

MICRO HOUSING FINANCE CORPORATION

ANNUAL REPORT

2014-15

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CHAIRMAN'S LETTER

The year that went by, was a blur of frenetic activity for the company. The country went through a major national election, which was accompanied by state elections in most of the states where we are active. The first six months of the year witnessed a slowdown, if not a standstill, in new project approvals. This in turn led to a slowdown in new home purchases, simply because there was no supply of new low cost homes. We decided to stick to our knitting, knowing fully well that this was a temporary lull, and that the pent up demand would surface eventually. We also believed that the new Government regardless of its political leanings would have to address the mounting low cost housing shortfall.

It is times like these that test a company's mettle and its commitment to its social cause.

Once the new government assumed charge, we are now seeing the resumption of normalcy. In fact the government's target of 'Housing for All, 2022' is expected to create a major surge in supply which will more than make up for the relative slowdown of the first six months of the year. Having said this, the company still managed to grow by 50% over the previous year in terms of loan sanctions and revenue growth, and by 38% in profit before tax. Asset quality continues to be well above industry standards, though we have seen the first few non performing loans. We believe that even these loans continue to be backed by high quality assets and more importantly a strong commitment from customers to resolve, and hence do not expect any surprises, on this front.

We maintained our focus on the three things that we can control in our business, namely, credit quality, operating costs and capital costs, and believe we compare very favorably on all these parameters as compared to our competition.

We continued to invest in people, technology and processes, and we strongly believe that our technology enabled access, analytics, delivery and collection systems are state of the art, and differentiates us from our competition, and will help us address the large surge in volumes that we expect from the implementation of the 'Housing for All' campaign across the country. We have already signed MOUs with a few state housing boards and a few more are in the pipeline, as we start to address the large government projects that are coming up across the country.

On the financing side, we have deepened our relationships with the many banks who have already been partners with us, and with the recent significant tie up with State Bank of India, we believe it is only a matter of time before we can make breakthroughs with other large nationalised banks as well. They represent a pool of debt capital that is cheap, long term and patient. Our rating upgrade to 'CARE A-' during the year should also help in this effort, and overall we believe that the company is in a relatively comfortable position as far as access to debt financing is concerned.

During the year we received two independent recognitions, one for the social impact that we are making, and another for innovation in business. The five star GIIRS rating (which is the leading impact rating agency in the world) and the nomination for a 'Boldness in Business' award by the Financial Times, London are truly achievements that we should be proud of, and should inspire us to do more.

While on inspiration, we all know that our customers work hard for a living, sometimes in multiple jobs, and we thought these customers would make a wonderful theme for this year's annual report. I trust that you will enjoy reading some of these stories.

I will conclude by thanking our regulator, the National Housing Bank, for its continuing support and guidance, the builders we work with who remain committed to the cause of low cost housing, our financing partners HDFC Ltd, HDFC Bank, ING Vysya Bank (now Kotak Bank), DCB Bank, and Yes Bank. I would also like to welcome State Bank of India and IndusInd Bank, our latest financing partners. Between them, these banks bring huge capabilities, not just in financing, but also in financial inclusion, cash management, and payment processing.

Our customers are the reason we exist, and we will continue to invest in serving them better, cheaper and faster.

Madhusudhan Menon
Chairman
Mumbai, India

11 May, 2015

THE SOCIAL PURPOSE CAN EASILY BE COMPROMISED IN THE SEARCH FOR GROWTH AND PROFITABILITY. IN THE LONG TERM LENDING BUSINESS OF MORTGAGES, WE BELIEVE THAT IT IS ESSENTIAL TO KEEP THE FOCUS ON CUSTOMER, PRODUCT AND PRICE, AND NOT GET DISTRACTED BY SHORT TERM OPPORTUNITIES OR DISRUPTIONS IN SUPPLY.



SUNITA DABHOLKAR

Sunita Dabholkar lives in a small slum in Kandivali called Janupada. The 150 square feet 1 RK house was bought 9 years ago by Sunita and her husband, Eknath. They live here with their 3 daughters: Mayuri (14), Ujwala (20) and Mohini (25). Their eldest daughter, Suvarna (27), is an LIC agent who got married six years ago.

Sunita was born and raised in Mumbai. Eknath on the other hand, was born in the Konkan region but moved to Bombay when he was very little. Although Sunita and Eknath studied only till the 8th standard, they made sure that their daughters received the best education possible. Mayuri is in the 9th standard, Ujwala is in her last year of BComm and Mohini and Suvarna have both completed their BComm and are now working.

Eknath worked for many years with a small company called Jyothi Wire, where he earned a stable income. However, ever since the company shut down 10 years ago, Eknath has not been able to earn as much as he previously did while working at Jyothi Wire. The drop in income forced Sunita to start working as a maid and cook. She currently visits 7 houses everyday from 7 am to 12 pm and from 4 pm to 8 pm. Six of the houses she visits are located in the same building, which has allowed Sunita to optimize her time. She is paid between Rs. 1200-1500 per month from each house, which fetches her an income of Rs. 14,500 every month.

Eknath now works as a security guard at Geekay Security Services, a 15 year old company. Currently, Eknath has been posted at a housing society in Kandivali East. He has been working here for the past 3 years on a yearly contract, which has been getting renewed at the end of every year. He earns a salary of Rs. 7000 per month from this job, which is directly credited in his bank account.



With Suvarna married, Mohini is currently the only daughter living with Sunita and Eknath who is earning and financially contributing. She works for an HR services company called T&M Services Consulting, who have placed Mohini in a data entry role at the Kotak Mahindra head office in Goregaon. T&M Services Consulting has been paying Mohini Rs. 7000 per month for the past year, prior to which she worked as a cashier at an LIC agent office.

Although their current house is in a slum, the family have kept it in a decent condition. Unsurprisingly, the house is cramped considering 5 family members occupy it. Sunita and Eknath have always put their daughters' well being over their own, which is why they decided to buy a new flat. They heard about the Dream City project from their son-in-law, who had already bought a flat in the project. After booking a flat in Dream City, Sunita and her husband approached MHFC for a Rs. 8,50,000 loan. The loan was sanctioned taking into account the various sources of income the Dabholkar family had. Although they consider Boisar too far away for them to go and live, Sunita and Eknath decided to go ahead with the purchase anyway. They are buying the flat for their daughters.

Sunita and Eknath want Mohini to get married soon, but they want to wait for atleast another year since Mohini is contributing to the loan payments. Ujwala is on the verge of joining the workforce and will start pitching in after Mohini gets married. The financial responsibility that Sunita and Eknath have is not uncommon in the informal sector. It seems to be the norm and that gives us confidence in our customers.

DIRECTORS' REPORT

The Members,

Micro Housing Finance Corporation Limited

The Board of Directors is pleased to present the Seventh Annual Report of your Company together with the Audited Accounts and Auditors' Report for the financial year ended 31st March, 2015.

Performance

During the year under review, your Company significantly increased most operating and financial parameters. Revenues were up 49% to ₹25.32 Cr. (PY ₹ 16.98 Cr.) and PBT increased 38% to ₹ 8.00 Cr. (PY ₹ 5.79 Cr.) - and after payment of ₹ 2.42 Cr. (PY ₹ 1.57 Cr.) in current and deferred taxes, PAT increased 32% to ₹ 5.57 Cr. (PY ₹ 4.21 Cr.). Note that the PAT for the year has been arrived at after charging ₹0.57 Cr. (PY NIL) 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 from this year.

In terms of lending operations, cumulative housing loan sanctions aggregated ₹ 303 Cr. (up 38% from ₹ 220 Cr. at end of the previous financial year) – all to lower income, urban families who are generally excluded from the mainstream banking sector. The housing loans outstanding figure was ₹ 194 Cr. (growth of 40% over ₹ 138 Cr. at end of the previous financial year). The Company currently operates in 6 states – Maharashtra, Gujarat, Madhya Pradesh, Rajasthan, West Bengal and a recent entry during the year into Chhattisgarh.

In terms of portfolio quality, for the first time in 7 financial years, the Company has 22 (PY NIL) loan accounts as on year end - March 31, 2015 - which were classified as non-performing assets ("NPAs") per the prudential guidelines issued by the NHB. The amount of such Gross NPAs was ₹ 1.03 Cr. (PY NIL) which was 0.53% (PY NIL) of the housing loan portfolio of the Company as at March 31, 2015. The Company has created necessary provisions in accordance with the NHB Directions, after which Net NPAs stood at ₹ 0.85 Cr. (PY NIL) and 0.44% (PY NIL) of the housing loan portfolio as at March 31, 2015. While this represents an increase over previous years, this number is still below average for the industry, and thus 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.

In terms of funding, the Company did not raise any fresh equity during the year, but with retained profits, net worth increased to ₹85.76 Cr. (PY ₹ 80.76 Cr.). However, the Company increased its long term debt to ₹ 153.08 Cr. (PY ₹ 83.54 Cr.) of which approx. 40% is 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., ING Vysya Bank Ltd., DCB Bank Ltd and IndusInd Bank Ltd. The Company's entire loan portfolio qualifies 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 62.93% 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, 2015 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 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 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, 2015, this amount was ₹6.94 lakhs, and the Company spent ₹ 1 lakh (details per Annexure B), which is a shortfall of ₹5.94 lakhs. Per the new 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 your Company could not spend the specified CSR amount as it was 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 state 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, your Directors are pleased to inform that during the year, your Company received the highest possible ratings by 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 85 employees as of March 31, 2015. 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 or outgo.

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, 2015.

Reserves

The Company proposes to transfer the entire Profit after Tax amounting to ₹ 5,57,46,691 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/ Appointments & Resignations

Mr. Ashish Karamchandani was appointed as an Independent Director of the Company by the Members at the 6th Annual General Meeting of the Company held on 12th September, 2014 for a term of 3 years.

Mr. Mihir Doshi was appointed as an Independent Director of the Company by the Members at the Extra-Ordinary General Meeting of the Company held on 27th February, 2015 for a term of 5 years.

Mr. Nachiket Shelgikar was appointed as the Chief Financial Officer of the Company at the Meeting of the Board of Directors held on 3rd February, 2015.

Mr. Chetan Juthani resigned as a Nominee Director of Unilazer Ventures Private Limited on 21st August, 2014 which was noted by the Board at its Meeting held on the same date. Subsequently, Mr. Chetan Juthani was appointed as a Nominee Director of M/s Unilazer Ventures at the meeting of the Board held on 21st August, 2014.

Ms. Mona Kachhwaha and Ms. Geeta Goel, Directors, retiring by rotation and being eligible, offer themselves for reappointment. The Board recommends their reappointment for your approval.

• Board Evaluation

Pursuant to the provisions of the Companies Act, 2013, the Board will conduct a formal annual evaluation of its own performance and that of its committees and individual directors.

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 Remuneration Policy is given in "Annexure C".

• Meetings

During the year, 7 Board Meetings and 5 Audit Committee Meetings were convened and held. The intervening gap between the Meetings was within the period prescribed under the Companies Act, 2013.

• Composition of the Committees:

- The Audit Committee was reconstituted by the Board on 16th March, 2015. The Members are:

1. Mr. Ashish Karamchandani
2. Mr. Mihir Doshi
3. Mr. Chetan Juthani

- The Nomination and Remuneration Committee was reconstituted by the Board on 16th March, 2015. The Members are:
 1. Mr. Ashish Karamchandani
 2. Mr. Mihir Doshi
 3. Mr. Chetan Juthani
- The CSR Committee was constituted by the Board on 16th March, 2015. The Members are:
 1. Mr. Chetan Juthani
 2. Mr. Mihir Doshi
 3. Ms. Mona Kachhwaha

Auditors

M/s. Walker, Chandiook & Co LLP, Chartered Accountants, statutory auditors of the Company, retire at the conclusion of the ensuing Annual General Meeting of the Company. They have offered themselves for reappointment as statutory auditors and have confirmed that their appointment, if made, will be within the prescribed limits under Section 141 of the Companies Act, 2013.

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 Auditors' 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 2014-15 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.

Penalty

During the Year, the Company paid a penalty of ₹ 5,000/- for Non-Compliance with the provision of Paragraph 28 of the Housing Finance Companies (NHB) Directions, 2010. The Company has already remitted ₹ 5,000/- to the NHB as directed and has put in place processes to ensure that such lapses do not recur.

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.

The following is a summary of sexual harassment complaints received and disposed of during the year 2014-15:

No of complaints received: **NIL**

No of complaints disposed of: **NA (no complaints received)**

Accomplishments

• 5- Star GIIRS Rating

The Company received 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 Model 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.

• Financial Times Award Nomination

The Company was shortlisted by the Financial Times ("FT"), London for its prestigious '2015 Boldness in Business Awards' in the 'Entrepreneurship' category. Typically the companies shortlisted (from around the world) are believed to be highly innovative in their strategies and implementation of those strategies. Though your Company did not win the award (won by Mobileye - an Israeli technology company), your Directors believe that this is a major recognition from one of the world's leading business publications.

Credit Rating

During the year under review, CARE Ratings ("CARE"), upgraded the rating to the Company's Long Term Bank Facilities 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". Further, the credit rating agency stated that the rating revision "...takes into account the steady scale up in MHFC's business volumes whilst still maintaining healthy asset quality and profitability parameters".

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

Sd/-

Rajnish Dhall
Managing Director

Place: Mumbai
Date: May 11, 2015

Sd/-

Nachiket Shelgikar
CFO & Whole Time Director

ANNEXURE A

FORM NO. MGT 9

EXTRACT OF ANNUAL RETURN

as on financial year ended on 31.03.2015

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"	"Victoria Building, 1st Floor, S. A. Brelvi Road, Off. Horniman Circle, Fort, Mumbai – 400 001 Tel No.: +91 22 2266 0130"
vi	Whether listed company	No
vii	Name , Address & contact details of the Registrar & Transfer Agent, if any.	"Link Intime India Pvt. Ltd. C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (West), Mumbai - 400 078 Tel No. 022 - 2594 6970"

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	94%

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	5,976,691	0	5,976,691	19.77	5,988,925	0	5,988,925	19.81	0.04
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)	5,976,691	0	5,976,691	19.77	5,988,925	0	5,988,925	19.81	0.04
(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)	5,976,691	0	5,976,691	19.77	5,988,925	0	5,988,925	19.81	0.04
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	3,020,512	0	3,020,512	9.99	3,020,512	0	3,020,512	9.99	0
- Private Equity Fund	11,060,255	0	11,060,255	36.59	11,060,255	0	11,060,255	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	2,230,770	70,000	2,300,770	7.61	2,237,737	0	2,237,737	7.40	-0.21
ii) Overseas	0	0	0	0	0	0	0	0	0
b) Individuals									
i) Individual shareholders holding nominal share capital upto Rs.1 lakhs	13,733	6,400	20,133	0.07	17,066	6,400	23,466	0.08	0.01
ii) Individuals shareholders holding nominal share capital in excess of Rs. 1 lakhs	1,059,815	25,766	1,085,581	3.59	1,229,481	95,766	1,325,247	4.38	0.79
c) Others									
- Trusts	6,763,633	0	6,763,633	22.38	6,571,433	0	6,571,433	21.74	-0.64
SUB TOTAL (B)(2):	10,067,951	102,166	10,170,117	33.65	10,055,717	102,166	10,157,883	33.60	-0.04
Total Public Shareholding (B)=(B)(1)+(B)(2)	24,148,718	102,166	24,250,884	80.23	24,136,484	102,166	24,238,650	80.19	-0.04
C. Shares held by Custodian for GDRs & ADRs	0	0	0	0	0	0	0	0	0
Grand Total (A+B+C)	30,125,409	102,166	30,227,575	100.00	30,125,409	102,166	30,227,575	100.00	0.00

(ii) SHARE HOLDING OF PROMOTERS

SI 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 encumbered 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	4,593,034	15.19	0	4,605,268	15.24	0	0.04
3	Rajnish Inderjit Dhall	669,167	2.21	0	669,167	2.21	0	0.00
	Total	5,976,691	19.77	0	5,988,925	19.81	0	0.04

(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	5,976,691	19.77		
	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):	**		**	
	At the End of the year	5,988,925	19.81		

**								
Sl. No.	Name	Shareholding		Date	Increase/ Decrease	Reason	Cumulative Shareholding during the year (01-04-14 to 31-03-15)	
		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	Nachiket Shelgikar	4,593,034	15.19	01.04.2014	-	-	-	-
				06.06.2014	5,134	Transfer	4,598,168	15.21
				08.08.2014	2,100	Transfer	4,600,268	15.22
				19.09.2014	2,000	Transfer	4,602,268	15.23
				10.10.2014	1,500	Transfer	4,603,768	15.23
				28.11.2014	1,500	Transfer	4,605,268	15.24
						31.03.2015	-	-

(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 (01-04-14 to 31-03-15)	
		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	India Financial Inclusion Fund	11,060,255	36.59	-	-	-	11,060,255	36.59
2	MHFC Employees Trust	5,363,633	17.74	01.04.2014	-	-	-	-
				06.06.2014	-5,134	Transfer	5,358,499	17.73
				04.07.2014	-3333	Transfer	5,355,166	17.72
				08.08.2014	-2100	Transfer	5,353,066	17.71
				19.09.2014	-2,000	Transfer	5,351,066	17.70
				10.10.2014	-1,500	Transfer	5,349,566	17.70
				28.11.2014	-1,500	Transfer	5,348,066	17.69
				19.12.2014	-3,000	Transfer	5,345,066	17.68
				30.01.2015	-2,000	Transfer	5,343,066	17.68
				06.02.2015	-800	Transfer	5,342,266	17.67
		27.02.2015	-4,167	Transfer	5,338,099	17.66		
		31.03.2015	-	-	-	5,338,099	17.66	
3	Michael & Susan Dell Foundation	3,020,512	9.99	-	-	-	3,020,512	9.99
4	Unilazer Ventures Private Limited*	2,230,770	7.38	01.04.2014	-	-	-	-
				12.09.2014	-2,230,770	Transfer	0	0
				31.03.2015			0	0
5	Unilazer Ventures #	0	0	01.04.2014	-	-	-	-
				12.09.2014	2,230,770	Transfer	2,230,770	7.38
				31.03.2015			2,230,770	7.38
6	MHFCL Employees and Business Associates Trust	1,400,000	4.63	01.04.2014	-	-	-	-
				18.04.2014	-133333	Transfer	1,266,667	4.19
				13.06.2014	-16,667	Transfer	1,250,000	4.14
				04.07.2014	-16,666	Transfer	1,233,334	4.08
				31.05.2015	-	-	1,233,334	4.08
7	Arjun Sawhney	200,000	0.66	01.04.2014	-	-	-	-
				18.04.2014	50000	Transfer	250,000	0.83
				31.03.2015	-	-	250,000	0.83
8	Girdharilal Agrawal	200,000	0.66	-	-	-	200,000	0.66
		135,333	0.45	01.04.2014	-	-	-	-
				19.12.2014	3,000	Transfer	138,333	0.46
		31.03.2015	-	-	138,333	0.46		
10	Umesh Dharnidharka	100,000	0.33	-	-	-	100,000	0.33
11	Prabhat Agarwal	63,333	0.21	-	-	-	63,333	0.21
12	Ashish Karamchandani #	25,400	0.08	01.04.2014	-	-	-	-
				16.03.2015	70,000	Transfer	95,400	0.32
				31.03.2015	-	-	95,400	0.32
*	Ceased to be in the list of Top 10 shareholders as on 31-03-2015. The same is reflected above since the shareholder was one of the Top 10 shareholder as on 01-04-2014.							
#	Not in the list of Top 10 shareholders as on 01-04-2014. The same has been reflected above since the shareholder was one of the Top 10 shareholders as on 31-03-2015.							

(v) SHAREHOLDING OF DIRECTORS & KMP

Sl. No.	Name	Shareholding		Date	Increase/Decrease	Reason	Cumulative Shareholding during the year (01-04-14 to 31-03-15)	
		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	-	-	-	714,490	2.36
2	Nachiket S Shelgikar, CFO & Whole-Time Director	4,593,034	15.19	01.04.2014	-	-	-	-
				06.06.2014	5,134	Transfer	4,598,168	15.21
				08.08.2014	2,100	Transfer	4,600,268	15.22
				19.09.2014	2,000	Transfer	4,602,268	15.23
				10.10.2014	1,500	Transfer	4,603,768	15.23
				28.11.2014	1,500	Transfer	4,605,268	15.24
		31.03.2015	-	-	-	4,605,268	15.24	
3	Rajnish Inderjit Dhall, Managing Director	669,167	2.21	-	-	-	669,167	2.21
4	Ashish Karamchandani, Independent Director	25,400	0.08	01.04.2014	-	-	-	-
				16.03.2015	70,000	Transfer	95,400	0.32
				31.03.2015	-	-	95,400	0.32
5	Mihir Doshi, Independent Director	30,000	0.10	-	-	-	30,000	0.10

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	835,409,004	0.00	0.00	835,409,004
ii) Interest due but not paid	0.00	0.00	0.00	0.00
iii) Interest accrued but not due	1,017,652	0.00	0.00	1,017,652
Total (i+ii+iii)	836,426,656	0.00	0.00	836,426,656
Change in Indebtedness during the financial year				
Additions	1,873,501,663	10,23,98,459	0.00	1,975,900,122
Reduction	1,176,419,417	10,23,98,459	0.00	1,278,817,876
Net Change	697,082,247	0.00	0.00	697,082,247
Indebtedness at the end of the financial year				
i) Principal Amount	1,532,491,250	0.00	0.00	1,532,491,250
ii) Interest due but not paid	0.00	0.00	0.00	0.00
iii) Interest accrued but not due	1,494,851	0.00	0.00	1,494,851
Total (i+ii+iii)	1,533,986,101	0.00	0.00	1,533,986,101

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.	1,200,000	1,200,000	1,142,400	3,542,400
	(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	57,600	57,600
	Total (A)	1,200,000	1,200,000	1,200,000	3,600,000
	Ceiling as per the Act	5,214,669			
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	Geeta Goel	Chetan Juthani	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

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

SL. No	Particulars of Remuneration	Key Managerial Personnel			
		CEO	Avani Shah -Company Secretary	Nachiket Shelgikar -CFO	Total
1	Gross Salary				
	(a) Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961	NA	983,730	1,142,400	2,126,130
	(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	510,000	0	510,000
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 - Provident Fund	NA	47,520	57,600	105,120
	Total	NA	1,541,250	1,200,000	2,741,250

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					
Compounding	Section 621A	For violation of the provisions of Section 159, 161 of the Companies Act, 1956 i.e. delay in filing Annual Return with the ROC for the financial years ended on 31st March, 2011, 31st March, 2012 and 31st March, 2013	Rs. 25,000 - Compounding Fees imposed	Company Law Board, Mumbai Bench	No Appeal made
B. DIRECTORS					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-
C. OTHER OFFICERS IN DEFAULT					
Officer in default : Company Secretary					
Compounding	Section 621A	For violation of the provisions of Section 159, 161 of the Companies Act, 1956 i.e. delay in filing Annual Return with the ROC for the financial years ended on 31st March, 2011, 31st March, 2012 and 31st March, 2013	Rs. 25,000 - Compounding Fees imposed	Company Law Board, Mumbai Bench	No Appeal made

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:

www.mhfcindia.com/CSR%20Policy.pdf

- (2) The Composition of the CSR Committee.

1. Mr. Chetan Juthani

2. Mr. Mihir Doshi

3. Ms. Mona Kachhwaha

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

Average net profit: ₹ 3.46 Cr.

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

The Company is required to spend ₹ 6.94 Lakhs towards CSR.

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

(a) Total amount to be spent for the financial year: ₹ 6.94 Lakhs

(b) Amount unspent: ₹ 5.94 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 implementing 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.
	TOTAL			₹1,00,000	₹1,00,000	₹1,00,000	

Sd/-

Sd/-

Rajnish Dhall

Managing Director

(DIN: 02146708)

Chairman - CSR Committee

MICRO HOUSING FINANCE CORPORATION LIMITED
CORPORATE SOCIAL RESPONSIBILITY (CSR) POLICY

Introduction

The “business” of MHFC is itself completely CSR intertwined. The company was set up with a strong social mission – to ONLY help financially excluded families own a home – which typically would include lower income, informal sector (those lacking documentation to prove incomes) who are underserved or not served at all by mainstream financial institutions. In fact, the world’s leading Impact Ratings agency – GIIRS (www.giirs.org) – has given MHFC the highest possible ratings in its 2 categories (a) a 5 star “Impact Operations” rating which evaluates “the impact of the business in how it operates” and a “Platinum Impact Business Model” rating which recognises “business models that are specifically designed to solve social or environmental problems through company products or services, target customers, value chain, ownership or operations”.

However, an actual policy is now being articulated as a written document in line with recent Company Act amendments in India. This policy, which encompasses the company’s philosophy for delineating its responsibility as a corporate citizen, lays down the guidelines and mechanism for undertaking socially useful programmes for welfare & sustainable development of the community at large, is titled as the ‘MHFC CSR Policy’ and will be effective from March 16, 2015.

This policy shall apply to all CSR initiatives and activities taken up for the benefit of different segments of the society, which are of course in addition to the mission of the company, which we believe is of high community impact, but which may or may not fit the CSR definitions under the Companies Act itself.

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. EXCLUSION FROM CSR

The following activity shall not (per the Companies Act as on date) form part of the CSR activities of the Company:

1. The activities undertaken in pursuance of normal course of business of a company.
2. CSR projects/programs or activities that benefit only the employees of the Company and their families.
3. Any contribution directly/indirectly to political party or any funds directed towards political parties or political causes.
4. Any CSR projects/programs or activities undertaken outside India.

VI. 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 & after the Board of Directors' approval, the CSR Expenditure will 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.

VII. CSR COMMITTEE

A Committee of Board of Directors has been formed in pursuance of the Section 135 of Companies Act, 2013. The MHFC CSR Committee comprises of 3 Directors including one Independent Director namely, Mr. Chetan Juthani (Director), Ms. Mona Kachhwaha (Director) and Mr. Mihir Doshi (Independent Director). The committee is responsible for the implementation/monitoring and review of this policy and various projects/activities undertaken under the policy. The CSR Committee shall submit periodical reports to the board of directors.

The terms of reference of CSR Committee shall, inter-alia, include the following:

- a. To formulate and recommend to the Board, a CSR policy which shall indicate the activities to be undertaken by the Company as per the Companies Act, 2013;
- b. To review and recommend the amount of expenditure to be incurred on the activities to be undertaken by the company;
- c. To monitor the CSR policy of the Company from time to time;
- d. Any other matter as the CSR Committee may deem appropriate after approval of the Board of Directors or as may be directed by the Board of Directors from time to time.
- e. The CSR Committee will be responsible for the monitoring CSR activities and report to the Board from time to time.

f. The quorum for the Corporate Social Responsibility (CSR) Committee Meeting shall be one-third of its total strength (any fraction contained in that one-third be rounded off as one) or two members, whichever is higher.

g. The Company Secretary to the Company shall act as Secretary to the Corporate Social Responsibility (CSR) Committee.

VIII. DISCLOSURES

The Annual Report of the Company shall include a section on CSR outlining the CSR Policy, CSR committee, CSR initiatives undertaken by Company, the CSR spend during the financial year and other information as required by the prevailing law.

IX. GENERAL

Any amendment or modification to the CSR policy shall be approved by the Board on the recommendation of the CSR committee.

The contents of this policy shall be disclosed in the Board's report and the same shall also be disclosed on the website of the Company.

ANNEXURE C

MICRO HOUSING FINANCE CORPORATION LIMITED NOMINATION AND REMUNERATION POLICY

The Board of Directors of Micro Housing Finance Corporation Limited ("the Company") re-named & re-constituted the Remuneration Committee as the "Nomination and Remuneration Committee" at the Meeting held on March 16, 2015 with immediate effect.

1. OBJECTIVE

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.

DEFINITIONS

- 2.1. Act means the Companies Act, 2013 and Rules framed thereunder, as amended from time to time.
- 2.2. Board means Board of Directors of the Company.
- 2.3. Directors mean Directors of the Company.
- 2.4. Key Managerial Personnel means
 - 2.4.1. Chief Executive Officer or the Managing Director or the Manager;
 - 2.4.2. Whole-time director;
 - 2.4.3. Chief Financial Officer;
 - 2.4.4. Company Secretary; and
 - 2.4.5. such other officer as may be prescribed.
- 2.5. Senior Management means Senior Management means personnel of the company who are members of its core management team excluding the Board of Directors comprising all members of management one level below the executive directors, including Functional Heads.

3. ROLE OF COMMITTEE

3.1. Matters to be dealt with, perused and recommended to the Board by the Nomination and Remuneration Committee

The Committee shall:

- 3.1.1. Formulate the criteria for determining qualifications, positive attributes and independence of a director.
- 3.1.2. Identify persons who are qualified to become Director and persons who may be appointed in Key Managerial and Senior Management positions in accordance with the criteria laid down in this policy.
- 3.1.3. Recommend to the Board, appointment and removal of Director, KMP and Senior Management Personnel.

3.2. Policy for appointment and removal of Director, KMP and Senior Management

3.2.1. Appointment criteria and qualifications

- a) The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director, KMP or at Senior Management level and recommend to the Board his / her appointment.
- b) A person should possess adequate qualification, expertise and experience for the position he / she is considered for appointment. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person is sufficient / satisfactory for the concerned position.
- c) The Company shall not appoint or continue the employment of any person as Whole-time Director who has attained the age of seventy years. Provided that the term of the person holding this position may be extended beyond the age of seventy years with the approval of shareholders by passing a special resolution based on the explanatory statement annexed to the notice for such motion indicating the justification for extension of appointment beyond seventy years.

3.2.2. Term / Tenure

a) Managing Director/Whole-time Director:

The Company shall appoint or re-appoint any person as its Executive Chairman, Managing Director or Executive Director for a term not exceeding five years at a time. No re-appointment shall be made earlier than one year before the expiry of term.

b) Independent Director:

- An Independent Director shall hold office for a term up to five consecutive years on the Board of the Company and will be eligible for re-appointment on passing of a special resolution by the Company and disclosure of such appointment in the Board's report.
- No Independent Director shall hold office for more than two consecutive terms, but such Independent Director shall be eligible for appointment after expiry of three years of ceasing to become an Independent Director. Provided that an Independent Director shall not, during the said period of three years, be appointed in or be associated with the Company in any other capacity, either directly or indirectly.
- At the time of appointment of Independent Director it should be ensured that number of Boards on which such Independent Director serves is restricted to seven listed companies as an Independent Director and three listed companies as an Independent Director in case such person is serving as a Whole-time Director of a listed company or such other number as may be prescribed under the Act.

3.2.3. Evaluation

The Committee shall carry out evaluation of performance of every Director, KMP and Senior Management Personnel at regular interval (yearly).

3.2.4. Removal

Due to reasons for any disqualification mentioned in the Act or under any other applicable Act, rules and regulations thereunder, the Committee may recommend, to the Board with reasons recorded in writing, removal of a Director, KMP or Senior Management Personnel subject to the provisions and compliance of the said Act, rules and regulations.

3.2.5. Retirement

The Director, KMP and Senior Management Personnel shall retire as per the applicable provisions of the Act and the prevailing policy of the Company. The Board will have the discretion to retain the Director, KMP, Senior Management Personnel in the same position/ remuneration or otherwise even after attaining the retirement age, for the benefit of the Company.

3.3. Policy relating to the Remuneration for the Whole-time Director, KMP and Senior Management Personnel3.3.1. General:

a) The remuneration / compensation / commission etc. to the Whole-time Director, KMP and Senior Management Personnel will be determined by the Committee and recommended to the Board for approval. The remuneration / compensation / commission etc. shall be subject to the prior/post approval of the shareholders of the Company and Central Government, wherever required.

b) The remuneration and commission to be paid to the Whole-time Director shall be in accordance with the percentage / slabs / conditions laid down in the Articles of Association of the Company and as per the provisions of the Act.

c) Increments to the existing remuneration/ compensation structure may be recommended by the Committee to the Board which should be within the slabs approved by the Shareholders in the case of Whole-time Director.

Where any insurance is taken by the Company on behalf of its Whole-time Director, Chief Executive Officer, Chief Financial Officer, the Company Secretary and any other employees for indemnifying them against any liability, the premium paid on such insurance shall not be treated as part of the remuneration payable to any such personnel. Provided that if such person is proved to be guilty, the premium paid on such insurance shall be treated as part of the remuneration.

3.3.2. Remuneration to Whole-time / Executive / Managing Director, KMP and Senior Management Personnel:a) Fixed pay:

The Whole-time Director/ KMP and Senior Management Personnel shall be eligible for a monthly remuneration as may be approved by the Board on the recommendation of the Committee. The breakup of the pay scale and quantum of perquisites including, HRA, Special Allowance, Conveyance, Employer's contribution to P.F, Pension Scheme, Medical Expenses, Gratuity, etc. shall be decided and approved by the Board/ the Person authorized by the Board on the recommendation of the Committee and approved by the shareholders and Central Government, wherever required.

b) Minimum Remuneration:

If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Whole-time Director in accordance with the provisions of Schedule V of the Act and if it is not able to comply with such provisions, with the previous approval of the Central Government.

c) Provisions for excess remuneration:

If any Whole-time Director draws or receives, directly or indirectly by way of remuneration any such sums in excess of the limits prescribed under the Act or without the prior sanction of the Central Government, where required, he / she shall refund such sums to the Company and until such sum is refunded, hold it in trust for the Company. The Company shall not waive recovery of such sum refundable to it unless permitted by the Central Government.

3.3.3. Remuneration to Other employees:

The remuneration of other employees will be fixed from time to time considering industry standards and cost of living. In addition to basic salary they will also be provided with perquisites and retirement benefits as per schemes of the Company and statutory requirements, where applicable.

4. MEMBERSHIP

- 4.1 The Committee shall consist of a minimum 3 non-executive directors, majority of them being independent.
- 4.2 Minimum two (2) members shall constitute a quorum for the Committee meeting.
- 4.3 Term of the Committee shall be continued unless terminated by the Board of Directors.
- 4.4 The members of the Committee shall choose one amongst them to act as Chairperson.
- 4.5 The Company Secretary of the Company shall act as Secretary of the Committee.

5. FREQUENCY OF MEETINGS

The meeting of the Committee shall be held at such regular intervals as may be required.

6. MINUTES OF COMMITTEE MEETING

Proceedings of all meetings must be minuted and signed by the Chairman of the Committee within 30 days of the meeting.

7. COMMITTEE MEMBERS' INTERESTS

- 7.1 A member of the Committee is not entitled to be present when his or her own remuneration is discussed at a meeting or when his or her performance is being evaluated.
- 7.2 The Committee may invite such executives, as it considers appropriate, to be present at the meetings of the Committee.

DISCLOSURE AS PER SS-1

During the Financial Year, 7 Board Meetings and 5 Audit Committee, 2 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	12.05.2014	1	12.05.2014	1	13.03.2015	1	16.03.2015
2	21.08.2014	2	21.08.2014	2	16.03.2015		
3	22.08.2014	3	22.10.2014				
4	29.09.2014	4	03.02.2015				
5	22.10.2014	5	16.03.2015				
6	03.02.2015						
7	16.03.2015						

Attendance Of Directors in Board and Committee Meetings:

Sr. No.	Name of the Director	Number Meetings Attended:			
		Board	Audit Committee	Nomination & Remuneration Committee	CSR Committee
1	Madhusudhan Padath Pulloot	6	-	-	-
2	Rajnish Inderjit Dhall	7	5	-	-
3	Nachiket Sanjiv Shelgikar	6	-	-	-
4	Mona Kachhwaha	6	4	1	-
5	Geeta Dutta Goel	3	2	1	-
6	Chetan Jitendra Juthani	4	3	0	1
7	Ashish Kanayo Karamchandani	3	3	2	0
8	Mihir Jagdish Doshi (Appointed on 27.02.2015)	1	-	1	1



KIRANBHAI PATIL

When Kiran Patil (36) and his family decided to move out of their home of 25 years located in the decrepit GHB colony in Indiranagar, Ahmedabad, their options were limited. The decision to sell the only house the family owned was not easy but yet unavoidable, due to the degraded conditions and lack of basic services at the government-built housing colony. In 2011, the Patil family moved into a rental house in nearby Prerna Society with the intention of eventually saving up enough to afford a new home. Two years hence, Patil fortunately found himself to be in a position to take on the financial liability of buying a house for his family, and booked a 1 bedroom flat in the newly constructed Naiya Apartments in Vastral. However, in an unexpected turn of events, Patil's wife Sunita (27) lost her hearing that same month and had to be operated upon immediately. The family incurred an expenditure of over one lakh rupees. This meant a significant reduction in Patil's savings, at time when he had already committed to investing in a decent place to live.

It was then that Kiran Patil was referred to MHFC by the builder, Mr. Sanjay Patel, who was keen for Patil to follow through with his decision. Very soon, Patil was sanctioned a loan of Rs. 10 lakh by MHFC, helping him pin-down the aspiration of owning a home and eventually making it a reality. Today,

Patil has already moved in to his new apartment, along with his wife, parents, and 6 year old son. Four of the five members of this family are co-applicants on the loan, all of whom work very hard to repay a monthly instalment of Rs. 12,000, aside from managing basic household expenses.

Kiran Patil (the main applicant) works as a fabricator at Transformers & Rectifiers, an industrial manufacturer of transformer machinery. Patil's job is high-risk (in terms of physical injury) and strenuous, but seeks him a monthly salary of Rs. 16,000 on average. Patil's father, Subhash Patil (60), also works at an industrial plant as a security guard and peon, bringing home Rs. 7,500 every month. On the other hand Patil's wife found work at their son's school, Eklavya Academy, as an attendant - a job which pays her a humble Rs. 2,500 per month. Finally, Patil's mother Maya (55) is also proud to be contributing another Rs. 2,500 to the family's income, by working as a cook for their next door neighbour, who coincidentally happens to be a MHFC customer as well!

Despite the difficulties, Kiran Patil and his family feel happy to come home to their own house every day and MHFC is certainly proud to be a part of this new change.

PORTFOLIO

SANCTIONS VS DISBURSALS (CUMULATIVE)

Total Loans Sanctioned:

6,275


₹302.26 CR

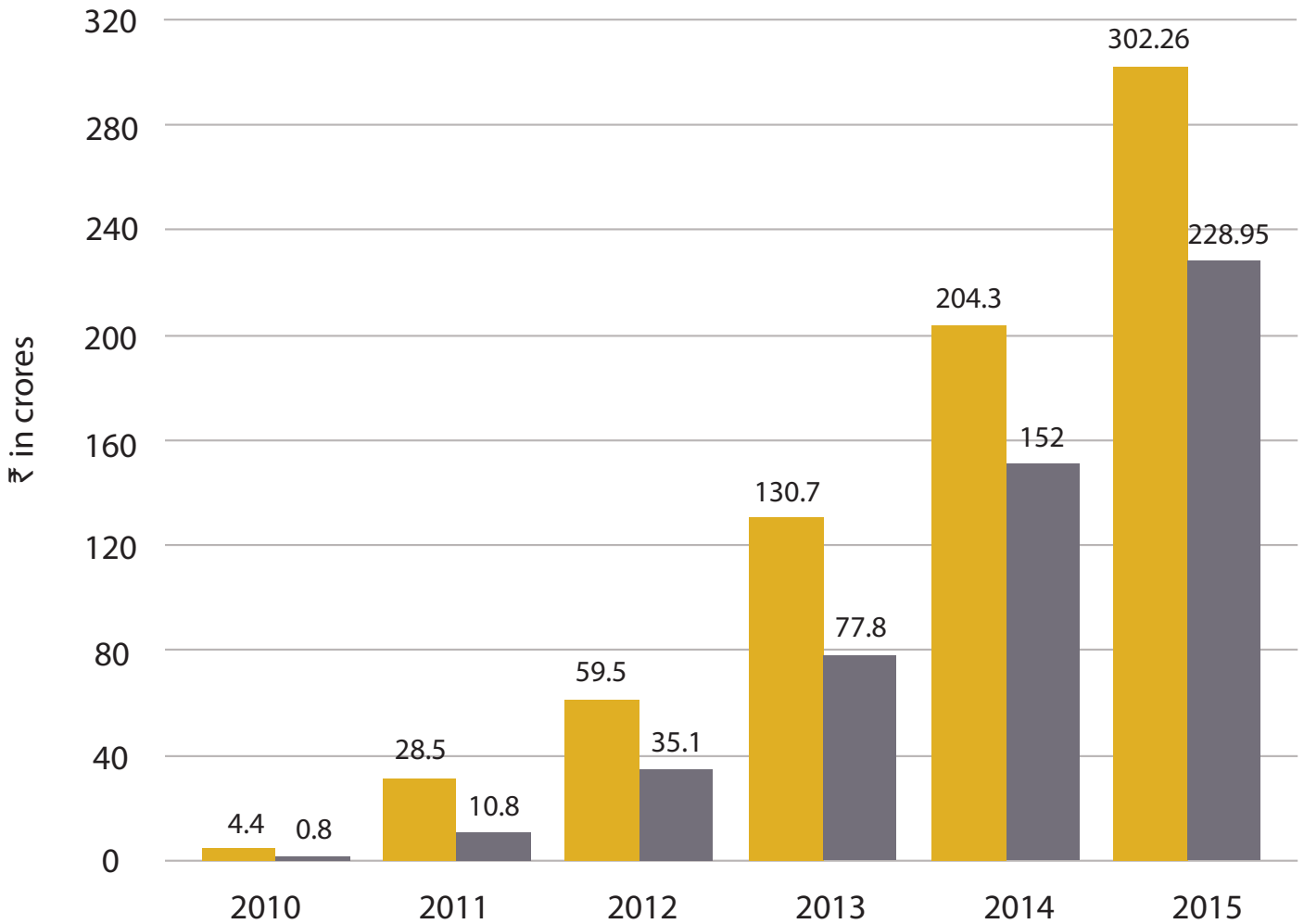
Total Loans Disbursed:

5,088

₹228.95 CR

 Amount Sanctioned

 Amount Disbursed



PORTFOLIO : SANCTIONS

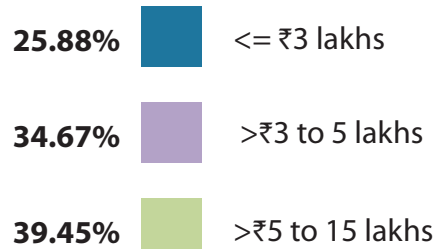
CUMULATIVE LOANS SANCTIONED: 6,275



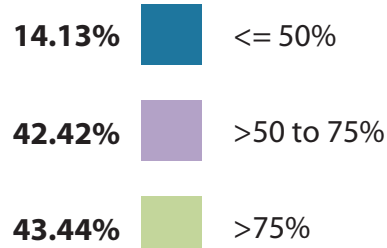
Average Loan Tenor: 13 years



Average Loan Amount: ₹4.79 lakhs



Average Loan to Value (LTV): 72.61%





RAJU NIMJE

Raju Nimje and his wife Dipali dote on their daughter Sakshi. It was the family's wish to celebrate Sakshi's 1st birthday in their new 1 BHK flat in Naiya Apartments, Ahmedabad. MHFC sanctioned a Rs. 9,95,000 loan for 15 years in order to help the Nimje family pay for the new flat. There is no one particular family member who is earning a high enough income to service a loan of that size. However, the collective effort of each family member is what is truly inspiring.

The patriarch of the family is Bharat Nimje. He and his wife, Jyoti Nimje, have 3 sons: Raju, Vishal and Tushar. While Raju and Vishal are married, Tushar is single and only recently entered the workforce. Raju's wife Dipali and Vishal's wife Vaishali also work, which makes it 7 working family members. Each of them contribute to the monthly EMIs. Their support for one another and desire for owning their own home are the main reasons the Nimje family are able to service our loan.

The main applicant on the loan, Raju Nimje, has been working as a tailor for the past year and a half. He operates out of his own home with his wife Dipali and Vishal's wife Vaishali, where they get work from a local garment shop, Jai Sainath Garments. They interlock dupattas, sarees and stitch shirts and collectively make Rs 12,000 per month. Eventually, they would like to start their own tailoring business. Just like his father, Raju Nimje worked in a power loom factory before he started his tailoring work.

Bharatbhai, 55, currently works in a power loom factory from 8 am to 8 pm and earns Rs 8000 per month. He has worked in this field for 35 years. His wife, Jyoti, is the decision maker of their family.



She manages to balance household chores while earning Rs. 2,000 per month as the kitchen head at a local school.

Vishal, 27, who got married 2 years ago, has a job in the textile industry. He manufactures spare parts of powerloom machinery as an employee of Umiya Enterprise, a small company that has around 10 employees. He does a 12 hour shift and earns Rs. 9,000 per month. The youngest brother, 20 year old Tushar, works at a car service station called Laxmi Motors. Here he is responsible for washing, polishing and cleaning cars for which he earns Rs 8,000 per month.

Their first attempt at buying an apartment fell flat as they were defrauded by a scammer who took their hard earned money and never delivered on the flat. However, the second time around, they were able to book an apartment at Naiya Apartment with the help of MHFC, and move out from the old and dilapidated rented house. From MHFC's perspective, we were very happy to support, given that even though we regularly see amazing customer stories, this family stands out in the number of people (7) who live together and jointly contribute towards servicing a home loan.

INDEPENDENT AUDITORS' REPORT

To the Members of Micro Housing Finance Corporation Limited

Report on the Financial Statements

1. We have audited the accompanying financial statements of Micro Housing Finance Corporation Limited ("the Company"), which comprise the Balance Sheet as at 31 March 2015, the Statement of Profit and Loss, 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 specified 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 the 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, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. 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 the 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 2015, its profit and its cash flows for the year ended on that date.

Emphasis of Matter

9. We draw attention to Note 10 (a) to the financial statements, which describes the accounting treatment used by the Company in creating the Deferred Tax Liability on Special Reserve under section 36(1) (viii) of the Income Tax Act, 1961 as at 31 March 2014, which is in accordance with the National Housing Bank's circulars issued in this regard. Our opinion is not qualified in respect of this matter.

Report on Other Legal and Regulatory Requirements

10. As required by the Companies (Auditor's Report) Order, 2015 ("the Order") issued by the Central Government of India in terms of Section 143(11) of the Act, we give in the Annexure a statement on the matters specified in paragraphs 3 and 4 of the Order

11. 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 specified 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 as on 31 March 2015 and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2015 from being appointed as a director in terms of Section 164(2) of the Act;
- f. with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i. the Company does not have any pending litigations which would impact its financial position;
 - ii. the Company, as detailed in Note 24 to the financial statements, has made provision, as required under the Housing Finance Companies (NHB) Directions, 2010, on the Housing and Non-housing loans; and 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.

For Walker Chandiok & Co LLP

(Formerly Walker, Chandiok & Co)

Chartered Accountants

Firm's Registration No.: 001076N/N500013

Sd/-

per **Sudhir N. Pillai**

Partner

Membership No.: 105782

Place: Mumbai

Date: 11 May 2015

ANNEXURE

Annexure to the Independent Auditors' Report of even date to the members of Micro Housing Finance Corporation Limited, on the financial statements for the year ended 31 March 2015.

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, we report that:

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) All fixed assets have not been physically verified by the management during the year; however, there is a regular program of verification once in two years, which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (ii) (a) The Company does not have any inventory. Accordingly, the provisions of clause 3(ii) of the Order are not applicable.
- (iii) (a) The Company has not granted any loan, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 189 of the Act. Accordingly, the provisions of clauses 3(iii)(a) and 3(iii)(b) of the Order are not applicable.
- (iv) Owing to the nature of its business, the Company does not maintain any physical inventories or sell any goods. Accordingly, clause 3(iv) of the Order with respect to purchase of inventories and sale of goods is not applicable. In our opinion, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of fixed assets and for the sale of services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.
- (v) The Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.
- (vi) To the best of our knowledge and belief, 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, wealth tax, service tax, duty of customs, duty of excise, value added tax, cess and other material statutory dues, as applicable, with 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, wealth tax, service tax, duty of customs, duty of excise, value added tax and cess that have not been deposited with the appropriate authorities on account of any dispute.
- (c) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company in accordance with the relevant provisions of the Companies Act, 1956 (1 of 1956) and rules made thereunder. Accordingly, the provisions of clause 3(vii)(c) of the Order are not applicable.

- (viii) In our opinion, the Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and the immediately preceding financial year.
- (ix) The Company has not defaulted in repayment of dues to any bank or financial institution during the year. The Company did not have any outstanding debentures during the year.
- (x) The Company has not given any guarantees for loans taken by others from banks or financial institutions. Accordingly, the provisions of clause 3(x) of the Order are not applicable.
- (xi) In our opinion, the term loans were applied for the purpose for which the loans were obtained, though idle funds which were not required for immediate utilization were temporarily used for the purpose other than for which the loan was sanctioned but were ultimately utilised for the stated end-use.
- (xii) No fraud on or by the Company has been noticed or reported during the period covered by our audit.

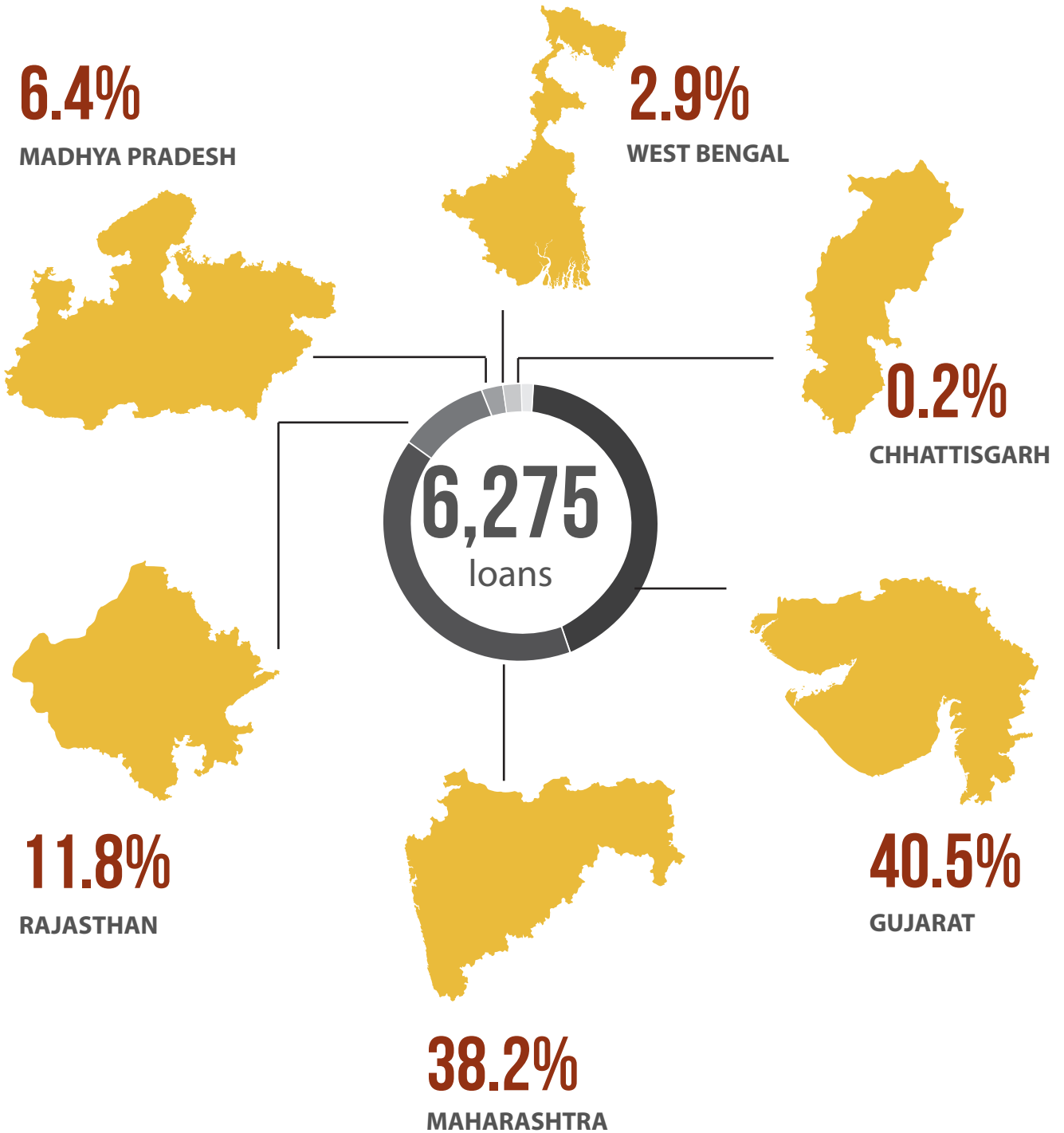
For **Walker Chandiok & Co LLP**
(Formerly Walker, Chandiok & Co)
Chartered Accountants
Firm's Registration No.: 001076N/N500013

Sd/-
per **Sudhir N. Pillai**
Partner
Membership No.:105782

Place: Mumbai
Date: 11 May 2015

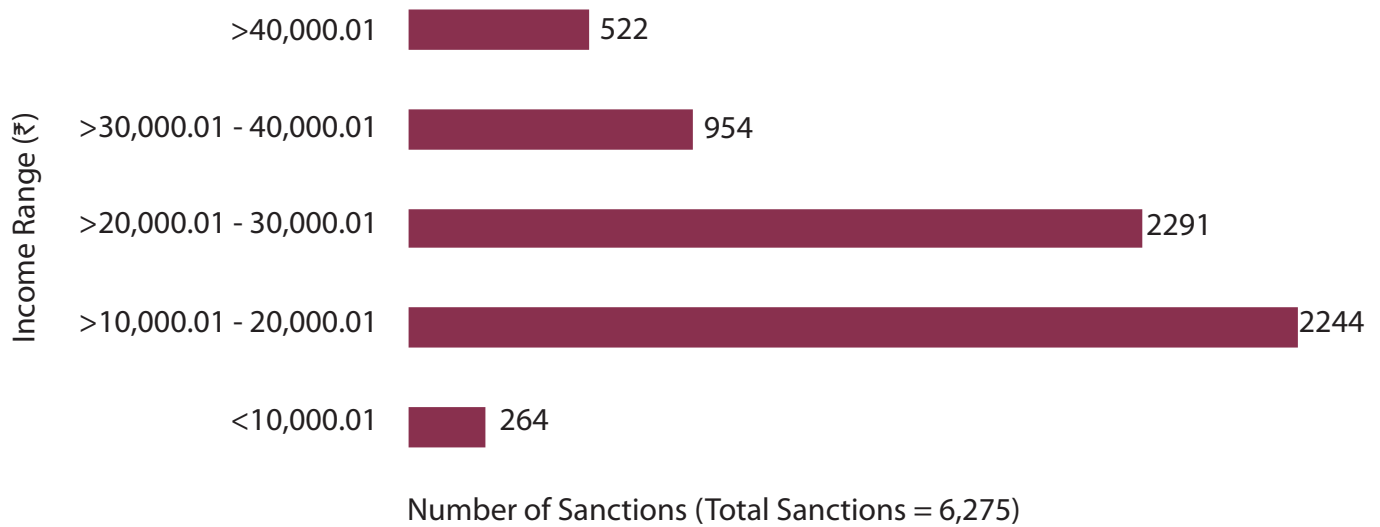
LOCATIONS

STATE WISE GEOGRAPHICAL DISTRIBUTION OF SANCTIONS

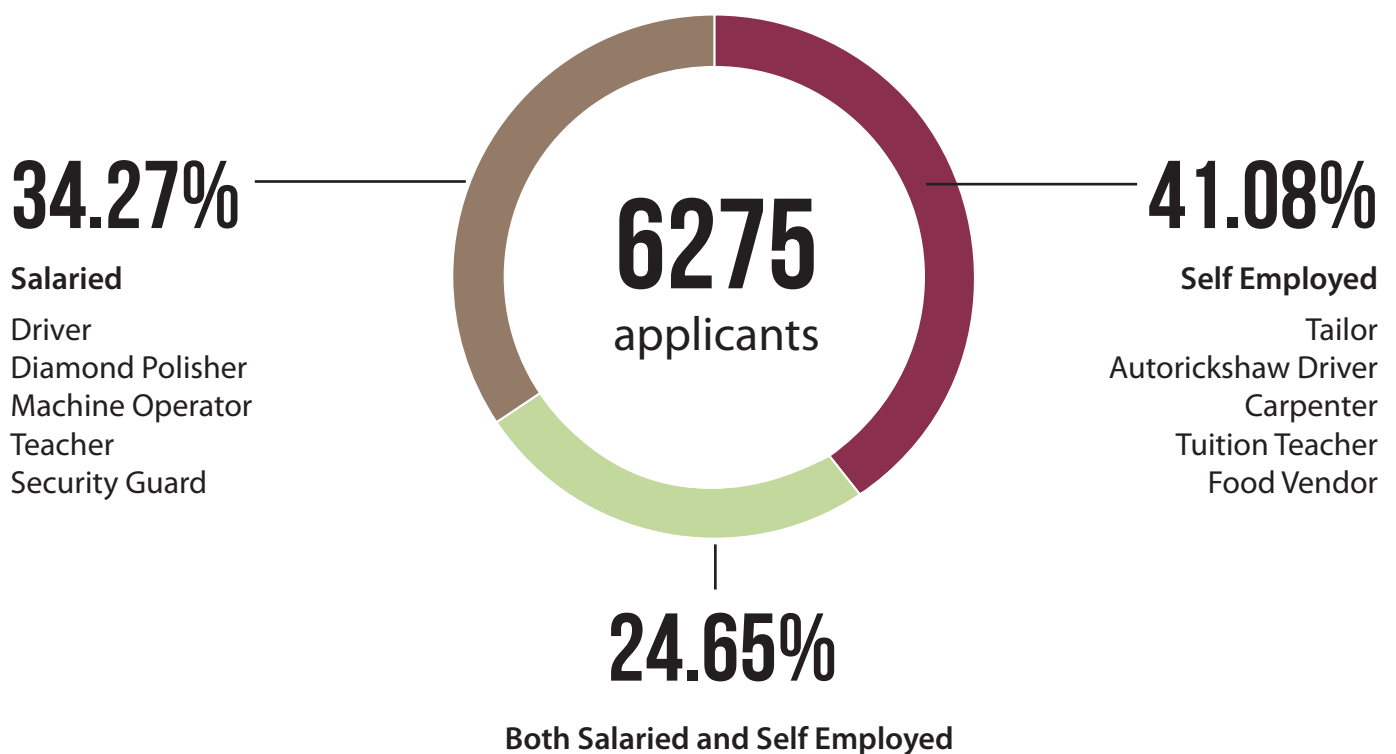


INCOME PROFILES

AVERAGE MONTHLY HOUSEHOLD INCOMES



OCCUPATIONS: SALARIED VS SELF EMPLOYED







FINANCIALS

BALANCE SHEET

STATEMENT OF PROFIT & LOSS

CASH FLOW STATEMENT

NOTES TO FINANCIAL STATEMENTS

SUNILBHAI PRAHLAD BAKSEY

For the past 15 years, Sunilbhai has been selling a variety of vegetables & fruits depending on the season. Currently, he has been selling bright red tomatoes with the help of his son. On a daily basis, he buys around 200-250 kg of tomatoes and sells around 150-200 kg by the end of the day.

BALANCE SHEET

	Notes	As at 31 March 2015 In ₹	As at 31 March 2014 In ₹
Equity and liabilities			
Shareholders' funds			
Share capital	3	302,275,750	302,275,750
Reserves and surplus	4	555,278,220	505,288,310
		857,553,970	807,564,060
Non-current liabilities			
Long-term borrowings	5	1,285,071,917	709,111,844
Deferred tax liabilities (net)	10	7,533,454	-
Long-term provisions	6	11,632,866	6,712,001
		1,304,238,237	715,823,845
Current liabilities			
Trade payables	7	1,320,842	1,342,522
Other current liabilities	8	249,508,257	129,519,414
Short-term provisions	6	1,347,658	-
		252,203,757	130,861,936
TOTAL		2,413,995,964	1,654,249,841
Assets			
Non-current assets			
Fixed assets			
Tangible assets	9	957,645	1,368,160
Deferred tax assets (net)	10	-	253,963
Loans and advances - Housing loans	11	1,764,975,309	1,221,038,721
Long-term loans and advances - Others	12	68,832,053	68,290,194
		1,834,765,007	1,290,951,038
Current assets			
Cash and bank balances	13	345,295,282	168,352,406
Loans and advances - Housing loans	11	41,173,181	72,461,596
Short-term loans and advances - Others	12	1,535,861	1,710,896
Other current assets	14	191,226,633	120,773,905
		579,230,957	363,298,803
TOTAL		2,413,995,964	1,654,249,841

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

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

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

Sudhir N. Pillai
Partner
Membership No.: 105782

Place: Mumbai
Date: 11 May 2015

For Micro Housing Finance Corporation Limited

Nachiket Shelgikar
Director and Chief Financial Officer

Rajnish Dhall
Managing Director

Avani Shah
Company Secretary

Place: Mumbai
Date: 11 May 2015

STATEMENT OF PROFIT & LOSS

	Notes	Year ended 31 March 2015 In ₹	Year ended 31 March 2014 In ₹
Revenue			
Revenue from operations	15	238,973,292	152,638,175
Other income	16	14,218,973	17,211,409
Total Revenue		253,192,265	169,849,584
Expenses			
Employee benefit expenses	17	34,622,620	27,532,843
Finance costs	18	114,454,066	66,566,005
Contingent Provisions against Standard Assets	24	2,594,031	2,676,234
Contingent provisions against Sub-standard Assets	24	1,753,444	-
Depreciation expense	9	934,831	567,869
Other expenses	19	18,882,698	14,645,773
Total Expenses		173,241,690	111,988,724
Profit before tax		79,950,575	57,860,860
Tax expense:			
Current tax		22,173,249	15,836,486
Deferred tax liability on Special Reserve		5,659,284	-
Deferred tax credit		(3,628,649)	(112,546)
		24,203,884	15,723,940
Profit after tax		55,746,691	42,136,920
Earnings per equity share			
	21		
Basic		1.84	1.55
Diluted		1.84	1.55

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

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

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

Sudhir N. Pillai
Partner
Membership No.: 105782

Place: Mumbai
Date: 11 May 2015

For Micro Housing Finance Corporation Limited

Nachiket Shelgikar
Director and Chief Financial Officer

Rajnish Dhall
Managing Director

Avani Shah
Company Secretary

Place: Mumbai
Date: 11 May 2015

CASH FLOW STATEMENT

	As at 31 March 2015	As at 31 March 2014
	In ₹	In ₹
(A) Cash flow from operating activities:		
Profit before tax	79,950,575	57,860,860
Adjustments for non-cash transactions		
Depreciation expense	934,831	567,869
Contingent provisions against Standard Assets	2,594,031	2,676,234
Contingent provisions against Sub-standard Assets	1,753,444	-
Contribution to gratuity	400,251	142,628
Items considered separately		
Interest income	(232,312,552)	(154,593,687)
Interest expense	110,866,023	65,539,725
Operating profit before working capital changes	(35,813,397)	(27,806,371)
Change in working capital :		
Changes in Loans & Advances - others	(508,120)	(31,904,865)
Changes in Other Current Assets	(9,645,819)	(8,089,700)
Changes in Trade Payables	(21,681)	140,240
Change in Other Current Liabilities and provisions	1,634,102	940,632
	(44,354,915)	(66,720,064)
Housing Loans disbursed	(567,641,804)	(659,073,663)
Cash used in operating activities before adjustment for interest received & interest paid	(611,996,719)	(725,793,727)
Interest received	226,640,571	147,040,999
Interest paid	(110,860,029)	(64,864,884)
Cash used in operating activities	(496,216,177)	(643,617,612)
Income taxes paid	(21,682,984)	(15,669,872)
Net cash used in operating activities	(517,899,161)	(659,287,484)
(B) Cash flow from investing activities:		
Purchase of fixed assets	(524,316)	(1,325,661)
Net cash flow used in investing activities	(524,316)	(1,325,661)
(C) Cash flow from financing activities:		
Net Proceeds from Borrowings	695,366,353	316,167,808
Proceeds from share capital including securities premium	-	379,716,340
Net cash generated from financing activities	695,366,353	695,884,148
Net increase in cash and cash equivalents (A+B+C)	176,942,876	35,271,003
Cash and cash equivalents at beginning of the year	168,352,406	133,081,403
Cash and cash equivalents as at the end of the year	345,295,282	168,352,406
Components of cash and cash equivalents		
Cash on hand	240,005	31,846
Balance in current accounts with banks	19,023,365	17,445,954
Balance in deposit accounts with banks	326,031,912	150,874,606
	345,295,282	168,352,406

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 by Central Government under the Companies Act, 2013.
2. Cash and cash equivalents as at year end includes fixed deposits of ₹10,000,000 (31 March 2014 ₹10,000,000) pledged as Counter-Guarantee for a Bank Guarantee issued by Federal Bank Ltd, amounting to ₹10,000,000 favouring the National Housing Bank for Refinance Facility.

The accompanying notes are an integral part of the 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

Sudhir N. Pillai
Partner
Membership No.: 105782

Place: Mumbai
Date: 11 May 2015

For Micro Housing Finance Corporation Limited

Nachiket Shelgikar
Director and Chief Financial Officer

Rajnish Dhall
Managing Director

Avani Shah
Company Secretary

Place: Mumbai
Date: 11 May 2015

NOTES TO FINANCIAL STATEMENTS

Summary of significant accounting policies and other explanatory information

Background

Micro Housing Finance Corporation Limited ("MHFC") was incorporated on May 16, 2008 with the objective to provide housing finance for urban financially excluded families, particularly lower income informal sector households.

1. a. Basis of preparation

The financial statements which have been prepared and presented under the historical cost convention on the accrual basis of accounting are in accordance with the requirements of the Companies Act, 2013 ('the Act') and comply to all material aspects with the applicable Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended). The company also follows the directions pronounced by the National Housing Bank (NHB) for housing finance company. The accounting policies have been consistently applied by the Company.

b. 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, provision for expenses, retirement benefits, and income taxes. Actual results could differ from those estimates. Any revision to accounting estimates will be recognised prospectively in the current and future periods.

2. Significant accounting policies

a. Fixed assets

Fixed assets 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 upto the point the asset is ready for its intended use.

b. Depreciation

The Company has reviewed its policy of providing for depreciation on its fixed assets and has also reassessed their useful lives as per Part C of Schedule II of the Companies Act 2013. On and from April 1, 2014, the WDV method is being used to depreciate all classes of fixed assets based on the useful life as per the Companies Act 2013. The revised useful lives, as assessed by Management, match those specified in Part C of Schedule II to the Companies Act, 2013, for all classes of assets. Individual assets costing up to Rs.5,000 are fully depreciated in the year of purchase.

c. Impairment of assets

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.

d. Revenue recognition

Interest on loans:

Interest income is recognised on accrual basis except in case of non-performing assets, where it is recognised on receipt basis. In the case of individual 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 disbursement of the full loan amount, Pre-EMI interest is charged every month.

Fee income and other charges:

All fee income and all other charges recoverable from customers are recognised on receipt basis.

Other income

Interest income on fixed deposits is recognised on a time proportionate basis. Interest on tax refunds and other incomes are accounted for on receipt basis.

NOTES TO FINANCIAL STATEMENTS

e. Investments

Investments are capitalised 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 & 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 Accounting Standard on Accounting for Investments (AS-13), issued by The Institute of Chartered Accountants of India. Long term investments are valued at cost net of amortisation of premium / discount. However, when there is a decline, 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.

f. Borrowing Cost

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as a part of cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to revenue.

g. 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 reassessed 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.

h. Housing loans

Housing loans represents outstanding amount of housing loans disbursed to individuals and others for purchase or construction of residential property. These loans are bifurcated into Standard, Sub-standard, Doubtful and Loss category based on the guidelines and directions issued by the National Housing Bank ("NHB").

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.

NOTES TO FINANCIAL STATEMENTS

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 Profit and Loss Account in the year to which gains or losses relate.

j. Operating Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of 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

Provisions are recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on management estimate of the amount required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates.

Provisions on housing loans are made in accordance with the guidelines and directions issued by the NHB from time to time.

Contingent liabilities are disclosed in respect of possible obligations that arise from past events, whose existence would be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company.

NOTES TO FINANCIAL STATEMENTS

3. Share Capital

	As at 31 March 2015		As at 31 March 2014	
	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	35,000,000	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 2015		As at 31 March 2014	
	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	23,042,959	230,429,590
Add : Issued during the year	-	-	7,184,616	71,846,160
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				
	Number	% of holding	Number	% of holding
India Financial Inclusion Fund	11,060,255	36.59%	11,060,255	36.59%
MHFC Employees Trust	5,338,099	17.66%	5,363,633	17.74%
Mr. Nachiket Shelgikar	4,605,268	15.24%	4,593,034	15.19%
Michael & Susan Dell Foundation	3,020,512	9.99%	3,020,512	9.99%
M/s. Unilazer Ventures	2,230,770	7.38%	-	-
Unilazer Ventures Private Limited	-	-	2,230,770	7.38%

c) Rights and preferences

The Company has only one class of equity shares having a par value of ₹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.

NOTES TO FINANCIAL STATEMENTS

4. Reserves and Surplus

	As at 31 March 2015 In ₹	As at 31 March 2014 In ₹
Securities Premium Reserve		
Balance at the beginning of the year	445,203,495	137,333,315
Add : Additions made during the year	-	309,653,880
Less: Share issue expenses adjusted in accordance with Section 78 of Companies Act, 1956	-	(1,783,700)
Balance at the end of the year	445,203,495	445,203,495
Special Reserve [Also, refer note (i) and (ii) below]		
Balance at the beginning of the year	18,690,115	6,533,243
Add : Current Year Transfer	17,118,220	12,156,872
Balance at the end of the year	35,808,335	18,690,115
Surplus in the statement of profit and loss		
Balance at the beginning of the year	41,394,701	11,414,653
Add: Transferred from statement of profit and loss	55,746,691	42,136,920
Less: Transfer to special reserve	(17,118,220)	(12,156,872)
Less: Adjusted against deferred tax liability [Also, refer note 10 (a)]	(5,756,782)	-
Balance at the end of the year	74,266,390	41,394,701
	555,278,220	505,288,310

NOTES TO FINANCIAL STATEMENTS

Notes:

- (i) As per Section 29C(i) of National Housing Bank Act, 1987, the Company is required to transfer atleast 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 2015, the Company has transferred to special reserve an amount arrived in accordance with Section 36(1)(viii) of the Income Tax Act, 1961.
- (ii) In terms of requirement of National Housing Bank Circular No NHB(ND)/DRS/Pol. Circular.61/2013-14 dated 7 April 2014, following information on Reserve Fund under Section 29C of the National Housing Bank Act, 1987 is provided:

Particulars	As at 31 March 2015 In ₹	As at 31 March 2014 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	17,413,132	5,256,260
c) Total	18,690,115	6,533,243
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	17,118,220	12,156,872
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	34,531,352	17,413,132
c) Total	35,808,335	18,690,115

NOTES TO FINANCIAL STATEMENTS

5. Borrowings

	As at 31 March 2015		As at 31 March 2014	
	In ₹		In ₹	
	Long term	Short term	Long term	Short term
Secured				
<u>Term Loans</u>				
Refinance from National Housing Bank	624,851,100	-	413,056,900	-
Loans From Banks	762,076,965	-	353,612,198	-
Loans from Financial Institution (HDFC Limited)	143,847,291	-	68,739,906	-
	1,530,775,356	-	835,409,004	-
Less: Current portion disclosed as Other Current Liabilities (Refer Note 8)	245,703,439	-	126,297,160	-
	1,285,071,917	-	709,111,844	-

a) Details of security for each type of borrowings

Term loans are secured by hypothecation of book debts/ receivables (housing loans) of the Company and assignment of mortgage on the dwelling units financed from such term loans.

b) Terms of repayment of loan terms

No.	Particulars	Amount (₹)	Terms of Repayment
1	National Housing Bank	624,851,100	The balance comprise of multiple refinance which are repayable in equated quarterly installments ranging between 28 and 60 starting from the quarter succeeding the one in which respective refinance was disbursed.
2	HDFC Limited	143,847,291	The balance comprise of multiple loans which are repayable in equated monthly installments ranging between 60 to 84 from the respective date of disbursement of each loan.
3	ING Vysya Bank Limited	282,189,741	The balance comprise of multiple loans which are repayable in equated monthly installments ranging between 60 to 96 from the respective date of disbursement of each loan.
4	DCB Bank Limited	133,252,000	The balance comprise of multiple loans which are repayable in equated monthly installments ranging between 60 to 120 from the respective date of disbursement of each loan.
5	IndusInd Bank Limited	48,825,700	Repayable in 84 equated monthly installments from date of disbursement.
6	HDFC Bank Limited	98,809,524	Repayable in 84 equated monthly installments from date of disbursement.
7	State Bank of India	199,000,000	Repayable in 96 monthly installments from date of disbursement.

1,530,775,356

NOTES TO FINANCIAL STATEMENTS

6. Provisions

	As at 31 March 2015		As at 31 March 2014	
	In ₹		In ₹	
	Long term	Short term	Long term	Short term
Provision for Gratuity (refer note (a) below)	855,123	317,126	771,998	-
Contingent provisions against Standard Assets (Also refer note 24)	8,367,421	-	5,773,390	-
Contingent provisions against Sub-standard Assets (Also refer note 24)	1,753,444	-	-	-
Provision for taxation (net of advance tax)	656,878	-	166,613	-
Reserve for interest receivable on Sub-standard loans	-	1,057,532	-	-
	11,632,866	1,374,658	6,712,001	-

a) Employee Benefits

In accordance with AS-15 on Employees benefits (revised) prescribed under the Rules, the information on the staff 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.

Change in projected benefit obligation

Projected benefit obligation at the beginning of the year	771,998	629,370
Service cost	342,750	209,654
Interest cost	71,410	50,350
Actuarial (gain) / loss	(13,909)	(117,376)
Benefits paid	-	-
Projected benefit obligation at the end of the year	1,172,249	771,998

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	1,172,249	771,998
Funded status of the plans	-	-
Liability / (asset) recognised in the balance sheet	1,172,249	771,998

Classification of liability recognised

Non Current	855,123	771,998
Current	317,126	-

Components of net gratuity costs are

Service cost	342,750	209,654
Interest cost	71,410	50,350
Expected returns on plan assets	-	-
Recognised net actuarial (gain)/ loss	(13,909)	(117,376)
Net gratuity costs	400,251	142,628

Assumptions used

Interest rate	7.75% p.a.	9.25% p.a.
Salary Growth	5% p.a.	5% p.a.
Withdrawal rate	1% p.a.	1% p.a.
Mortality rate	Indian Assured Lives (2006-08) ultimately mortality rates	Indian Assured Lives (2006-08) ultimately mortality rates
Retirement age	60 years	60 years

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 17.

NOTES TO FINANCIAL STATEMENTS

7. Trade Payables

	As at 31 March 2015	As at 31 March 2014
	In ₹	In ₹
Trade Payables		
Dues to micro and small enterprises (Also, refer to note 26)	-	-
Due to others	516,932	624,353
Other accrued liabilities	803,910	718,169
	1,320,842	1,342,522

8. Other Current Liabilities

	As at 31 March 2015	As at 31 March 2014
	In ₹	In ₹
Current Maturities of Long Term Borrowings		
Refinance from National Housing Bank	81,426,800	52,265,800
Loans From Banks	132,106,304	54,709,638
Loans from Financial Institution (HDFC Limited)	32,170,335	19,321,722
	245,703,439	126,297,160
Statutory dues		
TDS Payable	365,178	361,870
Profession Tax payable	17,000	13,425
Provident Fund Payable	246,085	190,393
ESIC payable	14,203	17,562
Interest accrued but not due on borrowings	1,557,865	1,551,871
Advance from Customers	1,604,487	1,087,133
	3,804,818	3,222,254
Total	249,508,257	129,519,414

9. Furniture and Fittings

Gross Block	Computer equipment	Furniture and fixtures	Office equipment	Total
Balance as at 01 April 2013	1,030,345	252,455	122,653	1,405,453
Additions	352,327	72,050	901,284	1,325,661
Balance as at 31 March 2014	1,382,672	324,505	1,023,937	2,731,114
Additions	184,088	52,000	288,228	524,316
Balance as at 31 March 2015	1,566,760	376,505	1,312,165	3,255,430
Accumulated depreciation				
Balance as at 01 April 2013	673,815	105,219	16,051	795,085
Depreciation charge	215,929	32,722	319,218	567,869
Balance as at 31 March 2014	889,744	137,941	335,269	1,362,954
Depreciation charge	442,430	61,802	430,599	934,831
Balance as at 31 March 2015	1,332,174	199,743	765,868	2,297,785
Net Block				
Balance as at 31 March 2014	492,928	186,564	688,668	1,368,160
Balance as at 31 March 2015	234,586	176,762	546,297	957,645

As consequence of revision in the useful life of the assets (as per Note 2(b)), depreciation charge is higher by Rs. 353,371 in the current year ended 31 March 2015.

NOTES TO FINANCIAL STATEMENTS

10. Deferred Taxes

	As at 31 March 2015	As at 31 March 2014
	In ₹	In ₹
Deferred tax liabilities		
Deferred tax liability on Special Reserve (Refer note (a) below)	11,416,066	-
Total	11,416,066	-
Deferred tax assets		
Provision for Standard Assets	2,766,269	-
Provision for Sub-standard Assets	579,689	-
Provision for employee benefits	387,546	250,475
Timing difference on tangible assets depreciation	149,108	3,488
Total	3,882,612	253,963
Net deferred tax (liabilities)/ asset	(7,533,454)	253,963

Note:

(a) Pursuant to National Housing Bank's (NHB) circular No.62/2014-15 dated 27 May 2014 and subsequent circular NHB(ND)/DRS/Policy Circular 65/2014-15 22 August 2014, the Company has created Deferred Tax Liability (DTL) on the Special Reserve maintained under section 36(1)(viii) of the Income Tax Act, 1961. As required by the aforesaid circulars, the expenditure amounting to Rs. 5,756,782 due to creation of DTL on Special Reserve as at 31 March 2014, not previously charged to Statement of Profit and Loss, has now been adjusted directly from the Reserves. Had this amount been charged to Statement of Profit and Loss in accordance with the generally accepted accounting principles in India, the amount of Profit for the year had been lower by such amount.

The Company has opted to adjust the entire amount of DTL on Special Reserve as at 31 March 2014 from the opening balance of reserves instead of in the ratio of 25:25:50 as prescribed in NHB Circular dated 22 August 2014.

The DTL for amounts transferred to Special Reserve during the year ended 31 March 2015 has been charged to the Statement of Profit and Loss of the same year.

11. Loans and Advances - Housing Loans

	As at 31 March 2015		As at 31 March 2014	
	In ₹		In ₹	
	Long term	Short term	Long term	Short term
Loans and Advances - Housing Loans				
(also, refer Note 24)				
Individuals (Secured, considered good)	1,877,883,342	-	1,306,795,212	-
Less: Current portion disclosed under Other current assets (Refer note 14)	119,254,683	-	85,756,491	-
	1,758,628,659	-	1,221,038,721	-
Corporate bodies (Secured, considered good)	18,346,650	41,173,181	-	72,461,596
Less: Current portion disclosed under Other current assets (Refer Note 14)	12,000,000	-	-	-
	6,346,650	41,173,181	-	72,461,596
	1,764,975,309	41,173,181	1,221,038,721	72,461,596

NOTES TO FINANCIAL STATEMENTS

12. Loans and Advances - Other Loans

	As at 31 March 2015		As at 31 March 2014	
	In ₹		In ₹	
	Long term	Short term	Long term	Short term
Loans and Advances - Other Loans				
(also, refer Note 24)				
Non-Housing loans (secured, considered good)				
Individuals	1,500,107	-	-	-
Less: Current portion disclosed under Other current assets (Refer note 14)	141,296	-	-	-
	1,358,811	-	-	-
Security deposits				
- Unsecured, considered good	592,252	-	416,923	-
	592,252	-	416,923	-
Loan to MHFC Employees Trust				
- Unsecured, considered good	66,880,990	-	67,136,330	-
	66,880,990	-	67,136,330	-
Other loans and advances (Unsecured, considered good)				
- Advance income tax (net of provisions)	-	-	736,941	-
- Advances to employees	-	183,641	-	58,980
- Loans to employees	-	739,499	-	1,032,986
- Balance with government authorities	-	13,781	-	34,740
- Prepaid expenses	-	598,940	-	584,190
	68,832,053	1,535,861	68,290,194	1,710,896

13. Cash and Bank Balances

	As at 31 March 2015		As at 31 March 2014	
	In ₹		In ₹	
	Current	Non-Current	Current	Non-Current
Cash and cash equivalents				
Cash on hand	240,005	-	31,846	-
Balances with banks				
- in current accounts	19,023,365	-	17,445,954	-
- in deposit account (with maturity upto 3 months)	314,300,000	-	120,000,000	-
	333,563,370	-	137,477,800	-
Deposits with maturity more than 3 months but less than 12 months	11,731,912	-	30,874,606	-
Total	345,295,282	-	168,352,406	-
Note				
Amount of deposit held as security against the bank guarantee (Refer Note 23)	10,000,000	-	10,000,000	-

NOTES TO FINANCIAL STATEMENTS

14. Other Current Assets

	As at 31 March 2015	As at 31 March 2014
	In ₹	In ₹
Current maturities of long term Housing loans - Individuals	119,254,683	85,756,491
Current maturities of long term Housing loans - Corporate bodies	12,000,000	-
Current maturities of long term Non-Housing loans	141,296	-
Installments receivable but not due - Individuals	28,473,764	20,789,246
Installments receivable and due - Individuals	2,424,179	521,057
Installments receivable and due - Corporate bodies	7,473,882	366,194
Installments receivable but not due on Non-Housing loans	29,819	-
Interest accrued on fixed deposits	1,072,310	2,600,217
Prepaid term loan installment	20,356,700	10,740,700
	191,226,633	120,773,905

15. Revenue

	As at 31 March 2015	As at 31 March 2014
	In ₹	In ₹
Revenue from Operations		
Fee Income	19,624,982	14,519,490
Interest income on housing and non-housing loans	219,348,310	138,118,685
	238,973,292	152,638,175

16. Other Income

	As at 31 March 2015	As at 31 March 2014
	In ₹	In ₹
Interest Income on fixed deposits	12,964,242	16,475,002
Interest income on loan to employees	98,076	34,511
Delayed Payment Charges	1,057,001	688,453
Miscellaneous Income	99,654	13,443
	14,218,973	17,211,409

17. Employee Benefit Expense

	As at 31 March 2015	As at 31 March 2014
	In ₹	In ₹
Salaries, Wages and Bonus (including managerial remuneration)	31,589,983	25,497,482
Contribution to gratuity	400,251	142,628
Contribution to provident fund	1,317,339	971,195
Contribution to ESIC	128,820	158,698
Ex-gratia payment	-	400,000
Staff welfare expenses	1,186,227	362,840
	34,622,620	27,532,843

NOTES TO FINANCIAL STATEMENTS

18. Finance Costs

	As at 31 March 2015	As at 31 March 2014
	In ₹	In ₹
Interest on Loans and Overdraft	110,866,023	65,539,725
Bank Charges	162,643	87,004
Bank Guarantee Commission	40,100	-
Loan Processing Fees	3,385,300	939,276
	114,454,066	66,566,005

19. Other Expenses

	As at 31 March 2015	As at 31 March 2014
	In ₹	In ₹
Electricity expenses	619,818	521,764
Rent	1,519,500	1,500,000
Repairs and Maintenance - Others	434,105	1,238,916
Insurance	1,231,531	71,382
Rates and Taxes	380,014	27,500
Payments to Auditors for statutory audit and certification work	700,000	625,000
Advertisement & Marketing Expenses	19,050	147,000
Communication expenses	1,499,639	1,027,273
Franking Charges	1,981,865	1,145,927
Professional, Legal & Consultancy Fees	2,812,340	3,412,740
Printing & Stationery	1,093,457	962,855
ROC Fees	34,269	20,060
Documentation Storage Cost	162,341	267,434
Travelling, Conveyance and Boarding Expenses	5,544,904	3,147,046
Books & Periodicals	9,831	10,977
Office Expenses	156,574	296,363
Computer Expenses	230,679	204,093
Corporate social responsibility activity (Also, refer Note 30)	100,000	-
Donation	303,777	-
Miscellaneous Expenses	49,004	19,443
	18,882,698	14,645,773

NOTES TO FINANCIAL STATEMENTS

20. Related Parties

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

Party on which directors of the Company are able to exercise significant influence/control

1. MHFC Employees Trust
2. Classapart Technologies Private Limited
3. NRS Micro Systems Private Limited
4. Mobile Search Engine Private Limited
5. MHFC Employees and Business Associates Welfare Trust
6. Micro Housing Solutions India Private Limited

Influence exercised on the Company through significant shareholding

India Financial Inclusion Fund

b) Transactions with related parties:

	Year Ended 31 March 2015	Year Ended 31 March 2014
	In ₹	In ₹
<u>I. Remuneration to KMPs</u>		
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	990,000	900,000
<u>II. Other transactions</u>		
Repayment of loan by MHFC Employees Trust	255,340	485,810
Additional loan disbursed to MHFC Employees Trust	-	31,500,000
Allotment of equity shares to MHFC Employees Trust	-	31,500,000
Allotment of equity shares to Mr. Nachiket Shelgikar	-	20,000,045
Allotment of equity shares to India Financial Inclusion Fund	-	86,249,930
Salaries and benefits to Ms. Madhura Shelgikar	540,000	265,000
Loan availed from Micro Housing Solutions India Private Limited	50,000,000	-
Repayment of loan to Micro Housing Solutions India Private Limited	50,000,000	-

c) Balances with related parties:

Balance due from

MHFC Employees Trust	66,880,990	67,136,330
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Notes:

Related party relationships have been identified by the management and relied upon by the auditors. No amount has been written off /provided as doubtful /written back during the year in respect of balance due from / to above related parties.

NOTES TO FINANCIAL STATEMENTS

21. Earning Per Share

The basic earnings per equity share are 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. The earnings per share is calculated as under:

Particulars	As at 31 March 2015	As at 31 March 2014
	In ₹	In ₹
Net profit for equity share holders (Rs.)	55,746,691	42,136,920
Weighted average number of equity shares outstanding during the year (Basic and Diluted)	30,227,575	27,098,007
Nominal value of equity shares (Rs.)	10.00	10.00
Basic and Diluted earnings per share (Rs.)	1.84	1.55

22. 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 Rs. 36,362,960 to MHFC Employees 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 Rs. 31,500,000 to MHFC Employees Trust, which has subscribed an equivalent amount to the share capital of the Company (subscription at a premium of Rs. 7.50 per equity share).

Such subscribed shares will eventually be allotted to present and future employees of the Company which are beneficiary of trust at the rate of Rs. 10 per share or Rs. 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 as on 31st March 2015 is Rs. 66,880,990 (31 March 2014 - Rs. 67,136,330).

23. Contingent Liabilities and Commitments

Particulars	As at 31 March 2015	As at 31 March 2014
	In ₹	In ₹
Contingent Liabilities		
Bank guarantee issued by Federal Bank Ltd favouring the National Housing Bank for refinance facility.	10,000,000	10,000,000
Commitments		
Other commitments - Undisbursed amount of housing loans	514,553,021	542,080,996

NOTES TO FINANCIAL STATEMENTS

24. Details of Provisions

a) Provisioning for standard, sub-standard, doubtful and loss assets

For the year ended 31 March 2015

Particulars	In ₹		In ₹		Total
	Standard	Sub-standard	Doubtful	Loss	
Loans					
Housing loans					
Individuals	1,867,614,655	10,268,687	-	-	1,877,883,342
Installments receivable but not due - Individuals	28,309,491	164,273	-	-	28,473,764
Installments receivable and due - Individuals	1,167,512	1,256,667	-	-	2,424,179
Corporate bodies	59,519,831	-	-	-	59,519,831
Installments receivable and due - Corporate bodies	7,473,882	-	-	-	7,473,882
Non-Housing loans					
Individuals	1,500,107	-	-	-	1,500,107
Installments receivable but not due on Non-Housing loans	29,819	-	-	-	29,819
Other loans					
Loan to MHFC Employees Trust	66,880,990	-	-	-	66,880,990
Loans to employees	739,499	-	-	-	739,499
Total Loans	2,033,235,786	11,689,627	-	-	2,044,925,412
Provision					
Housing loans					
Individuals	7,588,366	1,753,444	-	-	9,341,810
Corporate bodies	502,453	-	-	-	502,453
Non-Housing loans					
Individuals	6,120	-	-	-	6,120
Other loans					
Loan to MHFC Employees Trust	267,524	-	-	-	267,524
Loans to employees	2,958	-	-	-	2,958
Total Provision	8,367,421	1,753,444	-	-	10,120,865

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2014

Particulars	In ₹					Total
	Standard	Sub-standard	Doubtful	Loss		
Loans						
Housing loans						
Individuals	1,306,795,212	-	-	-	-	1,306,795,212
Installments receivable but not due - Individuals	20,789,246	-	-	-	-	20,789,246
Installments receivable and due - Individuals	521,057	-	-	-	-	521,057
Corporate bodies	72,461,596	-	-	-	-	72,461,596
Installments receivable and due - Corporate bodies	366,194	-	-	-	-	366,194
Non-Housing loans						
Individuals	-	-	-	-	-	-
Installments receivable but not due on Non-Housing loans	-	-	-	-	-	-
Other loans						
Loan to MHFC Employees Trust	67,136,330	-	-	-	-	67,136,330
Loans to employees	1,032,986	-	-	-	-	1,032,986
Total Loans	1,469,102,621	-	-	-	-	1,469,102,621
Provision						
Housing loans						
Individuals	5,227,182	-	-	-	-	5,227,182
Corporate bodies	546,208	-	-	-	-	546,208
Non-Housing loans						
Individuals	-	-	-	-	-	-
Other loans						
Loan to MHFC Employees Trust	-	-	-	-	-	-
Loans to employees	-	-	-	-	-	-
Total Provision	5,773,390	-	-	-	-	5,773,390

In the current year, the Company has made additional provision of Rs. 353,787 for certain standard assets. Based on the rectification required by NHB vide its letter dated 18 March 2015, the additional provision has been done for the short provision done in previous year on certain standard assets, 'Installments receivable but not due' and 'Loan to MHFC Employees Trust'. Consequent to the short provision, the CRAR as reported in Note 25 to the financial statements for the year ended 31 March 2014 was overstated by 0.04%, which has now been rectified.

b) Details of movement in provisions for standard and sub-standard Assets during the year is as under:

Particulars	As at 1 April 2014	Net Addition	As at 31 March 2015
On Loans			
- Individuals	5,227,182	4,120,748	9,347,930
- Corporate bodies	546,208	(43,755)	502,453
- Others	-	270,482	270,482
	5,773,390	4,347,475	10,120,865

NOTES TO FINANCIAL STATEMENTS

25. Additional Information (as certified and confirmed by the management)

a) Capital to Risk Assets Ratio (CRAR)

Item	As at 31 March 2015	As at 31 March 2014
(i) CRAR (%)	62.93%	74.75%
(ii) CRAR - Tier I Capital (%)	62.32%	74.75%
(iii) CRAR - Tier II Capital (%)	0.61%	-

b) Exposure to Real Estate Sector

Category	As at 31 March 2015 In ₹	As at 31 March 2014 In ₹
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	1,908,781,285	1,328,105,515
- Other loans	1,529,926	-
(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;	66,993,713	72,827,790
(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures		
a. Residential	-	-
b. Commercial Real Estate	-	-
b) Indirect Exposure		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	-	-

c) Asset liability management: Maturity pattern of certain items of assets and liabilities as at 31 March 2015

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	13,361,846	13,419,572	33,834,551	61,145,554	123,941,916	486,305,418	401,797,578	235,105,921	123,228,000	38,635,000	1,530,775,356
Market Borrowings	-	-	-	-	-	-	-	-	-	-	-
Assets											
Advances	35,359,306	19,480,377	14,581,997	45,199,626	73,899,051	321,385,383	325,666,808	326,786,605	433,098,385	359,827,825	1,955,285,363
Investments	-	-	-	-	-	-	-	-	-	-	-

Note:

Advances represents outstanding principal balance of housing and non-housing loans.

NOTES TO FINANCIAL STATEMENTS

26. There are no Micro, Small and Medium Enterprises, to whom the Company owes dues, which are outstanding for more than 45 days as at 31 March 2015. This information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company and has been relied upon by the auditors.

27. 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. Accordingly, disclosures relating to primary and secondary business segments as specified in Accounting Standard (AS 17) on "Segment Reporting", and under paragraph 29 (2) of the Housing Finance Companies (NHB) Directions, 2010, are not applicable to the Company.

28. The future minimum lease payment in respect of premises taken under non-cancellable operating lease are as follows:

Particulars	As at 31 March 2015	As at 31 March 2014
	In ₹	In ₹
Not later than one year	855,000	600,000
Later than one year but not later than 5 years	-	-

29. Disclosure regarding penalty or adverse comments as per Housing Finance Companies (NHB) Directions, 2010.

During the year the Company has:

a) paid a penalty of Rs. 5,000 for non-compliance with the provision of Paragraph 28 of the Housing Finance Companies (NHB) Directions, 2010. The Company has already remitted Rs. 5,000 to the NHB as directed and has put in place processes to ensure that such lapses do not reoccur.

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

30. As per Section 135 of the Companies Act 2013 and the Rules thereon, Company has not spent the required amount as a part of Corporate Social Responsibility (CSR) requirements. For the year ended 31 March 2015, the Company was required to spend Rs. 694,000 and the Company spent Rs. 100,000 which has resulted in a shortfall of Rs. 594,000.

The Company could not spend the specified CSR amount as it was in the process of determining specific activities and identifying specific partners that would be aligned with the Company's CSR Policy. It is further believed that this process should be completed in the coming financial year and the CSR amount as stipulated by the Companies Act, 2013 will be spent on qualifying activities accordingly.

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

NOTES TO FINANCIAL STATEMENTS

32. The previous year figures have been regrouped and reclassified wherever necessary to make them comparable with the current year figures.

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

Sudhir N. Pillai
Partner
Membership No.: 105782

Place: Mumbai
Date: 11 May 2015

For Micro Housing Finance Corporation Limited

Nachiket Shelgikar
Director and Chief Financial Officer

Rajnish Dhall
Managing Director

Avani Shah
Company Secretary

Place: Mumbai
Date: 11 May 2015

CUSTOMER FEATURE

SATEJ RAGHUNATH PATIL

'Rohini Stationery and General Stores' is a small shop in the Hadapsar area of Pune. The front walls of the shop are painted with the names of the various items that are sold. The shop's name is written in hindi on two large signboards that sandwich the main window through which Satej Patil patiently waits for customers.

Satej's father, Raghunath Patil, purchased the shop a year ago using the retirement benefits he received after a long career as a police inspector. Now earning a pension of Rs. 11,500 per month, Raghunath has diverted all his attention towards the running of the store. Apart from selling biscuits, chocolates, packed wafers, cold drinks and a host of other food items, the store also offers copying and lamination services. The store fetches the family an impressive Rs. 15,000 per month. Satej helps his father out occasionally, but his job as a security guard keeps him busy. He is currently posted at BNY Mellon in Hadapsar, where he covers the night shift. Satej's shift changes every week, but he always manages to help his father out at the store when he covers the night shift. Satej's wife works as a receptionist in Yes Hospital and gets a monthly salary of Rs. 8,500.

Raghunath's elder son, Vishal, is a commerce graduate and has completed an accounting course. He has been working in the back office of a large multinational corporation for the past year, earning a salary of Rs.14,000 per month. Vishal's wife Nivedita works with KEM hospital. Even Raghunath's wife, Mangal, lends a helping hand with running the store. Mangal also makes cardboard paper cups which are used by chaat vendors. She has been doing this for the past 5 years and makes approximately 1,000 cups on a daily basis. She sells each cup for 30 paise, earning Rs. 300 per day.

The entire family contributes to the household income. Each member is a vital cog in a well oiled machine, and importantly, each member realises the value of and their responsibility towards owning their home. Raghunath stayed with his entire family (wife, two sons, their wives and one granddaughter) in government quarters until his retirement two years ago. The family has been staying on rent ever since then and have always wanted a house of their own. Raghunath narrowed down on Vaishnavi City and made a down payment on a 2 BHK flat using money from his retirement benefits. Considering all the family members are earning and would contribute to the financing of the home, MHFC helped the Patil family purchase the flat in Vaishnavi City with the help of a Rs. 10,85,000 loan.



“Each member is a vital cog in a well oiled machine, and importantly, each member realises the value of and their responsibility towards owning their home.”





CUSTOMER FEATURE

NAVIN MAHERIYA

Navinbhai Maheriya has lived in Ahmedabad all his life. Working two jobs since 1998, he had to move out of his family house following a dispute - which he says was a blessing in disguise. After all, it gave him an opportunity to finally work towards buying his own home.

For the past three years, he has been staying on rent in a one room house located in an old and dilapidated building. Navin has been driving an auto rickshaw for the past 20-25 years while at the same time working at the Ahmedabad Municipal Corporation in the Water Works Department. He joined the AMC in 1998 and is well known by his colleagues, who are quick to praise his hard work and integrity. These qualities have been well instilled in his family of five - his wife Paluben, daughter Rekha and sons Mahendra and Nikunj.

After completing his day job at the AMC, Navin starts driving his auto rickshaw. He begins by picking up his wife from her workplace and dropping her home, and then continues working till 9 pm at night or until he reaches his target income of Rs. 300 per day. His wife, Paluben, has been working in the housekeeping department of Omega Elevators for more than a decade now. She starts her day at 7 am and finishes during lunch hours, after which she heads home with her husband and manages the day's household chores. Navin and his wife had always decided that they would work hard in order to provide their children with as many opportunities as possible.

With this mindset, they encouraged their son Mahendra to study engineering for better job prospects. Mahendra, who today works as a technician with the same company as his mother, is now handling different sites and is posted in Surat. It has been 5 years since he finished his Diploma in Electrical Engineering with the help of a student loan - he did not want his education be a financial burden on his parents.

While he works in Surat, his sister Rekha is a dedicated social worker. She works with an organisation called Swawlambi Chuwal Mandal that is in partnership with the National AIDS Control Organisation on its programme impacting different transgender communities. Rekha is the eldest of the three siblings and handles all responsibilities at home, which included supporting her father in the loan application process. It was Rekha who organized all the relevant documents for the family's loan application. According to Navin, it is his daughter's confidence in the family's joint ability to buy their own house which motivated him to make the decision.

A month before applying for a loan from MHFC to buy a flat in Samruddhi Residency, they had booked a house at another project. They had to cancel this house within a month of booking as no bank was willing to provide housing finance to the family. The Maheriya family has had their fair share of problems - family disputes & financial struggles being among them. However, it is each family member's work ethic and dedication that convinced us to sanction a home loan of Rs 10 lakh. The Maheriya family will soon be moving into their very own 1 BHK flat in Ahmedabad.

CHEAPER HOUSING

CIVIL SOCIETY NEWS

Interview with Madhusudhan Menon, Chairman MHFC, for Civil Society, Jan 2015

What are the changes that have taken place in the affordable housing sector?

When we started out six years ago it was with the realisation that there was a great gap between the housing and mortgage finance available to those who needed it. The first challenge, therefore, was how to provide finance to a person who could afford it but could not prove that he could afford it.

The second challenge was that there was not enough supply of new homes priced at below Rs 5 lakh – the bracket we were interested in. There were very few good projects, like one by the Tatas just outside Mumbai. But that was it.

Since then, the people who had started building new affordable housing have built more. In some places like Ahmedabad and Bhopal we have seen the emergence of a whole ecosystem for this kind of housing. Basically, what has happened is when one project came up successfully a lot more builders came into the sector.

How many dwelling units that can be termed affordable housing are getting built at this stage in India?

A lot of what gets built is self-construction, which we don't address at all as a company. So, I have no clue about the numbers there. Self-construction is the larger part of the market.

If you look at the organised sector delivering large projects of 100 apartments at one time, we as a company are currently addressing around 300 projects across the country. There may be lots more with which we are not associated.

These are brand new homes in the range of Rs 3 lakh to Rs 15 lakh being created by developers.

Would this number include government interventions?

Yes. The government in the past couple of years has become a big, big player. In Rajasthan, for instance, in the past two years, more than 50,000 apartments have been delivered just around Jaipur.

Those would be priced at how much?

They would be even cheaper than the private sector homes because there are subsidies from the government in terms of land. For instance, 340 sq. ft. is available for less than Rs 3 lakh.

And these are projects that have been completed?

In Rajasthan, the projects have been completed, the customers have moved in and paid us for the past two years.

In the six years that you have been lending, has the profile of your customer changed?

The customer profile is a function of location. In Mumbai, the story is different from what has happened in Rajasthan.

In Mumbai, the prices of apartments have gone way higher. Nimai, our first customer, who was selling chow from a pushcart, would not be able to afford an apartment in Mumbai now. The apartment that Nimai bought six years ago for Rs 4 lakh is now Rs 18 lakh.

Nimai cannot afford it because his income hasn't kept pace with real estate prices.

What was Nimai earning when he bought a Rs 4 lakh home?

At that time he was assessed as having an income of Rs 12,000 a month.

What would he be earning now and what would he need to earn to buy a Rs 18 lakh apartment?

He would now be earning about Rs 15,000, which is not enough. The EMI on a Rs 18 lakh loan would be Rs 25,000 a month for which a family income of Rs 75,000 is required.

That kind of income is not possible for someone selling Chinese food on the street. We are still giving loans of not more than Rs 10 lakh, but our customer profile has migrated northward. Our customer now in Mumbai would be someone who has three tourist taxis or a grocery store.

Has the definition of affordable housing changed?

It depends on who you are talking to. The RBI, for instance, has recently defined affordable housing as high as Rs 50 lakh in the four metros. So, a commercial bank giving a loan of Rs 50 lakh for housing in Mumbai or Delhi meets its priority sector lending obligations by doing so.

What we have been saying is that instead of pushing the price of affordable housing upwards, you should be pushing it downwards so that more people can have access to housing.

What is pushing up prices of housing?

Land is a significant part of the cost. Then there is time taken in getting approvals. Whether you are building large apartments or small apartments, the time taken for getting all the approvals is the same. In Maharashtra, for instance, it takes up to two-and-a-half years to get all approvals.

As a result, the cost of money goes up. What happens is that you buy the land and are paying interest on whatever you borrowed while waiting for the approvals. This cost gets transferred to the customer.

Then again, 30 per cent to 35 per cent of any housing goes in taxes paid to the State – excise, stamp duty, etc.

What is needed is a system in which there can be quick and even automatic approvals for affordable housing. Affordable housing could be treated as a priority and be defined on the basis of the size of the apartments. There should also be incentives such as taxes flowing back to developers – excise on steel, cement and so on. There could even be an SEZ kind of approach.

So what you are saying is that affordable housing could be much cheaper if the government did just three things: freed up land, reduced taxes and speeded up approvals.

Yes, it could reduce the cost by as much as 50 per cent.

So is that how Rajasthan has managed to provide apartments at Rs 3 lakh?

Exactly. In Rajasthan the government has done two of the three things. It has provided subsidised land and speeded up the approvals. What it hasn't been able to do is to refund the taxes because that is a complex thing – there are central, state and local taxes.

But the Rajasthan government has brought down the cost and also ensured transparency?

Yeah. To some extent, the government has had a say in who is buying the apartments so that people who really need them, get them. The profile of people buying there totally fits into what we are trying to do – which is to finance people with very meagre incomes. I am talking here of a manual rickshaw-puller who may be earning as little as Rs 5,000 or Rs 6,000 a month. He takes a loan of Rs 1.8 lakh for a flat that costs Rs 3 lakh, having saved perhaps Rs 1.2 lakh of his own money.

Have the margins in your business changed over time as you have built expertise, knowledge and outreach?

The sad thing is that the cost of money has not come down. A housing finance company like ours gets money from commercial banks or financial institutions and then lends further.

Even when money is subsidised by the government it doesn't work for us though it may be good for the customer. For instance, there is a rural housing finance scheme. The National Housing Bank (NHB) actually provides finance at 7.6 per cent under this scheme. But the money comes with the rider that we cannot lend it for more than 2.5 per cent more. Now, it is not economically viable for us.

What would be your preferred margin?

We need a margin of 3.5 to 4 per cent. We have operational costs. We also have to make a provision of 0.4 per cent against each asset whether it is performing or not. Then we have to provide for credit loss if any – though credit loss is not common with the small loans. Over and above this, we have to pay 30 per cent tax.

Also, when money comes from the government it is expected of us that we lend to all customers within the 2.5 per cent cap. This sort of violates the principle of lending because the risk varies from customer to customer. It is important to be able to price the asset correctly. I am not saying we should charge one customer 18 per cent and another 11 per cent. But a variation of 1 per cent or 2 per cent depending on the risk, is necessary. The operating cost is high because of the verification and due diligence that we have to do for our customers who are all undocumented. The operation cost does not change whether the money comes from commercial sources or as subsidised from the NHB. In fact, we work with very small amounts. When you do a loan of Rs 50 lakh and get 1 per cent upfront, you get Rs 50,000 to defray your operating costs. But when we do a loan of Rs 5 lakh we also get 1 per cent upfront but that is just Rs 5,000.

In our business we can only concentrate on three things – one is operating cost. You try to control it as much as possible and it is in your control. The second is credit quality or whom you are lending to. And the third is how you structure your capital – the cost of borrowing, the cost of raising equity, etc. You try to keep it as efficient as possible. The rest is all a function of scale and doing more and more of it as efficiently as possible.

What are the other sources of funds?

Like the rural housing scheme, there is an urban housing scheme. If you go to the NHB and ask them they will tell you that the off-take is nothing much. Here, once again, there is a rate cap.

When we get money from commercial banks, it is because they have to meet the RBI's requirement to lend to priority sectors. We know to reach this kind of customer and so a commercial bank will come to us. They are also not interested in this type of customer but need to meet their social obligation.

Now, no commercial bank has a base rate of less than 10.5 per cent – apart from SBI, which has a base rate of 9.8 per cent. The average rate of borrowing from commercial banks for us is 11.5 per cent. We add another 2.5 per cent to that.

How is it that you can manage with a margin of 2.5 per cent on money from a commercial source, but not 2 per cent on money from NHB?

Our portfolio is funded with a mix of funds from commercial sources, NHB and our own capital. The weighted cost of all borrowings for us is 9.5 per cent. This allows us to lend at an average rate of 13 to 13.5 per cent.

How big is your portfolio?

By March we would have (cumulatively, over six years) done Rs 350 crore in sanctioned loans and Rs 250 crore in disbursements.

Civil Society, Jan 2015

<http://www.civilsocietyonline.com/pages/Details.aspx?648>

PROJECT FEATURE

NAVJIVAN VIHAR - GERATPUR





370 PROJECTS

6 STATES | 20 CITIES

DEVELOPER

Atmiya Projects

LOCATION

Ahmedabad, Gujarat

NAVJIVAN VIHAR

Located 20 km from the city centre, in the rapidly growing area of Geratpur, is Navjivan Vihar - a well laid-out colony of affordable homes, developed by Atmiya Projects (a firm of Foliage Group). The development comprises a total of 395 apartments, housed within 8 buildings, that overlook the Geratpur railway station, thereby providing easy access to transportation for the many young residents of Navjivan Vihar.

Flats vary in size and type, ranging from a humble 1 room-kitchen (399- 406 sq ft) to the more spacious 1 bedroom

unit (536 - 658 sq ft), and cost between 5 to 10 lakh rupees. The Foliage Group has built several affordable housing units across Ahmedabad, and are well experienced in this space. Completed in August 2015, several first-time home owners have been moving into their new homes. MHFC is proud to have helped almost 150 low-income families with the necessary financing required to buy a flat in the project, resulting in a total loan sanction of over 8.5 crore rupees.

MANAGEMENT

Madhusudhan Menon (Executive Chairman)

Madhusudhan Menon, Executive Chairman of MHFC, 62, 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, 46, 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, 30, 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, 62, 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, 49, 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 microfinancing, 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 compliances and Statutory and Internal Audits.

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 multi-year 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.

Mona Kachhwaha (Nominee Director)

Mona has over 18 years of financial services industry experience. She has been with Caspian Advisors, an India-based fund manager that invests exclusively in the impact space, since 2007. At Caspian she manages the India Financial Inclusion Fund (IFIF), an equity fund that invests in impact businesses including microfinance, affordable housing, MSME and last mile banking intermediaries. Prior to joining Caspian, Mona worked with the Global Consumer Group of Citibank. While at Citibank, she worked in a range of functions including Business Management, Credit Risk Management and Operations. During her Citi tenure she held various senior positions, the most recent ones being the Business Head of the Microfinance Business and Head of Credit for the Mortgage Business in India. Mona holds a MBA from Xavier Labour Relations Institute (XLRI), Jamshedpur and B.A (Hons.) in Mathematics from Delhi University.

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 multi-national 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).

Chetan Juthani (Nominee Director)

As the current CFO of Unilazer Ventures, Chetan provides financial direction, oversight and control for Unilazer and Group companies and strategic leadership for the finance function. He has over fifteen years of experience in several line and corporate roles in varied business environments - manufacturing, service and media industry. In earlier roles, he was the VP Finance of UTV Group and Head- Treasury of Walt Disney India where he played a key role and had been a significant contributor to the Finance and Treasury function for multiple corporate functions including Controller, Debt / Treasury, Planning and Accounts. He is a Chartered Accountant and a Company Secretary by qualification.

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BANKERS

National Housing Bank
HDFC Ltd
HDFC Bank Ltd
ING Vysya Bank Ltd (Now Kotak Mahindra Bank Ltd)
Federal Bank Ltd
Yes Bank Ltd
State Bank of India
DCB Bank Limited
IndusInd Bank Ltd



HARISHBHAI LAXMANBHAI DEVASI

Harishbhai owns 2 tempos which he uses to transport garments from wholesalers to retailers in Ahmedabad, Gujarat. He drives one of the tempos himself and has hired someone to drive the other tempo. He currently stays with his wife and two children in a rented house in Ahmedabad, while sending some money every month to his parents who live in the applicant's village in Rajasthan.





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