



EQUITAS HOUSING FINANCE PRIVATE LIMITED

4TH ANNUAL REPORT 2013 - 2014

CORPORATE INFORMATION

Board of Directors

- 1. Rajaraman P V**
Chairman
- 2. Meena Ganesh**
Director
- 3. Rajan D G**
Director
- 4. Sarath Naru**
Director
- 5. Viswanatha Prasad Subbaraman**
Nominee 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

Statutory Auditors

Brahmayya & Co
Chartered Accountants
48, Masilamani Road,
Balaji Nagar,
Royapettah,
Chennai 600014
Tel: +91 44 28131128
Fax: +91 44 28131158

Internal Auditors

Kumbhat & Co.,
No: 144, N.S.C. Bose Road
Chennai – 600 079
Tel: +91 44 25388720 , 25382729

BANKERS

IDBI Bank Limited

ING Vysya Bank Limited

Kotak Mahindra Bank Limited

The Federal Bank Limited

Dhanlaxmi Bank Limited

HDFC Bank Limited

State Bank of India

ICICI Bank Limited

Axis Bank Limited

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EQUITAS HOUSING FINANCE PRIVATE LIMITED

DIRECTORS' REPORT

TO THE MEMBERS

The Directors of your Company have pleasure in presenting the Annual Report together with the Audited Accounts of the Company for the period ended 31st March 2014 (FY 2013-14).

The financial statements (and documents required to be attached thereto), Auditor's Report and Directors' Report in respect of the financial year ended 31st March 2014 have been prepared in accordance with General Circular No.08/2014 dated 04th April 2014, Ministry of Corporate Affairs, Government of India.

1. Overview

The Company is a wholly owned subsidiary of M/s. Equitas Holdings Private Limited (EHPL).

2. Financial Results

(Rupees)

Particulars	For the Period ended 31 st March 2014	For the Period ended 31 st March 2013
Gross income	131,384,419	52,141,473
Less: Total Expenditure	110,601,013	62,086,583
Profit / (Loss) before taxation	20,783,406	(9,945,110)
Current Tax	3,652,775	-
MAT Credit Entitlement	(3,559,121)	-
Deferred Tax	5,768,360	(17,021,444)
Net Profit after Tax	14,921,392	7,076,334

3. Dividend

The Directors do not recommend any dividend for the year.

4. Operational highlights

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

5. Material changes after the Balance Sheet Date (31st March 2014)

There have been no material changes and commitments between the end of FY 2013-14 and the date of this report, affecting the financial position of the Company.

6. 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.

7. Capital Adequacy

The capital adequacy ratio was 61.24% as on 31st March 2014. The Net Owned Funds (NOF) as on that date was Rs 35.34 Crores. The minimum capital adequacy requirement stipulated for the Company by NHB is 12%

8. Corporate Governance Report

Clause 49 of the standard listing agreement which includes the Corporate Governance Report does not apply to the Company. Notwithstanding this, a report on Corporate Governance is attached and forms part of the Directors' Report.

9. 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.

10. Directors

Mr Sarabeswar R resigned as a Director of the Company with effect from 29th January 2014. The Board places on record its appreciation for his valuable contribution during his tenure as Director of the Company.

Mr Sarath Naru, Director retires by rotation this year, and being eligible, offers himself for reappointment. The Directors recommend his re-appointment as Director of the Company. Appropriate resolution for his re-appointment is being placed for approval of the shareholders at the ensuing Annual General Meeting.

11. 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.

12. Auditors

M/s Brahmayya & Co, Chartered Accountants, Auditors of the Company retire at the forthcoming annual general meeting and have desired not to be considered for re-appointment. The Directors recommend appointment of M/s Deloitte Haskins & Sells, Chartered Accountants, as Auditors of the Company for the period from the conclusion of the ensuing annual general meeting till the conclusion of the next annual general meeting on such remuneration as may be fixed in this behalf by the Board of Directors of the company.

13. 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.

14. Foreign Exchange Earnings (on accrual basis)

Particulars	For the Year Ended 31 March 2014 (Rs)	For the Year Ended 31 March 2013 (Rs)
Earnings - Grant from International Finance Corporation, USA	3,005,000	5,470,995
Expenditure (Data processing charges)	-	6,074

15. Personnel

During the year, there were no employees who were in receipt of remuneration as per the provisions of Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975.

Acknowledgement

The Directors gratefully acknowledge the continued support and co-operation received from the Holding Company i.e., Equitas Holdings Private Limited, Chennai. Your Directors thank the Financial Institutions and Banks associated with your Company for their support. Your Company's employees are instrumental in your Company's steadily improving performance. Their commitment and contribution is acknowledged.

For and on behalf of the Board of Directors

P N Vasudevan
Managing Director

P V Rajaraman
Chairman

Chennai
7th May 2014

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 for the Financial Year ended 31st March 2014 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 proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 have been taken 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 the annual accounts have been prepared on a going concern basis for the Financial Year ended 31st March 2014.

For and on behalf of the Board of Directors

P N Vasudevan
Managing Director

P V Rajaraman
Chairman

Chennai
7th May 2014

MANAGEMENT DISCUSSION AND ANALYSIS

Equitas Housing Finance Private Limited (EHFPL)

Introduction

EHFPL is a wholly owned subsidiary of EHPL and registered with National Housing Bank (NHB). EHFPL started its operations in June 2011, and 2013-14 is the third year of operations.

Despite a high interest rate environment in the beginning of FY 2013-14, the demand for home loans remained robust. This was predominantly on account of rising disposable incomes and continued fiscal incentives on housing.

Affordable housing continues to be the focus of many stakeholders be it the Governments, regulators, builders and society at large.

1. Equitas Approach

Equitas identified the segment of clients from the self-employed non professional category for funding in the affordable housing segment. As this is a relatively new industry segment, there is not much competition from Banks and other established HFCs. However, there are quite a few new players in this sector and the competition may increase over the medium to long-term.

In the last year, the company launched a pilot for funding the housing requirements of the top end clients of the Micro finance customers of Equitas received a very good response. During the year, the company rolled out this initiative in Tamil Nadu and Maharashtra in 198 branches of the Micro finance Company. This has benefitted over 1000 borrowers. This initiative aimed at meeting the requirements of low income segments. During the financial year 2014-15, the Company proposed to launch this initiative in Gujarat, Madhya Pradesh and Rajasthan, adding up another 100 branches of Micro Finance.

There are also Government policies support provided for loans to this segment such as the 5% interest subsidy scheme (Rajiv Rinn Yojana) and Credit Risk Guarantee Fund for the low income housing by the National Housing Bank. The Company has entered into an MOU with NHB for 5% interest Subsidy for the low income urban housing in October 2013 and also another MOU with the Credit Risk Guarantee Fund Trust under the NHB in May 2013. The Company would be working closely with the Regulator to try and reach these benefits to the ultimate beneficiaries.

2. Lending operations

During the year, the Company opened 6 branches in Maharashtra and Gujarat thus entering to the Western parts of the Country apart from Tamil Nadu and Karnataka. The total number of branches operational as on 31/3/2014 was 12.

The Loan approvals during the year were Rs 61 crores as compared to Rs 42 crores in the last year. The cumulative loan approvals since the inception of the company were Rs 115 crores. Loan

disbursements during the year were Rs 61 crores as against Rs 39 crores in the previous year. The cumulative loan disbursements stood at Rs 108 crores.

The loans outstanding at the end of the current year were Rs 93.74 crores as against Rs 44.64 crores of previous year.

3. Financial results

The Company posted a net profit after tax of Rs 149.21 lakhs during the current year as against the net profit after tax of Rs 70.76 lakhs in the previous year.

The totals assets of the company was at Rs 108.65 crores and crossed the Rs 100 crores mark.

4. Capital and Capital Adequacy

The paid-up capital of the company was Rs 40 crores, the Capital to Risk Adjusted Assets (CRAR) was at 61.24% at the end of the financial year.

5. Resources and Treasury

During the year the Company made fresh borrowings in the form of term loans of Rs 22 crores from Kotak Mahindra Bank, Federal Bank and Dhanlaxmi Bank. The company also received a sanction for Rs 10 crores by way of Refinance Facilities from National Housing Bank in March 2014. The tenure of this facility is upto 15 years. This will help the Company in reducing its costs of borrowing which in turn can be passed on to the borrowers. .During the year, CRISIL reaffirmed the rating for the long-term bank loan facilities as “BBB-/Stable which represents ‘moderate safety’.

6. Human Resources

The Company has provided a wide range of benefits to its employees including health insurance for all employees and their parents and dependents. The Company also provided opportunities to employees to move across business verticals within the Group, through the Career Enhancement Program (CEP). The number of employees as at the end of the year was 111.

7. Risk Management

The Company has a board approved risk management policy and the board periodically reviews the risks faced by the Company and the practices followed to manage them.

As an HFC, the key risk apart from credit and interest rate risk is the liquidity risk. The Company has moved to a Dual Rate Home Loans in February 2013. Under this product, the interest on the home loan is fixed for an initial defined period of 3 years from the date of disbursement and thereafter, it automatically converts to an adjustable rate home loan product, linked to the lending rate of the Company.

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

8. Outlook and challenges

The Company has studied the operating models of various competitors besides Company's experience of the past year and even though sourcing has been a challenge the Company has had a mid-course correction and expects that the current pattern of sourcing should enable the Company to achieve rapid 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,
7th May 2014**

**P N Vasudevan
Managing Director**

**P V Rajaraman
Chairman**

REPORT ON CORPORATE GOVERNANCE

CORPORATE GOVERNANCE PHILOSOPHY

The Company's 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 which are pre-requisites for attaining sustainable growth in this competitive corporate world. Obeying the law, both in letter and in spirit, is the foundation on which the Company's ethical standards are built. The Company's corporate governance philosophy has been further strengthened by voluntarily adopting Corporate Governance Guidelines even though not statutorily required for an unlisted Company.

CORPORATE GOVERNANCE RATINGS

Equitas Group has been recognized for its voluntary compliance with the highest levels of corporate governance. CRISIL has awarded a Governance & Value Creation Rating of GVC-2 to Equitas Group with only 6 other corporates viz., Bharti Airtel Limited, HDFC Bank Limited, Housing Development Finance Corporation Limited, Infosys Limited, Mahindra & Mahindra Limited and Hero Motocorp Limited at a higher level in India. Equitas is the highest rated among the unlisted companies in India.

CORPORATE GOVERNANCE GUIDELINES

To ensure the highest standards of ethical and responsible conduct of business, the Company has voluntarily adopted the following guidelines which will translate into a much higher level of stakeholders' confidence that is crucial for ensuring long-term sustainability and value generation by business.

- i) Formal appointment letter to be issued to Non Executive and Independent Directors
- ii) Code of conduct for Directors and Senior Management
- iii) Certificate of Independence to be provided by Independent Directors on an annual basis
- iv) Remuneration policy for members of the Board and Key Executives
- v) Demarcation of roles and responsibilities of Chairman and Managing Director
- vi) Knowledge Management process for Directors related to the Company's sphere of activities
- vii) Whistle Blower Policy

These policies ensure that the Board will have the necessary authority and processes in place to review and evaluate our operations when required. Further, these policies allow the Board to make independent and objective decisions.

BOARD COMPOSITION

Currently, the Board comprises of six (6) Directors. The names and categories of Directors and the number of Directorships are given below:

Name	Nature of Directorship	Other Directorships (\$)
NON-EXECUTIVE		
Rajaraman P V, Chairman	Non Executive	1
Meena Ganesh	Non Executive	7
Rajan D G	Non Executive	7
Sarath Naru	Non Executive	18
Viswanatha Prasad Subbaraman	Investor Nominee	5
EXECUTIVE		
Vasudevan P N (MD)	Founder	6

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

CHANGES IN BOARD CONSTITUTION

During the year under review, Mr Sarabeswar R resigned as a Director of the Company with effect from 29th January 2014.

BOARD MEETINGS & ATTENDANCE

During 2013-2014, Board Meetings were held on 2nd May 2013, 31st July 2013, 21st October 2013 and 5th February 2014. The gap between any two meetings has been less than four months.

Name	No. of Meetings	
	Held	Attended
NON-EXECUTIVE		
Rajaraman P V, Chairman	4	4
Meena Ganesh	4	4
Rajan D G	4	4
Sarabeswar R#	3	2
Sarath Naru	4	3
Viswanatha Prasad Subbaraman	4	4
EXECUTIVE		
Vasudevan P N (Managing Director)	4	4

Mr Sarabeswar R resigned as a Director of the company with effect from 29th January 2014.

INFORMATION SUPPLIED TO THE BOARD

In advance of each meeting, the Board is presented with relevant information on various matters related to the working of the Company, especially those that require deliberation at the highest level. Presentations are also made to the Board by different functional heads on important matters from time to time. Directors have separate and independent access to officers of the Company. In addition to items which are required to be placed before the Board for its noting and/or approval, information is provided on various significant items. In terms of quality and importance, the information supplied by management to the Board of the Company is far beyond that mandated by the statute.

COMMITTEES OF THE BOARD

The Company at present has two (2) Committees of Board viz., Audit & Risk Management Committee and Resourcing Committee and the Asset Liability Management Committee. The Board fixes the terms of reference of committees and also delegates powers from time to time. The minutes of the meetings of the committees are circulated to all Directors and placed before the Board for its information and confirmation.

AUDIT & RISK MANAGEMENT COMMITTEE

Composition

The Audit & Risk Management Committee is chaired by a Non-Executive Director. All the Members are Non-Executive Directors.

1. Mr Rajan D G, Chairman
2. Ms Meena Ganesh
3. Mr Viswanatha Prasad Subbaraman

Meetings & Attendance

The Audit & Risk Management Committee held Meetings during the year on 2nd May 2013, 11th July 2013, 31st July 2013, 21st October 2013 and 5th February 2014.

Name	No. of Meetings	
	Held	Attended
Rajan D G, Chairman	5	5
Sarabeswar R#	4	3
Viswanatha Prasad Subbaraman	5	5
Meena Ganesh*	0	0

#Mr Sarabeswar R resigned as a Director of the Company with effect from 29th January 2014.

*Ms Meena Ganesh was inducted into the Audit & Risk Management committee in the Board Meeting held on 5th February 2014.

Terms of Reference

The role of the Audit & Risk Management 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, 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. Laying down and review of procedures relating to risk assessment & risk minimization to ensure that executive management controls risk through means of a properly defined framework.
10. Credit and Portfolio Risk Management
11. Operational and Process Risk Management

12. Laying down guidelines on KYC norms
13. Oversee and Review the implementation of Asset Liability Management System
14. Review on quarterly basis the securitization /bilateral assignment transactions and investment activities of the Company.
15. Annual review of the Company's Policies framed pursuant to NHB Guidelines and suggest changes, if any required to the Board for adoption.

The Audit & Risk Management 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 & risk management 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

Composition

The Resourcing Committee is comprised of two (2) Non Executive Directors and one (1) Executive Director.

1. Mr Sarath Naru, Chairman
2. Mr Rajan D G
3. Mr Vasudevan P N

Meetings & Attendance

The Resourcing Committee held Meetings during the year on 29th May 2013, 11th July 2013, 1st November 2013, 17th January 2014, 27th March 2014 and 29th March 2014.

Name	No. of Meetings	
	Held	Attended
Sarath Naru, Chairman	6	2
Rajan D G	6	6
Sarabeswar R #	4	3
Vasudevan P N	6	6

#Mr Sarabeswar R resigned as a Director of the Company with effect from 29th January 2014.

Terms of reference

1. To approve borrowings from various persons including 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 (ALCO)

Composition

In accordance with the guidelines issued by the NHB, the Board has constituted the ALCO. The Committee currently consists of the following members:

1. Mr P N Vasudevan - Managing Director and Chairman of the Committee
2. Mr Ashutosh Atre - National Business Head
3. Mr N Sridharan - Group Head Treasury & MIS
4. M Srinivas Rao - Head IT

The Committee meets once in a quarter.

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.

The Committee reviews the asset liability management reports.

REMUNERATION OF DIRECTORS

All Directors except the Managing Director 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. No sitting fee is payable to Members of the Asset Liability Management committee. The sitting fees paid to Directors along with their shareholdings in the Company are as under:

Name	Sitting fees (Rs)		No. of equity shares held on 31 st March 2014
	Board	Committee	
Rajaraman P V	40,000	Nil	Nil
Meena Ganesh	40,000	Nil	Nil
Rajan D G	40,000	55,000	Nil
Sarabeswar R#	20,000	30,000	Nil
Sarath Naru	30,000	10,000	Nil
Viswanatha Prasad Subbaraman	40,000	25,000	Nil
Vasudevan P N	Nil	Nil	Nil

#Mr Sarabeswar R resigned as a Director of the Company with effect from 29th January 2014.

Following is the remuneration payable to the Non-Executive Directors for the Financial Year ended 31st March 2014:

Name	Remuneration (Amount in Rs.)
Rajaraman P V	5,00,000
Meena Ganesh	2,50,000
Rajan D G	3,75,000
Sarabeswar R#	2,12,329
Sarath Naru	2,50,000
Viswanatha Prasad Subbaraman	2,50,000
Total	18,37,329

#Mr Sarabeswar R resigned as a Director of the Company with effect from 29th January 2014.

GENERAL BODY MEETINGS

During the year ended 31st March 2014, one (1) Annual General Meeting and two (2) Extraordinary General Meeting were held as per details given below:

Date	Time	Venue
1 st July 2013 (AGM)	9.30 A.M.	4 th Floor, Temple Tower, 672, Anna Salai, Nandanam, Chennai 600035
27 th September 2013 (EGM)	11.00 A.M.	4 th Floor, Temple Tower, 672, Anna Salai, Nandanam, Chennai 600035
18 th December 2013 (EGM)	5.30 P.M.	4 th 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.

KYC/AML & FAIR PRACTICES CODE

The Company has formulated a Know Your Customer / Anti-Money Laundering Policy in terms of NHB Guidelines in this regard. The Company has also adopted Fair Practices Code pursuant to NHB Guidelines and the same is displayed on the Company's website.

CEO/CFO CERTIFICATION

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

CODE OF CONDUCT

The Company has laid down a code of conduct for the Directors and Senior Management of the Company. All Directors and Senior Management Personnel have affirmed compliance with the code for the Financial Year ended 31st March 2014.

WHISTLE BLOWER POLICY

The Company has adopted the Whistle Blower Policy pursuant to which employees and vendors of the Company can raise their concerns on unethical and improper practices or any other wrongful conduct in the Company or of its employees. Details of complaints received and the action taken are reviewed by the Audit and Risk Management Committee. None of the personnel has been denied access to the Audit & Risk Management Committee.

TRAINING OF BOARD MEMBERS

The Company arranges inter-active sessions with the industry experts to enable the Directors to update themselves. During the year the following program was organized for the benefit of Directors.

- Session on "Governance & Sustained Value Creation" by Mr. S. Ramadorai, Vice Chairman, Tata Consultancy Services

REGULAR UPDATES

The Company sends a monthly newsletter to the Board Members and other stakeholders and keeps them updated on the happenings in the Company.

DISCLOSURES

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

GENERAL SHAREHOLDER INFORMATION

Financial year: April 1st to March 31st

Shareholding pattern as on 31st March 2014

Category	# Shares	%
Equitas Holdings P Limited (Indian Holding Company)	3,99,99,999	100%
S Bhaskar (Nominee of Equitas Holdings P Limited)	1	0%
Total	4,00,00,000	100.00%

Address for Correspondence

Company Secretary

Equitas Housing Finance Private Limited

4th Floor, Temple Tower,
672, Anna Salai, Nandanam
Chennai 600035
Tel : (044) 42995010
Fax: (044) 42995050

For and on behalf of the Board of Directors

Chennai, 7th May, 2014

P N Vasudevan
Managing Director

P V Rajaraman
Chairman

CEO / 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 Financial Year ended 31st March 2014 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.

P N Vasudevan
MD/CEO

N Sridharan
CFO

Chennai, 7th May 2014

INDEPENDENT AUDITORS' REPORT

To the Members of Equitas Housing Finance Private Limited

1. Report on the Financial Statements

We have audited the accompanying financial statements of Equitas Housing Finance Private Limited -CIN NO: U74999TN2010PTC075713 ("the Company"), which comprise the Balance Sheet as at March 31, 2014, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

2. Management's Responsibility for the Financial Statements

Management is responsible for 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 Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated 13th September 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013 and the guidelines issued by National Housing Bank. This responsibility includes the design, implementation and maintenance of internal control 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.

3. Auditor's Responsibility

- a. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. 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.
- b. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
- c. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

4. Opinion

In our opinion and to the best of our information and according to the explanations given to us, the 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:

- a. in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
- b. in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
- c. in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

5. Report on Other Legal and Regulatory Requirements

- a. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
- b. As required by section 227(3) of the Act, we report that:
 - i. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - ii. In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
 - iii. The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - iv. In our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 read with the General Circular 15/2013 dated 13th September 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013;
 - v. On the basis of written representations received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For **Brahmayya & Co.**,
Chartered Accountants
Firm Regn. No.000511S

Place: Chennai
Date : May 07, 2014

K Jitendra Kumar
Partner
Membership No.201825

Equitas Housing Finance Private Limited (“the Company”)

Annexure referred to in paragraph 5 of our report of even date

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. The fixed assets were physically verified by the management during the year. As informed to us, no material discrepancies were noticed on such verification. The Company has not disposed off substantial part of its fixed assets during the year giving rise to the question of whether the company’s ability to continue as a going concern is impaired.
2.
 - a. In our opinion and according to the information and explanations given to us, the company has not granted any loan, secured or unsecured, to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
 - b. According to the information and explanations given to us, the Company has taken unsecured loans from the Holding Company and a fellow subsidiary company, which is covered under the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs.14,00,00,000 and Rs.25,00,00,000 respectively and the balance at the end of the year was Rs.14,00,00,000 and Rs.25,00,00,000 respectively. Apart from the above the Company has not taken any loan secured or unsecured from any other party or firm covered in the register maintained under section 301 of the Companies Act, 1956.
 - c. In our opinion, the rate of interest and other conditions on which loan has been taken is not, prima facie, prejudicial to the interest of the Company.
 - d. In respect of loan taken by the Company, the payment of principal and interest are regular.
3. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchase and 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.
4.
 - a. Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 have been so entered.
 - b. In respect of the transactions made in pursuance of such contracts or arrangements exceeding value Rupees five lakhs entered into during the financial year are reasonable having regard to the prevailing market prices at the relevant time in respect of loan taken and in respect of other transaction, wherever applicable.
5. In our opinion, the Company has an adequate internal audit system commensurate with the size of the Company and nature of its business.

6. a. According to the records of the Company, the Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, custom duty, excise duty, cess. There are no undisputed amounts payable in respect of statutory dues, which are outstanding as at 31st March, 2014 for a period of more than six months from the date they become payable.
 - b. Based on our audit procedures and on the information and explanations given by the Management, there are no disputed statutory dues outstanding.
7. In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to banks. The company has not obtained any borrowings from any financial institutions or by way of debentures.
8. According to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
9. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
10. According to the information and explanations given to us on an overall basis, term loans obtained by the company were, prima facie, applied during the year for the purposes for which the loans were obtained.
11. According to cash flow statement and other records examined by us and the information and explanations given to us, and as mentioned above, on an overall basis, funds raised on short term basis, prima facie, has not been used during the year for long term investment
12. The company has not made a preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act 1956.
13. Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the company has been noticed or reported during the course of our audit.
14. The provisions of Clauses of Paragraph 4 of the Companies (Auditor's Report) Order, 2003 as amended by Companies (Auditor's Report) (Amendment) Order, 2004 listed below are not applicable to the Company for the year:
 - a. Clause (ii) regarding physical verification of inventories of the Company.
 - b. Clause (vi) regarding acceptance of deposits since no deposits have been accepted by the company;
 - c. Clause (viii) regarding maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956;

- d. Clause (x) regarding accumulated losses exceeding 50% of the Net worth of the company, since the company has not completed 5 years;
- e. Clause (xiii) regarding special statute applicable to Chit Funds and Nidhis / Mutual Benefit Fund and Societies since the company has not carried on any such activities;
- f. Clause (xiv) regarding the dealing in or trading in shares, securities, debentures and other investments.
- g. Clause (xix) regarding creation of securities in respect of debentures. since no debentures have been issued by the company; and
- h. Clause (xx) regarding money raised by public issue and its end use since no such money has been raised.

For **Brahmayya & Co.**,
Chartered Accountants
Firm Regn. No.000511S

Place: Chennai
Date : May 07, 2014

K Jitendra Kumar
Partner
Membership No.201825

CIN NO : U74999TN2010PTC075713
Balance Sheet as at 31 March 2014

(Amount in Rs.)

Particulars	Note No	As at 31 March 2014	As at 31 March 2013
EQUITY AND LIABILITIES			
Share Holders' Funds			
Share Capital	4	400,000,000	400,000,000
Reserves and Surplus	5	(28,551,707)	(43,473,099)
Non-Current Liabilities			
Long Term Borrowings	6	391,944,449	89,444,446
Other Long-Term Liabilities	7	-	34,020
Long-Term Provisions	8	5,597,536	3,445,897
Current Liabilities			
Short Term Borrowings	9	250,000,000	50,000,000
Other Current Liabilities	10	65,433,652	15,385,192
Short-Term Provisions	11	2,064,694	1,502,906
TOTAL		1,086,488,625	516,339,362
ASSETS			
Non-Current Assets			
Fixed Assets	12		
- Tangible Assets		1,779,216	1,594,819
- Intangible Assets		5,424,971	7,058,067
Deferred Tax Assets (Net)	13	11,854,494	17,622,854
Long Term Receivables Under Financing Activities	14	897,752,954	434,539,762
Long Term Other Loans and Advances	15	5,606,969	1,042,488
Current Assets			
Cash and Bank balances	16	111,040,804	34,466,205
Short term Receivables under Financing Activities	17	39,580,794	11,879,872
Short term Other Loans and Advances	18	2,077,441	1,969,183
Other Current Assets	19	11,370,981	6,166,111
TOTAL		1,086,488,625	516,339,362
Significant accounting policies and other explanatory information	1-38		

As per our report of even date attached
For **Brahmayya & Co.,**
Chartered Accountants
Registration No.000511S

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

K.Jitendra Kumar
Partner
Membership No.201825

PV Rajaraman
Chairman

PN Vasudevan
Managing Director

DG Rajan
Director

N. Sridharan
Chief Financial Officer

Place : Chennai
Date : May 07, 2014

CIN NO : U74999TN2010PTC075713

Statement of Profit and Loss for the Year Ended 31 March 2014

(Amount in Rs.)

Particulars	Note No	For the Year Ended 31 March 2014	For the Year Ended 31 March 2013
REVENUE			
Revenue from Operations	20	131,333,860	52,100,720
Other Income	21	50,559	40,753
Total Revenue (A)		131,384,419	52,141,473
EXPENSES			
Employee Benefits Expense	22	40,010,788	38,940,629
Finance Cost	23	43,827,352	2,780,068
Depreciation and Amortization Expenses	12	4,279,848	3,130,492
Other Expenses	24	20,259,352	15,253,565
Provisions	25	2,223,674	1,981,830
Total Expenses (B)		110,601,013	62,086,584
Profit / (Loss) Before Tax (A - B)		20,783,406	(9,945,110)
Tax Expense			
- Current tax		3,652,775	-
- MAT Credit entitlement		(3,559,121)	-
- Deferred Tax (Refer Note No. 13)		5,768,360	(17,021,444)
Profit for the year		14,921,392	7,076,334
Earnings Per Equity Share			
- Basic / Diluted (Refer note no. 31)		0.37	0.24
Significant accounting policies and other explanatory information	1-38		

As per our report of even date attached

For **Brahmayya & Co.,**
Chartered Accountants
Registration No.000511S

K.Jitendra Kumar
Partner
Membership No.201825

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

PV Rajaraman
Chairman

PN Vasudevan
Managing Director

DG Rajan
Director

N. Sridharan
Chief Financial Officer

Place : Chennai
Date : May 07, 2014

CIN NO : U74999TN2010PTC075713

Cash Flow Statement for the Year Ended 31 March 2014

(Amount in Rs.)

Particulars	2013-14	2012-13
Cash Flow from Operating Activities		
Net profit / (Loss) before taxation, and extraordinary item	20,783,406	(9,945,110)
Add :-		
Depreciation and Amortisation Expense	4,279,848	3,130,492
Finance Costs	43,827,352	2,780,068
Provision for Standard Receivables under Financing Activity	1,417,653	1,981,830
Provision for Sub Standard Receivables under Financing Activity	806,021	-
Provision for Employee Benefits	210,319	1,866,170
Less:-		
Interest /Dividend Income	(193,554)	(348,172)
Net Gain on Sale of Current Investments in Mutual funds	(896,540)	(2,056,258)
Operating profit / (loss) before working capital changes	70,234,505	(2,590,980)
(Increase) Decrease receivables under Financing Activities	(490,914,114)	(364,316,630)
(Increase) Decrease long term loans and advances	(1,005,360)	-
(Increase) Decrease short Term loans and advances	(108,258)	104,410
(Increase) Decrease Other Current Assets	(5,204,870)	(5,606,050)
Increase (Decrease) other long term liabilities	(34,020)	17,010
Previous year Gratuity contribution paid	(512,851)	-
Increase (Decrease) Current Liabilities	4,514,147	(549,898)
Cash generated from operations	(423,030,821)	(372,942,138)
Finance Costs	(41,894,781)	(2,601,301)
Interest /Dividend Income	193,554	497,350
Net Income Taxes Paid	(2,860,490)	(80,566)
Net Cash from Operating Activities - A	(467,592,538)	(375,126,655)
Cash Flow from Investing Activities		
Purchase /advance for Fixed Assets	(3,673,849)	(5,230,591)
(Increase) Decrease Fixed Deposits	-	35,000,000
Purchase of Current Investments	(217,499,999)	(213,052,788)
Proceeds from Sale of current Investments	218,396,539	215,109,046
Net Cash from Investing Activities - B	(2,777,309)	31,825,667
Cash Flow from Financing Activities		
Issue of Shares	-	200,000,000
Receipts of Long Term borrowings	495,000,000	240,000,000
Repayment of Long Term borrowings	(148,055,554)	(140,000,000)
Increase (Decrease) short term borrowings	200,000,000	50,000,000
Net Cash from Financing Activities – C	546,944,446	350,000,000

CIN NO : U74999TN2010PTC075713
Cash Flow Statement for the Year Ended 31 March 2014

(Amount in Rs.)

Particulars	2013-14	2012-13
Net Increase / (Decrease) in cash and cash Equivalents (A+B+C)	76,574,599	6,699,012
Cash and Cash Equivalents at the Beginning of the Year	34,466,205	27,767,193
Cash and Cash Equivalents at the End of the Year	111,040,804	34,466,205
<u>Reconciliation of Closing cash and cash equivalents</u>		
Closing balance of cash and cash equivalents as per cash flow	111,040,804	34,466,205
	-	-
Closing balance of cash and cash equivalents as per Balance Sheet	111,040,804	34,466,205

As per our report of even date attached
For **Brahmayya & Co.**,
Chartered Accountants
Registration No.000511S

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

K.Jitendra Kumar
Partner
Membership No.201825

PV Rajaraman
Chairman

PN Vasudevan
Managing Director

DG Rajan
Director

N. Sridharan
Chief Financial Officer

Place : Chennai
Date : May 07, 2014

CIN NO : U74999TN2010PTC075713

Summary of Significant Accounting Policies and Other Explanatory information for the Year Ended 31 March 2014

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 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. The housing finance operations of the company are 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).

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 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.

CIN NO : U74999TN2010PTC075713

Summary of Significant Accounting Policies and Other Explanatory information for the Year Ended 31 March 2014

'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 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.

2.5 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.

2.6 Investments

- a. Investments, which are readily realisable and intended to be held for not more than one year from the date on which such investments are made, are classified as Current Investments. Current investments are carried at lower of cost and fair value.
- b. Long-term investments are carried individually at cost less provision for diminution, other than temporary, in the value of such investments. Cost of investments includes acquisition charges such as brokerage, fees and duties.

2.7 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.

CIN NO : U74999TN2010PTC075713

Summary of Significant Accounting Policies and Other Explanatory information for the Year Ended 31 March 2014

- a. Interest Income on Loans granted is recognised under the Internal rate of return method. Income on Non- performing Assets is recognized only when realized and any interest accrued until the asset became a Non-performing Asset and remaining overdue is de-recognized by reversing the interest income. Pending Commencement of Equated Monthly Instalments(EMIs), Pre-EMI interest is payable every month. Interest on Loans is computed on monthly rest basis.
- b. Loan Processing Fee and Admin Fee is recognized as income on collection.
- c. Dividend income is accounted for when the right to receive it is established as on the date of Balance Sheet.
- d. All other income is recognized on an accrual basis, when there is no uncertainty in the ultimate realisation / collection

Grants, subsidies and export incentives

Government grants and subsidies are recognised when there is reasonable assurance that the Company will comply with the conditions attached to them and the grants/subsidy will be received

When the grant or subsidy relates to revenue, it is recognised as income on a systematic basis in the statement of profit or loss over the period necessary to match them with the related costs, which they are intended to compensate.

When the grant or subsidy is in the nature of promoters' contribution, where no repayment is ordinarily expected in respect thereof, it is credited to Capital Reserve and treated as a part of the Shareholders' funds on receipt basis

2.8 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 and which is higher than Schedule XIV rates:

Tangible Assets:

Computer Equipments - 3 Years

Furniture and Fixtures - 3 Years

Office Equipments - 3 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

CIN NO : U74999TN2010PTC075713

Summary of Significant Accounting Policies and Other Explanatory information for the Year Ended 31 March 2014

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

Software - Over a period of three 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.

2.9 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 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.

CIN NO : U74999TN2010PTC075713

Summary of Significant Accounting Policies and Other Explanatory information for the Year Ended 31 March 2014

2.10 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.

2.11 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.

2.12 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.

CIN NO : U74999TN2010PTC075713

Summary of Significant Accounting Policies and Other Explanatory information for the Year Ended 31 March 2014

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

2.13 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.

2.14 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.

2.15 Classification and Provisions of Loan Portfolio

Loans are classified and provided for as per the 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 or equal to 90 days
Non Performing Assets (NPA)	
Sub-Standard Assets	Overdue for more than 90 days and more but not exceeding 12 months from 90 days overdue.
Doubtful Assets	Remains a sub-standard asset for a period exceeding 12 months
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.

CIN NO : U74999TN2010PTC075713

Summary of Significant Accounting Policies and Other Explanatory information for the Year Ended 31 March 2014

Provisioning Norms for Housing Loans and Non Housing Loans followed by the Company

Asset Classification	Provisioning Percentage
1 Standard Assets	
i. Commercial Real Estate - Residential Housing	0.75%
ii. Commercial Real Estate – Other	1.00%
iii. other than i and ii above	0.40%
2 Non Performing Assets (NPA)	
i. Substandard Assets	
Overdue for more than 90 days and more but not exceeding 12 months from 90 days overdue.	15%
ii. Doubtful Assets (period for which the asset has been considered as doubtful) – Secured	
a. Up to one year	25%
b. One to three years	40%
c. More than three years	100%
iii. Doubtful Assets – Unsecured	100%
iv. Loss Assets	100%

Note: Income on NPAs is recognised only when realised.

3. Change in provisioning policy on loans

During the year company has changed its accounting policy and estimates on asset classification and provisioning norms for standard and nonperforming assets to be in line with National Housing Bank (NHB) norms. The norms followed by the company were higher than those prescribed by NHB up to 31 March, 2013. Consequently, the profit before tax for the year ended March 31, 2014 is higher by Rs.12,01,998.

Note 4 : Share Capital

(Amount in Rs.)

Particulars	As at 31 March 2014		As at 31 March 2013	
	Number of shares	Rs.	Number of shares	Rs.
Authorised Equity Shares of Rs. 10 each	50,000,000	500,000,000	50,000,000	500,000,000
Issued Equity Shares of Rs.10 each	40,000,000	400,000,000	40,000,000	400,000,000
Subscribed and Paid-up Equity Shares of Rs.10 each	40,000,000	400,000,000	40,000,000	400,000,000
	40,000,000	400,000,000	40,000,000	400,000,000

CIN NO : U74999TN2010PTC075713

Summary of Significant Accounting Policies and Other Explanatory information for the Year Ended 31 March 2014

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

Particulars	31 March 2014		31 March 2013	
	No. of Shares	Rs.	Number of shares	Rs.
Equity Shares outstanding at the beginning of the year	40,000,000	400,000,000	20,000,000	200,000,000
Add :- Equity Shares issued during the year - cash issue	-	-	20,000,000	200,000,000
Equity Shares outstanding at the end of the year	40,000,000	400,000,000	40,000,000	400,000,000

4.2 Details of Shares held by the Holding Company

Particulars	As at 31 March 2014 (Nos.)	As at 31 March 2013 (Nos.)
Equity Shares of Rs.10 each Equitas Holdings Private Limited, the Holding Company (including shares held by its nominees)	40,000,000	40,000,000

4.3 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.

In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts in the proportion to the number of equity shares held by the shareholders. Repayment of capital will be in proportion to the number of equity shares held.

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Summary of Significant Accounting Policies and Other Explanatory information for the Year Ended 31 March 2014

(Amount in Rs.)

Particulars	As at 31 March 2014		As at 31 March 2013	
	Rs.	Rs.	Rs.	Rs.
Note 5 : Reserves & Surplus				
Statutory Reserve (As per Section 29 C of the National Housing Bank Act, 1987)				
As at the commencement of the year		1,420,000		-
Add :- Transferred from surplus in statement of Profit and Loss		2,990,000		1,420,000
Closing Balance – A		4,410,000		1,420,000
Surplus / (Deficit) in Statement of Profit and Loss				
As at the commencement of the year		(44,893,099)		(50,549,433)
Add :- Profit for the year	14,921,392		7,076,334	
Less :- Transfer to Statutory Reserve	(2,990,000)	11,931,392	(1,420,000)	5,656,334
Closing Balance - B		(32,961,707)		(44,893,099)
Total (A+B)		(28,551,707)		(43,473,099)

(Amount in Rs.)

Particulars	As at 31 March 2014		As at 31 March 2013	
	Non Current	Current	Non Current	Current
Note 6 :Long Term Borrowings				
Secured				
Rupee Term Loans From Banks	251,944,449	54,999,997	89,444,446	10,555,554
Unsecured				
Loan from the Holding company	140,000,000	-	-	-
	391,944,449	54,999,997	89,444,446	10,555,554
Amount disclosed under the head "Other Current Liabilities" (Note 10)	-	(54,999,997)	-	(10,555,554)
	391,944,449	-	89,444,446	-

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Summary of Significant Accounting Policies and Other Explanatory information for the Year Ended 31 March 2014

- 6.1 The company has availed rupee term loan from Dhanlaxmi Bank which is repayable in twenty quarterly installments commencing from September 2014 to September 2019, carrying interest rate of 1.50% above the base rate with monthly rests.
- 6.2 The company has availed rupee term loan from Federal Bank which is repayable in eighteen quarterly installments commencing from September 2014 to March 2019, carrying interest rate of 2.70% above the base rate with monthly rests.
- 6.3 The company has availed rupee term loan from IDBI which is repayable in twenty quarterly installments commencing from September 2013 to September 2018, carrying interest rate of 3% above the base rate with monthly rests.
- 6.4 The company has availed rupee term loan from ING Vysya Term Loan 1 which is repayable in eighteen quarterly installments commencing from June 2013 to December 2017, carrying interest rate of 2.30% above the base rate with monthly rests.
- 6.5 The company has availed rupee term loan from ING Vysya Term Loan 2 which is repayable in eighteen quarterly installments commencing from June 2014 to December 2018, carrying interest rate of 1.85% above the base rate with monthly rests.
- 6.6 The company has availed rupee term loan from Kotak Mahindra Bank Term Loan 1 which is repayable in twenty quarterly installments commencing from January 2014 to January 2018, carrying interest rate of 2.15% above the base rate with monthly rests.
- 6.7 The company has availed rupee term loan from Kotak Mahindra Bank Term Loan 2 which is repayable in twenty quarterly installments commencing from April 2015 to April 2019, carrying interest rate of 1.90% above the base rate with monthly rests.

6.8 Security

All the rupee term loans from banks referred above are secured by hypothecation of specified Receivables under Financing Activities, further all the loans were guaranteed by Equitas Holdings Private Limited (Holding Company).

- 6.9 The unsecured loan from holding company carries an interest of 11% and the loan is repayable at the maturity i.e., 24 months from the date of avilment of the loan.

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Summary of Significant Accounting Policies and Other Explanatory information for the Year Ended 31 March 2014
(Amount in Rs.)

Particulars	As at 31 March 2014	As at 31 March 2013
Note 7 : Other Long Term Liabilities		
Deferred Rent	-	34,020
	-	34,020
Note 8 : Long Term Provisions		
Provision for Employee benefit		
Gratuity	-	512,851
Compensated Absences	1,240,039	701,288
Provision for Standard Assets		
Housing Loans	3,124,216	1,505,878
Non Housing Loans	445,797	725,880
Provision for Non performing Assets- Housing Loans	787,485	-
Provision for Depreciation in Investments	-	-
	5,597,536	3,445,897
Note 9 : Short Term borrowings		
Unsecured		
Inter Corporate Deposits from related parties	250,000,000	50,000,000
	250,000,000	50,000,000

9.1 The Inter Corporate Deposits from related parties carries an interest of 11% per annum and the same is repayable within a year.

(Amount in Rs.)

Particulars	As at 31 March 2014	As at 31 March 2013
Note 10 : Other Current Liabilities		
Current maturities of long term debt (Refer Note No.6)	54,999,997	10,555,554
Interest accrued but not due on borrowings	2,111,337	178,767
Statutory Remittances (PF, ESI ,ST etc.)	1,535,337	1,144,255
Contractually Reimbursable Expenses to Related Party (Refer Note 32.(iii))	702,157	-
Advance Collections	210,337	-
Amount payable in respect of Purchase of Fixed Assets	-	842,700
Directors Remuneration payable	1,653,596	897,473
Payable for Others expenses	4,220,891	1,766,443
	65,433,652	15,385,192
Note 11 : Short Term Provisions		
Provision for Employee benefit		
Gratuity	-	2,369
Compensated Absences	1,096,045	1,422,107
Provision against Standard Assets		
Housing Loans	126,843	32,894
Non Housing Loans	30,985	45,536
Provision for Non Performing Assets - Housing Loans	18,536	-
Provision for Depreciation in Investments	-	-
Provision for Income Tax (Net of Advance Tax of Rs.28,60,490)	792,285	-
	2,064,694	1,502,906

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Summary of significant accounting policies and other explanatory information for the year ended 31 March 2014

Note 12 : Fixed Assets

Description	Gross Block				Accumulated Depreciation			Net Block	
	As at 01 April 2013	Additions	Disposals	As at 31 March 2014	As at 01 April 2013	Depreciation charge for the year	On Disposals	As at 31 March 2014	As at 31 March 2013
Tangible Assets									
Improvements on Leasehold premises	178,500	-	-	178,500	90,286	58,159	-	148,445	88,214
Office Equipment	270,528	214,250	-	484,778	67,195	150,106	-	217,301	203,333
Computers	2,525,225	1,236,984	-	3,762,209	1,460,891	928,907	-	2,389,798	1,064,334
Furniture & Fixings	308,605	4,600	-	313,205	172,561	107,458	-	280,019	136,044
Vehicles	107,227	-	-	107,227	4,333	26,807	-	31,140	102,894
Total - A	3,390,085	1,455,834	-	4,845,919	1,795,266	1,271,437	-	3,066,703	1,594,819
Intangible Assets									
Computer Software	10,356,825	1,375,315	-	11,732,140	3,298,758	3,008,411	-	6,307,169	7,058,067
Total - B	10,356,825	1,375,315	-	11,732,140	3,298,758	3,008,411	-	6,307,169	7,058,067
Grand Total (A+B)	13,746,910	2,831,149	-	16,578,059	5,094,024	4,279,848	-	9,373,872	8,652,886
Previous Year	5,423,619	8,323,291	-	13,746,910	1,963,532	3,130,492	-	5,094,024	3,460,087

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Summary of Significant Accounting Policies and Other Explanatory information for the Year Ended 31 March 2014

(Amount in Rs.)

Particulars	As at 31 March 2014		As at 31 March 2013	
	Rs.	Rs.	Rs.	Rs.
Note 13 : Deferred Tax Assets (Net)				
Deferred Tax Assets on account of				
Employee Benefits	757,942		815,332	
Provision for Housing and Non Housing loans	1,471,012		713,848	
Deferred Rent, Preliminary Expenses, etc.	72,993		139,034	
Carried forward Business Loss	10,248,457	12,550,404	16,298,371	17,966,585
Deferred Tax Liability on account of				
Difference between depreciation as per Books of Account and Income Tax Act, 1961	(695,910)	(695,910)	(343,731)	(343,731)
		11,854,494		17,622,854

(Amount in Rs.)

Particulars	As at 31 March 2014		As at 31 March 2013	
	Non Current	Current	Non Current	Current
Note 14 : Long term Receivables under Financing Activities				
Secured Loans				
Housing loans	786,303,794	31,834,427	376,469,310	8,237,007
Non housing loans	111,449,160	7,746,367	58,070,452	3,642,865
	897,752,954	39,580,794	434,539,762	11,879,872
Amount disclosed under the head "Short term Receivables under Financing Activities" (Note 17)	-	(39,580,794)	-	(11,879,872)
	897,752,954	-	434,539,762	-

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Summary of Significant Accounting Policies and Other Explanatory information for the Year Ended 31 March 2014

(Amount in Rs.)

Particulars	As at 31 March 2014	As at 31 March 2013
Note 15 : Long Term Other Loans & Advances		
Secured considered good		
Staff loans	30,222	19,906
Unsecured Considered good		
Staff loans	21,727	19,159
Security Deposits	1,502,976	510,500
MAT Credit Entitlement	3,559,121	-
Advance Income Tax - Tax Deducted at Source	492,923	492,923
	5,606,969	1,042,488
Note 16 : Cash and Bank balances		
Balances with Banks		
In Current accounts	110,851,255	34,375,954
Cash on hand	189,549	90,251
	111,040,804	34,466,205
Note 17 : Short term Receivables under Financing Activities		
Secured Loans		
Housing loans	31,834,427	8,237,007
Non housing loans	7,746,367	3,642,865
	39,580,794	11,879,872

(Amount in Rs.)

Particulars	As at 31 March 2014	As at 31 March 2013
Note 18 : Short term Other Loans and Advances		
Secured considered good		
Staff loans	17,999	57,348
Unsecured, Considered good		
Staff loans	142,355	106,143
Prepaid Expenses	805,132	578,776
CENVAT credit	421,098	1,226,916
Other advances	690,857	-
	2,077,441	1,969,183
Note 19 : Other Current Assets		
IFC Grant Receivable	3,005,000	2,718,921
Interest Accrued but Not Due on Housing Loans	7,159,215	2,983,584
Interest Accrued but Not Due on Non Housing Loans	1,206,766	463,606
	11,370,981	6,166,111

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Summary of Significant Accounting Policies and Other Explanatory information for the Year Ended 31 March 2014

(Amount in Rs.)

Particulars	For the year ended 31 March 2014	For the year ended 31 March 2013
Note 20 : Revenue from operations		
Interest Income from Housing Loans	95,169,335	35,957,305
Interest Income from Non Housing Loans	18,661,672	1,265,244
Loan Processing Fee, Administration Charges and other charges	13,407,759	7,002,746
Other Operating Revenues		
Revenue Grants (Refer Note 29)	3,005,000	5,470,995
Interest on Bank Deposits	193,554	295,382
Net Gain on Sale of Current Investments	896,540	2,056,258
Dividend Income from Current Investments	-	52,790
	131,333,860	52,100,720
Note 21 : Other Income		
Interest on Staff loans	25,277	26,928
Other Income	25,282	13,825
	50,559	40,753
Note 22 : Employee Benefit Expenses		
Salaries and Wages	35,451,898	33,347,976
Contribution to Provident and other funds	1,739,490	1,645,437
Gratuity	279,037	121,827
Compensated absence	281,597	1,840,911
Staff Welfare Expenses	2,258,766	1,984,478
	40,010,788	38,940,629
Note 23 : Finance Cost		
Interest expense	42,902,352	2,030,068
Other Borrowing Costs	925,000	750,000
	43,827,352	2,780,068
Note 24 : Other Expenses		
Rent including Lease Rentals (Net)	1,761,042	2,082,832
Electricity	449,935	508,533
Repairs and Maintenance - Others	2,065,199	1,967,671
Insurance	26,766	18,486
Rates and Taxes	1,281,416	913,015
Brokerage and Commission	3,412,535	1,465,018
Communication	726,791	836,775
Travelling and Conveyance	3,365,855	2,892,202
Printing and Stationery	1,294,364	555,117
Software Expense	85,700	69,485
Advertisement and Business Promotion	4,935	198,353
Legal and Professional	2,410,279	2,015,787
Directors' Remuneration and Sitting Fees	2,167,329	1,317,192
Miscellaneous Expenses	1,207,206	413,099
	20,259,352	15,253,565

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Summary of Significant Accounting Policies and Other Explanatory information for the Year Ended 31 March 2014

(Amount in Rs.)

Particulars	For the year ended 31 March 2014	For the year ended 31 March 2013
Note 25 : Provisions		
Provision for Standard Assets		
Housing loans	1,712,287	1,210,414
Non Housing loans	(294,634)	771,416
Provision for Substandard Assets – Housing loans	806,021	-
	2,223,674	1,981,830

26 Professional Fee under Other Expenses (note 24) includes remuneration to Auditors Comprising of (excluding service tax)

(Amount in Rs.)

Particulars	2013-14	2012-13
Towards Statutory Audit	500,000	500,000
Towards Tax Audit	100,000	100,000
Towards Certification	40,000	25,000
	640,000	625,000

27 Segment Information

The Company is primarily engaged in the business of financing. All the activities of the company revolve around the main business. Further, the company does not have any separate geographic segments other than India. As such there are no separate reportable segments as per Accounting Standard 17 “Segment Reporting”.

28 Retirement benefit to Employees

a. Defined Contribution plan

Eligible employees receive benefits under the provident fund which is a defined contribution plan. These contributions are made to the funds administered and managed by the Government of India, The company recognised Rs.15,86,098 (Previous years.Rs.14,74,727)for provident fund contribution in the statement of profit and loss account.

b. Defined benefit plans - Gratuity (Funded)

i. Assumptions

(Amount in Rs.)

Particulars	2013-14	2012-13
Discount Rate	8.50%	8.50%
Resignation Rate per annum	20.00%	20.00%
Salary Escalation Rate	10.00%	10.00%

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Summary of Significant Accounting Policies and Other Explanatory information for the Year Ended 31 March 2014

ii. Reconciliation of opening and closing balances of present value of obligations

Particulars	(Amount in Rs.)	
	2013-14	2012-13
Defined benefit obligation at the beginning of the year	515,220	393,393
Current Service Cost	366,893	273,095
Interest cost	66,930	33,438
Actuarial (gain)/loss	(130,657)	(184,706)
Benefits paid	(23,365)	-
Defined benefit obligation at the end of the year	795,021	515,220

iii. Reconciliation of opening and closing balance of fair value of plan assets

Particulars	(Amount in Rs.)	
	2013-14	2012-13
Fair value of plan assets at the beginning of the year	-	-
Expected return on plan assets	24,129	-
Actuarial (gain)/loss	-	-
Employer contribution	1,082,968	-
Benefits paid	-	-
Fair value of plan assets at the end of the year	1,107,097	-

iv. Reconciliation of fair value of assets and obligations

Particulars	(Amount in Rs.)	
	2013-14	2012-13
Fair value of plan assets as at March 31, 2014	795,021	-
Present value of obligations as at March 31, 2014	1,107,097	-
Unfunded liability / (asset) recognised in the balance sheet	(312,076)	-

v. Expenses recognized in Profit and Loss Account

Particulars	(Amount in Rs.)	
	2013-14	2012-13
Current Service Cost	366,893	273,095
Interest Cost	66,930	33,438
Expected return on plan assets	(24,129)	-
Net Actuarial (gain)/loss recognised in the year	(130,657)	(184,706)
Expenses recognised in statement of Profit and Loss	279,037	121,827

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

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Summary of Significant Accounting Policies and Other Explanatory information for the Year Ended 31 March 2014

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. Defined benefit plans - Compensated Absences (Non-funded)

The employees of the Company are entitled to compensated absence. The employees can carry forward a portion of the unutilized accrued compensated absence and utilize it in future periods or receive cash compensation at retirement / termination of employment for the unutilized accrued compensated absence for a maximum of 180 days/60days. The Company records an obligation for compensated absences in the period in which the employee renders the services that increase the entitlement. The Company measures the expected cost of compensated absence as the additional amount that the Company expects to pay as a result of the unused entitlement that has accumulated at the balance sheet date based on the Actuarial Valuation. The Company provided Rs. 2,81,597 (Previous year Rs.18,40,911).

29 Earnings in Foreign Currency

Particulars	(Amount in Rs.)	
	2013-14	2012-13
Revenue Grant From International Finance Corporation	3,005,000	5,470,995

Note : During the year ended 31 March 2012, the Company has entered into an "Grant Agreement" with International Finance Corporation (IFC) which was amended in May 2012. As per the amended Grant Agreement, the Company is eligible to receive an amount of USD 300,000 over a period of 5 years, subject to the Company meeting various 'Performance Targets'. During the current year, based on the fulfilment of 'Performance Indicators' as per the agreement, the Company had accrued and recognised the fourth tranche of the Grant of USD 50,000 (Equivalent Rs.30,05,000) (Previous year Rs.54,70,995). Since the grant is in the nature of the Revenue grant, the same has been disclosed under "Other Operating Income" in Note 20.

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

Particulars	(Amount in Rs.)	
	As at 31 March, 2014	As at 31 March, 2013
Commitments:		
Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of Advances)	-	-
Housing Loans sanctioned but not disbursed	75,454,323	70,529,047

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Summary of Significant Accounting Policies and Other Explanatory information for the Year Ended 31 March 2014

31 Earnings Per Share (EPS)

The computation of EPS is set out below

Particulars	For the year ended 31 March, 2014	For the year ended 31 March, 2013
Earnings		
Net profit for the year `.	14,921,392	7,076,334
Equity Shares		
Number of shares at the beginning of the year	40,000,000	20,000,000
Add :- shares issued during the year	-	20,000,000
Total Number of shares outstanding at the end of the year	40,000,000	40,000,000
Weighted average number of shares outstanding during the year - Basic	40,000,000	29,426,229
Add :- Weighted average number of shares that have dilutive effect on EPS	-	-
Weighted average number of shares outstanding during the year – Diluted	40,000,000	29,426,229
Earning per share of par value Rs.10 – Basic	0.37	0.24
Earning per share of par value Rs.10 – Diluted	0.37	0.24

32 Related Party Transactions

i. Names of Related Parties and Nature of Relationship

Description of Relationship	As at 31 March 2014	As at 31 March 2013
a. Holding Company	Equitas Holdings Private Limited	Equitas Holdings Private Limited
b. Fellow Subsidiaries	Equitas B2B Trading Private Limited	Equitas B2B Trading Private Limited
	Equitas Finance Private Limited	Equitas Finance Private Limited
c. Key Management Personnel	Equitas Micro Finance Private Limited (formerly known as Singhivi Investment & Finance Private Limited)	Equitas Micro Finance Private Limited (formerly known as Singhivi Investment & Finance Private Limited)
	Mr. P.N.Vasudevan, Managing Director	Mr. P.N.Vasudevan, Managing Director
d. Entities under the same Management	Equitas Development Initiatives Trust	Equitas Development Initiatives Trust
	Equitas Dhanyakosha India	Equitas Dhanyakosha India

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

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Summary of Significant Accounting Policies and Other Explanatory information for the Year Ended 31 March 2014

ii. Transactions with the Related Parties

(Amount in Rs.)

Transaction	Name of the Related Party	2013-14	2012-13
Income			
Recovery of expenses	Equitas Micro Finance Private Limited	223,549	188,461
	Equitas Finance Private Limited	222,255	190,132
Expenses			
Reimbursement of Expenses Paid (Refer Note below)	Equitas Micro Finance Private Limited	5,027,455	6,734,293
	Equitas Finance Private Limited	4,257,552	3,200,704
	Equitas Holdings Private Limited	56,348	58,546
Interest on Loan	Equitas Holdings Private Limited	4,794,590	1,851,301
Interest on Inter Corporate Deposits	Equitas Micro Finance Private Limited	18,555,343	-
Other Transactions			
Issue of Equity Shares	Equitas Holdings Private Limited	-	20,000,000
Purchase of Fixed Assets	Equitas Micro Finance Private Limited	-	107,227
Staff Loan transferred from related parties	Equitas Micro Finance Private Limited	-	50,752
Staff Loan transferred to related parties	Equitas Micro Finance Private Limited	14,485	-
Loans Availed	Equitas Holdings Private Limited	275,000,000	190,000,000
Inter Corporate Deposits received	Equitas Micro Finance Private Limited	320,000,000	-
Loans repaid	Equitas Holdings Private Limited	185,000,000	140,000,000
Inter Corporate Deposits repaid	Equitas Micro Finance Private Limited	70,000,000	-

iii. Balances outstanding at the end of the year

(Amount in Rs.)

Particulars	Name of the Related Party	As at 31.03.2014	As at 31.03.2013
Payables			
Loans	Equitas Holdings Private Limited	140,000,000	50,000,000
Inter Corporate Deposits	Equitas Micro Finance Private Limited	250,000,000	-
Others	Equitas Micro Finance Private Limited	389,053	-
	Equitas Finance Private Limited	313,103	-

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Summary of Significant Accounting Policies and Other Explanatory information for the Year Ended 31 March 2014

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 2014, there are no further amounts payable to / receivable from them, other than as disclosed above.

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Summary of significant accounting policies and other explanatory information for the year ended 31 March 2014

33.1 Loan portfolio and provision for standard and Non performing assets

S.No.	Asset classification	Loan outstanding as at – Gross		Provision for assets as at		Loan outstanding as at – Net	
		31-Mar-14	31-Mar-13	31-Mar-14	31-Mar-13	31-Mar-14	31-Mar-13
a.	Standard Assets						
	i. Housing Loans	812,764,749	384,706,317	3,251,059	1,538,772	809,513,690	383,167,545
	ii. Non Housing Loans	119,195,527	61,713,317	476,782	771,416	118,718,745	60,941,901
b.	Sub – Standard Assets						
	i. Housing Loans	5,373,472	-	806,021	-	4,567,451	-
	c. Doubtful Assets	Nil	Nil	Nil	Nil	Nil	Nil
	d. Loss Assets	Nil	Nil	Nil	Nil	Nil	Nil
	Total	937,333,748	446,419,634	4,533,862	2,310,188	932,799,886	444,109,446

(Amount in Rs.)

33.2 Changes in Provisions

S.No.	Asset classification	Opening balance		Additional provision		Utilisation / Reversal		Closing balance	
		1-Apr-13	1-Apr-12	2013-14	2012-13	2013-14	2012-13	31-Mar-14	31-Mar-13
a.	Provision for Standard Assets								
	i. Housing Loans	1,538,772	328,358	3,251,059	1,538,772	1,538,772	328,358	3,251,059	1,538,772
	ii. Non Housing Loans	771,416	-	476,782	771,416	771,416	-	476,782	771,416
b.	Provision for substandard Assets - Housing loans	-	-	806,021	-	-	-	806,021	-
c.	Provision for Doubtful Assets	-	-	-	-	-	-	-	-
	Total	2,310,188	328,358	4,533,862	2,310,188	2,310,188	328,358	4,533,862	2,310,188

(Amount in Rs.)

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Summary of Significant Accounting Policies and Other Explanatory information for the Year Ended 31 March 2014

34 Employee share based payments

Under the Employee stock option scheme – 2007 of the Holding company, Equitas Holdings Private Limited, 1,13,724 options of the holding company have been granted to some of the employees were outstanding as at 31 March, 2014. As the administrator of the Employee stock Option Scheme, the Holding company has informed 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, 2014.

35 The identification of Micro, Small and Medium Enterprises Suppliers as defined under “The Micro Small and Medium Enterprises Development Act 2006” is based on information available with the management. As certified by the management, amounts overdue as on 31 March 2014 to Micro, Small and Medium Enterprises on account of principal amount together with interest is Rs.Nil (Previous year Rs.Nil)

36 The Company and other entities in the Group incur certain costs on behalf of the Group. The Company has confirmed that these costs have been allocated / recovered from the entities in the Group on a basis of a policy approved by the Board of Directors of the company and other entities in the group.

37 Figures are rounded off to the nearest rupee.

38 Previous year’s figures have been regrouped wherever necessary to confirm to the above presentation.

As per our report of even date attached

For **Brahmayya & Co.,**
Chartered Accountants
Registration No.000511S

K.Jitendra Kumar
Partner
Membership No.201825

Place : Chennai
Date : May 07, 2014

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

PV Rajaraman
Chairman

PN Vasudevan
Managing Director

N. Sridharan
Chief Financial Officer

DG Rajan
Director

CIN NO : U74999TN2010PTC075713

Disclosure in the Balance Sheet as at 31 March 2014 pursuant to National Housing Bank Circular NHB/ND/DRS/Poi-No.35/2010-11 dated 11 October 2010

1. Capital to Risk Assets Ratio (CRAR)

Particulars	As at 31.03.2014	As at 31.03.2013
Tier I Capital	353,363,696	331,267,204
Tier II Capital	3,727,841	2,310,188
Total Capital	357,091,537	333,577,392
Total Risk Assets	583,139,905	320,883,271
Capital Ratios		
Tier I Capital as a percentage of Total Risk Assets (%)	60.60%	103.24%
Tier II Capital as a percentage of Total Risk Assets (%)	0.64%	0.72%
Total Capital (%)	61.24%	103.96%

During the previous year ended 31 March 2013, Prepaid expenses have not been reduced for calculation of Net Owned Funds(NOF). Based on the communication received from National Housing Bank (NHB) same has been considered in the calculation of NOF for the year ended 31 March 2014 and 31 March 2013.

2. Exposure to Real Estate Sector

(Amount in Rs.)

Particulars	As at 31.03.2014	As at 31.03.2013
1 Direct Exposure		
A. Residential Mortgages		
Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented;		
Up to Rs. 15 Lakhs	541,551,933	202,444,168
More than Rs.15 Lakhs	395,781,815	243,975,466
Total	937,333,748	446,419,634
B Commercial Real Estate - Lending secured by mortgage on 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	-	-
C. Investments in Mortgage Backed Securities (MBS) and other securitised exposures		
Residential	-	-
Commercial Real Estate	-	-
2 Indirect Exposure		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	-	-

CIN NO: U74999TN2010PTC075713

3 Asset Liability Management

(a) Maturity Pattern of certain items of Assets and Liabilities as at 31 March 2014:

Particulars	(Amount in Rs.)										
	1 day to 30 – 31 days (One Month)	Over one month to 2 months	Over 2 months up to 3 months	Over 3 months up to 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	5,277,777	5,000,000	-	11,388,888	33,333,332	133,333,328	113,611,121	5,000,000	-	-	306,944,446
Market Borrowings	-	-	-	-	-	-	-	-	-	-	-
Other borrowings	-	-	70,000,000	180,000,000	-	140,000,000	-	-	-	-	390,000,000
Assets											
Advances	3,470,967	2,969,630	3,013,824	9,356,433	20,646,369	107,505,698	146,992,167	177,343,200	164,556,413	301,479,047	937,333,748
Investments	-	-	-	-	-	-	-	-	-	-	-

(b) Maturity Pattern of certain items of Assets and Liabilities as at 31 March 2013:

Particulars	(Amount in Rs.)										
	1 day to 30 – 31 days (One Month)	Over one month to 2 months	Over 2 months up to 3 months	Over 3 months up to 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	-	-	-	-	10,555,554	42,222,216	42,222,230	5,000,000	-	-	100,000,000
Market Borrowings	-	-	-	-	-	-	-	-	-	-	-
Other borrowings	-	20,000,000	30,000,000	-	-	-	-	-	-	-	50,000,000
Assets											
Advances	792,516	928,260	920,136	2,882,217	6,356,743	33,756,377	47,651,359	64,977,257	93,414,933	194,737,836	446,419,634
Investments	-	-	-	-	-	-	-	-	-	-	-

4 The company has not granted any loans against collateral security of gold jewellery, hence the disclosure pursuant to National Housing Bank Circular NHB.HFC.DIR.9.CMD/2013 is not applicable.

5 During the year ended 31 March 2014 and 31 March 2013,

-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.

For and on behalf of the Board of Directors

Place : Chennai
Date : May 07, 2014

PV Rajaraman Chairman
PN Vasudevan Managing Director
DG Rajan Director
N.Sridharan Chief Financial Officer