EQUITAS HOUSING FINANCE PRIVATE LIMITED

2nd ANNUAL REPORT 2011-12

CORPORATE INFORMATION

Board of Directors

1. **Rajaraman P V**
   Chairman
2. **Rajan D G**
   Director
3. **Sarabeswar R**
   Director
4. **Sarath Naru**
   Director
5. **Viswanatha Prasad Subbaraman**
   Director
6. **Vasudevan P N**
   Managing Director

Registered Office

4th Floor, Temple Tower,
672, Anna Salai,
Nandanam, Chennai - 600 035
Tel: +91 44 4299 5000
Fax: +91 44 4299 5050
Email: corporate@equitas.in
Website: www.equitas.in

Auditors

Deloitte Haskins & Sells
8th Floor, ASV'N, Ramana Towers,
52, Venkatnarayana Road
T.Nagar, Chennai 600017
Tel: +91 44 6688 5000
Fax: +91 44 6688 5100

Bankers
Axis Bank Ltd
HDFC Bank Ltd
State Bank of India

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EQUITAS HOUSING FINANCE PRIVATE LIMITED

DIRECTORS' REPORT

TO THE MEMBERS

The directors have pleasure in presenting the Second Annual Report together with the audited accounts of the company for the period ended 31st March 2012 (FY12).

1. Overview

Equitas Housing Finance Private Limited was incorporated on 14th May 2010 as a wholly owned subsidiary of M/s Equitas Holdings Private Limited, previously known as M/s. Equitas Micro Finance India Private Limited. The Company received the Certificate of Registration as a non-deposit accepting Housing Finance Company from National Housing Bank on 24th January 2011. The Company started the business operations in the month of June 2011.

2. Significance of Name

'Equitas' in Latin means 'equitable' in English, meaning fair and transparent. All products, processes and actions of the company are measured against this yardstick to ensure that whatever we do is fair to the other person and communicated transparently. We have already created new global benchmarks in the industry in terms of being both fair and transparent with our customers.

3. Financial Results

(Rupees in lakhs)

Particulars	For the year ended March 31, 2012	For the period ended March 31,2011
Interest income	127.44	15.60
Less: Total Expenditure	596.62	57.93
(Loss before taxation)	(469.18)	(42.33)
Provision for taxation - Current tax - Deferred tax	 (5.10) (2.78)	 5.10 (3.23)
(Loss after taxation)	(461.30)	(44.2)

4. Dividend

Your directors do not recommend any dividend in view of the loss incurred by the Company.

5. Operational highlights

The details of operations are given in the annexed Management Discussion and Analysis Report.

6. Material changes after the Balance Sheet Date (31ST MARCH 2012)

There have been no material changes and commitments between the end of FY12 and the date of this report, affecting the financial position of the Company.

7. NHB Guidelines

Your Company has complied with the Guidelines and Directions issued by the NHB on fair practices code, know your customer (KYC), deposits and anti money laundering and Accounting Standards issued by the ICAI, New Delhi.

8. Capital Adequacy

The capital adequacy ratio was 201.10 % as on 31st March 2012. The Net Owned Funds (NOF) as on that date was Rs 14.76 Crores. The minimum capital adequacy requirement stipulated for the company by NHB is 12%

9. Corporate Governance Report

Clause 49 of the standard listing agreement and the corporate governance report under this clause are not applicable to the Company. Notwithstanding this, a report on corporate governance is attached and forms part of the directors' report.

10. Management Discussion and Analysis

The management discussion and analysis report, highlighting the important aspects of the business is attached and forms part of this report.

11. Directors

The following changes took place in the Board of Directors during the year:

Mr P V Rajaraman and Mr D G Rajan who were appointed as additional directors on 25th May 2010 were regularized in the Annual General Meeting held on 23rd May 2011 as directors liable to retire by rotation.

Mr R Sarabeswar was appointed as Additional Director with effect from 24th October 2011 and Mr Viswanatha Prasad Subbaraman was appointed as Additional Director as on 14th March 2012.

Mr P N Vasudevan, Director was appointed as Managing Director of the Company with effect from 15th April 2011.

12. Directors' Responsibility Statement

The Directors' Responsibility Statement as required under Section 217(2AA) of the Companies Act, 1956 reporting the compliance with the accounting standards, is attached and forms part of the directors' report.

13. Auditors

M/s Deloitte Haskins & Sells, Chartered Accountants, Statutory Auditors of the Company retire at the forthcoming Annual General Meeting. They have expressed their inability to continue as the Statutory Auditors due to preoccupations. The Company proposes to appoint M/s Brahmayya & Co, Chartered Accountants, Royapettah, Chennai as Statutory Auditors of the Company from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting.. The Company has received confirmation that their appointment, if made, will be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

14. Information as per Section 217(1) (E) of the Companies Act, 1956

Since the Company does not own any manufacturing facility, the requirement of disclosure of particulars relating to conservation of energy and technology absorption in terms of the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, is not applicable.

15. Foreign currency Earnings and Expenditure.

(in INR)

	2011-12	2010-11
Earnings – Grant from IFC, NYC, USA	44,24,690	-
Expenditure – Data Processing charges	742	-

16. Personnel

During the year, there was no employee who was drawing remuneration as laid down by the provisions of Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, and therefore the requirement of furnishing the details pursuant to the same does not arise.

17. Acknowledgment

The Directors wish to thank the bankers, service agencies and other stake holders for their support. The directors also thank the employees for their contribution to the company during the period under review.

For and on behalf of the Board of Directors

P V Rajaraman
Chairman

Chennai, 2nd May 2012

ANNEXURE TO THE DIRECTORS' REPORT

DIRECTORS' RESPONSIBILITY STATEMENT

To the best of their knowledge and belief, and according to the information and explanations obtained by them, your Directors confirm the following in terms of Section 217(2AA) of the Companies Act, 1956:

- that in preparation of the financial statements the generally accepted accounting principles (GAAP) of India and applicable accounting standards issued by Institute of Chartered Accountants of India have been followed.

- Appropriate accounting policies have been selected and applied consistently and judgments and estimates that are reasonable and prudent have been made 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 or loss of the company for that period;

- that they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities. To ensure this, the company has established internal control systems, consistent with its size and nature of operations, subject to the inherent limitations that should be recognized in weighing the assurance provided by any such system of internal controls. These systems are reviewed and updated on an ongoing basis. Periodic internal audits are conducted to provide reasonable assurance of compliance with these systems.

- that they have prepared the annual accounts on a going concern basis

For and on behalf of the Board of Directors

P V Rajaraman	**P N Vasudevan**
Chairman	**Managing Director**

Chennai, 2nd May 2012

MANAGEMENT DISCUSSION AND ANALYSIS

INTRODUCTION

Equitas Housing Finance Private Limited (EFPL) is a HFC registered with NHB. The company got the license to commence business during January 2011.

Affordable housing is the focus of many stakeholders be it the Governments, regulators, builders and society at large. The demand for houses in the affordable category (which typically means houses priced between Rs.3 lacs to Rs.25 lacs) is expected to be large. However for too long, there has been no focus on this market segment by any of the stakeholders, thus leaving a high pent up demand. As this segment becomes main stream, it is expected that supply could go up significantly, fuelling need for follow on facilities including financial services.

However this segment of clients are generally from the self-employed businessmen segment, thus making remote credit assessment, based on documents, difficult. This calls for a very close relationship with such clients. Given the large numbers expected, maintaining close relations with such large number of clients would tend to increase delivery cost. In view of this, the main-stream banks have so far kept away from this, except a few branch led initiatives of some of the PSU banks.

Key risks envisaged in this business include lack of any existing financing model for this segment of clients, not sufficient repayment track record, difficulty in assessing true income levels of clients, ability to access long term debt (especially for start-ups) and the constraints one would face in trying to use eviction methods in such communities, in case of default. Housing Finance companies which can address these concerns effectively and stay focused on helping this segment of the population realize their life time ambition, could potentially be looking at playing a sustainable role in this segment

Equitas approach:

We commenced this business in the month of June 2011. Even within a short span of time, we have gone through different phases:

The company commenced its lending operations for providing loans for purchase and construction of houses in the affordable housing segment from June 2011.

As this is a relatively new industry segment, there is not much competition from established players. However, there are quite a few new entrants into the sector and the competition may increase over the medium to long term.

- **Financial Results**

During the year, the company set up 9 branches in Tamil Nadu.

During the year the company made 100 sanctions for a total value of Rs 12 Crores and a loan outstanding of Rs. 8.21 Crores by 31st March 2012.

Being the first year of operation, the company incurred set up costs for branch and information technology infrastructure apart from recruitment and training costs with operations yet to scale up, the company posted a net loss of Rs.4.61 Crores for the year ending 31st March 2012.

- **Capital**

The holding company infused additional equity capital of Rs.14 Crores during the year taking the total paid up capital to Rs.20 Crores.

- **Resources and Treasury**

The initial funding for the business is from equity The company has approached National housing bank for availing re-finance which would help to fund the growth. .

- **Human Resources**

The company has provided a wide range of benefits to its employees including health insurance for all employees and their dependents. The company also provided employees to move across business verticals through the Career Enhancement Program (CEP) and the existing employees of microfinance business in Tamil Nadu benefited out of the programme.

The number of employees as at the end of the year was 69.

- **Risk Management**

As a HFC, the key risk apart from credit risk and interest rate risk is the liquidity risk. The company has a policy of pricing its home loans at a spread of 3.5% over its cost of funds. Further the rates offered to clients would be only floating rates and the rates would be reset on a quarterly basis based on interest rate movements, thus taking care of interest rate risk.

The company has invested in people, processes and technology to effectively mitigate risks including technical, legal and credit risk assessment posed by the market environment and by its borrowers.

- **Outlook and challenges**

The company have studied the operating models of various competitors besides our own experience of the past year and even though sourcing has been a challenge and we have had a mid-course correction, we expect that our current pattern of sourcing should settle down to enable us to pursue growth

- **Cautionary Statement**

Statements in this Management Discussion and Analysis describing the Company's objectives, projections, estimates and expectation may be 'forward looking' within the meaning of applicable laws and regulations. Actual results might differ materially from those expressed or implied.

For and on behalf of the Board of Directors

Chennai,	**P. V. Rajaraman**
2nd May 2012	Chairman

REPORT ON CORPORATE GOVERNANCE

Corporate Governance is the commitment of an organization to follow ethics, fair practices and transparency in all its dealings with its various stakeholders such as Customers, Employees, Investors, Government and the Society at large. Sound corporate governance is the result of external marketplace commitment and legislation plus a healthy board culture which directs the policies and philosophy of the organization. Your Company is committed to good Corporate Governance in all its activities and processes.

CORPORATE GOVERNANCE PHILOSOPHY

Equitas Housing Finance Private Limited's (Equitas) philosophy on corporate governance envisages adherence to the highest levels of transparency, accountability and fairness, in all areas of its operations and in all interactions with its stakeholders. The Board shall work to ensure the success and continuity of the Company's business through the appointment of qualified management and through on-going monitoring to assure the Company's activities are conducted in a responsible, ethical and transparent manner.

BOARD OF DIRECTORS

In terms of the Corporate Governance philosophy all statutory and other significant material information is placed before the Board of Directors to enable it to discharge its responsibility of strategic supervision of the Company as trustees of the Shareholders. The Board of Directors currently consists of six members including 4 independent directors.

During the financial year ended 31st March 2012, Five (5) Board Meetings were held on 15th April 2011, 2nd August 2011, 24th October 2011, 27th January 2012 and 14th March 2012 and not more than four months elapsed between any two meetings.

Particulars of the Directors' attendance to the Board /Committee Meetings and particulars of their other company directorships and committee memberships are given below:

Name	Nature of Directorship	Attendance		Other Directorships ($)
		Board	Committee	
Rajaraman P V	Independent & Non-Executive - Chairman	5/5	-	2
Rajan D G	Independent & Non-Executive	5/5	-	9
Sarath Naru	Independent & Non-Executive	4/5	-	15
R Sarabeswar *	Independent & Non-Executive	3/3	-	8
Viswanatha Prasad Subbaraman#	Non-Executive & Nominee, Caspian Funds	1/1	-	5
P N Vasudevan	Executive – Managing Director	5/5	-	6

$ Excluding Alternate Directorships and Directorships of Foreign Companies, wherever applicable.

*Mr R Sarabeswar was appointed as Additional Director of the Company with effect from 24th October 2011

Mr Viswanatha Prasad Subbaraman appointed as Additional Director of the Company with effect from 14th March 2012.

CHANGES IN BOARD CONSTITUTION

During the financial year ended 31st March 2012, the following changes took place in the constitution of the Board.

Mr P V Rajaraman and Mr D G Rajan who were appointed as additional directors as on 25th May 2010 were reappointed in the First Annual General Meeting held on 23rdh May 2011 as directors liable to retire by rotation.

Mr P N Vasudevan, Director was appointed as Managing Director of the Company with effect from 15th April 2011.

Mr R Sarabeswar was appointed as additional director of the Company with effect from 24th October 2011.

Mr Viswanatha Prasad Subbaraman was appointed as additional director of the Company with effect from 14th March 2012.

COMMITTEES OF THE BOARD

The Board has currently 2 Committees, namely Resourcing Committee and Audit Committee. The Board is responsible for constituting, assigning and co-opting the members of the Committee. The Board fixes the terms of reference of committees and also delegates powers to the Committees from time to time. The minutes of the meetings of the Committees are circulated to the Board for its information and confirmation.

AUDIT COMMITTEE

The Board has constituted Audit Committee in its Board Meeting held on 14TH March 2012.

The Audit committee comprises of 3 directors of which 2 are independent and 1 non-executive director. The members of the committee are:

1. Mr Rajan D G, Chairman
2. Mr Sarabeswar R
3. Mr Viswantha Prasada Subbaraman

The role of the Audit Committee, among others will include:

1. Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.

2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the audit fees for the same

3. Reviewing, with the management, the quarterly and annual financial statements before submission to the board for approval, with particular reference to:

    a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956
    b. Changes, if any, in accounting policies and practices and reasons for the same
    c. Major accounting entries involving estimates based on the exercise of judgment by management
    d. Significant adjustments made in the financial statements arising out of audit findings
    e. Compliance with accounting and other legal requirements relating to financial statements
    f. Disclosure of any related party transactions
    g. Qualifications in the draft audit report.

4. Reviewing, with the management, performance of statutory and internal auditors and adequacy of the internal control systems.

5. Reviewing the adequacy of internal audit function, if any, including the structure of the internal \ audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.

6. Discussion with internal auditors any significant findings and follow up there on.

7. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.

8. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.

9. Annual reviews of the Company's Policies framed pursuant to NHB / RBI Guidelines and suggest changes, if any required to the Board for adoption.

The Audit Committee shall mandatorily review the following information:

1. Management discussion and analysis of financial condition and results of operations;

2. Statement of significant related party transactions (as defined by the audit committee), submitted by management;

3. Management letters / letters of internal control weaknesses issued by the statutory auditors;

4. Internal audit reports relating to internal control weaknesses;

RESOURCING COMMITTEE

The Board has constituted Resourcing Committee in its Board Meeting held on 14th March 2012.

Composition and Meetings

The resourcing Committee comprises of 4 directors. The members of the Committee are

1. Mr Sarath Naru, Chairman
2. Mr Rajan D G,
3. Mr Sarabeswar R and
4. Mr Vasudevan P N, MD

The terms of reference of the committee are

1. to approve borrowings from banks, institutions, holding / group companies, corporates, etc. on such terms and conditions as to repayment, interest rate or otherwise as it thinks fit up to an aggregate sum of Rs 150 crores outstanding at any one time, such limit to be exclusive of any money borrowed by or on behalf of the Company otherwise than by virtue of this resolution.
2. to approve establishment of current and other accounts with various banks upon such terms and conditions as may be agreed upon with the said bank.
3. to approve changes in persons authorized to operate current and other accounts and their signing limits for operating such accounts
4. to approve closure of current and other accounts of the Company established with various banks.

ASSET LIABILITY MANAGEMENT COMMITTEE

The Board has constituted Asset Liability Management Committee in its Board Meeting held on 2nd March 2011.

Composition and Meetings

The Asset Liability Management Committee (ALCO) currently consists of the following members:

1. Mr P N Vasudevan - Chairman
2. Mr K P Venkatesh
3. Mr N Sridharan
4. Mr Ashutosh Atre
5. Mr Vasudeva Sarma

Terms of reference

The terms of reference of ALCO are as follows:

1. Liquidity Risk Management
2. Management of Market (Interest Rate) Risk
3. Funding and Capital Planning

4. To determine Equitas Housing Finance Base Rate (EHFBR)
5. Pricing, Profit planning and Growth projections
6. Credit and Portfolio Risk Management
7. Setting credit norms for various lending products of the company
8. Operational and Process Risk Management.
9. Laying down guidelines on KYC norms
10. To approve and revise the actual interest rates to be charged from customers for different products from time to time applying the interest rate model. Dealing with:

REMUNERATION OF DIRECTORS

All non-executive directors are paid a sitting fee of Rs 10,000/- for attending every meeting of the Board and Rs 5,000/- for every meeting of the Committees thereof.

The details of remuneration of Non-Executive Directors for the financial year ended 31st March 2012, are:

Name of Director	Remuneration Amount in Rs.
Mr Rajaraman P V	2,00,000
Mr Rajan D G	1,02,466
Mr Sarabeswar R	43,561
Mr Sarath Naru	1,00,000
Mr Viswanatha Prasad Subbaraman	4,658
Total	**4,50,685**

The details of sitting fees paid to directors and the shares held by them in the Company are as follows:

Name	Sitting fees (Rs)		No. of equity shares held in the Company
	Board	Committee	
Rajaraman P V	50,000	Nil	Nil
Rajan D G	50,000	Nil	Nil
Sarabeswar R	30,000	Nil	Nil
Sarath Naru	40,000	Nil	Nil
Viswanatha Prasad Subbaraman	10,000	Nil	Nil

GENERAL BODY MEETINGS

During the year ended 31st March 2012, one (1) Annual General Meeting was held as per details given below:

Date	Time	Venue
23rd May 2011 (1st AGM)	10.00 A.M	4th Floor, Temple Tower, 672, Anna Salai, Nandanam, Chennai 600035

All the proposed resolutions, including special resolutions, were passed by the shareholders as set out in their respective Notices.

CEO/CFO CERTIFICATION

MD and CFO have given a certificate to the Board as per the format given in clause 49 of the listing agreement.

KYC /AML and FAIR PRACTICES CODE

The Company has formulated a Know Your Customer/Anti Money Laundering Policy and Fair Practices Code pursuant to the NHB guidelines issued in this regard to lay down procedures and practices in dealing with the business transactions, namely, Applications for loans and their processing, Loan appraisal and terms/conditions, Disbursement of loans including changes in terms and conditions and handling of customer grievances. The Code came into effect on 3rd March 2011.

DISCLOSURES

The particulars of transactions between the Company and its related parties, as defined in Accounting Standard 18, are set out in the financial statements.

GENERAL SHAREHOLDER INFORMATION

Financial year: April 1st to March 31st

Shareholding pattern as on 31st March 2012

Category	# Shares	%
Holding Company	1,99,99,999	100%
S Bhaskar(Nominee of Equitas Holdings Private Limited)	1	0%
Total	**2,00,00,000**	**100.00%**

For and on behalf of the Board of Directors

Chennai, 2nd May 2012

P V Rajaraman
Chairman

2nd May 2012

MD / CFO Certificate

The Board of Directors
Equitas Housing Finance Private Limited

This is to certify that:

1. We have reviewed financial statements and the cash flow statement for the year ended 31st March 2012 and that to the best of our knowledge and belief:

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

    b. these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

2. There are, to the best of our knowledge and belief, no transactions entered into by the company during the year which are fraudulent or illegal.

3. We accept responsibility for establishing and maintaining internal controls for financial reporting.

Mr P N Vasudevan **MD**	**Mr N Sridharan** **CFO**

Place: Chennai

AUDITORS' REPORT

To the Members of Equitas Housing Finance Private Limited

1. We have audited the attached Balance Sheet of **EQUITAS HOUSING FINANCE PRIVATE LIMITED** (the Company) as at 31 March 2012, the Statement of Profit and Loss and the Cash Flow Statement of the Company for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (CARO), issued by the Central Government in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report as follows:
   a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
   b. in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
   c. the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
   d. in our opinion, the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
   e. in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
      (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2012;
      (ii) in the case of the Statement of Profit and Loss, of the loss of the Company for the year ended on that date; and
      (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
5. On the basis of the written representations received from the Directors as at 31 March 2012 taken on record by the Board of Directors, none of the Directors of the Company is disqualified as at 31 March 2012, from being appointed as a Director in terms of Section 274(1)(g) of the Companies Act, 1956.

For **Deloitte Haskins & Sells**
Chartered Accountants
Registration No. 008072S
B. Ramaratnam
Partner
Membership No. 21209

CHENNAI, 2 May 2012

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 3 of our report of even date)

(i) Having regard to the nature of the Company's business/activities/result during the year, clauses 4(ii), 4(viii), 4(x), 4(xi), 4(xii), 4(xiii), 4(xiv), 4(xv), 4(xvi), 4(xviii), 4(xix) and 4(xx) of CARO are not applicable to the Company.

(ii) In respect of its fixed assets:

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

(b) The fixed assets were physically verified during the year by the Management in accordance with a programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us, no material discrepancies were noticed on such verification.

(c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.

(iii) The Company has neither granted nor taken any loans, secured or unsecured, to / from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956.

(iv) In our opinion and according to the information and explanations given to us, 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 rendering of services and we have not observed any major weaknesses in such internal control system. The Company does not purchase inventory nor does it sell any goods in the ordinary course of its business.

(v) In respect of contracts or arrangements entered in the register maintained in pursuance of Section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanations given to us:

(a) The particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 that needed to be entered in the Register maintained under the said Section have been so entered.

(b) Where each of such transactions is in excess of Rs. 5 lakhs in respect of any party, the transactions have been made at prices which are, *prima facie,* reasonable having regard to the prevailing market prices at the relevant time.

(vi) According to the information and explanations given to us, the Company has not accepted any deposits from the public during the year.

(vii) In our opinion, the internal audit functions carried out during the year by an external agency appointed by the Management have been commensurate with the size of the Company and the nature of its business.

(viii) According to the information and explanations given to us in respect of Statutory dues:

(a) The Company has been generally regular in depositing undisputed statutory dues, including Provident Fund, Employees' State Insurance, Income Tax, Service Tax and other material statutory dues applicable to it with the appropriate authorities during the year except for minor delays in the remittance of Employees' State Insurance (Refer Note 34 to financial statements) and Professional Tax.

(b) There were no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income Tax, Service Tax and other material statutory dues in arrears as at 31 March 2012 for a period of more than six months from the date they became payable.

(c) There are no disputed matters relating to Income Tax and Service Tax as at the year end.

(ix) In our opinion and according to the information and explanations given to us, and on an overall examination of the Balance Sheet of the Company, funds raised on short term basis have, *prima facie,* not been used during the year for long term investment.

(x) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no fraud on the Company has been noticed or reported during the year.

For **Deloitte Haskins & Sells**
Chartered Accountants
Registration No. 008072S
B. Ramaratnam
Partner
Membership No. 21209

CHENNAI, 2 May 2012

Balance Sheet as at 31 March 2012

Particulars	Note No	As at 31 March 2012 Rs.	As at 31 March 2011 Rs.
EQUITY AND LIABILITIES			
Shareholders' Funds			
Share Capital	3	200,000,000	60,000,000
Reserves and Surplus	4	(50,549,433)	(4,419,791)
		149,450,567	**55,580,209**
Non-Current Liabilities			
Other Long Term Liabilities	5	17,010	-
Long Term Provisions	6	715,698	59,215
		732,708	**59,215**
Current Liabilities			
Trade Payables	7	1,348,746	662,270
Other Current Liabilities	8	3,009,323	239,413
Short Term Provisions	9	385,104	461,409
		4,743,173	**1,363,092**
TOTAL		**154,926,448**	**57,002,516**
ASSETS			
Non Current Assets			
Fixed Assets			
- Tangible Assets	10.1	2,251,837	1,468,552
- Intangible Assets	10.2	1,208,250	-
		3,460,087	1,468,552
Deferred Tax Assets (Net)	11	601,410	323,304
Long Term Receivables Under Financing Activities	12	80,979,554	-
Long Term Other Loans and Advances	13	3,172,857	1,237,500
		88,213,908	**3,029,356**
Current Assets			
Short Term Receivables Under Financing Activities	14	1,110,061	-
Cash and Cash Equivalents	15	62,767,193	53,264,233
Short Term Other Loans and Advances	16	2,112,658	20,439
Other Current Assets	17	722,628	688,488
		66,712,540	**53,973,160**
TOTAL		**154,926,448**	**57,002,516**

See accompanying notes forming part of the financial statements

In terms of our report attached
For Deloitte Haskins & Sells
Chartered Accountants

For and on behalf of the **Board of Directors**

B. Ramaratnam
Partner

Place : Chennai
Date : 2 May 2012

P V Rajaraman
Chairman

P N Vasudevan
Managing Director

N Sridharan
Chief Financial Officer

D G Rajan
Chairman Audit committee

Place : Chennaii
Date : 2 May 2012

Statement of Profit and Loss for the Year Ended 31 March 2012

Particulars	Note No	For the Year Ended 31 March 2012 Rs.	For the period from 14 May 2010 (Date of incorporation) to 31 March 2011 Rs.
INCOME			
Revenue from Operations	**18**	8,565,350	-
Other Income	**19**	4,178,410	1,560,804
		12,743,760	**1,560,804**
EXPENSES			
Employee Benefits Expense	**20**	39,399,711	3,756,675
Depreciation and Amortisation Expense	**10.3**	2,007,314	80,565
Other Expenses	**21**	18,254,483	1,956,659
		59,661,508	**5,793,899**
(Loss) Before Tax		**(46,917,748)**	**(4,233,095)**
Tax Expense			
- Income tax expense for current year		-	510,000
- Income tax expense relating to prior years		(510,000)	-
- Deferred Tax	**11**	(278,106)	(323,304)
(Loss) After Tax		**(46,129,642)**	**(4,419,791)**
Earnings Per Equity Share			
- Basic & Diluted (in Rs.)	**26**	(5.88)	(1.14)

See accompanying notes forming part of the financial statements

In terms of our report attached
For Deloitte Haskins & Sells
Chartered Accountants

For and on behalf of the **Board of Directors**

B. Ramaratnam
Partner

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Place : Chennai
Date : 2 May 2012

N Sridharan
Chief Financial Officer

D G Rajan
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Place : Chennai
Date : 2 May 2012

Cash Flow Statement for the Year Ended 31 March 2012

Particulars	For the Year Ended 31 March 2012 Rs.	For the period from 14 May 2010 (Date of incorporation) to 31 March 2011 Rs.
A. Cash Flow from Operating Activities		
Net (Loss) Before Tax	(46,917,748)	(4,233,095)
Adjustments for:		
Depreciation and Amortisation Expense	2,007,314	80,565
Loss on Sale of Fixed Assets	80,096	-
Provision for Standard Receivables under Financing Activities	328,358	-
Interest Income on Fixed Deposits with Banks	(2,886,710)	(1,560,804)
Net Gain on Sale of Current Investments in Mutual Funds	(1,242,811)	-
Operating Loss before Working Capital Changes	**(48,631,501)**	**(5,713,334)**
Adjustments for Changes in Working Capital:		
Adjustments for (increase) / decrease in operating assets:		
Long Term Receivables Under Financing Activities	(80,979,554)	-
Long Term Other Loans and Advances	(510,500)	-
Short Term Receivables Under Financing Activities	(1,110,061)	-
Short Term Other Loans and Advances	(2,092,219)	(20,439)
Other Current Assets	505,170	(1,376,976)
Bank Balances not considered as Cash and Cash equivalents	17,802,000	(52,802,000)
Adjustments for increase / (decrease) in operating liabilities:		
Other Long Term Liabilities	17,010	-
Long Term Provisions	332,565	59,215
Trade Payables	686,476	662,270
Other Current Liabilities	2,769,910	239,413
Short Term Provisions	300,039	80,625
Cash Generated from Operations	**(110,910,665)**	**(58,871,226)**
Interest Income Received on Fixed Deposits with Banks	2,340,937	2,249,292
Net Income Taxes Paid	(276,678)	(129,216)
Net Cash Flow Used in Operating Activities	**(108,846,406)**	**(56,751,150)**

Particulars	For the Year Ended 31 March 2012 Rs.	For the period from 14 May 2010 (Date of incorporation) to 31 March 2011 Rs.
B. Cash Flow from Investing Activities		
Capital Expenditure on Fixed Assets	(5,623,669)	(2,786,617)
Proceeds from Sale of Fixed Assets	532,224	-
Purchase of Current Investments	(70,000,000)	-
Proceeds from Sale of Investments	71,242,811	-
Net Cash Flow Used in Investing Activities	**(3,848,634)**	**(2,786,617)**
C. Cash Flow from Financing Activities		
Proceeds from Issue of Equity Shares	140,000,000	60,000,000
Net Cash Flow from Financing Activities	**140,000,000**	**60,000,000**
Net Increase in Cash and Cash Equivalents (A) + (B) + (C)	**27,304,960**	**462,233**
Cash and Cash Equivalents at the Beginning of the Year	462,233	-
Cash and Cash Equivalents at the End of the Year	27,767,193	462,233
	27,304,960	**462,233**
Note:		
The reconciliation to the Cash and Cash Equivalents as given in Note 15 is as follows:		
Cash and Cash Equivalents as per Note 15	**62,767,193**	**53,264,233**
Less: Deposits with Original Maturity over a period of 3 months	35,000,000	52,802,000
Cash and Cash Equivalents as at the End of the Year	**27,767,193**	**462,233**

See accompanying notes forming part of the financial statements

In terms of our report attached
For Deloitte Haskins & Sells
Chartered Accountants

For and on behalf of the **Board of Directors**

B. Ramaratnam
Partner

Place : Chennai
Date : 2 May 2012

P V Rajaraman
Chairman

P N Vasudevan
Managing Director

N Sridharan
Chief Financial Officer

D G Rajan
Chairman Audit committee

Place : Chennai
Date : 2 May 2012

Notes forming part of the financial statements for the Year Ended 31 March 2012

1 CORPORATE INFORMATION

Equitas Housing Finance Private Limited ('the Company') was incorporated on 14 May 2010. The Company is a wholly owned subsidiary of Equitas Holdings Private Limited (formerly known as Equitas Micro Finance India Private Limited).

The Company has obtained the Certificate of Registration from National Housing Bank ('NHB') under Section 29A of the National Housing Bank Act, 1987 on 24 January 2011 to carry on the business of a Housing Finance Institution without accepting public deposits. During the year ended 31 March 2012, the Company has commenced housing finance operations focusing on the self-employed and salaried segment of low and middle income groups.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Accounting

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 (as amended) / The Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956 and the guidelines issued by the National Housing Bank. The financial statements have been prepared on accrual basis under the historical cost convention. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year.

The Company follows the prudential norms for income recognition, asset classification and provisioning as prescribed by National Housing Bank (NHB) or more stringent norms as indicated in Note 2.16.

2.2 Use of Estimates

The preparation of the financial statements in conformity with Indian GAAP requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known / materialise.

2.3 Cash and Cash Equivalents (for purposes of Cash Flow Statement)

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

2.4 Cash Flow statement

Cash flows are reported using the indirect method, whereby profit / (loss) before extraordinary items and tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.

2.5 Depreciation

Depreciation has been provided on the straight-line method as per the rates prescribed in Schedule XIV to the Companies Act, 1956 except in respect of the following categories of assets, in whose case the life of the assets has been assessed as under:

Tangible Assets:
Computer Equipments - 3 Years
Furniture and Fixtures - 3 Years
Office Equipments - 3 Years
Electrical Fittings - 4 Years
Vehicles - 4 Years

Leasehold Improvements are depreciated over the primary lease period or 3 years whichever is lower.

Assets costing less than Rs. 5,000 each are fully depreciated in the year of capitalisation

Intangible assets are amortised over their estimated useful life as follows:

Software - Over a period of two years

The estimated useful life of the intangible assets and the amortisation period are reviewed at the end of each financial year and the amortisation method is revised to reflect the changed pattern.

2.6 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

(i) Interest on Housing Loans: Repayment of housing loans is generally by way of Equated Monthly installments (EMIs) comprising principal and interest. EMIs commence once the entire loan is disbursed. Pending commencement of EMIs, pre-EMI interest is payable every month. Interest on loans is computed on a monthly rest basis.

(ii) Loan Processing Fee and Administration Charges :

a. Loan processing fee is accrued and recognised as per the terms of the agreements with the customers.

b. Administration charges which are due at the time disbursement, is recognised as income on accrual basis, when there is no uncertainty regarding ultimate collection.

(iii) Revenue grants are recognised as income as per the terms of the Agreement.

(iv) Interest income on deposits is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.

2.7 Tangible Fixed Assets

Fixed assets, are carried at cost less accumulated depreciation and impairment losses, if any. The cost of a tangible asset comprises its purchase price, including any import duties and other taxes (other than those subsequently recoverable from the taxing authorities), and any directly attributable expenditure on making the asset ready for its intended use and net of any trade discounts and rebates.

Capital Work-in-Progress:

Projects under which assets are not ready for their intended use and other capital work-in-progress are carried at cost, comprising direct cost and related incidental expenses.

2.8 Intangible Assets

Intangible assets are carried at cost less accumulated amortisation and impairment losses, if any. The cost of an intangible asset comprises its purchase price, including any import duties and other taxes (other than those subsequently recoverable from the taxing authorities), and any directly attributable expenditure on making the asset ready for its intended use and net of any trade discounts and rebates. Subsequent expenditure on an intangible asset after its purchase / completion is recognised as an expense when incurred unless it is probable that such expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standards of performance and such expenditure can be measured and attributed to the asset reliably, in which case such expenditure is added to the cost of the asset.

2.9 Investments

Long-term investments are carried individually at cost less provision for diminution, other than temporary, in the value of such investments. Current investments are carried individually, at the lower of cost and fair value. Cost of investments include acquisition charges such as brokerage, fees and duties.

2.10 Employee Benefits

Employee benefits include provident fund, gratuity and compensated absences.

Defined contribution plans:

The Company's contribution to provident fund are considered as defined contribution plans and are charged as an expense as they fall due based on the amount of contribution required to be made.

Defined benefit plans:

For defined benefit plans in the form of gratuity, which is not funded, the cost of providing benefits is determined using the Projected Unit Credit method, with actuarial valuations being carried out at each Balance Sheet date. Actuarial gains and losses are recognised in the Statement of Profit and Loss in the period in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested and otherwise is amortised on a straight-line basis over the average period until the benefits become vested. The retirement benefit obligation recognised in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost.

Short-term employee benefits:

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognised during the year when the employees render the service. These benefits include performance incentive and compensated absences which are expected to occur within twelve months after the end of the period in which the employee renders the related service. The cost of such compensated absences is accounted as under : (a) in case of accumulated compensated absences, when employees render the services that increase their entitlement of future compensated absences; and (b) in case of non-accumulating compensated absences, when the absences occur.

Long-term employee benefits:

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related service are recognised as a liability at the present value of the defined benefit obligation as at the Balance Sheet date.

2.11 Leases

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor are recognised as operating leases. Lease rentals under operating leases are recognised in the Statement of Profit and Loss on a straight-line basis.

2.12 Earnings Per Share

Basic earnings per share is computed by dividing the profit / (loss) after tax (including the post tax effect of extraordinary items, if any) by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit / (loss) after tax (including the post tax effect of extraordinary items, if any) as adjusted for dividend, interest and other charges to expense or income relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date. The dilutive potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. average market value of the outstanding shares). Dilutive potential equity shares are determined independently for each period presented. The number of equity shares and potentially dilutive equity shares are adjusted for share splits / reverse share splits and bonus shares, as appropriate.

2.13 Taxes on Income

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the provisions of the Income Tax Act, 1961.

Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted as at the reporting date. Deferred tax liabilities are recognised for all timing differences. Deferred tax assets in respect of unabsorbed depreciation and carry forward of losses are recognised only if there is virtual certainty that there will be sufficient future taxable income available to realise such assets. Deferred tax assets are recognised for timing differences of other items only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realised. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Company has a legally enforceable right for such set off. Deferred tax assets are reviewed at each Balance Sheet date for their realisability.

Current and deferred tax relating to items directly recognised in equity are recognised in equity and not in the Statement of Profit and Loss.

2.14 Impairment of Assets

The carrying values of assets / cash generating units at each Balance Sheet date are reviewed for impairment. If any indication of impairment exists, the recoverable amount of such assets is estimated and impairment is recognised, if the carrying amount of these assets exceeds their recoverable amount. The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor. When there is indication that an impairment loss recognised for an asset in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognised in the Statement of Profit and Loss, except in case of revalued assets.

2.15 Provisions and Contingencies

A provision is 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 (excluding retirement benefits) are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. Contingent liabilities are disclosed in the Notes.

2.16 Classification & Provisions of Loan Portfolio

Loans are classified and provided for as per the Company's Policy and Management's estimates, subject to the minimum classification and provisioning norms classification and provisioning norms prescribed under the Housing Finance Companies (NHB) Directions, 2010.

Classification of Loans	
Asset Classification	**Period of Overdue**
Standard Assets	Not Overdue and Overdue for less than 75 days
Non Performing Assets (NPA)	
Sub-Standard Assets	Overdue for 75 days and more but less than 365 days
Doubtful Assets	Overdue for 365 days and more
Loss Assets	Assets which are identified as loss asset by the Company or the internal auditor or the external auditor or by NHB.

"Overdue" refers to interest and / or principal and / or installment remaining unpaid from the day it became receivable.

Provisioning Norms for Housing Loans followed by the Company

Asset Classification	Provisioning Percentage
Standard Assets (Residential Mortgages)	0.40%
Non Performing Assets (NPA)	
Sub-Standard Assets	
Overdue for 75 days and more but less than 180 days	20%
Overdue for 180 days and more but less than 365 days	30%
Doubtful Assets - Secured	
Doubtful Assets – Overdue for 1 year and more but less than 2 years	50%
Doubtful Assets – Overdue for 2 years and more	100%
Doubtful Assets - Unsecured	100%
Loss Assets	100%

Note: Income on NPAs is recognised only when realised.

Provisioning Norms for Housing Loans as per NHB Guidelines

Asset Classification	Provisioning Percentage
Standard Assets (Residential Mortgages)	0.40%
Non Performing Assets (NPA)	
Sub-Standard Assets	
Overdue for 12 Months from the date of classification as NPA	15%
Doubtful Assets - Secured	
Overdue for 1 year and more but less than 2 years from the date of classification as Doubtful	25%
Overdue for 2 year and more but less than 3 years from the date of classification as Doubtful	40%
Overdue for more than 3 years from the date of classification as Doubtful	100%
Doubtful Assets - Unsecured	100%
Loss Assets	100%

3. Share Capital

Particulars	As at 31 March 2012		As at 31 March 2011	
	Number of shares	Rs.	Number of shares	Rs.
Authorised				
Equity Shares of Rs. 10 each	**50,000,000**	**500,000,000**	**20,000,000**	**200,000,000**
Issued, Subscribed and Fully Paid-up				
Equity Shares of Rs. 10 each	20,000,000	200,000,000	6,000,000	60,000,000
	20,000,000	**200,000,000**	**6,000,000**	**60,000,000**

3.1 Reconciliation of Shares Outstanding at the Beginning and at the End of the Year

Particulars	31 March 2012		31 March 2011	
	No. of Shares	Amount in Rs.	No. of Shares	Amount in Rs.
At the Beginning of the Year	6,000,000	60,000,000	-	-
Issued during the Year	14,000,000	140,000,000	6,000,000	60,000,000
Outstanding at the End of the Year	**20,000,000**	**200,000,000**	**6,000,000**	**60,000,000**

3.2 Details of Shares held by the Holding Company

Particulars	As at 31 March 2012 (Nos.)	As at 31 March 2011 (Nos.)
Equity Shares of Rs. 10 each		
Equitas Holdings Private Limited, the Holding Company (including shares held by its nominee)	20,000,000	6,000,000

3.3 Details of Shareholders holding more than 5% Shares in the Company

Particulars	As at 31 March 2012		As at 31 March 2011	
	No. Of Shares	% Holding	No. Of Shares	% Holding
Equitas Holdings Private Limited (including shares held by its nominee)	20,000,000	100%	6,000,000	100%

3.4 Disclosure of Rights

The Company has only one class of equity shares, having a par value of Rs. 10. Each holder is entitled to one vote per equity share. Dividends are paid in Indian Rupees. Dividend proposed by the Board of Directors is subject to the approval of the shareholders at the Annual General Meeting, except in case of interim dividend. Repayment of capital will be in proportion to the number of equity shares held.

3.5 Employee Stock Option Scheme

Under the Employee Stock Option Scheme - 2007 of the Holding Company, Equitas Holdings Private Limited, 122,240 options (Previous Period - 40,000 options) of the Holding Company have been granted to some of the employees of the Company which are outstanding as at 31 March 2012. As the administrator of the Employee Stock Option Scheme, the Holding Company has confirmed the Company that there are no costs to be transferred to the Company with respect to the options granted and outstanding as at 31 March 2012.

	Particulars	As at 31 March 2012 Rs.	As at 31 March 2011 Rs.
4	**Reserves and Surplus**		
	Deficit in Statement of Profit and Loss		
	Opening Balance	(4,419,791)	-
	Add: Loss for the Year	(46,129,642)	(4,419,791)
	Closing Balance	**(50,549,433)**	**(4,419,791)**

	Particulars	As at 31 March 2012 Rs.	As at 31 March 2011 Rs.
5	**Other Long Term Liabilities**		
	Deferred Rent	17,010	-
		17,010	**-**

	Particulars	As at 31 March 2012 Rs.	As at 31 March 2011 Rs.
6	**Long Term Provisions**		
	Provision for Gratuity	391,780	59,215
	Provision for Standard Receivables Under Financing Activities	323,918	-
		715,698	**59,215**

Particulars	As at 31 March 2012 Rs.	As at 31 March 2011 Rs.
7 Trade Payables		
Trade Payables - Other than Acceptances	1,348,746	662,270
	1,348,746	**662,270**

Particulars	As at 31 March 2012 Rs.	As at 31 March 2011 Rs.
8 Other Current Liabilities		
Statutory Remittances (PF, ESI, TDS etc.)	878,269	239,413
Contractually Reimbursable Expenses to Related Party	2,131,054	-
(Refer Note 24.2)		
	3,009,323	**239,413**

Particulars	As at 31 March 2012 Rs.	As at 31 March 2011 Rs.
9 Short Term Provisions		
Provision for Gratuity	1,613	**-**
Provision for Compensated Absences	379,051	80,625
Provision for Standard Receivables Under Financing Activities	4,440	-
Provision for Tax (Net)	-	380,784
	385,104	**461,409**

10 Fixed Assets

10.1 Tangible Assets

(i) Gross Block

Particulars	Gross Block			
	As at 1 April 2011 Rs.	Additions Rs.	Disposals Rs.	As at 31 March 2012 Rs.
Leasehold Improvements	-	178,500	-	178,500
Computer Equipments	812,450	1,541,036	-	2,353,486
Furniture and Fixtures	-	308,605	-	308,605
Office Equipments	-	18,271	-	18,271
Electrical Fittings	-	148,257	-	148,257
Vehicles	736,667	-	736,667	-
Total	**1,549,117**	**2,194,669**	**736,667**	**3,007,119**
Previous Period	-	1,549,117	-	1,549,117

(ii) Accumulated Depreciation and Amortisation

Particulars	Depreciation				Net Block	
	As at 1 April 2011 Rs.	For the year Rs.	Eliminated on disposal of assets Rs.	As at 31 March 2012 Rs.	As at 31 March 2012 Rs.	As at 31 March 2011 Rs.
Leasehold improvements	-	32,127	-	32,127	146,373	-
Computer Equipments	59,373	570,523		629,896	1,723,590	753,077
Furniture and Fixtures	-	69,703		69,703	238,902	-
Office Equipments	-	1,394	-	1,394	16,877	-
Electrical Fittings	-	22,162	-	22,162	126,095	-
Vehicles	21,192	103,155	124,347	-	-	715,475
Total	**80,565**	**799,064**	**124,347**	**755,282**	**2,251,837**	**1,468,552**
Previous Period	**-**	80,565	**-**	80,565	1,468,552	**-**

10.2 Intangible Assets

(i) Gross Block

Particulars	Gross Block		
	As at 1 April 2011 Rs.	Additions Rs.	As at 31 March 2012 Rs.
Computer Software	-	2,416,500	2,416,500
Total	**-**	**2,416,500**	**2,416,500**
Previous Period	**-**	**-**	-

(ii) Accumulated Amortisation

Particulars	Amortisation			Net Block	
	As at 1 April 2011 Rs.	For the year Rs.	As at 31 March 2012 Rs.	As at 31 March 2012 Rs.	As at 31 March 2011 Rs.
Computer Software	-	1,208,250	1,208,250	1,208,250	-
Total	**-**	**1,208,250**	**1,208,250**	**1,208,250**	**-**
Previous Period	**-**	**-**	-	**-**	**-**

10.3 Depreciation and Amortisation Expense for the Year / Period

Particulars	For the Year Ended 31 March 2012 Rs.	For the Period from 14 May 2010 (Date of Incorporation) to 31 March 2011 Rs.
Depreciation for the year on tangible assets as per Note 10.1	799,064	80,565
Amortisation for the year on intangible assets as per Note 10.2	1,208,250	-
Depreciation and Amortisation	**2,007,314**	**80,565**

11 Deferred Tax Assets (Net)

Break up of deferred tax assets and liabilities and current year deferred tax charge:

Particulars	As at 31 March 2011 Rs.	(Charged) / Credited to Statement of Profit & Loss	As at 31 March 2012 Rs.
Deferred Tax Liabilities			
Difference between the depreciation as per Books of Account and Income Tax Act, 1961	(67,492)	46,668	(20,824)
Total (A)	**(67,492)**	**46,668**	**(20,824)**
Deferred Tax Assets			
Provision for Compensated Absences and Gratuity	43,211	207,408	250,619
Provision for Standard Assets	-	106,536	106,536
Preliminary Expenses etc.	347,585	(82,506)	265,079
Total (B)	**390,796**	**231,438**	**622,234**
Net Deferred Tax Asset	**323,304**	**278,106**	**601,410**

Note:
The Company has not recognised the net Deferred Tax Asset on account of carried forward losses and unabsorbed depreciation on grounds of prudence.

	Particulars	As at 31 March 2012 Rs.	As at 31 March 2011 Rs.
12	**Long Term Receivables Under Financing Activities**		
	(Represents Installments Due after one year from the reporting date)		
	Housing Loans - Secured, Considered Good	80,979,554	-
		80,979,554	**-**

	Particulars	As at 31 March 2012 Rs.	As at 31 March 2011 Rs.
13	**Long Term Other Loans and Advances** (Unsecured, Considered Good)		
	Capital advances	2,250,000	1,237,500
	Security Deposits	510,500	-
	Advance Income Tax(Net of Provision)	412357	-
		3172857	**3172857**

	Particulars	As at 31 March 2012 Rs.	As at 31 March 2011 Rs.
14	**Short Term Receivables Under Financing Activities**		
	(Represents Installments Due within one year from the reporting date)		
	Housing Loans - Secured, Considered Good	1,110,061	-
		1,110,061	**-**

	Particulars	As at 31 March 2012 Rs.	As at 31 March 2011 Rs.
15	**Cash and Cash Equivalents**		
	Cash on Hand	-	-
	Balances with Banks		
	- In Current Accounts	27,767,193	462,233
	- In Deposits Accounts (Free of Lien)	35,000,000	52,802,000
		62,767,193	**53,264,233**
	Of the above, the balances that meet the definition of Cash and Cash Equivalents as per AS 3 Cash Flow Statements is	27,767,193	462,233

	Particulars	As at 31 March 2012 Rs.	As at 31 March 2011 Rs.
16	**Short Term Other Loans and Advances**		
	Loans and Advances to Related Parties (Refer Note 24.2) - Unsecured, Considered Good	609	-
	Loans and Advances to Employees		
	- Secured, Considered Good	116,612	-
	- Unsecured, Considered Good	83,087	-
	Prepaid Expenses - Unsecured, Considered Good	640,695	20,439
	Balances with Government Authorities -Service Tax Input Credit - Unsecured, Considered Good	1,264,155	**-**
	Other Advances - Unsecured, Considered Good	7,500	-
		2,112,658	**20,439**

	Particulars	As at 31 March 2012 Rs.	As at 31 March 2011 Rs.
17	**Other Current Assets**		
	Interest Accrued but Not Due		
	- on Housing Loans	573,450	-
	- on Fixed Deposits with Banks	149,178	688,488
		722,628	**688,488**

	Particulars	For the Year Ended 31 March 2012 Rs.	For the Period from 14 May 2010 (Date of Incorporation) to 31 March 2011 Rs.
18	**Revenue from Operations**		
	Interest Income from Housing Loans	2,395,606	**-**
	Loan Processing Fee and Administration Charges	1,745,054	-
	Other Operating Revenue - Revenue Grants	4,424,690	-
	(Refer Note 28)		
		8,565,350	**-**

	Particulars	For the Year Ended 31 March 2012 Rs.	For the Period from 14 May 2010 (Date of Incorporation) to 31 March 2011 Rs.
19	**Other Income**		
	Interest Income		
	- on Fixed Deposits with Banks	2,886,710	1,560,804
	- on Staff loans	33,580	-
	- on Income Tax Refund	6,463	-
	Net Gain on Sale of Current Investments in Mutual Funds	1,242,811	-
	Miscellaneous Income	8,846	-
		4,178,410	**1,560,804**

	Particulars	For the Year Ended 31 March 2012 Rs.	For the Period from 14 May 2010 (Date of Incorporation) to 31 March 2011 Rs.
20	**Employee Benefits Expense**		
	Salaries	35,794,538	3,509,395
	Contribution to Provident Fund	1,161,623	169,336
	Gratuity	334,178	59,215
	Staff Welfare Expenses	2,109,372	18,729
		39,399,711	**3,756,675**

	Particulars	For the Year Ended 31 March 2012 Rs.	For the Period from 14 May 2010 (Date of Incorporation) to 31 March 2011 Rs.
21	**Other Expenses**		
	Rent including Lease Rentals (Net) (Refer Note 25)	4,091,988	-
	Electricity	885,585	-
	Repairs and Maintenance - Others	3,475,372	-
	Insurance	28,983	2,658
	Rates and Taxes	3,027,445	4,235
	Brokerage and Commission	62,525	-
	Communication	982,425	4,601
	Travelling and Conveyance	1,728,114	29,570
	Printing and Stationery	709,673	4,722
	Software Expense	91,000	35,600
	Preliminary Expenses	-	1,124,870
	Advertisement and Business Promotion	827,743	-
	Legal and Professional	462,468	51,472
	Directors' Remuneration and Sitting Fees	630,685	90,000
	Provision for Standard Assets Receivable under Financing Activities	328,358	-
	Auditors' Remuneration (Net of Service tax)		
	- Statutory Audit	500,000	500,000
	- Tax Audit	100,000	-
	- Others	125,000	106,650
	Loss on Sale of Fixed Assets	80,096	-
	Miscellaneous Expenses	117,023	2,281
		18,254,483	**1,956,659**

22 Employee Benefits

22.1 Defined Contribution Plans

The Company makes Provident Fund contributions to defined contribution plan for qualifying employees to the Regional Provident Fund Commissioner. Under the Scheme, the Company is required to contribute a specified percentage of the payroll costs to fund the benefits. The Company recognised Rs. 1,161,623 (Previous Period Rs. 169,336) towards Provident Fund contributions in the Statement of Profit and Loss. The contributions payable by the Company is at rates specified in the Rules of the Scheme.

22.2 Defined Benefit Plan

The Company does not have a funded gratuity scheme for its employees. Gratuity provision has been made based on the actuarial valuation done as at the year end. The actuarial valuation as provided by the Independent Actuary is as follows:

Particulars	For the Year Ended 31 March 2012 Rs.	For the Period from 14 May 2010 (Date of Incorporation) to 31 March 2011 Rs.
Change in defined benefit obligations during the Year		
Present value of Defined Benefit Obligation at beginning of the Year	59,215	-
Current Service Cost	240,079	59,215
Interest cost	4,737	-
Actuarial Losses	89,362	-
Present value of Defined Benefit Obligation at End of the Year	**393,393**	**59,215**
Change in Fair Value of Assets during the Year		
Plan Assets at Beginning of the Year	-	-
Expected Return on Plan Assets	-	-
Actual Company Contributions	-	-
Benefits Paid	-	-
Actuarial Gains	-	-
Plan Assets at End of the Year	**-**	-
Liability recognised in the Balance Sheet		
Present value of Defined Benefit Obligation	393,393	59,215
Fair Value of Plan Assets	-	-
Liability Recognized in the Balance Sheet	**393,393**	**59,215**
Cost of Defined Benefit Plan for the Year		

Current Service Cost	240,079	59,215
Interest Cost	4,737	-
Net Actuarial Losses	89,362	-
Cost Recognized in the Statement of Profit and Loss	**334,178**	**59,215**
Actual Return on Plan Assets	**-**	**-**

Particular	For the Year Ended 31 March 2012 Rs.	For the Period from 14 May 2010 (Date of Incorporation) to 31 March 2011 Rs.
Assumptions		
Discount Rate	8.00%	8.00%
Future Salary Increase	5.00%	5.00%
Mortality Rate	LIC 1994-1996 Rates	LIC 1994-1996 Rates
Attrition rate	5.00%	5.00%

Notes:

a) The estimate of future salary increase takes into account inflation, seniority, promotion and other relevant factors.

b) Discount rate is based on the prevailing market yields of Indian Government Bonds as at the Balance Sheet date for the estimated term of the obligation.

c) Experience Adjustments:

Particular	For the Year Ended 31 March 2012 Rs.	For the Period from 14 May 2010 (Date of Incorporation) to 31 March 2011 Rs.
Projected Benefit Obligation	393,393	59,215
Fair Value of Plan assets	-	-
Surplus/(Deficit)	393,393	59,215
Experience Adjustments on plan liabilities - Losses	89,362	-
Experience Adjustments on plan assets	-	-

22.3 Compensated Absences

The Key Assumptions used in the computation of provision for long term compensated absences as per the Actuarial Valuation done by an Independent Actuary are as given below:

Particulars	For the Year Ended 31 March 2012 Rs.	For the Period from 14 May 2010 (Date of Incorporation) to 31 March 2011 Rs.
Assumptions		
Discount Rate	8.00%	8.00%
Future Salary Increase	5.00%	5.00%
Mortality Rate	LIC 1994-1996 Rates	LIC 1994-1996 Rates
Attrition rate	5.00%	5.00%

23 Segment Reporting

The Company is engaged in the business of Housing Finance. Further, the Company does not have any separate geographic segments other than India. As such there are no separate reportable segments as per AS-17 "Segmental Reporting".

24. Related Party Transactions

24.1 Names of Related Parties and Nature of Relationship

Description of Relationship	As at 31 March 2012	As at 31 March 2011
Holding Company	Equitas Holdings Private Limited	Equitas Holdings Private Limited
Fellow Subsidiaries	Equitas B2B Trading Private Limited Equitas Finance Private Limited Singhivi Investment & Finance Private Limited w.e.f 4 July 2011	Equitas B2B Trading Private Limited Equitas Finance Private Limited
Key Management Personnel	Mr. P.N.Vasudevan, Managing Director w.e.f 15 April 2011	Mr. P.N.Vasudevan, Director

Note : Related party relationships are as identified by the Management.

24.2 Transactions with the Related Parties

Transaction	Related Party	For the Year Ended 31 March 2012 Rs.	For the Period from 14 May 2010 (Date of Incorporation) to 31 March 2011 Rs.
Income			
Recovery of Rental Expenses Received	Singhivi Investment & Finance Private Limited	111,774	-
	Equitas Finance Private Limited	112,383	-

Transaction	Related Party	For the Year Ended 31 March 2012 Rs.	For the Period from 14 May 2010 (Date of Incorporation) to 31 March 2011 Rs.
Expenses			
Reimbursement of Expenses Paid (Refer Note below)	Singhivi Investment & Finance Private Limited	23,369,299	-
	Equitas Finance Private Limited	1,541,567	-
	Equitas Holdings Private Limited	-	1,373,490
Other Transactions			
Issue of Equity Shares	Equitas Holdings Private Limited	140,000,000	60,000,000
Purchase of Fixed Assets	Singhivi Investment & Finance Private Limited	90,964	-
	Equitas B2B Trading Private Limited	59,758	-
Transfer of Staff loans to related parties on account of employee transfers	Singhivi Investment & Finance Private Limited	78,995	-
Transfer of Staff loans from related parties on account of employee transfers	Singhivi Investment & Finance Private Limited	680,876	-
Balances outstanding at the end of the year			
Loans and advances	Equitas Finance Private Limited	609	-
Contractually Reimbursable expenses - Payable	Singhivi Investment & Finance Private Limited	2,131,054	-

Note:

The Company accounts for costs incurred by or on behalf of related parties based on the actual invoice / debit notes raised and accruals as confirmed by such related parties. The Related parties have confirmed to the management that as at 31 March 2012, there are no further amounts payable to / receivable from them, other than as disclosed above.

25. Details of Leasing Arrangements

The Company has entered into operating lease arrangements for certain facilities and office premises. The leases are cancellable and are for a period of 3 - 9 years.

Particulars	For the Year Ended 31 March 2012 Rs.	For the Period from 14 May 2010 (Date of Incorporation) to 31 March 2011 Rs.
Lease payments recognised in the Statement of Profit and Loss	4,091,988	-

26. Earnings Per Share

Particulars	For the Year Ended 31 March 2012 Rs.	For the Period from 14 May 2010 (Date of Incorporation) to 31 March 2011 Rs.
Loss after Tax - in Rs.	(46,129,642)	(4,419,791)
Weighted Average Number of Equity Shares	7,844,262	3,881,988
Earnings Per Share (Basic & Diluted) - in Rs.	(5.88)	(1.14)
Face Value Per Share - in Rs.	10	10

27. Micro, Small and Medium Enterprises

Based on the extent of information available with the management, there are no transactions with Micro and Small Enterprises. This has been relied upon by the auditors.

28. Earnings in Foreign Currency (On Accrual Basis)

Particulars	For the Year Ended 31 March 2012 Rs.	For the Period from 14 May 2010 (Date of Incorporation) to 31 March 2011 Rs.
Revenue Grant From International Finance Corporation	4,424,690	-

Note:

During the year ended 31 March 2012, the Company has entered into a “Grant Agreement” with International Finance Corporation (IFC). As per the Grant Agreement, the Company is eligible to receive an amount of USD 500,000 over a period of 4 years, subject to the Company meeting various 'Performance Indicators'. During the current year, based on the fulfillment of 'Performance Indicators' as per the agreement, the Company has received and accounted the first tranche of the grant of USD 100,000 (Equivalent Rs. 4,424,690). Since the grant is in the nature of a Revenue grant, the same has been disclosed under “Other Operating Income” in Note 18.

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

Particulars	As at 31 March 2012 Rs.	As at 31 March 2011 Rs.
Commitments:		
- Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of Advances)	5,250,000	1,162,500
- Housing Loans sanctioned but not disbursed	38,521,511	-

30 **Loan Portfolio and Provision for Standard and Non Performing Assets**

(a) **Current Year**

Asset Classification	Loan Outstanding as at 31 March 2012 (Gross)	Provision as at 31 March 2012	Loan Outstanding as at 31 March 2012 (Net)
Housing Finance Activities			
Standard Assets	82,089,615	328,358	81,761,257
Total	**82,089,615**	**328,358**	**81,761,257**

(b) **Previous Year -** Rs. Nil

31 **Changes in Provisions**

(a) **Current Year**

Particulars	As at 31 March 2011	Additional Provision	Utilization/ Reversal	As at 31 March 2012
Provision for Standard Assets Under Financing Activities	-	328,358	-	328,358
Total	**-**	**328,358**	**-**	**328,358**

(b) **Previous Year -** Rs. Nil

32 **Disclosure pursuant to National Housing Bank circular NHB/ND/DRS/Pol-No.35/2010-11 dated 11 October 2010**

32.1 **Capital to Risk Assets Ratio (CRAR)**

Particulars	As at 31 March 2012 Rs.	As at 31 March 2011 Rs.
Tier I Capital	147,640,907	55,256,905
Tier II Capital	328,358	-
Total Capital	147,969,265	55,256,905
Total Risk Assets	73,582,703	2,726,491
Capital Ratios		
Tier I Capital as a percentage of Total Risk Assets (%)	200.65%	2026.67%
Tier II Capital as a percentage of Total Risk Assets (%)	0.45%	0.00%
Total Capital (%)	**201.10%**	**2026.67%**

32.2 Exposure to Real Estate Sector

(a) Current Year

Particulars	As at 31 March 2012 Rs
Direct Exposure	
Residential Mortgages	
Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented;	
Upto Rs. 15 Lakhs	35,475,364
More than Rs. 15 Lakhs	46,614,251
Total	**82,089,615**
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	-
Investments in Mortgage Backed Securities (MBS) and other securitised exposures	
Residential	-
Commercial Real Estate	-
Indirect Exposure	
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	

(b) Previous Year

The Company did not have any direct or indirect exposure to the real estate sector as at 31 March 2011.

32.3 Asset Liability Management

(a) Maturity Pattern of certain items of Assets and Liabilities as at 31 March 2012:

Particulars	1 day to 30 – 31 days (One Month)	Over one month to 2 months	Over 2 months upto 3 months	Over 3 months upto 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years to 7 years	Over 7 years to 10 years	Over 10 years	Total
Liabilities											
Borrowings from Banks	-	-	-	-	-	-	-	-	-	-	-
Market Borrowings	-	-	-	-	-	-	-	-	-	-	-
Assets											
Advances (Housing Loans)	59,748	94,880	71,530	245,938	637,965	6,759,603	6,754,221	9,238,391	18,176,661	40,050,678	**82,089,615**
Investments	-	-	-	-	-	-	-	-	-	-	-

(b) Maturity Pattern of certain items of Assets and Liabilities as at 31 March 2011:

As at 31 March 2011, the Company did not have any assets / liabilities for which the maturity pattern is required to be disclosed as per the above mentioned circular NHB/ND/DRS/Pol-No. 35/2010-11.

32.4 During the year ended 31 March 2012 and 31 March 2011,

- there were no penalties imposed on the Company by NHB.
- the Company has not received any adverse comments in writing by NHB on regulatory compliances, with a specific communication to disclose the same to the public.

33 Company Secretary

The Company is in the process of appointing a qualified Whole-Time Company Secretary, as stipulated under section 383A of the Companies Act, 1956.

34 Employee State Insurance

During the year ended 31 March 2012, the Company has obtained the registration under the Employee State Insurance Act, 1948 vide letter dated 23 July 2011. Consequently, the Company has remitted the employer and employee contribution towards Employee State Insurance to the Central Government which has been contributed / deducted prior to registration.

35 Previous Period Figures

The Revised Schedule VI of the Companies Act, 1956 has become effective from 1 April 2011 for the preparation of financial statements. This has significantly impacted the disclosure and presentation made in the financial statements. Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year's classification / disclosure.

The financial statements for the previous period are from 14 May 2010 (Date of Incorporation) to 31 March 2011, whereas the current year financials statements are prepared for the period from 1 April 2011 to 31 March 2012. Further, the commercial operation of the company has been commenced during the year ended 31 March 2012. Hence, the current year figures are not comparable with that of the previous period.

For and on behalf of the **Board of Directors**

P V Rajaraman
Chairman

P N Vasudevan
Managing Director

N Sridharan
Chief Financial Officer

D G Rajan
Chairman Audit committee

Place : Chennai
Date : 2 May 2012