MICRO HOUSING FINANCE CORPORATION LIMITED

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ANNUAL REPORT

2017-18

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CHAIRMAN'S LETTER

A month ago, on May 18th we celebrated the tenth birthday of MHFC. Ten years is a reasonable span of time to evaluate the progress we have made and to reflect on the changes we need to make in the years ahead. From where we started ten years ago, to where we are today, has been a journey of many turns and twists, and we have, I feel, earned the right to be proud, but not complacent, about our accomplishments.

You will see from the attached financial statements that MHFC has made rapid progress in the last few years, and that we are now growing fast, in a sustainable fashion, delivering on growth, profitability and asset quality. Since my colleagues have already analysed the financials in a very detailed fashion, I do not intend to repeat them here. Instead, I propose to discuss the few critical issues which in my view are going to define the future for MHFC and the industry in general.

As you are doubtless aware, there were about 35 active housing finance companies when we started 10 years ago. Now there are more than 75. While increased competition, in general, is good for customers, it could also lead to slippery slope of deteriorating credit standards. Mortgage finance, by definition, is a slow patient business, and shortcuts, in the long run, are dangerous. Especially in the area of affordable housing it is all the more imperative that responsible financing practices are put in place, before the sometimes mindless pursuit of growth, profitability and valuations.

Similarly, financial inclusion is indeed a noble objective, if we have to address the widening gap in incomes and wealth. However, merely opening bank accounts should not be the end objective, but the beginning of the access to other products like remittances, savings, investments, insurance and loans. But these products are now offered by independent agencies, leading to duplication of efforts and costs, preventing the true benefits of financial inclusion from reaching the bottom of the pyramid. Moreover, the tendency to view these customers as high risk, leads to higher pricing for standard products. We run the risk of replacing financial inclusion with a form of financial discrimination.

From the industry standpoint, the multiplicity of new players, backed by impatient capital leads to a scramble for asset growth at the cost of quality and to the detriment of existing players. While there is clearly a need for more differentiated players addressing different segments of a vast market, over penetration of specific geographies and segments is a matter of concern, and does not augur well for the development of a robust market with the customer as the focal point of all players.
For MHFC specifically, the key in my view, is to not lose sight of purpose, focus, simplicity and the power of technology. These are the planks on which we have built this business so far, and today there is even more need to stay committed to these planks.

Our purpose has always been to provide mortgage solutions for the financially excluded. In operational terms this translates to new housing for the informally employed. We should not feel concerned when we lose customers to more organised players, who are offering better terms. This is true vindication that our efforts at financial inclusion have succeeded. We should compete hard for new customers but not stand in the way of customers migrating to better solutions. We have to ensure that we treat our customers fairly and offer them the best rate and services so they stay with us.

Focus is another area that is easy to lose sight of as a business scales up. There are many paths to growth, some more tempting than others. But focus is what defines us, and also what differentiates us. Focus is also what attracts the best quality capital, talent and customers to our business. We cannot afford to be all things to all people, but we can survive and succeed if we chose our customers carefully, serve them fairly and treat them with respect and dignity.

Similarly, as the business environment gets increasingly complex, and the competition increasingly intense, simplicity in thought, action, strategy and tactics are critical. We are dealing with simple customers with a housing need. We have to devise simple products that are easily understandable to customers and as far as possible protect them from market fluctuations in interest rates and property values. We should resist the temptation to over think and over complicate products, processes and channels. This will stand us in good stead, and help us find new customers and retain existing one.

Finally on technology. Even in the ten years of MHFCs existence we have seen and experienced the power of technology to reach, understand and serve customers at the micro level. Ticket sizes and volumes are technologically addressable problems. Being able to harness technology and staying on top of the tectonic changes in technology will again be a key differentiator and keep us relevant. New Fintech companies are opening up new frontiers of competition, and we should no longer be looking at banks and HFCs as our only competitors. New algorithms, new platforms and new adaptations of old technologies can bring sweeping changes to the industry. We have been fortunate, so far, in staying ahead of these changes and we need to invest more in being at the cutting edge.

- Madhusudhan Menon

> **IT HAS BEEN AN EXCITING TEN YEARS TO SAY THE LEAST. I WANT TO THANK EVERYONE, OUR REGULATORS, OUR SHAREHOLDERS, OUR LENDERS, OUR EMPLOYEES AND MOST IMPORTANTLY OUR CUSTOMERS FOR BEING PART OF THIS JOURNEY AND MAKING IT SO MEMORABLE.**

PURNIMA YADAV (CLSS ELIGIBLE), CHHATTISGARH

Purnima Yadav approached us for a loan to help her avail of a property of her own where she could move in with her family. She is a widow who has been working hard as a household help at 9 houses to support her minor son as well as her aged mother. The family has been living in a ramshackle house with a leaky roof and holes in the walls for more than 10 years and with the support from her nephew, she has taken a big step and applied for a home loan, to make her dream come true.

MHFC sanctioned a home loan of INR 3,87,000 - with this and the subsidy under the PMAY CLSS scheme - has meant that she can provide her family the safe haven they have sought for so many years.

MAHABIR CHODHARI, THANE

Mahabir Chodhari owns a nursery right on the Mumbai highway where he sells flowers, earthen pots and vases. The customer has been living with his wife and son in an informal construction right behind the nursery. Mahabir followed his father into this business and hopes that his son will carry on the family tradition as well.

He has spent the past 8 years in the business saving up for a new home for his family. With the help of MHFC, Mahabir and his wife have been able to work towards owning a flat near his nursery.

DIRECTORS' REPORT

The Members,

Micro Housing Finance Corporation Limited

The Board of Directors is pleased to present the Tenth Annual Report of your Company together with the Audited Accounts and Auditor's Report for the financial year ended 31st March, 2018.

Performance

During the year under review, your Company increased most operating and financial parameters. Revenues were up 40% to ₹ 53.14 Cr. (PY ₹ 38.02 Cr.) and PBT increased 59% to ₹ 14.36 Cr. (PY ₹ 9.02 Cr.) - and after payment of ₹ 4.13 Cr. (PY ₹ 3.02 Cr.) in current and deferred taxes and tax on debenture issue expenses, PAT increased 70% to ₹ 10.22 Cr. (PY ₹ 6.00 Cr.). Note that the PAT for the year has been arrived at after charging ₹ 0.33 Cr. (PY ₹ 0.67 Cr.) towards a Deferred Tax Liability on Special Reserve created during the year which the regulator, the National Housing Bank ("NHB") has stipulated for all Housing Finance Companies.

In terms of lending operations, cumulative housing loan sanctions aggregated ₹802.07 Cr. (up 41% from ₹568.5 Cr. at end of the previous financial year) – all to lower income, urban families who are generally excluded from the mainstream banking sector. The total loans outstanding figure was ₹ 456 Cr. (growth of 27% over ₹ 358 Cr. at end of the previous financial year). The Company currently operates in 6 states – Maharashtra, Gujarat, Madhya Pradesh, Rajasthan, West Bengal and Chhattisgarh.

In terms of portfolio quality, the Company had 109 (PY 96) loan accounts as on year end - March 31, 2018 - which were classified as non-performing assets ("NPAs") per the prudential guidelines issued by the NHB. The amount of such Gross NPAs was ₹ 4.53 Cr. (PY ₹ 4.92 Cr.) which was 0.99% (PY 1.37%) of the total loan portfolio of the Company as at March 31, 2018. The Company has created necessary provisions in accordance with the NHB Directions, after which Net NPAs stood at ₹ 3.54 Cr. (PY ₹ 3.99 Cr.) and 0.78 % (PY 1.12%) of the total loan portfolio as at March 31, 2018. This represents a significant improvement over the previous year and is especially noteworthy considering the continued impact of demonetisation through the year on informal sector families. We believe this is continued evidence and support for the Company's belief that lower income customers are equally (if not more so) conscious and disciplined in repaying housing loans as this number is very much in line with that of all the mainstream HFCs.

In terms of funding, the Company did not raise any fresh equity during the year, and with retained profits, net worth increased to ₹ 107.00 Cr. (PY ₹ 97.38 Cr.). However, the Company increased its long term debt to ₹363.95 Cr. (PY ₹ 282.97 Cr.) of which approx. 36% continues to be refinance support from the NHB. Other lenders to your Company include the largest nationalised bank, State Bank of India, and the leading private sector housing finance provider, HDFC Ltd, and commercial banks such as HDFC Bank Ltd., Kotak Mahindra Bank Ltd., DCB Bank Ltd., Yes Bank Limited and Federal Bank Limited, and for the first time, the leading development agency, the International Finance Corporation ("IFC"). The Company's entire loan portfolio continues to qualify as priority sector as defined by the Reserve Bank of India ("RBI"). Based on our excellent relationships with our current bankers and the company's financial and portfolio performance we are confident of arranging additional debt to cover projected growth plans.

The Company is very well capitalised with capital adequacy ratio at 38.78% of risk weighted assets, as against the minimum requirement of 12%.

Share Capital

The paid up share capital of the Company as on 31st March, 2018 was ₹ 30.23 Cr. During the year under review, the Company has not issued Equity Shares.

Fixed Deposits

The Company has not accepted any deposit within the meaning of Section 76 of the Companies Act, 2013, since incorporation.

Business Risk Management

The Company has a well-defined risk management policy and framework in place (which includes management of credit risk, market risk and operational risk), and has established procedures to periodically place before the Risk Management Committee, the Audit Committee and the Board of Directors, the risk assessment and minimisation procedures being followed and steps taken to mitigate these risks. The Risk Management Policy is approved annually by the Board of Directors.

Extract of Annual Return

The details forming part of the extract of the Annual Return in Form MGT 9 is annexed herewith as "Annexure A".

Corporate Social Responsibility Initiatives

Your Directors confirm that in line with the mandatory requirements of the new Companies Act, your Company has constituted a Corporate Social Responsibility Committee on 16 March, 2015 (which was reconstituted on May 29,2017 with the induction of Mr. Subbaraman Viswanatha Prasad in place of Ms. Mona Kachhwaha) and has also established a formal CSR Policy in accordance with the Act.

However, while the CSR Committee confirms that the implementation and monitoring of CSR Policy is in compliance with CSR objectives and Policy of your Company, it is to be noted that the Company has not spent the required amount per the new Companies Act which has specified that 2% of the average net profits in the last 3 financial years to be spent on CSR activities. For the year ended March 31, 2018, this amount was ₹ 18.21 lakhs, and the Company spent ₹ 3.50 lakhs (details per Annexure B), which is a shortfall of ₹ 14.71 lakhs. Per the Companies Act, if the company fails to spend the CSR amount specified, the Board shall, in its report made under clause (o) of sub-section (3) of section 134, specify the reasons for not spending the stated amount. Thus, this is to report that while your Company increased its CSR spend over last year, it could not spend the specified CSR amount as it was still in the process of determining specific activities and identifying specific partners that would be aligned with your Company's CSR Policy. Your Directors believe that this process should be completed in the coming financial year and the CSR amount as stipulated by the Companies Act will be spent on qualifying activities accordingly.

The Directors would also like to take this opportunity to reiterate that CSR through financial inclusion has always been a fundamental part of your Company's business philosophy and culture. The Company takes its social responsibilities extremely seriously and in fact was set up in 2008 with the sole social objective of only helping financially excluded families (typically lower income, informal sector lacking documentation) in urban India own a home. In fact, over the last two years, your Company received the highest possible ratings from the world's leading impact rating agency - GIIRS (more details under the Accomplishments section). In our opinion, these ratings reflect and reaffirm the Company's strong commitment to generating positive social impact.

Particulars under Section 134 (3) of the Companies Act, 2013

1. Particulars of Employees:

   MHFC had 153 employees as of March 31, 2018. The Company does not have any employee whose particulars are required to be furnished under Rule 5 of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

2. Conservation of Energy & Technical Absorption:

   The Company is not a manufacturing company, hence, the particulars relating to conservation of energy and technology absorption stipulated in Section 134 (3)(m) of the Companies Act, 2013, are not applicable.

3. Foreign Exchange:

   During the year under review, there were no foreign exchange earnings.The Company has paid USD 10000 (Equivalent ₹6,47,558.53) as a mandate fee and USD 5000 (Equivalent ₹3,28,309.95) as a monitoring fee and commitment fee of USD 9220.69 (Equivalent 6,02,111.11) to the International Finance Corporation (IFC) to arrange subscribers to long term Non Convertible Debentures ("NCDs") to be issued by the Company during the coming Financial Year.

Dividend

Your Directors feel that it is prudent to plough back the profits for future growth of the Company and do not recommend any dividend for the year ended 31st March, 2018.

No Material changes and commitments affecting the financial position of the company which have occurred between the end of the financial year of the Company to which the financial statements relate and the date of the report

Reserves

The Company proposes to transfer the entire Profit after Tax amounting to ₹10,22,31,063 to General Reserves, out of which further statutory appropriations will be made.

Vigil Mechanism / Whistle Blower Policy

The Vigil Mechanism/ Whistle Blower Policy was approved by the Board at its Meeting held on 22nd October, 2014 with effect from 1st January, 2015. The main purpose of the Policy is to deal with instances of fraud and mismanagement, if any, and to protect any person who makes a good faith disclosure of suspected wrongful conduct or violations of the Company's Code of Ethics. The Vigil Mechanism/ Whistle Blower Policy is posted on the website of the Company.

Directors/Key Managerial Personnel

- **Re-appointments**

Mr. Rajnish Dhall, Director, retiring by rotation and being eligible, offers himself for reappointment. Mr. Rajnish Dhall and Mr. Madhusudhan Menon have been in office for the longest time and by a mutual agreement amongst them have decided to nominate Mr. Rajnish Dhall to retire by rotation. The Board recommends his reappointment for your approval.

Ms. Mona Kachhwaha resigned as the Nominee Director of India Financial Inclusion Fund on May 29, 2017 which was noted by the Board at its Meeting held on the same date.

Mr. Viswanatha Prasad Subbaraman was appointed as the Nominee Director of India Financial Inclusion Fund on May 29, 2017 which was noted by the Board at its Meeting held on the same date.

- **Board Evaluation**

Pursuant to the provisions of the Companies Act, 2013, the Board conducted a formal annual evaluation of its own performance and that of its committees and individual directors. The reports were scrutinized by the Nomination & Remuneration Committee.

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

- **Remuneration Policy**

The Board has, on the recommendation of the Nomination & Remuneration Committee framed a policy for selection and appointment of Directors, Senior Management and their remuneration. The Salient features of the Nomination & Remuneration Policy are given in "Annexure C".

- **Meetings**

During the year, 8 Board Meetings, 4 Audit Committee Meetings, 1 Nomination & Remuneration Committee Meeting and 1 CSR Committee Meeting were convened and held. The Independent Directors of the Company met on March 13, 2018, as per the requirement of the Schedule IV - Code for Independent Directors, of the Companies Act, 2013. The intervening gap between the Meetings was within the period prescribed under the Companies Act, 2013. The details of the same are given in the "Annexure D"

The 9th Annual General Meeting of the Company was held on 30th September, 2017 and the 8th Extra-Ordinary General Meeting was held on 15th May, 2017.

- **Composition of the Committees:**
  - The Members of the Audit Committee are:

1. Mr. Ashish Karamchandani
2. Mr. Mihir Doshi
3. Ms. Geeta Goel

  - The Members of the Nomination and Remuneration Committee are:

1. Mr. Ashish Karamchandani
2. Mr. Mihir Doshi
3. Mr. Subbaraman Viswanatha Prasad

  - The Members of the CSR Committee are:

1. Mr. Rajnish Dhall
2. Mr. Mihir Doshi
3. Mr. Subbaraman Viswanatha Prasad

Auditors

M/s. Walker, Chandiok & Co. LLP were appointed as Statutory Auditors of your Company at the previous Annual General Meeting held on 30th September 2017 for a term of two consecutive years from the conclusion of the 9th Annual General Meeting until the conclusion of the 11th Annual General Meeting of the Company, subject to ratification at each Annual General Meeting by the shareholders of the Company.

The board proposes to the members to ratify the said appointment of M/s. Walker, Chandiok & Co. LLP, Chartered Accountants.

The Notes to Accounts forming part of the financial statements are self-explanatory and need no further explanation.

There are no qualifications or adverse remarks in the Auditor's Report which require any clarification/ explanation.

Directors' Responsibility Statement

In terms of Section 134 (3)(c) of the Companies Act, 2013, we, the Directors of Micro Housing Finance Corporation Limited, state in respect of Financial Year 2017-18 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 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 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 this Act for safeguarding the assets of the company 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 devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

Adequacy of Internal Financial Controls

The Company has put in place an adequate internal control system to safeguard all assets and ensure operational efficiency. The Company also has an independent internal auditor to conduct ongoing internal audits, covering all aspects of operations, and adherence to internal policies and procedures as well as to regulatory and legal requirements. The internal audit reports are reviewed regularly by the Audit Committee of the Board, and wherever necessary, internal control systems are strengthened and corrective actions are immediately taken.

Regulations

In terms of regulatory requirements, the Company complies with the Housing Finance Companies (NHB) Directions, 2010 (and updates through circulars) prescribed by the NHB. The Company has issued comprehensive Know Your Customer ("KYC") Guidelines and Anti Money Laundering Standards, and adopted the Fair Practices Code framed by the NHB which seeks to promote good and fair practices in dealing with customers

Disclosure under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

The Company has in place an Anti-Sexual Harassment Policy named "Policy Against Sexual Harassment" in line with the requirements of The Sexual Harassment of Women at the Workplace (Prevention, Prohibition & Redressal) Act, 2013. A "Complaint Redressal Committee" has been set up to redress complaints received regarding sexual harassment. All employees (permanent, contractual, temporary, trainees) are covered under this policy.

Under Section 21 of the Prevention of Sexual Harassment at the Workplace Act, 2013 and Rule 14 of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Rules, 2013, the Annual Report for the calendar year ended 31st December 2017 was submitted to the Board as well as the District Officer on March 12, 2018 containing the following information:

1.	No. of Complaints received during the year:	NIL
2.	No. of Complaints disposed of during the year:	NIL
3.	No. of cases pending for more than ninety days:	NIL
4.	No. of workshops or awareness programs against sexual harassment carried out:	2
5.	Nature of action taken by the employer or District Officer:	NA

Disclosure on Non-Convertible Debentures

The Company is pleased to report that the International Finance Corporation, which is a member of the World Bank Group, and the largest global development institution focused exclusively on the private sector in developing countries, has subscribed to long term Non-Convertible Debentures ("NCDs") on Private Placement basis of approx. ₹ 26.50 Cr issued by the Company under a program to support affordable housing finance companies that have a focus on small and micro loans. Note that the facility, which is a strong endorsement of your Company's mission and progress over the years, has already been partially drawn down during the Financial Year and the 2nd Tranche of the same will be allotted in upcoming year.

During the year, the Company had raised NCDs amounting to ₹ 26.50 Crores on a Private Placement basis. As per Clause 15 of the Housing Finance Companies Issuance of Non-Convertible Debentures on Private Placement basis (NHB) Directions, 2014, the Company shall disclose, in a statement, the following:

1.	The total number of non-convertible debentures which have not been claimed by the Investors or not paid by the housing finance company after the date on which the non-convertible debentures became due for redemption;	NIL
2.	The total amount in respect of such debentures remaining unclaimed or unpaid beyond the date referred to in clause (1) as aforesaid	NIL

Accomplishments

- **5- Star GIIRS Rating**

The Company has a "5 Star Impact Operations Rating" and "Platinum Impact Business Models Rating", the highest possible ratings in the 2 possible categories by the Global Impact Investing Rating System ("GIIRS"), which is the leading entity worldwide that provides a comprehensive and transparent system for assessing the social and environmental impact of companies and funds. These 2 ratings were (i) a "5 Star Impact Operations Rating", which evaluates 'the impact of the business in how it operate' and (ii) a "Platinum Impact Business Models Rating", which 'recognizes business models that are specifically designed to solve social or environmental problems through company products or services, target customers, value chain, ownership, or operations'. Platinum is the highest grade that is given in this category and very few companies are awarded this rating. GIIRS grades on a scale of 1 to 5 stars and is based on results of over 540 GIIRS rated companies in 40 countries.

- **Credit Rating**

During the year under review, CARE Ratings ("CARE"), re-affirmed the rating to the Company's Long Term Bank Facilities for an enhanced amount of ₹ 200 Cr. (PY ₹ 150 Cr.) as 'CARE A-', which by the rating agency definition, indicates an "..adequate degree of safety regarding timely servicing of financial obligations" and that "...such instruments carry low credit risk".

The Company also separately received a re-affirmed rating of 'CARE A-' for its NCD issue of ₹ 53.10 Cr.

Related Party Transactions Policy

As per requirement of the National Housing Bank (NHB) Notification No. NHB. HFC. CG-DIR.1/MD & CEO/2016 dated 9th February, 2017, The Board of Directors has adopted the Related Party Transactions Policy ("RPT") w.e.f. June 1, 2017 (duly approved by the Board at its meeting held on May 29, 2017). The objective of this policy and procedure is to ensure that transactions between MHFC and its related parties are based on principles of transparency and arm's length pricing as provided under the section 188 of the Companies Act 2013. Likewise, this policy aims at preventing and providing guidance in situations of potential conflict of interests in the implementation of transactions involving such related parties.

The particulars of contracts or arrangements with related parties referred to in section 188(1) and applicable rules of the Companies Act, 2013 in Form AOC-2 is provided as Annexure E to this Director's Report along with the Related Party Transactions Policy.

Acknowledgement

Your Directors would like to express their grateful appreciation for the assistance and co-operation received from all its stakeholders – shareholders, borrowers, lenders and the authorities, especially the National Housing Bank. Your Directors look forward to their continued support in the future as well.

The Directors are also thankful to the employees of the Company for their hard work and commitment in building an institution to help a segment, which needs financial assistance.

For and on behalf of the Board of Directors of
Micro Housing Finance Corporation Limited

Rajnish Dhall	**Nachiket Shelgikar**
Managing Director	**CFO & Whole Time Director**

Place: Mumbai
Date: June 06, 2018

ANNEXURE A

FORM NO. MGT 9
EXTRACT OF ANNUAL RETURN
as on financial year ended on 31.03.2018
Pursuant to Section 92 (3) of the Companies Act, 2013 and rule 12(1) of the Company (Management & Administration) Rules, 2014.

I REGISTRATION & OTHER DETAILS:

i	CIN	U67190MH2008PLC182274
ii	Registration Date	16th May, 2008
iii	Name of the Company	MICRO HOUSING FINANCE CORPORATION LIMITED
iv	Category/Sub-category of the Company	Company having Share Capital
v	Address of the Registered office & contact details	Office no. 1,2,3,4, Ground Floor, Pushpak CHSL, Malaviya Road, Vile Parle (east), Mumbai 400 057 Tel No.: +91 22 26101076/ 77/ 78/ 79
vi	Whether listed company	**No**
vii	Name , Address & contact details of the Registrar & Transfer Agent, if any.	Link Intime India Pvt. Ltd. C 101, 247 Park, L B S Marg, Vikhroli West,Mumbai 400 083 Tel No: +91 22 49186000

II PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY
All the business activities contributing 10% or more of the total turnover of the company shall be stated

SL No	Name & Description of main products/services	NIC Code of the Product/ Service	% to total turnover of the company
1	Non Deposit taking Housing Finance Company	65922	100%

III PARTICULARS OF HOLDING , SUBSIDIARY & ASSOCIATE COMPANIES

SL No	Name & Address of the Company	CIN/GLN	HOLDING/ SUBSIDIARY/ ASSOCIATE	% OF SHARES HELD
1	NIL	NIL	NIL	NIL

IV SHAREHOLDING PATTERN (Equity Share capital Break up as % to total Equity)

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a) Individual/HUF	5,988,925	0	5,988,925	19.81	5,988,925	0	5,988,925	19.81	0.00
b) Central Govt.or State Govt.	0	0	0	0	0	0	0	0	0
c) Bodies Corporates	0	0	0	0	0	0	0	0	0
d) Bank/FI	0	0	0	0	0	0	0	0	0
e) Any other	0	0	0	0	0	0	0	0	0
SUB TOTAL:(A) (1)	5,988,925	0	5,988,925	19.81	5,988,925	0	5,988,925	19.81	0.00
(2) Foreign									
a) NRI- Individuals	0	0	0	0	0	0	0	0	0
b) Other Individuals	0	0	0	0	0	0	0	0	0
c) Bodies Corp.	0	0	0	0	0	0	0	0	0
d) Banks/FI	0	0	0	0	0	0	0	0	0
e) Any other…	0	0	0	0	0	0	0	0	0
SUB TOTAL (A) (2)	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total Shareholding of Promoter (A)= (A)(1)+(A)(2)	**59,88,925**	**0**	**59,88,925**	**19.81**	**59,88,925**	**0**	**59,88,925**	**19.81**	**0.00**
B. PUBLIC SHAREHOLDING									
(1) Institutions									
a) Mutual Funds	0	0	0	0	0	0	0	0	0
b) Banks/FI	0	0	0	0	0	0	0	0	0
C) Central govt	0	0	0	0	0	0	0	0	0
d) State Govt.	0	0	0	0	0	0	0	0	0
e) Venture Capital Fund	0	0	0	0	0	0	0	0	0
f) Insurance Companies	0	0	0	0	0	0	0	0	0
g) FIIS	0	0	0	0	0	0	0	0	0
h) Foreign Venture Capital Funds	0	0	0	0	0	0	0	0	0
i) Others									
- Foreign Trust	30,20,512	0	30,20,512	9.99	30,20,512	0	30,20,512	9.99	0
- Private Equity Fund	1,10,60,255	0	1,10,60,255	36.59	1,10,60,255	0	1,10,60,255	36.59	0
SUB TOTAL (B)(1):	14,080,767	0	14,080,767	46.58	14,080,767	0	14,080,767	46.58	0

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
(2) Non Institutions									
a) Bodies corporates									
i) Indian	2,279,237	0	2,279,237	7.54	2,279,237	0	2,279,237	7.54	0.00
ii) Overseas	0	0	0	0	0	0	0	0	0
b) Individuals									
i) Individual shareholders holding nominal share capital upto ₹1 lakhs	21,566	6,400	27,966	0.09	27,066	6,400	33,466	0.11	0.02
ii) Individuals shareholders holding nominal share capital in excess of ₹ 1 lakhs	1,483,212	19,100	1,502,312	4.97	1,543,611	19,100	1,562,711	5.17	0.20
c) Others									
- Trusts	6,348,368	0	6,348,368	21.00	6,282,469	0	6,282,469	20.78	-0.22
SUB TOTAL (B)(2):	10,132,383	25,500	10,157,883	33.60	10,132,383	25,500	10,157,883	33.60	0.00
Total Public Share-holding (B)= (B)(1)+(B)(2)	**24,213,150**	**25,500**	**24,238,650**	**80.19**	**24,213,150**	**25,500**	**24,238,650**	**80.19**	**0.00**
C. Shares held by Custodian for GDRs & ADRs	0	0	0	0	0	0	0	0	0
Grand Total (A+B+C)	**30,202,075**	**25,500**	**30,227,575**	**100.00**	**30,202,075**	**25,500**	**30,227,575**	**100.00**	**0.00**

(ii) SHARE HOLDING OF PROMOTERS

Sl No.	Shareholders Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in share holding during the year
		No. of shares	% of total shares of the company	% of shares pledged encum-bered to total shares	No. of shares	% of total shares of the company	% of shares pledged encumbered to total shares	
1	Madhusudhan P Pulloot	714,490	2.36	0	714,490	2.36	0	0.00
2	Nachiket S Shelgikar	4,605,268	15.24	0	4,605,268	15.24	0	0.00
3	Rajnish Inderjit Dhall	669,167	2.21	0	669,167	2.21	0	0.00
	Total	**59,88,925**	**19.81**	**0**	**59,88,925**	**19.81**	**0**	**0.00**

(iii) CHANGE IN PROMOTERS' SHAREHOLDING (SPECIFY IF THERE IS NO CHANGE)

SL. No.		Share holding 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	**59,88,925**	**19.81**	**59,88,925**	**19.81**
	Date wise Increase / Decrease in Promoters Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc):	NO CHANGE			
	At the End of the year	59,88,925	19.81	59,88,925	19.81

(iv) SHAREHOLDING PATTERN OF TOP TEN SHAREHOLDERS (OTHER THAN DIRECTORS, PROMOTERS & HOLDERS OF GDRS & ADRS)

Sl. No.	Name	Shareholding		Date	Increase/ Decrease	Reason	Cumulative Shareholding during the year (01-04-15 to 31-03-16)	
		No. of shares at the beginning of the year	% of total shares of the company				No.of Shares	% of total shares of the Com-pany
1	India Financial Inclusion Fund	1,10,60,255	36.59	-	-	-	1,10,60,255	36.59
2	MHFC Employees Trust	5,115,034	16.92	01.04.2017	-	-	-	-
				10.04.2017	-2,833	Transfer	5,112,201	16.91
				26.07.2017	-5,500	Transfer	5,106,701	16.89
				31.08.2017	-57,566	Transfer	5,049,135	16.70
				31.03.2018	**-**	**-**	**5,049,135**	**16.70**
3	Michael & Susan Dell Foundation	3,020,512	9.99	-	-	-	3,020,512	9.99
4	Unilazer Alternative Ventures LLP	2,230,770	7.38	-	-	-	2,230,770	7.38
5	MHFCL Employees and Business Associates Welfare Trust	1,233,334	4.08	-	-	-	1,233,334	4.08
6	Arjun Sawhney Kamal Sawhney	2,50,000	0.83	-	-	-	2,50,000	0.83
7	Moneisha Sharad Gandhi	181,800	0.60	01.04.2017	-	-	-	-
				10.04.2017	2,833	Transfer	184,633	0.61
				31.03.2018	**-**	**-**	**184,633**	**0.61**
8	Umesh Dharnidharka Neeta Dharnidharka	1,00,000	0.33	-	-	-	100,000	0.33
9	Rohith Balakrishnan	71,500	0.24	-	-	-	71,500	0.24
10	Prabhat Agarwal Madan Mohan Agarwal	63,333	0.21	-	-	-	63,333	0.21

(v) **SHAREHOLDING OF DIRECTORS & KMP**

Sl. No.	**Name**	**Shareholding**		**Date**	**Increase/ Decrease**	**Reason**	**Cumulative Shareholding during the year (01-04-15 to 31-03-16)**	
		No. of shares at the beginning of the year	% of total shares of the company				No.of Shares	% of total shares of the Company
1	Madhusudhan P Pulloot, Chairman	714,490	2.36	NO CHANGE			714,490	2.36
2	Nachiket S Shelgikar, CFO & Whole-Time Director	4,605,268	15.24	NO CHANGE			4,605,268	15.24
3	Rajnish Inderjit Dhall, Managing Director	669,167	2.21	NO CHANGE			669,167	2.21
4	Ashish Karamchandani, Independent Director	95,400	0.32	NO CHANGE			95,400	0.32
5	Mihir Doshi, Independent Director	30,000	0.10	31.08.2017	Increase	Transfer	87,566	0.29

V **INDEBTEDNESS**

Indebtedness of the Company including interest outstanding/accrued but not due for payment				
	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtness at the beginning of the financial year				
i) Principal Amount	2,829,785,692	100,000,000	0	2,929,785,692
ii) Interest due but not paid	0	0	0	0
iii) Interest accrued but not due	22,024,137	49,315	0	22,073,452
Total (i+ii+iii)	2,851,809,829	100,049,315	0	2,951,859,144
Change in Indebtedness during the financial year				
Additions	-	-	0.00	0.00
Reduction	-	-	0.00	0.00
Net Change	817,715,275	49,950,685	0	867,665,960
Indebtedness at the end of the financial year				
i) Principal Amount	3,639,542,728	150,000,000	0	3,789,542,728
ii) Interest due but not paid	0	0	0	0
iii) Interest accrued but not due	29,982,376	0	0	29,982,376
Total (i+ii+iii)	3,669,525,104	150,000,000	0	3,819,525,104

VI REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole time director and/or Manager:					
SL. NO	**Particulars of Remuneration**	**Name of the MD/WTD/Manager**			**Total Amount**
1	**Gross salary**	**Rajnish Dhall MD**	**Madhusudhan P Pulloot Chairman & WTD**	**Nachiket Shelgikar WTD & CFO**	
	(a) Salary as per provisions contained in section 17(1) of the Income Tax. 1961.	12,00,000	12,00,000	12,00,000	**36,00,000**
	(b) Value of perquisites u/s 17(2) of the Income tax Act, 1961	0	0	0	**0**
	(c) Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961	0	0	0	**0**
2	Stock option	0	0	0	**0**
3	Sweat Equity	0	0	0	**0**
4	Commission				
	- as % of profit	0	0	0	**0**
	- others, specify….	0	0	0	**0**
5	Others - Provident Fund	0	0	0	**0**
	Total (A)	**12,00,000**	**12,00,000**	**12,00,000**	**36,00,000**
	Ceiling as per the Act	₹14,722,363			
B. Remuneration to other directors:					
	Particulars of Remuneration	**Name of the Directors**		**Total Amount**	
1	Independent Directors	**Ashish Karamchandani**	**Mihir Doshi**		
	(a) Fee for attending board committee meetings	0	0	0	
	(b) Commission	0	0	0	
	(c) Others, please specify	0	0	0	
	Total (1)	0	0	0	
2	Other Non Executive Directors	**Mona Kachhwaha**	**Viswanatha Prasad Subbaraman**	**Geeta Goel**	**Total Amount**
	"(a) Fee for attending board committee meetings"	0	0	0	0
	(b) Commission	0	0	0	0
	(c) Others, please specify.	0	0	0	0
	Total (2)	0	0	0	0
	Total (B)=(1+2)	0	0	0	0
	Total Managerial Remuneration	0	0	0	0
	Overall Ceiling as per the Act	₹1,472,236			

C. Remuneration to key managerial personnel other than MD/Manager/WTD

SL. No	Particulars of Remuneration	Key Managerial Personnel			
1	**Gross Salary**	**CEO**	**Avani Shah -Company Secretary**	**Nachiket Shelgikar -CFO**	**Total**
	(a) Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961	NA	1,320,000	1,200,000	2,520,000
	(b) Value of perquisites u/s 17(2) of the Income Tax Act, 1961	NA	0	0	0
	(c) Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961	NA	0	0	0
2	Stock Option	NA	0	0	0
3	Sweat Equity	NA	0	0	0
4	Commission	NA	0	0	0
	as % of profit		0	0	0
	others, specify	NA	0	0	0
5	Others	NA	0	0	0
	Total	**NA**	**1,320,000**	**1,200,000**	**2,520,000**

VII PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES

Type	Section of the Companies Act, 1956	Brief Description	Details of Penalty/ Punishment/ Compounding fees imposed	Authority (RD/NCLT/ Court)	Appeal made if any (give details)
A. COMPANY			**NIL**		
B. DIRECTORS			NIL		
C. OTHER OFFICERS IN DEFAULT			**NIL**		

ANNEXURE B

(1) A brief outline of the company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or Programmes.

CSR Policy is stated herein below:

Web link:

http://mhfcindia.com/CSR%20Policy.pdf

(2) The Composition of the CSR Committee.

1. Mr. Rajnish Dhall
2. Mr. Mihir Doshi
3. Ms. Mona Kachhwaha (upto May 29, 2017)
4. Mr. Subbaraman Viswanatha Prasad (from May 29, 2017)

(3) Average net profit of the company for last three financial years

Average net profit: ₹ 9.10 Cr.

(4) Prescribed CSR Expenditure (two per cent. Of the amount as in item 3 above):

The Company is required to spend ₹ 18.21 Lakhs towards CSR.

(5) Details of CSR spent during the financial year.

(a) Total amount to be spent for the financial year: ₹ 3.50 Lakhs

(b) Amount unspent: ₹ 14.71 Lakhs

(c) Manner in which the amount spent during the financial year is detailed below:

Sr. No.	Projects/ Activities	Sector	Location	Amount Outlay	Amount Spent on the Project	Cumulative Expenditure upto the reporting period	Amount Spent: Direct or through imple-menting Agency
1.	Financial education and literacy for lower income families.	Promoting Education	Ahmedabad	₹1,00,000	₹1,00,000	₹1,00,000	Saath Livelihood Services, an NGO which works with urban low income families.
2.	Therapy sessions for Children with developmental disabilities from low socio-economic backgrounds	Enhancing vocation skills among differently abled children	Mumbai	₹1,25,000	₹1,25,000	₹1,25,000	Ummeed Child Development Centre - works with children and their parents in addressing issues concerning developmental disabilities among children
3.	Develop-ment of Child Pro-tection Edu-cation Tool to train women on issues of Girl Safety	Promoting preventive health care and sanitation	Mumbai	₹1,25,000	₹1,25,000	₹1,25,000	The Aangan Trust, Aangan works to strengthen/ build child protection mechanisms that both prevent as well as respond to children's exploitation and threats to their security and wellbeing.
	TOTAL			**₹3,50,000**	**₹3,50,000**	**₹3,50,000**	

Sd/-
Rajnish Dhall
Managing Director
(DIN: 02146708)

Sd/-

Chairman - CSR Committee

CORPORATE SOCIAL RESPONSIBILTY (CSR) POLICY

SALIENT FEATURES OF THE CORPORATE SOCIAL RESPONSIBILITY (CSR) POLICY

I. SCOPE

The CSR Policy applies to the formulation, execution, monitoring, evaluation, and documentation of CSR activities undertaken by the Company.

II. OBJECTIVE

The main objective of MHFC's CSR policy is

- To lay down guidelines to make CSR a key business process for sustainable development of the society (in addition to the social mission of the Company);
- To directly/indirectly undertake projects/programs which will enhance the quality of life and economic well-being of the communities in the society at large;
- To generate goodwill and recognition among all stake holders of the company.

III. OUR RESPONSIBILITIES

A) Towards our Customers

We will build gainful partnerships with the customers to understand their needs and provide right product and solutions. We will adopt and actively encourage best and fair business practices (FPC code already developed but this will be stressed given the limited financial education of most of our customers).

B) Towards our Business Partners

We will support our Business Partners to cultivate ethical and fair business practices and give preference over others to those who demonstrate this.

C) As a Corporate Citizen

We reaffirm our commitment to conduct our business with social and environmental accountability. We will endeavour to adopt energy efficiency in our operations through waste minimization and water and energy conservation.

D) Responsibilities toward our Employees

We will foster a work culture with high ethical principles and standards and encourage our employees to perform with total integrity, commitment and ownership. We recognise that our employees and investors deserve to work in safe and healthy work environment and will make it our responsibility to ensure zero harm to people.

IV. CSR ACTIVITIES

MHFC shall seek to identify suitable programs / projects / activities as enumerated under Schedule VII of Companies Act, 2013, during the year to ensure its contribution to the community and society at large. Our focus will obviously be related to improvement in living conditions as related to housing or support of institutions working with families in poor housing and financial education as these are very much related to the mission of MHFC.

V. CSR SPEND/SOURCES OF FUNDING

The Annual budget for the CSR Expenditure will be proposed by the CSR committee every year for the approval of the Board of Directors of the Company & post the Board of Director's approval, the CSR Expenditure can be incurred by the Company.

The committee shall endeavour to spend at least 2% of the average net profit during the preceding 3 financial years on CSR activities as enumerated above.

Any surplus arising out of the contribution made for CSR activities shall not form part of the business profit of the Company and will be redeployed for such activities.

ANNEXURE C

MICRO HOUSING FINANCE CORPORATION LIMITED

SALIENT FEATURES OF THE NOMINATION AND REMUNERATION POLICY

1. OBJECTIVE OF THE POLICY:

The Nomination and Remuneration Committee and this Policy shall be in compliance with Section 178 of the Companies Act, 2013 read along with the applicable rules thereto. The Key Objectives of the Committee would be:

1.1. To guide the Board in relation to appointment and removal of Directors, Key Managerial Personnel and Senior Management.

1.2. To evaluate the performance of the members of the Board and provide necessary report to the Board for further evaluation of the Board.

1.3. To recommend to the Board on Remuneration payable to the Directors, Key Managerial Personnel and Senior Management.

1.4. To provide to Key Managerial Personnel and Senior Management reward linked directly to their effort, performance, dedication and achievement relating to the Company's operations.

1.5. To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.

2. ROLE OF THE NOMINATION AND REMUNERATION COMMITTEE IS TO DETERMINE THE FOLLOWING:

2.1. Appointment criteria and qualifications of Director, KMP and Senior Management;

2.2. Term / Tenure of the Directors;

2.3. Evaluation of Director, KMP and Senior Management Personnel;

2.4. Removal of Director, KMP and Senior Management Personnel;

2.5. Retirement of Director, KMP and Senior Management Personnel

2.6. Remuneration to Whole-time / Executive / Managing Director, KMP and Senior Management Personnel:

2.7. Remuneration to Other employees:

ANNEXURE D

DISCLOSURES AS PER THE SECRETARIAL STANDARD - 1

During the Financial Year 2017-18 , 8 Board Meetings, 4 Audit Committee, 1 Nomination & Remuneration Committee and 1 CSR Committee Meeting were convened and held on the following dates:

Sr. No.	Board	Sr. No.	Audit Committee	Sr. No.	Nomination & Remuneration Committee	Sr. No.	CSR Committee
1	13.05.2017	1	29.05.2017	1	13.03.2018	1	29.05.2017
2	29.05.2017	2	06.09.2017				
3	08.09.2017	3	23.11.2017				
4	03.11.2017	4	13.03.2018				
5	23.11.2017						
6	09.01.2018						
7	22.02.2018						
8	28.03.2018						

Attendance Of Directors in Board and Committee Meetings:

Sr. No.	Name of the Director	Number of Meetings Attended:			
		Board	Audit Committee	Nomination & Remuneration Committee	CSR Committee
1	Madhusudhan Padath Pulloot	7	-	-	-
2	Rajnish Inderjit Dhall	7	-	-	1
3	Nachiket Sanjiv Shelgikar	8	-	-	-
4	Mona Kachhwaha *(resigned on 29.05.2017)*	1	1	-	1
5	Geeta Dutta Goel	2	1	-	-
6	Ashish Kanayo Karamchandani	2	3	1	-
7	Mihir Jagdish Doshi	2	4	1	1
8	Viswanatha Prasad Subbaraman *(appointed on 29.05.2017)*	2	-	0	-

ANNEXURE E

PARTICULARS OF CONTRACTS/ARRANGEMENTS MADE WITH RELATED PARTIES

FORM NO. AOC-2
(PURSUANT TO CLAUSE (H) OF SUB-SECTION (3) OF SECTION 134 OF THE ACT AND RULE 8(2) OF THE COMPANIES (ACCOUNTS) RULES, 2014 AS ON MARCH 31, 2018)
This Form pertains to the disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arms length transactions under third proviso thereto

DETAILS OF CONTRACTS OR ARRANGEMENTS OR TRANSACTIONS NOT AT ARM'S LENGTH BASIS
There were no contracts or arrangements or transactions entered into during the year ended March 31, 2018, which were not at arm's length basis.

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

Name(s) of the related party and Nature of relationship	Nature of contracts/ arrangements/ transactions	Duration of the contracts/ arrangements/ transactions	Salient terms of the contracts or arrangements or transactions including the value, if any:	Date(s) of approval by the Board, if any:	Amount paid as advances, if any:
M/s Caspian Impact Investments Private Limited Mr. Subbraman Viswanatha Prasad - Common Director	MHFC availed a Loan of ₹15 Crores from M/s Caspian Impact Investments Pvt. Ld.	Sept 2017 - April 2018	As per Loan Agreement and Deed of Hypothecation dated 27.09.2017	08/09/2017	NA
M/s Ummeed Child Development Centre Independent director- Mr. Ashish Karamchandani has control in Ummeed Child Development Centre	CSR Expenditure under Section 135 of the Companies Act, 2013	One-time Expense	CSR Expenditure of ₹1,25,000/-for supporting therapy sessions for Children with developmental disabilities from low socio-economic backgrounds	NA	NA

For and on behalf of the Board of Directors of
Micro Housing Finance Corporation Limited

Sd/-
Rajnish Dhall
Managing Director

Sd/-
Nachiket Shelgikar
CFO & Whole Time Director

Place: Mumbai
Date: June 06, 2018

RELATED PARTY TRANSACTIONS POLICY (W.E.F. JUNE 1, 2017)

OBJECTIVE

The Board of Directors (the "Board") of Micro Housing Finance Corporation ("MHFC"), has adopted the following policy (the "policy") and procedures with regard to Related Party Transactions ("RPT") w.e.f. June 1, 2017 (duly approved by the Board at its meeting held on May 29, 2017). This policy is framed as per requirement of the National Housing Bank (NHB) Notification No. NHB. HFC. CG-DIR.1/MD & CEO/2016 dated 9th February, 2017. The objective of this policy and procedure is to ensure that transactions between MHFC and its related parties are based on principles of transparency and arm's length pricing as provided under the section 188 of the Companies Act 2013. Likewise, this policy aims at preventing and providing guidance in situations of potential conflict of interests in the implementation of transactions involving such related parties.

1. DEFINITIONS:

a) "Audit Committee" means Committee of Board of Directors of MHFC constituted under Section 177 of the Companies Act, 2013.

b) "Related Party" shall mean a person or entity that is related to the company as defined under Section 2(76) of the Companies Act, 2013.

c) "Related Party Transaction" shall mean all transactions as defined under section 188 of the Companies Act, 2013

d) "Arm's Length Transaction" means a transaction between two Related Parties that is conducted as if they were unrelated, so that there is no conflict of interest (as provided under the section 188 of the Companies Act 2013).

e) "Annual Consolidated Turnover" is defined as Total Income (i.e. Interest earned plus Other Income) of the last audited Consolidated Financial Statements of MHFC.

2. POLICY:

All Related Party Transactions must be referred to the Audit Committee for approval in accordance with this Policy.

3. IDENTIFICATION OF RELATED PARTY AND RELATED PARTY TRANSACTIONS:

A Related Party will be brought to the attention of the Management and the Board/Audit Committee's attention by the Legal and Secretarial Department at least on an annual basis. The Legal and Secretarial Department needs to inform any change in the Related Party List to Functional teams of MHFC to identify the Related Party Transactions.

4. REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS:

Every Related Party Transaction shall be subject to the prior approval of the Audit Committee whether at a meeting or by resolution by way of circulation. Any member of the Audit Committee who has a potential interest in any Related Party Transaction shall abstain from discussion and voting on the approval of the related party transaction.

The approval policy framework is given below:

Audit Committee Approval	**Board Approval**	**Shareholder's Approval**
• All Related Party Transactions	• Related Party Transactions referred by Audit Committee for approval of the Board. • Related Party Transactions as required under the statute applicable to MHFC.	• Approval by resolution for: - Related Party Transactions not in Ordinary Course of Business or not on arm's length basis and crosses threshold limit as prescribed under the Companies Act, 2013 applicable to MHFC

General Guidance for approval of Related Party Transactions:

The Audit Committee shall be provided with the relevant information of Related Party Transactions in accordance with the requirements of the Companies Act, 2013, the Rules made thereunder as amended from time to time or as requested by the Audit Committee. Where a Board approval is required, the information required under the Companies Act, 2013 and the Rules made thereunder, shall be provided. In determining whether to approve a Related Party Transaction, the Audit Committee shall consider (among other aspects it deems relevant), if there are clearly demonstrable reasons from MHFC's business point of view, to enter into a transaction with a Related Party.

5. DECISION REGARDING TRANSACTION IN ORDINARY COURSE OF BUSINESS AND AT ARM'S LENGTH:

The Audit Committee and the Board shall after considering the materials placed before them will judge if the transaction is in the ordinary course of business and meets the arm's length requirements.

6. OMNIBUS APPROVAL BY AUDIT COMMITTEE FOR RELATED PARTY TRANSACTIONS:

In case of certain frequent/ repetitive/ regular/ transactions/ with Related Parties which are in the ordinary course of business of MHFC, the Audit Committee may grant an omnibus approval for such Related Party Transactions proposed to be entered into by MHFC. The approval shall be valid for a period of one year - however the same needs to be ratified by the board at the next board meeting.

7. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY:

In the event MHFC becomes aware of a Related Party Transaction with a Related Party that has not been approved under this Policy prior to its consummation, MHFC would obtain post facto approval from the Audit Committee. In case MHFC is not able to take prior approval from the Audit Committee, such a transaction shall not be deemed to violate this Policy, or be invalid or unenforceable, so long as the transaction is brought to the Audit Committee as promptly as reasonably practical after it is entered into or after it becomes reasonably apparent that the transaction is covered by this policy.

The Audit Committee shall consider all of the relevant facts and circumstances regarding the Related Party Transaction, and shall evaluate all options available to MHFC, including ratification, revision or termination of the Related Party Transaction. In any case, where the Audit Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Audit Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction. In connection with any review of a Related Party Transaction, the Audit Committee has authority to modify or waive any procedural requirements of this Policy

8. DISCLOSURE OF THE POLICY:

This Policy will be uploaded on the website of MHFC at http://mhfcindia.com/ .

9. POLICY REVIEW:

This Policy is established w.e.f. June 1, 2017 based on the provisions of the Companies Act, 2013 and as per requirement of the NHB Notification No. NHB. HFC. CG-DIR.1/MD & CEO/2016 dated 9th February, 2017. In case of any subsequent changes in the provisions of the Act and the Rules framed thereunder, the Act and its Rules would prevail over the Policy and the provisions in the Policy would be modified in due course to make it consistent with law. The Board shall have the right to amend the Policy from time to time, based on recommendations of Audit Committee. The Policy shall be reviewed every year along with the other policies of the company. However, it shall be reviewed earlier if need arises for the same and/ or under special circumstances, for example a change in law.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

1) Industry structure and developments

As per the 2011 census, for the first time since independence there is higher absolute growth in population in urban areas than in rural areas. Though the Rural – Urban distribution is 68.84% & 31.16%, the level of urbanization increased from 27.81% in 2001 Census to 31.16% as per the 2011 Census. This in terms of a growing population is a large number. Government has revised its estimates of the housing shortage- in the EWS category it stands revised at around 10 mn down from 18 mn from 2001 census but even this is a staggering shortfall to be met. Housing which ranks next only to food and clothing amongst basic human needs has always had important socio-economic implications. Currently the realty sector contributes 5% to 6% of GDP and is expected grow to 11% to 12% by 2020 due to steady demand generated through rapid urbanisation, regulatory reforms, rising household income and the emergence of affordable and nuclear housing. Further, the mortgage penetration in India is still low at 2% unlike in developed countries where rates are as high as 51%. One of the the key reasons for low mortgage penetration is due to a lack of a well developed finance system which results in less access to home loans. Rapid urbanisation is providing an opportunity for new age Housing Finance Providers, who are using technology to reach the excluded economically weak segment.

The last financial year saw implementation of major regulatory reforms in form of Goods and Services Tax - a one nation one tax and passing of The Real Estate (Regulation and Development) Act, 2016 (RERA) which has introduced transparency and good governance in the real estate sector. The Government is committed to provide a roof for every Indian by 2022 and has promoted varied schemes focussed to meet the housing shortage across cities and rural areas. The schemes include creation of affordable housing through public-private partnerships, , PMAY and CLSS credit-linked subsidy schemes, the redevelopment of slums and the grant of infrastructure status to affordable housing projects. With strong government impetus and favorable policy climate around affordable housing, there has been increasing number of financial institutions entering the Housing Finance space to serve housing demand from various segments of society.

2) Opportunities and Threats:

Opportunities:

a) Priority Sector Lending and NHB Refinance Caps on Urban Housing

Home loans up to Rs 35 lakh in metros will now qualify for the benefits of priority sector lending. Earlier only housing loans up to Rs 28 lakh were eligible for these benefits. The RBI has done this to bring greater convergence of the Priority Sector Lending guidelines for housing loans with Affordable Housing Schemes, and to give a fillip to low-cost housing for Economically Weaker Sections and Lower Income Groups.

b) Access to customers (via smartphone penetration)

From 299 million smartphone users in 2017, the projected increase in the number of users in India is likely to reach 340 million by the end of this year. By 2022, India's smartphone users are expected to shoot up to a whopping 442 million. This will make it much easier and cheaper to reach prospective customers and service existing ones. Also with increasing popularity of payment capabilities like UPI and IMPS, it will become much easier for customers with informal incomes to pay EMIs.

c) Going forward GST will enable income verification even for informal occupations

The GST eco system makes sure that even small vendors include GST in their invoices and hence will make it much easier through GSTN to verify income and thus credit appraisals will be more accurate for the informal sector.

Threats:

a) Rising interest rate

Home loan borrowers will have to bear the increase in the interest rates, considering the global and domestic developments. Rates are further expected to harden in the coming months by another 25-50 bps, and will lead to an increase in EMIs for home loan customers.

b) NIMS under pressure

With increase in competition due to entry of many new players in the affordable housing sector, NIMs are expected to reduce as newer players offer lucrative rates in order to build loan books.

c) Real estate price correction

The market expects a price correction in the middle and high income segment over the next 3-4 quarters. However, we do not expect much impact in EWS and LIG projects since there is still high demand for such properties.

3) Discussion on financial performance with respect to operational performance

During the year under review, your Company increased most operating and financial parameters. Revenues were up 40% to ₹ 53.14 Cr. (PY ₹ 38.02 Cr.) and PBT increased 59% to ₹ 14.36 Cr. (PY ₹ 9.02 Cr.) - and after payment of ₹ 4.13 Cr. (PY ₹ 3.02 Cr.) in current and deferred taxes and tax on debenture issue expenses, PAT increased 70% to ₹ 10.22 Cr. (PY ₹ 6.00 Cr.). Note that the PAT for the year has been arrived at after charging ₹ 0.33 Cr. (PY ₹ 0.67 Cr.) towards a Deferred Tax Liability on Special Reserve created during the year which the regulator, the National Housing Bank ("NHB") has stipulated for all Housing Finance Companies.

4) Segment-wise or Product-wise performance

MHFC deals in only one segment i.e providing housing loans for the financially excluded families.
In terms of lending operations, cumulative housing loan sanctions aggregated ₹802.07 Cr. (up 41% from ₹568.5 Cr. at end of the previous financial year) – all to lower income, urban families who are generally excluded from the mainstream banking sector. The total loans outstanding figure was ₹ 456 Cr. (growth of 27% over ₹ 358 Cr. at end of the previous financial year). The Company currently operates in 6 states – Maharashtra, Gujarat, Madhya Pradesh, Rajasthan, West Bengal and Chhattisgarh.

In terms of portfolio quality, the Company had 109 (PY 96) loan accounts as on year end - March 31, 2018 - which were classified as non-performing assets ("NPAs") per the prudential guidelines issued by the NHB. The amount of such Gross NPAs was ₹ 4.53 Cr. (PY ₹ 4.92 Cr.) which was 0.99% (PY 1.37%) of the total loan portfolio of the Company as at March 31, 2018. The Company has created necessary provisions in accordance with the NHB Directions, after which Net NPAs stood at ₹ 3.54 Cr. (PY ₹ 3.99 Cr.) and 0.78 % (PY 1.12%) of the total loan portfolio as at March 31, 2018. This represents a significant improvement over the previous year and is especially noteworthy considering the continued impact of demonetisation through the year on informal sector families. We believe this is continued evidence and support for the Company's belief that lower income customers are equally (if not more so) conscious and disciplined in repaying housing loans as this number is very much in line with that of all the mainstream HFCs.

In terms of funding, the Company did not raise any fresh equity during the year, and with retained profits, net worth increased to ₹ 107.00 Cr. (PY ₹ 97.38 Cr.). However, the Company increased its long term debt to ₹363.95 Cr. (PY ₹ 282.97 Cr.) of which approx. 36% continues to be refinance support from the NHB. Other lenders to your Company include the largest nationalised bank, State Bank of India, and the leading private sector housing finance provider, HDFC Ltd, and commercial banks such as HDFC Bank Ltd., Kotak Mahindra Bank Ltd., DCB Bank Ltd., Yes Bank Limited and Federal Bank Limited, and for the first time, the leading development agency, the International Finance Corporation ("IFC"). The Company's entire loan portfolio continues to qualify as priority sector as defined by the Reserve Bank of India ("RBI"). Based on our excellent relationships with our current bankers and the company's financial and portfolio performance we are confident of arranging additional debt to cover projected growth plans.

The Company is very well capitalised with capital adequacy ratio at 38.78% of risk weighted assets, as against the minimum requirement of 12%.

5) Outlook

In view of the huge shortage in urban housing units in the country, the Union government has been providing continued support to make the sector attractive and giving it due recognition. The agenda of 'Housing for All' is a key component of the government's strategy for making Indian cities inclusive and productive. We expect a surge in supply in low cost housing due to an increase focus on the same by the State Governments. Separately, demand is set to increase due to widening of income bracket criteria for availment of subsidy and lowering of interest rates for this segment. The Company envisages good growth on the horizon too in the low cost housing sector that it caters to is not only large but growing; and is still reasonably under penetrated from the perspective of financing. The Company expects AUM growth to remain in line with the industry average as continuous innovations in terms of product space, leveraging technology, changing consumer behaviour and demographics have opened up new horizons for its growth.

6) Risks and concerns

MHFC is exposed to risks such credit risk, market risk, liquidity risk, legal risks, interest rate risk, and operational risk which are inherent in the housing finance business. Intense competition, increase in cost of borrowing and narrowing of spread, pose a big challenge for sustaining profitability on consistent basis. Prevailing inflationary trends will impact the affordability of vast number of end users.

a) Liquidity and interest rate risk
Being a financial organisation, MHFC is susceptible to market-related risks such as liquidity risk, interest rate risk and funding risk. Such risk management relating to maturity mismatch of assets and liabilities, interest rate gaps/ sensitivity is assigned to the Asset Liability Committee (ALCO) to monitor these risks on an ongoing basis. Being in a long term funding business MHFC maintains adequate balances of undrawn lines and cash equivalents for disbursements, repayments and other payments.

b) Operational risk
MHFC uses information technology extensively in its operations. The Company attempts to mitigate operational risk by maintaining a system of internal controls, establishing systems and procedures to monitor transactions, extensive employee training, maintaining key back-up procedures, undertaking regular contingency planning.

c) Credit Risk
The Company manages credit risk by using a set of credit norms and policies, including a standard credit appraisal policy. All functions of credit are managed in house right from sourcing, verification, credit bureau checks. MHFC has developed internal legal and technical evaluation team with independent function to make credit decisions more robust and in line to manage collateral risk.

Credit risks are minimized by having established credit appraisal system in place, prescribing exposure limits, periodic review of the portfolio. MHFC performs credit bureau checks, field verification, stringent legal and technical due diligence etc. which have helped to reduce delinquencies. The recovery mechanism is now well established through recourse under the SARFAESI Act.

7) Internal control systems and their adequacy

The Company has put in place an adequate internal control system to safeguard all assets and ensure operational efficiency. The Company also has an independent internal auditor to conduct ongoing internal audits, covering all aspects of operations, and adherence to internal policies and procedures as well as to regulatory and legal requirements. The integrated Loan Management System and the Accounting System has inbuilt maker checker systems in place for recording, authorising transactions on the system. The internal audit reports are reviewed regularly by the Audit Committee of the Board, and wherever necessary, internal control systems are strengthened and corrective actions are immediately taken.

8) Human Resource Development

Human resource development is considered vital for effective implementation of business plans and philosophy of the Company. Training, cross functional experience and opportunity for professional growth and recognitions are made available to all the employees of the company. During the current year, in-house training programmes were provided to employees, inter alia in credit pre-sanction,post-sanction operations, regulatory guidelines, recoveries, KYC, AML, IT system and accounts. Employees were also nominated for training programmes conducted by the NHB and other institutions.The manpower requirement in the company is assessed continuously and recruitment is conducted through campus placements and lateral hires. The Company has a dedicated team of 153 employees as of March 31, 2018, who have been contributing to the progress and growth of the Company.

PORTFOLIO

SANCTIONS VS DISBURSALS (CUMULATIVE)

Total Loans Sanctioned:

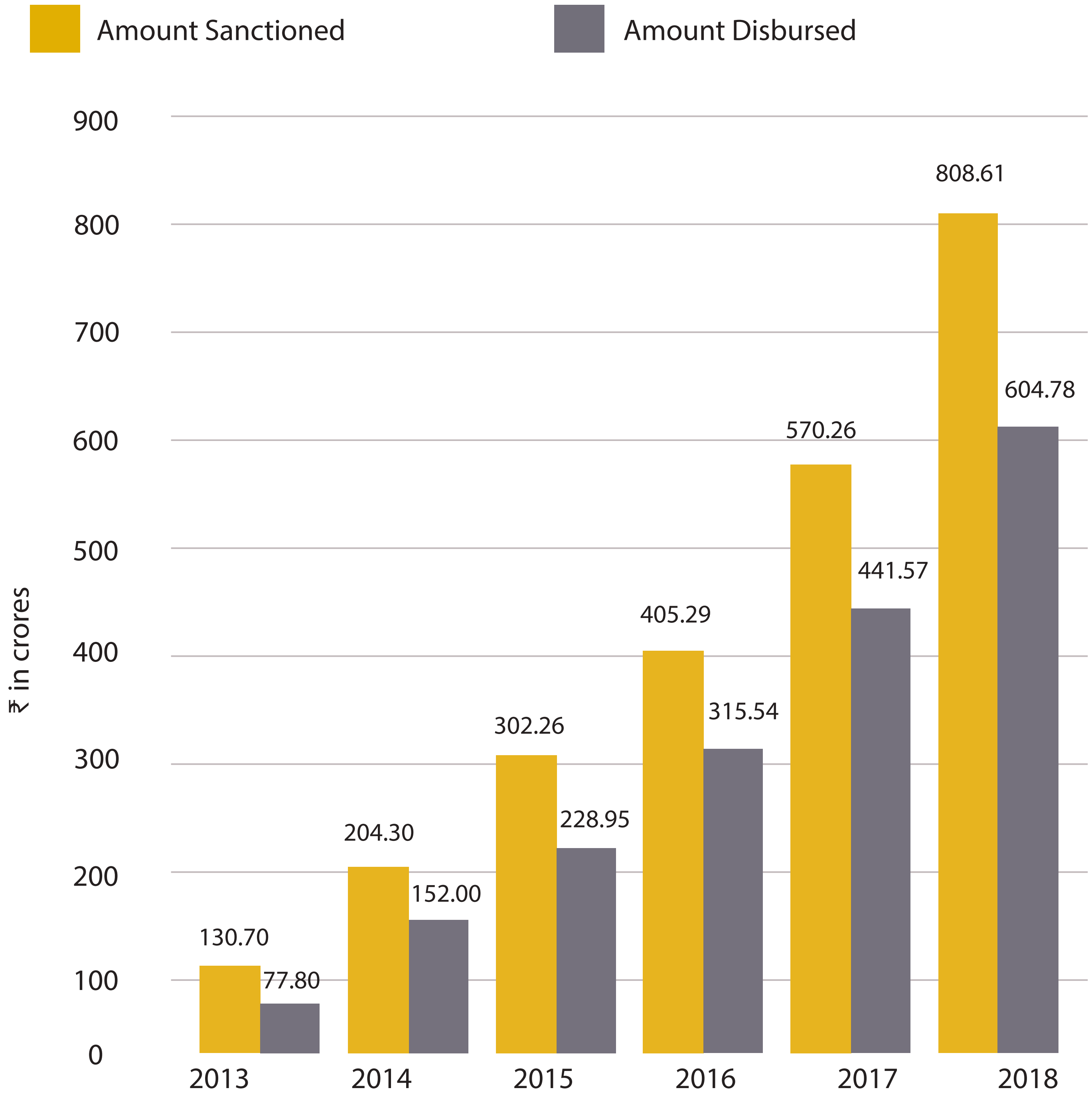
18,410

₹808.61 CR

Total Loans Disbursed:

14,737

₹604.78 CR

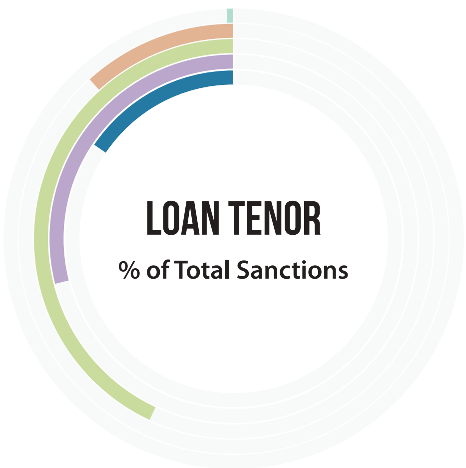


PORTFOLIO : SANCTIONS

CUMULATIVE LOANS SANCTIONED: 18,410

Average Loan Size: ₹4.39 Lacs

46.65%	<= ₹ 3 lakhs
19.64%	> ₹ 3 to 5 lakhs
33.71%	> ₹ 5 to 15 lakhs



Average Loan Tenor: 12 years

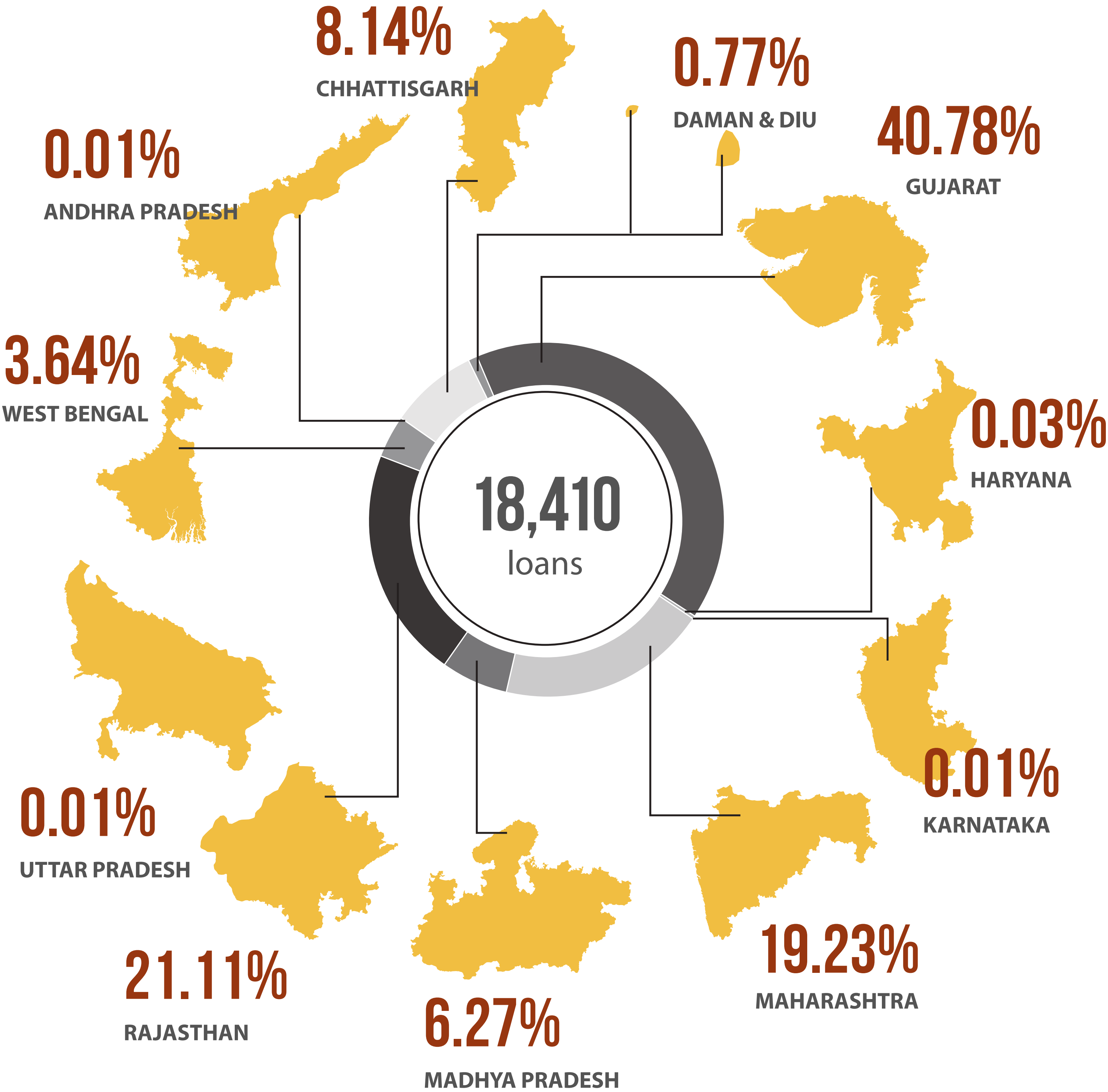
15.68%	<= 5 years
29.09%	> 5 to 10 years
43.33%	> 10 to 15 years
11.78%	> 15 to 20 years
0.13%	> 20 to 25 years

Average Loan to Value (LTV): 72%

12.35%	<= 50%
29.55%	>50 to 75%
58.09%	>75%

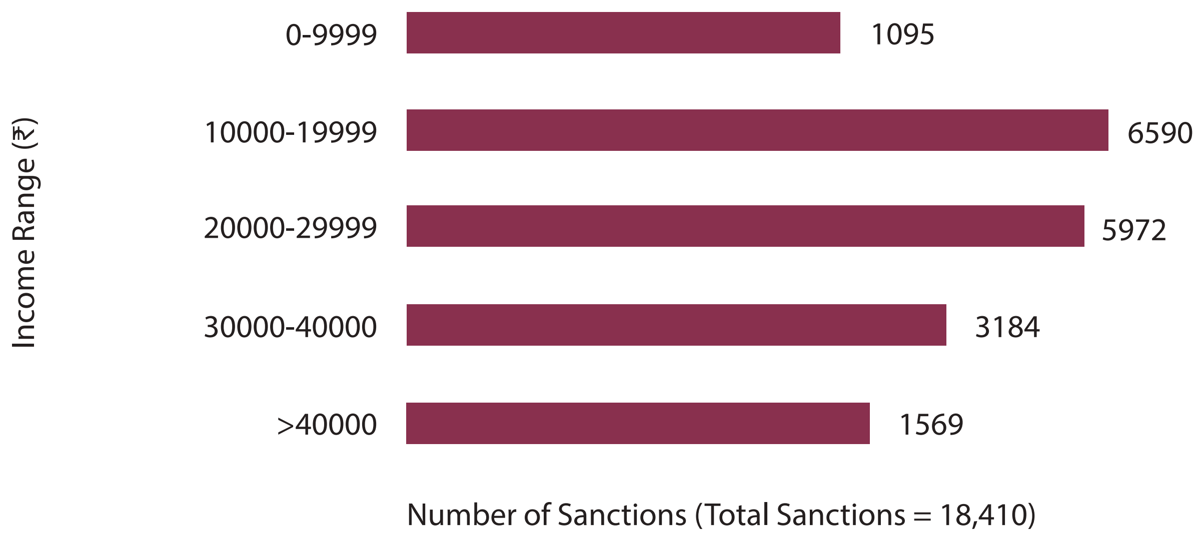
LOCATIONS

STATE WISE GEOGRAPHICAL DISTRIBUTION OF SANCTIONS



INCOME PROFILES

AVERAGE MONTHLY HOUSEHOLD INCOMES



OCCUPATIONS: SALARIED VS SELF EMPLOYED

39.75%

Salaried

Driver
Diamond Polisher
Machine Operator
Teacher
Security Guard

37.98%

Self Employed

Tailor
Autorickshaw Driver
Carpenter
Tuition Teacher
Food Vendor

22.27%

Both Salaried and Self Employed

INDEPENDENT AUDITORS' REPORT

To the Members of Micro Housing Finance Corporation Limited

Report on the Financial Statements

. We have audited the accompanying financial statements of Micro Housing Finance Corporation Limited ('the Company'), which comprise the Balance Sheet as at 31 March 2018, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. 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 financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards prescribed under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended). This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit.

4. 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.

5. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether these financial statements are free from material misstatement.

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

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

Opinion

8. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2018, and its profit and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

9. As required by the Companies (Auditor's Report) Order, 2016 ('the Order') issued by the Central Government of India in terms of Section 143(11) of the Act, we give in the Annexure I a statement on the matters specified in paragraphs 3 and 4 of the Order.

10. Further to our comments in Annexure I, 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 financial statements dealt with by this report are in agreement with the books of account;

d. in our opinion, the aforesaid financial statements comply with the Accounting Standards prescribed under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended);

e. . on the basis of the written representations received from the directors and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2018 from being appointed as a director in terms of Section 164(2) of the Act;

f. we have also audited the internal financial controls over financial reporting (IFCoFR) of the Company as on 31 March 2018 in conjunction with our audit of the financial statements of the Company for the year ended on that date and our report dated 6 June 2018 as per Annexure II expressed an unmodified opinion;

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 does not have any pending litigation which would impact its financial position;

ii. the Company did not have any other 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; and

iv. the disclosure requirements relating to holdings as well as dealings in specified bank notes were applicable for the period from 8 November 2016 to 30 December 2016 which are not relevant to these financial statements. Hence, reporting under this clause is not applicable.

For Walker Chandiok & Co LLP
Chartered Accountants
Firm's Registration No.: 001076N/N500013

Sd/-
per Manish Gujral
Partner
Membership No.: 105117

Place: Mumbai
Date: 6 June 2018

Annexure I to the Independent Auditor's Report of even date to the members of Micro Housing Finance Corporation Limited, on the financial statements for the year ended 31 March 2018

Annexure I

Based on the audit procedures performed for the purpose of reporting a true and fair view on the financial statements of the Company and taking into consideration the information and explanations given to us and the books of account and other records examined by us in the normal course of audit, and to the best of our knowledge and belief, we report that:

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

(b) The fixed assets have been physically verified by the management during the year and no material discrepancies were noticed on such verification. In our opinion, the frequency of verification of the fixed assets is reasonable having regard to the size of the Company and the nature of its assets.

(c) The title deeds of all the immovable properties (which are included under the head 'fixed assets') are held in the name of the Company.

(ii) The Company is a Housing Finance Company, primarily engaged in the business of lending activities for housing purpose and does not hold any inventories. Accordingly, the provisions of clause 3(ii) of the Order are not applicable.

(iii) The Company has not granted any loan, secured or unsecured to companies, firms, Limited Liability Partnerships (LLPs) or other parties covered in the register maintained under Section 189 of the Act. Accordingly, the provisions of clauses 3(iii)(a), 3(iii)(b) and 3(iii)(c) of the Order are not applicable.

(iv) In our opinion, the Company has not entered into any transaction covered under Sections 185 and 186 of the Act. Accordingly, the provisions of clause 3(iv) of the Order are not applicable.

(v) In our opinion, 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) The Central Government has not specified maintenance of cost records under sub-section (1) of Section 148 of the Act, in respect of Company's services. Accordingly, the provisions of clause 3(vi) of the Order are not applicable.

(vii) (a)The Company is regular in depositing undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, goods and service tax, duty of customs, duty of excise, value added tax, cess and other material statutory dues, as applicable, to the appropriate authorities. Further, no undisputed amounts payable in respect thereof were outstanding at the year-end for a period of more than six months from the date they become payable.

(b) There are no dues in respect of income-tax, sales-tax, service tax, goods and service tax, duty of customs, duty of excise and value added tax that have not been deposited with the appropriate authorities on account of any dispute.

(viii) The Company has not defaulted in repayment of loans or borrowings to any financial institution or a bank or any dues to debenture-holders during the year. The Company has no loans or borrowings payable to the government.

(ix) The Company did not raise moneys by way of initial public offer or further public offer (including debt instruments). In our opinion, the term loans were applied for the purposes for which the loans were obtained, though idle funds which were not required for immediate utilisation have been invested in liquid investments, payable on demand.

(x) No fraud by the Company or on the Company by its officers or employees has been noticed or reported during the period covered by our audit.

(xi) Managerial remuneration has been paid by the Company in accordance with the requisite approvals mandated by the provisions of Section 197 of the Act read with Schedule V to the Act.

(xii) IIn our opinion, the Company is not a Nidhi Company. Accordingly, provisions of clause 3(xii) of the Order are not applicable.

(xiii) In our opinion all transactions with the related parties are in compliance with Sections 177 and 188 of Act, where applicable, and the requisite details have been disclosed in the financial statements etc., as required by the applicable accounting standards.

(xiv) During the year, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures.

(xv) In our opinion, the Company has not entered into any non-cash transactions with the directors or persons connected with them covered under Section 192 of the Act.

(xvi) The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934.

For Walker Chandiok & Co LLP
Chartered Accountants
Firm's Registration No.: 001076N/N500013

Sd/-
per Manish Gujral
Partner
Membership No.: 105117

Place: Mumbai
Date: 6 June 2018

Annexure II to the Independent Auditor's Report of even date to the members of Micro Housing Finance Corporation Limited on the financial statements for the year ended 31 March 2018

Annexure II

Independent Auditor's Report on the Internal Financial Controls under Clause (i) of Sub- section 3 of Section 143 of the Companies Act, 2013 ('the Act')

1. In conjunction with our audit of the financial statements of Micro Housing Finance Corporation Limited ('the Company') as at and for the year ended 31 March 2018, we have audited the internal financial controls over financial reporting ('IFCoFR') of the Company as at that date.

Management's Responsibility for Internal Financial Controls

2. The Company's Board of Directors 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 ('the Guidance Note') issued by the Institute of Chartered Accountants of India ('the ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of the Company's 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.

Auditors' Responsibility

3. Our responsibility is to express an opinion on the Company's IFCoFR based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the ICAI and deemed to be prescribed under Section 143(10) of the Act, to the extent applicable to an audit of IFCoFR, and the Guidance Note issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate IFCoFR were established and maintained and if such controls operated effectively in all material respects.

4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the IFCoFR and their operating effectiveness. Our audit of IFCoFR includes obtaining an understanding of IFCoFR, 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.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's IFCoFR.

Meaning of Internal Financial Controls over Financial Reporting

6. A company's IFCoFR 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 IFCoFR include 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

7. Because of the inherent limitations of IFCoFR, 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 IFCoFR to future periods are subject to the risk that the IFCoFR may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

8. In our opinion, the Company has, in all material respects, adequate internal financial controls over financial reporting and such controls were operating effectively as at 31 March 2018, 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 issued by the ICAI.

For Walker Chandiok & Co LLP
Chartered Accountants
Firm's Registration No.: 001076N/N500013

Sd/-
per Manish Gujral
Partner
Membership No.: 105117

Place: Mumbai
Date: 6 June 2018

SURYABEN RAVAL, AHMEDABAD

Surya Ben Raval, her husband and two sons have been living on rent for the past 20 years. She works as a housemaid in 2 houses, while her husband Vinodbhai has been working as an auto driver. Combined with their son's income as a petrol pump attendant, the family makes a total of Rs 36,000 per month.

This has allowed them to save enough to put in a down payment of Rs 60,000 for a new home for the family of 4. MHFC has sanctioned a home loan of Rs.7,50,000 to help this family fulfill their dream of owning a house.

FINANCIALS

BALANCE SHEET

STATEMENT OF PROFIT & LOSS

CASH FLOW STATEMENT

NOTES TO FINANCIAL STATEMENTS

BALANCE SHEET

	Notes	As at 31 March 2018	As at 31 March 2017
		In ₹	In ₹
Equity and liabilities			
Shareholders' funds			
Share capital	3	302,275,750	302,275,750
Reserves and surplus	4	767,765,348	671,529,901
		1,070,041,098	**973,805,651**
Non-current liabilities			
Long-term borrowings	5	3,102,382,872	2,378,929,079
Deferred tax liabilities (net)	10	19,966,955	14,956,783
Long-term provisions	6	27,391,888	24,083,765
		3,149,741,715	**2,417,969,627**
Current liabilities			
Short-term borrowings	5	150,000,000	100,000,000
Trade payables	7		
total outstanding dues of micro and small enterprises		-	-
total outstanding dues of creditors other than micro enterprises and small enterprises		2,371,551	2,367,231
Other current liabilities	8	590,153,412	475,202,267
Short-term provisions	6	2,337,733	2,722,918
		744,862,696	**580,292,416**
TOTAL		**4,964,645,509**	**3,972,067,694**
Assets			
Non-current assets			
Property, plant and equipment	9	1,732,538	1,542,905
Long-term loans and advances - Towards Financing activities	11	4,153,128,099	3,162,656,133
Long-term loans and advances - Others	12	11,172,371	3,386,032
Other non-current assets	13	4,810,477	2,792,619
		4,170,843,485	**3,170,377,689**
Current assets			
Cash and cash equivalents	14	213,665,210	217,906,973
Short-term loans and advances towards financing activities	11	471,838,715	487,751,570
Short-term loans and advances - Others	12	3,687,566	3,632,355
Other current assets	15	104,610,533	92,399,107
		793,802,024	**801,690,005**
TOTAL		**4,964,645,509**	**3,972,067,694**

Notes 1 to 34 form an integral part of these financial statements

This is the Balance Sheet referred to in our report of even date.

For Walker, Chandiok & Co LLP
(Formerly Walker, Chandiok & Co)
Chartered Accountants
Firm's Registration No.: 001076N/N500013

Sd/-
Manish Gujral
Partner
Membership No.:105117
Place: Mumbai
Date: 6 June 2018

For Micro Housing Finance Corporation Limited

Sd/-
Nachiket Shelgikar
Director and Chief Financial Officer
DIN:02293000

Sd/-
Rajnish Dhall
Managing Director
DIN: 02146708

Sd/-
Avani Shah
Company Secretary
Place: Mumbai
Date: 6 June 2018

STATEMENT OF PROFIT & LOSS

	Notes	Year ended 31 March 2018	Year ended 31 March 2017
		In ₹	In ₹
Revenue			
Revenue from operations	16	530,271,979	377,488,828
Other income	17	1,183,504	2,725,975
Total Revenue		**531,455,483**	**380,214,803**
Expenses			
Employee benefit expenses	18	66,687,588	37,092,500
Finance costs	19	289,367,056	215,962,276
Provisions and write offs	20 (a)	726,835	9,800,328
Depreciation expense	9	1,050,503	1,063,956
Other expenses	20 (b)	29,999,870	26,112,310
Total Expenses		**387,831,852**	**290,031,370**
Profit before tax		**143,623,631**	**90,183,433**
Tax expense:			
Current tax		33,295,470	26,996,554
Income tax on debenture issue expenses	4	2,429,926	-
Income tax of earlier years		657,000	-
Deferred tax liability on Special Reserve		3,287,730	6,751,336
Deferred tax charge/(credit)		1,722,442	(3,571,385)
		41,392,568	30,176,505
Profit after tax		**102,231,063**	**60,006,928**
Earnings per equity share	22		
Basic		3.38	1.99
Diluted		3.38	1.99
Face value per equity share		10.00	10.00

Notes 1 to 34 form an integral part of these financial statements.

This is the Statement of Profit and Loss referred to in our report of even date.

For Walker, Chandiok & Co LLP
(Formerly Walker, Chandiok & Co)
Chartered Accountants
Firm's Registration No: 001076N/N500013

Sd/-
Manish Gujral
Partner
Membership No.:105117

Place: Mumbai
Date: 6 June 2018

For Micro Housing Finance Corporation Limited

Sd/-
Nachiket Shelgikar
Director and Chief Financial Officer
DIN:02293000

Sd/-
Rajnish Dhall
Managing Director
DIN: 02146708

Sd/-
Avani Shah
Company Secretary

Place: Mumbai
Date: 6 June 2018

CASH FLOW STATEMENT

		As at 31 March 2018	As at 31 March 2017
		In ₹	In ₹
(A)	**Cash flow from operating activities:**		
	Profit before tax	**143,623,631**	**90,183,433**
	Adjustments for non-cash transactions		
	Depreciation expense	1,050,503	1,063,956
	Loss / (profit) on Fixed Assets sold		
	Interest Expense	-	-
	Provisions and Contingencies	726,835	9,800,328
	Amortised portion of loan processing charges	427,571	155,714
	Operating profit before working capital changes	**145,828,540**	**101,203,431**
	Change in working capital :		
	Loans and advances - Housing loans		
	Decrease/ (Increase) in loans and advances - others	(1,573,441)	(3,885,431)
	Decrease/ (Increase) in other non-current assets	2,332,429	3,112,619
	Increase/(Decrease) in trade payables	4,320	562,019
	Increase/(Decrease) in other current assets	(7,700,440)	(10,169,971)
	Increase/(Decrease) in current liabilities and provisions	30,844,006	(25,830,999)
		169,735,414	**64,991,668**
	Housing and non-housing loans disbursed (net)	(974,559,110)	(996,007,421)
	Cash (used in) operating activities	**(804,823,696)**	**(931,015,753)**
		-	-
	Income taxes paid (net)	(41,753,010)	(27,125,883)
	Net cash used in operating activities	**(846,576,706)**	**(958,141,636)**
(B)	**Cash flow from investing activities:**		
	Purchase of fixed assets	(1,240,136)	(1,505,944)
	Capital advances given	(800,000)	-
	Increase in fixed deposit balance	(553,574)	-
	Net cash flow used in investing activities	(2,593,710)	**(1,505,944)**
(C)	**Cash flow from financing activities:**		
	Proceeds from Long-term borrowings	1,267,500,000	1,230,000,000
	Repayments of Long-term borrowings	(461,939,379)	(277,240,903)
	Proceeds from Short-term borrowings	150,000,000	100,000,000
	Repayments of Short-term borrowings	(100,000,000)	-
	Loan processing charges paid	(2,760,000)	(3,268,333)
	Debenture issue expenses paid	(8,425,542)	-
	Net cash generated from financing activities	844,375,079	1,049,490,764
	Net (decrease)/increase in cash and cash equivalents (A+B+C)	**(4,795,337)**	**89,843,184**
	Cash and cash equivalents at beginning of the year	207,906,973	118,063,789
	Cash and cash equivalents as at the end of the year (Refer Note 14)	**203,111,636**	**207,906,973**

Notes to the cash flow statement

1. The cash flow statement has been prepared under indirect method as set out in Accounting Standard 3, 'Cash Flow Statement' as notified under the Companies Act, 2013 read with Rule 7 of Companies (Accounts) Rules, 2014 (as amended).

Notes 1 to 34 form an integral part of these financial statements

This is the Cash Flow Statement referred to in our report of even date.

For Walker, Chandiok & Co LLP
(Formerly Walker, Chandiok & Co)
Chartered Accountants
Firm's Registration No: 001076N/N500013

Sd/-
Manish Gujral
Partner
Membership No.:105117

Place: Mumbai
Date : 6 June 2018

For Micro Housing Finance Corporation Limited

Sd/-
Nachiket Shelgikar
Director and Chief Financial Officer
DIN:02293000

Sd/-
Rajnish Dhall
Managing Director
DIN: 02146708

Sd/-
Avani Shah
Company Secretary

Place: Mumbai
Date: 6 June 2018

NOTES TO FINANCIAL STATEMENTS

Micro Housing Finance Corporation Limited
Summary of significant accounting policies and other explanatory information

Background

Micro Housing Finance Corporation Limited ("MHFC" or "the Company") was incorporated on 16 May 2008 with the objective to provide housing finance for urban financially excluded families, particularly lower income informal sector households. The Company is registered with the National Housing Bank ("the NHB") as a housing finance company.

1. **Basis of preparation of financial statements**

The financial statements which have been prepared and presented under the historical cost convention on the accrual basis of accounting, unless otherwise stated, and are in accordance with the requirements of the Companies Act, 2013 ('the Act') and comply in all material aspects with the applicable Accounting Standards ("AS") specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended) and the directions prescribed in the Housing Finance Companies (NHB) Directions, 2010 (as amended) ("the NHB guidelines") issued by the NHB. The accounting policies adopted in preparation of the financial statements are consistent with those of the previous year.

2. **Significant accounting policies**

a. Use of estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities as at the date of financial statements and the reported amounts of revenue and expense during the reported period. The key estimates made by the Company in preparing these financial statements include estimates of useful life of assets, retirement benefits, and income taxes. Actual results could differ from those estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

b. Property, plant and equipment (PPE)

Recognition

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Cost includes inward freight, duties, taxes and incidental expenses related to acquisition and installation of the assets up to the point the asset is ready for its intended use.

Depreciation

Depreciation on PPE is provided on the written down value method using the rates arrived at based on useful life of the assets prescribed under Schedule II of the Companies Act, 2013 which is also as per the useful life of the assets estimated by the management. PPE costing up to Rs. 5,000 individually are depreciated fully in the year in which they are purchased.

Impairment

The carrying amounts of assets are reviewed at each Balance Sheet date so as to determine indication of impairment if any, based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its estimated recoverable amount. The recoverable amount is greater of the asset's net selling price and value in use. In assessing the value in use, the estimated future cash flows are discounted to the present value using the weighted average cost of capital. After impairment, depreciation is provided on revised carrying amount of the assets over its remaining useful life. Previously recognized impairment loss is further increased or reversed depending on changes. However the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging depreciation if there was no impairment.

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 reliably measured.

Interest on loans:

Interest income is recognised on accrual basis except in case of non-performing assets, where it is recognised on receipt basis and such income is recognised before the loan becomes non-performing and remaining unrealised is reversed. In the case of individual housing and non-housing loans, the repayment is received by way of Equated Monthly Installments ("EMIs") comprising principal and interest. Interest is calculated on daily rest basis. Unless specifically approved, EMIs generally commence once the entire loan is disbursed. Pending disbursal of the full loan amount, Pre-EMI interest is charged every month.

Fee income and other charges:

Fee income such as processing fees and other charges such as delayed payment charges recoverable from customers are recognised on receipt basis.

NOTES TO FINANCIAL STATEMENTS

Income from mutual funds

The gain/loss on account of redemption on investments made in units of highly liquid mutual fund is recognised on receipt basis.

Income from fixed deposits

Interest income on fixed deposits is recognised on a time proportionate basis taking into account the amount outstanding and the rates applicable.

d. Investments

Investments are recorded at cost inclusive of brokerage and stamp charges excluding interest/dividend accruing till the date of purchase. The difference between the carrying amount and disposal proceeds of investments, net of expenses, is recognised in the Statement of Profit and Loss. Investments are classified as long term investments i.e. Non-current investment and current investments and are valued in accordance with guidelines of National Housing Bank and AS-13 on Accounting for Investments. Long term investments are valued at cost net of amortisation of premium / discount. However, when there is a dimunition in value, other than temporary, in the value of long term investment, the carrying amount is reduced to recognise the decline. Current investments are valued at lower of cost or market value determined on individual investment basis.

e. Borrowing Cost

Ancillary borrowing costs such as processing fees, arrangement fees legal fees, listing fees, stamp duty, security creation fees etc. incurred in connection with arrangement of borrowings are amortised over the tenure of the respective borrowings.

f. Taxation

Current taxation

Provision for current tax is recognized based on the estimated tax liability computed after taking credit for allowances and exemptions in accordance with the Income Tax Act, 1961.

Deferred taxation

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to timing differences that result between the profits offered for income taxes and the profits as per the financial statements. Deferred tax assets and liabilities are measured using the tax rates and the tax laws that have been enacted or substantively enacted at the balance sheet date. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in the period that includes the enactment date. Deferred tax assets are recognized only to the extent there is reasonable certainty that the assets can be realized in the future, however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognized only if there is virtual certainty, supported by convincing evidence of recognition of such assets. Deferred tax assets are re-assessed for the appropriateness of their respective carrying values at each balance sheet date.

Minimum Alternate Tax

Minimum Alternate Tax ("MAT") paid in a year is charged to the Statement of Profit and Loss as current tax. The Company recognizes MAT credit available as an asset only to the extent there is convincing evidence that the company will pay normal income tax during the specified period, i.e., the period for which MAT Credit is allowed to be carried forward. In the year in which the Company recognizes MAT Credit as an asset in accordance with the Guidance Note on Accounting for Credit Available in respect of Minimum Alternate Tax under the Income Tax Act, 1961, the said asset is created by way of credit to the statement of Profit and Loss and shown as "MAT Credit Entitlement." The Company reviews the "MAT Credit Entitlement" asset at each reporting date and writes down the asset to the extent the company does not have convincing evidence that it will pay normal tax during the sufficient period.

g. Classification of loans

i. Housing loans

Housing loans represents outstanding amount of housing loans disbursed to individuals and others for purchase or construction of residential property.

ii Non-housing loans:

Non-Housing loans represents outstanding amount of loans disbursed to individuals provided as top-up loans, loans for insurance premium and other charges. It also includes loans provided to non individual borrowers as corporate loans.

iii Classification:

The above loans are bifurcated into Standard, Sub-standard, Doubtful and Loss category based on the guidelines and directions issued by the NHB.

h. Provisioning for loans

NOTES TO FINANCIAL STATEMENTS

Housing and non-housing loans are provided for in accordance with the NHB guidelines. In accordance with Notification No. NHB.HFC.DIR.18/MD&CEO/2017 issued by NHB dated 2 August 2017; there is a prospective change in the provision requirement for standard assets in respect of individual housing loans to 0.25% of the total outstanding amount as against 0.40% of the total outstanding amount prior to the issuance of the said circular. Additionally, in compliance with the said circular the existing provision amount recorded with respect to such loans have not been reversed and additional provisions, if any required, have been duly provided for.

i. Employee Benefits
Defined contribution plan
Provident fund:
Contributions to Provident Fund, a defined contribution scheme, are made to the Regional Provident Fund Authority at prescribed rates and are expensed when due.

Defined benefit plan
Gratuity:
Gratuity is a post employment benefit and is in the nature of a defined benefit plan. The liability recognised in the balance sheet in respect of gratuity is the present value of the defined benefit / obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefits / obligations are calculated at or near the balance sheet date by an independent actuary using the projected unit credit method.
Actuarial gains and losses arising from past experience and changes in actuarial assumptions are charged or credited to the Statement of Profit and Loss in the year to which losses or gains relate.

j. Operating Leases
Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the leased term, are classified as operating leases. Lease payments for assets taken on operating lease are recognised as an expense in the Statement of Profit and Loss.

k. Provisions and Contingent liabilities
The Company creates a provision when there is present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Provisions are reviewed at each Balance Sheet date and adjusted to reflect the current best estimate. If it is no longer probable that the outflow of resources would be required to settle the obligation, the provision is reversed.
Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an economic benefit will arise, the asset and related income are recognised in the period in which the change occurs.

l. Foreign Currency Transactions
All transactions in foreign currency are recognised at the exchange rate prevailing on the date of the transaction.
Foreign currency monetary items are reported using the exchange rate prevailing at the close of the financial year.
Exchange differences arising on the settlement of monetary items or on the restatement of 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.

m. Reimbursement of processing fee and other charges
As per the guidelines of new government schemes under Pradhan Mantri Awas Yojana (PMAY), no processing fee is allowed to be charged to the eligible customers. However, the Company is entitled to get a reimbursement from the customers for the expenses incurred in connection with origination of the loans. Such reimbursement receivable forms part of "Non-housing loans", included under Loans and advances in the Balance Sheet.
The expenses presented in the Statement of Profit and Loss such as Salaries and wages, Insurance, Franking charges, etc. are stated net of such recoveries from customers.

n. Earnings per share

NOTES TO FINANCIAL STATEMENTS

The basic earnings per equity share is computed by dividing the net profit attributable to the equity shareholders for the year by the weighted average number of equity shares outstanding during the reporting period. The number of shares used in computing diluted earnings per share comprises the weighted average number of shares considered for deriving basic earnings per share and also the weighted average number of equity shares, which may be issued on the conversion of all dilutive potential shares, unless the results would be anti dilutive.

o. Debenture issue expenses

Debenture issue expenses are adjusted against the securities premium as permissible under Section 52 of the Companies Act, 2013.

p. Cash and cash equivalents

Cash and cash equivalents for the purpose of Cash Flow Statement comprise of cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

3. Share Capital

	As at 31 March 2018		As at 31 March 2017	
	Number	Amounts In ₹	Number	Amounts In ₹
Authorised Share Capital				
Equity Shares of ₹ 10 each	35,000,000	350,000,000	35,000,000	350,000,000
	35,000,000	**350,000,000**	**350,000,000**	**350,000,000**
Issued, subscribed and fully paid up				
Equity Shares of ₹ 10 each	30,227,575	302,275,750	30,227,575	302,275,750
	30,227,575	**302,275,750**	**30,227,575**	**302,275,750**

	As at 31 March 2018		As at 31 March 2017	
	Number	Amounts In ₹	Number	Amounts In ₹
a) **Reconciliation of Equity Share Capital**				
Balance at the beginning of the year	**30,227,575**	**302,275,750**	**30,227,575**	**302,275,750**
Add : Issued during the year	-	-	-	-
Balance at the end of the year	**30,227,575**	**302,275,750**	**30,227,575**	**302,275,750**

b) **Shareholders holding more than 5% of the shares**

	As at 31 March 2018		As at 31 March 2017	
	Number	% of holding	Number	% of holding
India Financial Inclusion Fund	11,060,255	36.59%	11,060,255	36.59%
MHFC Employees Trust	5,049,135	16.70%	5,115,034	16.92%
Mr. Nachiket Shelgikar	4,605,268	15.24%	4,605,268	15.24%
Michael and Susan Dell Foundation	3,020,512	9.99%	3,020,512	9.99%
Unilazer Alternative Ventures LLP	2,230,770	7.38%	2,230,770	7.38%

NOTES TO FINANCIAL STATEMENTS

c) **Rights and preferences**

The Company has only one class of equity shares having a face value of Rs. 10 per share. Each holder of equity shares is entitled to one vote per share. All shares rank pari passu on repayment of capital in the event of liquidation. In the event of liquidation of the Company, the holder of the equity shares will be entitled to receive any of the remaining assets of the Company, after distribution of all the preferential amounts. However, no such preferential amounts exists currently. The distribution will be in proportion to the number of equity shares held by the shareholders. The Company declares and pays dividend in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of shareholders in the ensuing General Meeting.

d) **Shares issued for consideration other than cash**

The Company has not issued bonus shares or shares for consideration other than cash during the five years period immediately preceding the reporting date.

4. Reserves and Surplus

	As at 31 March 2018	As at 31 March 2017
	In ₹	In ₹
Securities Premium Reserve		
Balance at the beginning of the year	445,203,495	445,203,495
Less: Debenture issue expenses adjusted during the year (net of tax Rs.2,429,926, Previous year Rs. Nil)	(5,995,616)	-
Balance at the end of the year	**439,207,879**	**445,203,495**
Special Reserve [Refer Note (i) below and Note 26.3.20]		
Balance at the beginning of the year	74,183,776	53,762,311
Add : Current year transfer	21,154,732	20,421,465
Balance at the end of the year	**95,338,508**	**74,183,776**
Surplus in the statement of profit and loss		
Balance at the beginning of the year	152,142,630	112,557,168
Add : Transferred from Statement of Profit and Loss	102,231,063	60,006,928
Less : Transfer to special reserve	(21,154,732)	(20,421,465)
Balance at the end of the year	**233,218,961**	**152,142,630**
	767,765,348	**671,529,901**

Notes:

(i) As per Section 29C(i) of the National Housing Bank Act, 1987, the Company is required to transfer at least 20% of its net profit every year to a reserve before any dividend is declared. For this purpose, any Special Reserve created by the Company under Section 36(1)(viii) of the Income Tax Act, 1961 is considered to be an eligible transfer. Thus during the year ended 31 March 2018, the Company has transferred to special reserve an amount arrived in accordance with Section 36(1)(viii) of the Income Tax Act, 1961.

NOTES TO FINANCIAL STATEMENTS

5. Borrowings Secured

	As at 31 March 2018		As at 31 March 2017	
		In ₹		In ₹
	Long term	**Short term**	**Long term**	**Short term**
Secured				
Term Loans				
Refinance from National Housing Bank	1,365,305,700	-	1,008,792,500	-
Loan from Banks	1,834,030,081	-	1,607,328,130	-
Loans from Financial Institution	175,206,947	-	213,665,062	-
Reedemable non- convertible debentures	265,000,000	-	-	-
	3,639,542,728	-	**2,829,785,692**	-
Less: Current maturities disclosed as Other current liabilities (Refer Note 8)	537,159,856	-	450,856,613	-
	3,102,382,872	-	2,378,929,079	-
Unsecured				
Term loans				
From other parties	-	150,000,000	-	100,000,000
	-	**150,000,000**	-	100,000,000
	3,102,382,872	150,000,000	2,378,929,079	100,000,000

Note:

5.1) **Details of security**

(a) Term loans are secured by first exclusive charge through hypothecation of book debts/ receivables (housing loans) of the Company both present and future and assignment of mortgage on the dwelling units financed from such term loans.
(b) The unlisted secured redeemable non-convertible debentures were issued by the Company via private placement and it has been fully subscribed by IFC Washington which are secured by first ranking and exclusive charge on the standard portfolio and the receivables of the Company as created initially and future loans which are required for the purpose of maintaining the security cover as per the agreement entered into between the Company and IFC Washington.

5.2) **Terms of repayment of long-term borrowings**

a) Term loans from banks

		Repayment		
Repayment terms	**Interest rates**	**Within 1 year***	**Within 1-5 years**	**More than 5 years**
Quarterly	9.00%	35,714,288	142,857,151	42,857,132
Monthly	9.00% -10.84%	278,001,862	851,754,051	482,845,597

b) Term loans from NHB

		Repayment		
Repayment terms	**Interest rates**	**Within 1 year***	**Within 1-5 years**	**More than 5 years**
Quarterly	4.61% to 9.60%	189,263,800	683,214,900	492,827,000

c) Term loans from financial institution

		Repayment		
Repayment terms	**Interest rates**	**Within 1 year***	**Within 1-5 years**	**More than 5 years**
Monthly	10.85%	34,179,906	141,027,041	-

d) Reedemable non-convertible debentures

		Repayment		
Repayment terms	**Interest rates**	**Within 1 year***	**Within 1-5 years**	**More than 5 years**
At maturity	9.45%	-	-	265,000,000

NOTES TO FINANCIAL STATEMENTS

Particulars of above non-convertible debentures

Description	**Number of debentures**	**Face value**	**Month of allotment**	**Month of redemption**
Rated, unlisted, secured, redeemable non-convertible debentures	265,000	1,000	June 2017	November 2024

*Classified as Current maturities of long-term borrowings in Note 8.

5.3) Terms of repayment of short-term borrowings

Payable in a single bullet payment within one year from balance sheet date

6. Provisions

	As at 31 March 2018 (In ₹)		**As at 31 March 2017** (In ₹)	
	Long term	Short term	Long term	Short term
Provision for gratuity (Refer Note (a) below)	4,110,660	489,213	1,974,468	429,302
Contingent provision against Standard Assets (Refer Note 25)	13,309,119	1,848,520	12,846,403	2,293,616
Provision against Non- performing assets (Refer Note 25)	9,972,109	-	9,262,894	-
	27,391,888	**2,337,733**	**24,083,765**	**2,722,918**

a) Defined benefit plan: Gratuity

In accordance with AS-15 on Employees benefits (revised) prescribed under the Rules, the information on the employee benefit costs is given below.

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

	As at 31 March 2018 (In ₹)	**As at 31 March 2017** (In ₹)
Change in projected benefit obligation		
Projected benefit obligation at the beginning of the year	2,403,770	1,527,004
Service cost	1,077,617	691,022
Interest cost	180,283	122,160
Actuarial (gain) / loss	1,062,818	63,584
Benefits paid	(124,615)	-
Projected benefit obligation at the end of the year	**4,599,873**	**2,403,770**
Reconciliation of present value of obligation on the fair value of plan assets		
Present value of projected benefit obligation at the end of the year	4,599,873	2,403,770
Funded status of the plans	-	-
Liability / (asset) recognised in the balance sheet	**4,599,873**	**2,403,770**
Classification of liability recognised		
Non Current	4,110,660	1,974,468
Current	489,213	429,302

NOTES TO FINANCIAL STATEMENTS

	Year ended 31 March 2018 (In ₹)	Year ended 31 March 2017 (In ₹)
Components of net gratuity costs are		
Service cost	1,077,617	691,022
Interest cost	180,283	122,160
Expected returns on plan assets	-	-
Recognised net actuarial (gain)/ loss	1,062,818	63,584
Net gratuity costs	**2,320,718**	**876,766**
Assumptions used		
Interest rate	7.75%	7.50% p.a.
Salary Growth	7.50%	5.00 % p.a.
Withdrawal rate	1.00 % p.a.	1.00 % p.a.
Mortality rate	Indian Assured Lives (2006-08) ultimately mortality rates	Indian Assured Lives (2006-08) ultimately mortality rates
Retirement age	58 years	58 years

Experience adjustments			**As at**		
	31 March 2018	**31 March 2017**	**31 March 2016**	**31 March 2015**	**31 March 2014**
Projected benefit obligation	4,599,873	2,403,770	1,527,004	1,172,249	771,998
Plan assets	-	-	-	-	-
Surplus/(Deficit)	(4,599,873)	(2,403,770)	(1,527,004)	(1,172,249)	(771,998)
Experience adjustments on plan liabilities	1,062,818	63,584	(11,000)	(13,909)	(117,376)
Experience adjustments on plan assets	-	-	-	-	-

The Company assesses these assumptions with the projected long-term plans of growth and prevalent industry standards.

Note: The gratuity expenses have been recognized under Note 18.

d) **Defined contribution plan:**

Contribution to defined contribution plans, recognised as expense for the year is as under :

Particulars	**31 March 2018** (In ₹)	**31 March 2017** (In ₹)
Employers' contribution to provident fund	3,263,991	3,037,643
Employers' contribution to ESIC	409,166	176,710

NOTES TO FINANCIAL STATEMENTS

7. Trade Payables

	As at 31 March 2018	As at 31 March 2017
	In ₹	In ₹
Trade Payables		
Dues to micro and small enterprises (Also, refer to note 27)	-	-
Due to others	1,078,285	796,238
Other accrued liabilities	1,293,266	1,570,993
	2,371,551	**2,367,231**

8. Other Current Liabilities

	As at 31 March 2018	As at 31 March 2017
	In ₹	In ₹
Current maturities of long-term borrowings (Refer Note 5.2)		
Refinance from National Housing Bank	189,263,800	142,386,800
Loans From Banks	313,716,150	270,315,529
Loans from Financial Institution	34,179,906	38,154,284
	537,159,856	**450,856,613**
Statutory dues		
TDS Payable	717,873	436,001
Profession Tax payable	31,200	34,600
Provident Fund Payable	481,943	510,037
ESIC payable	40,970	65,594
Goods and service tax payable	1,389,078	-
Interest accrued but not due on borrowings	29,982,376	22,073,452
Advance from Customers	2,823,057	545,011
Subsidy received from NHB pending transfer to customers*	17,527,059	680,959
	52,993,556	**24,345,654**
Total	**590,153,412**	**475,202,267**

* * Pertain to credit linked subsidy and interest subvention scheme subsidy received from NHB pending credit in respective applicant account.

NOTES TO FINANCIAL STATEMENTS

9. Property, Plant and Equipment

Gross Carrying Amount	Computer and data processing equipment	Furniture and fixtures	Office equipment	Land	Total (in ₹)
Balance as at 31 March 2016	**1,725,119**	**468,170**	**1,902,515**	**-**	**4,095,804**
Additions	504,302	34,000	716,929	250,713	1,505,944
Balance as at 31 March 2017	**2,229,421**	**502,170**	**2,619,444**	**250,713**	**5,601,748**
Additions	294,087	572,720	373,329	-	1,240,136
Balance as at 31 March 2018	**2,523,508**	**1,074,890**	**2,992,773**	**250,713**	**6,841,884**
Accumulated depreciation					
Balance as at 31 March 2016	**1,548,226**	**260,322**	**1,186,339**	**-**	**2,994,887**
Additions	305,153	58,872	699,931	-	1,063,956
Balance as at 31 March 2017	**1,853,379**	**319,194**	**1,886,270**	**-**	**4,058,843**
Additions	354,378	113,656	582,469	-	1,050,503
Balance as at 31 March 2018	**2,207,757**	**432,850**	**2,468,739**	**-**	**5,109,346**
Net Carrying Amount					
Balance as at 31 March 2017	**376,042**	**182,976**	**733,174**	**250,713**	**1,542,905**
Balance as at 31 March 2018	**315,751**	**642,040**	**524,034**	**250,713**	**1,732,538**

10. Deferred Taxes

	As at 31 March 2018 In ₹	As at 31 March 2017 In ₹
Deferred tax liabilities		
Amount transferred to Special reserve	27,390,716	24,102,986
Amortisation of borrowing costs	1,611,043	-
Total	**29,001,759**	**24,102,986**
Deferred tax assets		
Provision for Standard assets	4,413,904	5,005,744
Provision for Non-performing assets	2,903,878	3,062,591
Provision for employee benefits	1,339,483	794,758
Timing difference on PPE depreciation	377,539	283,110
Total	**9,034,804**	**9,146,203**
Net deferred tax (liabilities)/ asset	**(19,966,955)**	**(14,956,783)**

NOTES TO FINANCIAL STATEMENTS

11. Loans and Advances - Housing Loans

	As at 31 March 2018		As at 31 March 2017	
		In ₹		In ₹
	Non-current	Current	Non-current	Current
I. Loans and advances towards financing activities (Secured) (Refer Note (a) below)				
Considered good				
Housing Loans				
- Individuals	3,953,823,559	311,063,821	2,907,063,521	277,548,272
- Corporate bodies	857,749	55,051,290	60,554,376	103,571,422
Non Housing Loans				
-Individuals	48,933,391	26,849,509	21,545,211	23,018,031
-Corporate bodies	40,076,679	78,736,398	32,692,800	59,945,827
	4,043,691,378	**471,701,018**	**3,021,855,908**	**464,083,552**
Considered doubtful				
Housing Loans				
- Individuals (Refer Note (b) below)	44,490,662	-	48,617,046	-
Non Housing Loans				
- Individuals	841,976	-	621,404	-
	45,332,638	**-**	**49,238,450**	**-**
Sub-total I	**4,089,024,016**	**471,701,018**	**3,071,094,358**	**464,083,552**
II. Loans and advances towards financing activities (Unsecured) (Refer Note (a) below)				
Considered good				
Loan to MHFC Employees Trust (Refer Note 23)	63,981,615	-	64,750,848	-
Loans to employees	122,468	137,697	104,616	374,329
Non-housing- Corporates	-	-	26,706,311	23,293,689
	64,104,083	**137,697**	**91,561,775**	**23,668,018**
Sub-total II	**64,104,083**	**137,697**	**91,561,775**	**23,668,018**
Total Loans and advances (I + II)	**4,153,128,099**	**471,838,715**	**3,162,656,133**	**487,751,570**

Notes:

(a) For bifurcation of these loans into Standard, Sub-standard and Doubtful categories, refer note 25.

(b) Individual housing loans include Rs. 7,000,435 (Previous Year Rs. Rs. 4,306,081) against which the Company has taken possession of the properties under Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002.

NOTES TO FINANCIAL STATEMENTS

12. Loans and Advances - Others

	As at 31 March 2018		As at 31 March 2017	
		In ₹		In ₹
	Non-current	**Current**	**Non-current**	**Current**
Other loans and advances (Unsecured, considered good)				
Security deposits	3,309,483	-	1,175,507	-
Advance income tax (net of provisions)	7,062,888	-	1,692,279	-
Advances to employees	-	331,716	-	150,265
Balance with government authorities	-	-	518,246	-
Capital advance	800,000	-	-	-
Prepaid expenses	-	3,355,850	-	3,482,090
	11,172,371	**3,687,566**	**3,386,032**	**3,632,355**

Note:

Unamortised loan processing charges on loans taken				
Opening balance	3,112,619	-	-	-
Add: Expenses incurred during the year	2,740,000	-	3,268,333	-
Less: Charged to Statement of Profit and Loss during the year	407,571	-	155,714	-
Closing balance	**5,445,048**	**-**	**3,112,619**	**-**
Closing balance classified as:				
Current	634,571	-	320,000	-
Non-current	4,810,477	-	2,792,619	-
	5,445,048	**-**	**3,112,619**	**-**
Other non- current assets				
Other assets	-	-	3,482,090	-
Current	-	-	-	-
Non-current	-	-	-	-

NOTES TO FINANCIAL STATEMENTS

13. Other non-current assets

	As at 31 March 2018 In ₹	As at 31 March 2017 In ₹
Unamortised borrowing costs (Refer Note below)	4,810,477	2,792,619
	4,810,477	**2,792,619**
Note:		
Opening balance	3,112,619	-
Add: Expenses incurred during the year	2,760,000	3,268,333
Less: Charged to Statement of Profit and Loss during the year	427,571	155,714
Closing balance	**5,445,048**	**3,112,619**
Closing balance classified as under:		
Other current assets (Refer Note 15)	634,571	320,000
Other non-current assets	4,810,477	2,792,619
	5,445,048	**3,112,619**

14. Cash and Cash Equivalents

	As at 31 March 2018		As at 31 March 2017	
		In ₹		In ₹
	Current	Non-Current	Current	Non-Current
Cash on hand	806,326	-	816,171	-
Cheques, drafts on hand	-	-	-	-
Balances with banks	-	-	-	-
- in current accounts (Refer Note (b) below)	202,305,310	-	7,090,702	-
- in deposit account (with maturity up to 3 months)	-	-	200,000,100	-
	203,111,636	**-**	**207,906,973**	**-**
Other bank balances				
Deposits with maturity more than 3 months but less than 12 months (Refer Note (a) below)	10,553,574	-	10,000,000	-
	10,553,574	**-**	**10,000,000**	**-**
Total	**213,665,210**	**-**	**217,906,973**	**-**
Note:				
a. Amount of deposit held as security against the bank guarantee (Refer Note 24)	10,000,000	-	10,000,000	-
b. Includes amounts received towards NHB subsidy pending transfer to customers (Refer Note 8)	17,527,059	-	680,959	-

NOTES TO FINANCIAL STATEMENTS

15. Other Current Assets

	As at 31 March 2018	As at 31 March 2017
	In ₹	In ₹
Other current assets (New)		
Interest accrued but not due - Individuals	41,004,182	32,683,146
Interest accrued and due - Individuals	4,216,159	3,424,145
Interest accrued and due - Corporate	834,993	2,166,421
Interest accrued but not due - Corporate	-	49,521
Interest accrued on fixed deposits	87,003	118,664
Term loan installment paid in advance	57,833,625	53,637,210
Unamortised loan processing charges on loans taken (Refer Note 13)	634,571	320,000
	104,610,533	**92,399,107**

16. Revenue from Operations

	As at 31 March 2018	As at 31 March 2017
	In ₹	In ₹
Interest income on housing and non-housing loans	467,102,741	369,079,979
Fee income	35,606,935	2,334,783
Other operating income		
-Delayed payment charges	13,026,972	3,492,332
Gain on sale of mutual fund units held as current investments	14,535,331	6,746,263
Less: Fee income refunded on account of Pradhan Mantri Awas Yojana(PMAY) *	-	(4,164,529)
	530,271,979	**377,488,828**

* Refunds were given to the customers who were eligible for PMAY scheme for the processing fees collected from them in the previous year, as per the scheme guidelines.

17. Other Income

	As at 31 March 2018	As at 31 March 2017
	In ₹	In ₹
Interest income on fixed deposits	1,047,531	2,617,885
Interest income on loan to employees	44,127	67,782
Miscellaneous income	91,846	40,308
	1,183,504	**2,725,975**

18. Employee Benefit Expense

	As at 31 March 2018	As at 31 March 2017
	In ₹	In ₹
Salaries, wages and bonus (including managerial remuneration)*	57,125,951	29,325,090
Gratuity expense (Refer Note 6(a))	2,320,718	876,766
Contribution to provident fund (Refer Note 6(b))	3,263,991	3,037,643
Contribution to ESIC (Refer Note 6(b))	409,166	176,710
Staff welfare expenses	3,567,762	3,676,291
	66,687,588	**37,092,500**

* *Net of reimbursement from customers towards expenses incurred in connection with disbursement of loan under credit linked subsidy scheme Rs. 9,191,500 (Previous year: 29,141,000)

NOTES TO FINANCIAL STATEMENTS

19. Finance Costs

	As at 31 March 2018	As at 31 March 2017
	In ₹	In ₹
Interest on term loans		
-Loans from banks	159,566,948	112,975,544
-Loans from financial institutions and others	33,573,907	32,006,767
-Loans from NHB	75,190,361	70,273,132
Interest on Non-convertible debentures	19,416,511	-
	287,747,727	**215,255,443**
Loan processing fees and other charges (Refer Note 13)	1,118,020	155,714
Bank charges	501,309	551,119
	289,367,056	**215,962,276**

20a. Provisions and write offs

	As at 31 March 2018	As at 31 March 2017
	In ₹	In ₹
Provision for standard assets (Refer Note 25(I))	17,620	4,155,074
Provision for NPA's (Refer Note 25(I))	709,215	5,645,254
	726,835	**9,800,328**

20b. Other Expenses

	As at 31 March 2018	As at 31 March 2017
	In ₹	In ₹
Rent (Refer Note 29)	4,867,038	2,814,799
Repairs and maintenance		
- Others	470,505	653,073
Insurance*	1,725,537	2,169,885
Rates and taxes	1,606,542	1,380,521
Payments to auditors (Refer Note below)	1,285,237	1,359,800
Communication expenses	2,682,403	2,993,701
Professional, legal and consultancy fees	3,999,493	4,173,988
Printing and stationery*	1,738,606	862,791
Travelling, conveyance and boarding expenses*	5,381,488	4,131,931
Corporate social responsibility (Refer Note 30)	350,000	800,000
Donation	50,000	68,000
Brokerage and commission	1,166,414	62,306
Miscellaneous expenses*	4,676,607	4,641,515
	29,999,870	**26,112,310**

*Net of reimbursement from customers towards expenses incurred in connection with disbursement of loan under credit linked subsidy scheme as follows:

NOTES TO FINANCIAL STATEMENTS

Insurance	456,101	1,564,091
Printing and stationery	429,272	982,008
Travelling, conveyance and boarding expenses	1,368,303	4,702,868
Miscellaneous expenses	429,271	722,232
	2,682,947	**7,971,199**
Note: Payments to auditors (excluding service tax)		
As auditor		
Statutory audit	1,125,000	1,125,000
Certification work	126,200	200,000
Reimbursement of expenses	34,037	34,800
	1,285,237	**1,359,800**

21. Related Party Disclosures

a) Names of related parties:

Key Managerial Personnel (KMP)

1. Mr. Madhusudhan Padath Pulloot, Director
2. Mr. Rajnish Dhall, Managing Director
3. Mr. Nachiket Shelgikar, Director and Chief Financial Officer
4. Ms. Avani Shah, Company Secretary

Relative of KMP

Ms. Madhura Shelgikar

Parties on which KMP's of the Company are able to exercise control

1. Classapart Technologies Private Limited
2. NRS Micro Systems Private Limited
3. Mobile Search Engine Private Limited
4. MHFCL Employees and Business Associates Welfare Trust

b) Transactions with related parties:

	Year Ended 31 March 2018	**Year Ended 31 March 2017**
	In ₹	In ₹
I. Remuneration to KMPs		
1. Mr Madhusudhan Padath Pulloot	1,200,000	1,200,000
2. Mr Rajnish Dhall	1,200,000	1,200,000
3. Mr Nachiket Shelgikar	1,200,000	1,200,000
4. Ms. Avani Shah	1,320,000	1,200,000
II. Other transactions		
Salaries and benefits to Ms. Madhura Shelgikar	1,440,000	960,000

Notes:
1. There is no outstanding balance as at 31 March 2018 and 31 March 2017 with related parties.
2. Remuneration to KMPs is based on the cost to the Company as per the employment letter.
3. The employee benefits in relation to gratuity are calculated at the Company level and hence not considered in disclosure above.

NOTES TO FINANCIAL STATEMENTS

22. Earning Per Share

Particulars	As at 31 March 2018	As at 31 March 2017
	In ₹	In ₹
Net profit for equity shareholders (Rs.)	102,231,063	60,006,928
Weighted average number of equity shares outstanding during the year (Basic and Diluted)	30,227,575	30,227,575
Nominal value of equity shares (Rs.)	10.00	10.00
Basic and Diluted earnings per share (Rs.)	3.38	1.99

23. Pursuant to the Board Resolutions passed in the meetings dated 15 June 2010 and 17 January 2011, the Company had provided an interest free loan of ₹ 36,362,960 to MHFC Employees Trust (hereafter "the Trust"), which has subscribed an equivalent amount to the share capital of the Company (subscription at par value).

During the year ended 31 March 2014, pursuant to the Board Resolution passed in the board meeting dated 30 April 2013, the Company further provided an interest free loan of ₹ 31,500,000 to the Trust, which has subscribed an equivalent amount to the share capital of the Company (subscription at a premium of ₹ 7.50 per equity share).

Such subscribed shares will eventually be allotted to present and future employees of the Company which are beneficiary of the Trust at the rate of ₹ 10 per share or ₹ 17.50 per share, as the case maybe. The Trust in turn will use the proceeds from such subscription towards repayment of the above mentioned loan amount.

The outstanding balance of loan given to the Trust as on 31 March 2018 is ₹ 63,981,615 (31 March 2017 - ₹ 64,750,848).

24. Contingent Liabilites and Commitments

Particulars	As at 31 March 2018	As at 31 March 2017
Contingent Liabilities	In ₹	In ₹
Claims against the Company not acknowledged as debt		
-Income tax demand under appeal	-	552,052
Bank guarantee issued by Federal Bank Limited favoring the NHB for refinance facilities	10,000,000	10,000,000
	10,000,000	**10,552,052**
Commitments		
Estimated amounts of contracts remaining to be executed on capital account and not provided for	1,034,985	-
Other commitments - Undisbursed amount of housing and non- housing loans	1,052,071,920	784,558,748
	1,053,106,905	**784,558,748**

25. (I) Break up of Loan & Advances and Provisions thereon

		Housing		Non-Housing	
			In ₹		In ₹
	Particulars	**As at 31 March 2018**	**As at 31 March 2017**	**As at 31 March 2018**	**As at 31 March 2017**
(A)	**Standard Assets**				
	a) Total Outstanding Amount*	**4,320,796,419**	**3,348,737,592**	**258,837,757**	**252,431,662**
	Individuals	4,264,887,380	3,184,611,794	75,782,900	44,563,242
	Corporate bodies	55,909,039	164,125,798	118,813,077	142,638,627
	Loans to MHFC Employees Trust	-	-	63,981,615	64,750,848
	Loans to employees	-	-	260,165	478,945

NOTES TO FINANCIAL STATEMENTS

	b) Provisions made	14,094,349	14,129,045	1,063,290	1,010,974
(B)	**Sub-Standard Assets**				
	a) Total Outstanding Amount*	**29,256,920**	**41,658,268**	**499,451**	**551,796**
	Individuals	29,256,920	41,658,268	499,451	551,796
	b) Provisions made	**4,388,538**	**6,934,560**	**74,918**	**88,740**
(C)	**Doubtful Assets – Category-I**				
	a) Total outstanding amount*	**13,326,110**	**6,451,060**	**286,868**	**66,792**
	Individuals	13,326,110	6,451,060	286,868	66,792
	b) Provisions made	**4,432,039**	**1,962,979**	**71,862**	**16,698**
(D)	**Doubtful Assets – Category-II**				
	a) Total outstanding amount*	**1,907,632**	**507,718**	**55,657**	**2,816**
	Individuals	1,907,632	507,718	55,657	2,816
	b) Provisions made	**982,489**	**258,791**	**22,263**	**1,126**
(E)	**Doubtful Assets – Category-III**				
	a) Total Outstanding Amount*	-	-	-	-
	b) Provisions made	-	-	-	-
(F)	**Loss Assets**				
	a) Total Outstanding Amount*	-	-	-	-
	b) Provisions made	-	-	-	-
(G)	**TOTAL**				
	a) Total Outstanding Amount	**4,365,287,080**	**3,397,354,638**	**259,679,733**	**253,053,066**
	b) Total Provisions made	**23,897,415**	**23,285,375**	**1,232,333**	**1,117,538**

* The amount excludes interest receivable as at 31 March 2018 and 31 March 2017

NOTES TO FINANCIAL STATEMENTS

26. Additional Information (pursuant to circulars/ notifications issued by NHB)

26.1 Minimum disclsosures
The following additional disclosures have been given in terms of Notification no. NHB.HFC.CG-DIR.1/MD&CEO/2016 dated February 9, 2017 issued by the National Housing Bank.

26.2 Summary of Significant accounting policies
The accounting policies regarding key areas of operations are disclosed as Note 2 to the financial statements.

26.3 Disclosure:

26.3.1 Capital to Risk Assets Ratio (CRAR)

Items	As at 31 March 2018	As at 31 March 2017
(i) CRAR (%)	38.78%	44.52%
(ii) CRAR - Tier I Capital (%)	38.23%	43.84%
(iii) CRAR - Tier II Capital (%)	0.55%	0.68%
(iv) Amount of subordinated debt raised as Tier- II Capital	Nil	Nil
(v) Amount raised by issue of perpetual debt instruments	Nil	Nil

26.3.2 Exposure to Real Estate Sector

	As at 31 March 2018 In ₹	As at 31 March 2017 In ₹
Category		
a) Direct Exposure		
(i) Residential Mortgages		
Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented;		
- Individual housing loans up to Rs.15 lakh	4,171,096,827	3,223,393,875
- Individual housing loans above Rs. 15 lakh	138,281,215	9,834,965
- Other loans	76,624,876	45,184,646
	4,386,002,917	**3,278,413,486**
(ii) Commercial Real Estate		
Lending secured by mortgages on commercial real estates (office buildings, retail space, multipurpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits;	55,909,039	164,125,798
(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures		
a. Residental	-	-
b. Commercial Real Estate	-	-
	55,909,039	**164,125,798**
b) Indirect Exposure		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	-	-

* The amount excludes interest receivable as at 31 March 2018 and 31 March 2017

NOTES TO FINANCIAL STATEMENTS

26.3.3 Exposure to Capital Market

Category	**As at 31 March 2018**	**As at 31 March 2017**
	In ₹	In ₹
(i) direct investment in equity shares, convertible bonds, convertible debentures and units of equity oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	-	-
(ii) advances against shares / bonds / debentures or other securities or on clean basis to individuals for investment in shares (including IPOs /ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;	-	-
(iii)advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	-	-
(iv) advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares/ convertible bonds / convertible debentures / units of equity oriented mutual funds 'does not fully cover the advances;	-	-
(v) of stockbrokers and market makers;	-	-
(vi) loans sanctioned to corporates against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	-	-
(vii) bridge loans to companies against expected equity flows / issues;	-	-
(viii) All exposures to Venture Capital Funds (both registered and unregistered)	-	-

26.3.4 Unsecured advances (Refer Note 11)

	As at 31 March 2018	**As at 31 March 2017**
	In ₹	In ₹
Corporate bodies	-	50,000,000
Loan to MHFC Employees Trust	63,981,615	64,750,848
Loan to employees	260,165	478,945
	64,241,780	**115,229,793**

Note: There are no outstanding advances as at 31 March 2018 and 31 March 2017 for which intangible securities such as charge over the rights, licenses, authority, etc. has been taken.

NOTES TO FINANCIAL STATEMENTS

26.3.5 Asset liability management:
Maturity pattern of certain items of assets and liabilities as at 31 March 2018

Amount in ₹

Particulars	1 day to 30-31 days (one month)	Over one month to 2 months	Over 2 months upto 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 to 5 years	Over 5 to 7 years	Over 7 to 10 years	Over 10 years	Total
Liabilities											
Borrowings from banks, financial institutions and non-convertible debentures	235,301,031	25,772,159	25,800,252	137,386,576	262,899,837	1,012,191,246	806,661,897	569,097,412	712,400,317	2,032,000	**3,789,542,728**
Market Borrowings	-	-	-	-	-	-	-	-	-	-	-
Foreign Currency Liabilities	-	-	-	-	-	-	-	-	-	-	-
Investments											
Assets											
Advances	82,734,085	43,713,693	42,160,817	104,497,045	198,733,075	857,285,426	797,651,766	711,266,960	865,698,913	847,271,309	**4,551,013,089**
	-	-	-	-	-	-	-	-	-	-	-
Foreign Currency Assets	-	-	-	-	-	-	-	-	-	-	-

Note:
1. Advances represents outstanding principal balance of housing and non-housing loans (excluding Loan to MHFC Employee trust as it is a demand loan).
2. Provisions for NPA's have been excluded from the advances above.

26.3.6 Investments*

Particulars	**As at 31 March 2018**	**As at 31 March 2017**
	In ₹	In ₹
Value of Investments		
(i) Gross value of Investments		
(a) In India	-	-
(b) Outside India	-	-
(ii) Provisions for Depreciation		
(a) In India	-	-
(b) Outside India	-	-
(iii) Net value of Investments		
(a) In India	-	-
(b) Outside India	-	-
Movement of provisions held towards depreciation on investments		
(i) Opening balance	-	-
(ii) Add: Provisions made during the year	-	-
(iii) Less: Write-off / Written-back of excess provisions during the year	-	-
(iv) Closing balance	-	-

*The note is not applicable to the Company since the Company does not hold any investments as at 31 March 2018 and 31 March 2017.

NOTES TO FINANCIAL STATEMENTS

26.3.7 Derivatives

I) Forward Rate Agreement (FRA)/ Interest Rate Swap (IRS)

The Company has not entered into any forward rate agreements or interest rate swap transactions during the year ended 31 March 2018 and 31 March 2017.

II) Exchange Traded Interest Rate (IR) Derivative

The Company has not entered into any exchange traded derivative during the year ended 31 March 2018 and 31 March 2017.

III) Disclosures on Risk Exposure in Derivatives

The Company has not entered into any derivative transactions during the year ended 31 March 2018 and 31 March 2017.

26.3.8 Securitisation

The Company has not sold any asset to Securitisation/ Reconstruction Company for asset reconstruction or undertaken any transactions on assignment during the year ended 31 March 2018 and 31 March 2017. Hence, the below disclosures are not applicable to the Company.

I) Details of Financial Assets sold to Securitisation/Reconstruction Company for Asset Reconstruction

The Company has not sold any financial assets to Securitisation/reconstruction company for asset reconstruction during the year ended 31 March 2018 and 31 March 2017.

II) Details of Assignment transactions undertaken by HFCs

The Company has not entered into any assignment transactions during the year ended 31 March 2018 and 31 March 2017.

III) Details of non-performing financial assets purchased/sold

The Company has not purchased/sold any non-performing financial assets during the year ended 31 March 2018 and 31 March 2017.

26.3.9 Registration obtained from other financial sector regulators

The Company has not obtained any registration from other financial sector regulators other than NHB.

26.3.10 Overseas Assets

The Company does not hold any overseas assets as at 31 March 2018 and 31 March 2017.

26.3.11 Provisions and Contingencies

Break up of 'Provisions and Contingencies' shown under the Total expenses in Statement of Profit and Loss

Particulars	**As at 31 March 2018**	**As at 31 March 2017**
	In ₹	In ₹
1. Provisions for depreciation on investment	-	-
2. Provision towards NPA	709,215	5,645,254
3. Provision for Standard Assets		
i. Housing loans		
- Individuals	685,458	3,066,352
- Corporate bodies (CRE-RH)	(821,907)	546,361
ii. Non-housing loans		
- Individuals	253,522	136,709
- Corporate bodies	(95,501)	410,753
- Others	(3,952)	(5,101)

NOTES TO FINANCIAL STATEMENTS

4. Other Provision and Contingencies	-	-
- Gratuity expense	2,320,718	876,766
	3,047,553	**10,677,094**
5. Provision made towards Income tax (disclosed separately as ""Tax expense"" including deferred tax)	41,392,568	30,176,505
	41,392,568	**30,176,505**
	44,440,121	40,853,599

26.3.12 Concentration of Advances, Exposures and NPAs

26.3.12.1 Concentration of Public Deposits

The Company has not accepted any public deposits during the year ended 31 March 2018 and 31 March 2017.

26.3.12.2 Concentration of Loans and Advances

Particulars	**As at 31 March 2018**	**As at 31 March 2017**
	In ₹	In ₹
Total Loans and Advances to twenty largest borrowers*	267,794,383	390,300,663
Percentage of Loans and Advances to twenty largest borrowers to Total Advances of the Company*	5.79%	10.69%

* The amount excludes interest receivable as at 31 March 2018 and 31 March 2017

26.3.12.3 Concentration of all Exposure (including off-balance sheet exposures)

Particulars	**As at 31 March 2018**	**As at 31 March 2017**
	In ₹	In ₹
Total Exposure to twenty largest borrowers /customers*	280,072,542	391,186,259
Percentage of Exposures to twenty largest borrowers / customers to Total Exposure of the Company on borrowers/customers*	4.93%	8.82%

* The amount excludes interest receivable as at 31 March 2018 and 31 March 2017

26.3.12.3 Concentration of NPAs

Particulars	**As at 31 March 2018**	**As at 31 March 2017**
	In ₹	In ₹
Total Exposure to top ten NPA accounts*	10,293,805	10,765,098

* The amount excludes interest receivable as at 31 March 2018 and 31 March 2017

26.3.12.5 Sector-wise NPAs

Percentage of NPAs to Total Advances in respective sector

Sector	**As at 31 March 2018**	**As at 31 March 2017**
	In ₹	In ₹
A. Housing Loans:	1.03%	1.50%
1. Individuals*	1.03%	1.50%
2. Builders/Project Loans	Nil	Nil
3. Corporates	Nil	Nil
4. Others (specify)	Nil	Nil

NOTES TO FINANCIAL STATEMENTS

B. Non-Housing Loans:	1.10%	1.38%
1. Individuals *	1.10%	1.38%
2. Builders/Project Loans	Nil	Nil
3. Corporates	Nil	Nil
4. Others (specify)	Nil	Nil

* The amount excludes interest receivable as at 31 March 2018 and 31 March 2017

26.3.13 Movement of NPAs

Particulars	**As at 31 March 2018**	**As at 31 March 2017**
	In ₹	In ₹
(I) Net NPAs to Net Advances (%)	0.77%	1.10%
(II) Movement of NPAs (Gross)*		
a) Opening balance	49,238,451	18,897,560
b) Additions during the year	112,234,353	99,614,470
c) Reductions during the year		
(i) Recoveries	(21,577,379)	(7,422,292)
(ii) Upgradations	(94,562,787)	(61,851,287)
d) Closing balance	45,332,638	49,238,451
(III) Movement of Net NPAs*		
a) Opening balance	39,975,557	15,279,920
b) Additions during the year	98,087,759	87,085,006
c) Reductions during the year	(102,702,787)	(62,389,369)
d) Closing balance	35,360,529	39,975,557
(IV) Movement of provisions for NPAs (excluding provisions on standard assets)		
a) Opening balance	9,262,894	3,617,640
b) Provisions made during the year	14,146,594	12,529,464
c) Write-off/(write-back) of excess provisions	(13,437,379)	(6,884,210)
d) Closing balance	9,972,109	9,262,894

* The amount excludes interest receivable as at 31 March 2018 and 31 March 2017

26.3.14 Customers complaints

Particulars	**As at 31 March 2018**	**As at 31 March 2017**
	In ₹	In ₹
a) No. of complaints pending at the beginning of the year	1	2
b) No. of complaints received during the year	8	10
c) No. of complaints redressed during the year	9	11
d) No. of complaints pending at the end of the year	0	1

26.3.15 Off-balance Sheet SPVs sponsored

The Company does not have any off-balance sheet SPVs sponsored which are required to be consolidated as at 31 March 2018 and 31 March 2017.

26.3.16 Details of Single Borrower Limit (SGL) / Group Borrower Limit (GBL) exceeded by the HFC

The Company does not have any exposure exceeding prudential exposure limits for single borrowers or group borrowers as at 31 March 2018 and 31 March 2017 and hence disclosures in this regard is not applicable.

NOTES TO FINANCIAL STATEMENTS

26.3.17 Draw Down from Reserves

The Company does not have any exposure exceeding prudential exposure limits for single borrowers or group borrowers as at 31 March 2017 and 31 March 2016 and hence disclosures in this regard is not applicable.

26.3.18 Details of financing of parent company products

These details are not applicable since the Company is not a subsidiary of any company.

26.3.19 Details of rating assigned by credit rating agencies and migration of ratings during the year.

(i) Rating assigned to	Long-term bank facilities, Non- convertible debentures
(ii) Date of Rating	12 July 2017
(iii) Rating valid upto	Upto the maturity of the instruments
(iv) Name of Rating Agency	CARE Ratings Limited
(v) Rating of Products	
(a) Long term Bank facilities	CARE A-
(b) Debentures	CARE A-

26.3.20 Statutory Reserve u/s 29C of NHB Act, 1987

Particulars	**As at 31 March 2018**	**As at 31 March 2017**
	In ₹	In ₹
Balance at the beginning of the year:		
a)Statutory Reserve u/s 29C of the National Housing Bank Act, 1987	1,276,983	1,276,983
b) Amount of Special Reserve u/s 36(1)(viii) of the Income Tax Act, 1961 taken into account for the purpose of Statutory Reserve u/s 29C of the National Housing Bank Act, 1987	72,906,793	52,485,328
	74,183,776	**53,762,311**
Addition / Appropriation / Withdrawal during the year:		
Add :		
a)Amount transferred u/s 29C of the National Housing Bank Act, 1987	-	-
b)Amount of Special Reserve u/s 36(1)(viii) of the Income Tax Act, 1961 taken into account for the purpose of Statutory Reserve u/s 29C of the National Housing Bank Act, 1987	21,154,732	20,421,465
Less :		
a)Amount appropriated from Statutory Reserve u/s 29C of the National Housing Bank Act, 1987	-	-
b)Amount withdrawn from Special Reserve u/s 36(1)(viii) of the Income Tax Act, 1961 taken into account for the purpose of Statutory Reserve u/s 29C of the National Housing Bank Act, 1987	-	-
Balance at the end of the year:		
a) Statutory Reserve u/s 29C of the National Housing Bank Act, 1987	1,276,983	1,276,983
b) Amount of Special Reserve u/s 36(1)(viii) of the Income Tax Act, 1961 taken into account for the purpose of Statutory Reserve u/s 29C of the National Housing Bank Act, 1987	94,061,525	72,906,793
c) Total	**95,338,508**	**74,183,776**

26.3.21 Disclosure regarding penalty or adverse comments by NHB and other regulators

During the year the Company has:

a) not been levied any penalty by NHB or any other regulators.

b) not received any adverse comments in writing from NHB on regulatory compliances.

26.3.22 Related party Transactions

Details of all material transactions with related parties are disclosed in Note 21.

NOTES TO FINANCIAL STATEMENTS

26.3.23 Remuneration of Directors
Details of Remuneration of Directors are disclosed in Note 21

26.3.24 Management
Refer to the Management Discussion and Analysis report for the relevant disclosures.

26.3.25 Net Profit or Loss for the period, prior period items and changes in accounting policies
There are no prior period items that have impact on the current year's profit and loss.

26.3.26 Revenue Recognition
There have been no instances in which revenue recognition has been postponed pending the resolution of significant uncertainties.

27. Dues to micro, small and medium enterprises

On the basis of information available with the Company, there are no suppliers/ vendors covered under Micro, Small and Medium Enterprises Development Act, 2006, to whom the Company owes dues as at balance sheet date. Hence, the additional disclosures relating to trade payables to micro enterprises and small enterprises have not been presented. This disclosure has been determined to the extent such parties have been identified based on the information available with the Company.

28. Segment reporting

The main business of the Company is to provide loans for the purchase or construction of residential houses. Further the Company is operating in a single geographical segment i.e. within India in terms of location of assets and its customers. Accordingly, disclosures relating to primary and secondary business segments as specified in AS 17 on "Segment Reporting", and under paragraph 29 (2) of the Housing Finance Companies (NHB) Directions, 2010, are not applicable to the Company.

29. Lease disclosure as per AS-19:

	As at 31 March 2018	As at 31 March 2017
	In ₹	In ₹
(a) As lessee:		
Operating lease rental charged to Statement of Profit and Loss	4,867,038	2,814,799

(b) In relation to leased premises; the agreements have been executed for a period ranging from 10 months to 36 months with cancellable/noncancellable period and also provides for termination at will by either party giving a prior notice of 1 month to 3 months; as the case maybe.

(c) The future minimum lease payment in respect of premises taken under non-cancellable operating lease are as follows:

	As at 31 March 2018	As at 31 March 2017
	In ₹	In ₹
Not later than one year	3,732,750	326,833
Later than one year but not later than five years	6,463,806	-

30. Disclosure regarding Corporate Social Responsibility (CSR) expenditure is as under:

	For the year ended 31 March 2018	For the year ended 31 March 2017
Particulars	In ₹	In ₹
(a) Gross amount required to be spent by the Company during the year	1,820,909	1,557,931
(b) Amount spent during the year on:		
-Acquisition/Construction of any asset	-	-
-On others	350,000	800,000

NOTES TO FINANCIAL STATEMENTS

31. Expenditure in foreign currency on payment basis

Particulars	For the year ended 31 March 2018 In ₹	For the year ended 31 March 2017 In ₹
Loan processing fees and other charges	6,883,311	-

32. Loan against gold jewellery

The Company has not granted any loans against the collateral of gold jewellery.

33. Public deposits

The Company has not accepted any public deposits within the meaning of the directions issued by NHB during the current or previous year.

34. Previous years' comparatives

The previous year figures have been regrouped/ reclassified wherever necessary, to conform to the current year presentation.

For Walker, Chandiok & Co LLP
(Formerly Walker, Chandiok & Co)
Chartered Accountants
Firm's Registration No: 001076N/N500013

Sd/-
Manish Gujral
Partner
Membership No.:105117

Place: Mumbai
Date : 6 June 2018

For Micro Housing Finance Corporation Limited

Sd/-
Nachiket Shelgikar
Director and Chief Financial Officer
DIN:02293000

Sd/-
Rajnish Dhall
Managing Director
DIN: 02146708

Sd/-
Avani Shah
Company Secretary

Place: Mumbai
Date: 6 June 2018

SUNILKUMAR SINGH, SURAT

Sunilkumar and his wife were forced out of their flat when their rent agreement ended 1 year ago. Sunilkumar's brother agreed to take the family in but they eventually had to send their daughter and two sons back to the village due to the lack of space in the house.

Sunilkumar has worked diligently as a fruit vendor in Surat for the past 4 years. He sells around 30 kgs of fruit daily, earning a monthly income of Rs. 18,000.

MHFC has sanctioned Rs.2,70,000 towards his new flat in Surat, where he and his family can live together without the threat of losing their home again.

CUSTOMER FEATURE

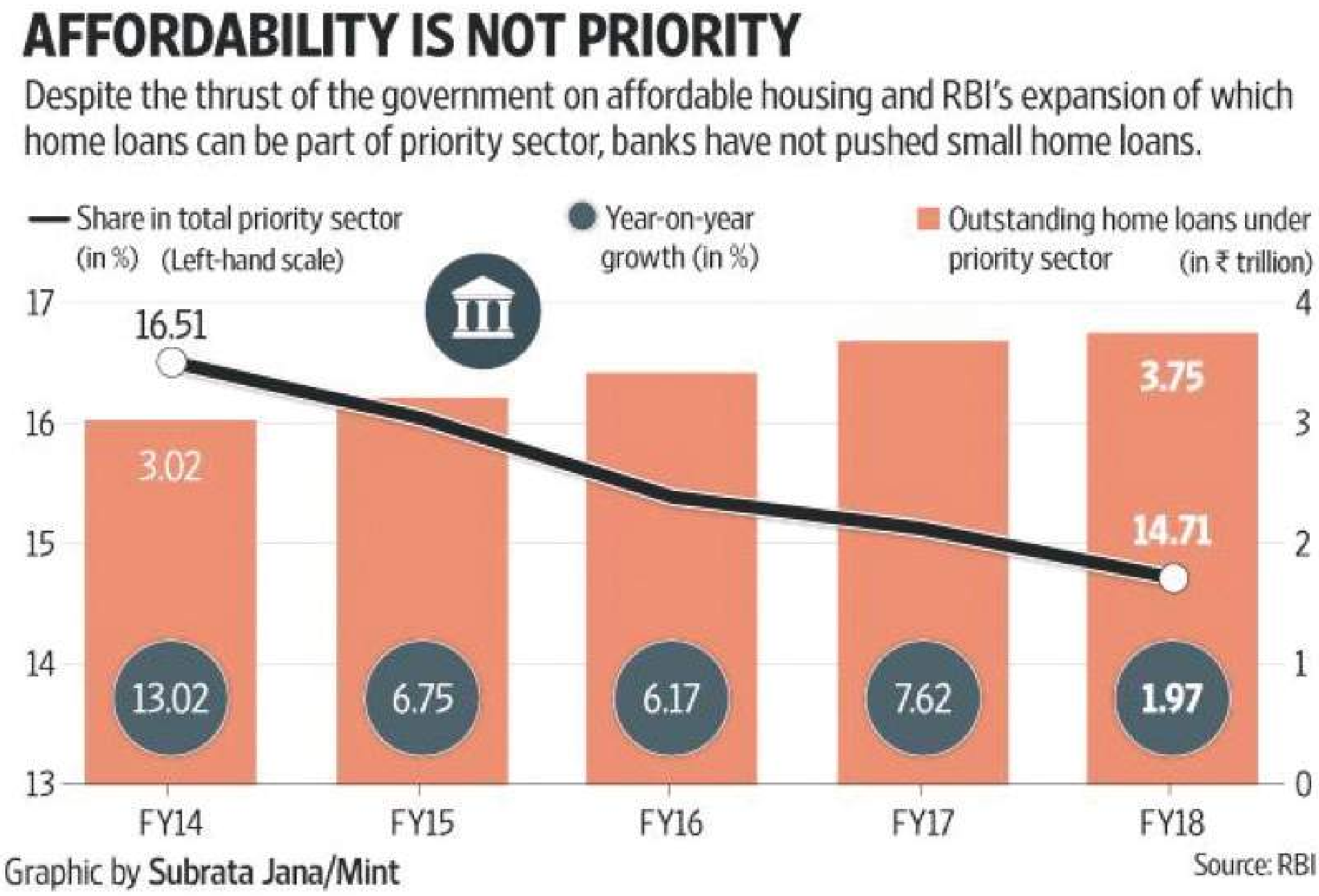
MEENABEN PATIL, SURAT

Meenaben, a single mother of two has been living in a rented house in Surat for the past eight years. She works three jobs a day to ensure a quality education and sustainable living conditions for her children. Apart from working as a cook and a tailor, she also manages to do her bit for the country by working as a Homeguard for 6 hours a day. Over the years she has managed to save INR 1,54,000/- which she has used as a down payment for a new house. Meenaben has been sanctioned a housing loan of INR 4,45,000/- by MHFC and now is the proud owner of a house that she can finally call home.

IN THE PRESS: LENDING TO AFFORDABLE HOUSING IS GROWING BUT WITHOUT BANKS

In 2013-14, housing loans under priority sector grew by 13%, contributing 16.5% to the total priority sector disbursement

Fri, Jun 15 2018 -LiveMint



Despite the thrust of the government on affordable housing and RBI's expansion of which home loans can be a part of priority sector, banks have not pushed small home loans.

Strangely, the growth in priority sector housing loans by banks and their share in the overall priority sector lending have fallen in the three years following the launch of the government's affordable housing scheme.

The chart above shows that in fiscal year 2014 (FY14), housing loans under priority sector grew by 13%, contributing 16.5% to the total priority sector disbursement. This growth has now dropped sharply to a mere 2% in FY18 and forms 14% of the total priority sector lending.

It would seem that the government's push towards housing and the offer of big interest rate subsidies under the credit-linked scheme have hardly made a ripple in bank lending to the sector.

Therefore, even the latest tweaks in the definition of affordable housing for subsidy to the middle-income group and the Reserve Bank of India's (RBI's) hike in the housing loan amount eligible for priority sector are unlikely to make a big difference to banks. "Going forward, incremental funding from banks especially PSBs will be lower owing to their capital constraints," rating agency Icra Ltd wrote in a note.

That said, public sector banks are the main lenders to the economically backward and low-income groups under the interest rate subsidy scheme.

The credit subsidy scheme of the government divides beneficiaries into three segments based on household income and size of the house to be purchased. Households with incomes of up to Rs 6 lakh seeking to buy a house of up to 60 sq. m area are considered part of the economically backward and low-income group and eligible for an interest rates subsidy of 6.5%. The condition is that the subsidy is only for loans of up to Rs 6 lakh.

Those with an annual income of Rs 6-12 lakh come under the middle-income group-I and are eligible for a 4% subsidy for a loan amount of up to Rs 9 lakh. Those with a higher annual income of Rs 12-18 lakh come under the middle-income group-II and are eligible for a 3% subsidy for a loan of up to Rs 12 lakh.
Note that there is no cap on the cost of the house purchased or even the total loan amount. According to brokerage firm Jefferies India Pvt. Ltd, the average cost of a house covered under the government's scheme for urban centres is about Rs 5.65 lakh. The government recently increased the size of houses eligible for subsidy for the two middle-income groups.
But if not the banks, who is lending to the subsidized housing market?

About 80 housing finance companies have taken away market share from banks. Some of them lend exclusively to affordable housing projects and have grown faster than the wider industry. Even the largest home loan lender Housing Development Finance Corp. has seen its growth coming mainly from the affordable housing segment.

The easing of definition by the government and RBI's expansion of the ambit of the priority sector tag for housing will provide a fillip to the housing loan market. But the biggest beneficiaries would be the finance companies and not banks.

FREE PRESS JOURNAL INTERVIEW: WON'T NEED FRESH EQUITY TILL SECOND HALF FY2019: MHFC

By Pankaj Joshi | Jan 31, 2018

Micro Housing Finance Corporation (MHFC) has been operational for over a decade. The vision of the company is to service low-income groups who have home-owner aspirations and whose professions or income levels are largely ignored by the mainstream companies. Effectively, it has initiated low-cost housing finance before it became a buzzword. Madhu Menon, Co-Founder and Director, discusses the current position and nuanced nature of their business in a chat with Pankaj Joshi.

How do you translate your vision into a viable business model?
Our business has been focussed on financially excluded people. From the real estate industry perspective, MHFC has a strong presence in practically any budget project where sales activity is visible. In value terms, a property transaction size of Rs 10 lakh, or below, is our preferred deal. Within that, our average loan size is around Rs 4.5 lakh, and the EMI would be in the Rs 4,500- 4,700 range.

If you look at the home mortgage business, there are only three factors—costs, credit quality and structure of capital—which are in the company's control. For the rest, you just respond to external stimuli. We are quite well-performing in that regard. The mortgage industry works on a net interest margin (NIM) spread anywhere between 300-550 basis points of the book size. We have a book size currently in the range of Rs 500 crore, and the FY2017 net margin was Rs 16.50 crore.

> **"WE ENSURE THAT OUR CUSTOMERS RUN AROUND A LOT LESS THAN WHAT THE MHFC MANAGEMENT TEAM WOULD HAVE TO, IN THEIR INDIVIDUAL CAPACITIES."**

In terms of other costs, we are much below industry cost standards due to our small-ticket business model. On a book of Rs 500 crore, we have a pre-tax income of Rs 8 crore. Going forward, we believe that ratios are likely to see some improvement because in areas like technology, a good amount of investment is already in place to service a bigger activity level.

We are probably the best in cost-to-income ratio when you factor in our much lower ticket size and multiplicity of transactions for the same book size. In terms of transaction viability, we believe any family anywhere can save Rs 2,000 or more on rent once they get into their own home so the incremental amount payable as EMI makes eminent sense. We just stick to the norm that income should be 3x of the EMI for us to look at the transaction.

If you talk of costs, the industry generally looks at a 1.5-1.7 percent processing fee to manage operating costs so that the entire NIM goes to the operating profit level, but with our ticket size this is very difficult. At a book size of Rs 2,000 crore, and a processing fee income of Rs 30 crore, we would probably achieve such an operating structure. However, that is distant for us. For FY2020, we are looking at a book size of above Rs 1,500 crore, an NIM of Rs 50 crore and a profit before tax of Rs 35 crore.

How much does technology matter among low-income and low-literacy clients in funding business?
Much more than one could imagine— for starters, operations are totally paperless. Other than physical property documents, there is hardly any paper generated anywhere in the process. Disbursements are through the banking system and so are the repayments. Our tech investment has been around Rs 2.5 crore in a five-year period, which has mainly been for creating and maintaining an end-to-end solution. We have no branches outside of Mumbai but still, we have just got a footprint into our seventh state. Without offices we have our own people to do the physical check process. Devices, Google co-ordinates, and a daily checklist of things to do— these are our monitoring mechanisms.

Our manpower is around 50 and within that we have 12-14 people in the credit function. We have 8-10 people in the project evaluation segment; around 10-12 in systems; and a similar number in the accounts and finance compliance team. Our HR-admin team consists of 3-4 people. In our business, site visits are more critical than the average housing finance business, just because of two reasons. First, the customer is generally too occupied with basic income generation and second we also feel that a visit gives us a good feel of customer profile, their business activity and (by extension) their solvency and loan eligibility.

Can you quantify the effect that MHFC has had on its client universe?
We have already indicated that time is money for most of our customers. We ensure that our customers run around a lot less than what the MHFC management team would have to, in their individual capacities.

Secondly, the very fact that a housing loan is in the offing has induced a lot of clients to get into the banking system. Here, let us be clear that the Jan Dhan Yojana has helped us tremendously, in the sense that it has catalysed account opening. Today, nearly 100 per cent of our prospective customers have bank accounts. However, we believe that 50-60 per cent have started using the account regularly because of their association with MHFC. When you break down our Rs 500 crore book across the average loan size, you get an active client universe of 13,000-14,000. Till date, we have an aggregate database of around 19,000 customers.

At the supply side, the government has been the trigger for supply of affordable housing—be it Gujarat, Rajasthan, Madhya Pradesh or Chhattisgarh. Other than Maharashtra, the average affordable property cost is Rs 7-8 lakh. For an area like Mumbai, we just have to look at the metropolitan area outskirts. Overall, there is a good pipeline of affordable housing coming up, which helps our project teams set targets. Metros in that context are irrelevant to us. Then there is the CLSS (Credit Linked Subsidy Scheme) which is a great support. You must appreciate that our client universe just saves and saves for years to create a home and we just catalyse the process, aided by the CLSS. To that end, we also encourage prepayment without levy of charges.

Prepayments happen when more people of the family join the workforce. When we do a loan, we also look at all income earners responsible for repayment. So we also look at composition of the family—whether family income can go up through children getting employment. Another aspect is that we encourage family involvement into the process. Wherever a woman's income is part of our evaluation and acceptance criteria, we insist on the woman being joint owner of the property, which again places the transaction favourably on the CLSS criteria. That is a socio-economic change we are aiding.

Lastly, when we do a loan transaction, we make sure that all income earners have their life insured, up to the total loan amount. In the case of a sad event, the loan is compensated and the asset remains with the family.

How do you look at your capital structure in the context of all this?
Today we have a leverage factor of 4x—our Rs 500 crore book is built on an equity size of Rs 100 crore. We have, among our shareholders, the Michael and Susan Dell Foundation, the India Financial Inclusion Fund and Unilazer Alternative Ventures. Private equity has around 53 per cent share, with promoter holding at 20 per cent and employee holding at a similar 20 per cent, the rest distributed among the promoter circle. From the growth perspective, we may need to raise equity in the second half of FY2019, not before. By then we may have got to 6x leverage and so equity would be imperative. Given the pedigree of investors, we do not see any problems in the same.

MANAGEMENT

Madhusudhan Menon (Executive Chairman)

Madhusudhan Menon, Executive Chairman of MHFC, 65, has over 30 years of banking (and now housing finance) experience. After completing his CA, he initially was with the Reserve Bank of India where he worked for 2 years. He then worked with American Express Bank for over 20 years - across most areas and departments - with his last role being the India Head - Commercial Banking and Capital Markets. He left the Bank in 2002 and spent a few years as an advisor to various Indian business groups as a capital markets and investment specialist, before co-founding MHFC in 2008 to help support lower income financially excluded families own a home and in general, support the eco-system of new housing and financial inclusion.

Rajnish Dhall (Managing Director)

Rajnish Dhall, Managing Director of MHFC, 48, completed his PGDM from the Indian Institute of Management (Ahmedabad) in 1991 after which he worked with American Express Bank in a variety of roles and locations (Mumbai, London, Singapore) for 15 years. He left the Bank as a Senior Director in 2006 and returned to Mumbai to work in the social sector and initially joined Aangan, an NGO which works with children in state run children homes. He worked there for 2 years before co-founding MHFC in 2008 as a social enterprise, thus combining his earlier experience in finance and also his interest to help disadvantaged families. He remains on the Advisory Board of Aangan, as well as Ummeed, a Mumbai based NGO which helps children with developmental disabilities.He is also on the Justice Dhanuka court appointed committee to look into the infrastructure of Mumbai municipal schools.

Nachiket Shelgikar (Executive Director/CFO)

Nachiket Shelgikar,Executive Director of MHFC, 32, completed his B.S from the Carnegie Mellon University, after which he worked with Deutsche Bank in the M&A Team for a year in London. He left the Bank in August 2008 to come back to India to work as a social entrepreneur, and co founded MHFC, to help prove the concept that lower income families (including those who lack documentation to prove incomes) are equally credible in meeting their home loan obligations, and that lending to this segment can help not just with a solution to the housing problem but also be a viable business opportunity.

Ramesh Ogale (Director - Projects)

Ramesh Ogale, Director - Projects, 64, has more than 30 years of experience in the Real Estate (and now Housing Finance) sector. He started work at Makers Development Services, where he worked on various turnkey township projects. In 1989, he promoted his own construction company for building and marketing housing for low and middle income buyers in the coastal Maharashtra region. He thus is well exposed to construction practices, and project management, and also interacted with various housing finance companies throughout his career. He is part of the initial set up team at MHFC, joining the company in 2009 and has been instrumental in stimulating and establishing relationships with developer partners (as well as monitoring the projects as they are being executed) and promoting new housing for lower income families.

Jayesh Shah (Director - Credit and Operations)

Jayesh Shah, Director - Credit and Operations, 53, started his career at HDFC, India's leading housing finance company, as a management trainee in June 1987. Over his 22 year career with the firm, he worked across all major departments at HDFC,as well as being on specific local assignments including the development of an online loan processing system. He has also been on international assignments to help set up housing finance companies in Sri Lanka and Indonesia. In addition, he was a regular faculty at the HDFC Training Centre, where his area of specialization was Credit Risk Management and Loan Process Improvisation. He has worked on pilot HDFC social development projects on micro financing, housing and social infrastructure with agencies like BAIF, KfW, Baroda Citizen's Council and the United Way of Vadodara and always been passionate about helping the financially excluded own a home. He joined MHFC in May 2009 as part of the initial team to help extend the existing market based housing finance model to include customers from weaker sections who lack documentation, and has been instrumental in establishing MHFC's overall systems and processes.

Avani Shah (Company Secretary/GM)

Avani joined MHFC in 2010. She is a qualified CS and a Bachelor at Law. Apart from being the Company Secretary, she is also an integral part of the Projects Team and handles Legal and other due diligence of Projects. She also plays a major role in co-ordinating NHB and Statutory compliances.

MANAGEMENT

In addition, MHFC is assisted on the Board by:

Ashish Karamchandani (Independent Director)

Ashish Karamchandani is a Director and co-leads the Inclusive Markets approach area at FSG Advisory Services Private Limited. He focuses on using market-based solutions to drive sustainable social change. His emphasis has been on multiyear programs which seek to build and scale inclusive business models to address sector specific development challenges. He is currently initiating an effort to build the market for affordable high-quality early childhood education in urban India. He has authored several influential reports on inclusive businesses. He is the founder of Monitor Inclusive Markets (MIM),a social action unit within Monitor. Prior to founding MIM, Ashish started, developed, and led Monitor Group's consulting business in India.

Mihir Doshi (Independent Director)

Mr. Mihir Doshi has been the Managing Director and Chief Executive Officer of India Operations of Credit Suisse Group since January 2006. He joined the Credit Suisse Group after spending 22 years at Morgan Stanley in various capacities,primarily in New York, Tokyo, and Mumbai. He has been instrumental in re-establishing Credit Suisse's India franchise. He is a member of the Asia Pacific Management Committee and the Emerging Markets Council. He also serves on the Board of United Way, Mumbai, and is a Trustee of Save the Children India. He holds a BS (Honors) from NYU Stern and a CPA from New York State, which he gained while working with Deloitte Haskins and Sells, New York.

S. Viswanatha Prasad (Nominee Director)

Prasad founded Caspian Advisors in 2004 and has led the institution since then, including setting up three impact funds with increasing diversity across sectors, an AUM of USD 150 mn and a demonstrated exit track record in the impact space in India. In addition to providing strategic direction to Caspian's various initiatives, Prasad is active in the ongoing management of Caspian's funds and serves on the boards of multiple portfolio companies. He also serves as a member of the Investment Committee of other funds including Prospero Microfinance (a Latin American Microfinance Equity fund co-managed by Grassroots) and the MSDF-sponsored Indian Education Investment Fund. Prior to Caspian, Prasad was the CEO of Bhartiya Samruddhi Finance limited, the flagship company in the BASIX group one of first regulated MFIs in India. His experience in the impact space is preceded by a decade spent in the mainstream financial sector. Prasad holds a M.S. in Management Studies from Birla Institute of Technology and Science in Pilani, India.

Geeta Goel (Nominee Director)

Geeta Goel manages the Michael & Susan Dell Foundation's (MSDF) microfinance initiative in India, which includes a portfolio of over 10 microfinance (and related) institutions. Prior to joining the Foundation, she spent over 12 years with the Corporate Finance Group of PricewaterhouseCoopers in India, advising large Indian and multinational clients on joint ventures, mergers & acquisitions, business plans and valuations. Geeta has also advised clients in capital structuring and raising private equity. She is an alumni of IIM (Ahmedabad) and Lady Shri Ram College (Delhi).

MICRO HOUSING FINANCE CORPORATION LTD

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BANKERS

National Housing Bank
State Bank of India
International Finance Corporation
Federal Bank Ltd.
Yes Bank Ltd.
HDFC Ltd.
Kotak Mahindra Bank Ltd.
HDFC Bank Ltd.
DCB Bank Ltd.
Caspian Impact Investments Pvt. Ltd.
Axis Bank Ltd.

VANDANA BADGUJAR, SURAT

Living in a small, cramped house in a joint family was a daily struggle for Vandana and Santosh Badgujar who along with their two sons were eventually forced to move into a small rented house in Surat. Finding it difficult to adjust and shifting houses on a regular basis, they decided to buy a house of their own. Earning Rs. 14,000 a month stitching blouses and trading plastics, the couple managed to save Rs. 60,000 to make a downpayment for the flat, which secured their future and that of their children.

MHFC recognised the genuine need for a new house and sanctioned a loan of Rs. 2,70,000 to the hardworking couple. They will soon be moving into their own brand new flat along with their children where they all will be able to live happily.

Office no. 1,2,3,4, Ground Floor, Pushpak Co-operative Housing Society Ltd., Malaviya Road,
Vile Parle (East), Mumbai 400057

Web: www.mhfcindia.com   Email: contact@mhfcindia.com