Lacs)	26,058	17,401

Information with respect to outstanding credit enhancements and liquidity support:

Particulars	(₹ In Lacs)			
	Transactions at PAR		Transactions at PREMIUM	
	As at March 31, 2017	As at March 31, 2016	As at March 31, 2017	As at March 31, 2016
Outstanding credit enhancements (first loss):				
Corporate guarantee	-	-	581.18	1,144.74
Cash collaterals (placed as bank deposits)	12,762.32	7,164.38	23.09	91.95
Outstanding credit enhancements (second loss):				
Guarantees provided by banks on behalf of the Company *	16,702.95	8,408.17	-	-
Cash collateral placed in lieu of bank guarantee	-	-	-	-
Liquidity facility (utilised)	2,289.75	596.90	-	-
Liquidity facility (unutilised)	835.14	381.40	-	-

* Cash margins / deposits pledged with the banks, of ₹ 2,934.12 lacs (PY ₹ 1,067.61 lacs), have not been netted off.

Notes to Financial Statements

for the year ended March 31, 2017

Disclosure as per RBI guidelines for securitisation transactions

Particulars		(₹ in Lacs)	
		As at March 31, 2017	As at March 31, 2016
No. of SPVs sponsored by the NBFC for securitisation transactions	Nos.	34	20
Total amount of securitised assets as per books of the SPVs sponsored by the NBFC (outstanding as on balance sheet date)	₹ (Lacs)	262,776.79	118,160.58
Total amount of exposures retained by the NBFC to comply with minimum retention requirement (MRR) as on the date of balance sheet			
a) Off balance sheet exposures			
First Loss	₹ (Lacs)	-	-
Others	₹ (Lacs)	-	-
b) On balance sheet exposures			
First Loss	₹ (Lacs)	-	-
Others	₹ (Lacs)	17,451.86	7,652.90
Amount of exposures to securitisation transaction other than MRR			
a) Off balance sheet exposures			
I) Exposure to own securitisations			
First Loss	₹ (Lacs)	-	-
Others (Guarantees provided by banks on behalf of the Company *)	₹ (Lacs)	16,702.95	7,908.17
II) Exposure to Third party securitisations			
First Loss	₹ (Lacs)	-	-
Others	₹ (Lacs)	-	-
b) On balance sheet exposures			
I) Exposure to own securitisations			
First Loss	₹ (Lacs)	12,762.32	6,914.38
Others (Cash collateral placed in lieu of bank guarantee)	₹ (Lacs)	-	-
II) Exposure to Third party securitisations			
First Loss	₹ (Lacs)	-	-
Others	₹ (Lacs)	-	-

* Cash margins / deposits pledged with the banks, of ₹ 2,934.12 lacs (PY ₹ 1,067.61 lacs), have not been netted off.

21 Other income

Particulars	(₹ in Lacs)	
	Year ended March 31, 2017	Year ended March 31, 2016
Income received on investments	832.83	143.27
Provisions no longer required, written back	293.25	193.17
Miscellaneous income	226.72	165.36
	1,352.80	501.80

Notes to Financial Statements

for the year ended March 31, 2017

22 Employee benefit expenses

	Year ended March 31, 2017	(₹ in Lacs) Year ended March 31, 2016
Salaries and other benefits (refer note 11(B))	16,230.92	14,424.13
Directors remuneration	1,574.77	492.81
Contribution to provident and other funds	659.27	421.49
Stock option expenditure	407.46	207.78
Staff welfare expenses	405.38	226.46
	19,277.80	15,772.67

22.1 Details of employees benefits

a) Defined contribution plan

Provident fund

The Company makes Provident Fund contributions to a defined contribution retirement benefit plans for qualifying employees. Under the schemes, the Company is required to contribute a specified percentage of the payroll costs to the Provident Fund Commissioner to fund the benefits.

The Company recognized ₹ 516.07 Lacs (P.Y. ₹ 328.92 Lacs) for provident fund contributions in the statement of profit and loss. The contributions payable to these plans by the Company are at rates specified in the rules of the schemes.

b) Defined benefit plans

Gratuity

The Company operates defined gratuity plans, for its employees. Under the gratuity plan, every employee who has completed at least five years of service gets a gratuity on departure @ 15 days of last drawn salary for each completed year of service. The Company has not created any fund for payment of gratuity.

The following table sets out the disclosures as required by revised Accounting Standard 15 for Gratuity

Statement of profit and loss

Net employee benefit expense recognized in the employee cost

	Year ended March 31, 2017	(₹ in Lacs) Year ended March 31, 2016
Current service cost	186.03	154.86
Interest cost on benefit obligation	37.11	22.65
Expected return on plan assets	0.00	0.00
Net actuarial (gain)/loss recognized in the year	18.08	10.65
Net benefit expense	241.22	188.16

Notes to Financial Statements

for the year ended March 31, 2017

Balance sheet

Benefit asset/liability

	As at March 31, 2017	(₹ in Lacs) As at March 31, 2016
Present value of defined benefit obligation	698.59	463.85
Fair value of plan assets	-	-
Plan asset / (liability)	698.59	463.85

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

	As at March 31, 2017	(₹ in Lacs) As at March 31, 2016
Opening defined benefit obligation	463.85	283.19
Current service cost	186.03	154.86
Interest cost	37.11	22.65
Benefit paid during the year	(6.48)	(7.50)
Actuarial (gain)/loss on obligation	18.08	10.65
Closing defined benefit obligation	698.59	463.85

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

	As at March 31, 2017	As at March 31, 2016
Discount rate	7.50%	8.00%
Salary escalation rate	7.50%	7.50%
Withdrawal rate	1.00%	1.00%

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

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

	As at March 31, 2017	As at March 31, 2016	As at March 31, 2015	As at March 31, 2014	(₹ in Lacs) As at March 31, 2013
Defined benefit obligation	698.59	463.85	283.19	183.25	121.81
Plan assets	-	-	-	-	-
Surplus / (deficit)	698.59	463.85	283.19	183.25	121.81
Experience adjustments on plan liabilities	18.08	10.65	(7.32)	(12.84)	(0.04)
Experience adjustments on plan assets	-	-	-	-	-

c) 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. The Company has accordingly booked ₹ 88.45 Lacs (P.Y. of ₹ 55.72 Lacs) in the books of accounts for the period.

Notes to Financial Statements

for the year ended March 31, 2017

23 Finance cost

	Year ended March 31, 2017	(₹ in Lacs) Year ended March 31, 2016
Interest expense (refer note 23.1)	48,283.34	38,004.50
Other borrowing costs (refer note 23.2)	1,749.96	1,520.71
	50,033.30	39,525.21

23.1 Interest expense include interest on

	Year ended March 31, 2017	(₹ in Lacs) Year ended March 31, 2016
Subordinated debts (debenture/term loan)	4,383.20	3,391.50
Term loans/cash credit facilities/commercial papers	21,825.70	15,016.17
Direct/Indirect taxes	6.53	2.38
Non-convertible debentures	21,731.18	19,330.10
Others	336.73	264.35
	48,283.34	38,004.50

23.2 Other borrowing costs include

	Year ended March 31, 2017	(₹ in Lacs) Year ended March 31, 2016
Resource mobilisation expenses	1,508.11	1,346.38
Bank charges and commission	241.85	174.33
	1,749.96	1,520.71

24 Other expenses

	Year ended March 31, 2017	(₹ in Lacs) Year ended March 31, 2016
Advertisement and publicity	333.88	321.35
Business promotion	202.28	159.23
Commission and brokerage	2,573.11	1,935.35
Communication	435.44	317.90
Director sitting fee	16.13	40.08
Donations and CSR	624.41	250.88
Electricity and water	360.69	212.80
Fee and subscription	40.96	45.77
Field investigation and credit control	34.18	27.47
Insurance	39.65	33.27
Legal and professional fee (refer note 11(B))	1,092.41	724.54
Loss on sale of repossessed assets	220.09	99.47
Sponsorship fees	96.83	4.28
Manpower supply cost	3,881.60	1,380.07
Office expenses	157.13	185.79
Postage and courier	105.20	99.89

Notes to Financial Statements

for the year ended March 31, 2017

24 Other expenses (Contd.)

	Year ended March 31, 2017	(₹ in Lacs) Year ended March 31, 2016
Printing and stationery	114.73	72.41
Rates and taxes (refer note 11(B))	28.00	8.13
Rent (refer note 24.1 and 11(B))	822.26	658.63
Repair and maintenance - others	926.16	132.64
Repossession expenses	701.74	519.02
Swachh Bharat Cess	49.38	11.58
Traveling and conveyance (refer note 11(B))	1,860.23	1,407.00
Valuation and RTO	27.18	35.02
Share issue expenses	204.23	-
Vat expenses	24.34	19.71
Auditor's remuneration		
-Audit fees	50.54	47.04
-Tax audit fees	4.00	3.00
-Other services	10.73	-
	15,037.51	8,752.32

24.1 The Company's significant leasing arrangements in terms of Accounting Standard 19 on Leases are in respect of operating leases for premises. These leasing arrangements, which are cancellable, generally range between 11 months and 36 months and are usually renewable by mutual consent on mutually agreeable terms.

25 Provisions and write off

	Year ended March 31, 2017	(₹ in Lacs) Year ended March 31, 2016
A. Provisions as at March 31, 2017		
Provision on old assigned cases	0.89	3.97
Provision on non performing assets	4,405.00	2,734.23
Provision for other doubtful loans and advances	69.22	47.89
Contingent provision against standard assets	2,282.35	1,734.37
	6,757.46	4,520.46
B. Provisions as at March 31, 2016		
Provision on old assigned cases	3.97	31.15
Provision on non performing assets	2,734.23	2,962.63
Provision for other doubtful loans and advances	47.89	-
Contingent provision against standard assets	1,734.37	894.68
	4,520.46	3,888.46
Net provision made during the year (A-B)	2,237.00	632.00
C. Write off during the year (net of recoveries)		
Loan assets write off	6,499.74	5,025.15
Loss on settlement with borrowers	516.47	408.76
Recovery against loans written off	(2,735.65)	(1,684.87)
Write off during the year (net)	4,280.56	3,749.04
	6,517.56	4,381.04

Notes to Financial Statements

for the year ended March 31, 2017

25.1 The Reserve Bank of India vide circular No.DBR.No.BP.BC.37/21.04.048/2016-17 dated November 21, 2016 and DBR.No.BP.BC.49/21.04.048/2016-17 dated December 28, 2016 has provided a dispensation whereby a short-term deferment of 90 days could be applied to dues payable between November 1, 2016 to December 31, 2016 for the purpose of classification of loan accounts as sub-standard. However, the Company has not applied the said dispensation and has continued to identify loans as sub-standard in accordance with the extant provisioning policy of the Company detailed in note 2.

25.2 Provisions and Contingencies

Break up of Provisions and Contingencies shown in Statement of Profit and Loss	Year ended March 31, 2017	(₹ in Lacs) Year ended March 31, 2016
Provisions for depreciation on Investment	-	-
Provision towards NPA	1,670.77	(228.40)
Provision for Standard Assets	547.98	839.69
Provision for income tax and deferred tax	32,136.57	11,102.89
Other Provision and Contingencies	3,011.73	2,257.10
i) Provision on old assigned cases	(3.08)	(27.18)
ii) Provision for leave availment	88.46	55.72
iii) Provision for gratuity	234.74	180.67
iv) Provision for bonus	2,670.28	2,000.00
v) Provision for other doubtful loans and advances	21.33	47.89
vi) Provision for Wealth tax	-	-

25.3 Movement of NPA

Particulars	As at March 31, 2017	(₹ in Lacs) As at March 31, 2016
Net NPAs to Net Advances (%)	1.22%	0.80%
Movement of NPAs (Gross)		
(a) Opening balance	7,414.48	5,530.84
(b) Additions during the year	11,135.11	6,493.35
(c) Reductions during the year (including loans written off)	(6,098.47)	(4,609.71)
(d) Closing balance	12,451.12	7,414.48
Movement of Net NPAs		
(a) Opening balance	4,680.26	2,568.21
(b) Additions during the year	7,176.64	4,277.54
(c) Reductions during the year	(3,810.77)	(2,165.49)
(d) Closing balance	8,046.13	4,680.26
Movement of provisions for NPAs		
(a) Opening balance	2,734.22	2,962.63
(b) Provisions made during the year	3,958.47	2,215.81
(c) Write-off / write-back of excess provisions	(2,287.70)	(2,444.22)
(d) Closing balance	4,404.99	2,734.22

Excludes loans identified as “NPA and written off subsequently” in the current year

Notes to Financial Statements

for the year ended March 31, 2017

25.4 Sector Wise NPA's

Sector	% of NPAs to total Advances in that sector	
	As at March 31, 2017	As at March 31, 2016
Agriculture and allied activities	2.21%	2.04%
Auto loans	2.51%	2.37%
Corporate borrowers	1.26%	0.00%
MSME*	1.66%	0.79%
Services	0.00%	0.00%
Unsecured personal loans	0.00%	0.00%
Other personal loans	0.00%	0.00%

* Represent loans given for income producing activities to enterprises other than corporates, irrespective of ticket size.

26 Tax Expenses

	Year ended March 31, 2017	(₹ in Lacs) Year ended March 31, 2016
Current tax	31,048.36	11,507.83
Deferred tax	642.60	(379.83)
Adjustment of tax relating to earlier periods	445.61	(25.11)
Total tax expenses	32,136.57	11,102.89

27. Earning Per share

	As at March 31, 2017	(₹ in Lacs) As at March 31, 2016
Profit/ (loss) after tax (A)	82,197.61	21,161.95
Less: Exceptional item (net of tax)	(51,685.83)	-
Net profit excluding exceptional item (B)	30,511.78	21,161.95
Weighted average number of equity shares in calculating basic EPS (C)	272,385,729	264,484,512
Add: Effect of dilution - Stock option granted to employees	5,179,083	1,704,362
Weighted average number of equity shares in calculating diluted EPS (D)	277,564,812	266,188,874
Earning per share including exceptional item		
Basic (In ₹) (A / C)	30.18	8.00
Diluted (In ₹) (A / D)	29.61	7.95
Nominal value per share (In ₹)	10.00	10.00
Earning per share excluding exceptional item		
Basic (In ₹) (B / C)	11.20	8.00
Diluted (In ₹) (B / D)	10.99	7.95
Nominal value per share (In ₹)	10.00	10.00

Note:

The number of equity shares and resultant EPS and DPS in respect of financial year ended March 31, 2016 considered above is adjusted for the issue of bonus shares in the current financial year in the ratio of 5:1.

Notes to Financial Statements

for the year ended March 31, 2017

28. Related party disclosures

Names of related parties and related party relationship

Related parties where control exists	
Subsidiaries	Aavas Financiers Limited (formerly known as Au Housing Finance Limited) (Upto June 22, 2016)
	Index Money Limited (upto June 16, 2016)
Other related parties with whom transactions have been taken place during the year	
Associates	Au Insurance Broking Services Private Limited (Upto December 8, 2016)
	M Power Micro Finance Private Limited (Upto September 7, 2016)
Enterprises over which Key management personnel has significant influence	M Power Micro Finance Private Limited
Key management personnel	Mr. Sanjay Agarwal, Managing Director and CEO
	Mr. Uttam Tibrewal, Whole Time Director
	Mr. Deepak Jain, Chief Financial Officer
	Mr. Manmohan Parnami, Company Secretary

a. Loans given and repayment there of for the year ended March 31, 2017

(₹ in Lacs)						
Name of related party	Year ended	Loans given	Repayment of loans given	Interest due	Interest Received	Amount owed by related parties
Subsidiaries						
Aavas Financiers Limited (formerly known as Au Housing Finance Limited)	Mar 31, 2017	-	-	-	-	-
	Mar 31, 2016	11,945.00	11,945.00	12.61	12.61	-
Associates/ Enterprises over which Key management personnel has significant influence						
M Power Micro Finance Private Limited	Mar 31, 2017	4,475.00	4,475.00	27.22	27.22	-
	Mar 31, 2016	5,623.65	6,630.27	25.34	25.34	-

Loans given to related parties are repayable on demand. These loans carry interest @ of 12% to 17% p.a.

b. Remuneration to key managerial personnel

(₹ in Lacs)		
	Year ended March 31, 2017	Year ended March 31, 2016
Mr. Sanjay Agarwal, Managing Director and CEO	3,247.17	322.73
Mr. Uttam Tibrewal, Executive Director	827.61	171.44
Mr. Deepak Jain, Chief Financial Officer	288.39	127.24
Mr. Manmohan Parnami, Company Secretary	37.51	31.80
Total	4,400.68	653.21

Note:

1. 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.
2. Includes special bonus paid to Key Managerial Personnel in connection with the transactions disclosed as exceptional item (refer note 34).

Notes to Financial Statements

for the year ended March 31, 2017

c. Other transactions

(₹ In Lacs)				
Name of related party	Nature of related party	Nature of transactions	Year ended March 31, 2017	Year ended on March 31, 2016
Aavas Financiers Limited (formerly known as Au Housing Finance Limited)	Subsidiary	Investment (Shares)	-	7,000.00
Aavas Financiers Limited (formerly known as Au Housing Finance Limited)	Subsidiary	Reimbursement of expenses (recovered)	9.01	159.63
Aavas Financiers Limited (formerly known as Au Housing Finance Limited)	Subsidiary	Reimbursement of expenses (paid)	2.51	21.80
Aavas Financiers Limited (formerly known as Au Housing Finance Limited)	Subsidiary	Reimbursement of Statutory payments (recovered)	31.82	180.85
Index Money Limited	Subsidiary	Reimbursement of Statutory payments (recovered)	0.00	17.90
Index Money Limited	Subsidiary	Advisory fee (paid)	-	0.13
Au Insurance Broking Services Private Limited	Associate	Reimbursement of expenses (recovered)	7.26	9.07
Au Insurance Broking Services Private Limited	Associate	Reimbursement of expenses (paid)	-	2.72
Au Insurance Broking Services Private Limited	Associate	Reimbursement of Statutory payments (recovered)	13.27	46.36
M Power Micro Finance Private Limited	Associate company	Service fees (paid)	-	1.55
Mr. Sanjay Agarwal	Managing Director & CEO	Purchase of flat	113.00	-
Mr. Sanjay Agarwal	Managing Director & CEO	Issue of Equity Shares of the Company	15,892.25	-
Mr. Uttam Tibrewal	Whole Time Director	Issue of Equity Shares of the Company	1,050.00	-
Mr. Deepak Jain	Chief Financial Officer	Issue of Equity Shares of the Company	210.00	-
Mr. Sanjay Agarwal	Managing Director	Rent	4.28	7.75

(₹ In Lacs)				
Name of related party	Nature of related party	Nature of transactions	Year ended March 31, 2017	Year ended on March 31, 2016
Aavas Financiers Limited (formerly known as Au Housing Finance Limited)	Subsidiary company	Corporate guarantee	-	34,417.20
Mr. Sanjay Agarwal	Managing Director & CEO	Personal guarantee on behalf of Company	105,508.82	102,299.22
Mr. Sanjay Agarwal and Mr. Uttam Tibrewal	Managing Director & CEO and Whole Time Director	Personal guarantee on behalf of Company	3,000.00	5,520.20
Mr. Sanjay Agarwal & Mrs. Jyoti Agarwal	Managing Director & CEO and Shareholder	Personal guarantee on behalf of Company	5,264.00	13,363.09
Mr. Sanjay Agarwal	Managing Director & CEO	Property pledged	-	29.06

Notes to Financial Statements

for the year ended March 31, 2017

d. Outstanding Balances of Related Party

Name of related party	Nature of related party	Nature of transactions	Year ended March 31, 2017	(₹ In Lacs) Year ended on March 31, 2016
Aavas Financiers Limited (formerly known as Au Housing Finance Limited)	Subsidiary	Investment (Shares)	-	14,725.00
Index Money Limited	Subsidiary	Investment (Shares)	-	309.50
Au Insurance Broking Services Private Limited	Associate	Investment (Shares)	-	19.50
M Power Micro Finance Private Limited	Associate/ Enterprises over which Key management personnel has significant influence	Investment (Shares)	105.12	450.00

29 Capital and other commitments:

	As at March 31, 2017	(₹ in Lacs) As at March 31, 2016
Estimated amount of contracts remaining to be executed on capital accounts not provided for :		
Tangible assets	5,142.68	-
Intangible assets	3,259.25	142.50
Loan sanctioned but not disbursed	3,434.06	948.41
	11,835.99	1,090.91

30 Contingent liability not provided for :

	As at March 31, 2017	(₹ in Lacs) As at March 31, 2016
Credit enhancements provided by the Company towards asset assignment / securitisation (including cash collaterals, principal and interest subordination)	30,417.71	16,227.85
Corporate Guarantees/Corporate Undertakings in case of Channel business activity	-	57.18
Corporate Guarantees on borrowings taken by other companies (Aavas Financiers Limited (formerly known as Au Housing Finance Limited))	12,804.00	34,417.20
Claims against the Company not acknowledged as debts *	281.47	187.61
Value added tax	13.89	13.89
Income tax demand #	472.57	71.46
Service tax \$	2,047.54	2,051.42

The claims against the Company comprise of :
* Claims by borrowers consequent to actions against them by the Company in case of defaults and/or repossession of secured assets totaling ₹ 281.47 lacs (P.Y. ₹ 187.61 lacs). The Company has been advised by its legal division that liability is possible, but not probable and according no provision for such liability has been recognised in the financial statements.
"# Income tax demand of ₹ 15.95 Lacs from the Indian tax authorities for payment of tax of financial year 2012-13 upon completion of their tax review. The tax demands are mainly on account of disallowance of expenses which are being contested in appeal before the Income Tax Appeals Tribunal (ITAT) and is pending for disposal.
Income tax demand of ₹ 456.62 Lacs from the Indian tax authorities for payment of tax of financial year 2013-14 upon completion of their tax review. The tax demands are mainly on account of disallowance of expenses which are being contested in appeal before the Commissioner of Income Tax Appeals, Jaipur and is pending for disposal. Out of total demand of ₹ 456.62 Lacs, ₹ 216 lacs adjusted by the Indian income tax authority from the refund claimed by The Company and ₹ 36 Lacs has deposited at the time of appeal filing in front of Commissioner of Income tax appeals, Jaipur.
\$ Service tax demand of ₹ 1209.62 lacs (up to September 2013) and ₹ 837.92 lacs (for the period from October 2013 to March 2015) respectively received from the Service Tax authorities. The Company has filed an appeal against the order before the Custom Excise and Service Tax Appellate Tribunal (CESTAT) and has deposited ₹ 90.72 lacs under protest. The tax demand is mainly on collection agency service on portfolio assigned/secured to banks/financial institution/non-banking financial institutions.

Notes to Financial Statements

for the year ended March 31, 2017

31 The Company operates in a single business segment i.e. lending to borrowers, which have similar risks and returns for the purpose of AS 17 on ‘Segment Reporting’ specified under section 133 of the Companies act 2013, read with rule 7 of the Companies (Accounts) Rules, 2014, Companies (Accounting Standards) Amendment Rules, 2016. The Company operates in a single geographical segment i.e. domestic.

32 Expenditure in Foreign Currency (Accrual basis)

Particulars	Year ended March 31, 2017	(₹ in Lacs) Year ended March 31, 2016
Fee and Subscription	-	1.25
Resource Mobilization Expenses	-	6.40
Debentures Issue Expenses	395.80	16.75
Recruitment Expenses	6.73	-
Software Maintenance Expenses	0.41	-

33 Stock options

The Company has provided various share-based payment schemes to its Directors and Employees. The plans in operation are Plan A, Plan B and Plan C. The numerical A1, A2, B1, B2, B3, B4, C1, C2 and C3 represents different grants made under these plans. During the year ended March 31, 2017, the following series were in operation:

Particulars	Plan A1	Plan A2	Plan B1	Plan B2	Plan B3	Plan B4	Plan C1	Plan C2	Plan C3
Date of grant	Aug 31, 2015	Aug 23, 2016	Aug 31, 2015	Aug 23, 2016	Nov 11, 2016	Jan 24, 2017	Nov 11, 2016	Jan 24, 2017	Feb 22, 2017
Date of Board / Compensation Committee approval	Aug 10, 2015	Aug 23, 2016	Aug 10, 2015	Aug 23, 2016	Nov 11, 2016	Jan 24, 2017	Nov 11, 2016	Jan 24, 2017	Feb 22, 2017
Number of Options granted	3,338,436	418,512	2,862,846	1,092,654	36,000	30,000	11,700	185,900	70,700
Method of settlement	Equity	Equity	Equity	Equity	Equity	Equity	Equity	Equity	Equity
Graded vesting period:									
1st vesting “12 months from the date of grant or on the date of proposed initial public offer of Company`s equity shares (currently estimated September 30, 2017) whichever is later”	20%	20%	20%	20%	20%	20%	NA	NA	NA
1st vesting “12 months from the date of grant or one year from the date of proposed initial public offer of Company`s equity shares (currently estimated September 30, 2017) which ever is later”	NA	NA	NA	NA	NA	NA	20%	20%	20%
2nd vesting “On expiry of one year from the 1st vesting date”	30%	30%	30%	30%	30%	30%	30%	30%	30%
3rd vesting “On expiry of two years from the 1st vesting date”	50%	50%	50%	50%	50%	50%	50%	50%	50%
Exercise period	4 years from the 1st vesting date				6 years from the 1st vesting date				
Vesting conditions					Continuous service		Continuous service		
Weighted average remaining contractual life (years)	4.50	4.50	4.50	4.50	4.62	4.82	7.51	7.51	7.51
Weighted average exercise price per option (₹)	10.11	10.11	33.37	33.37	33.37	33.37	140.00	140.00	140.00

Note:
Number of options and exercise prices disclosed above are adjusted for the issue of bonus shares during the current year in the ratio of 5:1.

Notes to Financial Statements

for the year ended March 31, 2017

Particulars	March 31, 2017								
	Plan A1	Plan A2	Plan B1	Plan B2	Plan B3	Plan B4	Plan C	Plan C2	Plan C3
Options outstanding at the beginning of the year	3,338,418	-	2,862,846	-	-	-	-	-	-
Granted during the year	-	418,512	-	1,092,654	36,000	30,000	11,700	185,900	70,700
Forfeited during the year	-	-	-	-	-	-	-	-	-
Exercised during the year	-	-	-	-	-	-	-	-	-
Expired during the year	(318,864)	-	(59,892)	(85,824)	-	-	-	-	-
Outstanding at the end of the year	3,019,554	418,512	2,802,954	1,006,830	36,000	30,000	11,700	185,900	70,700
Exercisable at the end of the year	-	-	-	-	-	-	-	-	-

Particulars	March 31, 2016								
	Plan A1	Plan A2	Plan B1	Plan B2	Plan B3	Plan B4	Plan C	Plan C2	Plan C3
Options outstanding at the beginning of the year	-	-	-	-	-	-	-	-	-
Granted during the year	3,338,418	-	2,862,846	-	-	-	-	-	-
Forfeited during the year	-	-	-	-	-	-	-	-	-
Exercised during the year	-	-	-	-	-	-	-	-	-
Expired during the year	-	-	-	-	-	-	-	-	-
Outstanding at the end of the year	3,338,418	-	2,862,846	-	-	-	-	-	-
Exercisable at the end of the year	-	-	-	-	-	-	-	-	-

Details of stock options granted during the year:

Plan A & B: The weighted average fair value of stock options granted during the year was ₹ 43.50 (Plan A2), ₹ 30.82 (plan B2), ₹ 68.12 (plan B3), ₹ 68.12 (plan B4), ₹ 39.84 (plan C1), ₹ 38.85 (plan C2) and ₹ 38.45 (plan C3)

The Black-Scholes Model has been used for computing the weighted average fair value considering the following:

Particulars	Plan A2		
	Tranche vesting in FY 2017-18	Tranche vesting in FY 2018-19	Tranche vesting in FY 2019-20
Share price on the date of grant (₹)	51.05	51.05	51.05
Exercise price (₹)	10.11	10.11	10.11
Expected volatility (%)	49.91%	49.91%	49.91%
Life of the options granted (years)	3.10	3.60	4.10
Risk-free interest rate (%)	6.86%	6.86%	6.86%
Expected dividend rate (%)	0%	0%	0%
Fair value of the option (₹)	43.07	43.40	43.74

Notes to Financial Statements

for the year ended March 31, 2017

Particulars	Plan B2			Plan B3			Plan B4		
	Tranche vesting in FY 2017-18	Tranche vesting in FY 2018-19	Tranche vesting in FY 2019-20	Tranche vesting in FY 2017-18	Tranche vesting in FY 2018-19	Tranche vesting in FY 2019-20	Tranche vesting in FY 2017-18	Tranche vesting in FY 2018-19	Tranche vesting in FY 2019-20
Share price on the date of grant (₹)	51.05	51.05	51.05	92.25	92.25	92.25	92.25	92.25	92.25
Exercise price (₹)	33.37	33.37	33.37	33.37	33.37	33.37	33.37	33.37	33.37
Expected volatility (%)	49.91%	49.91%	49.91%	49.91%	49.91%	49.91%	49.91%	49.91%	49.91%
Life of the options granted (years)	3.10	3.60	4.10	3.00	3.50	4.00	3.00	3.50	4.00
Risk-free interest rate (%)	6.86%	6.86%	6.86%	6.86%	6.86%	6.86%	6.86%	6.86%	6.86%
Expected dividend rate (%)	0%	0%	0%	0%	0%	0%	0%	0%	0%
Fair value of the option (₹)	28.31	29.57	30.69	66.50	67.81	68.95	66.50	67.81	68.95

Particulars	Plan C1			Plan C2			Plan C3		
	Tranche vesting in FY 2017-18	Tranche vesting in FY 2018-19	Tranche vesting in FY 2019-20	Tranche vesting in FY 2017-18	Tranche vesting in FY 2018-19	Tranche vesting in FY 2019-20	Tranche vesting in FY 2017-18	Tranche vesting in FY 2018-19	Tranche vesting in FY 2019-20
Share price on the date of grant (₹)	92.25	92.25	92.25	92.25	92.25	92.25	92.25	92.25	92.25
Exercise price (₹)	140.00	140.00	140.00	140.00	140.00	140.00	140.00	140.00	140.00
Expected volatility (%)	49.91%	49.91%	49.91%	49.91%	49.91%	49.91%	49.91%	49.91%	49.91%
Life of the options granted (years)	4.89	5.39	5.89	4.68	5.18	5.69	4.61	5.11	5.61
Risk-free interest rate (%)	6.86%	6.86%	6.86%	6.86%	6.86%	6.86%	6.86%	6.86%	6.86%
Expected dividend rate (%)	0%	0%	0%	0%	0%	0%	0%	0%	0%
Fair value of the option (₹)	36.34	39.18	41.63	35.31	38.18	40.66	35.16	37.72	40.21

The Company measures the cost of ESOP using the intrinsic value method. Had the Company used the fair value model to determine compensation, its profit after tax and earnings per share as reported would have changed to the amounts indicated below:

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
Profit after tax as reported (₹ in lacs)	82,197.61	21,161.95
Add: ESOP cost using intrinsic value method (net of tax)	266.45	135.87
Less: ESOP cost using fair value method (net of tax) (₹ in lacs)	408.67	202.42
Profit after tax (adjusted) (₹ in lacs)	82,055.38	21,095.40
Earnings Per Share		
Basic		
- As reported	30.18	8.00
- Adjusted for ESOP cost using fair value method	30.12	7.98
Diluted		
- As reported	29.61	7.95
- Adjusted for ESOP cost using fair value method	29.56	7.91

Notes to Financial Statements

for the year ended March 31, 2017

Particulars	As at	
	March 31, 2017	March 31, 2016
Stock options outstanding (gross)	1,400.97	1,128.08
Deferred compensation cost outstanding	785.73	920.30
Stock options outstanding (net)	615.24	207.78

34 During the year, the Company sold its investment in subsidiary companies viz. Aavas Financiers Limited (formerly known as Au Housing Finance Limited) and Index Money Limited and associate companies viz. M Power Micro Finance Private Limited and Au Insurance Broking Services Private Limited. The profit on sale of these investments (net of the expenses incurred in connection with such sale) of ₹ 67,034.89 lacs (₹ 51,685.83 lacs, net of tax) has been disclosed as an exceptional item in the financial statements.

The profit after tax excluding the impact of such exceptional item is ₹ 30,511.78 lacs (year ended March 31, 2016: ₹ 21,161.95 lacs) and the resultant basic and diluted earnings per share is ₹ 11.20 and ₹ 10.99, respectively.

35 Details of Specified Bank Notes (SBNs) held and transacted by the Company during the period November 8, 2016 to December 30, 2016

Particulars	As at	
	March 31, 2017	March 31, 2016
Stock options outstanding (gross)	1,400.97	1,128.08
Deferred compensation cost outstanding	785.73	920.30
Stock options outstanding (net)	615.24	207.78

- Notes:
- (a) Under the technology and processes operated by the Company, details of the denomination of notes are not available for all types of cash receipts and payments made by the Company. However, the Company has established a process to monitor the denomination of the notes for the end of day cash balance through daily cash reports submitted by the branches.
- (b) Includes amounts collected by the Company from its loan borrowers against receipts issued on November 8, 2016. These amounts have been accounted on November 9, 2016 in the ordinary course of business, based on the field collection data received from collection officers in respect of the previous day.
- (c) Permitted receipts in other denomination notes include collections made by the Company from its loan borrowers towards regular loan obligations and withdrawals from bank accounts during the period from November 9, 2016 to December 30, 2016 in the ordinary course of business. The Company had implemented interim measures and controls to ensure no transactions are carried out in SBNs. Accordingly, no instances have been reported of any non-permitted receipts or payments being made by the Company.
- (d) Permitted payments in other denomination notes include disbursement of loans to its borrowers and other cash payments in the ordinary course of business.
- (e) In addition to the amounts indicated in the above table, the borrowers of the Company have directly deposited amounts aggregating ₹ 1,335 lacs in the Company's bank accounts through cash and electronic fund transfers.

Notes to Financial Statements

for the year ended March 31, 2017

The identification of cash deposits from such amount and the denomination wise details thereof are not available with the Company except for ₹ 5.49 lacs deposited in SBNs in one bank account of the Company.

36 Details of CSR Expenses

Particulars	As at	
	March 31, 2017	March 31, 2016
a) Gross amount required to be spent by the Company during the year (including deficit of previous year)	672.00	465.00
b) Amount spent during year		
On purposes other than construction/acquisition of any asset		
Paid in Cash	622.65	239.25
Yet to be paid in Cash	-	-
Total	622.65	239.25

37 Disclosure as per RBI guidelines:-

(A) Capital adequacy ratio

Particulars	As at	
	March 31, 2017	March 31, 2016
CRAR (%)	23.04%	17.10%
CRAR - Tier I capital (%)	21.46%	13.66%
CRAR - Tier II capital (%)	1.58%	3.44%
Amount of subordinated debt raised as Tier-II Capital (₹ in lacs)	33,000	35,500
Amount raised by issue of Perpetual Debt Instruments	-	-

(B) Exposures to Real Estate Sector

Category	As at	
	March 31, 2017	March 31, 2016
(A) Direct Exposure-		
Residential Mortgages-		
Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented;	Nil	Nil
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;	68,062.04	73,142.82
Investments in Mortgage Backed Securities (MBS) and other securitized exposures-		
(a) Residential	Nil	Nil
(b) Commercial Real Estate.	Nil	Nil
(B) Indirect Exposure		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFC's).	6,603.49	20,356.69

Of the loans given against the mortgage of any real estate, only those loans have been classified as an exposure to commercial real estate, the prospects for repayment in respect of which depend primarily on the cash flows generated by such mortgaged asset (including the recovery in the event of default).

Notes to Financial Statements

for the year ended March 31, 2017

(C) Asset Liability Management

Maturity pattern of certain items of assets and liabilities as at March 31, 2017

Particulars	1 Day to 31 Days / One Month	Over 1 Month to 2 Month	Over 2 Month to 3 Month	Over 3 Month to 6 Month	Over 6 Month to 1 year	Over 1 year to 3 Years	Over 3 year to 5 Years	Over 5 Years	(₹ In Lacs)
									Total
Advances*	34,410.21	13,587.87	14,027.86	44,617.87	101,076.87	218,192.06	97,955.57	131,225.26	655,093.57
Investments	115,040.84	8,018.22	25,277.80	1,783.47	3,389.20	8,447.92	1,639.16	51,434.80	215,031.41
Borrowings From Banks* *	12,041.26	17,894.03	8,125.26	35,513.66	139,849.87	336,751.96	155,941.67	980.00	707,097.71
Foreign Currency Assets	-	-	-	-	-	-	-	-	-
Foreign Currency Liabilities	-	-	-	-	-	-	-	-	-

*Represent advances under financing activity and Net of Provision on NPA.

**includes financial institutions and other parties.

Maturity pattern of certain items of assets and liabilities as at March 31, 2016

Particulars	1 Day to 31 Days / One Month	Over 1 Month to 2 Month	Over 2 Month to 3 Month	Over 3 Month to 6 Month	Over 6 Month to 1 year	Over 1 year to 3 Years	Over 3 year to 5 Years	Over 5 Years	(₹ In Lacs)
									Total
Advances*	24,069.14	12,042.40	12,365.07	39,662.86	115,071.40	198,535.96	87,754.02	89,021.27	578,522.12
Investments	256.03	285.72	14,276.70	848.02	1,556.19	3,705.42	681.96	1,546.86	23,156.90
Borrowings From Banks* *	12,559.88	31,056.33	20,077.80	28,803.42	104,678.96	143,897.28	116,826.77	20,361.11	478,261.55
Foreign Currency Assets	-	-	-	-	-	-	-	-	-
Foreign Currency Liabilities	-	-	-	-	-	-	-	-	-

*Represent advances under financing activity and Net of Provision on NPA.

**includes financial institutions and other parties.

(D) Instances of fraud for the year ended March 31, 2017

Nature of fraud	No. of cases	Amount of fraud	Recovery	(₹ in Lacs)
				Amount written-off
- Cash embezzlement	1	86.07	12.09	49.69
- Loans given against fictitious documents furnished by customers	-	-	-	-

* The instance of fraud involved off-book loan assets amounting ₹ 30.28 lacs for which no provision/write off is required.

Instances of fraud for the year ended March 31, 2016

Nature of fraud	No. of cases	Amount of fraud	Recovery	(₹ in Lacs)
				Amount written-off
- Cash embezzlement	-	-	-	-
- Loans given against fictitious documents furnished by customers	6	205.80	3.34	202.46

(E) Customer Complaints

Particulars	No. of cases as at March 31, 2017	No. of cases as at March 31, 2016
No. of complaints pending at the beginning of the year	1	1
No. of complaints received during the year	73	90
No. of complaints redressed during the year	74	90
No. of complaints pending at the end of the year	-	1

Notes to Financial Statements

for the year ended March 31, 2017

(F) Derivatives

- (i) The Company has no transactions / open unhedged exposure in derivatives in the current year and previous year.
- (ii) The Company has no unhedged foreign currency exposure as on March 31, 2017 (March 31, 2016: Nil).

(G) Details of financial assets sold to securitisation / reconstruction Company for asset reconstruction:

The Company has not sold financial assets to Securitisation / Reconstruction companies for asset reconstruction in the current year and previous year.

(H) Details of non-performing financial assets purchased / sold

The Company has not purchased / sold non-performing financial assets in the current year and previous year.

(I) Exposure to Capital Market

Particulars	As at March 31, 2017	Amount in Lacs
		As at March 31, 2016
Investment in equity shares	1,597.80	-

(J) Details of financing of parent Company products

This disclosure is not applicable as the Company is the holding Company.

(K) Unsecured Advances – Refer note 14

(L) Registration obtained from other financial sector regulators:

The Company is registered with following other financial sector regulators (Financial regulators as described by Ministry of Finance):

- (i) Financial Intelligence Unit (FIU), MOF, Delhi, India

(M) Disclosure of penalties imposed by RBI and other regulators:

No Penalties were imposed by RBI and other regulators during the year and previous year.

(N) Draw down from Reserves:

There has been no draw down from reserves during the year ended March 31, 2017 (previous year: Nil) other than those disclosed under Note 4.

(O) Concentration of Advances, Exposures and NPAs

	As at March 31, 2017	(₹ In Lacs)
		As at March 31, 2016
Concentration of Advances		
Total advances to twenty largest borrowers	52,511.80	51,008.56
(%) of advances to twenty largest borrowers to total advances	7.96%	8.78%
Concentration of Exposures		
Total exposure to twenty largest borrowers/customers	52,639.42	64,042.67
(%) of exposure to twenty largest borrowers/customers to total exposure	7.86%	10.65%
Concentration of NPAs		
Total exposure to top four NPA accounts	1,502.09	245.70

Notes to Financial Statements

for the year ended March 31, 2017

(P) Ratings assigned by credit rating agencies and migration of ratings during the year:

Deposits Instrument	Name of the rating agency	Date of rating assigned / reviewed	Rating assigned	Valid up to	(₹ In Lacs) Rating Amount
Bank Loan Rating (Long term facilities)	CRISIL Ratings*	Apr 10, 2016/Dec 20, 2016	CRISIL A+/ Stable	Note-1	197,000
	ICRA Ratings	Mar 16, 2016/Mar 08, 2017	ICRA A+ / Stable	Note-1	72,500
	INDIA Ratings**	Oct 05, 2016/Feb 22, 2017	IND A+/Positive	Note-1	74,500
	CARE Ratings	Dec 30, 2015/Mar 10, 2017	CARE A+/Stable	Note-1	110,000
Long-term Debt (NCD)	Brickworks Ratings#	Oct 05, 2016/Mar 09, 2017	BWR AA / Stable	Note-1	109,667
	CRISIL Ratings*	Apr 10, 2016/Dec 20, 2016	CRISIL A+/ Stable	Note-1	102,000
	CRISIL Ratings*	Apr 10, 2016/Dec 20, 2016	CRISIL A+/ Stable	Note-1	5,000
	ICRA Ratings	Oct 14, 2015/Mar 08, 2017	ICRA A+ / Stable	Note-1	30,000
	ICRA Ratings	Mar 08, 2017	ICRA A+ / Stable	Note-1	49,000
	INDIA Ratings**	May 19, 2016/Feb 22, 2017	IND A+/Positive	Note-1	50,000
	INDIA Ratings**	Oct 05, 2016/Feb 22, 2017	IND A+/Positive	Note-1	125,000
	INDIA Ratings**	Mar 02, 2017	IND A+/Positive	Note-1	100,000
	INDIA Ratings**	Feb 22, 2017	IND A+/Positive	Note-1	10,000
	CRISIL Ratings*	Apr 10, 2016/Dec 20, 2016	CRISIL A / Positive	Note-1	14,500
Long-term Debt (Sub debt)	ICRA Ratings	Oct 14, 2015/Mar 08, 2017	ICRA A+ / Stable	Note-1	5,000
	INDIA Ratings**	Oct 05, 2016/Feb 22, 2017	IND A+/Positive	Note-1	15,000
	CRISIL Ratings*	Apr 10, 2016/Dec 20, 2016	CRISIL A1+	Note-1	50,000
	INDIA Ratings**	May 19, 2016/Feb 22, 2017	IND A1+/Positive	Note-1	50,000
Short-term Debt (Commercial Paper /Non Convertible Debenture)	INDIA Ratings**	Dec 09, 2015/Feb 22, 2017	IND A1+/Positive	Note-1	100,000

*CRISIL rating upgraded on December 20, 2016 to “ CRISIL A+/Stable
Brickworks rating upgraded on October 05, 2016 from “BWR AA- / Stable” to “BWR AA / Stable
** India Ratings revised outlook on February 22, 2017 from IND A1+/Stable to IND A+/Positive
Note-1: The Rating is subject to annual surveillance till final repayment / redemption of rated facilities.

Name of transaction	Date of Transaction	Transaction Structure DA/PTC	Amount	(₹ In Lacs) Rating
ISLT - XII	Oct 16, 2014	Securitization (PTC)	14,491.50	CRISIL A+(SO)
ISLT - XIII	Dec 26, 2014	Securitization (PTC)	4,526.00	IND AA (SO) Stable
ISLT - XIV	Feb 07, 2015	Securitization (PTC)	4,560.00	IND A (SO) stable
ISLT - XV	Mar 26, 2015	Securitization (PTC)	1,706.00	IND AA (SO) Stable
ISLT - XVI	Mar 31, 2015	Securitization (PTC)	5,074.00	IND A (SO) stable
ISLT - XVII	Jun 12, 2015	Securitization (PTC)	7,107.00	IND A (SO)
ISLT - XVIII	Aug 20, 2015	Securitization (PTC)	4,589.60	IND AA (SO)
ISLT - XIX	Sep 29, 2015	Securitization (PTC)	7,297.00	IND A (SO) stable
ISLT - XX	Nov 26, 2015	Securitization (PTC)	5,172.00	IND AA (SO) stable
ISLT - XXI	Dec 23, 2015	Securitization (PTC)	6,820.60	IND A (SO) stable
ISLT - XXIII	Feb 06, 2016	Securitization (PTC)	8,130.11	IND A (SO) stable
ISLT - XXII	Feb 29, 2016	Securitization (PTC)	6,442.00	IND AAA(SO) / Moody's Baa3 (sf)
ISLT - XXIV	Mar 30, 2016	Securitization (PTC)	4,707.73	IND AA (SO) stable
ISLT - XXV	Mar 31, 2016	Securitization (PTC)	17,594.41	IND A (SO) stable
ISLT XXVI	May 31, 2016	Securitization (PTC)	10,607.42	IND AA (SO) Stable
ISLT XXVII	Jun 15, 2016	Securitization (PTC)	10,109.64	IND A (SO) stable
ISLT XXVIII	Aug 31, 2016	Securitization (PTC)	9,991.14	ICRA AA
ISLT XXXI	Aug 30, 2016	Securitization (PTC)	21,085.38	IND AA+ (SO) Stable
ISLT XXIX	Sep 09, 2016	Securitization (PTC)	9,814.20	ICRA AA
ISLT XXX	Sep 12, 2016	Securitization (PTC)	12,518.62	ICRA AAA / Moody's Baa3 (sf)
ISLT XXXII	Sep 06, 2016	Securitization (PTC)	12,572.80	IND A (SO) stable
ISLT XXXV	Sep 22, 2016	Securitization (PTC)	9,099.59	ICRA AA+

Notes to Financial Statements

for the year ended March 31, 2017

Name of transaction	Date of Transaction	Transaction Structure DA/PTC	Amount	(₹ In Lacs) Rating
ISLT XXXIII	Sep 22, 2016	Securitization (PTC)	8,951.87	ICRA AA
ISLT XXXIV	Sep 28, 2016	Securitization (PTC)	12,955.09	IND AA (SO) Stable
ISLT XXXVI	Sep 30, 2016	Securitization (PTC)	7,543.22	IND AAA (SO) Stable / Moody's Baa3 (sf)
ISLT - XXXVII	Oct 29, 2016	Securitization (PTC)	9,916.34	IND A (SO)
ISLT - XXXVIII	Nov 22, 2016	Securitization (PTC)	11,152.41	IND AA(SO)
ISLT XXXIX	Dec 20, 2016	Securitization (PTC)	9,947.83	IND AA(SO)
ISLT XL	Dec 31, 2016	Securitization (PTC)	15,663.76	IND A (SO)
ISLT XLII	Feb 17, 2017	Securitization (PTC)	12,502.56	IND A (SO)
ISLT XLI	Feb 17, 2017	Securitization (PTC)	8,796.68	IND AA(SO)
ISLT XLIII	Mar 09, 2017	Securitization (PTC)	11,255.30	IND AA(SO)
ISLT XLIV	Mar 27, 2017	Securitization (PTC)	10,227.42	IND AAA(SO)/Moody's Baa3
ISLT - XLV	Mar 31, 2017	Securitization (PTC)	23,479.42	IND A (SO)

38 Litigation

The Company has certain litigations pending with the income tax authorities, service tax authorities and other litigations which have arisen in the ordinary course of business. The Company has reviewed all such pending litigations having an impact on the financial position, and has adequately provided for where provision is required and disclosed the contingent liabilities where applicable, in its financial statements. Refer note 30 for items disclosed as contingent liabilities.

39 At the year end, the Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.

40 Previous year figures have been regrouped / reclassified, where necessary, to conform to this year’s classification.

For and on behalf of the Board of Directors
AU SMALL FINANCE BANK LIMITED
(Formerly Au Financiers (India) Limited)

Sanjay Agarwal
(Managing Director and CEO)

Uttam Tibrewal
(Whole time Director)

Deepak Jain
(Chief Financial Officer)

Manmohan Parnami
(Company Secretary)

Place: Jaipur
Date: May 13, 2017

Independent Auditor’s Report

To the Members of AU Small Finance Bank Limited (formerly “Au Financiers (India) Limited”)

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of AU Small Finance Bank Limited (formerly “Au Financiers (India) Limited”) (hereinafter referred to as “the Holding Company”), its subsidiaries (the Holding Company and its subsidiaries together referred to as “the Group”) and its associates, comprising of the consolidated Balance Sheet as at March 31, 2017, the consolidated Statement of Profit and Loss and consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information (hereinafter referred to as “the consolidated financial statements”).

Management’s Responsibility for the Consolidated Financial Statements

The Holding Company’s Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirement of the Companies Act, 2013 (“the Act”) that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group and its associates in accordance with accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and Companies (Accounting Standards) Amendment Rules, 2016. The respective Board of Directors of the companies included in the Group and of its associates 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 of its associates for preventing and detecting frauds and other irregularities; the 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 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 financial

statements by the Directors of the Holding Company, as aforesaid.

Auditor’s Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India (“ICAI”), as specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company’s preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Holding Company’s Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence obtained by us and as referred to in paragraph (a) under the heading “Other Matters” below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us and based on the other financial information of the subsidiaries and associates, the aforesaid consolidated financial statements give the information required by the Act in

the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the consolidated state of affairs of the Group and its associates as at March 31, 2017, their consolidated profit, and their consolidated cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

As required by section 143 (3) of the Act, based on our audit and on consideration of the other financial information of subsidiaries and associates, as noted in paragraph (a) under the heading “Other Matters” below 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 purpose of our audit of the aforesaid consolidated financial statements;
- (b) In our opinion proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books;
- (c) The consolidated Balance Sheet, consolidated Statement of Profit and Loss and consolidated Cash Flow Statement dealt with by this Report are in agreement with the books of account maintained for the purpose of preparation of the aforesaid consolidated financial statements;
- (d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and Companies (Accounting Standards) Amendment Rules, 2016;
- (e) On the basis of the written representations received from the directors of the Holding Company as on March 31, 2017 taken on record by the Board of Directors of the Holding Company, none of the directors of the Company is disqualified as on March 31, 2017 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 of the Holding Company refer to our separate report in “Annexure 1” to this Report. Since there were no subsidiaries or associates as at March 31, 2017, our reporting In Annexure 1 is only with respect to the Holding Company;

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

- i. The consolidated financial statements disclose the impact of pending litigations on its financial position of the Holding Company – Refer Note 37 to the consolidated financial statements.
- ii. The Holding Company did not have any material foreseeable losses in long-term contracts including derivative contracts during the year ended March 31, 2017.
- iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Holding Company during the year ended March 31, 2017.
- iv. The Holding Company has provided disclosures in Note 36 to the consolidated financial statements as to the holding of Specified Bank Notes (SBNs) on November 8, 2016 and December 30, 2016 as well as dealings in SBNs during the period from November 9, 2016 to December 30, 2016. Based on audit procedures and relying on management representations, except for the segregation between SBNs and other denominations, as more fully described in Note 36 (a), to these consolidated financial statements, on which we are unable to comment in the absence of sufficient appropriate audit evidence, we report that the amounts disclosed in the said note are in accordance with the books of account maintained by the Holding Company and produced before us for verification. Further, as stated in Note

36 (e) to the consolidated financial statements, the borrowers of the Holding Company have directly deposited cash in the Holding Company's bank accounts and, as represented to us, the denomination wise details of all such deposits are not available with the Holding Company and accordingly, in the absence of sufficient appropriate audit evidence in this regard, we are unable to comment on the matter.

Other Matters

(a) The accompanying consolidated financial statements include total revenue of ₹ 5,855.12 lakhs in respect of two subsidiaries, which have been disposed off during the year. The financial information for these subsidiaries have been drawn from the unaudited financial statements and other unaudited financial information prepared for the period upto the date of disposal of the respective subsidiaries and as furnished to us by the management. The consolidated financial statements also include the Holding Company's share of net profit of ₹ 102.46 lakhs in respect of two associates for the period upto the date of their disposal, whose financial statements and other financial information, furnished to us by the management, have not been audited. Our opinion, in so far as it relates to the amounts and disclosures

included in respect of these subsidiaries and associates, and our report in terms of sub-sections (3) of Section 143 of the Act in so far as it relates to the aforesaid subsidiaries and associates, is based solely on such unaudited financial statements and other unaudited financial information. In our opinion and according to the information and explanations given to us by the management, these financial statements and other financial information are not material to the Group.

Our opinion above on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements above, is not modified in respect of the above matters with respect to our reliance on the financial statements and other financial information certified by the management.

For **S. R. BATLIBOI & ASSOCIATES LLP**
ICAI Firm registration number: 101049W/E300004
Chartered Accountants

per **Amit Kabra**
Partner
Membership No. 094533

Mumbai
August 9, 2017

Annexure referred to in paragraph (f) under the heading “Report on other legal and regulatory requirements” of our report of even date

In conjunction with our audit of the consolidated financial statements of AU Small Finance Bank Limited (formerly “Au Financiers (India) Limited”) as of and for the year ended March 31, 2017, we have audited the internal financial controls over financial reporting of AU Small Finance Bank Limited (formerly “Au Financiers (India) Limited”) (hereinafter referred to as “the Holding Company”).

Management’s Responsibility for Internal Financial Controls

The Holding Company's Management is 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 Holding 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 Holding Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of

Internal Financial Controls Over Financial Reporting (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 was established and maintained and if such controls operated effectively in all material respects.

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

Meaning of Internal Financial Controls Over Financial Reporting

A 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. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance

that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Opinion

In our opinion, the Holding Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2017, 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**
ICAI Firm registration number: 101049W/E300004
Chartered Accountants

per **Amit Kabra**
Partner
Membership No. 094533

Mumbai
August 9, 2017

Consolidated Balance Sheet
as at March 31, 2017

	Note No.	As at March 31, 2017	(₹ in Lacs) As at March 31, 2016
Equity and liabilities			
Shareholders' funds			
Share capital	4	28,425.09	4,408.08
Reserves and surplus	5	170,334.17	102,247.06
		198,759.26	106,655.14
Minority Interest			
		-	423.31
Non-current liabilities			
Long-term borrowings	6	493,673.63	400,721.77
Other long-term liabilities	7	5,914.02	6,713.04
Long-term provisions	8	6,856.73	5,418.63
		506,444.38	412,853.44
Current liabilities			
Short-term borrowings	9	99,404.57	112,202.47
Other current liabilities	10	175,796.25	158,995.27
Short-term provisions	8	765.45	2,151.59
		275,966.27	273,349.33
TOTAL		981,169.91	793,281.22
Assets			
Non-current assets			
Fixed assets			
Property, Plant and Equipment	11(A)	3,455.90	2,808.16
Intangible assets	11(B)	142.10	176.61
Capital work-in-progress	11(A)	15,982.76	39.14
Intangible assets under development	11(B)	8,003.75	-
Goodwill on Consolidation		-	52.95
Non-current investments	13	61,521.88	4,556.65
Deferred tax assets (net)	14	1,193.60	1,645.43
Receivable under financing activity	15	451,777.89	518,225.10
Long-term loans and advances	16	3,678.46	921.45
Other non-current assets	17	95.23	644.81
		545,851.57	529,070.30
Current assets			
Current investments	13	153,509.53	4,371.20
Cash and bank balances	18	62,449.68	43,015.65
Receivable under financing activity	15	207,720.68	208,481.41
Short-term loans and advances	19	5,310.23	2,219.16
Other current assets	20	6,328.22	6,123.50
		435,318.34	264,210.92
TOTAL		981,169.91	793,281.22
Summary of significant accounting policies	3.2		

The accompanying notes are an integral part of the consolidated financial statements.

As per our report of even date
For **S.R. Batliboi & Associates LLP**
ICAI Firm Registration No.: 101049W/E300004
Chartered Accountants

per **Amit Kabra**
Partner
Membership No. 094533

Place: Mumbai
Date: August 9, 2017

For and on behalf of the Board of Directors
AU Small Finance Bank Limited
(Formerly Au Financiers (India) Limited)

Sanjay Agarwal
(Managing Director and CEO)

Deepak Jain
(Chief Financial Officer)

Place: Mumbai
Date: August 9, 2017

Uttam Tibrewal
(Whole Time Director)

Manmohan Parnami
(Company Secretary)

Statement of Consolidated Profit and Loss
for the year ended March 31, 2017

	Note No.	Year ended March 31, 2017	(₹ In Lacs) Year ended March 31, 2016
Income			
Revenue from operations	21	142,947.45	120,629.22
Other income	22	1,651.43	781.16
Total Revenue (I)		144,598.88	121,410.38
Expenses			
Employee benefit expenses	23	20,087.82	19,168.88
Finance costs	24	53,135.18	49,200.81
Depreciation and amortization expense	11/12	609.31	980.46
Other expenses	25	15,373.37	9,886.68
Provisions and write offs	26	6,754.30	4,848.70
Total expenses (II)		95,959.98	84,085.53
Profit before exceptional items and tax (III)= (I)-(II)		48,638.90	37,324.85
Exceptional Item (IV) (refer note 35)		59,582.35	-
Profit before tax (V)= (III)+(IV)		108,221.25	37,324.85
Tax expenses:			
Current tax	27	31,048.36	13,135.75
Deferred tax	27	642.60	(293.48)
Tax relating to earlier periods	27	445.61	(23.06)
Total tax expenses (IV)		32,136.57	12,819.21
Profit after tax (III)-(IV)		76,084.68	24,505.64
Add: Share of Profit of Associate		102.46	148.08
Net profit after taxes and Share of Profit of Associate		76,187.14	24,653.72
Earnings per equity share (including exceptional item)	27		
Basic (₹)		27.97	9.32
Diluted (₹)		27.45	9.26
Nominal value per share (₹)		10.00	10.00
Earnings per equity share (excluding exceptional item)	27		
Basic (₹)		11.73	9.32
Diluted (₹)		11.51	9.26
Nominal value per share (₹)		10.00	10.00
Summary of significant accounting policies	3.2		

The accompanying notes are an integral part of the consolidated financial statements.

As per our report of even date
For **S.R. Batliboi & Associates LLP**
ICAI Firm Registration No.: 101049W/E300004
Chartered Accountants

per **Amit Kabra**
Partner
Membership No. 094533

Place: Mumbai
Date: August 9, 2017

For and on behalf of the Board of Directors
AU Small Finance Bank Limited
(Formerly Au Financiers (India) Limited)

Sanjay Agarwal
(Managing Director and CEO)

Deepak Jain
(Chief Financial Officer)

Place: Mumbai
Date: August 9, 2017

Uttam Tibrewal
(Whole Time Director)

Manmohan Parnami
(Company Secretary)

Consolidated Cash Flow Statement
for the year ended March 31, 2017

Particulars	Year ended March 31, 2017	(₹ In Lacs) Year ended March 31, 2016
Cash flow from operating activities		
Net profit before tax as per statement of consolidated profit and loss	108,221.22	37,324.85
Add/(Less) :		
Depreciation and amortization expense	609.31	980.46
Loss/(Profit) on sale of fixed assets	(5.68)	(6.11)
Profit on sale of investments (considered in Investing activities)	(59,582.35)	(630.84)
Income received on investments (considered in Investing activities)	(1,130.17)	-
Contingent provision against standard assets	(144.75)	1,090.52
Provision for contingencies	-	109.46
Provision for non-performing assets	1,483.69	(121.03)
Provision for doubtful debts	21.34	-
Provision on old assigned cases	(3.08)	(27.18)
Provision for employee benefits	220.59	284.03
Share issue expenses	204.23	-
Employee stock option expenditure	407.46	207.78
Operating profit before working capital changes	50,301.81	39,211.94
Movement in working capital		
Decrease / (increase) in Receivable under financing activity	67,207.93	(284,043.14)
Decrease / (increase) in Short term loans and advances	(3,112.40)	(815.83)
Decrease / (increase) in Long-term loans and advances	(2,715.28)	(14.14)
Decrease / (increase) in Other current assets	(252.43)	(2,416.31)
(Decrease) / increase in Other long-term liabilities	(1,787.54)	(457.68)
(Decrease) / increase in Other current liabilities	10,800.95	88,252.89
Cash generated from/(used in) operations	120,443.04	(160,282.27)
Direct taxes paid	(32,012.65)	(11,652.51)
Wealth tax paid	-	(1.68)
Net cash flow from/ (used in) operating activities (A)	88,430.39	(171,936.46)
Cash flows from investing activities		
Purchase of intangible assets (including intangible asset under development)	(8,049.30)	(113.04)
Purchase of fixed assets (including CWIP)	(17,740.19)	(1,461.06)
Sale of fixed assets	625.47	16.54
Sale of investment in subsidiaries / associate (net of related expenses)	57,521.77	-
Decrease / (increase) in deposits (net)	(8,322.61)	7,149.55
Investments in government securities and others	(91,399.41)	-
Purchase of mutual fund units and PTCs	(647,482.98)	(176,497.87)
Sale of mutual fund units and PTCs	534,825.47	174,800.89
Net cash flow from/ (used in) investing activities (B)	(180,021.78)	3,895.01

Consolidated Cash Flow Statement
for the year ended March 31, 2017

Particulars	Year ended March 31, 2017	(₹ In Lacs) Year ended March 31, 2016
Cash flows from financing activities		
Net proceeds from long term borrowing	98,951.83	190,377.52
Net proceeds from short term borrowing	(12,797.90)	5,589.73
Issue of Equity Shares (including Securities Premium)	17,152.25	400.00
Share Issue Expense	(204.23)	-
Debentures issue expenses	(948.73)	(518.76)
Net cash flow from/ (used in) in financing activities (C)	102,153.22	195,848.49
Net increase/(decrease) in cash and cash equivalents (A + B + C)	10,561.83	27,807.04
Cash and cash equivalents at the beginning of the year	33,613.31	5,806.27
Cash and cash equivalents at the end of the year	44,175.14	33,613.31
Components of cash and cash equivalents		
Cash on hand	1,342.04	1,657.49
Balance with franking machine*	58.34	93.98
Balance with banks		
In current accounts	5,199.61	24,526.76
In deposit account	37,575.15	7,335.08
Less: Bank overdraft	-	-
Total cash and cash equivalents (Refer note no. 18)	44,175.14	33,613.31

* The Company can utilize the balance only towards stamping of loan agreements executed with their borrowers.

As per our report of even date
For **S.R. Batliboi & Associates LLP**
ICAI Firm Registration No.: 101049W/E300004
Chartered Accountants

per **Amit Kabra**
Partner
Membership No. 094533

Place: Mumbai
Date: August 9, 2017

For and on behalf of the Board of Directors
AU Small Finance Bank Limited
(Formerly Au Financiers (India) Limited)

Sanjay Agarwal
(Managing Director and CEO)

Deepak Jain
(Chief Financial Officer)

Place: Mumbai
Date: August 9, 2017

Uttam Tibrewal
(Whole Time Director)

Manmohan Parnami
(Company Secretary)

Notes to Consolidated Financial Statements

for the year ended March 31, 2017

1 Corporate information

AU Small Finance Bank Limited (formerly known as Au Financiers (India) Limited) ('the Company') is a public company domiciled in India and incorporated under the provisions of the Companies Act, 1956.

The Company is engaged in lending activities. The Company had obtained its license from Reserve Bank of India ('RBI') to operate as a non deposit accepting Non Banking Financial Company (NBFC-ND) on November 7, 2000 vide certificate of registration no. B-10-00139.

The Company has changed its name to AU Small Finance Bank Limited with effect from April 13, 2017 and commenced its operations as a Small Finance Bank from April 19, 2017 pursuant to the approval received from the Reserve Bank of India dated December 20, 2016. The financial statements for the year ended March 31, 2017 have been prepared using the basis of preparation as detailed in note 2 below.

2 Basis of preparation

The consolidated financial statements relates to AU Small Finance Bank Limited (formerly known as Au Financiers (India) Limited) ('the Company'), its subsidiary companies and associates. The Company, its subsidiary companies and associates together constitute the Group. The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP). The Company has prepared these financial statements to comply in all material respects with the Accounting Standards notified under section 133 of the Companies Act, 2013 ('the Act'), read with Rule 7 of the Companies (Accounts) Rules, 2014; the Companies (Accounting Standards) Amendment Rules, 2016 and the provisions of the RBI as applicable to a Systemically Important Non-Banking Financial Company ('NBFC-ND-SI'). The consolidated financial statements have been prepared on an accrual basis and under the historical cost convention except as detailed in 3.2 (c) below.

The accounting policies adopted in the preparation of consolidated financial statements are

consistent with those of previous year except for the changes described in 3.2 (a) below.

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Act. The Company has ascertained its operating cycle as 12 months for the above purpose

3 Principles of Consolidation

(a) The financial statements of the subsidiary companies and the associates used in the consolidation are drawn up to the same reporting date as of the Company i.e. year ended March 31, 2017 and are prepared based on the accounting policies consistent with those used by the Company except for the differences disclosed in the financial statement.

(b) The financial statements of the Group have been prepared in accordance with the AS-21- 'Consolidated financial statements' and AS-23- 'Accounting for Investments in Associates' in consolidated financial statements.

(c) The consolidated financial statements have been prepared on the following basis :

- i) The financial statements of the Company and its subsidiary companies have been combined on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. The intra-group balances and intra-group transactions have been fully eliminated except where losses are realised.
- ii) The consolidated financial statements include the share of profit / loss of the associate companies which has been accounted as per the "Equity method" and accordingly, the share of profit / loss of the associate companies (the loss being restricted to the cost of investment) has been added to / deducted from the cost of investments. An associate is an enterprises in which the investor has significant influence and which is neither a subsidiary nor a joint venture of the investor.

Notes to Consolidated Financial Statements

for the year ended March 31, 2017

- iii) The excess of cost to the Company of its investments in the subsidiary companies over its share of equity of the subsidiary companies, at the dates on which the investments in the subsidiary companies are made, is recognised as 'goodwill' being an asset in the consolidated financial statements. Alternatively, where the share of equity in the subsidiary companies as on the date of investment is in excess of cost of investment of the Company, it is recognised as 'Capital Reserve' and shown

under the head 'Reserves and Surplus' in the consolidated financial statements.

- iv) Minority interest, if any, in the net assets of consolidated subsidiaries consists of the amount of equity attributable to the minority shareholders at the dates on which investments are made by the company in the subsidiary companies and further movements in their share in the equity, subsequent to the dates of investments as stated above.

3.1 Information on Subsidiaries and Associates

(a) Following Subsidiary Companies are considered in the consolidated financial statements:

Name of the Company	Country of Incorporation	Proportion of ownership interest	
		As at March 31, 2017	As at March 31, 2016
Aavas Financiers Limited (formerly known as Au Housing Finance Limited)	India	7.39%	97.92%
Index Money Limited	India	0.00%	100.00%

(b) The details of Associate company are as follows:

Name of the Company	Country of Incorporation	Proportion of ownership interest	
		As at March 31, 2017	As at March 31, 2016
Au Insurance Broking Service Private Limited	India	0.00%	26.00%
M Power Micro Finance Private Limited	India	6.99%	38.53%

3.2 Summary of significant accounting policies

(a) (i) Change in method of depreciation and useful lives of assets

With effect from April 1, 2016, the Company has revised the method of depreciation of fixed assets from 'written down value method' to 'straight line method' and has also reassessed the estimates of useful lives of certain classes of fixed assets. As a result of these changes in the estimates, the depreciation for the period is lower by ₹501.84 lacs.

(a) (ii) Change in provisioning for loan portfolio

With effect from April 1, 2016, the Company has revised its estimates of provisioning for loan portfolio, in line with the requirements of the RBI

Master Direction DNBR.PD.008/03.10.119/2016-17 dated September 01, 2016. As a result of such change, the profit for the current period is lower by ₹ 455.31 lacs (including the effect of income reversal on non-performing assets).

(b) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles in India (Indian GAAP) requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. Although these estimates are based on the management's best knowledge

Notes to Consolidated Financial Statements
for the year ended March 31, 2017

of current events and actions, these assumptions and estimates could result in the outcomes requiring an adjustment to the carrying amounts of assets or liabilities in future periods.

(c) **Revenue recognition**

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

(i) **Income from financing activities**

(a) Interest Income is recognized on a time proportion accrual basis taking into account the amount outstanding and the interest rate implicit in the underlying agreements. Income or any other charges on non-performing assets or on assets taken in custody for recovery of loan through disposal of such assets during the period are recognized only when realized. Any such income recognized and remaining unrealized, before the asset became non-performing or before disposal of assets in custody of the company, is reversed.

Overdue interest is recognized on realization basis. Overdue interest is treated to accrue on realisation, due to the uncertainty of their realisation.

(b) Loan origination income i.e. processing fee and other charges collected upfront are recognised at the inception of the loan.

(c) All other charges such as cheque return charges, legal charges, seizing charges, etc. are recognised on realisation basis. These charges are treated to accrue on realisation, due to the uncertainty of their realisation.

(ii) **Income from assignment/securitization**

(a) For assignment transactions entered into prior to RBI circular no. DNBS.PD.No. 301/3.10.01/2012-13 dated August 21, 2012.

In case of assignment of loan assets and related receivables “at par”, income is

accounted for by applying the interest rate implicit in such assigned contracts as reduced by Internal Rate of Return (IRR) committed to the purchaser of loan assets.

(b) For transactions done after issuance of RBI circular no. DNBS.PD.No. 301/3.10.01/2012-13 dated August 21, 2012.

Gains arising on securitisation of assets is recognised over the tenure of securities issued by SPV as per guidelines on securitisation of standard assets issued by RBI. Income from excess interest spread is accounted for net of losses when redeemed in cash. Expenditure in respect of securitisation (except bank guarantee fees for credit enhancement) is recognised upfront. Bank guarantee fees for credit enhancement are amortised over the tenure of the agreements. Income arising on direct assignment is recognised over the tenure of agreement on accrual basis.

(iii) **Income from deposits**

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

(iv) **Income from investment**

(i) Dividend is recognised as income when right to receive the dividend is established by the date of balance sheet.

(ii) Interest income on investment is recognised on accrual basis..

(v) **Finance Advisory Services**

Revenue from “Finance Advisory Services” is recognized upon final conclusion of the specific financing activity carried out for the customer / client.

(d) **Property, Plant and Equipment/ Intangible Assets/ Capital work-in-progress/ Intangible assets under development, Depreciation/ Amortisation and Impairment**

Notes to Consolidated Financial Statements
for the year ended March 31, 2017

(i) **Property, Plant and Equipment**

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. The cost comprises purchase price, borrowing costs if capitalization criteria are met, directly attributable cost of bringing the asset to its working condition for the intended use.

Gains or losses arising from derecognition of fixed assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of consolidated profit and loss when the asset is derecognised.

(a) **Depreciation on property, plant and equipment:**

Leasehold land is amortized on a straight line basis over the period of lease.

Depreciation on property, plant and equipment is calculated on a straight-line basis using the rates arrived at, based on the useful lives estimated by the management as given below. Based on technical advice, determination of useful life of an asset is a matter of judgment and based on various factors such as type and make of an item, its place and pattern of usage, nature of technology, obsolescence factors, availability of spares, etc. makes a significant impact on the useful life of an asset.

Particulars	Useful lives (years) adopted from April 1, 2016
Building	60
Addition to leased premises	10
Furniture and Fixtures	10
Vehicles	8
Computers, Printers, Servers and other office equipment	3-6
Vaults, Strong Room Door, ATM and other equipment for bank operations	10-15

All fixed assets individually costing ₹ 5,000 or less are fully depreciated in the year of installation/ purchase as the management estimates the useful life of such assets as one year.

Depreciation on assets acquired/sold during the period is recognised on a pro-rata basis to the statement of profit and loss from/upto the date of acquisition/sale.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial period end and adjusted prospectively, if appropriate.

(ii) **Intangible assets**

Intangible assets are amortized on a straight line basis over the estimated useful economic life. The Company uses a rebuttable presumption that the useful life of an intangible asset will not exceed seven 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 seven years, the company amortizes the intangible asset over the best estimate of its useful life. Such intangible assets and intangible assets not yet available for use are tested for impairment annually, either individually or at the cash-generating unit level. All other intangible assets are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortization period and the amortization method are reviewed at least at each financial period end. If the expected useful life of the asset is significantly different from previous estimates, the amortization period is changed accordingly. If there has been a significant change in the expected pattern of economic benefits from the asset, the amortization method is changed to reflect the changed pattern. Such changes are accounted for in accordance with AS 5 Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies.

Notes to Consolidated Financial Statements

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Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized.

(iii) Impairment of 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.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

(iv) Capital work-in-progress/ Intangible assets under development

Costs incurred towards acquisition of assets, including expenses incurred prior to those assets being put to use and directly attributable to bringing them to their working condition are included under "Capital Work in Progress" or "Intangible assets under development". Capital Work in Progress and Intangible assets under development are stated at the amount incurred up to the date of Balance Sheet including advances given to vendors.

(e) Retirement and other employee benefits

(i) Defined Contribution Plans

The Provident Fund and Employees State Insurance are defined contribution plans and the contribution to the same are charged to the statement of profit and loss during the year in which the services are rendered.

(ii) Defined Benefit Plans

Gratuity is a defined benefit obligation and is provided for at the year end on the basis of an actuarial valuation using the Projected Unit Credit method. Actuarial gains and losses are recognised in the statement of profit and loss as and when incurred.

(iii) Compensated absences

Compensated absences are considered as a long-term employee benefit and is provided for based on an actuarial valuation using Projected Unit Credit method. Actuarial gains and losses are recognised in the statement of consolidated profit and loss as and when incurred.

(f) Taxes on Income

Tax expenses comprises of current income tax and deferred tax.

Income tax

Current income-tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961 enacted in India. 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 directly in equity is recognised in equity and not in statement of consolidated Profit and Loss.

Deferred taxes

Deferred income taxes reflect the impact of timing differences between taxable income and accounting income originating during the current year and reversal of timing differences for the earlier years. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted at the reporting date. Deferred income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit and loss.

Deferred tax liabilities are recognised for all taxable timing differences. Deferred tax assets are recognised for deductible timing differences only to the extent that there is reasonable

Notes to Consolidated Financial Statements

for the year ended March 31, 2017

certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. In situations where the company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

The carrying cost of the deferred tax assets are reviewed at each balance sheet date. The Company writes down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

(g) Investments

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

On initial recognition, all investments are measured at cost. The cost comprises purchase price and directly attributable acquisition charges such as brokerage, fees and duties.

Current investments are carried in the financial statements at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of the investments

On disposal of an investment, the difference between its carrying amount and net disposal proceeds is charged or credited to the statement of consolidated profit and loss.

(h) Borrowing cost

Borrowing cost includes interest and amortization of ancillary costs incurred in connection with the arrangement of borrowings.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur.

(i) Share/ Debenture issue expenses incurred are expensed in the year of issue and redemption premium payable on debentures is expensed over the term of debentures. These are adjusted to the securities premium account in accordance with Section 52 of the Act to the extent of balance available in such premium account.

(j) Operating Leases

Leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognised as an expense in the statement of consolidated profit and loss on a straight-line basis over the lease term.

(k) Provisioning / write off of assets

(i) Secured / Unsecured loans and receivables are provided for/written off as per Company's policy, as given in sub-para (ii) below, subject to the minimum provision required as per Master Direction - Non-Banking Financial Company -Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 issued vide Master Direction DNBR.PD.008/03.10.119/2016-17 dated September 01, 2016 ("the NBFC-ND-SI Master Directions").

(ii) As per Company's policy, loans with principal or interest overdue for more than 4 months

Notes to Consolidated Financial Statements
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are considered as non performing loans and provided at following rates :

Customers with 4 month to less than 6 months overdue	: provision @ 10% of outstanding amount
Customers with 6 month to less than 12 months overdue	: provision @ 40% of outstanding amount
Customers with 12 months and above overdue	: written off @100%

(iii) Provision on standard assets is made @ 0.35% pursuant to the NBFC-ND-SI Master Directions.

(iv) Provision for delinquencies and servicing costs on assets securitised/assigned before introduction of RBI guidelines on Direct Assignment dated August 21, 2012 is made at following rates, which are based on management estimates, developed using the historical data: :

On premium structure	: @ 0.75% of the principal outstanding
On at par structure	: @ 0.25% of the principal outstanding

(v) Housing loans and other loans are classified as per the Housing Finance Companies (NHB) Directions, 2010 ("the NHB Directions"), into performing and non-performing assets. Further, non-performing assets are classified into sub-standard, doubtful and loss assets and provision made based on criteria stipulated by the NHB Directions. Additional provisions are made against specific non-performing assets over and above as stated in the NHB Directions, if in the opinion of the management higher provision is necessary.

(vi) The Group maintains general provision to cover potential credit losses, which are inherent in any loan portfolio but not identified, In accordance with 'the NHB Directions'.

(vii) The Company also makes an additional provision to meet unforeseen contingencies. Excess provision over and above provisioning requirement for standard and non-performing assets is carried under "Provision for Contingencies".

(l) Provisions, contingent liabilities

A provision is recognised when the Company has a present obligation as a result of 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. Provisions are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates.

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

(m) Earning Per Share (EPS)

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the period. 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.

Notes to Consolidated Financial Statements
for the year ended March 31, 2017

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

(n) Cash and cash equivalents

Cash and cash equivalents for the purposes of cash flow statement comprise cash at bank and in hand, short-term deposits with an original maturity of three months or less and stamping/franking balance.

(o) Foreign currency transactions

- (i) Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.
- (ii) Foreign currency monetary items are retranslated using the exchange rate prevailing on the close of the financial year.
- (iii) Exchange differences arises on the settlement of monetary items or on reporting the Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise.
- (iv) Forward exchange contracts entered into to hedge foreign currency risk of an existing asset/liability.

The premium or discount arising at the inception of the forward exchange contract is amortized and recognised as an income/expense in the statement of consolidated profit and loss over the life of the contract. Exchange difference on such contracts are recognised in the statement of consolidated profit and loss in the period in which the exchange rates change.

(p) Share based payments

In case of stock option plan, measurement and disclosure of the employee share-based payment plans is done in accordance with the Guidance Note on Accounting for Employee Share-based Payments, issued by the Institute of Chartered Accountants of India as applicable for equity-settled share based payments.

The Cost of equity settled transactions is measured using the intrinsic value method and recognised, together with a corresponding increase in the "Stock options outstanding account" in reserves. The Cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The expense or credit recognised in the statement of consolidated profit and loss for a period represents= the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

Notes to Consolidated Financial Statements
for the year ended March 31, 2017

4 Share capital

	As at March 31, 2017	As at March 31, 2016
(₹ In Lacs)		
Authorized shares		
35,00,00,000 (P.Y. 7,81,50,000) equity shares of ₹ 10/- each	35,000.00	7,815.00
Compulsorily Convertible Preference Shares of ₹ 100/- each (P.Y. 1,885,000 Shares)	-	1,885.00
	35,000.00	9,700.00
Issued Capital		
28,42,50,906 (P.Y. 4,40,93,813) Equity Shares of ₹ 10/- each	28,425.09	4,409.38
Total Issued Share Capital	28,425.09	4,409.38
Subscribed Capital		
28,42,50,906 (P.Y. 4,40,80,752) Equity Shares of ₹ 10/- each	28,425.09	4,408.08
Total Subscribed Capital	28,425.09	4,408.08
Issued, subscribed and paid-up shares		
Paid-up Capital		
Fully Paid-Up:		
28,42,50,906 (P.Y. 4,40,80,752) Equity Shares of ₹ 10/- each	28,425.09	4,408.08
Total issued, subscribed and fully paid-up share capital	28,425.09	4,408.08

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

Equity Shares	As at March 31, 2017		As at March 31, 2016	
	No. of Shares	₹ In lacs	No. of Shares	₹ In lacs
At the beginning of the year	44,080,752	4,408.08	44,080,752	4,408.08
Add: Issued during the year - Share issue	11,544,399	1,154.44	-	-
Add: Issued during the year - Bonus issue	228,625,755	22,862.57	-	-
Outstanding at the end of the year	284,250,906	28,425.09	44,080,752	4,408.08

(b) Terms/ rights attached to equity shares

The Company has only one class of equity shares having par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

(c) Details of shareholders holding more than 5% shares in the Company

Equity Shares Name of the Shareholder	As at March 31, 2017		As at March 31, 2016	
	No. of Shares	% holdings	No. of Shares	% holdings
Redwood Investment Ltd	59,770,794	21.03	11,934,699	27.07
Sanjay Agarwal	58,477,128	20.57	6,601,789	14.98
International Finance Corporation	30,288,678	10.66	6,047,875	13.72
Labh Investments Limited	22,537,530	7.93	4,500,169	10.21
Ourea Holdings Limited	21,149,064	7.44	4,222,927	9.58
Jyoti Agarwal	14,182,272	4.99	2,363,712	5.36
Shakuntala Agarwal	14,094,756	4.96	2,274,326	5.16

Notes to Consolidated Financial Statements
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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.

(d) Aggregate number of bonus shares issued during the period of five years immediately preceding the reporting date

Particular	As at March 31, 2017	As at March 31, 2016
Equity shares allotted as fully paid bonus shares by capitalization of securities premium	228,625,755	-

On October 19, 2016, the Company has issued bonus shares to its existing equity shareholders in the ratio of five shares for every one share held by them by capitalising its securities premium account

(e) For details of shares reserved for issue under the employee stock option (ESOP) plan of the Company, refer note 34.

5. Reserves and surplus

	As at March 31, 2017	As at March 31, 2016
(₹ In Lacs)		
Statutory Reserve u/s 45- IC of RBI Act, 1934		
Balance as per last Balance Sheet	12,749.35	8,516.96
Add: Transfer during the year *	16,439.51	4,232.39
Closing Balance	29,188.86	12,749.35
Special reserve u/s 29C of The National Housing Bank Act, 1987 read with 36 (1) (viii) of income tax Act. 1961		
Balance as per last Balance Sheet	1,517.85	743.01
Add: Transfer during the year **	-	774.84
Less: Adjustment on account of sale of subsidiaries	(1,517.85)	-
Closing Balance	-	1,517.85
Securities premium account		
Balance as per last financial statements	31,857.49	33,799.56
Add: Addition on allotment of equity shares	15,997.81	-
	47,855.30	33,799.56
Less: Amount (net of tax) applied during the year		
Debentures / Share issue expenses (net of tax)	641.13	750.15
Premium payable on Redemption of Debentures (net of tax)	1,416.78	1,191.92
Issue of Bonus Shares	22,862.57	-
Add: Adjustment on account of sale of subsidiaries	864.56	-
Closing Balance	23,799.38	31,857.49
Employee Stock Options Outstanding		
Balance as per last Balance Sheet	207.78	-
Add: Compensation of options granted during the year	407.46	207.78
Closing Balance	615.24	207.78

Notes to Consolidated Financial Statements
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	As at March 31, 2017	As at March 31, 2016
(₹ In Lacs)		
Surplus/ (deficit) in the statement of consolidated profit and loss		
Balance as per last financial statements	55,909.59	36,286.41
Add: Profit for the year	76,187.14	24,653.72
	132,096.73	60,940.13
Less: Transferred to Statutory Reserve u/s 45-IC of RBI Act 1934	16,439.51	4,232.39
Less: Special Reserve u/s 29C of The National Housing Bank Act, 1987	-	774.84
Less: Reserve attributable to minority stakeholder	-	23.31
Add : Adjustment on account of sale of subsidiaries/associates	1,073.47	-
Closing Balance	116,730.69	55,909.59
Capital Redemption Reserve		
Balance as per last financial statements	5.00	5.00
Transfer from Surplus during the year	-	-
Less: Adjustment on account of sale of subsidiaries	(5.00)	-
Closing Balance	-	5.00
Total reserves and surplus	170,334.17	102,247.06

* Represents transfer of twenty percent of net profit after tax in accordance with the provision of Section 45-IC of Reserve Bank of India Act, 1934.
**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. The Company has transferred an amount of Nil (previous year ₹ 774.84 lacs) 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.

Notes to Consolidated Financial Statements
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6. Long-term borrowings

	As at March 31, 2017		As at March 31, 2016	
	Non-current	Current	Non-current	Current
(₹ In Lacs)				
Secured				
Redeemable Non - Convertible Debentures (refer note 6.1 (a))	234,500.00	28,250.00	165,750.00	48,250.00
Term loans				
(i) Term loan from banks				
Andhra Bank	1,740.74	1,203.70	6,682.69	757.18
Bank of Baroda	105.00	1,108.45	1,316.00	784.00
Bank of India	100.00	1,200.00	3,017.31	800.00
Bank of Maharashtra	-	-	-	937.50
Central Bank of India	-	-	-	1,111.11
Corporation bank	-	-	1,057.61	384.00
Dena Bank	-	-	6,619.01	379.63
Development Credit Bank	-	-	1,562.50	583.33
HDFC Bank	-	-	2,773.19	736.62
ICICI Bank Limited	-	-	1,973.21	767.86
IDBI Bank Limited	1,260.00	2,704.00	14,408.83	3,670.09
IDFC	-	-	5,000.00	-
Indian Bank	-	-	-	1,190.48
Indian Overseas Bank	-	-	-	382.75
IndusInd Bank Limited	-	-	1,000.00	250.00
Karnataka Bank	1,375.00	500.00	4,611.10	477.15
Kotak Mahindra Bank	-	1,687.50	1,687.50	-
Oriental Bank of Commerce	2,499.52	1,250.00	9,721.83	1,777.78
State Bank of Bikaner & Jaipur	1,595.84	2,187.25	5,662.36	1,515.94
State Bank of Hyderabad	1,142.04	571.43	5,158.77	1,033.49
State Bank of India	24,086.00	6,943.15	18,110.81	7,286.00
State Bank of Mysore	-	-	1,500.00	500.00
State Bank of Patiala	-	-	3,794.71	2,184.12
State Bank of Travancore	-	-	-	458.09
The Jammu And Kashmir Bank Limited	-	-	-	265.55
The Ratnakar Bank Limited	374.57	1,742.42	5,255.30	2,742.42
UCO Bank	-	-	1,892.00	384.00
Union Bank of India	-	-	-	960.87
United Bank of India	-	-	-	475.72
Yes Bank	-	-	6,712.03	1,009.49
	34,278.71	21,097.90	109,516.76	33,805.17
(ii) Term loan from financial institutions				
Small Industries Development Bank of India	33,900.00	14,100.00	28,500.00	7,020.20
National bank for Agriculture and Rural Development (NABARD)	70,300.00	28,366.67	16,666.67	3,333.33
Indiabulls Financial Services Limited	-	-	62.06	54.76
	104,200.00	42,466.67	45,228.73	10,408.29

Notes to Consolidated Financial Statements
for the year ended March 31, 2017

6. Long-term borrowings (Contd.)

	As at March 31, 2017		As at March 31, 2016	
	Non-current	Current	Non-current	Current
(₹ In Lacs)				
(iii) Term loan from non-banking financial companies				
Bajaj Finance	1,731.58	1,052.63	3,684.21	1,052.63
HDFC Limited	7,005.58	2,994.42	10,000.00	-
Tata Capital Financial Services Limited	-	-	2,549.55	800.00
	8,737.16	4,047.05	16,233.76	1,852.63
(iv) Auto loan from banks				
HDFC Bank Limited	332.76	157.90	163.64	70.54
	332.76	157.90	163.64	70.54
(v) Auto loan from non-banking financial companies				
Daimler Financial Services India Private Limited	-	-	-	10.28
	-	-	-	10.28
(vi) Term Loan from NHB				
NHB Refinance Assistance	-	-	11,203.88	886.77
	-	-	11,203.88	886.77
(vii) Term loan from insurance company				
SBI Life insurance company limited	4,125.00	1,500.00	5,625.00	1,500.00
	4,125.00	1,500.00	5,625.00	1,500.00
Total term loans	151,673.63	69,269.52	187,971.77	48,533.68
Total secured borrowings	386,173.63	97,519.52	353,721.77	96,783.68
Unsecured				
Redeemable Non - Convertible Debentures (Sub-ordinated debts) (refer note 6.1 (b))	24,500.00	4,500.00	29,000.00	2,000.00
Redeemable Non - Convertible Debentures (refer note 6.1 (b))	80,000.00	11,000.00	11,000.00	11,000.00
Term loans				
(i) Banks (Sub-ordinated debts)				
ICICI Bank Limited	3,000.00	1,000.00	7,000.00	500.00
Total term loans	3,000.00	1,000.00	7,000.00	500.00
Total unsecured borrowings	107,500.00	16,500.00	47,000.00	13,500.00
Amount disclosed under the head "other current liabilities (refer note no. 10)		(114,019.52)		(110,283.68)
	493,673.63	-	400,721.77	-

Secured borrowings are secured by hypothecation of loans under financing activity. Personnel guarantees by directors and shareholders of the Company have been given for borrowing amount of ₹ 76,843.70 lacs at March 31, 2017 (P.Y 115,441.35 lacs). Borrowings to the extent of ₹ 305,029.15 lacs at March 31, 2017 (P.Y. 109,362.48 lacs) are secured by pledge of the Company's shares held by the directors and pledge of property of Company and its directors, and margin money deposits. Auto loans from banks are secured by hypothecation of Company's vehicles. The term loans of Aavas Financiers Limited (formerly known as Au Housing Finance Limited) are guaranteed by corporate guarantee of AU Small Finance Bank Limited (formerly known as Au Financiers (India) Ltd) (holding company) to the extent of ₹ 34,417.20 lacs (P.Y. ₹ 34,363.73 lacs).

Notes to Consolidated Financial Statements
for the year ended March 31, 2017

6.1 (a) Detail of Secured Redeemable Non-Convertible Debentures as at March 31, 2017

Sr. No.	ISIN No.	Date of allotment	Date of redemption	Nominal value per debenture	Nos.	Rate of Interest p.a.	Total amount	Non-current maturity as at March 31, 2017	Current maturity as at March 31, 2017	Non-current maturity as at March 31, 2016	Current maturity as at March 31, 2016	Terms of redemption (₹ In Lacs)
1	INE949L07493	Jan 05, 2017	Dec 20, 2021	1,000,000	3,350	8.65%	33,500.00	33,500.00	-	-	-	Redeemable at Par
2	INE949L07535	Mar 16, 2017	Mar 16, 2021	1,000,000	1,700	8.79%	17,000.00	17,000.00	-	-	-	Redeemable at Par
3	INE949L07337	Jun 26, 2015	Jun 26, 2020	1,000,000	3,000	9.40%	30,000.00	30,000.00	-	30,000.00	-	Redeemable at Par
4	INE949L07485	Jun 13, 2016	Jun 12, 2020	1,000,000	500	10.05%	5,000.00	5,000.00	-	-	-	Redeemable at Par
5	INE949L07451	May 31, 2016	May 29, 2020	1,000,000	500	10.05%	5,000.00	5,000.00	-	-	-	Redeemable at Par
6	INE949L07329	May 21, 2015	May 21, 2020	1,000,000	2,000	9.40%	20,000.00	20,000.00	-	20,000.00	-	Redeemable at Par
7	INE949L07519	Feb 28, 2017	Apr 30, 2020	1,000,000	500	8.90%	5,000.00	5,000.00	-	-	-	Redeemable at Par
8	INE949L07444	May 10, 2016	Mar 30, 2020	1,000,000	650	10.05%	6,500.00	6,500.00	-	-	-	Redeemable at Par
9	INE949L07436	May 10, 2016	Nov 10, 2019	1,000,000	500	10.05%	5,000.00	5,000.00	-	-	-	Redeemable at Par
10	INE949L07428	May 10, 2016	Sep 30, 2019	1,000,000	450	10.05%	4,500.00	4,500.00	-	-	-	Redeemable at Par
11	INE949L07402	Sep 22, 2015	Sep 20, 2019	1,000,000	250	10.00%	2,500.00	2,500.00	-	2,500.00	-	Redeemable at Par
12	INE949L07279	Aug 08, 2014	Aug 08, 2019	1,000,000	1,500	11.30%	15,000.00	15,000.00	-	15,000.00	-	Redeemable at Par
13	INE949L07477	Jun 13, 2016	Jun 13, 2019	1,000,000	500	10.05%	5,000.00	5,000.00	-	-	-	Redeemable at Par
14	INE949L07469	May 31, 2016	May 31, 2019	1,000,000	500	10.00%	5,000.00	5,000.00	-	-	-	Redeemable at Par
15	INE949L07386	Sep 09, 2015	Apr 19, 2019	1,000,000	1,250	10.50%	12,500.00	12,500.00	-	12,500.00	-	Redeemable at Par
16	INE949L07410	May 10, 2016	Mar 29, 2019	1,000,000	400	10.05%	4,000.00	4,000.00	-	-	-	Redeemable at Par
17	INE949L07527	Feb 28, 2017	Jan 28, 2019	1,000,000	1,500	8.75%	15,000.00	15,000.00	-	-	-	Redeemable at Par
18	INE949L07501	Feb 23, 2017	Oct 23, 2018	1,000,000	1,500	8.75%	15,000.00	15,000.00	-	-	-	Redeemable at Par
19	INE949L07394	Sep 22, 2015	Sep 21, 2018	1,000,000	250	10.00%	2,500.00	2,500.00	-	2,500.00	-	Redeemable at Par
20	INE949L07378	Aug 25, 2015	Aug 24, 2018	1,000,000	250	10.50%	2,500.00	2,500.00	-	2,500.00	-	Redeemable at Par
21	INE949L07345	Aug 11, 2015	Aug 10, 2018	1,000,000	1,000	10.50%	10,000.00	10,000.00	-	10,000.00	-	Redeemable at Par
22	INE949L07360	Aug 25, 2015	Jul 16, 2018	1,000,000	200	10.50%	2,000.00	2,000.00	-	2,000.00	-	Redeemable at Par
23	INE949L07352	Aug 19, 2015	Jun 25, 2018	1,000,000	500	10.50%	5,000.00	5,000.00	-	5,000.00	-	Redeemable at Par
24	INE949L07311	May 08, 2015	Jun 13, 2018	1,000,000	350	10.50%	3,500.00	3,500.00	-	3,500.00	-	Redeemable at Par
25	INE949L07303	May 08, 2015	Apr 26, 2018	1,000,000	350	10.50%	3,500.00	3,500.00	-	3,500.00	-	Redeemable at Par
26	INE949L07295	Apr 30, 2015	Mar 08, 2018	1,000,000	500	10.50%	5,000.00	5,000.00	-	5,000.00	-	Redeemable at Par
27	INE949L07204	Mar 06, 2013	Mar 06, 2018	1,000,000	100	12.20%	1,000.00	1,000.00	-	1,000.00	-	Redeemable at Par
28	INE949L07196	Jan 24, 2013	Jul 24, 2017	1,000,000	125	11.95%	1,250.00	1,250.00	-	1,250.00	-	Redeemable at Par
29	INE949L07253	Jun 13, 2014	May 28, 2017	1,000,000	1,475	10.86%	14,750.00	14,750.00	-	14,750.00	-	Redeemable at Par
30	INE949L07188	Jan 24, 2013	May 24, 2017	1,000,000	125	11.95%	1,250.00	1,250.00	-	1,250.00	-	Redeemable at Par
31	INE949L07238	Mar 28, 2014	Apr 24, 2017	1,000,000	500	11.47%	5,000.00	5,000.00	-	5,000.00	-	Redeemable at Par
32	INE949L07170	Jan 24, 2013	Mar 24, 2017	1,000,000	125	11.95%	1,250.00	1,250.00	-	1,250.00	-	Redeemable at Par

Notes to Consolidated Financial Statements
for the year ended March 31, 2017

Sr. No.	ISIN No.	Date of allotment	Date of redemption	Nominal value per debenture	Nos.	Rate of Interest p.a.	Total amount	Non-current maturity as at March 31, 2017	Current maturity as at March 31, 2017	Non-current maturity as at March 31, 2016	Current maturity as at March 31, 2016	(₹ In Lacs) Terms of redemption
33	INE949L07204	Mar 06, 2013	Mar 06, 2017	1,000,000	75	12.20%	750.00	-	-	-	750.00	Redeemable at Par
34	INE949L07162	Jan 24, 2013	Jan 24, 2017	1,000,000	125	11.95%	1,250.00	-	-	-	1,250.00	Redeemable at Par
35	INE949L07097	Jul 05, 2012	Jan 04, 2017	10,000,000	25	12.25%	2,500.00	-	-	-	2,500.00	Redeemable at Par
36	INE949L07287	Feb 23, 2015	Dec 23, 2016	1,000,000	1,000	10.75%	10,000.00	-	-	-	10,000.00	Redeemable at Par
37	INE949L07154	Jan 24, 2013	Nov 24, 2016	1,000,000	125	11.95%	1,250.00	-	-	-	1,250.00	Redeemable at Par
38	INE949L07089	Jul 05, 2012	Nov 04, 2016	10,000,000	25	12.25%	2,500.00	-	-	-	2,500.00	Redeemable at Par
39	INE949L07147	Jan 24, 2013	Sep 24, 2016	1,000,000	125	11.95%	1,250.00	-	-	-	1,250.00	Redeemable at Par
40	INE949L07071	Jul 05, 2012	Sep 04, 2016	10,000,000	25	12.25%	2,500.00	-	-	-	2,500.00	Redeemable at Par
41	INE949L07139	Jan 24, 2013	Jul 24, 2016	1,000,000	125	11.95%	1,250.00	-	-	-	1,250.00	Redeemable at Par
42	INE949L07063	Jul 05, 2012	Jul 04, 2016	10,000,000	25	12.25%	2,500.00	-	-	-	2,500.00	Redeemable at Par
43	INE949L07212	Jun 27, 2013	Jun 27, 2016	1,000,000	250	11.10%	2,500.00	-	-	-	2,500.00	Redeemable at Par
44	INE949L07121	Jan 24, 2013	May 24, 2016	1,000,000	125	11.95%	1,250.00	-	-	-	1,250.00	Redeemable at Par
45	INE949L07220	Nov 08, 2013	May 08, 2016	1,000,000	500	11.95%	5,000.00	-	-	-	5,000.00	Redeemable at Par, if Option is Exercise then in Call Redeemable at Premium & in Put Redeemable at Discount
46	INE949L07055	Jul 05, 2012	May 04, 2016	10,000,000	25	12.25%	2,500.00	-	-	-	2,500.00	Redeemable at Par
47	INE949L07246	Apr 29, 2014	Apr 28, 2016	1,000,000	1,000	11.47%	10,000.00	-	-	-	10,000.00	Redeemable at Par
48	INE216P07019	Jul 18, 2014	Jul 18, 2017	500,000	1,000	Zero Coupon	5,000.00	-	-	5,000.00	-	Redeemable at premium
49	INE216P07027	Sep 11, 2014	Sep 11, 2017	500,000	1,000	11.57%	5,000.00	-	-	5,000.00	-	Redeemable at par
50	INE216P07035	Feb 20, 2015	Feb 20, 2018	500,000	500	11.20%	2,500.00	-	-	2,500.00	-	Redeemable at par
51	INE216P07043	Feb 20, 2015	Feb 20, 2020	500,000	500	11.20%	2,500.00	-	-	2,500.00	-	Redeemable at par
52	INE216P07050	May 08, 2015	Apr 26, 2018	1,000,000	400	10.80%	4,000.00	-	-	4,000.00	-	Redeemable at par
53	INE216P07068	May 26, 2015	Jun 13, 2018	1,000,000	350	10.80%	3,500.00	-	-	3,500.00	-	Redeemable at par
54	INE216P07076	Jul 15, 2015	Jun 20, 2018	1,000,000	100	10.70%	1,000.00	-	-	1,000.00	-	Redeemable at par
55	INE216P07084	Jul 15, 2015	Dec 27, 2018	1,000,000	200	10.70%	2,000.00	-	-	2,000.00	-	Redeemable at par
56	INE216P07092	Jul 31, 2015	Dec 31, 2018	1,000,000	300	10.70%	3,000.00	-	-	3,000.00	-	Redeemable at par
Total								234,500.00	28,250.00	165,750.00	48,250.00	

6.1 (b) Detail of Unsecured Redeemable Non-Convertible Debentures & Sub-ordinated debts as at March 31, 2017

Sr. No.	ISIN No.	Date of allotment	Date of redemption	Nominal value per debenture	Nos.	Rate of Interest p.a.	Total amount	Non-current maturity as at March 31, 2017	Current maturity as at March 31, 2017	Non-current maturity as at March 31, 2016	Current maturity as at March 31, 2016	Terms of redemption (₹ In Lacs)
1	INE949L08160	Nov 19, 2015	May 19, 2021	1,000,000	200	11.65%	2,000.00	2,000.00	-	2,000.00	-	Redeemable at Par
2	INE949L08152	Nov 04, 2015	May 04, 2021	1,000,000	750	11.75%	7,500.00	7,500.00	-	7,500.00	-	Redeemable at Par
3	INE949L08145	Sep 30, 2015	Apr 02, 2021	1,000,000	700	12.25%	7,000.00	7,000.00	-	7,000.00	-	Redeemable at Par
4	INE949L08129	Sep 30, 2013	Sep 30, 2020	1,000,000	100	12.41%	1,000.00	1,000.00	-	1,000.00	-	Redeemable at Par
5	INE949L08202	Mar 22, 2017	Mar 23, 2020	1,000,000	500	9.10%	5,000.00	5,000.00	-	-	-	Redeemable at Par
6	INE949L08194	Mar 17, 2017	Mar 17, 2020	1,000,000	4,500	8.85%	45,000.00	45,000.00	-	-	-	Redeemable at Par
7	INE949L08137	Nov 19, 2013	Sep 19, 2019	1,000,000	100	13.00%	1,000.00	1,000.00	-	1,000.00	-	Redeemable at Par
8	INE949L08111	Sep 04, 2013	Jul 03, 2019	1,000,000	50	12.50%	500.00	500.00	-	500.00	-	Redeemable at Par
9	INE949L08095	Jun 05, 2013	Mar 05, 2019	1,000,000	100	13.00%	1,000.00	1,000.00	-	1,000.00	-	Redeemable at Par
10	INE949L08186	Mar 15, 2017	Feb 15, 2019	1,000,000	1,000	8.89%	10,000.00	10,000.00	-	-	-	Redeemable at Par
11	INE949L08210	Mar 22, 2017	Sep 24, 2018	1,000,000	1,000	8.84%	10,000.00	10,000.00	-	-	-	Redeemable at Par
12	INE949L08079	Mar 18, 2013	Sep 18, 2018	1,000,000	100	12.75%	1,000.00	1,000.00	-	1,000.00	-	Redeemable at Par
13	INE949L08178	Mar 15, 2017	Sep 14, 2018	1,000,000	1,000	8.84%	10,000.00	10,000.00	-	-	-	Redeemable at Par
14	INE949L08061	Jan 30, 2013	Jul 30, 2018	1,000,000	100	12.75%	1,000.00	1,000.00	-	1,000.00	-	Redeemable at Par
15	INE949L08046	Jul 27, 2012	Jun 27, 2018	1,000,000	250	13.50%	2,500.00	2,500.00	-	2,500.00	-	Redeemable at Par
16	INE949L08087	Mar 25, 2013	Mar 25, 2018	1,000,000	275	12.35%	2,750.00	-	2,750.00	2,750.00	-	Redeemable at Par
17	INE949L08012	Mar 25, 2011	Mar 24, 2018	1,000,000	200	15.00%	2,000.00	-	2,000.00	2,000.00	-	Redeemable at Par
18	INE949L08038	Jul 20, 2012	Feb 20, 2018	1,000,000	250	12.50%	2,500.00	-	2,500.00	2,500.00	-	Redeemable at Par
19	INE949L08087	Mar 25, 2013	Dec 25, 2017	1,000,000	275	12.35%	2,750.00	-	2,750.00	2,750.00	-	Redeemable at Par
20	INE949L08087	Mar 25, 2013	Sep 25, 2017	1,000,000	275	12.35%	2,750.00	-	2,750.00	2,750.00	-	Redeemable at Par
21	INE949L08087	Mar 25, 2013	Jun 25, 2017	1,000,000	275	12.35%	2,750.00	-	2,750.00	2,750.00	-	Redeemable at Par
22	INE949L08087	Mar 25, 2013	Mar 25, 2017	1,000,000	275	12.35%	2,750.00	-	-	-	2,750.00	Redeemable at Par
23	INE949L08087	Mar 25, 2013	Dec 25, 2016	1,000,000	275	12.35%	2,750.00	-	-	-	2,750.00	Redeemable at Par
24	INE949L08020	May 28, 2011	Nov 28, 2016	1,000,000	200	14.40%	2,000.00	-	-	-	2,000.00	Redeemable at Par
25	INE949L08087	Mar 25, 2013	Sep 25, 2016	1,000,000	275	12.35%	2,750.00	-	-	-	2,750.00	Redeemable at Par
26	INE949L08087	Mar 25, 2013	Jun 25, 2016	1,000,000	275	12.35%	2,750.00	-	-	-	2,750.00	Redeemable at Par
Total								104,500.00	15,500.00	40,000.00	13,000.00	

Notes to Consolidated Financial Statements
for the year ended March 31, 2017

6.2 Terms of principal repayment of long term borrowings as at March 31, 2017

Original maturity of loan	Interest rate (Range)	Due within 1 year		Due 1 to 3 Years		Due 3 to 5 Years		Due 5 to 7 Years		Due 7 to 9 Years		Total (₹ In Lacs)
		No. of Installments	Amount	No. of installments	Amount	No. of installments	Amount	No. of installments	Amount	No. of installments	Amount	
Monthly Repayment												
Upto 3 years	8% to 12%	60	4,466.37	48	1,661.32	-	-	-	-	-	-	6,127.69
3 to 5 years	8% to 12%	902	23,665.88	1,357	40,733.85	237	7,065.00	-	-	-	-	71,464.73
5 to 7 Years	8% to 12%	21	3,830.00	51	10,880.00	30	8,165.00	-	-	-	-	22,875.00
	12% to 14%	3	500.00	-	-	-	-	-	-	-	-	500.00
Quarterly Repayment												
3 to 5 years	8% to 12%	17	7,253.10	27	12,743.46	3	1,125.00	-	-	-	-	21,121.56
	12% to 14%	4	11,000.00	-	-	-	-	-	-	-	-	11,000.00
Half Yearly Repayment												
Upto 3 yrs	8% to 12%	2	13,666.67	4	24,000.00	4	12,000.00	-	-	-	-	49,666.67
5 to 7 Years	8% to 12%	2	14,700.00	4	29,400.00	4	3,920.00	1	980.00	-	-	49,000.00
Annual Repayment												
Upto 3 years	8% to 12%	1	1,687.50	1	11,333.33	1	5,666.67	-	-	-	-	18,687.50
3 to 5 years	12% to 14%	1	1,000.00	-	-	-	-	-	-	-	-	1,000.00
5 to 7 Years	14% to 18%	1	500.00	-	-	-	-	-	-	-	-	500.00
Bullet Repayment												
Upto 3 yrs	8% to 12%	3	24,750.00	15	147,000.00	-	-	-	-	-	-	171,750.00
3 to 5 years	8% to 12%	2	2,500.00	8	52,000.00	6	98,500.00	-	-	-	-	153,000.00
5 to 7 Years	8% to 12%	-	-	-	-	3	11,500.00	-	-	-	-	11,500.00
	12% to 14%	1	2,500.00	6	7,000.00	2	8,000.00	-	-	-	-	17,500.00
	14% to 18%	1	2,000.00	-	-	-	-	-	-	-	-	2,000.00
Total			114,019.52		336,751.96		155,941.67		980.00			607,693.15

Notes to Consolidated Financial Statements
for the year ended March 31, 2017

6.2 Terms of principal repayment of long term borrowings as at March 31, 2016

Original maturity of loan	Interest rate (Range)	Due within 1 year		Due 1 to 3 Years		Due 3 to 5 Years		Due 5 to 7 Years		Due 7 to Above		Total (₹ In Lacs)
		No. of installments	Amount	No. of installments	Amount	No. of installments	Amount	No. of installments	Amount			
Monthly Repayment												
Upto 3 years	10% to 12%	47	4,408.05	36	6,369.64	-	-	-	-	-	-	10,777.69
3 to 5 years	10% to 12%	706	21,379.30	1,060	21,747.03	245	9,931.14	2	111.11	-	-	53,168.58
	12% to 14%	12	300.00	10	250.00	-	-	-	-	-	-	550.00
5 to above	8% to 12%	136	4,805.36	336	12,650.22	291	12,224.17	126	5,956.99	200	8,813.72	44,450.46
	12% to 14%	36	814.25	51	2,081.05	7	443.04	-	-	-	-	3,338.34
Quarterly Repayment												
Upto 3 Years	10% to 12%	4	500.00	5	625.00	-	-	-	-	-	-	1,125.00
3 to 5 years	8% to 12%	39	9,552.65	96	28,447.60	66	23,323.18	3	1,500.00	-	-	62,823.43
	12% to 14%	4	11,000.00	4	11,000.00	-	-	-	-	-	-	22,000.00
5 to above	8% to 9%	23	750.58	64	2,371.91	64	2,371.91	64	2,371.91	154	3,757.53	11,623.84
	9% to 10%	18	558.43	56	2,792.95	55	2,757.24	46	2,171.24	99	2,895.51	11,175.37
	10% to 12%	30	1,631.72	72	3,669.76	67	3,188.97	25	1,100.25	10	694.54	10,285.24
Half Yearly Repayment												
Upto 3 Years	8% to 12%	1	3,333.31	4	13,333.33	1	3,333.33	-	-	-	-	19,999.97
Annual Repayment												
Upto 3 Years	8% to 12%	17	20.43	1	1,687.50	-	-	-	-	-	-	1,707.93
3 to 5 years	12% to 14%	1	750.00	1	1,000.00	-	-	-	-	-	-	1,750.00
5 to 7 Years	8% to 10%	-	-	-	-	2	1,000.00	2	1,000.00	3	3,000.00	5,000.00
	10% to 12%	1	500.00	2	1,000.00	1	500.00	-	-	-	-	2,000.00
	14% to 18%	1	500.00	1	500.00	-	-	-	-	-	-	1,000.00
Bullet Repayment												
Upto 3 Years	8% to 12%	11	27,479.60	8	47,750.00	-	-	-	-	-	-	75,229.60
3 to 5 years	8% to 12%	6	7,500.00	12	34,500.00	6	82,500.00	-	-	-	-	124,500.00
	12% to 14%	5	12,500.00	-	-	-	-	-	-	-	-	12,500.00
5 to 7 Years	8% to 12%	-	-	-	-	3	1,500.00	3	11,500.00	-	-	13,000.00
	12% to 14%	-	-	5	8,000.00	7	4,000.00	1	7,000.00	-	-	19,000.00
	14% to 18%	1	2,000.00	1	2,000.00	-	-	-	-	-	-	4,000.00
Total			110,283.68		201,775.99		147,072.98		32,711.50		19,161.30	511,005.45

Notes to Consolidated Financial Statements
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7. Other long-term liabilities

	As at March 31, 2017		As at March 31, 2016	
	Non-current	Current	Non-current	Current
Security deposits from borrowers	932.47	946.60	1,506.51	1,003.56
Security deposits under assignment transactions and dealers	-	2.74	-	36.09
Security deposit from employees for vehicles provided	42.47	-	34.87	-
Interest accrued but not due on borrowings (include premium on debentures)	4,939.08	13,556.12	5,171.66	10,915.58
Amount disclosed under the head "other current liabilities" (refer note 10)	-	(14,505.46)	-	(11,955.23)
	5,914.02	-	6,713.04	-

8. Provisions

	As at March 31, 2017		As at March 31, 2016	
	Non-current	Current	Non-current	Current
Provision for employees benefits				
Leave availment	223.92	11.43	166.55	13.97
Gratuity	690.40	8.20	524.13	8.71
	914.32	19.63	690.68	22.68
Other provisions				
Estimated loss on old assignments	0.58	0.31	2.02	1.95
Contingent provisions against standard assets	1,536.83	745.51	1,695.16	622.47
Provision on non-performing assets	4,405.00	-	2,921.31	-
Provisions on Contingencies	-	-	109.46	-
Income tax (net of advance tax)	-	-	-	1,504.49
	5,942.41	745.82	4,727.95	2,128.91
	6,856.73	765.45	5,418.63	2,151.59

9. Short-term borrowings

	As at	
	March 31, 2017	March 31, 2016
Secured		
(i) Working capital facilities from banks repayable on demands		
Andhra Bank	-	4,859.31
Axis Bank	-	9,185.47
Bank of India	-	4,957.86
Central Bank of India	-	25.25
Corporation Bank	2,500.00	-
HDFC Bank Limited	36,505.62	29,404.19
ICICI Bank Limited	423.50	138.27
IDBI Bank Limited	-	29.06

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9. Short-term borrowings (Contd.)

	As at	
	March 31, 2017	March 31, 2016
Indian Bank	-	5.73
Karur Vysya Bank	-	1.84
Kotak Mahindra Bank	-	1,622.61
Punjab National Bank	-	2,521.09
State Bank of Bikaner & Jaipur	-	2.80
State Bank of Hyderabad	-	3,482.37
State Bank of Mysore	-	2,499.62
State Bank of Patiala	-	9.67
State Bank of Travancore	-	1,484.09
The Ratnakar Bank Limited	-	13.78
	39,429.12	60,243.01
	39,429.12	60,243.01
Unsecured		
(i) Commercial paper from banks		
HDFC Bank Limited	26,231.35	7,401.69
DOHA Bank	2,418.00	-
	28,649.35	7,401.69
(ii) Commercial paper from Mutual Funds		
Bajaj Allianz Life Insurance Company Ltd.	2,492.94	2,353.86
Birla Sun Life Insurance Company Limited	2,492.94	-
HDFC Liquid Fund	4,806.78	-
HSBC Mutual Fund	-	2,449.36
Kotak Mutual Fund	-	19,983.54
Reliance Mutual Fund	9,533.44	-
Religare Mutual Fund	-	9,934.20
UTI Mutual Fund	-	9,836.81
	19,326.10	44,557.77
(iii) Term loan from non-banking financial companies		
Citicorp Finance (India) Ltd	12,000.00	-
	12,000.00	-
	59,975.45	51,959.46
	99,404.57	112,202.47

All working capital facilities from banks are repayable on demand and are secured by hypothecation of loans under financing activity. Personal guarantees by directors and shareholders of the Company have been given for borrowing amount of ₹ 36,929.12 lacs at March 31, 2017 (₹ 37,234.18 lacs as at March 31, 2016). Borrowings to the extent of ₹ 36,505.62 lacs (₹ 17,895.90 lacs as at March 31, 2016) are secured by pledge of property of Company and margin money deposits. Interest rate on short term borrowing ranges between 8% to 12% (PY: 8% to 12%)

Notes to Consolidated Financial Statements
for the year ended March 31, 2017

10. Other current liabilities

	As at March 31, 2017	(₹ In Lacs) As at March 31, 2016
a. Current maturities of long-term borrowings		
Secured		
Debentures (refer note 6)	28,250.00	48,250.00
Term loan from banks (refer note 6)	21,097.90	33,805.17
Term loan from financial institutions (refer note 6)	42,466.67	10,408.29
Term loan from non-banking financial institutions (refer note 6)	4,047.05	1,852.63
Term loan from Insurance Company (refer note 6)	1,500.00	1,500.00
Term loan from NHB (refer note 6)	-	886.77
Auto loan from banks (refer note 6)	157.90	70.54
Auto loan from non-banking financial companies (refer note 6)	-	10.28
	97,519.52	96,783.68
Unsecured		
Debentures (refer note 6)	15,500.00	13,000.00
Term loan From Banks (refer note 6)	1,000.00	500.00
	16,500.00	13,500.00
Total Current maturities of long-term borrowings	114,019.52	110,283.68
b. Interest accrued but not due on borrowings (include premium on debentures) (refer note 7)	13,556.12	10,915.58
	13,556.12	10,915.58
c. Interest accrued and due on borrowings	16.89	393.28
	16.89	393.28
d. Other payables*		
Margin money refundable/adjustable against disbursement	460.02	190.71
Payable to dealers/manufacturers	2,198.52	1,103.47
Due to assignees towards collections from assigned/securitized assets	30,972.01	18,791.24
Security deposit from borrowers (refer note 7)	946.60	1,003.56
Security deposits under assignment transactions and dealers (refer note 7)	2.74	36.09
Book overdrafts	4,890.84	9,496.40
Statutory liabilities	535.67	213.98
Employee benefits payable	4,731.01	3,911.76
Other current liabilities	3,466.31	2,655.52
	48,203.72	37,402.73
	175,796.25	158,995.27

* 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, 2017, no supplier has intimated the Company about its status as micro or small enterprises or its registration with the appropriate authority under MSMED.

Notes to Consolidated Financial Statements
for the year ended March 31, 2017

11(A). Property, Plant and Equipment :

	Leasehold Land	Freehold Land	Buildings	Furniture and fixtures	Office equipment	Vehicles	Total	(₹ In Lacs) WIP
Cost								
As at March 31, 2015	303.46	243.54	704.15	892.31	1,266.26	522.50	3,932.22	46.32
Additions	-	-	-	345.86	916.69	205.62	1,468.17	39.14
Deductions	-	-	-	(0.86)	(4.54)	(37.52)	(42.92)	(46.32)
As at March 31, 2016	303.46	243.54	704.15	1,237.31	2,178.41	690.60	5,357.47	39.14
Additions	-	-	155.87	151.64	957.95	531.27	1,796.73	15,982.76
Deductions	-	-	-	(0.52)	(6.36)	(52.16)	(59.04)	(39.14)
Due to sale of Subsidiaries	-	-	(445.72)	(138.14)	(264.37)	(54.34)	(902.57)	
As at March 31, 2017	303.46	243.54	414.30	1,250.29	2,865.63	1,115.37	6,192.59	15,982.76
Depreciation	-	-	-	-	-	-	-	
As at March 31, 2015	13.92	-	102.97	460.37	824.54	269.64	1,671.44	
Charge for the year	3.48	-	29.28	217.67	540.95	118.98	910.36	
Deductions	-	-	-	(0.81)	(3.13)	(28.55)	(32.49)	
As at March 31, 2016	17.40	-	132.25	677.23	1,362.36	360.07	2,549.31	
Charge for the year	3.48	-	11.10	98.56	349.53	71.26	533.93	
Deductions	-	-	-	(0.52)	(3.09)	(42.72)	(46.33)	
Due to sale of Subsidiaries	-	-	(68.40)	(65.59)	(145.56)	(20.67)	(300.22)	
As at March 31, 2017	20.88	-	74.95	709.68	1,563.24	367.94	2,736.69	
Net Block								
As at March 31, 2016	286.06	243.54	571.90	560.08	816.05	330.53	2,808.16	39.14
As at March 31, 2017	282.58	243.54	339.35	540.61	1,302.39	747.43	3,455.90	15,982.76

11(B). Intangible assets :

	Software	(₹ In Lacs) WIP
Cost		
As at March 31, 2015	245.14	0.26
Additions	113.30	-
Deductions	-	-
As at March 31, 2016	358.44	-
Additions	45.56	8,003.75
Deductions	-	-
Due to sale of Subsidiaries	(13.71)	-
As at March 31, 2017	390.29	8,003.75
Depreciation	-	-
As at March 31, 2015	111.73	-

Notes to Consolidated Financial Statements
for the year ended March 31, 2017

11(B). Intangible assets (Contd.)

	Software	(₹ In Lacs) WIP
Charge for the year	70.10	-
Deductions	-	-
As at March 31, 2016	181.83	-
Charge for the year	75.39	-
Deductions	-	-
Due to sale of subsidiaries	(9.03)	-
As at March 31, 2017	248.19	-
Net Block		
As at March 31, 2016	176.61	-
As at March 31, 2017	142.10	8,003.75

12(A) Components of capital work-in progress and intangible assets under development

Particulars	Opening work-in progress	Addition during the year	Capitalised during the year	(₹ In Lacs) Closing work-in progress
Capital work in progress				
Furniture and fixtures (Refer note 11(B))	39.14	11,324.89	39.14	11,324.89
Office equipment	-	4,652.12	-	4,652.12
Others	-	5.75	-	5.75
Intangible assets under development				
Software (Refer note 11(B))	-	8,003.75	-	8,003.75
Total	39.14	23,986.51	39.14	23,986.51

12(B) Expenses included in furniture and fixtures and software

Particulars	(₹ In Lacs) Amount
Employee benefit expenses (incl. salaries and other benefits to employees)	2,867.03
Rent	424.10
Rates and taxes	166.96
Traveling and conveyance	138.92
Legal and professional fee	2,617.00
Total	6,214.02

Notes to Consolidated Financial Statements
for the year ended March 31, 2017

13. Investments

	Face value (In ₹)	(₹ In Lacs) As at March 31, 2017		As at March 31, 2016	
		Non-current	Current	Non-current	Current
Long Term Trade Investments (valued at cost unless stated otherwise)					
Unquoted equity instruments					
Investment in associates					
Au Insurance Broking Services Private Limited	10	-	-	19.50	-
Nil Equity shares (P.Y.: 195,000) fully paid up (PY: includes ₹ 48,034/- Representing of goodwill)					
Add: Accumulated Share of Profit & (Loss)		-	-	115.09	-
M Power Micro Finance Private Limited	10	-	-	-	450.00
Nil Equity shares (P.Y.: 4,500,000) fully paid up (PY: includes ₹7,105,582/- Representing of goodwill)					
Add: Accumulated Share of Profit & (Loss)		-	-	-	144.41
		-	-	134.59	594.41
Investment in others					
M Power Micro Finance Private Limited					
1,051,200 Equity shares (P.Y. Nil) fully paid up	10	105.12	-	-	-
Aavas Financiers Limited (formerly known as Au Housing Finance Limited)					
4,341,149 Equity shares (P.Y. Nil) fully paid up	10	1,492.68	-	-	-
		1,597.80	-	-	-
Other investments (valued at cost unless stated otherwise)					
Investment in pass through certificates (PTCs)		10,538.98	6,912.87	4,422.06	3,230.84
Investments in liquid mutual Funds (unquoted)					
531,089.39 (P.Y. Nil) units in HDFC Liquid Fund - Direct Plan - Growth option		-	17,000.00	-	-
418,002.95 (P.Y. Nil) units in SBI Magnum Insta Cash Fund -Direct Plan - Growth			15,000.00		
411,782.02 (P.Y. Nil) units in Franklin India Treasury Management Account - Super Institutional Plan - Direct		-	10,000.00	-	-
8,058,534.01 (P.Y. Nil) units in ICICI Prudential Saving Fund - Direct plan - Growth		-	20,000.00	-	-
56,033,982.31 (P.Y. Nil) units in DHFL Pramerica Low Duration Fund - Direct Plan - Growth		-	12,534.67	-	-
990,395.06 (P.Y. Nil) units in Kotak Low Duration Fund Direct Growth		-	20,000.00	-	-
322,970.54 (P.Y. Nil) units in DSP BlackRock Liquidity Fund - Direct Plan - Growth		-	7,500.00	-	-
134,216.19 (P.Y. Nil) units in BOI AXA Liquid Fund - Regular Plan - Growth (LFRGG)		-	2,500.00	-	-
Reliance liquid fund - Short term fund		-	-	-	545.95
Total investment in liquid mutual fund		-	104,534.67	-	545.95

Notes to Consolidated Financial Statements
for the year ended March 31, 2017

(₹ In Lacs)					
	Face value (In ₹)	As at March 31, 2017		As at March 31, 2016	
		Non-current	Current	Non-current	Current
Investment in government securities (quoted)					
2,500,000 (P.Y. Nil) units of 8.15% GOI 2026	100	2,621.58	-	-	-
2,500,000 (P.Y. Nil) units of 7.72% GOI 2025	100	2,567.75	-	-	-
5,000,000 (P.Y. Nil) units of 8.20% GOI 2025	100	5,276.86	-	-	-
7,500,000 (P.Y. Nil) units of 8.24% GOI 2027	100	7,968.08	-	-	-
5,000,000 (P.Y. Nil) units of 8.60% GOI 2028	100	5,461.85	-	-	-
3,000,000 (P.Y. Nil) units of 7.71% GSDL 2027	100	3,006.45	-	-	-
1,500,000 (P.Y. Nil) units of 7.87% UPSDL 2027	100	1,502.17	-	-	-
1,500,000 (P.Y. Nil) units of 7.89% HRSDL 2027	100	1,504.13	-	-	-
500,000 (P.Y. Nil) units of 8.36% MHSDL 2026	100	521.27	-	-	-
2,095,000 (P.Y. Nil) units of 7.85% TNSDL 2027	100	2,098.25	-	-	-
2,500,000 (P.Y. Nil) units of 7.86% KARTSDL 2027	100	2,504.88	-	-	-
3,000,000 (P.Y. Nil) units of 7.73% RJS DL 2027	100	3,006.45	-	-	-
2,500,000 (P.Y. Nil) units of 8.13% HARSDL 2025	100	2,571.19	-	-	-
500,000 (P.Y. Nil) units of 8.06% KERSDL 2025	100	511.32	-	-	-
1,000,000 (P.Y. Nil) units of 8.17% TNSDL 2025	100	1,031.15	-	-	-
500,000 (P.Y. Nil) units of 8.12% GUJSDL 2025	100	513.98	-	-	-
500,000 (P.Y. Nil) units of 8.01% TNSDL 2026	100	510.97	-	-	-
500,000 (P.Y. Nil) units of 8.24% MHSDL 2024	100	516.28	-	-	-
3,000,000 (P.Y. Nil) units of 8.31% APSDL 2025	100	3,114.37	-	-	-
2,500,000 (P.Y. Nil) units of 8.17% UPSDL 2025	100	2,576.12	-	-	-
Total investment in government securities		49,385.10	-	-	-
Investment in certificate of deposits (unquoted)					
12,500 (P.Y. Nil) Units Of IDFC bank Ltd	100,000	-	12,430.53	-	-
5,000 (P.Y. Nil) Units Of ICICI bank Ltd	100,000	-	4,948.93	-	-
10,000 (P.Y. Nil) Units Of Axis bank Ltd	100,000	-	9,860.89	-	-
15,000 (P.Y. Nil) Units Of Indusind bank Ltd	100,000	-	14,821.64	-	-
Total investment in certificate of Deposits		-	42,061.99	-	-
		61,521.88	153,509.53	4,556.65	4,371.20
Aggregate Value of Quoted Investments					
Cost		49,385.10			
Aggregate Value of Unquoted Investments					
Cost		12,136.78	153,509.53	4,556.65	4,371.20

Notes to Consolidated Financial Statements
for the year ended March 31, 2017

14. Deferred tax assets (net)

	As at	
	March 31, 2017	March 31, 2016
(₹ In Lacs)		
Deferred tax liability		
Unamortized resource mobilization expenses	153.73	130.84
Provision for special reserve u/s 29C of NHB Act.	-	525.30
Gross deferred tax liability	153.73	656.14
Deferred tax asset		
Impact of expenditure charged to the statement of consolidated profit and loss in the current year but allowed for tax purposes on payment basis	323.22	264.09
Impact of difference between tax depreciation and depreciation charged for the consolidated financial reporting	55.44	168.56
Provision for doubtful debts and advances	968.67	1,868.92
Gross deferred tax asset	1,347.33	2,301.57
Net deferred tax asset	1,193.60	1,645.43

Deferred tax assets and deferred tax liabilities have been offset wherever the Group has a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority.

15. Receivable under financing activity

	As at March 31, 2017		As at March 31, 2016	
	Non-current	Current	Non-current	Current
(₹ In Lacs)				
Secured				
Loans under financing activity				
-Considered good	426,535.11	195,990.50	474,351.42	189,210.54
-Considered doubtful	12,170.09	-	8,207.03	-
Loans placed towards minimum retention requirement (MRR) for direct assignment transactions				
-Considered good	12,624.60	5,320.40	10,807.26	5,807.03
-Considered doubtful	217.03	-	286.02	-
Other Loans				
-Considered good	-	-	24,518.60	1,002.25
-Considered doubtful	-	-	54.77	-
	451,546.83	201,310.90	518,225.10	196,019.82
Unsecured				
Loans under financing activity				
-Considered good	-	310.06	-	1,002.52
-Considered doubtful	-	-	-	-
Trade advances to dealers - Considered good	-	6,099.72	-	11,459.07
Trade advances to dealers - Considered doubtful	231.06	-	-	-
	231.06	6,409.78	-	12,461.59
	451,777.89	207,720.68	518,225.10	208,481.41

Notes to Consolidated Financial Statements
for the year ended March 31, 2017

16. Long-term loans and advances

	As at March 31, 2017		As at March 31, 2016	
	Non-current	Current	Non-current	Current
Unsecured considered good				
Security deposits (refer note 19)	1,601.18	109.30	284.36	73.67
Indirect taxes - deposited under protest	1,141.18	-	90.72	-
Prepaid expenses (refer note 19)	591.26	651.92	231.31	213.77
Security deposits with NBFC's/Financial institutions	-	9.00	9.00	-
Advances to suppliers/service providers	-	-	0.53	47.77
Advance to staff (refer note 19)	-	-	2.43	12.33
Advance tax (net of Provision) of previous years	344.84	-	303.10	-
Amount disclosed under the head "short-term loans and advances" (refer note 19)	-	(770.22)	-	(347.54)
	3,678.46	-	921.45	-

17. Other Non-current assets

	As at March 31, 2017	As at March 31, 2016
Deposits with banks (refer note 18)	95.23	644.81
(Deposits with original maturity for more than 12 months)		
	95.23	644.81

18. Cash and bank balances

	As at March 31, 2017		As at March 31, 2016	
	Non-current	Current	Non-current	Current
Cash and cash equivalents				
Balances with banks:				
- On current accounts	5,199.61	-	24,526.76	-
- Deposits with original maturity of less than three months (refer note 18.1)	37,575.15	-	7,335.08	-
Stamps/franking balance	58.34	-	93.98	-
Cash on hand	1,342.04	-	1,657.49	-
	44,175.14	-	33,613.31	-
Other bank balances				
- Deposits with original maturity for more than 3 months but less than 12 months (refer note 18.1)	2,369.92	-	1,978.04	-
- Deposits with original maturity for more than 12 months (refer note 18.1)	15,904.62	95.23	7,424.30	644.81
Amount disclosed under the head "other non-current assets" (refer note 17)	-	(95.23)	-	(644.81)
	62,449.68	-	43,015.65	-

Notes to Consolidated Financial Statements
for the year ended March 31, 2017

18.1 Deposits include ₹ 13,619.48 lacs as at March 31, 2017 (₹ 7,642.89 lacs as at March 31, 2016) as cash collateral for assignment/securitization, ₹ 2,934.12 lacs as at March 31, 2017 (₹ 1,070.04 lacs as at March 31, 2016) as cash collateral for bank guarantees under assignment/securitization transactions, ₹ 19.49 lacs as at March 31, 2017 (₹ 15.14 lacs as at March 31, 2016) as cash collateral for other bank guarantees, ₹ 385.00 lacs as at March 31, 2017 (₹ 739.00 lacs as at March 31, 2016) as cash collateral for working capital/term loan facilities from banks repayable on demand and Nil as at March 31, 2017 (₹ 32.00 lacs as at March 31, 2016) as cash collateral for channel financing business.

19. Short-term loans and advances

	As at March 31, 2017	As at March 31, 2016
Unsecured, considered good		
Prepaid expenses (refer note 16)	651.92	213.77
Advances to suppliers/service providers	1,023.02	903.05
Advances to staff (refer note 16)	291.67	175.48
Security deposits (refer note 16)	109.30	73.67
Security deposits with NBFC's/Financial institutions (refer note 16)	9.00	-
Recoverable in cash or in kind or for value to be received		
-Considered good	3,181.74	842.89
-Considered doubtful	112.80	58.19
	5,379.45	2,267.05
Provision for doubtful advances	69.22	47.89
	5,310.23	2,219.16

20. Other current assets

	As at March 31, 2017	As at March 31, 2016
Interest accrued but not due on loans to borrowers	5,051.90	5,391.16
Charges recoverable from borrowers	473.54	627.61
Interest accrued but not due on deposit with banks and others	125.03	104.58
Interest accrued but not due on government securities	671.52	-
Other current asset	6.23	0.15
	6,328.22	6,123.50

21. Revenue from operations

	Year ended March 31, 2017	Year Ended March 31, 2016
Interest income and other charges on :		
Loan portfolio	127,476.38	111,940.99
Securitisation and direct assignment	14,414.52	7,533.77
Finance advisory services	-	150.37
Channel finance business	-	0.37
Bank deposits placed as collateral	1,056.55	1,003.72
	142,947.45	120,629.22

Notes to Consolidated Financial Statements

for the year ended March 31, 2017

22. Other income

	Year ended March 31, 2017	(₹ In Lacs) Year Ended March 31, 2016
Income received on investments	1,130.17	290.71
Provisions no longer required, written back	293.25	193.17
Miscellaneous income	228.01	297.28
	1,651.43	781.16

23. Employee benefits expenses

	Year ended March 31, 2017	(₹ In Lacs) Year Ended March 31, 2016
Salaries and other benefits	17,003.98	17,444.51
Directors remuneration	1,574.77	728.40
Contribution to provident and other funds	682.80	522.16
Stock option expenditure	407.46	207.78
Staff welfare expenses	418.81	266.03
	20,087.82	19,168.88

23.1 Details of employees benefits

a) Defined contribution plan

Provident fund

The Group makes Provident Fund contributions to a defined contribution retirement benefit plans for qualifying employees. Under the schemes, the Group is required to contribute a specified percentage of the payroll costs to the Provident Fund Commissioner to fund the benefits.

The Group recognized ₹ 516.07 Lacs (P.Y. ₹ 409.89 Lacs) for provident fund contributions in the statement of profit and loss. The contributions payable to these plans by the Group are at rates specified in the rules of the schemes.

b) Defined benefit plans

Gratuity

The Group operates defined gratuity plans, for its employees. Under the gratuity plan, every employee who has completed at least five years of service gets a gratuity on departure @ 15 days of last drawn salary for each completed year of service. The Group has not created any fund for payment of gratuity.

The following table sets out the disclosures as required by revised Accounting Standard 15 for Gratuity

Notes to Consolidated Financial Statements

for the year ended March 31, 2017

Statement of consolidated profit and loss

Net employee benefit expense recognized in the employee cost

	Year ended March 31, 2017	(₹ In Lacs) Year Ended March 31, 2016
Current service cost	186.03	189.12
Interest cost on benefit obligation	37.11	25.70
Expected return on plan assets	-	-
Net actuarial (gain)/loss recognized in the year	18.08	3.28
Net benefit expense	241.22	218.10

Balance sheet

Benefit asset/liability

	Year ended March 31, 2017	(₹ In Lacs) Year Ended March 31, 2016
Present value of defined benefit obligation	698.59	532.83
Fair value of plan assets	-	-
Plan asset / (liability)	698.59	532.83

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

	Year ended March 31, 2017	(₹ In Lacs) Year Ended March 31, 2016
Opening defined benefit obligation	463.85	322.53
Current service cost	186.03	189.12
Interest cost	37.11	25.70
Benefit Paid During the Year	(6.48)	(7.80)
Actuarial (gain)/loss on obligation	18.08	3.28
Closing defined benefit obligation	698.59	532.83

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

	Year ended March 31, 2017	Year Ended March 31, 2016
Discount rate	7.50%	8.00%
Salary escalation rate	7.50%	7.00% - 7.50%
Withdrawal rate	1.00%	1.00% - 5.00%

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

Notes to Consolidated Financial Statements
for the year ended March 31, 2017

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

	As At March 31, 2017	As At March 31, 2016	As At March 31, 2015	As At March 31, 2014	As At March 31, 2013
Defined benefit obligation	698.59	532.83	322.53	203.96	131.14
Plan assets	-	-	-	-	-
Surplus / (deficit)	698.59	532.83	322.53	203.96	131.14
Experience adjustments on plan liabilities	18.08	3.28	(11.14)	(13.17)	5.75
Experience adjustments on plan assets	-	-	-	-	-

c) 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. The Company has accordingly Booked ₹ 88.45 Lacs (P.Y. ₹ 73.72 Lacs) in the books of accounts for the year.

24. Finance cost

	Year ended March 31, 2017	Year Ended March 31, 2016
Interest expense (refer note 24.1)	51,343.39	47,319.76
Other borrowing costs (refer note 24.2)	1,791.79	1,881.05
	53,135.18	49,200.81

24.1 Interest expense include interest on

Subordinated debentures	4,466.59	3,765.20
Term loans/cash credit facilities/commercial papers	24,213.23	21,672.90
Direct/ Indirect taxes	6.53	2.38
Non-convertible debentures	22,320.30	21,622.94
Others	336.73	256.34
	51,343.38	47,319.76

24.2 Other borrowing costs include

Resource mobilisation expenses	1,545.83	1,674.37
Bank charges and commission	245.95	206.68
	1,791.78	1,881.05

Notes to Consolidated Financial Statements
for the year ended March 31, 2017

25. Other expenses

	Year ended March 31, 2017	(₹ In Lacs) Year Ended March 31, 2016
Advertisement and publicity	336.95	378.36
Business promotion	202.28	159.23
Commission and brokerage	2,573.65	1,940.87
Communication	446.64	369.36
Director sitting fee	22.65	51.66
Donations and CSR	624.98	259.94
Electricity and water	371.40	252.63
Fee and subscription	41.01	46.15
Field investigation and credit control	34.18	27.47
Insurance	39.65	33.27
Legal and professional fee	1,125.30	901.29
Loss on sale of repossessed assets	220.09	99.47
Sponsorship fees	96.83	4.28
Manpower supply cost	4,031.13	1,693.78
Office expenses	163.21	213.15
Postage and courier	109.23	121.53
Printing and stationery	118.37	98.43
Rates and taxes	28.32	9.89
Rent (refer note 25.1)	851.76	761.44
Repair and maintenance - others	943.48	165.66
Repossession expenses	701.74	519.02
Swachh Bharat Cess	49.38	11.58
Traveling and conveyance	1,916.62	1,646.79
Valuation and RTO	27.18	35.02
Share issue expenses	204.23	-
Vat expenses	24.34	19.71
Auditor's remuneration		
-Audit fees	54.04	59.94
-Tax audit fees	4.00	4.10
-Other services	10.73	2.66
	15,373.37	9,886.68

25.1 The Company's significant leasing arrangements in terms of Accounting Standard 19 on Leases are in respect of operating leases for premises. These leasing arrangements, which are cancellable, generally range between 11 months and 36 months and are usually renewable by mutual consent on mutually agreeable terms.

Notes to Consolidated Financial Statements
for the year ended March 31, 2017

26. Provisions and write offs

	Year ended March 31, 2017	(₹ In Lacs) Year Ended March 31, 2016
A. Provisions as at March 31, 2017		
Provision on old assigned cases	0.89	3.97
Provision on non performing assets	4,748.89	2,921.31
Provision for other doubtful loans and advances	69.22	47.89
Contingent provision against standard assets	2,894.21	2,317.63
Provision for contingencies	160.79	109.46
	7,874.00	5,400.26
B. Provisions as at March 31, 2016		
Provision on old assigned cases	3.97	31.15
Provision on non performing assets	2,921.31	3,042.34
Provision for other doubtful loans and advances	47.89	-
Contingent provision against standard assets	2,317.63	1,227.11
Provision for contingencies	109.46	-
	5,400.26	4,300.60
Net Provision made during the year (A-B)	2,473.74	1,099.66
C. Write off during the year (net of recoveries)		
Loan assets write off	6,499.74	5,025.15
Loss on settlement with borrowers	516.47	408.76
Recovery against loans written off	(2,735.65)	(1,684.87)
Write off during the year (net)	4,280.56	3,749.04
	6,754.30	4,848.70

27. Tax Expenses

	Year ended March 31, 2017	(₹ In Lacs) Year Ended March 31, 2016
Current tax	31,048.36	13,135.75
Deferred tax	637.41	(293.48)
Adjustment of tax relating to earlier periods	445.61	(23.06)
Total tax expenses	32,131.39	12,819.21

Notes to Consolidated Financial Statements
for the year ended March 31, 2017

28. Earning Per share

	As At March 31, 2017	(₹ In Lacs) As At March 31, 2016
Profit/ (loss) after tax (A)	76,187.14	24,653.72
Less: Exceptional item (net of tax)	(44,233.29)	-
Net profit excluding exceptional item (B)	31,953.85	24,653.72
Weighted average number of equity shares in calculating basic EPS (C)	272,385,729	264,484,512
Add: Effect of dilution - Stock option granted to employees	5,179,083	1,704,362
Weighted average number of equity shares in calculating diluted EPS (D)	277,564,812	266,188,874
Earning per share including exceptional item		
Basic (In ₹) (A / C)	27.97	9.32
Diluted (In ₹) (A / D)	27.45	9.26
Nominal value per share (In ₹)	10.00	10.00
Earning per share excluding exceptional item		
Basic (In ₹) (B / C)	11.73	9.32
Diluted (In ₹) (B / D)	11.51	9.26
Nominal value per share (In ₹)	10.00	10.00

Note:
The number of equity shares and resultant EPS and DPS in respect of financial year ended March 31, 2016 considered above is adjusted for the issue of bonus shares in the current financial year in the ratio of 5:1.

29. Related party disclosures

Names of related parties and related party relationship

Related parties where control exists	
Subsidiaries	Aavas Financiers Limited (formerly known as Au Housing Finance Limited) (Upto June 22, 2016) Index Money Limited (upto June 16, 2016)
Other related parties with whom transactions have been taken place during the year	
Associates	Au Insurance Broking Services Private Limited (Upto December 8, 2016) M Power Micro Finance Private Limited (Upto September 7, 2016)
Enterprises over which Key management personnel has significant influence	M Power Micro Finance Private Limited
Key management personnel	Mr. Sanjay Agarwal, Managing Director and CEO Mr. Uttam Tibrewal, Whole Time Director Mr. Deepak Jain, Chief Financial Officer Mr. Manmohan Parnami, Company Secretary

a. Loans given and repayment there of for the year ended March 31, 2017

Name of related party	Year ended	Loans given	Repayment of loans given	Interest due	Interest Received	Amount owed by related parties
Associates/ Enterprises over which Key management personnel has significant influence						
M Power Micro Finance Private Limited	Mar 31, 2017	4,475.00	4,475.00	27.22	27.22	-
	Mar 31, 2016	5,623.65	6,630.27	25.34	25.34	-

Loans given to related parties are repayable on demand. These loans carry interest @ of 12% to 17% p.a.

Notes to Consolidated Financial Statements
for the year ended March 31, 2017

b. Remuneration to key managerial personnel

	Year ended March 31, 2017	(₹ In Lacs) Year Ended March 31, 2016
Mr. Sanjay Agarwal, Managing Director and CEO	3,247.17	322.73
Mr. Uttam Tibrewal, Executive Director	827.61	171.44
Mr. Deepak Jain, Chief Financial Officer	288.39	127.24
Mr. Manmohan Parnami, Company Secretary	37.51	31.80
Total	4,400.68	978.25

- Note:
- 1. 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.
 - 2. Includes special bonus paid to Key Managerial Personnel in connection with the transactions disclosed as exceptional item (refer note 35).
 - 3. As on March 31, 2017, Company does not have any subsidiary and associate company.

c. Other transactions

Name of related party	Nature of related party	Nature of transactions	Year ended March 31, 2017	(₹ In Lacs) Year Ended March 31, 2016
Au Insurance Broking Services Private Limited	Associate	Reimbursement of expenses (recovered)	7.26	9.07
Au Insurance Broking Services Private Limited	Associate	Reimbursement of expenses (paid)	-	2.72
Au Insurance Broking Services Private Limited	Associate	Reimbursement of Statutory payments (recovered)	13.27	46.36
Mr. Sanjay Agarwal	Managing Director & CEO	Purchase of flat	113.00	-
Mr. Sanjay Agarwal	Managing Director & CEO	Issue of Equity Shares of the Company	15,892.25	-
Mr. Sanjay Agarwal	Managing Director	Rent	4.28	7.75
Mr. Uttam Tibrewal	Whole Time Director	Issue of Equity Shares of the Company	1,050.00	-
Mr. Deepak Jain	Chief Financial Officer	Issue of Equity Shares of the Company	210.00	-
Mr. Sushil Kumar Agarwal	Whole Time Director and Chief Executive Officer	Equity Shares	-	400.00

Notes to Consolidated Financial Statements
for the year ended March 31, 2017

Name of related party	Nature of related party	Nature of transactions	Year ended March 31, 2017	(₹ In Lacs) Year Ended March 31, 2016
Mr. Sanjay Agarwal	Managing Director & CEO	Personal guarantee on behalf of Company	105,508.82	133,822.75
Mr. Sanjay Agarwal and Mr. Uttam Tibrewal	Managing Director & CEO and Whole Time Director	Personal guarantee on behalf of Company	3,000.00	5,520.20
Mr. Sanjay Agarwal & Mrs. Jyoti Agarwal	Managing Director & CEO and Shareholder	Personal guarantee on behalf of Company	5,264.00	13,363.09
Mr. Sanjay Agarwal	Managing Director & CEO	Property pledged	-	29.06

d. Outstanding Balances of Related Party

Name of related party	Nature of related party	Nature of transactions	Year ended March 31, 2017	(₹ In Lacs) Year Ended March 31, 2016
Au Insurance Broking Services Private Limited	Associate	Investment (Shares)	-	19.50
M Power Micro Finance Private Limited	Associate/ Enterprises over which Key management personnel has significant influence	Investment (Shares)	105.12	450.00

30. Capital and other commitments

	As At March 31, 2017	(₹ In Lacs) As At March 31, 2016
Estimated amount of contracts remaining to be executed on capital accounts not provided for :		
Tangible assets	5,142.68	-
Intangible assets	3,259.25	142.50
Loan sanctioned but not disbursed	3,434.06	10,827.11
	11,835.99	10,969.61

Notes to Consolidated Financial Statements
for the year ended March 31, 2017

31. Contingent liability not provided for

	As At March 31, 2017	(₹ In Lacs) As At March 31, 2016
Credit enhancements provided by the Company towards asset assignment / securitisation (including cash collaterals, principal and interest subordination)	30,417.71	16,227.85
Corporate Guarantees/Corporate Undertakings in case of Channel business activity	-	57.18
Claims against the Company not acknowledged as debts *	281.47	187.61
Value added tax	13.89	13.89
Income tax demand #	472.57	71.46
Service tax \$	2,047.54	2,051.42

The claims against the Company comprise of :

* Claims by borrowers consequent to actions against them by the Company in case of defaults and/or repossession of secured assets totaling ₹ 281.47 lacs (P.Y. ₹ 187.61 lacs). The Company has been advised by its legal division that liability is possible, but not probable and according no provision for such liability has been recognised in the financial statements.

Income tax demand of ₹ 15.95 Lacs from the Indian tax authorities for payment of tax of financial year 2012-13 upon completion of their tax review. The tax demands are mainly on account of disallowance of expenses which are being contested in appeal before the Income Tax Appeals Tribunal (ITAT) and is pending for disposal.

Income tax demand of ₹ 456.62 Lacs from the Indian tax authorities for payment of tax of financial year 2013-14 upon completion of their tax review. The tax demands are mainly on account of disallowance of expenses which are being contested in appeal before the Commissioner of Income Tax Appeals, Jaipur and is pending for disposal. Out of total demand of ₹ 456.62 Lacs, ₹ 216 lacs adjusted by the Indian income tax authority from the refund claimed by The Company and ₹ 36 Lacs has deposited at the time of appeal filing in front of Commissioner of Income tax appeals, Jaipur.

\$ Service tax demand of ₹ 1209.62 lacs (up to September 2013) and ₹ 837.92 lacs (for the period from October 2013 to March 2015) respectively received from the Service Tax authorities. The Company has filed an appeal against the order before the Custom Excise and Service Tax Appellate Tribunal (CESTAT) and has deposited ₹90.72 lacs under protest. The tax demand is mainly on collection agency service on portfolio assigned/securitized to banks/financial institution/non-banking financial institutions.

32. The Company operates in a single business segment i.e. lending to borrowers, which have similar risks and returns for the purpose of AS 17 on 'Segment Reporting' specified under section 133 of the Companies act 2013, read with rule 7 of the Companies (Accounts) Rules, 2014, Companies (Accounting Standards) Amendment Rules, 2016. The Company operates in a single geographical segment i.e. domestic.

Notes to Consolidated Financial Statements
for the year ended March 31, 2017

33. Expenditure in Foreign Currency (Accrual basis)

Particulars	Year Ended March 31, 2017	(₹ In Lacs) Year Ended March 31, 2016
Fee and Subscription	-	1.25
Resource Mobilization Expenses	-	6.40
Debentures Issue Expenses	395.80	16.75
Recruitment Expenses	6.73	-
Software Maintenance Expenses	0.41	-

34. Stock options

The Company has provided various share-based payment schemes to its Directors and Employees. The plans in operation are Plan A, Plan B and Plan C. The numerical A1, A2, B1, B2, B3, B4, C1, C2 and C3 represents different grants made under these plans. During the year ended March 31, 2017, the following series were in operation:

Particulars	Plan A1	Plan A2	Plan B1	Plan B2	Plan B3	Plan B4	Plan C1	Plan C2	Plan C3
Date of grant	Aug 31, 2015	Aug 23, 2016	Aug 31, 2015	Aug 23, 2016	Nov 11, 2016	Jan 24, 2017	Nov 11, 2016	Jan 24, 2017	Feb 22, 2017
Date of Board / Compensation Committee approval	Aug 10, 2015	Aug 23, 2016	Aug 10, 2015	Aug 23, 2016	Nov 11, 2016	Jan 24, 2017	Nov 11, 2016	Jan 24, 2017	Feb 22, 2017
Number of Options granted	3,338,436	418,512	2,862,846	1,092,654	36,000	30,000	11,700	185,900	70,700
Method of settlement	Equity	Equity	Equity	Equity	Equity	Equity	Equity	Equity	Equity
Graded vesting period:									
1st vesting "12 months from the date of grant or on the date of proposed initial public offer of Company's equity shares (currently estimated September 30, 2017) whichever is later"	20%	20%	20%	20%	20%	20%	NA	NA	NA
1st vesting "12 months from the date of grant or one year from the date of proposed initial public offer of Company's equity shares (currently estimated September 30, 2017) which ever is later"	NA	NA	NA	NA	NA	NA	20%	20%	20%
2nd vesting "On expiry of one year from the 1st vesting date"	30%	30%	30%	30%	30%	30%	30%	30%	30%
3rd vesting "On expiry of two years from the 1st vesting date"	50%	50%	50%	50%	50%	50%	50%	50%	50%
Exercise period	4 years from the 1st vesting date				6 years from the 1st vesting date				
Vesting conditions	Continuous service				Continuous service				
Weighted average remaining contractual life (years)	4.50	4.50	4.50	4.50	4.62	4.82	7.51	7.51	7.51
Weighted average exercise price per option (₹)	10.11	10.11	33.37	33.37	33.37	33.37	140.00	140.00	140.00

Note:
Number of options and exercise prices disclosed above are adjusted for the issue of bonus shares during the current year in the ratio of 5:1.

Notes to Consolidated Financial Statements
for the year ended March 31, 2017

Particulars	March 31, 2017								
	Plan A1	Plan A2	Plan B1	Plan B2	Plan B3	Plan B4	Plan C1	Plan C2	Plan C3
Options outstanding at the beginning of the year	3,338,418	-	2,862,846	-	-	-	-	-	-
Granted during the year	-	418,512	-	1,092,654	36,000	30,000	11,700	185,900	70,700
Forfeited during the year	-	-	-	-	-	-	-	-	-
Exercised during the year	-	-	-	-	-	-	-	-	-
Expired during the year	(318,864)	-	(59,892)	(85,824)	-	-	-	-	-
Outstanding at the end of the year	3,019,554	418,512	2,802,954	1,006,830	36,000	30,000	11,700	185,900	70,700
Exercisable at the end of the year	-	-	-	-	-	-	-	-	-

Particulars	March 31, 2016								
	Plan A1	Plan A2	Plan B1	Plan B2	Plan B3	Plan B4	Plan C1	Plan C2	Plan C3
Options outstanding at the beginning of the year	-	-	-	-	-	-	-	-	-
Granted during the year	3,338,418	-	2,862,846	-	-	-	-	-	-
Forfeited during the year	-	-	-	-	-	-	-	-	-
Exercised during the year	-	-	-	-	-	-	-	-	-
Expired during the year	-	-	-	-	-	-	-	-	-
Outstanding at the end of the year	3,338,418	-	2,862,846	-	-	-	-	-	-
Exercisable at the end of the year	-	-	-	-	-	-	-	-	-

Details of stock options granted during the year:
Plan A & B: The weighted average fair value of stock options granted during the year was ₹ 43.50 (Plan A2), ₹ 30.82 (plan B2), ₹ 68.12 (plan B3), ₹ 68.12 (plan B4), ₹ 39.84 (plan C1), ₹ 38.85 (plan C2) and ₹ 38.45 (plan C3)

The Black-Scholes Model has been used for computing the weighted average fair value considering the following:

Particulars	Plan A2		
	Tranche vesting in FY 2017-18	Tranche vesting in FY 2018-19	Tranche vesting in FY 2019-20
Share price on the date of grant (₹)	51.05	51.05	51.05
Exercise price (₹)	10.11	10.11	10.11
Expected volatility (%)	49.91%	49.91%	49.91%
Life of the options granted (years)	3.10	3.60	4.10
Risk-free interest rate (%)	6.86%	6.86%	6.86%
Expected dividend rate (%)	0%	0%	0%
Fair value of the option (₹)	43.07	43.40	43.74

Notes to Consolidated Financial Statements
for the year ended March 31, 2017

Particulars	Plan B2			Plan B3			Plan B4		
	Tranche vesting in FY 2017-18	Tranche vesting in FY 2018-19	Tranche vesting in FY 2019-20	Tranche vesting in FY 2017-18	Tranche vesting in FY 2018-19	Tranche vesting in FY 2019-20	Tranche vesting in FY 2017-18	Tranche vesting in FY 2018-19	Tranche vesting in FY 2019-20
Share price on the date of grant (₹)	51.05	51.05	51.05	92.25	92.25	92.25	92.25	92.25	92.25
Exercise price (₹)	33.37	33.37	33.37	33.37	33.37	33.37	33.37	33.37	33.37
Expected volatility (%)	49.91%	49.91%	49.91%	49.91%	49.91%	49.91%	49.91%	49.91%	49.91%
Life of the options granted (years)	3.10	3.60	4.10	3.00	3.50	4.00	3.00	3.50	4.00
Risk-free interest rate (%)	6.86%	6.86%	6.86%	6.86%	6.86%	6.86%	6.86%	6.86%	6.86%
Expected dividend rate (%)	0%	0%	0%	0%	0%	0%	0%	0%	0%
Fair value of the option (₹)	28.31	29.57	30.69	66.50	67.81	68.95	66.50	67.81	68.95

Particulars	Plan C1			Plan C2			Plan C3		
	Tranche vesting in FY 2017-18	Tranche vesting in FY 2018-19	Tranche vesting in FY 2019-20	Tranche vesting in FY 2017-18	Tranche vesting in FY 2018-19	Tranche vesting in FY 2019-20	Tranche vesting in FY 2017-18	Tranche vesting in FY 2018-19	Tranche vesting in FY 2019-20
Share price on the date of grant (₹)	92.25	92.25	92.25	92.25	92.25	92.25	92.25	92.25	92.25
Exercise price (₹)	140.00	140.00	140.00	140.00	140.00	140.00	140.00	140.00	140.00
Expected volatility (%)	49.91%	49.91%	49.91%	49.91%	49.91%	49.91%	49.91%	49.91%	49.91%
Life of the options granted (years)	4.89	5.39	5.89	4.68	5.18	5.69	4.61	5.11	5.61
Risk-free interest rate (%)	6.86%	6.86%	6.86%	6.86%	6.86%	6.86%	6.86%	6.86%	6.86%
Expected dividend rate (%)	0%	0%	0%	0%	0%	0%	0%	0%	0%
Fair value of the option (₹)	36.34	39.18	41.63	35.31	38.18	40.66	35.16	37.72	40.21

The Company measures the cost of ESOP using the intrinsic value method. Had the Company used the fair value model to determine compensation, its profit after tax and earnings per share as reported would have changed to the amounts indicated below:

Particulars	Year ended	
	March 31, 2017	March 31, 2016
Profit after tax and share of profit of Associate as reported	76,187.14	24,653.72
Add: ESOP cost using intrinsic value method (net of tax)	266.45	135.87
Less: ESOP cost using fair value method (net of tax)	408.67	202.42
Profit after tax (adjusted)	76,044.91	24,587.17
Earnings Per Share		
Basic		
- As reported	27.97	9.32
- Adjusted for ESOP cost using fair value method	27.92	9.30
Diluted		
- As reported	27.45	9.26
- Adjusted for ESOP cost using fair value method	27.40	9.22

Notes to Consolidated Financial Statements
for the year ended March 31, 2017

Particulars	As At	(₹ In Lacs)
	March 31, 2017	As at March 31, 2016
Stock options outstanding (gross)	1,400.97	1,128.08
Deferred compensation cost outstanding	785.73	920.30
Stock options outstanding (net)	615.24	207.78

35 During the year, the Company sold its investment in subsidiary companies viz. Aavas Financiers Limited (formerly known as Au Housing Finance Limited) and Index Money Limited and associate companies viz. M Power Micro Finance Private Limited and Au Insurance Broking Services Private Limited. The profit on sale of these investments (net of the expenses incurred in connection with such sale) of ₹ 59,582.35 lacs (₹ 44,233.29 lacs, net of tax) has been disclosed as an exceptional item in the financial statements.

The profit after tax excluding the impact of such exceptional item is ₹ 31,953.85 lacs (year ended March 31, 2016: ₹ 24653.72 lacs) and the resultant basic and diluted earnings per share is ₹ 11.73 and ₹ 11.51, respectively.

36. Details of Specified Bank Notes (SBNs) held and transacted by the Company during the period November 8, 2016 to December 30, 2016

Particulars	SBNs	Other	(₹ In Lacs)
		denomination notes	Total
Closing cash in hand as on November 8, 2016 [note (b)]	399.88	44.46	444.34
(+) Permitted receipts [note (c)]	-	9,865.14	9,865.14
(-) Permitted payments [note (d)]	-	(1,961.88)	(1,961.88)
(-) Amount deposited in Banks	(399.88)	(7,635.90)	(8,035.78)
Closing cash in hand as on December 30, 2016	-	311.82	311.82

Notes:

- (a) Under the technology and processes operated by the Company, details of the denomination of notes are not available for all types of cash receipts and payments made by the Company. However, the Company has established a process to monitor the denomination of the notes for the end of day cash balance through daily cash reports submitted by the branches.
- (b) Includes amounts collected by the Company from its loan borrowers against receipts issued on November 8, 2016. These amounts have been accounted on November 9, 2016 in the ordinary course of business, based on the field collection data received from collection officers in respect of the previous day.
- (c) Permitted receipts in other denomination notes include collections made by the Company from its loan borrowers towards regular loan obligations and withdrawals from bank accounts during the period from November 9, 2016 to December 30, 2016 in the ordinary course of business. The Company had implemented interim measures and controls to ensure no transactions are carried out in SBNs. Accordingly, no instances have been reported of any non-permitted receipts or payments being made by the Company.
- (d) Permitted payments in other denomination notes include disbursement of loans to its borrowers and other cash payments in the ordinary course of business.

Notes to Consolidated Financial Statements
for the year ended March 31, 2017

- (e) In addition to the amounts indicated in the above table, the borrowers of the Company have directly deposited amounts aggregating ₹ 1,335 lacs in the Company's bank accounts through cash and electronic fund transfers. The identification of cash deposits from such amount and the denomination wise details thereof are not available with the Company except for ₹ 5.49 lacs deposited in SBNs in one bank account of the Company.

37. Litigation

The Company has certain litigations pending with the income tax authorities, service tax authorities and other litigations which have arisen in the ordinary course of business. The Company has reviewed all such pending litigations having an impact on the financial position, and has adequately provided for where provision is required and disclosed the contingent liabilities where applicable, in its financial statements. Refer note 31 for items disclosed as contingent liabilities.

- 38.** At the year end, the Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.

- 39.** Previous year figures have been regrouped/reclassified, where necessary, to conform to this year's classification.

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

For and on behalf of the Board of Directors
AU Small Finance Bank Limited
(Formerly Au Financiers (India) Limited)

Sanjay Agarwal
(Managing Director and CEO)

Uttam Tibrewal
(Whole Time Director)

Deepak Jain
(Chief Financial Officer)

Manmohan Parnami
(Company Secretary)

Place: Mumbai
Date: August 9, 2017

AU SMALL FINANCE BANK LIMITED
(formerly known as Au Financiers (India) Limited)
CIN: L36911RJ1996PLC011381
Registered Office: 19-A, DHULESHWAR GARDEN, AJMER ROAD,
JAIPUR – 302001, RAJASTHAN
Tel: +91 0141 4110060 | Fax: +91 0141 4110090
Website: www.aubank.in | E-mail: investorrelations@aubank.in

Notice

Notice is hereby given that the Twenty Second (22nd) Annual General Meeting (“AGM/Meeting”) of the members of AU SMALL FINANCE BANK LIMITED (“Bank”) (formerly known as AU Financiers (India) Limited) will be held on Wednesday, 27th day of September, 2017 at 02:00 PM at Suryavanshi Mahal – Ground Floor, ITC Rajputana, Palace Road, Jaipur-302006, Rajasthan, India, to transact the following business:

ORDINARY BUSINESS

ITEM NO. 1: To consider and adopt:

- a. the Audited Standalone Financial Statements of the Bank for the Financial Year ended 31st March, 2017 and the reports of the Board of Directors and the Auditors thereon; and
- b. the Audited Consolidated Financial Statements of the Bank for the Financial Year ended 31st March, 2017 and the reports of the Auditors thereon.

ITEM NO. 2: To appoint a director in place of Mr. Uttam Tibrewal (DIN: 01024940), who retires by rotation and being eligible, has offered himself for re-appointment.

ITEM NO. 3: To re-appoint M/S S.R. BATLIBOI & ASSOCIATES LLP, Chartered Accountants, (Registration No. 101049W/E300004) as the Statutory Auditors of the Bank

To consider and, if thought fit, to pass the following resolution as an **Ordinary Resolution:**

“RESOLVED THAT pursuant to the provisions of Section 139, 141 and other applicable provisions, if any, of the Companies Act, 2013, read with The Companies (Audit and Auditors) Rules, 2014, and the applicable provisions of the Banking Regulation Act, 1949 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) and the Rules, Circulars and Guidelines issued by the Reserve Bank of India from time to time and subject to approval from Reserve Bank of India and such other regulatory authorities, as may be applicable, M/s. S. R. BATLIBOI & ASSOCIATES LLP, Chartered Accountants, (Registration No. 101049W/E300004) be and are hereby appointed as the Statutory Auditors of the Bank to hold office, from the conclusion of 22nd Annual General Meeting until till the conclusion of the 26th Annual General Meeting of Bank to be held in the calendar year 2021 subject to ratification of their appointment by the Members of the Bank at every subsequent Annual General Meeting held after this AGM and subject to prior approval of Reserve Bank of India for their appointment in every subsequent year, and on such terms and conditions, including remuneration, as approved by the Board of Directors of the Bank.”

SPECIAL BUSINESS

Item No. 4: TO CONFIRM/RATIFY ARTICLE NO. 13(b) OF ARTICLES OF ASSOCIATION OF THE BANK.

To consider and if thought fit, to pass, the following resolution as a **Special Resolution:**

“RESOLVED THAT pursuant to the provisions of section 14 and other applicable provisions, if any, of the Companies Act, 2013, read with The Companies (Incorporation) Rules, 2014 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force), SEBI applicable rules and regulations and further subject to any other laws and regulations, as may be applicable, approval of the shareholders be and is hereby accorded for confirming/accepting existing Article 13(b) of the Articles of Association of the bank, in conformity with the Companies Act, 2013 and rules made thereunder which are read as under:-

Article 13 (b) Subject to Applicable Law, when the shares held by any shareholder(s) represent at least ten percent (10%) of the paid up equity share capital of the Company on a fully-diluted basis, such shareholder(s) shall have the right to nominate one (1) Director each and all the other shareholders shall ensure that such nominee is promptly appointed as a Director.

RESOLVED FURTHER THAT Subject to the provisions of the Companies Act, 2013 and the rules made thereunder and notwithstanding anything to the contrary contained in these Articles, shareholder(s) representing at least ten percent (10%) of the paid up equity share capital of the Company on a fully-diluted basis shall have a right to appoint, remove, reappoint, substitute from time to time, its nominee as a Director (hereinafter referred to as “the Nominee Director”) on the Board of the Company and there are no special rights available with the shareholders of the company apart from above.”

RESOLVED FURTHER THAT the Nominee Director(s) so appointed shall not be required to hold any qualification shares in the Company, being liable to retire by rotation and be entitled to the same rights and privileges including receiving of notices, copies of the minutes etc. except any remuneration or sitting fees as other Director of the Company is entitled.

RESOLVED FURTHER THAT the Board of Directors of the Bank be and are hereby authorized to do all such acts, deeds and things as in its absolute discretion it may think necessary, expedient or desirable to settle any question or doubt that may arise in relation thereto in order to give effect to the foregoing resolution and to seek such approval / consent from the government departments, as may be required in this regard.”

ITEM NO. 5: TO RATIFY EMPLOYEE STOCK OPTION SCHEME 2015 OF AU SMALL FINANCE BANK LIMITED

To consider and if thought fit, to pass, the following resolution as a **Special Resolution:**

“RESOLVED THAT pursuant to Regulation 12 of the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 and applicable provisions of the Companies Act, 2013 read with the rules made thereunder(including any statutory modification(s) or re-enactment(s) thereof for the time being in force), the ‘Employee Stock Option Plan 2015’ (“ESOP 2015”) which was implemented from August 31, 2015, as amended on January 24, 2017, salient features and other relevant details of which are provided in the explanatory statement to the notice of annual general meeting, and a copy of the aforesaid scheme as tabled at the said meeting be and is hereby approved and ratified.

RESOLVED FURTHER THAT the Company be and is hereby authorized to continue to grant further options under ESOP 2015 along with the existing grants not exceeding 8,769,252 options exercisable into not more than 8,769,252 equity shares of face value of ₹ 10/- (Rupees Ten) each fully paid-up.

RESOLVED FURTHER THAT, in case of any corporate action(s) such as rights issues, bonus issues, merger, or sale of divisions(s) of the Company or other similar events during the tenure of these grants the Board be and is hereby authorized to do all such acts, deeds, matters and things as it may deem fit in its absolute discretion and as permitted under applicable laws, so as to ensure that fair and equitable benefits consequent to the above mentioned events shall be passed on the eligible grantees on vesting of their options under the ESOP 2015.

RESOLVED FURTHER THAT, the consent of the Company be and is hereby accorded to the Trustees of the AU FINANCIERS EMPLOYEE WELFARE TRUST to utilize the equity shares which remain unutilized with the Trust, towards the ESOP Scheme.

RESOLVED FURTHER THAT, Board and/or Nomination & remuneration Committee of the Company be and are hereby authorized to determine all other terms and conditions of the functioning and operation of the Trust.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board be and is hereby authorized to do all such acts, deeds, matters and things as it may in its absolute discretion, deem necessary and desirable including without limitation, to make modifications, changes, variations, alterations or revisions in the ESOP 2015 as it may deem fit, seek requisites approvals from the appropriate authorities, appointment of consultants, advisors and other agencies.

RESOLVED FURTHER THAT the Board be and is hereby authorized to delegate all or any of the powers herein conferred by this resolution to any Director or Directors or to any Committee of Directors or to any Officer or Officers of the Company to give effect to this resolution.

RESOLVED FURTHER THAT the Board be and is hereby authorized to formulate, evolve and bring into effect the ESOP 2015 on such terms and conditions as contained in the

Explanatory Statement to this item in the notice and to make any modifications(s), change(s), variation(s), alteration(s) or revision(s) in the terms and conditions of the ESOP 2015 in accordance with any guidelines or regulations that may be issued, from time to time, by any appropriate authority unless such variation(s), modification(s) or alteration(s) is detrimental to the interests of the employees including but not limited to, amendments with respect to the vesting period and schedule, number of options, exercise price, exercise period, eligibility criteria or to suspend, withdraw, terminate or revise the ESOP 2015, without any form of further reference, confirmation, approvals or sanctions from the members of the Company, to the extent permissible by the SEBI (Share Based Employee Benefits) Regulations, 2014 and other relevant regulations in force.”

ITEM NO. 6: TO RATIFY EMPLOYEE STOCK OPTION SCHEME 2016 OF AU SMALL FINANCE BANK LIMITED

To consider and if thought fit, to pass, the following resolution as a **Special Resolution**

“RESOLVED THAT pursuant to Regulation 12 of the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 and applicable provisions of the Companies Act, 2013 read with the rules made thereunder(including any statutory modification(s) or re-enactment(s) thereof for the time being in force), the ‘Employee Stock Option Scheme 2016’ (“ESOP 2016”) which was implemented from October 10, 2016, as amended on January 24, 2017 salient features and other relevant details of which are provided in the explanatory statement to the notice of annual general meeting, and a copy of the aforesaid scheme as tabled at the said meeting be and is hereby approved and ratified.

RESOLVED FURTHER THAT the Company be and is hereby authorized to continue to grant further options under ESOP 2016 along with the existing grants not exceeding 2,100,000 options exercisable into not more than 2,100,000 equity shares of face value of ₹ 10/- (Rupees Ten) each fully paid-up.

RESOLVED FURTHER THAT, in case of any corporate action(s) such as rights issues, bonus issues, merger, or sale of divisions(s) of the Company or other similar events during the tenure of these grants the Board be and is hereby authorized to do all such acts, deeds, matters and things as it may deem fit in its absolute discretion and as permitted under applicable laws, so as to ensure that fair and equitable benefits consequent to the above mentioned events shall be passed on the eligible grantees on vesting of their options under the ESOP 2016.

RESOLVED FURTHER THAT, Board and/ or Nomination & remuneration Committee of the Company be and are hereby authorized to determine all other terms and conditions of the functioning and operation of the Trust.

RESOLVED FURTHER THAT, the Trustees of the AU FINANCIERS EMPLOYEE WELFARE TRUST be and are hereby authorized to determine all other terms and conditions of the functioning and operation of the Trust.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board be and is hereby authorized to do all such acts, deeds, matters and things as it may in its absolute

discretion, deem necessary and desirable including without limitation, to make modifications, changes, variations, alterations or revisions in the ESOP 2016 as it may deem fit, seek requisites approvals from the appropriate authorities, appointment of consultants, advisors and other agencies.

RESOLVED FURTHER THAT the Board be and is hereby authorized to delegate all or any of the powers herein conferred by this resolution to any Director or Directors or to any Committee of Directors or to any Officer or Officers of the Company to give effect to this resolution.

RESOLVED FURTHER THAT the Board be and is hereby authorized to formulate, evolve and bring into effect the ESOP 2016 on such terms and conditions as contained in the Explanatory Statement to this item in the notice and to make any modifications(s), change(s), variation(s), alteration(s) or revision(s) in the terms and conditions of the ESOP 2016 in accordance with any guidelines or regulations that may be issued, from time to time, by any appropriate authority unless such variation(s), modification(s) or alteration(s) is detrimental to the interests of the employees including but not limited to, amendments with respect to the vesting period and schedule, number of options, exercise price, exercise period, eligibility criteria or to suspend, withdraw, terminate or revise the ESOP 2016, without any form of further reference, confirmation, approvals or sanctions from the members of the Company, to the extent permissible by the SEBI (Share Based Employee Benefits) Regulations, 2014 and other relevant regulations in force."

BY THE ORDER OF THE BOARD OF DIRECTORS
FOR AU SMALL FINANCE BANK LIMITED

Sd/-
Place: Mumbai MANMOHAN PARNAMI
Date: 9th August, 2017 COMPANY SECRETARY

Notes:

- A MEMBER ENTITLED TO ATTEND AND VOTE AT THE AGM IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL IN THE MEETING INSTEAD OF HIMSELF/ HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. A person can act as proxy on behalf of not exceeding fifty members and holding in aggregate, not more than 10% of the total paid up share capital of the Company. A member holding more than ten percent of the total paid up share capital of the company carrying voting rights may appoint a single person as proxy, provided that such person shall not act as proxy for any other person or shareholder.**
- An Explanatory Statement pursuant to Section 102(1) of the Companies Act, 2013 relating to the Special Business to be transacted at the Meeting is annexed hereto.**
- Corporate members intending to send their authorized representatives to attend the meeting are requested to send a certified copy of the Board Resolution to the Company, authorizing their representative to attend and vote on their behalf at the meeting.

- In case of joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.
- The instrument appointing the proxy, duly completed in all respect, must be deposited at the Company's Registered office not less than 48 hours before commencement of the meeting (on or before September 25, 2017, 2.00 PM IST). A proxy form for the AGM is enclosed.
- During the period beginning 24 hours before the time fixed for the commencement of the meeting and ending with the conclusion of the meeting, a member would be entitled to inspect the proxies lodged at any time during the business hours of the Company, provided that not less than three days of notice in writing is given to the Company.
- Members / Proxies / authorized representatives should bring the duly filled Attendance Slip enclosed herewith to attend the meeting.
- The Register of Directors and Key Managerial Personnel and their shareholding, maintained under Section 170 of the Companies Act, 2013 will be available for inspection by the members at the AGM.
- The Register of Contracts or Arrangements in which the directors are interested, maintained under Section 189 of the Companies Act, 2013, will be available for inspection by the members at the AGM.
- The Register of Members and Share Transfer Books of the company will remain closed from September 21, 2017 to September 27, 2017 i.e. for 7 days (both days inclusive) for the purpose of Annual General Meeting.
- With a view to using natural resources responsibly, we request shareholders to update their email address with their depository participants to enable the Company to send all the communications electronically including Annual Report, Notices, Circulars etc.
- The Annual Report for the financial year 2016-17, the Notice of the 22nd AGM and instructions for e-voting, along with the Attendance Slip and Proxy Form, are being sent by electronic mode to all members whose email addresses are registered with the Company/Depository Participant(s), unless a member has requested for a physical copy of the documents. For members who have not registered their email addresses, physical copies of the documents are being sent by the permitted mode.
- Members may also note that the Notice of 22nd AGM and the Annual Report for the financial year 2016-17 of the Company is posted on the Company's website i.e. www.aubank.in. The physical copies of the documents will also be available at the Company's registered office for inspection during the normal business hours between 10 AM to 5 PM on working days upto the date of the AGM. Members who require communication in physical form in addition to e-communication, or have any other queries, may please write to us at our e-mail id investorrelations@aubank.in

- Brief profile and other Additional information pursuant to Regulation 36(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, in respect of the directors seeking appointment/re-appointment at the AGM, is furnished as annexure to the Notice. The directors have furnished consent/declaration of their appointment/ re-appointment as required under the Companies Act, 2013 and the Rules made thereunder.
- The Securities and Exchange Board of India (SEBI) has mandated the submission of the Permanent Account Number (PAN) by every participant in the securities market. Members holding shares in electronic form are therefore, requested to submit their PAN to their Depository Participant(s). Members holding shares in physical form are required to submit their PAN details to the Registrar and share Transfer Agents.
- Attendance registration:
 - Shareholders are requested to tender their attendance slips at the registration counters at the venue of the AGM and seek registration before entering the meeting hall.
 - The Shareholder needs to furnish the printed Attendance Slip along with a valid identity proof such as the PAN card, passport, AADHAR card or driving license to enter the AGM venue.
- Members are requested to:
 - notify the change in address if any, with Pin Code numbers immediately to the Company (in case of shares held in physical mode).
 - quote their Regd. Folio Number/DP and Client ID Nos. in all their correspondence with the Company or its Registrar and Share Transfer Agent "RTA" i.e Link Intime India Pvt. Ltd., C 101, 247 Park , L B S Marg, Vikhroli West, Mumbai 400 083 Tel No: +91 22-49186000 Fax: +91 22 49186060, Link Intime India Website: www.linkintime.co.in
- Members who hold shares in the physical form in the multiple folios in identical names or joint holdings in the same order of names are requested to send the Share Certificate to RTA of the company, for consolidation into single folio.
- Non-Resident Indian Members are requested to inform RTA of the Company any change in their residential status on return to India for permanent settlement, particulars of their bank account maintained in India with complete name, branch account type, account number and address of the bank with pin code number, if not furnished earlier.
- Members can avail of the facility of nomination in respect of shares held by them in physical form pursuant to the provisions of Section 72 of the Companies Act, 2013. Members desiring to avail of this facility may send their

nomination in the prescribed Form No. SH-13 duly filled, to RTA, of the Bank. Members holding shares in electronic form may contact their respective Depository Participants for availing this facility.

- Members desirous of getting any information about the accounts and/or operation of the Company are requested to write to the Company at least seven days before the date of meeting to enable us to keep the information ready at the meeting.

22. Voting option:

Voting through Electronic Means:

Pursuant to provisions of Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014 (as amended) and Regulation 44 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Secretarial Standard on General Meetings (SS-2) issued by the Institutes of Company Secretaries of India, the Company is pleased to provide members facility to exercise their right to vote at the Annual General Meeting by electronic means and the business may be transacted through e-Voting Services. The facility of casting the votes by the members using an electronic voting system from a place other than venue of the AGM ("remote e-voting") will be provided by National Securities Depository Limited (NSDL).

The Company has approached NSDL for providing remote e-voting services through e-voting platform. In this regard, your Demat Account/Folio Number has been enrolled by the Company for your participation in remote e-voting on resolutions placed by the Company on remote e-Voting system.

The Notice of the Annual General Meeting of the Company inter alia indicating the process and manner of remote e-Voting process along with printed Attendance Slip and Proxy Form can be downloaded from the link <https://www.evoting.nsdl.com> or link <https://www.aubank.in>

- The remote e-voting period commences on Sunday, September 24, 2017 (9:00 am) and ends on Tuesday, September 26, 2017 (5:00 pm). During this period, shareholders of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date of Wednesday, 20th September, 2017, 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 shareholder, the shareholder shall not be allowed to change it subsequently.
- The voting rights of members shall be in proportion to their shares of the paid up equity share capital of the Company as on the **cut-off date i.e.** Wednesday, 20th September, 2017.

Subject to receipt of requisite number of votes, the Resolutions shall be deemed to be passed on the date of the Meeting, i.e. 27th September, 2017.

The process and manner for remote e-voting are as under:

In case a Member receives an email from NSDL [for members whose email IDs are registered with the Company/ Depository Participants(s)] :

- i. Open email and open PDF file viz; “remote e-voting.pdf” with your Client ID or Folio No. as password. The said PDF file contains your user ID and password/PIN for remote e-voting. Please note that the password is an initial password. If you are already registered with NSDL for e-Voting then you can use your existing user ID and password.
- ii. Launch internet browser by typing the following URL: <https://www.evoting.nsdl.com/>
- iii. Click on Shareholder - Login
- iv. Enter user ID and password as initial password/PIN noted in step (i) above. Click Login.
- v. Password change menu appears. Change the password/PIN with new password of your choice with minimum 8 digits/characters or combination thereof. Note new password. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- vi. Home page of remote e-voting opens. Click on remote e-voting: Active Voting Cycles.
- vii. Select “EVEN” of “AU Small Finance Bank Limited”.
- viii. you are ready for remote e-voting as Cast Vote page opens.
- ix. Cast your vote by selecting appropriate option and click on “Submit” and also “Confirm” when prompted.
- x. Upon confirmation, the message “Vote cast successfully” will be displayed.
- xi. Once you have voted on the resolution, you will not be allowed to modify your vote.
- xii. Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/ JPG Format) of the relevant Board Resolution/ Authority letter etc. together with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer through e-mail to cs.vmanda@gmail.com with a copy marked to evoting@nsdl.co.in

In case a Member receives physical copy of the Notice of Annual General Meeting **[for members whose email IDs are not registered with the Company/Depository Participant(s) or requesting physical copy]**

- (i) Initial password is provided as below/at the bottom of the Attendance Slip for the Annual General Meeting.

EVEN (Remote e-voting Event Number) USER ID PASSWORD/ PIN

- (ii) Please follow all steps from Sl. No. (ii) to (xii) above, to cast vote.
- (iii) If you are already registered with NSDL for remote e-voting then you can use your existing user ID and password/PIN for casting your vote.

NOTE: Shareholders who forgot the User Details/Password can use “Forgot User Details/Password?” or “Physical User Reset Password?” option available on www.evoting.nsdl.com.

In case Shareholders are holding shares in demat mode, USER-ID is the combination of (DPID+ClientID).In case Shareholders are holding shares in physical mode, USER-ID is the combination of (Even No+Folio No).

- 25. **Voting at AGM:**
The Chairman shall, at the Annual General Meeting, at the end of discussion on the resolutions on which voting is to be held, allow voting with the assistance of scrutinizer, by use of ballot paper for all those members who are present at the General Meeting but have not cast their votes by availing the remote e-voting facility.
- 26. **Please note the following:**
A member may participate in the Annual General Meeting even after exercising his right to vote through remote e-voting but shall not be allowed to vote again at the General Meeting.

A person, whose name is recorded in the register of members or in the register of beneficial owners maintained by the depositories as on the cut-off date i.e. Wednesday, 20th September, 2017 only shall be entitled to avail the facility of remote e-voting as well as voting at the Annual General Meeting through ballot paper.
- 27. The Board of Directors have appointed Mr. Manoj Maheshwari, Company Secretary (Membership No. FCS: 3355), as the Scrutinizer to scrutinize the polling and remote e-voting process in a fair and transparent manner.
- 28. The Scrutinizer shall after the conclusion of voting at the annual general meeting, will first count the votes cast at the meeting and thereafter unblock the votes cast through remote e-voting in the presence of at least two witnesses not in the employment of the Company and shall make, not later than 48 hours of the conclusion of the annual General Meeting, a consolidated scrutinizer’s report of the total votes cast in favour or against, if any, to the Chairman or a person authorized by him in writing, who shall countersign the same and declare the result of the voting forthwith.
- 29. The results of voting will be declared and the same along with the Scrutinizers Report will be published on the website of the Company (www.aubank.in) and the website of NSDL (www.nsdl.com) immediately after the declaration of result by the Chairman and the same will also be communicated to BSE Limited and the National Stock Exchange of India Limited within 48 hours from the conclusion of the Annual General Meeting.

30. Other information:

Login to remote 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 ‘Forgot Password’ option available on the site to reset the same.

Your login id and password can be used by you exclusively for remote e-voting on the resolutions placed by the companies in which you are the shareholder.

It is strongly recommended not to share your password with any other person and take utmost care to keep it confidential.

Any person, who acquires shares of the Company and becomes member of the Company after dispatch of the notice and holding shares as on the cut-off date i.e. 20th September, 2017, may obtain the login ID and password by sending a request at evoting@nsdl.co.in or contact Company’s Registrar & Transfer Agent.

However, If you are already registered with NSDL for remote e-voting then you can use your existing user ID and password/PIN for casting your vote. If you forgot your password, you can reset your password by using “Forgot User Details/Password” or “Physical User Reset Password” option available on www.evoting.nsdl.com or contact NSDL? at the toll free no.: 1800-222-990.

You can also update your mobile number and e-mail id in the user profile details of the folio which may be used for sending future communication(s).

In case of any queries, you may refer to the Frequently Asked Questions (FAQs) for members and remote e-voting user manual for members available at the Downloads sections of <https://www.evoting.nsdl.com> or contact NSDL at the toll free no.: 1800-222-990.

31. The route map of the venue of the Meeting is given in the Notice.

BY THE ORDER OF THE BOARD OF DIRECTORS
FOR AU SMALL FINANCE BANK LIMITED

Place: Mumbai
Date: 9th August, 2017

Sd/-
MANMOHAN PARNAMI
COMPANY SECRETARY

Explanatory Statement pursuant to the provisions of Section 102(1) of Companies Act, 2013

The following Statement sets out all material facts relating to the Special Businesses mentioned in the above Banking Notice:

Item No. 4
Company proposes for the shareholders approval on the Article 13(b) of Existing Articles of Association of the Company as stipulated by the SEBI letter dated March 22, 2017 recommended to sought shareholders’ approval on the right of any shareholder

of the Company, who holds 10% or more of the paid-up equity share capital of the company on a fully diluted basis, to nominate one director on the Board of the company, the same was approved by Board of Directors in their meeting held on August 9th,2017 as detailed herein:

The Article 13 (b) of the Articles of association of the bank states that *“Subject to Applicable Law, when the shares held by any shareholder(s) represent at least ten percent (10%) of the paid up equity share capital of the Company on a fully-diluted basis, such shareholder shall have the right to nominate one (1) Director each and all the other shareholders shall ensure that such nominee is promptly appointed as a Director”*

Further, Securities Exchange Board of India (SEBI) in its final observation letter dated 22nd March, 2017 recommended to sought shareholders’ approval on the right of any shareholder of the Company, who holds 10% or more of the paid-up equity share capital of the company on a fully diluted basis, to nominate one director on the Board of the company through a special resolution after the listing of the equity share, the extract of the same is stated herein.

“Ensure that the right of any shareholder of the Company, who holds 10% or more of the paid-up equity share capital of the company on a fully diluted basis, to nominate one director on the Board of the company shall be exercised only after obtaining shareholders’ approval through a special resolution after the listing of the equity share of the issuer company and also disclose the same suitably in the RHP. Further, ensure that post listing of the equity shares of the equity shares of the issuer company, there are no special rights available with the shareholders of the company apart from above.”

Accordingly, in terms of SEBI final observation letter dated 22nd March, 2017 under Point No. 5 of Specific confirmation/ acceptance of the shareholders on Article 13 (b) of the article of association of the bank to be sought by way of special resolution.

Above is not detrimental to interest of any shareholders and Your Directors recommend passing of the enabling Resolution as set out in Item No. 4 of the Notice by way of Special Resolution.

None of the Directors/Key managerial personnel/relatives of the Directors or Key managerial personnel of the Company may be deemed to be concerned or interested in the said resolution except to the extent of their shareholding in the company.

ITEM No. 5
As per Regulation 12 of the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 (SEBI SBEB Regulations), no company shall make any fresh grant which involves allotment or transfer of shares to its employees under any scheme formulated prior to the listing of its equity shares under which share based benefits are provided to its employees unless such scheme is in conformity with this Regulations and such scheme is ratified by its shareholders subsequent to IPO.

The Bank under the approval granted by shareholders prior to listing i.e. pursuant to the resolutions passed by the shareholders on 31st August, 2015 had implemented Employee Stock Option Scheme 2015 (“ESOP 2015”).Under the extant authority given by the shareholders, the Board of Directors of the Bank (including any Committee thereof) was authorised to create, offer, issue and allot at any time, the options exercisable into such number of equity shares under ESOP 2015, in one or more tranches.

The Bank has not granted any further options under ESOP 2015 post listing and accordingly these ESOP schemes will not be into operation except for the vesting and exercise of options already granted. Hence, per above referred Regulation 12 of SEBI SBEB Regulations needs to be ratified by the shareholders after the listing of the shares. Accordingly, the Bank proposes to ratify the ESOP 2015, with certain amendments undertaken to align it with SEBI SBEB Regulations. Further, as per SEBI SBEB Regulations it is required to obtain shareholders' approval for exact quantum of options to be granted under the plans. Hence, it is proposed that future grant of stock options under ESOP 2015 in one or

more tranches, exercisable into equal number of equity shares of face value of ₹10/- each fully paid-up shall not exceed 8,769,252 options (3,836,058 in number in ESOP Scheme 2015 Plan A and 4,933,194 in number in ESOP Scheme 2015 Plan B, respectively).

Disclosures relating to new Scheme 2015 as required under the SEBI (SBEB) Regulations, 2014 are as

Particulars	Description
Brief Description of the Scheme	The purpose of the ESOP Scheme 2015 is to provide the employees with an additional incentive in the form of Options to receive the Equity Shares of the Company at a future date. The ESOP is aimed to reward its employees for their continuous hard work, dedication and support. The main objective of the ESOP Scheme is to recognize employees who are performing well, a certain minimum opportunity to gain from the Company's performance thereby acting as a retention tool and to attract best talent available in the market.
Total Number of options, SARs, shares or benefits, as the case may be to be granted	Stock options not exceeding 3,836,058 in number in ESOP Scheme 2015 Plan A and 4,933,194 in number in ESOP Scheme 2015 Plan B, respectively
Identification of classes of employees entitled to participate and the beneficiaries in the scheme	Present as well as future employees and Director (s) other than Independent Directors and promoters of the Company as determined by the Company or a Committee thereof.
Requirements of vesting and period of vesting	Vesting Date % of vesting of options
	1 year from the date of grant 20%
	Expiry of 1 year from 1st vesting 30%
	Expiry of 2 years from 1st vesting 50%
	Total 100%
Maximum period within which the options /SARs benefit shall be vested	The Vesting of grants can extend upto five years from the date of grant of options
The Vesting of grants can extend upto five years from the date of grant of options	Plan No. of Options with Equal nos. of Equity shares with Face Value of ₹ 10 Each Exercise Price in ₹ Per Option with Equal no. of Equity share
	EMPLOYEES STOCK OPTION PLAN 2015 PLAN – A 3,836,058 10.11
	EMPLOYEES STOCK OPTION PLAN 2015 PLAN – B 4,933,194 33.37
	Total 8,769,252
Exercise period and process of exercise	The time period of 4 years from the 1st Vesting Date within which an Employee should exercise his right to apply for Shares against the Vested Option in pursuance to this ESOP Plan. The Options shall not be permitted to be exercised after the expiry of the above mentioned Exercise Period. After the above mentioned date, all the Options vested but remaining unexercised under the ESOP Plan shall lapse and such Options which were subject thereto, shall become available for future grant under the ESOP Plan (unless the ESOP Plan is terminated).
	The options would be exercisable by the said employees by the payment of the consideration amount and submitting the requisite application form after which the shares would be allotted.
	The Board or the Committee thereof, may at its discretion, do all such acts deeds, matter and things as may be necessary /desirable to facilitate exercise of options by the employee under full cash mode or otherwise.

Particulars	Description
The appraisal process for determining the eligibility of employees for the scheme	The criteria for determining the nos. of Options to be grated to employees decided on the basis of rating, objective assessment of the performance of employees, tenure of service and their contribution and proposed role in the Company.
maximum number of options, SARs, shares, as the case may be, to be issued per employee and in aggregate;	As may be decided by Nomination and remuneration committee of the board
maximum quantum of benefits to be provided per employee under a scheme(s);	As may be decided by Nomination and remuneration committee of the board
Whether the scheme(s) is to be implemented and administered directly by the company or through a trust	The Scheme is administered through a Trust.
whether the scheme(s) involves new issue of shares by the company or secondary acquisition by the trust or both;	Both i.e New issue of shares by Bank and secondary acquisition by the Trust
the amount of loan to be provided for implementation of the scheme(s) by the company to the trust, its tenure, utilization, repayment terms, etc.	As may be decided by Nomination and remuneration committee of the board
maximum percentage of secondary acquisition (subject to limits specified under the regulations) that can be made by the trust for the purposes of the scheme(s);	As may be decided by Nomination and remuneration committee of the board, Except Corporate action may be carried out directly for crediting the securities in account of allottees
A statement to the effect that the company shall confirm to the accounting policies specified in regulation 15	It is hereby confirmed that the Company does confirm to the accounting policies specified in Regulation 15 of the SEBI (Share Based Employee Benefits) Regulations, 2015.
The method which the company shall use to value its options	The Company use intrinsic value method for accounting the cost of share based employee benefits.
In case the company opts for expensing of share based employee benefits using the intrinsic value, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value, shall be disclosed in the Director's report and the impact of this difference on profits and on earnings per share (EPS) of the company shall also be disclosed in the Director's Report	It is hereby confirmed that the details as required herein will be disclosed in the Director's Report.
Lock in Period	As may be decided by Nomination and remuneration committee of the board.

Accordingly, the Board recommends the special resolution set forth in Item No. 5, for your approval.

None of the Directors, Key Managerial Personnel or relatives thereof is, in any way concerned or interested, financially or otherwise, in the said Resolution except to the extent of any Director or KMP being eligible, as an employee, to participate in the ESOP 2015.

Item No. 6

As per Regulation 12 of the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 (SEBI SBEB Regulations), no company shall make any fresh grant which involves allotment or transfer of shares to its employees under any scheme formulated prior to the listing of its equity shares under which share based benefits are provided to its employees unless such scheme is in conformity with this Regulations and such scheme is ratified by its shareholders subsequent to IPO.

The Bank under the approval granted by shareholders prior to listing i.e. pursuant to the resolutions passed by the shareholders on 10th October, 2016 had implemented Employee Stock Option Scheme 2016 (“ESOP 2016”). Under the extant authority given by the shareholders, the Board of Directors of the Bank (including any Committee thereof) was authorised to create, offer, issue and allot at any time, the options exercisable into such number of equity shares under ESOP 2016, in one or more tranches.

The Bank has not granted any further options under ESOP 2016 post listing and accordingly these ESOP schemes will not be into operation except for the vesting and exercise of options already granted. Hence, per above referred Regulation 12 of SEBI SBEB

Regulations needs to be ratified by the shareholders after the listing of the shares. Accordingly, the Bank proposes to ratify the ESOP 2016, with certain amendments undertaken to align it with SEBI SBEB Regulations. Further, as per SEBI SBEB Regulations it is required to obtain shareholders’ approval for exact quantum of options to be granted under the plans. Hence, it is proposed that future grant of stock options under ESOP 2016 in one or more tranches, exercisable into equal number of equity shares of face value of ₹10/- each fully paid-up shall not exceed 2,100,000 options under the above referred Scheme for which in-principle listing approval has been granted by stock exchanges.

Disclosures relating to new Scheme 2016 as required under the SEBI (SBEB) Regulations, 2014 are as under:

Particulars	Description
Brief Description of the scheme	The purpose of the ESOP Scheme 2016 is to provide the employees with an additional incentive in the form of Options to receive the Equity Shares of the Company at a future date. The ESOP is aimed to reward its employees for their continuous hard work, dedication and support. The main objective of the ESOP Scheme is to recognize employees who are performing well, a certain minimum opportunity to gain from the Company's performance thereby acting as a retention tool and to attract best talent available in the market.
Total Number of options, SARs, shares or benefits, as the case may be to be granted	Stock options not exceeding 2,100,000 in number in ESOP Scheme 2016
Identification of classes of employees entitled to participate and the beneficiaries in the scheme	Present as well as future employees and Director (s) other than Independent Directors and promoters of the Company as determined by the Company or a Committee thereof.
Requirements of vesting and period of vesting	Options granted under this scheme would vest after one year but not later than six years from the date of grant of options.
Maximum period within which the options /SARs benefit shall be vested	Options granted under this scheme would vest after one year but not later than six years from the date of grant of options
Exercise Price, SAR Price, purchase price or Pricing formula	₹ 140/- each ESOP
exercise period and process of exercise	<p>Exercise period is six years from first vesting date and the options would be exercisable by the said employees by the payment of the consideration amount and submitting the requisite application form after which the shares would be allotted.</p> <p>The Board or the Committee thereof, may at its discretion, do all such acts deeds, matter and things as may be necessary /desirable to facilitate exercise of options by the employee under full cash mode or otherwise.</p>
The appraisal process for determining the eligibility of employees for the scheme	The criteria for determining the nos. of Options to be grated to employees decided on the basis of rating, objective assessment of the performance of employees, tenure of service and their contribution and proposed role in the Company.
maximum number of options, SARs, shares, as the case may be, to be issued per employee and in aggregate;	As may be decided by Nomination and remuneration committee of the board
maximum quantum of benefits to be provided per employee under a scheme(s);	As may be decided by Nomination and remuneration committee of the board
Whether the scheme(s) is to be implemented and administered directly by the company or through a trust	The Scheme is administered through a Trust, Except Corporate action may be carried out directly for crediting the securities in account of allottees.
whether the scheme(s) involves new issue of shares by the company or secondary acquisition by the trust or both;	Both i.e New issue of shares by Bank and secondary acquisition by the Trust

Particulars	Description
the amount of loan to be provided for implementation of the scheme(s) by the company to the trust, its tenure, utilization, repayment terms etc.	As may be decided by Nomination and remuneration committee of the board
maximum percentage of secondary acquisition (subject to limits specified under the regulations) that can be made by the trust for the purposes of the scheme(s);	As may be decided by Nomination and remuneration committee of the board.
A statement to the effect that the company shall confirm to the accounting policies specified in regulation 15	It is hereby confirmed that the Company does confirm to the accounting policies specified in Regulation 15 of the SEBI (Share Based Employee Benefits) Regulations, 2015.
The method which the company shall use to value its options	The Company use intrinsic value method for accounting the cost of share based employee benefits.
In case the company opts for expensing of share based employee benefits using the intrinsic value, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value, shall be disclosed in the Director's report and the impact of this difference on profits and on earnings per share (EPS) of the company shall also be disclosed in the Director's Report	It is hereby confirmed that the details as required herein will be disclosed in the Director's Report.
Lock in Period	As may be decided by Nomination and remuneration committee of the board.

Accordingly, the Board recommends the special resolution set forth in Item No. 6, for your approval.

None of the Directors, Key Managerial Personnel or relatives thereof is, in any way concerned or interested, financially or otherwise, in the said Resolution except to the extent of any Director or KMP being eligible, as an employee, to participate in the ESOP 2016.

A copy of the existing Articles of Association of the Company, will be available for inspection by the Members at the Registered Office of the Company on all working days from 10 AM to 5 PM, except on Holidays, upto the date of Annual General Meeting.

BY THE ORDER OF THE BOARD OF DIRECTORS
FOR AU SMALL FINANCE BANK LIMITED

Place: Mumbai
Date: 9th August, 2017

Sd/-
MANMOHAN PARNAMI
COMPANY SECRETARY

BRIEF PROFILE AND OTHER INFORMATION OF DIRECTORS BEING APPOINTED / RE-APPOINTED / WHOSE REMUNERATION IS BEING REVISED, AS SET OUT IN THIS NOTICE, IN TERMS OF THE REGULATION 36(3) OF SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015 AND THE SECRETARIAL STANDARD – 2 ON GENERAL MEETINGS (SS-2) ISSUED BY THE INSTITUTE OF THE COMPANY SECRETARIES OF INDIA, NEW DELHI.

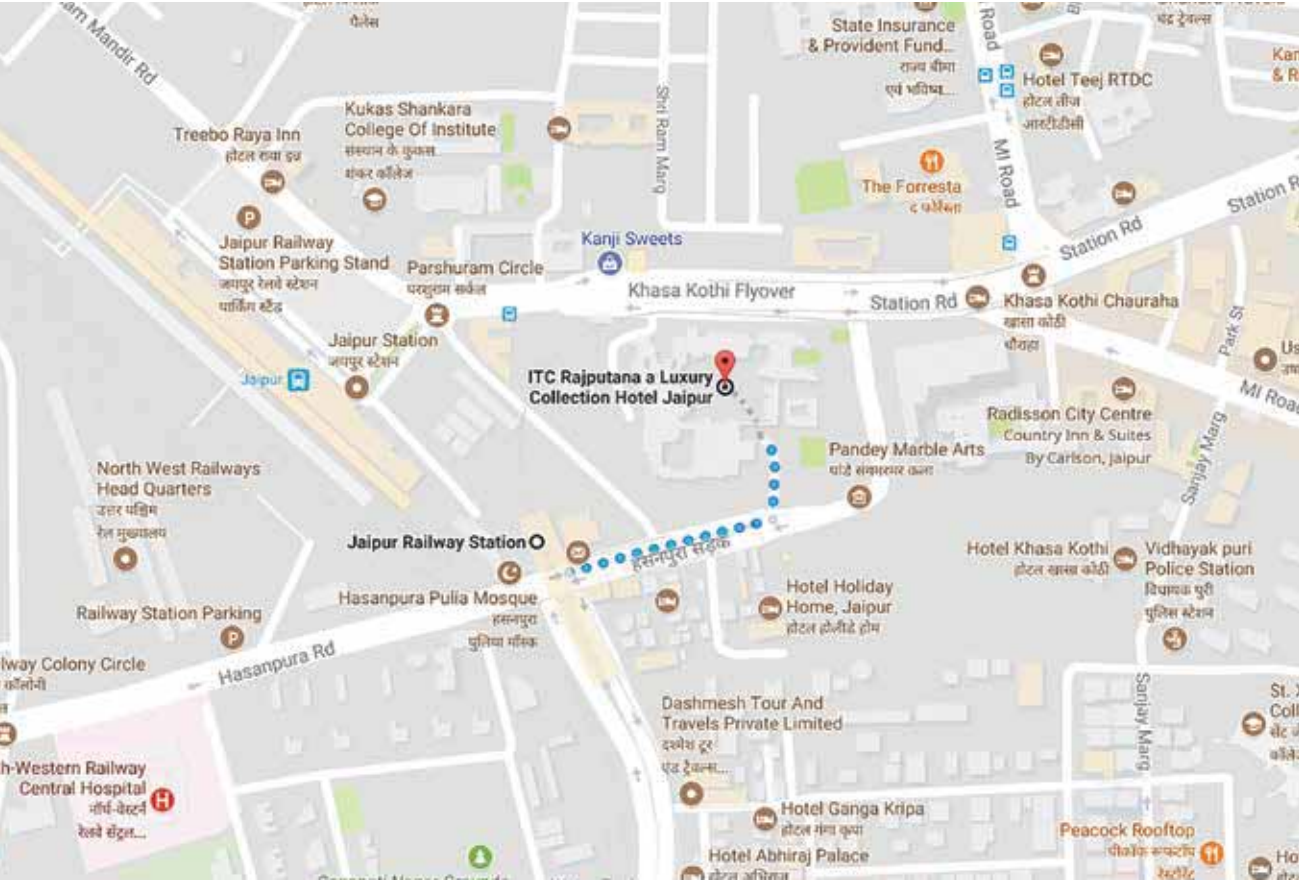
Age	46 Years
Date of first appointment on Board	22nd January, 2005
Qualification	Mr. Uttam Tibrewal holds bachelor's degree in commerce from the University of Delhi.
Brief Resume including experience	Mr. Uttam Tibrewal is the Whole-time Director of our Company. He holds a bachelor's degree in commerce from the University of Delhi. He has been associated with our Company since the year 2003 as the head of business operations and was appointed as a Whole-time Director on February 14, 2008. Subsequently, Mr. Tibrewal was reappointed as a Whole-time Director on February 14, 2013. Pursuant to the RBI approval dated April 13, 2017, his designation was approved as a Whole-time Director of our Company.
Nature of his expertise in specific functional areas	Mr. Uttam Tibrewal has expertise in Marketing, Business Development and Brand building.
Other Directorship	Nil
Chairmanship/Membership of Committees in other companies in which position of Director is held	Nil
Relationship with other Directors, Managers and other Key Managerial Personnel of the Company	None
No. of equity shares held in the Company	25,20, 832 equity shares i.e. 0.89%
No. of board meetings attended during the year	7
Terms and conditions of appointment or re-appointment	Executive Non-Independent Director liable to retire by rotation
Remuneration sought to be paid	Basic Salary and allowance is ₹ 1.27 Cr P.A. and other Perquisites as per the terms of employment approved by RBI.

BY THE ORDER OF THE BOARD OF DIRECTORS
FOR AU SMALL FINANCE BANK LIMITED

Place: Mumbai
Date: 9th August, 2017

Sd/-
MANMOHAN PARNAMI
COMPANY SECRETARY

Route Map of the Venue for Annual General Meeting



Notes

[illegible]

Notes

[illegible]

Notes

[illegible]

ATTENDANCE SLIP

AU SMALL FINANCE BANK LIMITED
(Formerly known as AU Financiers (India) Limited)
CIN: L36911RJ1996PLC011381

Registered Office: 19-A, Dhuleshwar Garden, Ajmer Road, Jaipur-302001, Rajasthan

I hereby record my presence at the 22nd ANNUAL GENERAL MEETING of AU SMALL FINANCE BANK LIMITED (Erstwhile AU FINANCIERS (INDIA) LIMITED) on Wednesday, 27th September, 2017 at the Suryavanshi Mahal – Ground Floor, ITC Rajputana, Palace Road, Jaipur-302006, Rajasthan, India at 2.00 pm.

Folio No..... DP ID..... Client ID.....

Name of Member.....

Name of Proxy Holder.....

Number of Shares Held.....

Signature of Member/Proxy

Notes: Members/Proxy holders are requested to produce the attendance slip duly signed for admission to the Meeting hall.



Proxy Form

[Pursuant to section 105(6) of the Companies Act, 2013 and
rule 19(3) of the Companies (Management and Administration) Rules, 2014]

CIN : L36911RJ1996PLC011381
Name of the Bank : AU SMALL FINANCE BANK LIMITED
Registered office : 19-A Dhuleshwar Garden, Ajmer Road, Jaipur-302001, Rajasthan

Name of the member(s):
Registered Address:.....
E-mail Id:.....
Folio No/Client Id:.....
DP ID:.....

I/We, being the member(s) of AU SMALL FINANCE BANK LIMITED, holding _____ shares of the above named Bank, hereby appoint

1.

Name:.....Address:.....
E-mail ID:Signature.....or failing him
2.

Name:.....Address:.....
E-mail ID:Signature.....or failing him
3.

Name:.....Address:.....
E-mail ID:Signature.....

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 22nd Annual General Meeting of the Bank, to be held on Wednesday, 27th day of September, 2017 at 2.00 pm at the Suryavanshi Mahal – Ground Floor, ITC Rajputana, Palace Road, Jaipur - 302006, Rajasthan, India and/or at any adjournment thereof in respect of such resolutions as indicated below:-



S. No	Resolution	For	Against
1.	TO CONSIDER AND ADOPT: A. THE AUDITED STANDALONE FINANCIAL STATEMENTS OF THE BANK FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2017 AND THE REPORTS OF THE BOARD OF DIRECTORS AND THE AUDITORS THEREON; AND B. THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE BANK FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2017 AND THE REPORTS OF THE AUDITORS THEREON.		
2.	TO APPOINT A DIRECTOR IN PLACE OF MR. UTTAM TIBREWAL (DIN: 01024940), WHO RETIRES BY ROTATION AND BEING ELIGIBLE, HAS OFFERED HIMSELF FOR RE-APPOINTMENT.		
3.	TO RE-APPOINT M/S S.R. BATLIBOI & ASSOCIATES LLP, CHARTERED ACCOUNTANTS, (REGISTRATION NO. 101049W/E300004) AS THE STATUTORY AUDITORS OF THE BANK.		
4.	TO CONFIRM/RATIFY ARTICLE NO. 13(b) OF ARTICLES OF ASSOCIATION OF THE BANK.		
5.	TO RATIFY EMPLOYEE STOCK OPTION SCHEME 2015 OF AU SMALL FINANCE BANK LIMITED.		
6.	TO RATIFY EMPLOYEE STOCK OPTION SCHEME 2016 OF AU SMALL FINANCE BANK LIMITED.		

Signed this_____ day of _____ 2017

Signature of shareholder

Affix
₹ 1/-
Revenue

Signature of Proxy Holder(s)

Notes:

1. This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Bank addressed to the “Company Secretary”, not later than 48 hours before the commencement of the Meeting.
2. A person can act as proxy on behalf of Members upto and not exceeding fifty and holding in the aggregate not more than ten percent of the total share capital of the Bank. Further, a Member holding more than ten percent of the total share capital of the Bank carrying voting rights, may appoint a single person as proxy and such person shall not act as proxy for any other person or Member.

It is optional to put a (√) in the appropriate column against the Resolutions indicated in the Box. If you leave the ‘For’ or ‘Against’ column blank against any or all Resolutions, your proxy will be entitled to vote in the manner as he/she thinks appropriate

Sevayein jo rakhein aapko sabse pehle.

AU Bank mein hum samajhte hain aapki sabhi banking ki zarooraton ko, isiliye hum dete hain aapko sevayein, jo bani hain khaas aap ke liye.





SAVINGS ACCOUNT
Higher interest rates
Monthly interest payout
Auto-upgrade



CURRENT ACCOUNT
Solution based approach
24x7 ease of banking
Unlimited transaction limits



FIXED DEPOSIT
Monthly interest payout
Investment as low as ₹1000/-



LOCKERS
For extended hours
At attractive rates



AU SMALL FINANCE BANK
चलो आगे बढ़ें



LOANS
Simple process.
Flexible repayment terms.
Quick disbursement.

Call us on 1800 1200 1200 or SMS AUBANK to 5676767

www.aubank.in

f/aubankindia

t/aubankindia

Head Office

Bank House, Mile 0, Ajmer Road,
Jaipur – 302001, Rajasthan, India

Registered Office

19-A, Dhuleshwar Garden, Ajmer Road,
Jaipur – 302 001, Rajasthan, India

Corporate Office

5th Floor, E-Wing, Kanakia Zillion,
Junction of CST and L.B.S. Road, Kurla West,
Mumbai – 400070, Maharashtra, India

Website: www.aubank.in | Email id: investorrelations@aubank.in
Phone: 0141 4110060/61/6660666
CIN: L36911RJ1996PLC011381