IMPORTANT NOTICE

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You are reminded that this Offering Circular has been delivered to you on the basis that you are a person into whose possession this Offering Circular may be lawfully delivered in accordance with the laws of jurisdiction in which you are located and you may not, nor are you authorised to, deliver this Offering Circular to any other person.

The materials relating to any offering of securities to which this Offering Circular relates do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that such offering be made by a licensed broker or dealer and the underwriters or any affiliate of the underwriters is a licensed broker or dealer in that jurisdiction, such offering shall be deemed to be made by the underwriters or such affiliate on behalf of the Issuer (as defined in this Offering Circular) in such jurisdiction.

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You are responsible for protecting against viruses and other destructive items. Your use of this electronic mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

If you purchase any of the Rupee denominated Notes, you will be deemed to have acknowledged, represented and agreed that you are eligible to purchase Rupee denominated Notes under applicable laws and regulations and that you are not a person proposing to invest in the Rupee Denominated Notes who: (i) does not meet the FATF Requirements; or (ii) is an offshore branch or subsidiary of an Indian bank; or (iii) is not a multilateral and/or regional financial institution; or (iv) is a "related party" of the Issuer (within the meaning given in Ind-AS 24) (**INR Bond Restricted Investor**). For the purpose of the definition of INR Bond Restricted Investor, an investor who meets **FATF Requirements** pursuant to the ECB Master Direction means an investor who is a resident of a country: (a) that is a member of FATF or a member of a FATF style regional body; (b) whose securities market regulator is a signatory to the International Organisation of Securities Commission's Multilateral Memorandum of Understanding (Appendix A Signatories) or a signatory to bilateral Memorandum of Understanding with the Securities and Exchange Board of India for information sharing arrangements; (c) should not be a country identified in the public statement of the FATF as; (i) a jurisdiction having a strategic anti-money laundering or combating the financing of terrorism deficiencies to which counter measures apply; or (ii) a jurisdiction that has not made sufficient progress in addressing the deficiencies or has not committed to an action plan developed with the FATF to address the deficiencies; and (d) other requirements as specified from the RBI from time to time in relation to the above and you are not otherwise prohibited under any applicable law or regulation from acquiring, owning or selling the Rupee denominated Notes. You also acknowledge, represent and agree that you are not a "related party" of the Issuer as per the Ind-AS 24. The Rupee denominated Notes may not be offered or sold, directly or indirectly, in India or to, or for the account or benefit of, any resident of India except Indian banks acting as an underwriter to the Issue, subject to ECB Master Direction.

OFFERING CIRCULAR **CONFIDENTIAL**

PNB Housing Finance Limited

(incorporated with limited liability in the Republic of India)

U.S.$1,000,000,000
Medium Term Note Programme

Under this U.S.$1,000,000,000 Medium Term Note Programme (the **Programme**), PNB Housing Finance Limited (**us**, **we**, our **Company** or the **Issuer**) may from time to time issue notes (the **Notes**) denominated in any currency agreed between us and the Dealer (as defined below).

Notes may be issued in bearer or registered form (**Bearer Notes** and **Registered Notes**, respectively). The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed U.S.$1,000,000,000 (or its equivalent in other currencies calculated as described herein), subject to increase as described herein.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under "*Overview of the Programme*" and any additional Dealer appointed under the Programme from time to time by us (each a **Dealer** and together the **Dealers**), which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the **relevant Dealer** shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe to such Notes.

Application has been made to the London Stock Exchange for the Notes to be admitted to the London Stock Exchange's International Securities Market (ISM). The ISM is not a regulated market for the purposes of Directive 2004/39/EC.

The ISM is a market designated for professional investors. Notes admitted to trading on the ISM are not admitted to the Official List of the UKLA. The London Stock Exchange has not approved or verified the contents of this Offering Circular.

See "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Notes.

Each Tranche of Bearer Notes of each series (as defined in "*Form of the Notes*") will initially be represented by either a temporary bearer global note (a **Temporary Bearer Global Note**) or a permanent bearer global note (a **Permanent Bearer Global Note** and, together with a Temporary Bearer Global Note, the **Bearer Global Notes**, and each a **Bearer Global Note**) as indicated in the applicable Pricing Supplement in respect of any Notes, which, in either case, will be delivered on or prior to the original issue date of the Tranche to a common depositary for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking S.A. (**Clearstream**).

On and after the date (the **Exchange Date**) which, for each Tranche in respect of which a Temporary Bearer Global Note is issued, is 40 days after the date on which the Temporary Bearer Global Note is issued, interests in such Temporary Bearer Global Note will be exchangeable (free of charge) upon a request as described therein either for (i) interests in a Permanent Bearer Global Note of the same Series or (ii) definitive Bearer Notes of the same Series.

Registered Notes sold in an "offshore transaction" within the meaning of Regulation S (**Regulation S**) under the U.S. Securities Act of 1933, as amended (the **Securities Act**), which will be sold outside the United States (the **U.S.**), will initially be represented by a global note in registered form, without receipts or coupons (a **Registered Global Note**), deposited with a common depositary for Euroclear and Clearstream, and registered in the name of a nominee of such common depositary.

The applicable Pricing Supplement in respect of any Notes will specify that a Permanent Bearer Global Note will be exchangeable for definitive Bearer Notes in certain limited circumstances.

This Offering Circular has not been and will not be registered, produced or published as an offer document (whether as a prospectus in respect of a public offer or an information memorandum or private placement offer letter or other offering material in respect of a private placement under the Companies Act, 1956, or the Companies Act, 2013 (each as amended, supplemented or re-enacted from time to time) and the rules framed thereunder or any other applicable Indian laws for the time being in force) with the Registrar of Companies, the National Housing Bank, the Securities and Exchange Board of India or any other statutory or regulatory body of like nature in India, save and except for any information from part of the Offering Circular which is mandatorily required to be disclosed or filed in India under any applicable Indian laws. The Notes will not be offered or sold and have not been offered or sold in India by means of this Offering Circular or any other offering document or material relating to the Notes and will not be circulated or distributed and have not been circulated or distributed, directly or indirectly, to any person or the public in India or otherwise generally distributed or circulated in India which would constitute an advertisement, invitation, offer, sale or solicitation of an offer to subscribe for or purchase any securities in violation of applicable Indian laws. If you purchase any of the Notes, you will be deemed to have acknowledged, represented and agreed that you are eligible to purchase the Notes under applicable laws and regulations and that you are not prohibited under any applicable law or regulation from acquiring, owning or selling the Notes. See "*Subscription and Sale*."

The Notes have not been and will not be registered under the U.S. Securities Act of 1933 as amended (the **Securities Act**) or with any securities regulatory authority of any state or other jurisdiction of the United States and are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States. See "*Subscription and Sale*."

Arranger

Barclays

Dealer

Barclays

The date of this Offering Circular is 12 March 2018.

The Issuer accepts responsibility for the information contained in this Offering Circular. Having taken all reasonable care to ensure that such is the case, the information contained in this Offering Circular is, to the best of the Issuer's knowledge, in accordance with the facts and does not omit anything likely to affect the import of such information. We, having made all reasonable enquiries, confirm that this Offering Circular contains or incorporates all information which is material in the context of the Programme and the Notes, that the information contained or incorporated in this Offering Circular is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed in this Offering Circular are honestly held and that there are no other facts the omission of which would make this Offering Circular or any of such information or the expression of any such opinions or intentions misleading. We accept responsibility accordingly.

No person is or has been authorised by us to give any information or to make any representation other than those contained in this Offering Circular or any other information supplied in connection with the Programme or the Notes and, if given or made by any other person, such information or representations must not be relied upon as having been authorised by us, any of the Arrangers or the Dealers, the Trustee or the Agents.

None of the Arrangers, the Dealers, the Trustee or the Agents (as defined herein) has separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and, to the fullest extent permitted by law, no responsibility or liability is accepted by any of the Arrangers or the Dealers, the Trustee, the Agents or any of them as to the accuracy or completeness of the information contained or incorporated in this Offering Circular, or for any other statement, made or purported to be made by the Arrangers or a Dealer or on its behalf in connection with us or the Programme or any other information provided by us in connection with the Programme. The Arrangers, each Dealer, the Trustee and the Agent accordingly disclaim all and any liability whether arising in tort or contract or otherwise (save as referred to above) which they might otherwise have in respect of this Offering Circular or any such statement.

Neither this Offering Circular nor any other information supplied in connection with the Programme or any Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by us, any of the Arrangers or the Dealers or the Trustee or the Agents that any recipient of this Offering Circular or any other information supplied in connection with the Programme or any Notes should purchase any of the Notes. Each investor contemplating purchasing Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of us. Neither this Offering Circular nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on our behalf, any of the Arrangers or the Dealers or the Trustee or the Agents to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning us is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Arrangers, the Dealers, the Trustee and the Agents expressly do not undertake to review our financial condition or affairs during the life of the Programme or to advise any investor in the Notes of any information coming to their attention. Investors should review, *inter alia*, the most recently published documents incorporated by reference into this Offering Circular when deciding whether or not to purchase any Notes.

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Circular and the offer or sale of Notes may be restricted by law in certain jurisdictions. We, the Arrangers, the Dealers, the

Trustee and the Agents do not represent that this Offering Circular may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by us, any of the Arrangers or the Dealers or the Trustee or the Agents which would permit a public offering of any Notes or distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Notes in the United States, the European Economic Area, the United Kingdom, India, Singapore and Hong Kong, see "*Subscription and Sale*."

None of the Company, the Arrangers, the Dealers, the Trustee or the Agents makes any representation to any investor in the Notes regarding the legality of its investment under any applicable laws. Any investor in the Notes should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.

This Offering Circular has been prepared on a basis that would permit an offer of Notes with a denomination of less than €100,000 (or its equivalent in any other currency) only in circumstances where there is an exemption from the obligation under the Prospectus Directive to publish a prospectus. As a result, any offer of Notes in any Member State of the EEA which has implemented the Prospectus Directive (each a **Relevant Member State**) must be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of Notes. Accordingly, any person making or intending to make an offer of Notes in that Relevant Member State may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

There are restrictions on the offer and sale of the Notes in the United Kingdom. All applicable provisions of the Financial Services and Market Act 2000 (the **FSMA**) with respect to anything done by any person in relation to the Notes in, from or otherwise involving the United Kingdom must be complied with. See "*Subscription and Sale*."

This document is for distribution only to persons who (i) are outside the United Kingdom, (ii) have professional experience in matters relating to investments, (iii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the FSMA (Financial Promotion) Order 2005 (as amended) or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) in connection with the issue or sale of any Notes may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as relevant persons). This document is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons.

There are restrictions in the offer and sale of the Notes in India and all the conditions of the ECB Master Direction and Companies Act, 2013 and all other applicable laws need to be complied with as set out in "Subscription and Sales".

In connection with the offering of any series of Notes, each Dealer is acting or will act for us in connection with the offering and will not be responsible to anyone other than us for providing the protections afforded to clients of that Dealer nor for providing advice in relation to any such offering.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and the underwriters or any affiliate of the underwriters is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the underwriters or such affiliate on our behalf in such jurisdiction.

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Pricing Supplement may over-allot or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation actions. Any stabilisation action or over-allotment may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

MiFID II product governance/target market – The Pricing Supplement in respect of any Notes will include a legend entitled "MiFID II Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the target market assessment; however, a distributor subject to Directive 2014/65/EU (as amended, **MiFID II**) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under European Union (EU) Delegated Directive 2017/593 (the **MiFID Product Governance Rules**), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

PRIIPs/IMPORTANT – EEA RETAIL INVESTORS – If the Pricing Supplement in respect of any Notes includes a legend entitled "Prohibition of Sales to EEA Retail Investors," the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the **EEA**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the **Insurance Mediation Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the **PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

For a description of other restrictions, see "*Subscription and Sale*."

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

We maintain our financial books and records and prepare our financial statements in Rupees in accordance with generally accepted accounting principles in the Republic of India (Indian GAAP) which differ in certain important respects from International Financial Reporting Standards (IFRS). However, the degree to which the financial statements prepared in accordance with Indian GAAP included in this Offering Circular will provide meaningful information is entirely dependent on the reader's level of familiarity with the respective accounting practices. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in this Offering Circular should accordingly be limited and we urge you to consult your own advisers regarding such differences and their impact on the financial data.

On 16 February 2015, the Ministry of Corporate Affairs issued the Companies (Indian Accounting Standards) Rules, 2015 (IAS Rules) for the purpose of enacting changes to Indian GAAP that are intended to align Indian GAAP further with IFRS. The IAS Rules provide that the financial statements of the companies to which they apply shall be prepared and audited in accordance with the Indian Accounting Standard ("Ind-AS"), although any company may voluntarily implement Ind-AS for the accounting period beginning from 1 April 2015. NBFCs having a net worth of more than ₹5,000.00 million are required to mandatorily adopt Ind-AS for the accounting period beginning from 1 April 2018 with comparatives for the period ending on 31 March 2017. For a discussion of the principal differences between IFRS, Indian GAAP and Ind-AS as they relate to us, see "*Summary of Significant Differences Between IFRS, Indian GAAP and Ind-AS*."

Unless the context requires otherwise, the financial data in this Offering Circular is derived from our financial statements. Our Financial Year commences on 1 April of each year and ends on 31 March of the succeeding year, so all references to a particular "Fiscal Year," "Fiscal," "financial year" or "FY" are to the 12 month period ended on 31 March of that year. Our audited financial statements for the Fiscal Years ended 31 March 2017 and 2016 (including comparative numbers for the Fiscal Years ended 31 March 2016 and 2015, respectively) have been prepared in accordance with Indian GAAP, and audited by B.R. Maheswari & Co LLP, Chartered Accountants.

Our unaudited and reviewed financial statements for the quarter and nine month period ended 31 December 2017 (including comparative numbers for the quarter and nine month period ended 31 December 2016) that appear in this Offering Circular have been prepared in accordance with Indian GAAP, and reviewed by B.R. Maheswari & Co LLP, Chartered Accountants.

INDUSTRY AND MARKET DATA

Unless stated otherwise, industry and market data used throughout this Offering Circular has been derived from publicly available sources, government publications such as the NHB Report and certain industry sources such as the CRISIL Issuer Profile and the CRISIL NBFC Report. Industry publications generally state that the information contained in such publications has been obtained from sources generally believed to be reliable, but their accuracy, adequacy or completeness and underlying assumptions are not guaranteed and their reliability cannot be assured. Accordingly, no investment decisions should be made based on such information. Although we believe that the industry and market data used in this Offering Circular is reliable, it has not been independently verified by us, the Arrangers, the Dealers or any of our or their respective affiliates or advisors, and none of these parties makes any representation as to the accuracy of this information. The data used in these sources may have been reclassified by us for the purposes of presentation. Data from these sources may also not be comparable. The extent to which the industry and market data presented in this Offering Circular is meaningful depends upon the reader's familiarity with and understanding of the methodologies used in compiling such data. There are no standard data gathering methodologies in the industry in which we conduct our business and methodologies and assumptions may vary widely among different market and industry sources.

Such data involves risks, uncertainties and numerous assumptions and is subject to change based on various factors, including those discussed in "*Risk Factors*."

Where information has been sourced from a third party, we confirm that such information has been accurately reproduced and, as far as we are aware and are able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Certain information in the sections titled *"Risk Factors"*, "*Business*" and "*Industry Overview*" of this Offering Circular have been obtained from CRISIL Ratings and CRISIL Research which have issued the following disclaimers with respect to the CRISIL Issuer Profile and the CRISIL NBFC Report, respectively:

"*CRISIL Ratings, a division of CRISIL Limited (CRISIL) has taken due care and caution in preparing this issuer profile (Issuer Profile) based on the Information obtained by CRISIL from sources which it considers reliable (Data). However, CRISIL does not guarantee the accuracy, adequacy or completeness of the Data / Issuer Profile and is not responsible for any errors or omissions or for the results obtained from the use of Data / Issuer Profile. This Issuer Profile is not a recommendation to invest / disinvest in any entity covered in the Issuer Profile and no part of this Issuer Profile should be construed as an expert advice or investment advice or any form of investment banking within the meaning of any law or regulation. CRISIL especially states that it has no liability whatsoever to the subscribers / users / transmitters/ distributors of this Issuer Profile. Without limiting the generality of the foregoing, nothing in the Issuer Profile is to be construed as CRISIL providing or intending to provide any services in jurisdictions where CRISIL does not have the necessary permission and/or registration to carry out its business activities in this regard. PNB Housing Finance Limited will be responsible for ensuring compliance and consequences of non-compliance for use of the Issuer Profile or part thereof outside India. CRISIL Research operates independently of, and does not have access to information obtained by CRISIL's Ratings Division / CRISIL Risk and Infrastructure Solutions Ltd (CRIS), which may, in their regular operations, obtain information of a confidential nature. The views expressed in this Issuer Profile are that of CRISIL Ratings and not of CRISIL's Research Division / CRIS. No part of this Issuer Profile may be published/reproduced in any form without CRISIL's prior written approval.*"

"*CRISIL Research, a division of CRISIL Limited (CRISIL) has taken due care and caution in preparing this report (Report) based on the Information obtained by CRISIL from sources which it considers reliable (Data). However, CRISIL does not guarantee the accuracy, adequacy or completeness of the Data / Report and is not responsible for any errors or omissions or for the results obtained from the use of Data / Report. This Report is not a recommendation to invest / disinvest in any entity covered in the Report and no part of this Report should be construed as an expert advice or investment advice or any form of investment banking within the meaning of any law or regulation. CRISIL especially states that it has no liability whatsoever to the subscribers / users / transmitters/ distributors of this Report. Without limiting the generality of the foregoing, nothing in the Report is to be construed as CRISIL providing or intending to provide any services in jurisdictions where CRISIL does not have the necessary permission and/or registration to carry out its business activities in this regard. PNB Housing Finance Limited will be responsible for ensuring compliance and consequences of non-compliance for use of the Report or part thereof outside India. CRISIL Research operates independently of, and does not have access to information obtained by CRISIL's Ratings Division / CRISIL Risk and Infrastructure Solutions Ltd (CRIS), which may, in their regular operations, obtain* *information of a confidential nature. The views expressed in this Report are that of CRISIL Research and not of CRISIL's Ratings Division / CRIS. No part of this Report may be published/reproduced in any form without CRISIL's prior written approval.*"

CERTAIN DEFINITIONS

In this Offering Circular, all references to **Exempt Notes** means Index Linked Interest Notes, Dual Currency Interest Notes, Index Linked Redemption Notes, Dual Currency Redemption Notes or Partly Paid Notes (as defined under "*Overview of the Programme*").

In this Offering Circular, references to **India** are to the Republic of India, references to the **Government** or **GoI** are to the Government of India and references to the **RBI** are to the Reserve Bank of India. References to specific data applicable to particular subsidiaries or other consolidated entities are made by reference to the name of that particular entity. References to **fiscal** or **fiscal year** are to the year ended 31 March.

Unless the context otherwise indicates, all references to **the Issuer**, **our Company**, **the Company**, **us** or **we** are to PNB Housing Finance Limited, a company incorporated in India under the Companies Act 1956 with its Registered and Corporate Office at 9th Floor, Antriksh Bhavan, 22 Kasturba Gandhi Marg, New Delhi 110 001, India.

Certain industry and market share data in this Offering Circular are derived from data of the Reserve Bank of India (the **RBI**) or the Director General of Commercial Intelligence and Statistics. Certain other information regarding market position, growth rates and other industry data pertaining to our business contained in this Offering Circular consists of estimates by us based on data reports compiled by professional organizations and analysts, on data from other external sources and on our knowledge of its markets. This data is subject to change and cannot be verified with complete certainty due to limits on the availability and reliability of the raw data and other limitations and uncertainties inherent in any statistical survey. In many cases, there is no readily available external information (whether from trade associations, Government bodies or other organizations) to validate market-related analyses and estimates, so we rely on internally developed estimates. While we have compiled, extracted and reproduced market or other industry data from external sources, including third parties or industry or general publications, neither we, the Arrangers, the Dealers, the Trustee nor the Agents makes any representation regarding the accuracy of such data. Similarly, while we believe our internal estimates to be reasonable, such estimates have not been verified by any independent sources and none of the Issuer, the Arrangers, the Dealers, the Trustee or the Agents can assure potential investors as to their accuracy.

All references in this Offering Circular to **U.S.$**, **USD** and **U.S. Dollar** refer to United States dollars, to **INR**, **Rupee**, **₹** and **Rs.** refer to Indian Rupees and to **S$** and **SGD** refer to Singapore dollars. In addition, references to **£** and **Sterling** refer to pounds sterling and to **€**, **Eur** and **Euro** and refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Community, as amended. References to **lakhs** and **crores** in our financial statements are to the following:

One lakh......................................	100,000	(one hundred thousand)
One crore	10,000,000	(ten million)
Ten crores	100,000,000	(one hundred million)
One hundred crores......................	1,000,000,000	(one thousand million or one billion)

In this Offering Circular, where information has been presented in millions or billions of units, amounts may have been rounded, in the case of information presented in millions, to the nearest ten thousand or one hundred thousand units or, in the case of information presented in billions, one, ten or one hundred million units. Accordingly, the totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding.

FORWARD-LOOKING STATEMENTS

This Offering Circular contains certain **forward-looking statements**. These forward-looking statements generally can be identified by words or phrases such as **aim**, **anticipate**, **believe**, **expect**, **estimate**, **intend**, **likely to**, **may**, **objective**, **plan**, **predict**, **project**, **will continue**, **seek to**, **should**, **will pursue** or other words or phrases of similar import. However, these are not the exclusive means of identifying forward-looking statements. All statements regarding our expected financial condition and results of operations and business strategies, plans and prospects are forward-looking statements.

These forward-looking statements contained in this Offering Circular (whether made by us or any third party) involve known and unknown risks, uncertainties, assumptions and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements or projections. Important factors that could cause our actual results, performance or achievements to differ materially include, but are not limited to:

- Our ability to manage the growth of our business and loan portfolio or continue to grow our business and loan portfolio at a rate similar to what we have experienced in the past;
- Our business and financial performance being adversely affected by the volatility in interest rates;
- The risk of default and non-payment by our customers;
- An increasing proportion of our loans being classified as non-performing and our current level of provisions not being adequate to cover such increases;
- Our ability to obtain adequate funding on acceptable terms or increase in the average cost of borrowings;
- The increased competition in the Indian housing finance industry which may lead to a decline in average yields and spreads; and
- Other factors beyond our control.

This list of important factors is not exhaustive. Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "*Risk Factors*" and elsewhere in this Offering Circular. You should not place undue reliance on these forward-looking statements which reflect our management's view only as of the date of this Offering Circular. Such forward-looking statements speak only of the data on which they are made. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Offering Circular might not occur.

ENFORCEMENT OF FOREIGN JUDGMENTS IN INDIA

Our Company is a public limited company incorporated under the laws of India. The Board of Directors of our Company comprises nine Directors, of whom eight are Indian citizens and one is an American citizen. All of our key managerial personnel are residents of India and a substantial portion of the assets of our Company and such persons are located in India. As a result, it may not be possible for investors outside India to effect service of process upon our Company or such persons in India, or to enforce against them judgments obtained in courts outside India.

Recognition and enforcement of foreign judgments is provided for under section 13 and section 44A of the Code of Civil Procedure, 1908, as amended (the **Civil Code**).

Section 13 of the Civil Code provides that a foreign judgment shall be conclusive as to any matter thereby directly adjudicated upon between the same parties or parties litigating under the same title except:

1. where it has not been pronounced by a court of competent jurisdiction;

2. where it has not been given on the merits of the case;

3. where it appears on the face of the proceedings to be founded on an incorrect view of international law or a refusal to recognize the law of India in cases where such law is applicable;

4. where the proceedings in which the judgment was obtained were opposed to natural justice;

5. where it has been obtained by fraud; or

6. where it sustains a claim founded on a breach of any law then in force in India.

Section 44A of the Code provides that where a foreign judgment has been rendered by a superior court within the meaning of that section in any country or territory outside India which the Government of India has by notification been declared to be a reciprocating territory, it may be enforced in India by proceedings in execution as if the judgment has been rendered by the relevant court in India. The United Kingdom, Singapore and Hong Kong have been declared by the Government of India to be reciprocating territories for the purposes of Section 44A of the Code, but the United States has not been so declared. A judgment of a court of a country which is not a reciprocating territory may be enforced only by a suit upon the judgment and not by proceedings in execution. Such a suit has to be filed in India within three years from the date of the judgment in the same manner as any other suit filed to enforce a civil liability in India. It is unlikely that a court in India would award damages on the same basis as a foreign court if an action were brought in India. Furthermore, it is unlikely that an Indian court would enforce foreign judgments if it viewed the amount of damages awarded as excessive or inconsistent with public policy or if the judgment is in breach of or contrary to Indian law. Section 44A of the Code is applicable only to monetary decrees not being in the nature of any amounts payable in respect of taxes or other charges of a like nature or in respect of a fine or other penalty and is not applicable to arbitration awards.

Each of the United Kingdom, Singapore and Hong Kong has been declared by the Government to be a reciprocating territory for the purposes of section 44A of the Civil Code but the United States has not been so declared. A foreign judgment of a court in a jurisdiction which is not a reciprocating territory may be enforced only by a new suit based upon the foreign judgment and not by proceedings in execution. Such a suit has to be filed in India within three years from the date of the foreign judgment in the same manner as any other suit filed to enforce a civil liability in India. Accordingly, a judgment of a court in the United States may be enforced only by a fresh suit upon the foreign judgment and not by proceedings in execution.

It is unlikely that a court in India would award damages on the same basis as a foreign court if an action is brought in India. Furthermore, it is unlikely that an Indian court would enforce a foreign judgment if it viewed the amount of damages awarded as excessive or inconsistent with public policy, and it is uncertain whether an Indian court would enforce foreign judgments that would contravene or violate Indian law. A party seeking to enforce a foreign judgment in India is required to obtain approval from the RBI to repatriate outside India any amount recovered pursuant to execution, and any such amount may be subject to tax in accordance with applicable laws.

This Offering Circular uses the definitions and abbreviations set forth below, which you should consider when reading the information contained herein.

The following list of certain capitalised terms used in this Offering Circular is intended for the convenience of the reader/prospective investor only and is not exhaustive.

Unless otherwise specified, the capitalised terms used in this Offering Circular shall have the meaning as defined hereunder. Further, any references to any statute or regulations or policies shall include amendments thereto, from time to time.

Company Related Terms

Term	**Description**
ALCO	The asset liability management committee of our Board
AoA/Articles of Association or Articles	The articles of association of our Company, as amended
Audit Committee	The audit committee of our Board
Auditors	The statutory auditor of our Company, being B.R. Maheswari & Co LLP, Chartered Accountants
Board/Board of Directors	The board of directors of our Company, or a duly constituted committee thereof
BPR programme	The Business Process Transformation and Re-Engineering programme of our Company
COPS	Centralized operations of our Company
CPC	Central processing center of our Company
CSO	Central support office of our Company
DC	Disaster recovery center of our Company
DEL/Destimoney	Destimoney Enterprises Limited, which is an entity held by QIH
Director(s)	The director(s) on our Board
DR	Data recovery center
DST	The in-house direct sales team of our Company
FCE	Fraud control expert

Financial Statements	Audited financial statements of assets and liabilities as at 31 March 2017 and 2016 (including comparative numbers as at 31 March 2016 and 2015, respectively), audited financial statements of profits and losses and cash flows for the Fiscal Years ended 31 March 2017 and 2016 (including comparative numbers for the Fiscal Years ended 31 March 2016 and 2015, respectively), unaudited and reviewed financial statements of assets and liabilities as at 31 December 2017 and 2016 (including comparative numbers as at 31 December 2016 and 2015, respectively) and unaudited and reviewed financial statements of profits and losses and cash flows for the nine months ended 31 December 2017 and 2016 (including comparative numbers for the nine months ended 31 December 2016 and 2015, respectively)
IRM Policy	Our integrated risk management policy
Key Managerial Personnel	Key management personnel of our Company in terms of Regulation 2(1)(s) of the SEBI ICDR Regulations and Section 2(51) of the Companies Act 2013
License Agreement	License Agreement dated 7 December 2009 between our Company and the Promoter, PNB
MoA/Memorandum of Association	The memorandum of association of our Company, as amended
PHFL Services	PHFL Home Loans and Services Limited, a subsidiary of our Company
PNBHFRs	Our reference rates as determined by us from time to time based on market conditions
Promoter or PNB	The promoter of our Company, namely Punjab National Bank
QIH	Quality Investments Holdings, which is a company incorporated in Mauritius owned and controlled by CAP IV AIV Mauritius Limited, and CAP IV Coinvest AIV Mauritius Limited, which are entities incorporated in Mauritius and QIH's nominees. These entities have investment advisory arrangements with affiliates of the Carlyle Group, LP (NASDAQ-CG)
Registered and Corporate Office	The registered and corporate office of our Company, at 9th Floor, Antriksh Bhavan, 22 Kasturba Gandhi Marg, New Delhi 110 001, India
TSG	The technical service group of our Company

Conventional and General Terms and Abbreviations

Term	Description
Authorised Dealers	Authorised Dealers registered with RBI under the Foreign Exchange Management (Foreign Currency Accounts) Regulations, 2000
CAGR	Compounded Annual Growth Rate
CARE	Credit Analysis and Research Limited
CERSAI	Central Registry of Securitisation Assets Reconstruction and Security Interest of India
CIA Factbook	The World Factbook, available on https://www.cia.gov/library/publications/the-world-factbook/geos/in.html
CIBIL	Credit Information Bureau (India) Limited
CIN	Corporate Identity Number
Companies Act	Companies Act, 1956 (without reference to the provisions thereof that have ceased to have effect upon notification of the Notified Sections) and the Companies Act 2013, read with the rules, regulations, clarifications and modifications thereunder
Companies Act 1956	Companies Act, 1956 (without reference to the provisions thereof that have ceased to have effect upon notification of the Notified Sections)
Companies Act 2013	Companies Act, 2013, to the extent in force pursuant to the notification of the Notified Sections, read with the rules, regulations, clarifications and modifications thereunder
Consolidated FDI Policy	The consolidated FDI Policy, effective from 7 June 2016, issued by the Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Government of India, and any modifications thereto or substitutions thereof, issued from time to time
CRISIL	CRISIL Limited
CRISIL Ratings	CRISIL Ratings, a division of CRISIL Limited
CRISIL Research	CRISIL Research, a division of CRISIL Limited
CSR	Corporate Social Responsibility
DRT Act	The Recovery of Debt due to Banks and Financial Institutions Act, 1993

DRT	Debt Recovery Tribunal
ECB	External Commercial Borrowings
ECB Master Direction	The Reserve Bank of India's Master Direction on External Commercial Borrowings, Trade Credit, Borrowing and Lending in Foreign Currency by Authorised Dealers and Persons other than Authorised Dealers
EPF Act	The Employees' Provident Funds and Miscellaneous Provisions Act, 1952
EPS	Earnings per share
ERP	Enterprise Resource Planning
ESI Act	Employees' State Insurance Act, 1948
€ or **Eur** or **Euro**	Euro, the official single currency of the participating member states of the European Economic and Monetary Union of the Treaty establishing the European Community
FCNR Account	Foreign Currency Non Resident (Bank) account established in accordance with the FEMA
FDI	Foreign direct investment
FEMA	The Foreign Exchange Management Act, 1999 read with rules and regulations thereunder
FEMA 20	The Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000
FIFO	First-in, first-out
FII(s)	Foreign Institutional Investors as defined under Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 2000, registered with the SEBI under applicable laws in India and deemed as FPIs under the SEBI FPI Regulations
Financial Year/Fiscal/Fiscal Year	The period of 12 months commencing on 1 April of the immediately preceding calendar year and ending on 31 March of that particular calendar year

FPIs	A foreign portfolio investor who has been registered pursuant to the SEBI FPI Regulations, provided that any FII who holds a valid certificate of registration shall be deemed to be an FPI until the expiry of the block of three years for which fees have been paid as per the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995
FVCI	Foreign Venture Capital Investors (as defined under the Securities and Exchange Board of India (Foreign Venture Capital Investors) Regulations, 2000) registered with SEBI
GAAR	General Anti-Avoidance Rules
GDP	Gross domestic product
GoI	The Government of India
GST	Goods and service tax
HUF(s)	Hindu Undivided Family(ies)
IAS Rules	Companies (Indian Accounting Standards) Rules, 2015
ICAI	Institute of Chartered Accountants of India
ICRA	ICRA Limited
IFSC	Indian Financial System Code
IFRS	International Financial Reporting Standards
Income Tax Act	Income Tax Act, 1961
Ind-AS	The Indian Accounting Standards referred to in the Companies (Indian Accounting Standard) Rules, 2015, as amended
India Ratings (Fitch)	India Ratings and Research Private Limited
Indian GAAP	Generally Accepted Accounting Principles in India
INR/Rupee/₹/Rs.	Indian Rupee, the official currency of the Republic of India
IRDA	Insurance Regulatory and Development Authority of India
ISDA	International Swaps and Derivatives Association
KYC	Know your customer
LIBOR	London Interbank Offered Rate

MCA	The Ministry of Corporate Affairs, GoI
MCI	Ministry of Commerce and Industry, GoI
Minimum Wages Act	Minimum Wages Act, 1948
Mn	Million
Mutual Funds	Mutual funds registered with the SEBI under the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996
NAV	Net asset value
NBFC	Non-banking financial company
NCDs	Non convertible debentures
NIA	Negotiable Instruments Act, 1881
Notified Sections	The sections of the Companies Act 2013 that have been notified by the MCA and are currently in effect
NR/ Non-resident	A person resident outside India, as defined under the FEMA and includes an NRI
NRE Account	Non-Resident External Account established and operated in accordance with the FEMA
NRI	Non-Resident Indian
NRO Account	Non-Resident Ordinary Account established and operated in accordance with the FEMA
NSDL	National Securities Depository Limited
NSE	The National Stock Exchange of India Limited
Opex	Operating expenses
P/E Ratio	Price/Earnings Ratio
PAN	Permanent account number
PAT	Profit after tax
Payment of Bonus Act	Payment of Bonus Act, 1965
Payment of Gratuity Act	Payment of Gratuity Act, 1972
PDC	Post-dated cheques
PMLA	Prevention of Money Laundering Act, 2002

PPP	Public private partnership
RBI	The Reserve Bank of India
Registrar of Companies	The Registrar of Companies, National Capital Territory of Delhi and Haryana
Regulation S	Regulation S under the U.S. Securities Act
SEBI	The Securities and Exchange Board of India constituted under the SEBI Act
SEBI Act	The Securities and Exchange Board of India Act, 1992
SEBI ICDR Regulations	The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009
SEBI FPI Regulations	Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014
SEBI Listing Regulations	SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015
SEC	The United States Securities and Exchange Commission
S$/SGD	Singapore Dollar, the official currency of Singapore
£/Sterling	Pounds sterling, the official currency of the United Kingdom
U.S.$/USD/U.S. Dollar	United States Dollar, the official currency of the United States of America
USA/U.S./US	United States of America, its territories and possessions, any state of the United States of America and the District of Columbia
U.S. GAAP	Generally Accepted Accounting Principles in the United States of America
U.S. Securities Act	The United States Securities Act of 1933, as amended

Industry Related Terms

Term	Description
AFS	Available for sale
AML	Anti-money laundering
AUM	Assets under management
Average cost of borrowings	The finance cost for the period divided by the average interest-bearing liabilities, expressed as a percentage
Cost to income ratio	The ratio of total operating expenses to our gross income (revenue from operations less finance cost on loan origination cost)
CRAR	Capital to risk (weighted) assets ratio or capital adequacy ratio
CRISIL Issuer Profile	PNB Housing Finance Ltd – Issuer Profile, February 2018, prepared by CRISIL Ratings
CRISIL NBFC Report	NBFC Report, November 2017, prepared by CRISIL Research
CTL	Corporate term loan
DMA	Direct Marketing Associates
DTL	Deferred tax liability
ECB	External Commercial Borrowings
EMI	Equated monthly instalment
ESS	Enterprise System Solution
FCU	Fraud control unit
Federal Bank	The Federal Bank Limited
FOIR	Fixed obligation to income ratio
Fair Practices Code	The guidelines on fair practices code for HFCs issued by the NHB on 9 September 2015
GNPAs	Gross non-performing assets
HFC	Housing Finance Company
HFT	Held for trading
HTM	Held to maturity

LAP	Loan against property
LRD	Lease rental discounting
LTV ratio	Loan-to-value ratio
NHB	The National Housing Bank
NHB Act	The National Housing Bank Act, 1987
NHB ALM Guidelines	Asset-liability management guidelines prescribed by the NHB
NHB Directions	The Housing Finance Companies (National Housing Bank) Directions, 2010
NHB Report	Report on Trend and Progress of Housing in India, 2014 prepared by the NHB
NII	Net interest income
NIM	Net interest margin
NOF	Net owned funds
NPA	Non-performing assets
NRPL	Non-residential premises loans
Provision Coverage Ratio	Reflects the ratio of provisions created for NPAs, standard assets and provisions for contingency to gross NPAs
PTP	Promised-to-pay
Real Estate Act	The Real Estate (Regulation and Development) Act, 2016
Recovery Agents Guidelines	The guidelines for recovery agents engaged by HFIs issued by the NHB on 14 July 2008
SARFAESI Act	The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002
SENP	Self-employed non-professional
SEP	Self-employed professional
SLR	Statutory liquidity ratio
Spread	The difference between average yield and average cost of borrowings
TAT	Turn around time

WPI	Wholesale Price Index

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In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilizing Manager(s) (or persons acting on behalf of any Stabilizing Manager(s)) in the applicable Pricing Supplement in respect of any Notes may over-allot or effect transactions with a view to supporting the market price of the Notes of the Series (as defined below) of which such Tranche forms part at a level higher than that which might otherwise prevail. However, stabilization may not necessarily occur. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilization action or over-allotment must be conducted by the relevant Stabilizing Manager(s) (or persons acting on behalf of any Stabilizing Manager(s)) in accordance with all applicable laws and rules.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents published or issued from time to time after the date hereof shall be deemed to be incorporated in, and to form part of, this Offering Circular:

- our most recently published audited annual financial statements and, if published later, the most recently published audited or reviewed, as the case may be, interim financial results, (see "*Summary of Significant Differences Between IFRS, Indian GAAP and Ind-AS"* for a description of the financial statements currently published by us).

Any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Offering Circular to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Offering Circular.

We will provide, without charge, to each person to whom a copy of this Offering Circular has been delivered, upon the request of such person, a copy of any or all of the documents deemed to be incorporated herein by reference unless such documents have been modified or superseded as specified above. Requests for such documents should be directed to us at our office set out at the end of this Offering Circular. In addition, such documents will be available free of charge from the principal office of the issuing and paying agent in Hong Kong (which for the time being is Citibank, N.A., London Branch) (the **Issuing and Paying Agent**).

If the terms of the Programme are modified or amended in a manner which would make this Offering Circular, as so modified or amended, inaccurate or misleading, to an extent which is material in the context of the Programme, a new offering circular will be prepared.

GENERAL DESCRIPTION OF THE PROGRAMME

Under the Programme, we may from time to time issue Notes denominated in any currency, subject as set out herein. An overview of the terms and conditions of the Programme and the Notes appears below. The applicable terms of any Notes will be agreed between us and the relevant Dealer prior to the issue of the Notes and will be set out in the Terms and Conditions of the Notes endorsed on, attached to, or incorporated by reference into, the Notes, as modified and supplemented by the applicable Pricing Supplement in respect of any Notes attached to, or endorsed on, such Notes, as more fully described under "*Form of the Notes*".

The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed U.S.$1,000,000,000 (or its equivalent in other currencies calculated as described herein), subject to increase as described herein. For the purpose of calculating the U.S. dollar equivalent of the aggregate nominal amount of Notes issued under the Programme from time to time:

(a) the U.S. dollar equivalent of Notes denominated in another Specified Currency (as specified in the applicable Pricing Supplement in respect of any Notes in relation to the relevant Notes, described under "*Form of the Notes*") shall be determined, at our discretion, either as of the date on which agreement is reached for the issue of Notes or on the preceding day on which commercial banks and foreign exchange markets are open for business in London, in each case on the basis of the spot rate for the sale of the U.S. dollar against the purchase of such Specified Currency in the London foreign exchange market quoted by any leading international bank selected by us on the relevant day of calculation;

(b) the U.S. dollar equivalent of Dual Currency Notes, Index Linked Notes and Partly Paid Notes (each as specified in the applicable Pricing Supplement in respect of any Notes in relation to the relevant Notes, described under "*Form of the Notes*") shall be calculated in the manner specified above by reference to the original nominal amount on issue of such Notes (in the case of Partly Paid Notes regardless of the subscription price paid); and

(c) the U.S. dollar equivalent of Zero Coupon Notes (as specified in the applicable Pricing Supplement in respect of any Notes in relation to the relevant Notes, described under "*Form of the Notes*") and other Notes issued at a discount or a premium shall be calculated in the manner specified above by reference to the net proceeds received by us for the relevant issue.

The offering of the Notes will be made entirely outside India. This Offering Circular may not be distributed directly or indirectly in India or to residents of India and the Notes are not being offered or sold and may not be offered or sold directly or indirectly in India or to, or for the account or benefit of, any resident of India except Indian banks acting as an underwriter to the Issue, subject to ECB Master Direction.

Each purchaser of Notes will be deemed to represent that it is neither located in India nor a resident of India and that it is not purchasing for, or for the account or benefit of, any such person, and understands that the Notes may not be offered, sold, pledged or otherwise transferred to any person located in India, to any resident of India or to, or for the account of, such persons, unless determined otherwise in compliance with applicable law.

We will issue Notes under the Programme in accordance with the ECB Master Direction and other applicable provisions of law.

The Government does not provide any guarantee or financial support in relation to any payment or obligation in respect of the Notes and has no commitment or obligation whatsoever in relation to any payment or obligation in respect of the Notes.

OVERVIEW OF THE PROGRAMME

The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Offering Circular and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Pricing Supplement in respect of any Notes. Words and expressions defined in "Form of the Notes" and "Terms and Conditions of the Notes" shall have the same meanings in this overview.

Issuer:..	PNB Housing Finance Limited
Risk Factors:	There are certain factors that may affect our ability to fulfil our obligations under Notes issued under the Programme. These are set out under "*Risk Factors*" below. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme. These are set out under "*Risk Factors*" and include certain risks relating to the structure of particular Series of Notes and certain market risks.
Description:...	Medium Term Note Programme
Arranger:...	Barclays Bank PLC
Dealers:	Barclays Bank PLC and any other Dealers appointed in accordance with the Programme Agreement (as defined under "*Subscription and Sale*") from time to time.
Certain Restrictions:................................	Each issue of Notes in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see "*Subscription and Sale*") including the following restrictions applicable at the date of this Offering Circular.
Security:	Upon any issuance of a Series of Secured Notes under the Programme, the Issuer will procure that Chargor will pursuant to Clause 2(A) of the Trust Deed deliver or cause to be delivered to the Trustee a copy of the applicable Pricing Supplement, together with the form of Security Document(s) for the Trustee's approval notifying the Trustee of an issuance of a Series of Secured Notes and that Security shall be granted to the Security Trustee for benefit of the Trustee and the holders of that Series of Secured Notes to secure the obligations of the Issuer under that Series of Secured Notes and the Trust Deed. Subject to Condition 4.3(c), the Trustee and any holders of that Series of Secured Notes will share equal priority and pro rata entitlement in and to the Security and the

	Trustee and any holders of the relevant Series of Secured Notes shall enforce their rights with respect to the Security only as described in Condition 3.3. The obligations of the Issuer under, or in connection with, the Secured Notes and the Transaction Documents are secured by way of an exclusive first ranking charge over certain specified accounts receivable of the Issuer in favour of the Security Trustee (for itself, the Trustee and the Noteholders), pursuant to a deed of hypothecation and a power of attorney (together, as may be amended or supplemented from time to time as set forth below, the Security Documents). The Issuer will make all filings necessary to perfect the initial security interest over specified accounts receivables within 15 days of the Issue Date or, subject to the agreement of the Security Trustee at the request of the Issuer, within 30 days of the Issue Date. With respect to a Series of Secured Notes, all proceeds of enforcement of the Security and all other amounts received by the Trustee in respect of such Series will be applied by the Trustee in accordance with Condition 4.4(b).
Trustee:	Citicorp International Limited
Issuing and Paying Agent:	Citibank, N.A., London Branch
Registrar and Transfer Agent:.................	Citibank, N.A., London Branch
Security Trustee:	IDBI Trusteeship Services Limited
Programme Size:	U.S.$1,000,000,000 (or its equivalent in other currencies calculated as described under "*General Description of the Programme*") in aggregate nominal amount of Notes outstanding at any time. We may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Distribution:	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies:	Subject to any applicable legal or regulatory restrictions, any currency agreed between us and the relevant Dealer.
Maturities:	Such maturities as may be agreed between us and the relevant Dealer and indicated in the applicable Pricing Supplement in respect of any Notes, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to us including but not limited to the minimum maturity

	period specified under the ECB Guidelines (as defined under "*Terms and Conditions of the Notes*") and other applicable provisions of law or the relevant Specified Currency.
Issue Price:	Notes may be issued on a fully-paid or, in the case of Exempt Notes, a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par.
Form of Notes:	The Notes will be issued in bearer and/or registered form as described in "*Form of the Notes*."
Fixed Rate Notes:...................................	Fixed interest will be payable at such rate or rates in arrears and on such date or dates as may be agreed between us and the relevant Dealer, subject to any regulatory requirement (including but not limited to the ECB Guidelines) and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between us and the relevant Dealer, subject to any regulatory requirement (including but not limited to the ECB Guidelines).
Floating Rate Notes:	Floating Rate Notes will bear interest at a rate, subject to any Indian regulatory requirement (including but not limited to the ECB Guidelines) or specific approval received by the Issuer from the RBI or a designated authorised dealer category I bank appointed in accordance with the ECB Guidelines or any other regulatory authority: (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as of the Issue Date (as specified under the "*Form of Pricing Supplement*") of the first Tranche of the Notes of the relevant Series); or (ii) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or (iii) on such other basis as may be agreed between us and the relevant Dealer. The margin (if any) relating to such floating rate will be agreed between us and the relevant Dealer for each Series of Floating Rate Notes, subject to any regulatory requirement (including but not limited to the ECB Guidelines).

	Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both. Interest on Floating Rate Notes and Index Linked Interest Notes in respect of each Interest Period, as agreed prior to issue by us and the relevant Dealer, will be payable on such Interest Payment Dates (defined under "*Overview of the Programme*"), and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer.
Index Linked Notes:................................	Payments of principal in respect of index linked redemption notes or of interest in respect of index linked interest notes will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as we and the relevant Dealer may agree, subject to any Indian regulatory requirement (including but not limited to the ECB Guidelines) or specific approval received by the Issuer from the RBI or a designated authorised dealer category I bank appointed in accordance with the ECB Guidelines or any other regulatory authority.
Other provisions in Floating Rate Notes and Index Linked Interest Notes:	Floating Rate Notes and Index Linked Interest Notes may also have a relation to maximum interest rate, a minimum interest rate or both, subject to any Indian regulatory requirement (including but not limited to the ECB Guidelines) or specific approval received by the Issuer from the RBI or a designated authorised dealer category I bank appointed in accordance with the ECB Guidelines or any other regulatory authority. Interest on Floating Rate Notes and Index Linked Interest Notes in respect of each Interest Period, as agreed prior to issue by us and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between us and the relevant Dealer.
Dual Currency Notes:	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as we and the relevant Dealer may agree, subject to any Indian regulatory requirement (including but not limited to the ECB Guidelines) or specific approval received by the Issuer from the RBI or a designated authorised dealer category I bank appointed in accordance with the ECB Guidelines or any other regulatory authority.
Partly Paid Notes....................................	We may issue Notes in respect of which the issue price is

	paid in separate instalments in such amounts and on such dates as we and the relevant Dealer may agree, subject to any Indian regulatory requirement (including but not limited to the ECB Guidelines) or specific approval received by the Issuer from the RBI or a designated authorised dealer category I bank appointed in accordance with the ECB Guidelines or any other regulatory authority.
Zero Coupon Notes:	Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.
Other Notes	We may agree with any Dealer and the Trustee that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes, in which event the relevant provisions will be included in the applicable Pricing Supplement in respect of any Notes.
Redemption:	The applicable Pricing Supplement will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer. Please note that any redemption of the Notes prior to their average stated maturity will require the prior approval of the RBI under the ECB Guidelines. The applicable Pricing Supplement in respect of any Notes may provide that Notes may be redeemable in separate instalments in such amounts and on such dates as are indicated in the applicable Pricing Supplement in respect of any Notes, subject to any regulatory requirement including but not limited to the ECB Guidelines.
Denomination of Notes:	Notes will be issued in such denominations as may be agreed between us and the relevant Dealer save that the minimum denomination of each Note will be such as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency.
Taxation:	All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by any Tax Jurisdiction (as defined in Condition 9), subject as provided in Condition 9.1. In the event that any such deduction is made, we will, save in certain limited circumstances provided in Condition 9.1, be required to

	pay additional amounts to cover the amounts so deducted. Without prejudice to our obligation to pay additional amounts as described above, all payments in respect of the Notes will be made subject to any withholding or deduction required pursuant to fiscal and other laws, as provided in Condition 9.1.
Cross Default:	The terms of the Notes will contain a cross default provision as further described in Condition 11.1(c).
Status of the Notes:	The Notes, the status of which are specified in the applicable Pricing Supplements as Senior (the **Senior Notes**), and any relative Receipts (as defined under "*Terms and Conditions of the Notes*") and Coupons are direct, unconditional and (subject to the provisions of Condition 4) unsecured obligations of the Issuer and (subject as provided above) rank, and will rank, *pari passu*, without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights and priority of claims. The Notes, the status of which are specified in the applicable Pricing Supplements as Secured (the **Secured Notes**), are secured obligations of the Issuer, at all times ranking *pari passu* and without any preference among themselves, secured in the manner described in the applicable Pricing Supplement.
Consolidation, Merger and Sale of Assets:	So long as any of the Notes remains outstanding, the Issuer will not consolidate with, or merge with or into, another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its properties and assets (computed on a consolidated basis) in one transaction or a series of related transactions to any Person (the consummation of any such transaction or series of related transactions, a **Merger**) unless in accordance with Condition 4.3.
Maintenance Based Covenants:	So long as any of the Notes remain outstanding, the Issuer shall ensure that: (a) its capital adequacy ratio (as measured on a consolidated basis) is at all times maintained at a level that is at least equal to the minimum ratio requirement as stipulated by the NHB as in effect from time to time, which, as of the Issue Date, is 12.0%; and

	(b) its net non-performing asset ratio (as measured on a consolidated basis) is at all times maintained at a level that is at most the maximum ratio as permitted by the NHB as in effect from time to time, which, as of the Issue Date, is 2.5%; and (c) its Security Coverage Ratio (as defined under "*Terms and Conditions of the Notes*") is at all times maintained at a level equal or greater to 1.0:1.0. At any time that the Security Coverage Ratio is at a level greater than 1.0:1.0, the Issuer is permitted to request the Trustee (without the consent of the Noteholders, the Receiptholders or the Couponholders) to release any security interest over any Secured Property provided that no Default exists and that, immediately following such release, the Security Coverage Ratio is no less than 1.0:1.0. The Trustee shall give effect to a release of security requested by the Issuer pursuant to Condition 4.1.1(c) provided that (i) it shall have received an Officer's Certificate from the Issuer confirming that no Default exists or will exist at the time of the release and that the Security Coverage Ratio will not be less than 1.0:1.0 immediately following such release and (ii) the Trustee shall have been indemnified and/or secured and/or pre-funded against any expenses or other liabilities it may incur in connection with such release. The Trustee shall be permitted to rely and act on an Officer's Certificate from the Issuer delivered pursuant to Condition 4.1.1(c) absolutely and without further enquiry or liability to any person. Without prejudice to the above, the aforesaid covenants under Condition 4.1.1 shall be tested on the Measurement Date (as defined under "*Terms and Conditions of the Notes*") and the Issuer shall provide the Trustee a written confirmation (which confirmation the Trustee can rely absolutely without further inquiry) within 30 Business Days (as defined under "Terms and Conditions of the Notes") of each such Measurement Date confirming compliance with such covenants. The aforesaid covenants shall be calculated in accordance with Ind-AS.
Listing:	Application has also been made to the London Stock Exchange for the Notes to be admitted to the London Stock Exchange's ISM. The ISM is not a regulated market for the purposes of Directive 2004/39/EC. Unlisted Notes may also be issued.

	The applicable Pricing Supplement in respect of any Notes will state whether or not the relevant Notes are to be listed and, if so, on which stock exchange(s).
Use of Proceeds:	The net proceeds from each issue of Notes will be applied by us for the requirements of our housing finance business, as well as for other general corporate purposes permitted by law.
Governing Law:	The Trust Deed, the Agency Agreement and the Notes and any non-contractual obligations arising out of, or in connection with the Trust Deed and the Notes shall be governed by, and construed in accordance with, English law. In relation to Secured Notes only, the deeds of hypothecation and the Security Documents shall be governed by, and construed in accordance with, Indian law.
Clearing System:....................................	Euroclear, Clearstream (each as defined in Condition 1) and/or any other clearing system, as specified in the applicable Pricing Supplement in respect of any Notes (see "*Form of the Notes*").
Terms and Conditions:...........................	The Pricing Supplement in respect of any Notes will be prepared in respect of each Tranche of the Notes. The terms and conditions applicable to each Tranche will be those set out herein under "*Terms and Conditions of the Notes*" as supplemented, modified or replaced by the Pricing Supplement in respect of any Notes.
Selling Restrictions:................................	There are restrictions on the offer, sale and transfer of the Notes under the Prospectus Directive and in the United States, the United Kingdom, India, Hong Kong and Singapore and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes (see "*Subscription and Sale*").
United States Selling Restrictions:	Regulation S, Category 1, TEFRA C or D, or TEFRA not applicable as specified in the applicable Pricing Supplement in respect of any Notes.

FORM OF THE NOTES

The Notes of each Series will either be in bearer form, with or without interest coupons (**Coupons**) attached (**Bearer Notes**), or registered form, without interest coupons attached (**Registered Notes**). The Notes will be issued outside the United States in reliance on Regulation S.

Bearer Notes

Each Tranche of Bearer Notes will be in bearer form and will initially be represented by either a temporary bearer global note (a **Temporary Bearer Global Note**) or a permanent bearer global note (a **Permanent Bearer Global Note** and, together with a Temporary Bearer Global Note, the **Bearer Global Notes**, and each a **Bearer Global Note**) as indicated in the applicable Pricing Supplement in respect of any Notes, which, in either case, will be delivered on or prior to the original issue date of the Tranche to a common depositary (the **Common Depositary**) for Euroclear and Clearstream. While any Bearer Note is represented by a Temporary Bearer Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made against presentation of the Temporary Bearer Global Note only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, as applicable, has given a like certification (based on the certifications it has received) to the Issuing and Paying Agent.

On and after the date (the **Exchange Date**) which, for each Tranche in respect of which a Temporary Bearer Global Note is issued, is 40 days after the Temporary Bearer Global Note is issued, interests in such Temporary Bearer Global Note will be exchangeable (free of charge) upon a request as described therein either for (i) interests in a Permanent Bearer Global Note of the same Series or (ii) definitive Bearer Notes (**Definitive Bearer Notes**) of the same Series with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Pricing Supplement in respect of any Notes and subject, in the case of Definitive Bearer Notes, to such notice period as is specified in the applicable Pricing Supplement in respect of any Notes), in each case against certification of beneficial ownership as described above, unless such certification has already been given, provided that purchasers in the United States and certain U.S. persons will not be able to receive definitive Bearer Notes. The holder of a Temporary Bearer Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Bearer Global Note for an interest in a permanent global bote or for Definitive Bearer Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Bearer Global Note will be made through Euroclear and/or Clearstream against presentation or surrender (as the case may be) of the Permanent Bearer Global Note without any requirement for certification.

The applicable Pricing Supplement will specify that a Permanent Bearer Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Bearer Notes with, where applicable, receipts, interest coupons and talons attached upon the occurrence of an Exchange Event.

For these purposes, **Exchange Event** means that (i) an Event of Default has occurred and is continuing, (ii) we have been notified that both Euroclear and Clearstream have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor or alternative clearing system is available or (iii) we have or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Permanent Bearer Global Note in definitive form. We will promptly give notice to the Noteholders in accordance with

Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) or the Trustee may give notice to the Issuing and Paying Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, we may also give notice to the Issuing and Paying Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Issuing and Paying Agent.

The following legend will appear on all Bearer Notes (other than Temporary Bearer Global Notes), receipts and interest coupons relating to such Notes where TEFRA D is specified in the applicable Pricing Supplement in respect of any Notes:

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE."

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Notes, receipts or interest coupons and will not be entitled to capital gains treatment in respect of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes, receipts or interest coupons.

Notes which are represented by a Bearer Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, as the case may be.

Registered Notes

The Registered Notes of each Tranche will initially be represented by a global note in registered form (a **Registered Global Note**).

Registered Global Notes will be deposited with, and registered in the name of a nominee of a common depositary for Euroclear and Clearstream, as specified in the applicable Pricing Supplement in respect of any Notes. Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in fully registered form (**Definitive Registered Notes**).

Payments of principal, interest and any other amount in respect of the Registered Global Notes will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 6.4) as the registered holder of the Registered Global Notes. None of us, any Paying Agent or the Registrar (each as defined under "*Terms and Conditions of the Notes*") will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Definitive Registered Notes will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 6.4) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for Definitive Registered Notes without receipts, interest coupons or talons attached only upon the occurrence of an Exchange Event (as defined under "*Form of the Notes — Bearer Notes*").

We will promptly give notice to the Noteholders in accordance with Condition 15 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream (acting on the instructions of any holder of an interest in such Registered Global Note) may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) of the definition of Exchange Event under "*Form of the Notes — Bearer Notes*," we may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar.

Transfer of Interests

Interests in a Registered Global Note may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Registered Global Note. No beneficial owner of an interest in a Registered Global Note will be able to transfer such interest, except in accordance with the applicable procedures of Euroclear and Clearstream, in each case to the extent applicable.

General

Pursuant to the Agency Agreement (as defined under "*Terms and Conditions of the Notes*"), the Issuing and Paying Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes at a point after the Issue Date of the further Tranche, the Notes of such further Tranche shall be assigned a common code and ISIN which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series until such time as the Tranches are consolidated and form a single Series.

For so long as any of the Notes is represented by a Bearer Global Note or a Registered Global Note (each a **Global Note**) held on behalf of Euroclear and/or Clearstream, each person (other than Euroclear and/or Clearstream) who is for the time being shown in the records of Euroclear or Clearstream as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuing and Paying Agent, us and their agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuing and Paying Agent, us and their agents as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the Agency Agreement and the expressions **Noteholder** and **holder of Notes** and related expressions shall be construed accordingly.

Any reference herein to Euroclear and/or Clearstream shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement in respect of any Notes.

No Noteholder, Receiptholder or Couponholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails to do so within a reasonable period and the failure shall be continuing.

The Issuer may agree with any Dealer and the Trustee that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes, in which event, a new Offering Circular will be made available which will describe the effect of the agreement reached in relation to such Notes.

FORM OF THE APPLICABLE PRICING SUPPLEMENT

Set out below is the form of Pricing Supplement which will be completed for each Tranche of Notes issued under the Programme.

[Date]

PNB HOUSING FINANCE LIMITED

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
Under the U.S.$1,000,000,000
Medium Term Note Programme

This document constitutes the Pricing Supplement relating to the issue of Notes described herein.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated 12 March 2018 [and the supplement[s] to it dated [ ] and [ ]] (the **Offering Circular**). This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular.

[MiFID II product governance / Professional investors and ECPs only target market – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, **MiFID II**)]/[MiFID II]; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[PRIIPs Regulation/[Prospectus Directive/] PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (**EEA**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of [MiFID II]/[Directive 2014/65/EU (as amended, **MiFID II**)]; (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the **Insurance Mediation Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended the **PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

[The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the **Conditions**) set forth in the Offering Circular dated 12 March 2018. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Offering Circular dated *[current date]*, save in respect of the Conditions which are extracted from the Offering Circular dated 12 March 2018 and are attached hereto.]

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Pricing Supplement]

1.	Issuer:	PNB Housing Finance Limited
2.	(a) Series Number:	[ ]
	(b) Tranche Number:	[ ] *(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible)*
	(c) Date on which the Notes will be consolidated and form a single Series:	The Notes will be consolidated and form a single Series with [*identify earlier Tranches*] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph [ ] below, which is expected to occur on or about [*date*]] [Not Applicable]
3.	Specified Currency or Currencies:	[ ] *(In case of a denomination in INR, the below is to be included)* [The lawful currency of India (**Indian Rupees** or **INR**), provided that all payments in respect of the Notes will be made in United States Dollars (**U.S.$**).]
4.	Aggregate Nominal Amount:	
	(a) Series:	[ ]
	(b) Tranche:	[ ]
5.	(a) Issue Price:	[ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*in the case of fungible issues only, if applicable*)] *(In case of a denomination in INR, the below is to be included)* [The Issue Price will be payable in U.S.$ and will be based on the Aggregate Nominal Amount (in INR) divided by the conversion rate reported by the RBI and displayed on Reuters page RBIB at approximately [1:30] p.m., Mumbai, on [*date*].]
	(b) [Net proceeds:	[ ]]

6.	(a) Specified Denominations:	[ ] *(N.B. Notes must have a minimum denomination of €100,000 or equivalent) (Note - where Bearer Notes with multiple denominations above [€100,000] or equivalent are being used with respect to Bearer Notes, the following sample wording should be followed: "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Notes in definitive form will be issued with a denomination above [€199,000].*") *(N.B. If an issue of Notes is (i) NOT admitted to trading on a European Economic Area exchange; and (ii) only offered in the European Economic Area in circumstances where a prospectus is not required to be published under the Prospectus Directive the €100,000 minimum denomination is not required.)* *(In the case of Registered Notes, this means the minimum integral amount in which transfers can be made.)* *(In case of a denomination in INR, the below is to be included)* [INR[ ] and integral multiples thereof].]
	(b) Calculation Amount:	[ ] *(If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)*
7.	(a) Issue Date:	[ ]
	(b) Interest Commencement Date:	[*specify*/Issue Date/Not Applicable] *(N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.)*
8.	Maturity Date:	[*Fixed rate — specify date/Floating rate —* Interest Payment Date falling in or nearest to *[specify month and year]*]
9.	Interest Basis:	[[ ] per cent. Fixed Rate] [[LIBOR/EURIBOR] +/- [ ] per cent. Floating Rate] [Zero Coupon] [Index Linked Interest] [Dual Currency Interest] [*specify other*] (further particulars specified below)

10.	Redemption/Payment Basis:	[Redemption at par] [Index Linked Redemption] [Dual Currency Redemption] [Partly Paid] [Instalment] [*specify other*]
11.	Change of Interest Basis or Redemption/Payment Basis:	[Applicable/Not Applicable] [*If applicable, specify details of any provision for change of Notes into another Interest Basis or Redemption/Payment Basis*]
12.	(a) Date Board approval for issuance of Notes obtained:	[ ] [and [ ], respectively]]/[None required] *(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes)*
	(b) Date regulatory approval/consent for issuance of Notes obtained:	[ ]/[None required] *(N.B. Only relevant where regulatory (or similar) approval or consent is required for the particular tranche of Notes)*
13.	Listing:	[International Securities Market of the London Stock Exchange /*specify other*/None] *(N.B. Consider disclosure requirements under the EU Prospectus Directive applicable to securities admitted to an EU regulated market)*
14.	Method of distribution:	[Syndicated/Non-syndicated]
15.	Status of the Notes	[Senior Notes/Secured Notes]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

16.	Fixed Rate Note Provisions:		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Rate(s) of Interest:	[ ] per cent. per annum payable in arrear on each Interest Payment Date
	(b)	Interest Payment Date(s):	[ ] in each year up to and including the Maturity Date (*Amend appropriately in the case of irregular coupons*)

	(c)	Fixed Coupon Amount(s):	[ ] per Calculation Amount *(In case of a denomination in INR, the below is to be included)* The Fixed Coupon Amount per Calculation Amount will be payable in U.S.$ and determined by the Calculation Agent on the Rate Fixing Date in respect of the Interest Payment Date, as follows: **Calculation Amount *divided by* the Reference Rate** Where **Calculation Agent**, **Rate Fixing Date** and **Reference Rate** shall have their respective meanings ascribed to them in item 23 below.
	(d)	Broken Amount(s):	[[ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]] [Not Applicable]
	(e)	Day Count Fraction:	[Actual/Actual (ICMA)]; [30/360]; [Actual/365 (Fixed)] [*specify other*]
	(f)	Determination Date[s]:	[[ ] in each year][Not Applicable] *Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case, insert regular interest payment dates, ignoring issue date or maturity date in case of a long or short first or last coupon*
	(g)	Other terms relating to the method of calculating interest for Fixed Rate Notes:	[None/*Give details*]
17.	Floating Rate Note Provisions:		[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
	(a)	Specified Period(s)/Specified Interest Payment Dates:	[ ]
	(b)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/ [*specify other*]]
	(c)	Additional Business Centre(s):	[ ]
	(d)	Manner in which the Rate of Interest and Interest Amount are to be determined:	[Screen Rate Determination/ISDA Determination]/[*specify other*]

(e)	Party responsible for calculating the Rate of Interest and Interest Amount (if not the Issuing and Paying Agent):	[ ]
(f)	Screen Rate Determination:	
	• Reference Rate:	*Reference Rate: [ ] month* [*LIBOR/EURIBOR/specify other Reference Rate*].
	• Interest Determination Date(s):	[ ] (*Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR*)
	• Relevant Screen Page:	[ ] (*In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately*)
(g)	ISDA Determination:	
	• Floating Rate Option:	[ ]
	• Designated Maturity:	[ ]
	• Reset Date:	[ ] *(in the case of a LIBOR or EURIBOR based option, the first day of the Interest Period)*
(h)	Margin(s):	[+/-] [ ] per cent. per annum
(i)	Minimum Rate of Interest:	[ ] per cent. per annum
(j)	Maximum Rate of Interest:	[ ] per cent. per annum
(k)	Day Count Fraction:	[Actual/Actual (ISDA)] [Actual/Actual] Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 [30/360] [360/360] [Bond Basis] [30E/360] [Eurobond Basis] [30E/360 (ISDA)] *[specify other]* (*See Condition 6 for alternatives*)

18. Zero Coupon Note Provisions: [Applicable/Not Applicable]

		(*If not applicable, delete the remaining subparagraphs of this paragraph*)
(a)	Accrual Yield:	[ ] per cent. per annum
(b)	Reference Price:	[ ]
(c)	Any other formula/basis of determining amount payable:	[ ]
(d)	Day Count Fraction in relation to Early Redemption Amounts:	[30/360] [Actual/360] [Actual/365] [*specify other*]
19.	Index Linked Interest Note Provisions:	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
(a)	Index/Formula:	[*give or annex details*]
(b)	Calculation Agent responsible for calculating the interest due:	[ ]
(c)	Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable:	[ ] (*Need to include a description of market disruption or settlement disruption events and adjustment provisions*)
(d)	Specified Period(s)/Specified Interest Payment Dates:	[ ]
(e)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/ *specify other*]
(f)	Additional Business Centre(s):	[ ]
(g)	Minimum Rate of Interest:	[ ] per cent. per annum
(h)	Maximum Rate of Interest:	[ ] per cent. per annum
(i)	Day Count Fraction:	[ ]
20.	Dual Currency Interest Note Provisions:	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
(a)	Rate of Exchange/method of calculating Rate of Exchange:	[*give details*]
(b)	Party responsible for calculating the Rate of Interest (if not the Calculation Agent) and Interest Amount (if not the Issuing and Paying Agent):	[ ]
(c)	Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable:	[ ]

	(d)	Person at whose option Specified Currency(ies) is/are payable:	[ ]

PROVISIONS RELATING TO REDEMPTION

21.	Issuer Call		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Optional Redemption Date(s):	[ ]
	(b)	Optional Redemption Amount:	[[ ] per Calculation Amount][Spens Amount][Make-whole Amount] [*Set out appropriate variable details in this pro forma, for example reference obligation*]
	(c)	If redeemable in part:	
		(i) Minimum Redemption Amount:	[ ]
		(ii) Maximum Redemption Amount	[ ]
	(d)	Notice periods:	Minimum period: [15] days Maximum period: [30] days (*N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems* (*which require a minimum of 5 clearing system business days' notice for a call*) *and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent [or Trustee]*.)
22.	Investor Put		[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
	(a)	Optional Redemption Date(s):	[ ]
	(b)	Optional Redemption Amount of each Note and method, if any, of calculation of such amount(s):	[[ ] per Calculation Amount/*specify other*/see Appendix]

(c)	Notice period (if other than as set out in the Conditions):	Minimum period: [15] days Maximum period: [30] days (*N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems* (*which require a minimum of 15 clearing system business days' notice for a put) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent [or Trustee].*)
23.	Final Redemption Amount:	[ ] per Calculation Amount *(In case of a denomination in INR, the below is to be included)* [The Final Redemption Amount per Calculation Amount will be payable in U.S.$ and determined by the Calculation Agent on the Rate Fixing Date in respect of the Maturity Date, as follows: **Calculation Amount *divided by* the Reference Rate** *Where*: **Calculation Agent** means [●]. **Reference Rate** means the rate used on each Rate Fixing Date which will be the U.S.$/INR spot rate, expressed as the amount of Indian Rupees per one United States Dollar, for settlement in two Fixing Business Days, reported by the Reserve Bank of India, which is displayed on Reuters page **RBIB** (or any successor page) at approximately 1:30 p.m., Mumbai time, on each Rate Fixing Date. If a Price Source Disruption Event occurs on the Scheduled Rate Fixing Date, then the Reference Rate for such Rate Fixing Date shall be determined by the Calculation Agent in accordance with the Fallback Provisions set out below. **Rate Fixing Date** means the Scheduled Rate Fixing Date, subject to a Valuation Postponement. **Scheduled Rate Fixing Date** means the

date which is two Fixing Business Days prior to the Interest Payment Date or the Maturity Date or such other date on which an amount in respect of the Notes is due and payable. If the Scheduled Rate Fixing Date is an Unscheduled Holiday, the Rate Fixing Date shall be the next relevant Fixing Business Day, subject to the Deferral Period for an Unscheduled Holiday set out below.

Unscheduled Holiday means a day that is not a Fixing Business Day, a fact of which the market was not aware (by means of a public announcement or by reference to other publicly available information) until a time later than 9:00 a.m. local time in Mumbai, two Fixing Business Days prior to the relevant Rate Fixing Date

Adjustments to the Interest Payment Date and Maturity Date:

If a Scheduled Rate Fixing Date is adjusted for an Unscheduled Holiday or if Valuation Postponement applies, then the Interest Payment Date or Maturity Date relating to such Scheduled Rate Fixing Date shall be two Payment Business Days after the date on which the Reference Rate for such Interest Payment Date or Maturity Date is determined. If any Interest Payment Date or Maturity Date is adjusted in accordance with the preceding sentence, then such adjustment (and the corresponding payment obligations to be made on such dates) shall apply only to such Interest Payment Date or the Maturity Date, as applicable, and no further adjustment shall apply to the amount of interest payable.

Fallback Provisions:

Price Source Disruption Event means it becomes impossible to obtain the Reference Rate on a Rate Fixing Date.

Applicable Price Source Disruption Fallbacks:

In the event of a Price Source Disruption Event, the Calculation Agent shall apply each of the following Price Source Disruption Fallbacks for the determination of the Reference Rate, in the following order, until the Reference Rate can be determined:

Valuation Postponement	(As defined below)
Fallback Reference Price	SFEMC INR Indicative Survey Rate (INR02)
Fallback Survey Valuation Postponement	(As defined below)

Cumulative Events has the following meaning:

Notwithstanding anything to the contrary, in no event shall the total number of consecutive calendar days during which either (i) valuation is deferred due to an Unscheduled Holiday, or (ii) a Valuation Postponement shall occur (or any combination of (i) and (ii)), exceed 14 consecutive calendar days in the aggregate.

Accordingly, (x) if, upon the lapse of any such 14 calendar day period, an Unscheduled Holiday shall have occurred or be continuing on the day following such period that otherwise would have been a Fixing Business Day, then such day shall be deemed to be a Rate Fixing Date, and (y) if, upon the lapse of any such 14 calendar day period, a Price Source Disruption Event shall have occurred or be continuing on the day following such period on which the Reference Rate otherwise would be determined, then Valuation Postponement shall not apply and the Reference Rate shall be determined in accordance with the next Price Source Disruption Fallback.

Valuation Postponement means that the Reference Rate will be determined on the Fixing Business Day first succeeding the day on which the Price Source Disruption Event ceases to exist, unless the Price Source Disruption Event continues to exist (measured from the date that, but for the occurrence of the Price Source Disruption

Event, would have been the Rate Fixing Date) for a consecutive number of calendar days equal to the Maximum Days of Postponement. In such event, the Reference Rate will be determined on the next Fixing Business Day after the Maximum Days of Postponement (which will, subject to the provisions relating to Fallback Survey Valuation Postponement, be deemed to be the applicable Rate Fixing Date) in accordance with the next applicable Price Source Disruption Fallback.

Maximum Days of Postponement means 14 calendar days.

SFEMC INR Indicative Survey means a methodology, dated as of 1 December 2004 and as amended from time to time, for a centralized industry-wide survey of financial institutions that are active participants in the Indian Rupee/U.S. Dollar markets for the purpose of determining the SFEMC INR Indicative Survey Rate (INR02).

SFEMC INR Indicative Survey Rate (INR02) means that the Reference Rate for a given Rate Fixing Date will be the Indian Rupee/U.S. Dollar Specified Rate for U.S. Dollars, expressed as the amount of Indian Rupees per one U.S. Dollar, for settlement in two Fixing Business Days, as published on the website of the Singapore Foreign Exchange Market Committee (**SFEMC**) at approximately 3:30 p.m. (Singapore time), or as soon as practicable thereafter, on such date. The Reference Rate shall be calculated by SFEMC (or a service provider SFEMC may select in its sole discretion) pursuant to the SFEMC INR Indicative Survey (as defined below) for the purpose of determining the SFEMC INR Indicative Survey Rate.

Fallback Survey Valuation Postponement means that, in the event that the Fallback Reference Price is not available on or before the third Fixing Business Day (or the day that would have been a Fixing Business Day but for an Unscheduled Holiday) succeeding the end of either (i) a Valuation Postponement for a Price Source Disruption

Event, (ii) a Deferral Period for an Unscheduled Holiday, or (iii) Cumulative Events, as applicable, then the Reference Rate will be determined in accordance with the next Applicable Price Source Disruption Fallback on such day (which will be deemed to be the applicable Rate Fixing Date). For the avoidance of doubt, Cumulative Events, if applicable, do not preclude postponement of valuation in accordance with this provision.

Payment Business Day means any day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in New York, Mumbai and the principal place of office of the Issuing and Paying Agent.

Fixing Business Day means any day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in Mumbai, New York and the principal place of office of the Issuing and Paying Agent.

Deferral Period for an Unscheduled Holiday: In the event that the Scheduled Rate Fixing Date is postponed due to the occurrence of an Unscheduled Holiday, and if the Rate Fixing Date has not occurred on or before the 14th calendar day after the Scheduled Rate Fixing Date (any such period being a **Deferral Period**), then the next day after the Deferral Period that would have been a Fixing Business Day but for the Unscheduled Holiday shall be deemed to be the Rate Fixing Date.]

24. Early Redemption Amount payable on redemption for tax reasons or on event of default:	[[ ] per Calculation Amount/*specify other*/see Appendix] *(In case of a denomination in INR, the below is to be included)* [The Final Redemption Amount as determined in accordance with item 23 above; provided that, for the purposes of such determination, the Scheduled Rate Fixing Date shall be the date that is two Fixing Business Days prior to the date on which the Notes become due and payable.]

PROVISIONS RELATING TO SECURITY

25. Secured Notes Provisions:	[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
(a) Charged Property:	[Not applicable]/[*Give brief description of assets being secured:* [ ]]
[(b) Chargor	[ ]]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

26. Form of Notes:	[Bearer Notes: [Temporary Bearer Global Note exchangeable for a Permanent Bearer Global Note which is exchangeable for Definitive Bearer Notes [on 60 days' notice given at any time/only upon an Exchange Event]] [Temporary Bearer Global Note exchangeable for Definitive Bearer Notes on and after the Exchange Date] [Permanent Bearer Global Note exchangeable for Definitive Notes [only upon an Exchange Event]]] *(Ensure that this is consistent with the wording in the "Form of the Notes" section in the Offering Circular and the Notes themselves. The exchange upon notice option should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 6 includes language substantially to the following effect: "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Notes in definitive form will be issued with a denomination above [€199,000]". Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Bearer Global Note exchangeable for Definitive Bearer Notes.)*

		[Registered Notes: Registered Global Note ([ ] nominal amount) registered in the name of a nominee for a common depositary for Euroclear and Clearstream (specify nominal amounts)]
27.	Additional Financial Centre(s):	[Not Applicable/*give details*] (*Note that this item relates to the place of payment and not Interest Period end dates to which items 17(c) and 19(f) relate*)
28.	Talons for future Coupons to be attached to Definitive Notes:	[Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No]
29.	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:	[Not Applicable/*give details*. *N.B. a new forms of Temporary Bearer Global Note and/or Permanent Bearer Global Note may be required for Partly Paid issues*]
30.	Details relating to Instalment Notes:	[*Not Applicable*]
	(a) [Instalment Amount(s):	[*give details*]]
	(b) [Instalment Date(s):	[*give details*]]
31.	Other terms or special conditions:	[Not Applicable/*give details*]

DISTRIBUTION

32.	(a) If syndicated, names of Managers:	[Not Applicable/*give names*]
	(b) Stabilising Manager(s) (if any):	[Not Applicable/*give name(s)*]
33.	If non-syndicated, name of relevant Dealer:	[ ]
34.	U.S. Selling Restrictions:	Regulation S Category 1; [TEFRA D/TEFRA not applicable]
35.	Additional selling restrictions:	[Not Applicable/*give details*]

OPERATIONAL INFORMATION

36.	Any clearing system(s) other than Euroclear and Clearstream and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]

37.	Delivery:	Delivery [against/free of] payment
38.	Additional Paying Agent(s) (if any):	[ ]

ISIN:	[ ]
Common Code:	[ ]
Financial Instrument Short Name:	[ ]
CFI:	[ ]
Legal Entity Identifier:	[ ]

GENERAL

39.	Use of proceeds:	[ ]
40.	Private Bank Rebate:	[ ]

[STABILIZATION

In connection with this issue, [insert name of Stabilizing Manager(s)] (the Stabilizing Manager(s)) (or persons acting on behalf of any Stabilizing Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilizing Manager(s) (or persons acting on behalf of a Stabilizing Manager) will undertake stabilization action. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilization action or over-allotment must be conducted by the relevant Stabilizing Manager(s) (or persons acting on behalf of any Stabilizing Manager) in accordance with all applicable laws and rules.]

[LISTING APPLICATION

This Pricing Supplement comprises the final terms required to list the issue of Notes described herein pursuant to the U.S.$1,000,000,000 Medium Term Note Programme of PNB Housing Finance Limited.]

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of the Issuer:

By: ____

Duly authorised

TERMS AND CONDITIONS OF THE NOTES

The following, subject to alteration and except for the paragraphs in italics, are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Pricing Supplement in relation to any Tranche of Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes. The applicable Pricing Supplement (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to "Form of the Notes" for a description of the content of Pricing Supplements which will specify which of such terms are to apply in relation to the relevant Notes. The issuance of, and Terms and Conditions in relation to, the Notes are subject to applicable laws including the Foreign Exchange Management Act, 1999 and rules, regulations, circulars, and guidelines issued by the Reserve Bank of India in force from time to time and an approval which may be required in respect of such issuance of the Notes.

This Note is one of a Series (as defined below) of Notes issued by PNB Housing Finance Limited (the **Issuer**) and constituted by a Trust Deed dated 12 March 2018 (such Trust Deed as modified and/or supplemented and/or restated from time to time, the **Trust Deed**) made between the Issuer and Citicorp International Limited (the **Trustee** which expression shall include any successor as Trustee) and IDBI Trusteeship Services Limited (the **Security Trustee**) as security trustee (as modified and/or supplemented and/or restated from time to time).

References herein to the **Notes** shall be references to the Notes of this Series and shall mean:

(i) in relation to any Notes represented by a global Note (a **Global Note**), units of the lowest Specified Denomination in the Specified Currency;

(ii) any Global Note in bearer form (a **Bearer Global Note**);

(iii) any Global Note in registered form (a **Registered Global Note**);

(iv) definitive Notes in bearer form (**Definitive Bearer Notes**, and together with Bearer Global Notes, the **Bearer Notes**) issued in exchange for a Bearer Global Note; and

(v) definitive Notes in registered form (**Definitive Registered Notes**, and together with Registered Global Notes, the **Registered Notes**), whether or not issued in exchange for a Registered Global Note.

The Notes, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of an Agency Agreement dated 12 March 2018 (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) and made between the Issuer, the Trustee, Citibank, N.A., London Branch as principal paying agent (the **Principal Paying Agent**, which expression shall include any additional or successor principal paying agent), the other paying agents named therein (together with the Principal Paying Agent, the **Paying Agents**, which expression shall include any additional or successor paying agents), Citibank, N.A., London Branch as initial calculation agent (the **Calculation Agent**, which expression shall include any additional or successor calculation agent), Citibank, N.A., London Branch as transfer agent (the **Transfer Agent**, which expression shall include any substitute or any additional transfer agents appointed in accordance with the Agency Agreement) and Citibank, N.A., London Branch as registrar (the

Registrar, which expression shall include any successor registrar and together with the Principal Paying Agent, Paying Agents and Transfer Agents, the **Agents**).

Interest bearing definitive Bearer Notes have interest coupons (**Coupons**) and, in the case of Notes which, when issued in definitive form, have more than 27 interest payments remaining, talons for further Coupons (**Talons**) attached on issue. Any reference herein to Coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons. Definitive Bearer Notes repayable in instalments have receipts (**Receipts**) for the payment of the instalments of principal (other than the final instalment) attached on issue. Registered Notes and Global Notes do not have Receipts, Coupons or Talons attached on issue.

The Pricing Supplement for this Note (or the relevant provisions thereof) is attached to or endorsed on this Note and supplements these Terms and Conditions (**Conditions**) and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Conditions, replace or modify these Conditions for the purposes of this Note. References to the **applicable Pricing Supplement** are to the Pricing Supplement (or the relevant provisions thereof) attached to or endorsed on this Note.

Any reference to **Noteholders** or **holders** in relation to any Notes shall mean the holders of the Notes and shall, in relation to any Notes represented by a Global Note, be construed as provided below. Any reference herein to **Receiptholders** shall mean the holders of the Receipts and any reference herein to **Couponholders** shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons. The Trustee acts for the benefit of the Noteholders, the Receiptholders and the Couponholders, in accordance with the provisions of the Trust Deed.

As used herein, **Tranche** means Notes which are identical in all respects (including as to listing) and **Series** means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (i) expressed to be consolidated and form a single series and (ii) have the same terms and conditions or terms and conditions which are the same in all respects save for the amount and the date of the first payment of interest thereon and the date from which interest starts to accrue.

Copies of the Trust Deed, the Agency Agreement and (where applicable) the Security Documents (together, the **Transaction Documents**) are available for inspection during normal business hours at the specified office of each of the Paying Agents. Copies of the applicable Pricing Supplement are obtainable during normal business hours at the specified office of each of the Paying Agents save that, if this Note is an unlisted Note of any Series, the applicable Pricing Supplement will only be obtainable by a Noteholder holding one or more unlisted Notes of that Series and such Noteholder must produce evidence satisfactory to the Issuer and the relevant Agent as to its holding of such Notes and identity. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, and are bound by, all the provisions of the Trust Deed, the Agency Agreement, the Security Documents (where applicable), and the applicable Pricing Supplement which are applicable to them. The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed and the Agency Agreement.

Words and expressions defined in the Trust Deed and the Agency Agreement or used in the applicable Pricing Supplement shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Trust Deed and the Agency Agreement, the Trust Deed will prevail and, in the event of inconsistency between the Trust Deed or the Agency Agreement and the applicable Pricing Supplement, the applicable Pricing Supplement will prevail.

1. FORM, DENOMINATION AND TITLE

The Notes may be in bearer form (**Bearer Notes**) and/or in registered form (**Registered Notes**) and, in the case of definitive Notes, will be serially numbered, in the currency (the **Specified Currency**) and the denominations (the **Specified Denomination(s)**) specified in the applicable Pricing Supplement. Save as provided in Condition 2, Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, a Dual Currency Interest Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Pricing Supplement, which Interest Basis shall be as per the applicable laws including but not limited to (a) Foreign Exchange Management (Borrowing or Lending in Foreign Exchange) Regulations, 2000 and the circulars issued thereunder by the Reserve Bank of India (the **RBI**), including the Master Direction – External Commercial Borrowing, Trade Credit, Borrowing and Lending in Foreign Currency by Authorised Dealers and Persons other than Authorised Dealers dated 1 January 2016, bearing no. RBI/FED/2015-16/15 (as amended and, modified or replaced from time to time); (b) the Master Direction on Reporting under the Foreign Exchange Management Act, 1999, dated 1 January 2016, as amended; and (c) any other applicable regulations, notifications, circulars or guidelines issued in respect of external commercial borrowings, as construed in accordance with the Foreign Exchange Management Act, 1999 (the **ECB Guidelines**).

This Note may also be an Index Linked Redemption Note, an Instalment Note, a Dual Currency Redemption Note, a Partly Paid Note or a combination of any of the foregoing, depending upon the Redemption/Payment Basis shown in the applicable Pricing Supplement.

Definitive Bearer Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in these Conditions are not applicable.

Subject as set out below, title to the Bearer Notes, Receipts and Coupons will pass by delivery. Title to Registered Notes will pass upon registration of transfers in the books of the Registrar in accordance with the provisions of the Agency Agreement. The Issuer, the Trustee, the Principal Paying Agent, any Paying Agent, the Registrar and the Transfer Agent will (except as otherwise ordered by a court of competent jurisdiction or required by law) deem and treat the bearer of any Bearer Note, Receipt or Coupon and any person in whose name a Registered Note is registered as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank SA/NV (**Euroclear**) and/or Clearstream Banking S.A. (**Clearstream**), each person (other than Euroclear or Clearstream) who is for the time being shown in the records of Euroclear or Clearstream, as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Trustee, any Paying Agents, the Registrar and the Transfer Agent as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer or registered holder of the relevant Global Note shall be treated by the Issuer, the Trustee, any Paying Agent, the Registrar and the Transfer Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions **Noteholder** and **holder of Notes** and related expressions shall be construed accordingly. In determining whether a particular person is entitled to a particular nominal amount of Notes, as aforesaid, the Trustee may rely on such evidence and/or information and/or certification as it shall, in its absolute discretion, think fit and, if it does so rely, such evidence and/or information and/or certification shall, in the absence of manifest error, be conclusive and binding on all concerned.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, as the case may be. References to Euroclear and/or Clearstream shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement or as may otherwise be approved by the Issuer, the Trustee and the Principal Paying Agent.

2. TRANSFERS OF REGISTERED NOTES

2.1 Transfers of Interests in Registered Global Notes

Transfers of beneficial interests in Registered Global Notes will be effected by Euroclear or Clearstream, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be exchangeable for Registered Notes in definitive form or for a beneficial interest in another Registered Global Note only in the authorised denominations set out in the applicable Pricing Supplement and only in accordance with the rules and operating procedures for the time being of Euroclear or Clearstream, as the case may be, and in accordance with the terms and conditions specified in the Trust Deed and the Agency Agreement.

2.2 Transfers of Registered Notes Generally

Registered Notes may not be exchanged for Bearer Notes and vice versa.

Holders of Definitive Registered Notes may exchange such Definitive Registered Notes for interests in a Registered Global Note of the same type at any time.

Upon the terms and subject to the conditions set forth in the Trust Deed and the Agency Agreement, a Definitive Registered Note may be transferred in whole or in part (in the authorised denominations set out in the applicable Pricing Supplement). In order to effect any such transfer: (i) the holder or holders must (a) surrender the Definitive Registered Note for registration of the transfer of the Definitive Registered Note (or the relevant part of the Definitive Registered Note) at the specified office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing and (b) complete and deposit such other certifications as may be required by the relevant Transfer Agent and (ii) the Registrar or, as the case may be, the relevant Transfer Agent must, after due and careful enquiry, being satisfied with the documents of title and the identity of the person making the request and subject to such reasonable regulations as the Issuer, the Trustee, the Registrar, or as the case may be, the relevant Transfer Agent may prescribe (such initial regulations being set out in Schedule 4 to the Agency Agreement). Subject as provided above, the Registrar or, as the case may be, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar or, as the case may be, the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations) authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by mail to such address as the transferee may request, a new Definitive Registered Note of a like aggregate nominal amount to the Definitive Registered Note (or the relevant part of the Definitive Registered Note) transferred. In the case of the transfer of part only of a Definitive Registered Note, a new Definitive Registered Note in respect of the balance of the Definitive Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

2.3 Costs of Registration

Registration of transfers will be effected without charge by or on behalf of the Issuer, the Registrar or the relevant Transfer Agent, but upon payment (or the giving of such indemnity as the Issuer, the Registrar or the relevant Transfer Agent may reasonably require) in respect of any tax or other governmental charges which may be imposed in relation to it provided that the Issuer shall not be responsible for any documentary stamp tax payable in the Republic of India (**India**) on the transfer of Notes unless the Issuer is the counterparty directly liable for that documentary stamp tax.

3. STATUS

3.1 Status of Senior Notes

The Notes the status of which are specified in the applicable Pricing Supplements as Senior (the **Senior Notes**) and any relative Receipts and Coupons are direct, unconditional and (subject to the provisions of Condition 4) unsecured obligations of the Issuer and (subject as provided above) rank and will rank *pari passu*, without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights and priority of claims.

3.2 Status of Secured Notes

This Condition 3.2 applies only to Notes specified in the applicable Pricing Supplement as "Secured Notes".

The Secured Notes are secured obligations of the Issuer, at all times ranking *pari passu* and without any preference among themselves, secured in the manner described in the applicable Pricing Supplement.

3.3 Enforcement of Security

This Condition 3.3 applies only to Notes specified in the applicable Pricing Supplement as "Secured Notes".

Subject to the provisions of the Security Documents and the Trust Deed, the Security shall become enforceable:

(a) upon notice being given by the Trustee to the Issuer and the Security Trustee that the Secured Notes are due and payable pursuant to Condition 11;

(b) if the Issuer shall have failed to make payment of any amount due in respect of the redemption of any Secured Notes when due and payable pursuant to these Conditions (subject to any applicable grace period provided under these Conditions); or

(c) in the circumstances specified (if any) in the relevant Security Documents.

If the Security becomes enforceable in respect of any Series of Secured Notes, the Trustee may at its discretion and without further notice or formality and shall, if so requested in writing by Noteholders holding at least 25 per cent. in aggregate nominal amount of the particular Series of Secured Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders of the particular Series of Secured Notes (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction) direct the Security Trustee to enforce all or any of the Security subject as provided below. The Security Trustee may at its discretion appoint a receiver and/or take possession of and/or realise all or any part of the Secured Property and/or take action or proceedings against any person liable in respect of all or any part of the Secured Property and/or any rights in relation to the Security Documents and take any step, action or proceedings provided for in or pursuant, and/or subject to, the Transaction Documents, but without any liability to any person as to the consequences of such step, action or proceedings and without having regard to the effect of such action or proceedings on the Issuer or individual Noteholders, and provided that the Trustee shall not be required to take any action, step or proceedings that would involve any personal liability or exposure without first being indemnified and/or secured and/or prefunded to its satisfaction.

All funds received by the Security Trustee following enforcement of the Security Documents shall be paid by the Security Trustee to the Trustee for distribution in accordance with the Trust Deed.

4. COVENANTS

4.1 Maintenance Based Covenants

4.1.1 So long as any of the Notes remain outstanding, the Issuer shall ensure that:

(a) its capital adequacy ratio (as measured on a consolidated basis) consisting of Tier I and Tier II capital is at all times maintained at a level that is at least equal to the minimum ratio requirement as stipulated by the NHB as in effect from time to time, which as of the Issue Date, shall not be less than 12% of its aggregate risk weighted assets and of risk adjusted value of off-balance sheet items;

(b) its net non-performing asset ratio (as measured on a consolidated basis) is at all times maintained at a level that is at most the maximum ratio as permitted by the NHB as in effect from time to time, which, as of the Issue Date, should not exceed 2.5% of the net advance; and

(c) its Security Coverage Ratio is at all times maintained at a level equal or greater to 1.0:1.0.

Without prejudice to the above, the aforesaid covenants under this Condition 4.1.1 shall be tested on the Measurement Date and the Issuer shall provide the Trustee a written confirmation (which confirmation the Trustee can rely absolutely without further inquiry) within 30 Business Days of each such Measurement Date confirming compliance with such covenants.

4.1.2 So long as any of the Notes remain outstanding, the Issuer shall ensure that it will not sell, transfer or otherwise dispose of any Hypothecated Assets (as defined in the Security Documents).

4.2 Consolidation, Merger and Sales of Assets

So long as any of the Notes remains outstanding, the Issuer will not consolidate with, or merge with or into, another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its properties and assets (computed on a consolidated basis) in one transaction or a series of related transactions to any Person (the consummation of any such transaction or series of related transactions, a **Merger**), unless:

(a) the Issuer shall be the continuing Person, or the Person (if other than the Issuer) formed by such Merger or that acquired or leased such property and assets (the **Surviving Person**) shall be a corporation organised and validly existing under the laws of India or shall expressly assume, by way of supplemental deed to the Trust Deed, all the obligations of the Issuer under the Notes, and the Notes shall remain in full force and effect, provided that such transfer of obligations under the Notes to the Surviving Person shall require the prior approval of the Authorised Dealer Bank or the Reserve Bank of India, as may be applicable in accordance with the ECB Guidelines and FEMA;

(b) immediately after giving effect to such Merger on a *pro forma* basis (and treating any Indebtedness which becomes an obligation of the Surviving Person or any of its Subsidiary as having been incurred at the time of such transaction) no Event of Default (as defined in Condition 11) shall have occurred and be continuing or would result therefrom;

(c) the Issuer shall be solvent and able to pay its debts as they fall due immediately prior to the consummation of such Merger;

(d) the corporation formed by such transaction, or the Person that acquired such properties and assets, shall expressly agree to indemnify each holder of a Note against any Taxes (as defined below) payable by withholding or deduction thereafter imposed on any holder solely as a consequence of such Merger with respect to the payment of principal, premium (if any) and interest on the Notes;

(e) immediately after giving effect to such Merger on a *pro forma* basis, the Surviving Person will be in compliance with the maintenance covenants set out in Condition 4.1; and

(f) the Issuer furnishes to the Trustee (i) an Officers' Certificate setting out the arithmetic computations establishing compliance with the conditions precedent provided in Condition 4.2(b), (c) and (e), the maintenance covenants set out in Condition 4.1, showing in reasonable detail the calculation of the ratios set out in Condition 4.1 (including the arithmetic computations of each component of such ratios) and (ii) a written opinion from legal counsel acceptable to the Trustee, addressed to the Trustee, in form and substance acceptable to the Trustee, and that meets the requirements of the Trust Deed, stating that such Merger and such supplemental trust deed complies with this provision and that all conditions precedent provided in Condition 4.2(a) and relating to such transaction have been complied with and the Trustee is entitled to accept such Officers' Certificate and opinion as sufficient evidence thereof, in which event it shall be conclusive and binding on the Noteholders.

4.3 Security

This Condition 4.3 applies only to Notes specified in the applicable Pricing Supplement as "Secured Notes".

(a) Grant of Security

Upon any issuance of a Series of Secured Notes under the Programme, the Issuer will procure that the Chargor will pursuant to Clause 2(A) of the Trust Deed deliver or cause to be delivered to the Trustee a copy of the applicable Pricing Supplement, together with the form of Security Document(s) for the Trustee's approval, notifying the Trustee of an issuance of a

Series of Secured Notes and that Security shall be granted to the Security Trustee for benefit of the Trustee and the holders of that Series of Secured Notes to secure the obligations of the Issuer under that Series of Secured Notes and the Trust Deed.

Subject to Condition 4.3(c) below, the Trustee and any holders of that Series of Secured Notes will share equal priority and pro rata entitlement in and to the Security and the Trustee and any holders of the relevant Series of Secured Notes shall enforce their rights with respect to the Security only as described in Condition 3.3.

The obligations of the Issuer under, or in connection with, the Secured Notes and the Transaction Documents are secured by way of an exclusive first ranking charge over certain specified accounts receivable of the Issuer in favour of the Security Trustee (for itself, the Trustee and the Noteholders (together, the **Secured Parties**)), pursuant to a deed of hypothecation and a power of attorney (together, as may be amended or supplemented from time to time as set forth below, the **Security Documents**). The Issuer will make all filings necessary to perfect the initial security interest over specified accounts receivables within 15 days of the Issue Date or, subject to the agreement of the Security Trustee at the request of the Issuer, within 30 days of the Issue Date.

To maintain the Security Coverage Ratio (as defined below), the Issuer will (i) provide a list of specified accounts receivable to the Security Trustee no later than the thirtieth Business Day following the end of each of the Issuer's financial quarters until the Secured Notes are repaid in full; (ii) execute a supplemental deed of hypothecation in favour of the Security Trustee within 45 Business Days following the end of each of the Issuer's financial quarters to secure the accounts receivable set out in each list by way of an exclusive first ranking charge; and (iii) will make all necessary filings with the relevant Indian Registrar of Companies to perfect such security interest over specified accounts receivables within 15 days of the execution of such supplemental deed of hypothecation or, subject to the agreement of the Security Trustee at the request of the Issuer, within 30 days of the execution of such supplemental deed of hypothecation.

The property specified above, together with any other property or assets held by and/or charged in favour of and/or assigned to the Security Trustee (for itself and the other Secured Parties (subject as provided in these Conditions and the Transaction Documents)) pursuant to the Security Documents and/or any deed or document supplemental thereto, with the AD Bank's Permission, is referred to in these Conditions as the "**Secured Property**", and the security created thereby is referred to as the "**Security**".

(b) Receipt of Funds by the Trustee under the Security Documents

All funds received by the Security Trustee following enforcement of the Security Documents shall be paid by the Security Trustee to the Trustee for distribution in accordance with these presents. The Trustee is authorised to receive and distribute any funds for the benefit of the holders of the relevant Series of Secured Notes under the relevant Security Document, and to make further distributions of such funds to the holders of the relevant Series of Secured Notes according to the provisions of these presents.

(c) Proceeds of enforcement of Security

With respect to a Series of Secured Notes, all proceeds of enforcement of the Security and all other amounts received by the Trustee in respect of such Series will be applied by the Trustee as follows:

FIRST in payment or satisfaction of all amounts then due and unpaid under Clauses 15 and/or 16(J) of the Trust Deed to the Trustee and/or any Appointee; and in payment or satisfaction of all amounts then due and unpaid to the Security Trustee;

SECONDLY in or towards retention of an amount which the Trustee considers necessary to pay any amounts that may thereafter become due to be paid under Clauses 15 and/or 16(J) of the Trust Deed to it or any Appointee, to the extent that it considers that moneys received by it thereafter under these presents may be insufficient and/or may not be received in time to pay such amounts;

THIRDLY in or towards reimbursement *pari passu* and rateably of any amounts paid by any Indemnifying Parties as contemplated by clause 15(G) of the Trust Deed, together with interest thereon as provided in subclause 15(H) of the Trust Deed;

FOURTHLY in or towards payment *pari passu* and rateably of all principal and interest then due and unpaid in respect of the Notes of that Series;

FIFTHLY in payment of the balance (if any) to the Chargor (without prejudice to, or liability in respect of, any question as to how such payment to the Chargor shall be dealt with as between the Chargor and any other person).

Without prejudice to Clause 7.3 of the Trust Deed, if the Trustee holds any moneys which represent principal or interest in respect of Notes which have become void or in respect of which claims have been prescribed under Condition 10, the Trustee will hold such moneys on the above trusts.

(d) Release of Security

The Security granted under the relevant Security Document may, at the request and cost of the Issuer, be released upon receipt by the Security Trustee of an unconditional notice from the Trustee instructing release of such Security; provided that such notice shall only be issued by the Trustee upon repayment in full of the relevant Series of Secured Notes and payment in full of all associated fees and expenses.

In this Condition:

AD Bank's Permission means the prior written permission for creation of the security in terms of the Security Documents from the designated Authorised Dealer Bank in accordance with the ECB Guidelines.

Attributable Indebtedness means, in respect of a Sale and Leaseback Transaction, at the time of determination, the present value, discounted at the interest rate borne by the Notes of the total obligations of the lessee for rental payments during the remaining term of the lease in such Sale and Leaseback Transaction, including any period for which such lease has been extended or may, at the option of the lessor, be extended.

Board of Directors means the representative governing board elected or appointed by the stockholders of the Issuer to manage the business of the Issuer or any committee of such board duly authorised to take the action purported to be taken by such committee.

Capitalised Lease means, with respect to any Person, any lease of any property (whether real, personal or mixed) which, in conformity with Ind-AS, is required to be capitalised on the balance sheet of such Person.

Capitalised Lease Obligations means the capitalised amount of any rental obligations under a Capitalised Lease in accordance with Ind-AS, and the Stated Maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be terminated by the lessee without payment of penalty.

Capital Stock means, with respect to any Person, any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents (however designated, whether voting or nonvoting) in equity of such Person, whether outstanding on the Issue Date or issued thereafter, including, without limitation, all Common Stock and Preferred Stock.

Common Stock means, with respect to any Person, any and all shares, interests, rights to purchase, warrants, options or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person's common stock or ordinary shares, whether or not outstanding at the date of the Trust Deed, and include, without limitation, all series and classes of such common stock or ordinary shares.

Currency Agreement means any foreign exchange forward contract, currency swap agreement or other similar agreement or arrangement designed to protect against fluctuations in foreign exchange rates.

Disqualified Stock means any class or series of Capital Stock of any Person that by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable) or otherwise is (a) required to be redeemed prior to the Stated Maturity of the Notes, (b) redeemable at the option of the holder of such class or series of Capital Stock at any time prior to the Stated Maturity of the Notes or (c) convertible into or exchangeable for Capital Stock referred to in clause (a) or (b) above or Indebtedness having a scheduled maturity prior to the Stated Maturity of the Notes.

Fair Market Value means the price that would be paid in an arm's-length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the Board of Directors, whose determination shall be conclusive if evidenced by a board resolution.

Hedging Obligation of any Person means the obligations of such Person pursuant to any Currency Agreement or Interest Rate Agreement.

Indebtedness means, with respect to any Person at any date of determination (without duplication):

(A) all indebtedness of such Person for borrowed money;

(B) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(C) all obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments (including any premium to the extent such premium has become due and payable);

(D) all obligations of such Person to pay the deferred and unpaid purchase price of property or services, except Trade Payables;

(E) all Capitalised Lease Obligations and Attributable Indebtedness;

(F) all Indebtedness of other Persons secured by a Security Interest on any asset of such Person, whether or not such Indebtedness is assumed by such Person;

provided that the amount of such Indebtedness shall be the lesser of (i) the Fair Market Value of such asset at such date of determination and (ii) the amount of such Indebtedness;

(G) all Indebtedness of other Persons guaranteed by such Person to the extent such Indebtedness is guaranteed by such Person;

(H) to the extent not otherwise included in this definition, Hedging Obligations; and

(I) all Disqualified Stock issued by such Person valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price plus accrued dividends.

Ind-AS means Indian accounting standards as in effect from time to time, or, to the extent required by law or regulation applicable to non-banking financial companies in India. All ratios and computations contained or referred to in the Trust Deed shall be computed in conformity with Ind-AS applied on a consistent basis.

Interest Rate Agreement means any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement, option or future contract or other similar agreement or arrangement designed to protect against fluctuations in interest rates.

Measurement Date means each of 31 March and 30 September at all times when any of the Notes remain outstanding.

NHB means National Housing Bank.

Person means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organisation or government or any agency or political subdivision thereof.

Preferred Stock as applied to the Capital Stock of any Person means Capital Stock of any class or classes that by its term is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over any other class of Capital Stock of such Person.

Sale and Leaseback Transaction means any direct or indirect arrangement relating to property (whether real, personal or mixed), now owned or hereafter acquired whereby the Issuer or any Subsidiary transfers such property to another Person and the Issuer or any Subsidiary leases it from such Person.

Security has the meaning ascribed thereto in Condition 4.3(a).

Secured Parties has the meaning ascribed thereto in Condition 4.3(a).

Secured Property has the meaning ascribed thereto in Condition 4.3(a).

Security Coverage Ratio means the ratio of (i) the value of the Secured Property to (ii) the outstanding principal amount of the Issuer's and its Subsidiaries' Indebtedness (calculated on a consolidated basis) which is secured by the Secured Property from time to time.

Security Documents has the meaning ascribed thereto in Condition 4.3(a).

Security Interest means any mortgage, charge, lien, pledge or other security interest including, without limitation, anything analogous to any of the foregoing.

Subsidiary means, in relation to the Issuer, any company (i) in which the Issuer (either on its own or together with one or more of its Subsidiaries) exercises or holds a majority of the voting rights or equity shares or (ii) in respect of which the Issuer (either on its own or together with one or more of its Subsidiaries) has the right to appoint or remove a majority of the board of directors, and includes any company which is a Subsidiary of a Subsidiary of the Issuer.

Stated Maturity means: (a) with respect to any Indebtedness, the date specified in such debt security as the fixed date on which the final instalment of principal of such Indebtedness is due and payable as set forth in the documentation governing such Indebtedness and (b) with respect to any scheduled instalment of principal of or interest on any Indebtedness, the date specified as the fixed date on which such instalment is due and payable as set forth in the documentation governing such Indebtedness.

Trade Payables means, with respect to any Person, any accounts payable or any other indebtedness or monetary obligation to trade creditors created, assumed or guaranteed by such Person or any of its Subsidiaries arising in the ordinary course of business in connection with the acquisition of goods or services and payable within 90 days.

5. REDENOMINATION

5.1 Redenomination

Where redenomination is specified in the applicable Pricing Supplement as being applicable, the Issuer may, without the consent of the Noteholders, the Receiptholders or the Couponholders, on giving 30 days' prior notice to the Trustee, the Principal Paying Agent, Euroclear and/or Clearstream as applicable, and at least 30 days' prior notice to the Noteholders in accordance with Condition 15, elect that, with effect from the Redenomination Date specified in the notice, the Notes shall be redenominated in euro.

The election will have effect as follows:

(a) the Notes and the Receipts shall be deemed to be redenominated into euro in the denomination of 0.01 with a nominal amount in euro for each Note and Receipt equal to the nominal amount of that Note or Receipt in the Specified Currency, converted into euro at the Established Rate, provided that, if the Issuer determines, with the agreement of the Principal Paying Agent and the Trustee, that the then market practice in respect of the redenomination into euro of internationally offered securities is different from the provisions specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders, the stock exchange (if any) on which the Notes are for the time being listed and the Paying Agents of such deemed amendments;

(b) save to the extent that an Exchange Notice has been given in accordance with paragraph (d) below, the amount of interest due in respect of the Notes will be calculated by reference to the aggregate nominal amount of Notes presented (or, as the case may be, in respect of which Coupons are presented) for payment by the relevant holder and the amount of such payment shall be rounded down to the nearest euro 0.01;

(c) if definitive Notes are required to be issued after the Redenomination Date, they shall be issued at the expense of the Issuer in the denominations of euro 1,000, euro

10,000, euro 100,000 and (but only to the extent of any remaining amounts of less than euro 1,000 or such smaller denominations as the Issuer in conjunction with the Principal Paying Agent may determine) euro 0.01 and such other denominations as the Issuer shall determine and notify to the Noteholders;

(d) if issued prior to the Redenomination Date, all unmatured Coupons denominated in the Specified Currency (whether or not attached to the Notes) will become void with effect from the date on which the Issuer gives notice (the **Exchange Notice**) that replacement euro-denominated Notes, Receipts and Coupons are available for exchange (provided that such securities are so available) and no payments will be made in respect of them. The payment obligations contained in any Notes and Receipts so issued will also become void on that date although those Notes and Receipts will continue to constitute valid exchange obligations of the Issuer. New euro-denominated Notes, Receipts and Coupons will be issued in exchange for Notes, Receipts and Coupons denominated in the Specified Currency in such manner as the Principal Paying Agent may specify and as shall be notified to the Noteholders in the Exchange Notice. No Exchange Notice may be given less than 15 days prior to any date for payment of principal or interest on the Notes;

(e) after the Redenomination Date, all payments in respect of the Notes, the Receipts and the Coupons, other than payments of interest in respect of periods commencing before the Redenomination Date, will be made solely in euro as though references in the Notes to the Specified Currency were to euro. Payments will be made in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque;

(f) if the Notes are Fixed Rate Notes and interest for any period ending on or after the Redenomination Date is required to be calculated for a period ending other than on an Interest Payment Date, it will be calculated:

(i) in the case of the Notes represented by a Global Note, by applying the Rate of Interest to the aggregate outstanding nominal amount of the Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); and

(ii) in the case of definitive Notes, by applying the Rate of Interest to the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding;

(g) if the Notes are Floating Rate Notes, the applicable Pricing Supplement will specify any relevant changes to the provisions relating to interest; and

(h) such other changes shall be made to these Conditions as the Issuer may decide, after consultation with the Trustee and the Principal Paying Agent, and as may be specified in the notice, to conform them to conventions then applicable to instruments denominated in euro.

5.2 Definitions

In these Conditions, the following expressions have the following meanings:

Established Rate means the rate for the conversion of the Specified Currency (including compliance with rules relating to roundings in accordance with applicable European Union regulations) into euro established by the Council of the European Union pursuant to Article 140 of the Treaty;

euro means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty;

Redenomination Date means (in the case of interest bearing Notes) any date for payment of interest under the Notes or (in the case of Zero Coupon Notes) any date, in each case specified by the Issuer in the notice given to the Noteholders pursuant to paragraph 5.1(a) above and which falls on or after the date on which the country of the Specified Currency first participates in the third stage of European economic and monetary union; and

Treaty means the Treaty on the Functioning of the European Union, as amended.

6. INTEREST

All interest payable on the Notes shall be subject to applicable laws including but not limited to the ECB Guidelines and in accordance with any specific approval received by the Issuer from the RBI or a designated authorised dealer category I bank appointed in accordance with the ECB Guidelines or any other regulatory authority.

6.1 Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest on its outstanding nominal amount (or, if it is a Partly Paid Note, the nominal amount paid up) from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

If the Notes are in definitive form, except as provided in the applicable Pricing Supplement, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Pricing Supplement, amount to the Broken Amount so specified.

As used in these Conditions, **Fixed Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

Except in the case of Notes in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Pricing Supplement, interest is required to be calculated in respect of any period by applying the Rate of Interest to:

(A) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or

(B) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

Each Fixed Rate Note shall have an interest rate which shall be in accordance with Indian regulatory requirements (including but not limited to the ECB Guidelines) or any specific approval received by the Issuer from the RBI or a designated authorised dealer category I bank appointed in accordance with the ECB Guidelines or any other regulatory authority.

Day Count Fraction means, in respect of the calculation of an amount of interest in accordance with this Condition 6.1:

(a) if **Actual/Actual** (**ICMA**) is specified in the applicable Pricing Supplement:

(i) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the **Accrual Period**) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (I) the number of days in such Determination Period and (II) the number of Determination Dates (as specified in the applicable Pricing Supplement) that would occur in one calendar year; or

(ii) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

(A) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(B) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; or

(b) if **30/360** is specified in the applicable Pricing Supplement, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360; or

(c) if **Actual/365** (Fixed) is specified in the applicable Pricing Supplement, the actual number of days in the Accrual Period divided by 365.

In these Conditions:

Determination Period means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

sub-unit means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.

6.2 Interest on Floating Rate Notes and Index Linked Interest Notes

(a) Interest Payment Dates

Each Floating Rate Note and Index Linked Interest Note bears interest on its outstanding nominal amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

(i) the Specified Interest Payment Date(s) in each year specified in the applicable Pricing Supplement; or

(ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Pricing Supplement, each date (each such date, together with each Specified Interest Payment Date, an **Interest Payment Date**) which falls the number of months or other period specified as the Specified Period in the applicable Pricing Supplement after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period. In these Conditions, **Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

(b) Rate of Interest

The Rate of Interest payable from time to time in respect of Floating Rate Notes and Index Linked Interest Notes will be determined in the manner specified in the applicable Pricing Supplement. The Rate of Interest shall be in accordance with Indian regulatory requirements (including the ECB Guidelines, if applicable) or any specific approval received by the Issuer from the RBI or a designated authorised dealer category I bank appointed in accordance with the ECB Guidelines or any other regulatory authority.

(i) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any). For the purposes of this sub-paragraph (i), **ISDA Rate** for an Interest Period means a rate equal to the Floating Rate that would be determined by the Principal Paying Agent under an interest rate swap transaction if the Principal Paying Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as of the Issue Date of the first Tranche of the Notes (the **ISDA Definitions**) and under which:

(A) the Floating Rate Option is as specified in the applicable Pricing Supplement;

(B) the Designated Maturity is a period specified in the applicable Pricing Supplement; and

(C) the relevant Reset Date is the day specified in the applicable Pricing Supplement.

For the purposes of this sub-paragraph (i), **Floating Rate**, **Calculation Agent**, **Floating Rate Option**, **Designated Maturity** and **Reset Date** have the meanings given to those terms in the ISDA Definitions.

Unless otherwise stated in the applicable Pricing Supplement the Minimum Rate of Interest shall be deemed to be zero.

(ii) Screen Rate Determination for Floating Rate Notes

Where Screen Rate Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

(A) the offered quotation; or

(B) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate (being either LIBOR or EURIBOR as specified in the applicable Pricing Supplement) which appears or appear, as the case may be, on the Relevant Screen Page (or such replacement page on that service which displays the information) as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any), all as determined by the Principal Paying Agent or such other party specified in the applicable Pricing Supplement. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Principal Paying Agent or such other party for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (A) above, no such offered quotation appears or, in the case of (B) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Pricing Supplement as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Pricing Supplement.

(c) Minimum and/or maximum Rate of Interest

If the applicable Pricing Supplement specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Pricing Supplement specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

The Rate of Interest shall not exceed the rate of interest as specified under the ECB Guidelines or any specific approval received by the Issuer from the RBI or a designated authorised dealer category I bank appointed in accordance with the ECB Guidelines or any other regulatory authority.

(d) Determination of Rate of Interest and calculation of Interest Amounts

The Principal Paying Agent, in the case of Floating Rate Notes, and the Calculation Agent, in the case of Index Linked Interest Notes, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. In the case of Index Linked Interest Notes, the Calculation Agent will notify the Principal Paying Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Principal Paying Agent will calculate the amount of interest (the **Interest Amount**) payable on the Floating Rate Notes or Index Linked Interest Notes for the relevant Interest Period by applying the Rate of Interest to:

(A) in the case of Floating Rate Notes or Index Linked Interest Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or

(B) in the case of Floating Rate Notes or Index Linked Interest Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note or an Index Linked Interest Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

Each Floating Rate Note or Index Linked Interest Note shall have an interest rate which shall be in accordance with Indian regulatory requirements (including but not limited to the ECB Guidelines, if applicable) or any specific approval received by the Issuer from the RBI or a designated authorised dealer category I bank appointed in accordance with the ECB Guidelines or any other regulatory authority.

Day Count Fraction means, in respect of the calculation of an amount of interest in accordance with this Condition 6.2:

(i) if **Actual/Actual (ISDA)** or **Actual/Actual** is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

(ii) if **Actual/365** (**Fixed**) is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365;

(iii) if **Actual/365** (**Sterling**) is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

(iv) if **Actual/360** is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 360;

(v) if **30/360**, **360/360** or Bond Basis is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

Y1 is the year, expressed as a number, in which the first day of the Interest Period falls;

Y2 is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M1 is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M2 is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D1 is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D1 will be 30; and

D2 is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

(vi) if **30E/360** or **Eurobond Basis** is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

Y1 is the year, expressed as a number, in which the first day of the Interest Period falls;

Y2 is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M1 is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M2 is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D1 is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D1 will be 30; and

D2 is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D2 will be 30; and

(vii) if **30E/360 (ISDA)** is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

Y1 is the year, expressed as a number, in which the first day of the Interest Period falls;

Y2 is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M1 is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M2 is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D1 is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

D2 is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D2 will be 30.

(e) Notification of Rate of Interest and Interest Amounts

The Principal Paying Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Trustee and any stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and notice thereof to be published in accordance with Condition 15 as soon as possible after their determination but in no event later than the fourth Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and to the Noteholders in accordance with Condition 15. For the purposes of this paragraph, the expression **Business Day** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in London, New York, Hong Kong and the place of office of the Principal Paying Agent.

(f) Certificates to be final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 6, whether by the Principal Paying Agent or, if applicable, the Calculation Agent or the Trustee, shall (in the absence of wilful default or manifest error) be binding on the Issuer, the Trustee, the Principal Paying Agent, the Registrar, the Calculation Agent (if applicable), the other Paying Agents and all Noteholders, Receiptholders and Couponholders and (in the absence of wilful default) no liability to the Issuer, the Noteholders, the Receiptholders or the Couponholders shall attach to the Principal Paying Agent or, if applicable, the Calculation Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

6.3 Interest on Dual Currency Interest Notes

The rate or amount of interest payable in respect of Dual Currency Interest Notes shall be determined in the manner specified in the applicable Pricing Supplement.

Each Dual Currency Interest Note shall have an interest rate which shall be in accordance with Indian regulatory requirements (including but not limited to the ECB Guidelines) or any specific approval received by the Issuer from the RBI or a designated authorised dealer category I bank appointed in accordance with the ECB Guidelines or any other regulatory authority.

6.4 Interest on Partly Paid Notes

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Pricing Supplement.

Each Partly Paid Note shall have an interest rate which shall be in accordance with Indian regulatory requirements (including but not limited to the ECB Guidelines) or any specific approval received by the Issuer from the RBI or a designated authorised dealer category I bank appointed in accordance with the ECB Guidelines or any other regulatory authority.

6.5 Accrual of interest

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from and including the date for its redemption unless payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

(a) the date on which all amounts due in respect of such Note have been paid; and

(b) as provided in the Trust Deed.

6.6 Definitions

In these Conditions, if a Business Day Convention is specified in the applicable Pricing Supplement and (x) if there is no numerically corresponding day on the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

(A) in any case where Specified Periods are specified in accordance with Condition 6.2(a)(ii) above, the Floating Rate Convention, such Interest Payment Date (a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (ii) below shall apply mutatis mutandis or (b) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (i) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (ii) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or

(B) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or

(C) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

(D) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Conditions, **Business Day** means a day which is:

(a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London, New York, Hong Kong, the place of office of the Principal Paying Agent and any Additional Business Centre (other than TARGET2 System) specified in the applicable Pricing Supplement;

(b) if TARGET2 System is specified as an Additional Business Centre in the applicable Pricing Supplement, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the **TARGET2 System**) or any successor system is open; and

(c) either (i) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively) or (ii) in relation to any sum payable in euro, a day on which the TARGET2 System or any successor system is open.

7. PAYMENTS

7.1 Method of payment

Subject as provided below:

(a) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland); and

(b) payments will be made in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee.

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 9 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the **Code**) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 9) any law implementing an intergovernmental approach thereto.

7.2 Presentation of definitive Bearer Notes, Receipts and Coupons

Payments of principal in respect of Definitive Bearer Notes will (subject as provided below) be made in the manner provided in Condition 7.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Definitive Bearer Notes, and payments of interest in respect of Definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America and its possessions).

Payments of Instalment Amounts (if any) in respect of Definitive Bearer Notes, other than the final instalment, will (subject as provided below) be made in the manner provided in Condition 7.1 above against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner provided in Condition 7.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Bearer Note in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the Definitive Bearer Note to which it appertains. Receipts presented without the Definitive Bearer Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any Definitive Bearer Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Notes in definitive bearer form (other than Dual Currency Notes, Index Linked Notes or Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 9) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 10) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive bearer form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, Dual Currency Note, Index Linked Note or Long Maturity Note in definitive form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A **Long Maturity Note** is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any Definitive Bearer Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant Definitive Bearer Note.

7.3 Payments in respect of Bearer Global Notes

Payments of principal and interest (if any) in respect of Bearer Notes represented by any Bearer Global Note will (subject as provided below) be made in the manner specified above in relation to Definitive Bearer Notes and otherwise in the manner specified in the relevant Bearer Global Note against presentation or surrender of such Bearer Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made against presentation or surrender of any Bearer Global Note, distinguishing between any payment of principal and any payment of interest, will be made on such Bearer Global Note by the Paying Agent to which it was presented and such record shall be prima facie evidence that the payment in question has been made.

7.4 Payments in respect of Registered Notes

Payments of principal (other than instalments of principal prior to the final instalment) in respect of each Registered Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Note appearing in the register of holders of the Registered Notes maintained by the Registrar (the **Register**) (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream are open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. For these purposes, **Designated Account** means the account (which, in the case of a payment in Japanese yen to a non resident of Japan, shall be a non resident account) maintained by a holder with a Designated Bank and identified as such in the Register and **Designated Bank** means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively) and (in the case of a payment in euro) any bank which processes payments in euro.

Payments of interest and payments of instalments of principal (other than the final instalment) in respect of each Registered Note (whether or not in global form) will be made to the holder (or the first named of joint holders) of the Registered Note appearing in the Register (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream are open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the fifteenth day (whether or not such fifteenth day is a Business Day) before the relevant due date (the **Record Date**). Payment of the interest due in respect of each Registered Note on redemption and the final instalment of principal will be made in the same manner as payment of the principal amount of such Registered Note.

No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Registered Notes.

None of the Issuer, the Trustee, the Registrar or any Paying Agent will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

7.5 General provisions applicable to payments

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear or Clearstream, as the case may be, for his share of each payment so made by the Issuer in respect of such Global Note to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Bearer Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States only if:

(a) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Bearer Notes in the manner provided above when due;

(b) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and

(c) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

7.6 Payment Day

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, **Payment Day** means any day which (subject to Condition 11) is:

(a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:

    (i) in the case of Notes in definitive form only, the relevant place of presentation;

    (ii) each Additional Financial Centre (other than TARGET2 System) specified in the applicable Pricing Supplement; and

(b) if TARGET2 System is specified as an Additional Financial Centre in the applicable Pricing Supplement, a day on which the TARGET2 System or any successor system is open; and

(c) either (A) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland respectively) or (B) in relation to any sum payable in euro, a day on which the TARGET2 System or any successor system is open.

7.7 Interpretation of principal and interest

Any reference in these Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

(a) any additional amounts which may be payable with respect to principal under Condition 9 or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed;

(b) the Final Redemption Amount of the Notes;

(c) the Early Redemption Amount of the Notes;

(d) the Optional Redemption Amount(s) (if any) of the Notes;

(e) in relation to Notes redeemable in instalments, the Instalment Amounts;

(f) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 8.3); and

(g) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in these Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 9 or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed.

8. REDEMPTION AND PURCHASE

8.1 Redemption at maturity

Unless previously redeemed or purchased and cancelled as specified below, each Note (including each Index Linked Redemption Note and Dual Currency Redemption Note) will be redeemed by the Issuer at its Final Redemption Amount specified in the applicable Pricing Supplement in the relevant Specified Currency on the Maturity Date specified in the applicable Pricing Supplement.

8.2 Redemption for tax reasons

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if the Notes are neither a Floating Rate Note, an Index Linked Interest Note, nor a Dual Currency Note) or on any Interest Payment Date (if the Notes are either a Floating Rate Note, an Index Linked Interest Note or a Dual Currency Interest Note), on giving not less than 30 nor more than 60 days' notice to the Trustee and the Principal Paying Agent and, in accordance with Condition 15, the

Noteholders (which notice shall be irrevocable), if the Issuer satisfies the Trustee immediately before the giving of such notice that:

(a) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 9 as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 9) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and

(b) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Trustee to make available at its specified office to the Noteholders (1) a certificate signed by an Authorised Officer of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred or been satisfied pursuant to the relevant provisions of this Condition 8, and (2) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment and the Trustee shall be entitled to accept the certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event they shall be conclusive and binding on the Noteholders, the Receiptholders and the Couponholders.

Notes redeemed pursuant to this Condition 8.2 will be redeemed at their Early Redemption Amount referred to in Condition 8.5 below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

Any notice of redemption will be irrevocable and will provide details of the redemption date. If the redemption price in respect of any Notes is improperly withheld or refused and is not paid by the Issuer, interest on the outstanding principal amount of such Notes will continue to be payable as provided in the Trust Deed until the redemption price is actually paid.

ECB Guidelines may require the Issuer to obtain the prior approval of the RBI or designated authorised dealer category I bank appointed in accordance with the ECB Guidelines as the case may be, before providing notice for or effecting such a redemption prior to the Maturity Date and such approval may not be forthcoming.

8.3 Redemption at the option of the Issuer (Issuer Call)

This Condition 8.3 applies to Notes which are subject to redemption prior to the Maturity Date at the option of the Issuer (other than for taxation reasons), such option being referred to as an **Issuer Call**. The applicable Pricing Supplement contains provisions applicable to any Issuer Call and must be read in conjunction with this Condition 8.3 for full information on any Issuer Call. In particular, the applicable Pricing Supplement will identify the Optional Redemption Date(s), the Optional Redemption Amount, any minimum or maximum amount of Notes which can be redeemed and the applicable notice periods.

If Issuer Call is specified as being applicable in the applicable Pricing Supplement, the Issuer may, having given not less than the minimum period nor more than the maximum period of notice specified in applicable Pricing Supplement to the Noteholders in accordance with Condition 15 (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in the applicable Pricing Supplement together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Pricing Supplement.

In the case of a partial redemption of Notes, the Notes to be redeemed (**Redeemed Notes**) will (i) in the case of Redeemed Notes represented by definitive Notes, be selected individually by lot, not more than 30 days prior to the date fixed for redemption and (ii) in the case of Redeemed Notes represented by a Global Note, be selected in accordance with the rules of Euroclear and/or Clearstream, Luxembourg. In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 15 not less than 15 days prior to the date fixed for redemption.

ECB Guidelines may require the Issuer to obtain the prior approval of the RBI or designated authorised dealer category I bank appointed in accordance with the ECB Guidelines as the case may be, before providing notice for or effecting such a redemption prior to the Maturity Date and such approval may not be forthcoming.

8.4 Redemption at the option of the Noteholders (Investor Put)

This Condition 8.4 applies to Notes which are subject to redemption prior to the Maturity Date at the option of the Noteholder, such option being referred to as an **Investor Put**. The applicable Pricing Supplement contains provisions applicable to any Investor Put and must be read in conjunction with this Condition 8.4 for full information on any Investor Put. In particular, the applicable Pricing Supplement will identify the Optional Redemption Date(s), the Optional Redemption Amount and the applicable notice periods.

If Investor Put is specified as being applicable in the applicable Pricing Supplement, upon the holder of any Note giving to the Issuer in accordance with Condition 15 not less than the minimum period nor more than the maximum period of notice specified in the applicable Pricing Supplement, the Issuer will, upon the expiry of such notice, redeem such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date.

To exercise the right to require redemption of this Note the holder of this Note must, if this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver, at the specified office of any Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) at any time during normal business hours of such Paying Agent or, as the case may be, the Registrar falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent or, as the case may be, the Registrar (a **Put Notice**) and in which the holder must specify a bank account to which payment is to be made under this Condition and, in the case of Registered Notes, the nominal amount thereof to be redeemed and, if less than the full nominal amount of the Registered Notes so surrendered is to be redeemed, an address to which a new Registered Note in respect of the balance of such Registered Notes is to be sent subject to and in accordance with the provisions of Condition 2. If this Note is in definitive bearer form, the Put Notice must be accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control.

If this Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Principal Paying Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear, Clearstream, Luxembourg or any common depositary or common safekeeper, as the case may be for them to the Principal Paying Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time.

Any Put Notice or other notice given in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg by a holder of any Note pursuant to this Condition 8.4 shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and the Trustee has declared the Notes to be due and payable pursuant to Condition 11, in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 8.4 and instead to declare such Note forthwith due and payable pursuant to Condition 11.

Any early redemption of the Notes prior to the Maturity Date will require the prior approval of the RBI or designated authorised dealer category I bank appointed in accordance with the ECB Guidelines and such approval may not be forthcoming. An early redemption of INR denominated Notes (including for an exercise of the Investor Put) prior to the minimum maturity stipulated under the ECB Guidelines will require prior approval of the RBI or designated authorised dealer category I bank appointed in terms of the ECB Guidelines.

8.5 Early Redemption Amounts

For the purpose of Condition 8.2 and Condition 11, each Note will be redeemed at its Early Redemption Amount calculated as follows:

(a) each Note (other than a Zero Coupon Note) will be redeemed at its Early Redemption Amount; and

(b) each Zero Coupon Note will be redeemed at an amount (the **Amortised Face Amount**) calculated in accordance with the following formula:

Early Redemption Amount = $RP \times (1 + AY)^{Y}$ where:

RP means the Reference Price;

AY means the Accrual Yield expressed as a decimal; and

y is the Day Count Fraction specified in the applicable Pricing Supplement which will be either (i) 30/360 (in which case the numerator will be equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (ii) Actual/360 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (iii) Actual/365 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 365), or on such other calculation basis as may be specified in the applicable Pricing Supplement.

8.6 Instalments

Instalment Notes will be redeemed in the Instalment Amounts and on the Instalment Dates specified in the applicable Pricing Supplement. In the case of early redemption, the Early Redemption Amount of Instalment Notes will be determined in the manner specified in the applicable Pricing Supplement.

8.7 Partly Paid Notes

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the applicable Pricing Supplement.

8.8 Purchases

The Issuer or any Subsidiary may at any time purchase Notes (provided that, in the case of definitive Bearer Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer surrendered to any Paying Agent and/or the Registrar for cancellation.

8.9 Cancellation

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and any Notes purchased and cancelled pursuant to Condition 8.8 above (together with all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent (which shall notify the Registrar of such cancelled Notes in the case of Registered Notes) and may not be reissued or resold.

8.10 Late payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Conditions 8.1 or 8.2 above or upon its becoming due and repayable as provided in Condition 11 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 8.5(b) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

(i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and

(ii) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Note has been received by the Trustee or the Principal Paying Agent and notice to that effect has been given to the Noteholders in accordance with Condition 15.

8.11 No verification by Trustee

Neither the Trustee nor any of the Agents shall be responsible for calculating or verifying the calculations of any amount payable under any notice of redemption and shall not be liable to the Noteholders or any other person for not doing so.

9. TAXATION

9.1 Payment without Withholding

All payments of principal and interest in respect of the Notes, Receipts and Coupons by or on behalf of the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction unless such withholding or deduction is required by law. In such event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes, Receipts or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction (the **Additional Amounts**); except that no such Additional Amounts shall be payable with respect to any Note, Receipt or Coupon:

(a) where the holder of which is liable for such taxes or duties in respect of such Note, Receipt or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note, Receipt or Coupon; or

(b) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an Additional Amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 7.6); or

(c) presented for payment by or on behalf of a holder of such Note, Receipt or Coupon who, at the time of such presentation, is able to avoid such withholding or deduction by making a declaration of non-residence or other similar claim for exemption and does not make such declaration or claim.

9.2 Interpretation

As used herein:

(i) **Relevant Date** means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Trustee or the Principal Paying Agent or, as the case may be, the Registrar on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 15; and

(ii) **Tax Jurisdiction** means India or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer of principal and interest on the Notes, Receipts and Coupons become generally subject.

Any payments made by the Issuer are required to be within the all-in-cost ceilings prescribed under the ECB Guidelines and in accordance with any specific approvals from the RBI obtained by the Issuer in this regard.

9.3 Transfers or Sales

The Issuer has agreed to indemnify any transferor or transferee of a Note (or any beneficial interest therein), other than a transferor or transferee who is liable to Indian tax by reason of his having a connection with India apart from the mere holding of a Note, against any loss resulting from the imposition of Indian income, capital gains or gift tax on the transfer or sale of a Note outside India. The foregoing indemnity will terminate upon a practising eminent Indian taxation lawyer acceptable to the Trustee and the Issuer certifying in writing in form and content satisfactory to the Trustee, that it is satisfied, on the basis of an appropriate amendment of the Income Tax Act, 1961 of India, that the Notes are not and are not deemed to be situated in India.

The Issuer will first obtain approval from the RBI prior to making any payments under such indemnity, if required.

9.4 No responsibility on Trustee for determinations

Neither the Trustee nor any Agent shall be responsible for paying any tax, duty, charges, withholding or other payment referred to in this Condition 9 or for determining whether such amounts are payable or the amount thereof, and none of them shall be responsible or liable for any failure by the Issuer, any Noteholder or any third party to pay such tax, duty, charges, withholding or other payment in any jurisdiction or to provide any notice or information to the Trustee or any Agent that would permit, enable or facilitate the payment of any principal, premium (if any), interest or other amount under or in respect of the Notes without deduction or withholding for or on account of any tax, duty, charge, withholding or other payment imposed by or in any jurisdiction.

10. PRESCRIPTION

The Notes (whether bearer or registered form), Receipts and Coupons will become void unless claims in respect of principal and/or interest are made within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 9) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 7.2 or any Talon which would be void pursuant to Condition 7.2.

11. EVENTS OF DEFAULT AND ENFORCEMENT

11.1 Events of Default

The Trustee at its discretion may, and if so requested in writing by the holders of at least 25 per cent. in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction), (but, in the case of the happening of any of the events described in paragraphs (b) to (e) inclusive and (i) to (j) inclusive, only if the Trustee shall have certified in writing to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the holders of the Notes), give notice in writing to the Issuer and the Security Trustee that each Note is, and each Note shall thereupon immediately become, due and repayable at its Early Redemption Amount together with accrued interest as provided in the Trust Deed if any of the following events (each **an Event of Default**) shall occur:

(a) Non-payment

if default is made in the payment of any principal or interest due in respect of the Notes or any of them and, in the case of interest, the default continues for a period of seven days; or

(b) Breach of Other Obligations

the Issuer defaults in the performance or observance of or compliance with any of its other obligations set out in the Notes or the Trust Deed or, in respect of any Series of Secured Notes, any Security Document, which default is, in the opinion of the Trustee, incapable of remedy or, if in the opinion of the Trustee it is capable of remedy, is not, in the opinion of the Trustee, remedied within 30 days after notice requiring such default to be remedied shall have been given to the Issuer by the Trustee; or

(c) Cross-Default

(i) any present or future indebtedness for borrowed money of the Issuer or any of its Subsidiaries becomes due and payable prior to its stated maturity by reason of an event of default; or

(ii) any such indebtedness for borrowed money is not paid when due as extended by any applicable grace period originally provided for; or

(iii) any security given by the Issuer or any of its Subsidiaries for any indebtedness for borrowed money becomes enforceable; or

(iv) the Issuer or any of its Subsidiaries fails to pay when due (or within any applicable grace period originally provided for) any amount payable by it under any present or future guarantee or indemnity in respect of indebtedness for borrowed money,

provided that no event described in this paragraph (c) shall constitute an Event of Default unless the relevant amount of indebtedness or other relative liability due and unpaid, either alone or when aggregated (without duplication) with other amounts of indebtedness and/or other liabilities due and relative to all (if any) other events specified in (i) to (iv) above which have occurred and are continuing, amounts to at least U.S.$25,000,000 (or its equivalent in any other currency); or

(d) Enforcement Proceedings

a distress, attachment, execution or other legal process is levied, enforced or sued upon or against any material part of the property, undertaking, assets or revenues of the Issuer or any of its Subsidiaries and is not either discharged or stayed within 90 days; or

(e) Security Enforced

an encumbrancer takes possession or an administrative or other receiver, manager or other similar person is appointed over, or an attachment order is issued in respect of, the whole or any material part of the undertaking, property, assets or revenues of the Issuer or any of its Subsidiaries and in any such case such possession, appointment or attachment is not stayed or terminated or the debt on account of which such possession was taken or appointment or attachment was made is not discharged or satisfied within 90 days of such possession, appointment or the issue of such order; or

(f) Enforcement of Deed of Hypothecation or Security Documents

in respect of Secured Notes only, any other Series of Secured Notes is (or becomes capable of being) accelerated or any deed of hypothecation or applicable Security Document is enforced or if any Security Interest under any of the Security Documents, at any time, ceases to be in full force and effect for any reason other than the satisfaction in full of all obligations under the Trust Deed and the relevant security and discharge of the Trust Deed or any Security Interest created thereunder shall be declared invalid or unenforceable or the Issuer shall assert, in any pleading in any court of competition jurisdiction, that any such Security Interest is invalid or unenforceable; or

(g) Insolvency

the Issuer or any of its Material Subsidiaries is declared by a court of competent jurisdiction insolvent or bankrupt or is unable to pay its debts, or stops, suspends or threatens to stop or suspend payment of all or, a material part of (or of a particular type of) its debts as they mature, commences negotiations with any one or more of its creditors with a view to the general readjustment or rescheduling at its indebtedness or makes a general assignment for the benefit of or a composition with its creditors or applies for or consents to or suffers its re-organisation, the appointment of an administrator, liquidator, administrative or other receiver, manager or other similar person in respect of the Issuer or over the whole or any material part of the undertaking, property, assets or revenues of the Issuer or any of its Material Subsidiaries and such appointment is not discharged or stayed within 90 days of its taking effect except, in any such case, for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved in writing by the Trustee or by an Extraordinary Resolution; or

(h) Winding-up and Disposals

an order of a court of competent jurisdiction is made or an effective resolution passed for the winding-up or dissolution of the Issuer or any of its Material Subsidiaries, or the Issuer or any of its Material Subsidiaries sells or disposes of all or substantially all of its assets or business whether as a single transaction or a number of transactions, related or not; except, in any such case, for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved in writing by the Trustee or by an Extraordinary Resolution; or

(i) Expropriation

any governmental authority or agency condemns, seizes, compulsorily purchases or expropriates all or any material part of the assets or shares of the Issuer or any of its Subsidiaries without fair compensation; or

(j) Cessation of Business

the Issuer or any of its Material Subsidiaries ceases or threatens to cease to carry on its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms previously approved in writing by the Trustee or by an Extraordinary Resolution; or

(k) Inability to Pay Debts

the Issuer or any of its Material Subsidiaries stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or

(l) Judicial Proceedings

if the Issuer or any of its Subsidiaries initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors); or

(m) Moratorium

a moratorium (which expression shall not include any deferral of principal originally contemplated and made in accordance with the terms of any loan or other financing related agreement) is agreed or declared by the Issuer in respect of any indebtedness for borrowed money (including any obligations arising under guarantees) of the Issuer or any of its Subsidiaries; or

(n) Analogous Events

any events occur which under the laws of India have an analogous effect to any of the events referred to in paragraphs (d) to (m) above.

In this Condition:

Extraordinary Resolution means (a) a resolution passed at a meeting of the Noteholders duly convened and held in accordance with these presents by a majority consisting of not less than three-fourths of the persons voting thereat upon a show of hands or if a poll is duly demanded by a majority consisting of not less than three-fourths of the votes cast on such poll; or (b) a resolution in writing signed by or on behalf of holders of at least 75 per cent. of the nominal amount of the Notes for the time being outstanding, which resolution in writing may be contained in one document or in several documents in like form each signed by or on behalf of one or more of the Noteholders; or (c) consent given by way of electronic consents through the relevant clearing system(s) by or on behalf of the holders of not less than 75 per cent. of the nominal amount of the Notes for the time being outstanding.

indebtedness for borrowed money means any present or future indebtedness (whether being principal, premium, interest or other amounts) for or in respect of (i) money borrowed, (ii) liabilities under or in respect of any acceptance or acceptance credit or (iii) any notes, bonds, debentures, debenture stock, loan stock or other securities, issued or distributed whether by way of public offer, private placing, acquisition consideration or otherwise and whether issued for cash or in whole or in part for a consideration other than cash.

Material Subsidiary means at any time a Subsidiary of the Issuer:

(a) whose gross revenues or net profits (consolidated in the case of a Subsidiary which itself has Subsidiaries) or whose total assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) represent in each case (or, in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited consolidated accounts of the Issuer and its Subsidiaries relate, are equal to) not less than ten per cent. of the consolidated gross revenues or, as the case may be, net profits or, as the case may be, consolidated total assets, of the Issuer and its Subsidiaries taken as a whole, all as calculated respectively by reference to the then latest audited accounts (consolidated or, as the case may be, unconsolidated) of such Subsidiary and the then latest audited consolidated accounts of the Issuer and its Subsidiaries, provided that:

(i) if the then latest audited consolidated accounts of the Issuer and its Subsidiaries show (x) a net loss for the relevant financial period then there shall be substituted for the words "net profits" the words "gross revenues" for the purposes of this definition;

(ii) in the case of a Subsidiary of the Issuer acquired after the end of the financial period to which the then latest audited consolidated accounts of the Issuer and its Subsidiaries relate, the reference to the then latest audited consolidated accounts of the Issuer and its Subsidiaries for the purposes of the calculation above shall, until consolidated accounts for the financial period in which the acquisition is made have been prepared and audited as aforesaid, be deemed to be a reference to such first-mentioned accounts as if such Subsidiary had been shown in such accounts by reference to its then latest relevant audited accounts, adjusted as deemed appropriate by the Issuer;

(b) to which is transferred the whole or substantially the whole of the undertaking and assets of a Subsidiary of the Issuer which immediately prior to such transfer is a Material Subsidiary, provided that the transferor Subsidiary shall upon such transfer forthwith cease to be a Material Subsidiary and the transferee Subsidiary shall cease to be a Material Subsidiary pursuant to this subparagraph (b) on the date on which the consolidated accounts of the Issuer and its Subsidiaries for the financial period current at the date of such transfer have been prepared and audited as aforesaid but so that such transferor Subsidiary or such transferee Subsidiary may be a Material Subsidiary on or at any time after the date on which such consolidated accounts have been prepared and audited as aforesaid by virtue of the provisions of subparagraph (a) above or, prior to or after such date, by virtue of any other applicable provision of this definition; or

(c) to which is transferred an undertaking or assets which, taken together with the undertaking or assets of the transferee Subsidiary, generated (or, in the case of the transferee Subsidiary being acquired after the end of the financial period to which the then latest audited consolidated accounts of the Issuer and its Subsidiaries relate, generate gross revenues or net profits equal to) not less than ten per cent. of the consolidated gross revenues or, as the case may be, net profits, or represent (or, in the case aforesaid, are equal to) not less than ten per cent. of the consolidated total assets, of the Issuer and its Subsidiaries taken as a whole, all as calculated as referred to in subparagraph (a) above, provided that the transferor Subsidiary (if a Material Subsidiary) shall upon such transfer forthwith cease to be a Material Subsidiary unless immediately following such transfer its undertaking and assets generate (or, in the case aforesaid, generate gross revenues or, as the case may be, net profits equal to) not less than ten per cent. of the consolidated gross revenues or, as the case may be, net profits, or its assets represent (or, in the case aforesaid, are equal to) not less than ten per cent. of the consolidated total assets, of the Issuer and its Subsidiaries taken as a whole, all as calculated as referred to in subparagraph (a) above, and the transferee Subsidiary shall cease to be a Material Subsidiary pursuant to this subparagraph (c) on the date on which the consolidated accounts of the Issuer and its Subsidiaries for the financial period current at the date of such transfer have been prepared and audited but so that such transferor Subsidiary or such transferee Subsidiary may be a Material Subsidiary on or at any time after the date on which such consolidated accounts have been prepared and audited as aforesaid by virtue of the provisions of subparagraph (a) above or, prior to or after such date, by virtue of any other applicable provision of this definition,

each as notified to the Trustee.

For the purposes of this definition:

(i) if there shall not at any time be any relevant audited consolidated accounts of the Issuer and its Subsidiaries, references thereto herein shall be deemed to be references to a consolidation (which need not be audited) by the Issuer or auditors of the relevant audited accounts of the Issuer and its Subsidiaries;

(ii) if, in the case of a Subsidiary which itself has Subsidiaries, no consolidated accounts are prepared and audited, its consolidated net profits and consolidated total assets shall be determined on the basis of *pro forma* consolidated accounts (which need not be audited) of the relevant Subsidiary and its Subsidiaries prepared for this purpose by the Issuer or auditors;

(iii) if (A) any Subsidiary shall not in respect of any relevant financial period for whatever reason produce audited accounts or (B) any Subsidiary shall not have produced at the relevant time for the calculations required pursuant to this definition audited accounts for the same period as the period to which the latest audited accounts of the Issuer and its Subsidiaries relate, then there shall be substituted for the purposes of this definition the management accounts of such Subsidiary for such period, such accounts to be accompanied by a certificate addressed to the Trustee signed by an Authorised Officer of the Issuer confirming that such accounts are the appropriate accounts to be used in making the calculations required by this definition;

(iv) where any Subsidiary is not wholly owned by the Issuer there shall be excluded from all calculations all amounts attributable to minority interests;

(v) in calculating any amount all amounts owing by or to the Issuer and any Subsidiary to or by the Issuer and any Subsidiary shall be excluded; and

(vi) in the event that accounts of any companies being compared are prepared on the basis of different generally accepted accounting principles, there shall be made such adjustments to any relevant financial items as an Authorised Officer of the Issuer shall certify in writing to the Trustee as being necessary to achieve a true and fair comparison of such financial items.

A report by an Authorised Officer of the Issuer whether or not addressed to the Trustee that in their opinion a Subsidiary of the Issuer is or is not or was or was not at any particular time or throughout any specified period a Material Subsidiary may be relied upon by the Trustee without further enquiry or evidence and, if relied upon by the Trustee, shall (in the absence of manifest error or an error which is, in the opinion of the Trustee, proven), be conclusive and binding on all parties.

Security Document means, collectively, any agreements or instruments that may evidence or create any security interest in favour of the Security Trustee and/or any holders in any collateral.

Subsidiary has the meaning ascribed thereto under Condition 4.3.

11.2 Enforcement

The Trustee may at any time, at its discretion and without notice, take such proceedings against the Issuer as it may think fit to enforce the provisions of the Trust Deed, the Notes, the Receipts and the Coupons, or to give any directions to the Security Trustee under or in connection with the Security Documents but it shall not be bound to take any such proceedings or any other action in relation to the Trust Deed, the Notes, the Receipts or the Coupons or the Security Documents unless (i) it shall have been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by the holders of at least 25 per cent. in nominal amount of the Notes then outstanding and (ii) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction.

No Noteholder, Receiptholder or Couponholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

The Trustee may refrain from taking any action in any jurisdiction if the taking of such action in that jurisdiction would, in its opinion based upon legal advice in the relevant jurisdiction, be contrary to any law of that jurisdiction. Furthermore, the Trustee may also refrain from taking such action if it would otherwise render it liable to any person in that jurisdiction or if, in its opinion based upon such legal advice, it would not have the power to do the relevant thing in that jurisdiction by virtue of any applicable law in that jurisdiction or if it is determined by any court or other competent authority in that jurisdiction that it does not have such power.

12. REPLACEMENT OF NOTES, RECEIPTS, COUPONS AND TALONS

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced subject to applicable laws, regulations and relevant stock exchange regulations at the specified office of the Principal Paying Agent or the Registrar (in the case of Registered Notes) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer and the Principal Paying Agent may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

13. PAYING AGENTS, REGISTRAR AND TRANSFER AGENTS

The names of the initial Paying Agents, the initial Registrar and the other initial Transfer Agents and their initial specified offices are set out below.

The Issuer is entitled, after consultation with the Trustee, to vary or terminate the appointment of the Principal Paying Agent, Paying Agent, Registrar or Transfer Agent and/or appoint additional or other Paying Agents, Registrar or Transfer Agents and/or approve any change in the specified office through which any Agent acts, provided that:

(a) there will at all times be the Principal Paying Agent and a Registrar; and

(b) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent, which may be the Principal Paying Agent, and Transfer Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange (or any other relevant authority).

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 7.5. Notice of any variation, termination, appointment or change in Paying Agents will be given promptly to the Noteholders by the Issuer in accordance with Condition 15.

In acting under the Agency Agreement, the Paying Agents, Registrar and the Transfer Agents act solely as agents of the Issuer and, in certain circumstances specified therein, of the Trustee and do not assume any obligation to, or relationship of agency or trust with, any Noteholder, Receiptholder or Couponholder. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

14. EXCHANGE OF TALONS

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 10.

15. NOTICES

Notices to holders of Registered Notes will be deemed to be validly given if sent by first class mail or (if posted to an overseas address) by air mail to them at their respective addresses as recorded in the Register and will be deemed to have been validly given on the fourth day after the date of such mailing and, in addition, for so long as any Registered Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules.

All notices regarding the Bearer Notes will be deemed to be validly given if published in a leading daily newspaper of general circulation in Asia or such other English language daily newspaper with general circulation in Asia as the Trustee may approve. It is expected that such publication will be made in the Asian Wall Street Journal. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange (or any other relevant authority) on which the Notes are for the time being listed. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If, in the opinion of the Trustee, publication as provided above is not practicable, a notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee shall approve.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, be substituted for such publication in such newspaper(s) or such websites the delivery of the relevant notice to Euroclear and/or Clearstream for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange and the rules of that stock exchange (or any other relevant authority) so require, such notice will be published on the website of the relevant stock exchange or relevant authority and/or in a daily newspaper of general circulation in the place or places required by the rules of that stock exchange (or any other relevant authority). Any such notice shall be deemed to have been given to the holders of the Notes on the first day after the day on which the said notice was given to Euroclear and/or Clearstream.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Principal Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes). Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Principal Paying Agent or the Registrar through Euroclear and/or Clearstream, as the case may be, in such manner as the Principal Paying Agent, the Registrar and Euroclear and/or Clearstream, as the case may be, may approve for this purpose and any such notice shall be deemed to have been given to the holders of the Notes on the day the notice was given to Euroclear and/or Clearstream.

Receiptholders and Couponholders will be deemed for all purposes to have notice of the contents of any notice given to Noteholders in accordance with this Condition 15.

16. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Receipts, the Coupons or any of the provisions of the Trust Deed or (where applicable) the Security Documents. Such a meeting may be convened by the Issuer or the

Trustee and shall be convened by the Issuer if required in writing by Noteholders holding not less than ten per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes, the Receipts, the Coupons or the Trust Deed or (where applicable) the Security Documents (including, inter alia, modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes, the Receipts or the Coupons), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting, such meeting comprising one or more persons holding or representing not less than one-third in nominal amount of the Notes for the time being outstanding. The Trust Deed provides that (i) a resolution passed at a meeting duly convened and held in accordance with the Trust Deed by a majority consisting of not less than three-fourths of the votes cast on such resolution, (ii) a resolution in writing signed by or on behalf of the holders of not less than three-fourths in outstanding nominal amount of the Notes for the time being outstanding or (iii) consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Trustee) by or on behalf of the holders of not less than three-fourths in nominal amount of the Notes for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the Noteholders. An Extraordinary Resolution passed by the Noteholders will be binding on all the Noteholders, whether or not they are present at any meeting and whether or not they voted on the resolution, and on all Receiptholders and Couponholders.

The Trustee may agree, without the consent of the Noteholders, Receiptholders or Couponholders, or direct the Security Trustee to agree to any modification (except such modifications in respect of which an increased quorum is required as mentioned above) of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or the Trust Deed, Agency Agreement or Security Documents, or determine, without any such consent as aforesaid, that any Event of Default or Potential Event of Default shall not be treated as such, where, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders to do so or may agree, without any such consent as aforesaid, to any modification which is of a formal, minor or technical nature or to correct an error which is, in the opinion of the Trustee, proven, provided that prior written approval of the Reserve Bank of India or the designated Authorised Dealer Bank (as the case may be) is obtained by the Issuer for such modification (if applicable). Any such modification shall be binding on the Noteholders, the Receiptholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 15 as soon as practicable thereafter.

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution), the Trustee shall have regard to the general interests of the Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders, Receiptholders or Couponholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders, Receiptholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder, Receiptholder or Couponholder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders, Receiptholders or Couponholders except to the extent already provided for in Condition 9 and/or any undertaking or covenant given in addition to, or in substitution for, Condition 9 pursuant to the Trust Deed.

The Trustee may, without the consent of the Noteholders, agree with the Issuer or direct the Security Trustee to agree to the substitution in place of the Issuer (or of any previous substitute under this Condition) as the principal debtor under the Notes, the Receipts, the Coupons and the Trust Deed of any Subsidiary, subject to (a) the Notes being unconditionally and irrevocably guaranteed by the Issuer, (b) the Trustee being satisfied that the interests of the Noteholders will not be materially prejudiced by the substitution and (c) certain other conditions set out in the Trust Deed being complied with (which include, without limitation, that the approval of the Authorised Dealer Bank or the Reserve Bank of India, as may be applicable in accordance with the ECB Guidelines and FEMA, having been obtained prior to such substitution).

Any such modification, waiver, authorisation, determination or substitution shall be binding on the Noteholders, the Receiptholders and the Couponholders and, unless the Trustee otherwise agrees, any such modification or substitution shall be promptly notified to Noteholders by the Issuer in accordance with Condition 15.

17. INDEMNIFICATION OF THE TRUSTEE AND TRUSTEE CONTRACTING WITH THE ISSUER

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or pre-funded to its satisfaction and to be paid its costs and expenses in priority to the claims of the Noteholders, Receiptholders or Couponholders. The Trust Deed provides that, when determining whether an indemnity or any security or pre-funding is satisfactory to it, the Trustee shall be entitled (i) to evaluate its risk in any given circumstance by considering the worst case scenario and (ii) to require that any indemnity or security given to it by the Noteholders or any of them be given on a joint and several basis and be supported by evidence satisfactory to it as to the financial standing and creditworthiness of each counterparty and/or as to the value of the security and an opinion as to the capacity, power and authority of each counterparty and/or the validity and effectiveness of the security.

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, inter alia, (a) to enter into business transactions with the Issuer and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders, Receiptholders or Couponholders and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

Repatriation of proceeds outside India by the Issuer under an indemnity clause may require the prior approval of the RBI.

18. FURTHER ISSUES

The Issuer shall be at liberty from time to time without the consent of the Noteholders, the Receiptholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue and so that the same shall be consolidated and form a single Series with the outstanding Notes.

19. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Note, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

20. GOVERNING LAW AND SUBMISSION TO JURISDICTION

20.1 Governing law

The Trust Deed, the Agency Agreement, the Notes, the Receipts, the Coupons and any non-contractual obligations arising out of or in connection with the Trust Deed, the Agency Agreement, the Notes, the Receipts and the Coupons are governed by, and shall be construed in accordance with, English law.

20.2 Submission to jurisdiction

(a) Subject to Condition 20.2(c) below, the English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Trust Deed, the Notes, the Receipts and/or the Coupons, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the Trust Deed, the Notes, the Receipts and/or the Coupons (a **Dispute**) and accordingly each of the Issuer and the Trustee and any Noteholders, Receiptholders or Couponholders in relation to any Dispute submits to the exclusive jurisdiction of the English courts.

(b) For the purposes of this Condition 20.2, the Issuer waives any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.

(c) To the extent allowed by law, the Trustee, the Noteholders, the Receiptholders and the Couponholders may, in respect of any Dispute or Disputes, take (i) proceedings in any other court with jurisdiction; and (ii) concurrent proceedings in any number of jurisdictions.

20.3 Appointment of Process Agent

The Issuer irrevocably appoints Law Debenture Corporate Services Limited at Fifth Floor, 100 Wood Street, London, EC2V 7EX as its agent for service of process in any proceedings before the English courts in relation to any Dispute, and agrees that, in the event of Law Debenture Corporate Services Limited being unable or unwilling for any reason so to act, it will immediately appoint another person approved by the Trustee as its agent for service of process in England in respect of any Dispute. The Issuer agrees that failure by a process agent to notify it of any process will not invalidate service. Nothing herein shall affect the right to serve process in any other manner permitted by law.

20.4 Waiver of immunity

To the fullest extent permitted by law, the Issuer irrevocably and unconditionally:

(a) submits to the jurisdiction of the English courts in relation to any Dispute and waives and agrees not to claim any sovereign or other immunity from the jurisdiction of the

English courts in relation to any Dispute (including to the extent that such immunity may be attributed to it), and agrees to ensure that no such claim is made on its behalf;

(b) submits to the jurisdiction of the English courts and the courts of any other jurisdiction in relation to the recognition of any judgment or order of the English courts or the courts of any other jurisdiction in relation to any Dispute and waives and agrees not to claim any sovereign or other immunity from the jurisdiction of the English courts or the courts of any other jurisdiction in relation to the recognition of any such judgment or court order and agrees to ensure that no such claim is made on its behalf; and

(c) consents to the enforcement of any order or judgment made or given in connection with any Dispute and the giving of any relief in the English courts and the courts of any other jurisdiction whether before or after final judgment including, without limitation: (i) relief by way of interim or final injunction or order for specific performance or recovery of any property; (ii) attachment of its assets; and (iii) enforcement or execution against any property, revenues or other assets whatsoever (irrespective of their use or intended use) and waives and agrees not to claim any sovereign or other immunity from the jurisdiction of the English courts or the courts of any other jurisdiction in relation to such enforcement and the giving of such relief (including to the extent that such immunity may be attributed to it), and agrees to ensure that no such claim is made on its behalf.

USE OF PROCEEDS

The net proceeds from each issue of Notes will be applied by us for the requirements of our housing finance business, as well as for other general corporate purposes permitted by law.

CAPITALISATION

The following table sets forth the capitalisation of our Company as of 31 December 2017, derived from the Company's unaudited and reviewed financial statements as of and for the nine month period ended 31 December 2017.

	As of 31 December 2017	
	(in ₹ million)	(in U.S.$ million)[1]
Short-term debt:		
Secured	29,684.34	464.35
Unsecured	103,173.70	1,613.92
Long-term debt:		
Secured	256,679.71	4,015.18
Unsecured	82,832.08	1,295.72
Current Maturities of Long-Term Debt	30,859.13	482.72
Total debt (A)	503,228.96	7,871.89
Shareholders' funds:		
Share capital	1,665.86	26.06
Reserves and surplus	59,276.11	927.24
Total shareholder's funds (B)	60,941.97	953.30
Total capitalisation (A) + (B)	564,170.93	8,825.19

[1] Based on the RBI reference rate of U.S.$1.00 = ₹63.9273, as of 29 December 2017.

RISK FACTORS

This offering and an investment in the Notes involve a high degree of risk. You should carefully consider the risks described below as well other information contained in this Offering Circular before making an investment decision. If any one or some combination of the risks described below actually occurs, our business, prospects, financial condition, results of operations and cash flows could be seriously harmed, our ability to make interest or principal payment on the Notes could be impaired, the trading price of our Notes could decline and you could lose all or part of your investment. Unless specified in the risk factors below, we are not in a position to quantify the financial implications of any of the risks mentioned below. We have described the risks and uncertainties that our management believes are material but the risks set out in this Offering Circular may not be exhaustive or complete and additional risks and uncertainties not presently known to us, or which we currently deem to be immaterial, may arise or may become material in the future. This section should be read together with "Industry Overview," "Business" and the financial statements, including the notes thereto, and other financial information included elsewhere in this Offering Circular. This Offering Circular also contains forward-looking statements that involve risks and uncertainties. Our results could differ materially from such forward-looking statements as a result of certain factors including the considerations described below and elsewhere in this Offering Circular. Additional risks not described below or not currently known to us or that we currently deem immaterial may also adversely affect our business, results of operations and financial condition and the market price of the Notes. In making an investment decision, prospective investors must rely on their own examination of us and the terms of the Notes and the Offering Circular including the merits and the risks involved.

Risks relating to our business

We may not be able to manage the growth of our business and loan portfolio effectively or continue to grow our business and loan portfolio at a rate similar to what we have experienced in the past.

Our total loan portfolio grew at a CAGR of 51.36% from ₹168,193.17 million as of 31 March 2015 to ₹385,313.46 million as of 31 March 2017, and was ₹552,957.70 million as of 31 December 2017. Our outstanding deposits (net of maturities) grew at a CAGR of 42.80% from ₹48,974.26 million as of 31 March 2015 to ₹99,870.90 million as of 31 March 2017, and were ₹106,684.72 million as of 31 December 2017. Similarly, our revenue from operations grew at a CAGR of 48.31% from ₹17,767.26 million in Fiscal Year 2015 to ₹39,078.32 million in Fiscal Year 2017, and was ₹39,467.60 million in the nine months ended 31 December 2017. Our network has also expanded from 32 branches and 14 processing hubs as of 31 March 2014 to 80 branches and 21 processing hubs as of 31 December 2017.

Our growth has placed and continues to place significant demands on our managerial, technical and operational capabilities, our credit, financial and other internal risk controls, as well as our collections and recoveries. Our ability to manage our growth depends on the timely and cost-effective allocation of our employees and other resources, as well as our ability to consistently manage and improve our operations and information systems, and maintain strict risk management standards to minimise credit risks. For example, if due to our growth we fail to properly allocate employees and other resources and, as a result, fail to make proper assessments of credit risks associated with new customers or new business segments, a higher percentage of our loans may become non-performing, which would have a negative impact on the quality of our assets and our financial condition. There can be no assurance that our current policies, frameworks and systems will adequately address these and other risks that we face, or that new risks will not arise as a result of our growth which we have not anticipated.

Furthermore, a number of external factors beyond our control could also impact our ability to continue to grow our business and loan portfolio, such as demand for housing loans in India, domestic economic growth, the RBI's monetary and regulatory policies, National Housing Bank (the **NHB**) regulations, inflation, competition and availability of cost-effective debt and equity capital. For example, the RBI has placed a restriction on the Promoter, PNB, from providing access to its customer accounts and related information systems. Similar restrictions could be imposed on PNB or us in the future which could potentially limit our ability to expand our business. In addition, the brand name "PNB" is well known across India and if we are no longer be able to use the brand, we may lose the associated goodwill with our targeted customers, which in turn may potentially impact sourcing of business.

As part of our business strategy, we intend to continue to grow our business and loan portfolio by, among other things, consolidating our position in key geographies in which we are currently active or selectively expanding into geographies where we see potential growth for the loan products we offer and expanding into specific target markets such as mass affluent section of the affordable housing segment. Our ability to execute on our growth strategies will depend, among other things, on our ability to identify key target markets correctly, diversify and differentiate our product offering and pricing to compete effectively, and scale up and grow our network effectively. Our ability to expand our product offering will also be limited by restrictions imposed by applicable laws. We will also need to manage relationships with a greater numbers of customers, third-party marketing associates and service providers, lenders and other parties as we expand. If we fail to consolidate our position in the geographies where we are currently active, fail to identify new target markets with sufficient growth potential or the target markets that we have identified do not provide for the growth that we had anticipated, there can be no assurance that our current rate of growth will continue at a rate similar to what we have experienced in the past, which could have a material adverse effect on our business, financial condition and results of operations.

Our business and financial performance may be adversely affected by volatility in interest rates.

As of 31 December 2017, our loans and investments constituted 97.16% and 2.84%, respectively, of our interest-earning assets. As of that date, our borrowings constituted 94.33% of our total liabilities. One of the measures through which we analyse our financial performance is net interest income, or **NII**, which represents our total interest income less total interest expense (including brokerage on deposits, but excluding loan origination costs). Our NII was 187.05% of our profit after tax in the nine months ended 31 December 2017. Another measure of our financial performance is our net interest margin, or **NIM**, which for any given period represents the ratio of NII to the average of interest-earning assets.

We are particularly vulnerable to volatility and mismatch in generally prevailing interest rates, especially if the changes are sudden or sharp. An increase in interest rates applicable to our borrowings, without a corresponding increase in interest rates we charge on our loans to our customers or that we receive on our investments, will result in a decline in NII and NIM. While any reduction in interest rates at which we borrow may be passed on to our customers, we may not have the same flexibility in passing on any increase in interest rates to our customers who have availed loans on fixed interest rates. As of 31 December 2017, 29.63% and 70.37% of our loan portfolio were fixed and variable interest rate loans, respectively. Competition pressures may also require us to reduce the interest rates at which we lend to our customers without a proportionate reduction in interest rates at which we borrow. Furthermore, certain of our customers may prepay their loans to take advantage of a declining interest rate environment. Similarly, an increase in interest rates could result in our customers, particularly those with variable interest rate loans, prepaying their loans if less expensive loans are available from other sources. Further, we are prohibited from charging pre-payment penalties on loans with variable interest rates. Our inability to retain customers as a result of changing interest rates may adversely impact our earnings in future periods and as a consequence have a material adverse effect on our business, financial condition and results of operations.

The interest rates we pay on our borrowings and the interest rates we charge on our loans are highly sensitive to a number of factors, many of which are beyond our control, including international economic and political conditions, India's GDP growth, inflation, the RBI's monetary policies, the applicable regulations prescribed by the NHB and competition in the housing finance industry. Volatility and changes in interest rates could affect the interest rates we charge on our loans in a manner different from the interest rates we pay on our borrowings because of the different maturity periods applicable to our loans and borrowings and also because liabilities generally re-price faster than assets. An increase in general interest rates in the economy could also reduce the overall demand for housing finance and impact our growth. In a declining interest rate environment, especially if the decline is sudden or sharp, we could be adversely affected by the decline in the market value of our fixed income securities and reduce our earnings from treasury operations. Declining interest rates also result in a higher component of principal being repaid in every EMI, resulting in reduced growth of our loan portfolio despite robust new disbursements showing lower loan portfolio growth rates overall. There can be no assurance that we will be able to adequately manage our interest rate risk in the future, which could have an adverse effect on our NII and NIM, which could in turn have a material adverse effect on our business, financial condition and results of operations.

We face liquidity risks as a result of maturity and interest rate mismatches between our assets and liabilities.

We meet a significant portion of our funding requirements through short and medium-term borrowings from sources such as deposits, term loans or overdraft facilities from bank and financial institutions, issuance of non-convertible debentures (**NCDs**) and other debt instruments and commercial paper. However, a significant portion of our assets (such as loans to our customers) have maturities with longer terms than our borrowings. We may face potential liquidity risks as a result of maturity and interest rate mismatches between our assets and liabilities. As of 31 December 2017, we had negative liquidity gaps for certain short-term maturity periods up to one year. For further details, see "*Assets and Liabilities—Asset-Liability Gap Management*". As of 31 December 2017, a substantial portion of our loans had an average tenure exceeding one year. There can be no assurance that a substantial number of our customers will roll over their deposits with us upon maturity, and we may be required to pay higher interest rates in order to attract or retain further deposits. Moreover, raising long-term borrowings in India has historically been challenging. In addition, our ability to borrow is dependent on our credit ratings, which may be impacted in the event that PNB's shareholding in the Company gets further reduced or PNB's credit rating get downgraded, and this may adversely affect our business and operations. Our inability to obtain additional credit facilities or renew our existing credit facilities for matching tenure of our liabilities in a timely and cost-effective manner or at all, may adversely affect our liquidity position. Furthermore, the long average tenure of our loans may expose us to risks arising out of economic cycles and our exposure to liquidity risk may increase as a result of an increase in delinquency rates on our loans or the risk of being unable to liquidate a position in a timely manner at a reasonable price, which may in turn have a material adverse effect on our business, financial condition and results of operations.

We face the risk of default and non-payment by our customers.

We are exposed to the risk of default and non-payment by our customers, and a number of external factors which are not within our control could result in non-payment by our customers. These factors include developments in the Indian economy and the real estate market, movements in global markets, changes in interest rates and changes in regulations. Any negative trends or financial difficulties affecting our customers could increase the risk of their default.

To the extent we are not able to successfully manage the risks associated with lending to our customers, it may become difficult for us to make recoveries on their loans. In addition, we may experience higher delinquency rates due to prolonged adverse economic conditions or a sharp increase in interest rates. An increase in delinquency rates could result in a reduction in our interest income and as a result, lower revenue from our operations, while increasing costs as a result of the increased expenses required to service and collect delinquent loans.

We classify non-performing assets (**NPAs**) in accordance with the Housing Finance Companies (National Housing Bank) Directions, 2010, as amended (the **NHB Directions**). Defaults by our customers for a period of more than 90 days result in such loans being classified as "non-performing". If we are unable to implement credit appraisal, portfolio monitoring and recovery processes and the related deterioration in the credit quality of our loan portfolio, the proportion of NPAs in our loan portfolio could increase, which may, in turn, have a material adverse effect on our business, financial condition and results of operations. See also "*—We are exposed to risks associated with the refinancing of variable interest rate loans, as well as risks that may arise if refinancing is not available for customers with variable interest rate loans.*"

As our loan portfolio grows, an increasing proportion of our loans could be classified as non-performing and the current level of our provisions may not adequately cover any such increases.

Our total loan portfolio has grown rapidly in the last few years, and we anticipate that the size of our loan portfolio will continue to grow in the future as we pursue our expansion strategy. As our loan portfolio has grown, our gross NPAs have also increased and were ₹2,304.51 million, ₹857.73 million, ₹598.08 million and ₹341.35 million as of 31 December 2017 and as of 31 March 2017, 2016 and 2015, respectively, but were 0.42%, 0.22%, 0.22% and 0.20%, respectively, as a percentage of our total loan portfolio as of those dates. One of the effects of our recent growth is that a significant portion of our loan portfolio is relatively new. As of 31 December 2017, approximately 77.14% of our total loan portfolio had a tenure of less than 24 months since the first disbursement. We believe that the risk of delinquency in housing loans typically emerges 18 to 24 months from disbursement. As a result, there can be no assurance that there will not be a significant increase in the proportion of our loans that are classified as NPAs as our loan portfolio matures. Further, negative trends or financial difficulties could unexpectedly increase delinquency rates and we could also reach a point in the future where we may not be able to expand our portfolio at high growth rates without allowing the overall credit quality of our loans to deteriorate.

We make provisions for standard assets as well as NPAs in accordance with the prudential norms prescribed by the NHB under the NHB Directions. However, these provisioning requirements may require us to reserve lower amounts than the provisioning requirements applicable to banks and financial institutions in other countries. The provisioning requirements may also require the exercise of subjective judgment of management, which could also change over time. Further, more stringent provisioning norms for HFCs may be introduced by the NHB in the future. As of 31 December 2017 and as of 31 March 2017, 2016 and 2015, our provisioning coverage ratio (i.e., reflects the ratio of provisions created for NPAs, standard assets and provisions for contingency to gross NPAs), was 175.11%, 303.38%, 295.34% and 295.17%, respectively, and our net NPAs, as a percentage of our total loan portfolio, were 0.33%, 0.15%, 0.14% and 0.07%, respectively. For further details, see "*Assets and Liabilities—Credit Quality*." There can be no assurance that our NPAs will continue to stay at their current level, or that the percentage of NPAs that we will be able to recover will be similar to our past experience of recoveries of NPAs. If there is any decrease in the value of the underlying collateral or deterioration in the quality of our security or further ageing of our NPAs, the resultant deterioration in our provisioning coverage ratio may require us to increase our provisions, which could result in a material adverse effect on our financial performance as well as our ability to raise additional capital and debt funds on favourable terms.

We are involved in certain legal proceedings and any adverse outcome in these or other proceedings may have a material adverse effect on our reputation, business, financial condition and results of operations.

We are involved in various legal proceedings in the ordinary course of our business such as consumer disputes, criminal proceedings, debt-recovery proceedings, proceedings under the SARFAESI Act, income tax proceedings and civil disputes.

These proceedings are pending at different stages of adjudication before various courts, tribunals and appellate tribunals. A significant degree of judgment is required to assess our exposure in these proceedings and determine the appropriate level of provisions, if any. There can be no assurance on the outcome of the legal proceedings or that the provisions we make will be adequate to cover all losses we may incur in such proceedings, or that our actual liability will be as reflected in any provision that we have made in connection with any such legal proceedings.

Although we intend to defend or appeal these proceedings, we will be required to devote management and financial resources in their defence or prosecution. There can be no assurance that a significant portion of these disputes will not be determined against us or that we will not be required to pay all or a portion of the disputed amounts or that we will be able to recover amounts for which we have filed recovery proceedings. In addition, even if we are successful in defending such cases, we will be subject to legal and other costs relating to defending such litigation, and such costs may be substantial. Further, we cannot assure you that similar proceedings will not be initiated in the future. If any of these adverse consequences occur, it could result in a material adverse effect on our reputation, business, financial condition and results of operations.

Our inability to obtain adequate funding on acceptable terms or increases in our average cost of borrowings could result in a material adverse effect on our liquidity, business growth and financial performance.

Our continued business growth, liquidity and profitability will depend on our ability to obtain adequate funding on acceptable terms from relatively stable and cost-effective sources of funds, which in turn depends on our financial performance, capital adequacy levels, credit ratings and relationships with lenders. Our cost of borrowings is particularly sensitive to interest rate fluctuations, which exposes us to the risk of reduction in spreads, which is the difference between the interest income that we earn on our loans as well as our investments and our finance cost, on account of volatility in interest rates. In addition, spreads for secured lending business segments, such as mortgages, are higher compared to unsecured lending segments, or even certain other secured lending segments. See "**—***Our business and financial performance may be adversely affected by volatility in interest rates*." We are also frequently required to renew our financing arrangements. There can be no assurance that we will be able to refinance any of our debt on commercially reasonable terms, or at all.

Our ability to raise debt to meet our funding requirements is also restricted by the limits prescribed under applicable regulations. The NHB Directions currently permit HFCs to borrow up to 16 times their net owned funds (**NOF**). As of 31 December 2017, we had total borrowings of ₹507,509.95 million, or approximately 9.01 times our NOF (₹56,321.30 million).

As of 31 December 2017, our sources of funds comprised term loans from banks and financial institutions, NCDs, deposits, external commercial borrowings ("ECBs"), commercial paper, NHB refinancing and unsecured, subordinated debt. Lower cost of borrowings enables us to competitively price our loan products. We plan to continue to meet our requirement for diverse and cost-effective funding sources by continuing to rely on borrowings from less costly sources such as deposits, issuance of NCDs and other debt instruments, ECBs, refinance from the NHB and commercial paper and by reducing our dependence on more costly term loans from banks and financial institutions. Our access to such low-cost sources of funds is subject to certain risks. For further details, see "**—** *We may not be able to sustain the growth in our deposits or access other lower-cost sources of funds as frequently as we expect*."

There can be no assurance that our business will generate sufficient cash to enable us to service our existing debt or to fund our other liquidity needs. Our ability to borrow funds and refinance existing debt may also be affected by a variety of factors, including liquidity in the credit markets, the strength of the lenders from which we borrow, the amount of eligible collateral and accounting changes that may impact calculations of covenants in our financing agreements. An event of default, a significant negative ratings action by a rating agency, an adverse action by a regulatory authority or a general deterioration in prevailing economic conditions that constricts the availability of credit may increase our cost of borrowings and make it difficult for us to access financing in a cost-effective manner. If we are unable to obtain adequate funding from these sources on acceptable terms as and when we require or renew or replace existing financings as they expire for any of the foregoing reasons, it could limit our growth, liquidity and profitability, which could result in a material adverse effect on our liquidity, business, financial condition and results of operations. See also "*—Any downgrade in our credit ratings may increase interest rates for refinancing our borrowings, which would increase our cost of borrowings, and adversely affect our ability to borrow on a competitive basis*."

The Indian housing finance industry is competitive and increasing competition may result in declining margins if we are unable to compete effectively.

Historically, the housing finance industry in India was dominated by HFCs. We now face increasing competition from commercial banks. Interest rate deregulation and other liberalization measures affecting the housing finance industry, together with increased demand for home finance, have increased our exposure to competition. Our ability to compete effectively with commercial banks and other HFCs will depend, to some extent, on our ability to raise low-cost funding in the future. If we are unable to compete effectively with other participants in the housing finance industry, our business, results of operations and financial condition may be adversely affected.

Furthermore, as a result of increased competition in the housing finance industry, home loans are becoming increasingly standardized and terms such as floating rate interest options, lower processing fees and monthly rest periods are becoming increasingly common in the housing finance industry in India. There can be no assurance that we will be able to react effectively to these or other market developments or compete effectively with new and existing players in the increasingly competitive housing finance industry. Increasing competition may have an adverse effect on our net interest margin and other income, and, if we are unable to compete successfully, our market share may decline as the origination of new loans declines.

We use the brand "PNB" of the Promoter, PNB, and are exposed to the risk that the "PNB" brand may be affected by events beyond our control and that PNB may prevent us from using it in the event its shareholding falls below 30.00%.

The name, brand and trademark "PNB" and the associated logo is owned by, and is registered in favour of, the Promoter, PNB. Pursuant to an agreement dated 7 December 2009 (the **License Agreement**), PNB granted us the royalty-free, non-exclusive right to use the name, brand and trademark "PNB" and the associated logo in the ordinary course of our business and in our corporate name. Since August 2014, we adopted our own logo; however, we continue to use the Promoter's "PNB" brand.

There can be no assurance that the Promoter's "PNB" brand, which we believe is a well-recognised brand in India due to its long presence in the Indian market and the financial services businesses in which PNB and its subsidiaries operate, will not be adversely affected in the future by events or actions that are beyond our control, including the alleged fraud reported by the Promoter in February 2018 concerning certain fraudulent and unauthorised transactions in one of its branches in Mumbai, and developments in other businesses that use the PNB brand or adverse publicity from any other source. Any damage to the PNB brand name could have an adverse effect on our business, financial condition and results of operations.

Furthermore, under the terms of the License Agreement, PNB will have the right to terminate the license if its shareholding in our Company falls below 30.00% of our outstanding equity share capital. There can be no assurance that PNB will not exercise its right to terminate the license under the terms of the License Agreement in the event its shareholding falls below 30.00%. If PNB were to exercise this right, we would be required to change our name and brand, which could require us to expend significant resources to establish new branding and name recognition in the market as well as undertake efforts to rebrand our branches and our digital presence, which could result in a material adverse effect on our reputation, business, financial condition and results of operations.

We may face conflicts of interest relating to the Promoter and our key shareholder, PNB.

The Promoter and our key shareholder, PNB, is one of the leading commercial banks in India and is engaged in several financial services, including housing and non-housing loans and deposit products. PNB has access to a wider customer network than us, along with better access to low cost funding. We also use the name, brand and trademark of PNB and we rely on PNB for leasing rights to certain premises, including our Registered and Corporate Office. Certain other PNB affiliates are also largely engaged in a range of financial services, including asset management, life and other insurance and mutual funds. We have no agreements with PNB or any other PNB affiliates that restrict us or them from offering similar products and services. As a result, our relationship with PNB may cause certain conflicts of interest, particularly with respect to distribution of housing and non-housing loans and deposit products as PNB continues to distribute these products and we may compete with PNB on the basis of range of product offerings, interest rates and fees as well as customer service, particularly in the retail housing market. We may also compete with PNB for capital and other low-cost sources of funding as well as for the services of third party service providers, including for direct marketing associates (**DMAs**) and deposit brokers. There can be no assurance that we will be able to successfully compete with PNB. Further, our relationship with PNB may effectively prevent us from taking advantage of certain business opportunities, such as by selecting itself or another PNB Group Company to pursue certain business opportunities or strategies instead of us. If PNB continues to offer and distribute its products in the businesses that we are currently engaged in or if we forego certain business opportunities because of our relationship with PNB, it could result in a material adverse effect on our reputation, business, financial condition and results of operations.

We are exposed to risks associated with the refinancing of variable interest rate loans, as well as risks that may arise if refinancing is not available for customers with variable interest rate loans.

We offer our customers the option to choose between a fixed interest rate, a variable interest rate, or a combination of fixed and variable interest rates, in order to give them the flexibility to hedge against unexpected interest rate movements. Variable interest rate loans are linked to our applicable reference rate (**PNBHFR**), which varies according to the type of customer and is fixed in accordance with the perceived risks and opportunities for the type of customer. As of 31 December 2017, our PNBHFR was 14.35% for existing customers (loans disbursed) acquired before 1 March 2017, and for new customers (loans disbursed) acquired on or after 1 March 2017 was as follows: 8.50% for housing loans to salaried customers, 8.55% for housing loans to self employed non-professional customers, 9.15% for non-housing loans, 12.25% for construction finance loans and 9.35% for corporate term loans. Based on market conditions, we price our loans at either a discount or a premium to our reference rate, which is determined primarily on the basis of our cost of borrowings, which in turn is determined by a number of factors, many of which are beyond our control, including the RBI's monetary policies, the applicable regulations prescribed by the NHB, inflation, competition and the prevailing domestic and international economic conditions. As of 31 December 2017, 43.19% of our liabilities were variable rate borrowings and variable interest rate loans constituted 70.37% of our total loan portfolio.

Customers with variable interest rates or teaser rates on their loans are exposed to increased equated monthly instalments (**EMIs**) when the loans' interest rate adjusts upward from an initial fixed rate, as applicable, to the rate computed in accordance with the applicable index and margin. Such customers typically seek to refinance their loans through balance transfer refinancing loans to avoid increased EMIs that may result from an upwards adjustment of the loans' interest rate. While refinancing of loans by other lenders could in certain circumstances be beneficial for our customers, it results in a loss of interest income expected from the loans over the course of their tenure. In addition, all housing finance providers in India are prohibited from charging pre-payment penalties on loans with variable interest rates, which has led to a high incidence of balance transfer refinancing loans, which results in a high turnover of loan assets between lenders, causing lenders to incur increased origination costs. For further details, see "*Key Regulations and Policies—Guidelines for pre-payment levies and pre-closure penalties*." Our loan origination costs, including any commission paid to our third party distribution channel partners, are amortised over the tenure of the loans. Failure to recover pre-payment charges due to the short lifespan of the loan may lead to higher expenses on account of the unrecoverable cost of loan acquisition, which in turn could have an adverse effect on our financial performance and profitability. In addition, increased difficulties for customers in refinancing an existing housing loan may also adversely affect our balance transfer loan originations. As competition in the housing finance sector intensifies, certain of our customers with variable interest rate loans may not be able to find balance transfer refinancing loans at comparably lower interest rates or other financing alternatives. As a result, they may be exposed to the risks associated with significant increases in EMIs, which may lead to increased delinquency or default rates in an increased operating expenses and interest expenses for us. Increased delinquency rates may also result in deterioration in credit quality of our loan portfolio. Occurrence of any of these risks could result in a material adverse effect on our business, financial condition and results of operations.

Our inability to maintain our capital adequacy ratio or statutory liquidity ratio could restrict the growth of our business, and there can be no assurance that we will be able to access the capital markets when necessary in order to maintain these ratios.

The NHB Directions currently require HFCs to comply with a capital to risk (weighted) assets ratio, or capital adequacy ratio (**CRAR**), consisting of Tier I and Tier II capital. Under these requirements, an HFC's Tier I and Tier II capital may not be less than 12.00% of the sum of the HFC's risk-weighted assets and the risk adjusted value of off-balance sheet items, as applicable. At a minimum, Tier I capital may not be less than 6.00% of risk weighted assets. Further, the NHB Directions require that the Tier II capital may not exceed the Tier I capital. CRAR is used to measure an HFC's capital strength and to promote the stability and efficiency of the housing finance system. For further details, see "*Key Regulations and Policies—The Housing Finance Companies (National Housing Bank) Directions, 2010, as amended—Capital Adequacy*." As of 31 December 2017, our CRAR was 17.39%, with Tier I and Tier II capital comprising 13.33% and 4.06%, respectively, of risk weighted assets as of that date. If we continue to grow our loan portfolio, we may be required to raise additional Tier I and Tier II capital in order to continue to meet the applicable CRAR requirements. We compete with other HFCs to attract capital and there can be no assurance that we will be able to raise adequate additional capital in the future on favourable terms, in a timely manner, or at all. Our ability to support and grow our business could be limited by a declining CRAR if we are unable to or have difficulty in accessing the capital markets to raise adequate additional capital.

Similarly, pursuant to the NHB Directions, HFCs accepting deposits are currently required to comply with a statutory liquidity ratio (**SLR**), or a minimum percentage of their deposits that they are required to maintain in the form of approved investments, of 12.50%. Under these requirements, 6.50% of their deposits must be held in approved unencumbered securities and the additional 6.00% of their deposits may be held in either approved unencumbered securities or fixed deposits. As of 31 December 2017, we had invested ₹11,382.26 million in approved securities comprising, among others, government securities and government guaranteed bonds, which represented all of our SLR investments as of that date. However, there can be no assurance that we will be able to maintain our SLR within these limits in the future. There can be no assurance that the NHB will not increase its current CRAR or SLR requirements, which may require us to raise additional capital in the form of approved investments. Our inability to raise sufficient capital when necessary or on terms favourable to us to meet these requirements could have a material adverse effect on our growth, and as a result, our business, financial condition and results of operations.

We are exposed to risks related to concentration of loans to certain real estate developers and risks associated with construction finance loans.

We calculate customer exposure as required under the NHB Directions and monitor the concentration of our exposure levels to customers. As of 31 December 2017, our 20 largest performing loans accounted for ₹73,811.06 million, representing 13.35% of our total loan portfolio as of that date. Several of these loans had been provided to real estate developers primarily to finance their residential housing projects or for on-going projects or business needs. Furthermore, construction finance loans may be exposed to risks related to time and cost overruns and related increases. As observed by CRISIL Research, cash flows of HFCs are largely dependent on timely completion of real estate development. Delays in project approvals and construction can result in borrowers defaulting on their loans and also tend to impact loan-book growth. *(Source: CRISIL Research – NBFC Report, November 2017.)* Factors such as third party performance risks, delays in obtaining the requisite approvals, environmental risks, changes in market conditions, changes in government or regulatory policies, permits, licenses or certifications from the relevant authorities as well as shortages of, or material increases in prices of, construction materials, equipment, technical skills and labour, or other unforeseeable problems and circumstances may lead to delays in, or prevent the completion of, real estate development projects and result in costs substantially exceeding those originally budgeted, which may affect real estate developers' ability to repay their loans.

In addition, real estate developers may be impacted by the passing of the Real Estate (Regulation and Development) Act, 2016, which is in effect from 26 March 2016 (the **Real Estate Act**). For instance, the Real Estate Act mandates that developers will disclose details of registered projects including with respect to the land status, approvals and other such details. Further, the Real Estate Act also makes it mandatory for real estate developers to put 70.00% of the amount collected from buyers for a real estate project into a separate bank account, which amount may only be used for land costs and costs for construction of such real estate projects.

If the loans to any of our 20 single largest customers becomes non-performing, it could result in deterioration of the credit quality of our loan portfolio, which could in turn have a material and adverse effect on our business, financial condition and results of operations. Also see "*—We are exposed to fluctuations in real estate prices and any negative events affecting the real estate sector*."

We may experience difficulties in expanding our business or pursuing new business opportunities in new regions and markets.

We plan to utilise our scalable operating model to significantly expand our operations and grow our distribution network. As part of this strategy, we plan to selectively expand into geographies where we see potential growth for the loan products we offer and typically consider geographies where urbanisation, income and the demand for housing and development of housing projects are growing. Factors such as the demographic distribution of target income groups, realty market activity and local legal and regulatory regimes, among others, may differ in these geographies from those where we are currently active, and we may not be able to apply our current market knowledge and experience in these new geographies. In addition, as we enter new locations, we are likely to compete not only with commercial banks and NBFCs but also the local unorganised or semi-organised private financiers, who are more familiar with local regulations, business practices and customs, and have stronger relationships with potential customers. As we continue to deepen and expand our geographic footprint, our present or future business may be exposed to various additional challenges, including:

- identifying and collaborating with local business and partners with whom we may have no previous business relationships;
- successfully marketing our products in locations with which we are not familiar and where our brand or the "PNB" brand may not be as well-known as it is in geographies where we

are currently active;

- attracting potential customers in a market in which we do not have significant experience or visibility;
- exposure to additional local tax jurisdictions;
- attracting and retaining new local employees;
- expanding our technological infrastructure;
- maintaining our standardised systems and procedures and adapting them to local market requirements; and
- adapting our marketing strategies and operations to different regions in India, especially those which follow different business practices and customs and speak different languages.

To address these challenges, we may have to make significant investments in people and resources that may not yield desired results or incur costs that we may not be able to recover. For instance, certain of our newly added branches are currently operating at lower efficiencies in comparison with our established branches. The sub-optimal performance of the newly added branches, if continued over an extended period of time, could have a material adverse effect on our business and profitability. Our inability to successfully expand our current operations or pursue new business opportunities may have a material adverse effect on our business, financial condition and results of operations.

Our new loan products and services such as loans for affordable housing may expose us to certain risks.

From time-to-time, we introduce new products and services which may expose us to certain risks that we may not have faced before. For example, we currently expect that our geographic expansion into tier II and tier III cities, particularly in the southern and western regions of India, will provide us with increased access to the significant demand for affordable housing in these cities as well as related demand for housing finance. We believe that the favourable government policies and initiatives in the affordable housing segment in India provide significant potential for growth and provide us access to additional low-cost funding, which we believe will help drive profitable growth. For further details, see "*Our Business—Our Strategies—Consolidate our position and selectively expand into specific target geographies and markets*." However, in order to be successful, we will be required to adopt a cautious credit underwriting approach with respect to this segment which is marked by low loan sizes, delays in collection of payments and higher delinquencies in comparison with other segments. There can be no assurance that our risk management, credit appraisal, fraud control and loan portfolio management measures will continue to be successful in respect of affordable housing loans and we may have a higher proportion of NPAs attributable to this customer segment than what we had anticipated or made provisions for. Further, certain factors outside our control such as competition, general economic conditions, a failure to understand customer demand or requirements may affect our ability to develop and manage these loans successfully, which could cause us to discontinue these loans and we may lose all or a part of the costs incurred in their promotion and development. If any or a combination of the above-mentioned risks materialise, it could result in a material adverse effect on our business, financial condition and results of operations.

Significant changes by the Government or the RBI or the NHB in their policy initiatives facilitating the provision of housing and housing finance or any change in the tax incentives that the Government currently provides to HFCs may have an adverse effect on our business, financial condition and results of operations.

The Government of India currently provides support to encourage the availability of credit to the housing industry and has implemented various policies and initiatives, particularly in relation to affordable housing, which are aimed at providing low-cost, long-term credit to the low and middle income segments in rural and urban parts of India. Pursuant to these initiatives, the NHB provides refinance for certain qualifying loans at reduced rates to certain qualifying HFCs through its schemes. In addition, the RBI has provided certain incentives to the housing finance industry by extending priority sector status to housing loans. Certain key measures taken by the RBI to assist in fulfilling the Government's objectives include the reduction in risk weights applicable for affordable housing loans for the purpose of calculation of CRAR and allowing HFCs to raise long-term ECBs for on-lending towards affordable housing, which the RBI defines as housing loans with a size of up to ₹2.50 million. There can be no assurance that the RBI and the NHB will continue to provide incentives to the housing finance industry in the future.

Further, the Indian tax laws currently allow HFCs to claim a tax deduction up to 20.00% of profits from the provision of long-term finance for the construction or purchase of houses in India. Pursuant to Section 36(1)(viii) of the (Indian) Income Tax Act, 1961 (the **Income Tax Act**), up to 20.00% of profits from housing finance activities may be carried to a special reserve and will not be subject to income tax. We utilised the maximum amount of this allowance in Fiscal Years 2017, 2016 and 2015 by transferring ₹950.00 million, ₹584.00 million and ₹311.00 million, respectively to a special reserve. As of the beginning of Fiscal Year 2018 (i.e., 1 April 2017), the balance in our special reserve was ₹3,347.60 million. However, there can be no assurance that the Government will continue to make this fiscal benefit available to HFCs and we might be subject to increased taxes if such benefit ceases to become available, which may in turn have an adverse effect on our business, financial condition and results of operations. In Fiscal Year 2015, the NHB issued a circular requiring all HFCs to create a provision for deferred tax liability (**DTL**) on the total amounts transferred to special reserves pursuant to this tax provision, including those transferred in the previous years, irrespective of whether the HFC intended to withdraw such amounts from the special reserves. The NHB has advised HFCs to create DTL in respect of the accumulated balance of special reserves as at 1 April 2014 from free reserves in a phased manner in the ratio of 25:25:50 over a period of three years, starting with Fiscal Year 2015. Accordingly, we created 25.00% of DTL on the opening balance in our special reserve of ₹1,502.58 million as at 1 April 2014, which was equal to ₹127.68 million at the end of Fiscal Year 2015 and ₹132.33 million at the end of Fiscal Year 2016. We created the remaining 50.00% of DTL equal to ₹260.00 million at the end of Fiscal Year 2017. Separately, the DTL on the amount in special reserve appropriated out of our profits for Fiscal Years 2015, 2016 and 2017 and in the nine months ended 31 December 2017 was ₹105.71 million, ₹204.03 million, ₹310.09 million and ₹374.37 million, respectively, which was also taken into account to determine the effective tax rate for those periods. The effective tax rates for the nine months ended 31 December 2017 and for Fiscal Years 2017, 2016 and 2015 were 34.83%, 34.86%, 35.11% and 33.07%, respectively, after taking into account the effect of DTL, in turn adversely affecting our profit after tax.

Any significant change by the Government in its various policy initiatives facilitating provision of housing and housing finance or any change in the tax incentives that it currently provides to HFCs may have an adverse effect on our business, financial condition and results of operations. Further, creation of a provision for DTL in the future will likely have an adverse effect on our profit after tax.

The Indian housing finance industry is extensively regulated and any changes in laws and regulations applicable to HFCs could have a material and adverse effect on our business.

We are subject to the corporate, taxation and other laws in effect in India and the states and cities in which we operate, which require continued monitoring and compliance. These regulations, apart from regulating the manner in which a company carries out its business and internal operation, prescribe various periodical compliances and filings, including but not limited to filing of forms and declarations with the relevant registrar of companies and the NHB. Pursuant to the NHB Act and various regulations, circulars and guidelines issued by the NHB, deposit taking HFCs are currently required to comply with, among others, limits on borrowings, investments, interest rates and tenure on deposits, prudential norms for income recognition, asset classification and provisioning for standard and non-standard assets, norms for creation of special reserves and provision for DTL as well as minimum capital adequacy and liquidity requirements. The regulations applicable to us also address issues such as our conduct with customers and recovery practices, market conduct and foreign investment. For further details, see "*Key Regulations and Policies*."

The introduction of additional government controls or newly implemented laws and regulations, depending on the nature and extent thereof and our ability to make corresponding adjustments, may result in a material adverse effect on our business, financial condition and results of operations as well as our future expansion plans in India. In particular, decisions taken by regulators concerning economic policies or goals that are inconsistent with our interests could adversely affect our results of operations. In addition, we are subject to periodic inspections by the NHB with respect to such controls and laws and regulations and any irregularities found during such investigations could expose us to penalties. There can be no assurance that we will be able to timely adapt to new laws, regulations or policies that may come into effect from time to time with respect to the financing of housing and urban infrastructure sector in general. Moreover, new regulations may be introduced that restrict our ability to do business. There can be no assurance that we will not be subject to any adverse regulatory action in the future. The costs of compliance may be high, which may affect our profitability. If we are unable to comply with any such regulatory requirements, our business and results of operations may be materially and adversely affected. The requirement for compliance with such applicable regulations presents a number of risks, particularly in areas where applicable regulations may be subject to varying interpretations. Further, if the interpretations of the regulators and authorities with respect to these regulations differs from our interpretation, we may be subject to penalties. There can be no assurance that we will be able to comply with the various regulatory and legal requirements in a timely manner, or at all. Occurrence of any of these risks could result in a material adverse effect on our business and results of operations.

We may not be able to sustain the growth in our deposits or access lower-cost sources of funds as frequently as we expect.

We believe that certain funding sources, such as deposits, which are relatively more stable, and NHB refinance and ECBs, which generally have lower cost of borrowings, provide advantages to us when compared to the other sources available to us, in particular term loans from banks and financial institutions.

Our outstanding deposits (net of maturities) grew at a CAGR of 42.80% from ₹48,974.26 million as of 31 March 2015 to ₹99,870.90 million as of 31 March 2017, and were ₹106,684.72 million as of 31 December 2017. As of 31 December 2017, our outstanding deposits from 95,624 deposit accounts constituted 21.02% of our total outstanding borrowings as of that date. Our strategy is to continue to raise deposits, which we believe can be achieved through introducing new deposit products, improving the quality and efficiency of our customer services, expanding our distribution network and adding more deposit brokers. However, we face strong competition in attracting new deposits in the Indian market and there can be no assurance that we will be successful in growing the number of our depositors or the amount of deposits at the same rate as we have in the past. For example, in October 2011, the RBI deregulated interest rates on demand deposits and savings bank deposits, which resulted in certain banks increasing their interest rates, leading to increased competition for such deposits. The interest rates that we must pay to attract deposits are determined by numerous factors such as the prevailing interest rate structure, competitive landscape, Indian monetary policy and inflation. As policy interest rates continue to decline in India, there can be no assurance that we will be able to continue to offer attractive interest rates on our deposits, which could lead to limit our ability to attract deposits. In addition, acceptance of deposits requires compliance with a number of restrictions under the applicable regulations in India. For instance, under the NHB Directions, we are only allowed to mobilise deposits up to five times of our NOF. As of 31 December 2017, our deposits amounted to 1.89 times our NOF (₹56,321.30 million). Further, we are not allowed to accept or renew any deposit which is repayable on demand or on notice, or which is for a tenure of less than one year or more than 10 years or which pays interest at a rate exceeding 12.50% per annum. There can be no assurance that we will be able to satisfy our deposit funding needs while these restrictions continue to apply.

The NHB provides refinance for certain qualifying loans at significantly reduced rates to certain qualifying HFCs pursuant to various rural and affordable housing schemes of the Government. In order to access NHB refinance, we are required to lend to certain select customers in the low and middle income segments in rural and urban parts of India. As of 31 December 2017, our outstanding refinancing from the NHB was ₹25,701.73 million. In the nine months ended 31 December 2017 and in Fiscal Years 2017, 2016 and 2015, we were disbursed ₹0.00 million, ₹10,000.00 million, ₹9,000.00 million and ₹10,100.00 million, respectively, under various refinancing schemes of the NHB. However, there can be no assurance that we will continue to be eligible for refinancing from the NHB in the same proportion as prior periods, or at all.

In Fiscal Years 2015 and 2017, we raised US$100.00 million and US$150.00 million as ECBs for durations of five years and seven years, respectively, on terms which are consolidated under the RBI's master direction dated 1 January 2016 in relation to external commercial borrowings (the **ECB Master Direction**) for funding low-cost affordable housing projects, which are defined as units where the property cost is up to ₹3.00 million, the carpet area of the unit does not exceed 60 square meters and the loan amount is capped at ₹2.50 million. However, there can be no assurance that we will continue to find suitable projects in order to derive maximum benefit from the ECB Master Direction.

Our failure to sustain the growth in our deposits or access other low-cost sources of funds could have a material adverse effect on our liquidity position, financial condition, business and results of operations.

Any downgrade in our credit ratings may increase interest rates for refinancing our borrowings, which would increase our cost of borrowings, and adversely affect our ability to borrow on a competitive basis.

We have received high credit ratings for our deposits and our long-term loan facilities as well as for our NCDs (secured and unsecured) and commercial paper programme from rating agencies such as CRISIL Limited (**CRISIL**), ICRA Limited, Credit Analysis and Research Limited (**CARE**) and India Ratings and Research Private Limited (**India Ratings (Fitch)**). For further details, see "*Assets and Liabilities—Sources of Funding—Credit Ratings*." However, the Promoter, PNB, has recently been adversely impacted by rising NPAs, which has resulted in a downgrade of the credit rating by ICRA of our NCDs (secured and unsecured) from "[ICRA]AAA/Stable" to "[ICRA]AA+/Stable" and a change in the credit outlook of our NCDs by CRISIL from "CRISIL AA+/Stable" to "CRISIL AA+/Negative". In addition, the credit outlook of our deposits by CRISIL changed from "FAAA/Stable" to "FAAA/Negative" and the credit outlook of our long-term loan facilities by CRISIL changed from "CRISIL AA+/Stable" to "CRISIL AA+/Negative". Any downgrade in our credit ratings may increase interest rates for refinancing our borrowings, which would increase our cost of borrowings, and may have an adverse effect on our future issuances of debt and our ability to borrow on a competitive basis. Further, any downgrade in our credit ratings may also trigger an event of default or acceleration of repayment of certain of our borrowings. If any of these risks materialise, it could have a material adverse effect on our business, cash flows, financial condition and results of operations.

We may be required to comply with certain onerous conditions and restrictions imposed by our financing arrangements.

Our outstanding borrowings were ₹507,509.95 million, ₹356,568.70 million and ₹261,588.67 million as of 31 December 2017 and as of 31 March 2017 and 2016. We have entered into agreements with certain banks and financial institutions for short-term and long-term borrowings. Certain of these agreements require us to take the consent from our lenders for undertaking various actions, including, for:

- effecting any change in our ownership or control;
- any material change in our management or business;
- effecting any change in our capital structure;
- any amendments to our Memorandum or Articles of Association or agreements entered into with or among our shareholders;
- entering into any schemes of mergers, amalgamations, compromise or reconstruction;
- undertaking guarantee obligations on behalf of any third party;
- declaring any dividends to our shareholders unless amounts owed to the lenders have been paid or satisfactory provisions made thereof; and
- creating any security over any of our secured assets.

Additionally, certain of our loan agreements also require us to maintain certain periodic financial ratios. In the event we breach any financial or other covenants included in any of our financing arrangements or in the event we had breached any terms in the past which is brought to our notice in the future, we may be required to immediately repay our borrowings either in whole or in part, together with any related costs. We may be forced to sell certain or all of the assets in our portfolio if we do not have sufficient cash or credit facilities to make repayments. Furthermore, certain of our financing arrangements include cross-default provisions which could automatically trigger defaults under other financing arrangements. Our inability to satisfy the conditions and restrictions imposed by our financing arrangements could have an adverse effect on our ability to conduct our business and operations, which could in turn have a material adverse effect on our business, financial condition and results of operations.

Our business and operations significantly depend on our senior management and other key employees and may be adversely affected if we are unable to retain them.

Our senior management has contributed significantly in the implementation of our BPR programme and our business and operations continue to depend significantly on the continued services and performance of our senior management and other key employees and our ability to attract and retain such personnel. Our ability to identify, recruit and retain our senior management and other key employees is critical to the successful operation of our business. We face a continuing challenge to recruit, adequately compensate and retain a sufficient number of suitably skilled personnel, knowledgeable in sectors to which we lend. There is significant competition in India for such personnel, which has increased in recent years as a significant number of commercial banks, small finance banks, payment banks, NBFCs and HFCs have recently commenced operations. Our business is also dependent on certain key branch personnel who directly manage customer relationships. While no single branch manager or operating group of managers contributes a meaningful percentage to our business, our business may suffer if a substantial number of branch managers or key branch personnel leave us. We also need to train and motivate existing employees to adhere to internal controls and risk management procedures. Failure to train and motivate our employees properly may result in an increase in employee attrition rates, require additional hiring, erode the quality of our customer service, divert management resources, increase our exposure to high-risk credit and impose significant costs on us. As we continue to expand our business and operations, recruiting and retaining qualified and skilled managers is critical to our future, especially since our business depends on our credit-appraisal, asset valuation and collection methodologies and direct customer relationships, which are largely personnel-driven aspects of our business. Our inability to attract and retain our senior management and other key employees due to these or other reasons could significantly impair our ability to continue to manage and grow our business and may result in an adverse effect on our business, prospects, financial condition and results of operations.

We have in the past entered into a number of related party transactions and may continue to enter into related party transactions in the future and there can be no assurance that we could not have achieved more favourable terms if such transactions had not been entered into with related parties.

In the ordinary course of our business, we have entered into transactions with related parties that include the Promoter, PNB, and certain PNB affiliates. For Fiscal Years 2017, 2016 and 2015, our transactions with related parties amounted to ₹1,068.10 million, ₹4,773.96 million and ₹7,575.74 million, respectively, and as a percentage of our revenue from operations, amounted to 2.73%, 17.69% and 42.64%, respectively, during the same periods. For further details, please refer to the statement of related party transactions included as Note 24.10 to our Financial Statements for Fiscal Year 2017 in the section titled "*Index to Financial Statements*." While we believe that all related party transactions that we have entered into are legitimate business transactions conducted on an arms' length basis, there can be no assurance that we could not have achieved more favourable terms if such transactions had not been entered into with related parties. There can be no assurance to you that these or any future related party transactions that we may enter into, individually or in the aggregate, will not have an adverse effect on our business, financial condition and results of operations. Further, the transactions we have entered into and any future transactions with our related parties have involved or could potentially involve conflicts of interest. Additionally, there can be no assurance that any dispute that may arise between us and related parties will be resolved in our favour.

The Promoter, PNB, holds a significant percentage of our share capital and can exercise influence over certain matters.

As of 31 December 2017, the Promoter, PNB, owned 32.96% of our Company's issued and paid-up share capital. In accordance with the articles of association of our Company, so long as any shareholder holds at least a 26.00% equity stake in us, it will be entitled to nominate two directors to our board of directors, as well as one director as a member on each committee of the board of directors (excluding the Audit Committee). Accordingly, as of the date of this Offering Circular, PNB has nominated one director, Mr. Sunil Mehta, to our board of directors, and he holds the position of Chairman in our Company. Mr. Sunil Mehta also serves on the boards of various other companies. While we are professionally managed and overseen by an independent board of directors, PNB is the second largest shareholder of our Company and, as a result, can exercise influence over certain matters requiring approval of our shareholders.

We depend on the accuracy and completeness of information provided by our potential customers. Our reliance on any misleading or misrepresented information provided by potential customers may affect our judgment of their credit worthiness, as well as the value of and title to the collateral.

In deciding whether to extend credit or to enter into other transactions with potential customers, we may rely on information furnished to us by potential customers, as well as the credit worthiness analysis undertaken by our underwriting, technical, legal and fraud control expert teams which in turn rely on the information provided by public officials, independent valuers and other third party agencies. To further verify the information provided by potential customers, we conduct searches on Credit Information Bureau (India) Limited (**CIBIL**) and other credit bureaus for creditworthiness of our customers. We also verify information with the registrar and the sub-registrar of assurances for encumbrances on collateral. We follow the Know Your Customer (**KYC**) guidelines prescribed by the NHB (**NHB KYC Guidelines**) for potential customers, verify their place of business or employment as applicable and also verify details with the NHB's caution list. Such information includes representations with respect to the accuracy and completeness of information relating to the financial condition of potential customers, and independent valuation reports and title reports with respect to the property secured. Additionally, once a prospective customer has submitted a completed loan application, our in-house legal and fraud control teams, along with certain empanelled third-party agencies, conduct various on-site checks to verify the prospective customer's details. We have framed our policies to prevent frauds in accordance with the key elements prescribed under the NHB KYC Guidelines, including, among others, a customer acceptance policy, customer identification procedures, monitoring of transactions and risk management. Further, we have a well-established and streamlined credit appraisal process, more details in relation to which are available in "*Business—Lending Policies and Procedures—Loan Underwriting Process.*" However, there can be no assurance that information furnished to us by potential customers and any analysis of such information by our underwriting, technical, legal and fraud control teams or the independent checks and searches conducted by us will return accurate results, and our reliance on such information may affect our judgment of the potential customers' credit worthiness, as well as the value of and title to the collateral, which may result in us having to bear the risk of loss associated with such misrepresentations. For instance, in the years 2012 and 2015, we filed criminal complaints against certain customers for allegedly cheating and fraudulently obtaining housing loans against collateral over which they had no valid title. Notwithstanding the outcome of these legal proceedings, we may incur certain losses as a result of these misrepresentations. If any of our potential customers provide inaccurate or misleading information or rely on misrepresentations to obtain loans, the loan losses arising as a result could have a material adverse effect on our business, financial condition and results of operations.

We are exposed to fluctuations in real estate prices and any negative events affecting the real estate sector.

The demand for our housing loans, which include construction finance for real estate developers and our non-housing loans, which include LAP and NRPL, is generally affected by developments in the real estate sector. The demand for our housing loans, in particular, is affected by movement in real estate prices. Further, as the underlying security on our loans is primarily mortgages or other form of security over the customers' other real residential or commercial property, a substantial portion of our loan portfolio is exposed to events affecting the real estate sector. The value of real estate properties secured under our loans is largely dependent on prevalent real estate market conditions, as well the quality of the construction and the pedigree of the relevant developer. The value of the collateral on the loans disbursed by us may decline due to adverse market conditions including an economic downturn or a downward movement in real estate prices. In recent times, real estate has been adversely impacted by frequent project delays, which has resulted in inventory overhang. See "*—The value of our collateral is dependent on a number of factors, and we may not be able to recover the full value of collateral or any amounts sufficient to cover the outstanding amounts due under defaulted loans on a timely basis, or at all" and "—We are exposed to risks related to concentration of loans to certain real estate developers and risks associated with construction finance loans*."

Further, any developments or events that adversely affect the real estate sector, including without limitation, the introduction of any stringent norms regarding construction, floor space index or other compliances, may result in diminishing the value of our collateral which may in turn have a material adverse effect on our business, financial condition and results of operations if any of our customers default in repayment of their loans. Also, if any of the projects which form part of our collateral are delayed for any reason, it may affect our ability to enforce our security, thereby effectively diminishing the value of such security. There can be no assurance that we will be able to foreclose on collateral on a timely basis, or at all, and if we are able to foreclose on the collateral, that the value will be sufficient to cover the outstanding amounts owed to us which may result in a material adverse effect on our business, results of operations and financial condition.

The value of our collateral is dependent on a number of factors, and we may not be able to recover the full value of collateral or any amounts sufficient to cover the outstanding amounts due under defaulted loans on a timely basis, or at all.

The primary collateral for all our housing and non-housing loans is the customer's real estate, although in certain cases we may also require customers to provide additional security or obtain a guarantee from a person of good financial standing acceptable to us. The value of the collateral is largely dependent on conditions prevalent in the real estate sector, which may decline due to adverse market conditions including an economic downturn or a downward movement in real estate prices. A decline in the value of the secured assets could impair our ability to realise the secured assets upon any foreclosure, which would likely require us to increase our provisions for loan losses. In the event of a default with respect to any of our loans, the amounts we receive upon sale of the secured assets may be insufficient to recover the outstanding principal and interest on the loan. If we are required to revalue a property which serves as collateral for a loan during a period of reduced real estate prices or if we are required to increase our provisions for loan losses, it could result in a material adverse effect on our business, financial condition and results of operations.

In India, foreclosure on collateral may also be subject to delays and administrative requirements that could result in, or be accompanied by, a decrease in the value of the collateral. The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (the **SARFAESI Act**) and the Recovery of Debt due to Banks and Financial Institutions Act, 1993 (the **DRT Act**) have strengthened the ability of HFCs to recover NPAs by granting them greater rights to enforce such security and recover amounts owed from customers. For example, we may initiate the foreclosure process on collateral after a 60 days' notice to a customer whose loan has been classified as "non-performing". However, in a case before the Supreme Court of India in 2004, while the constitutional validity of the SARFAESI Act was affirmed, the right of a defaulting customer to appeal to the Debt Recovery Tribunal (the **DRT**) was also affirmed. The DRT has the power to issue a stay order prohibiting the lender from selling the assets of a defaulting customer. There can be no assurance that any foreclosure proceedings would not be stayed by the DRT. A failure to recover the expected value of collateral could expose us to a potential loss. Any such losses could result in a material adverse effect on our business, financial condition and results of operations. Although the SARFAESI Act and the DRT Act strengthened the rights of lenders, which may lead to faster realisation of collateral in the event of default, there can be no assurance that these laws will have a favourable impact on our efforts to reduce our levels of NPAs. We may not be able to realise the full value of our collateral, due to, among others, delays in foreclosure proceedings, defects in the perfection of collateral, fraudulent transfers by customers and decreases in the value of collateral. Our inability to realise the full value of collateral on a timely basis or at all could result in a material adverse effect on the credit quality of loan portfolio as well as our business, cash flows, financial condition and results of operations.

We depend on certain third party DMAs, deposit brokers and certain aggregators for referral of our customers and management of our relationship with certain customers.

In the nine months ended 31 December 2017 and in Fiscal Years 2017, 2016 and 2015, we sourced 65.65%, 59.47%, 55.00% and 53.07%, respectively, of new loans from our in-house channels. However, we depend on certain third party DMAs and deposit brokers, who are typically proprietorships or professionals, as well as certain aggregators or referral entities, to source our customers for our loans and deposits. DMAs, deposit brokers and aggregators also assist us with document collection and credit appraisal processes as well as management of our relationship with certain customers. Our agreements with such DMAs, deposit brokers and national aggregators typically do not provide for any exclusivity, and accordingly, they can work with other lenders, including our competitors. There can be no assurance that our DMAs, deposit brokers and aggregators will continue to provide a significant number of leads for loans or deposits to us in comparison with our competitors, or at all. In addition, if we fail to supervise and control the sales and marketing activities of such third parties, the quality of marketing initiatives and services they provide may deteriorate, which could adversely affect our brand value. Further, we would have limited recourse to remedies under our agreements with these third parties if any of them decide to cease providing their services. If any of these third parties unilaterally decide to withdraw their services, our ability to serve our clients could be affected until we find a suitable replacement, which could in turn have a material adverse effect on our business, financial condition and results of operations.

We outsource certain operational activities to third-party service providers. Any lapse by such third party service providers may have adverse consequences on our business and reputation.

We have entered into a number of outsourcing agreements with different third party service providers for certain operational services including, among others, delivery and disposal services for cash management, back-office support services, security services, records management, software application management services, technology and telecom infrastructure services and database administration for the data centres. We also rely on third party vendors and contracted personnel as sales agents, as well as professional call centres for the management of customer feedback for the improvement of our products and services. Our fraud control and collection teams at processing hubs work regularly with third party customer verification agencies, income-tax return and bank statement verification agencies and fraud control agencies to conduct credit appraisals, to verify customer details and to collect overdue payments from customers. Our technical teams work closely with external valuation agencies to assess the market value of a property provided as collateral. Our legal teams regularly work with independent legal advisers in connection with due diligence of our customers' documents as well as title verification of property provided as collateral by our customers. In addition, our internal audit team engages external auditors to assist with the periodic audits for all our functions, offices and branches. The internal audit team is also responsible for conducting a review and assessment of the financial and operational conditions of our service providers, in part to determine their ability to continue to meet their obligations. In reviewing our service providers, our internal audit team covers areas such as performance standards, confidentiality and security and business continuity preparedness. Also, recently, we have formed a new subsidiary, PHFL Home Loans and Services Limited (**PHFL Services**), with the primary objective of reducing our reliance on third party vendors and contracted sales agents. In doing so, we aim to bring our assets sales business into the Company, using the services of a dedicated in-house sales team. As part of this process, we plan to migrate certain existing in-house direct sales teams (**DSTs**) who are presently on the rolls of third party vendors, such as Teamlease Services Limited (**Teamlease**), onto the rolls of PHFL Services, after screening and selection. However, there can be no assurance that such measures would be adequate. Accordingly, we are exposed to the risk that third party service providers may be unable to fulfil their contractual obligations to us (or will be subject to the risk of fraud or operational errors by their respective employees) and to the risk that their (or their vendors') business continuity and data security systems prove to be inadequate. Any defaults or lapses by our third party service providers could result in a material adverse effect on our business, reputation, financial condition and results of operations.

Further, the agreements entered into with Teamlease provide that we are indemnified for payment of all statutory dues, levies, penalties, interests imposed by any statutory authority and employee benefits of the personnel provided by Teamlease, however we are not indemnified for any loss or damage that we may suffer as a result of the act or omission of such Teamlease personnel. In the event of any such occurrence, we may incur losses, and to that extent, our business, financial condition, results of operations and prospects may be adversely affected.

We are subject to the risk of failure of, or a material weakness in, our internal control systems.

We have established internal control systems and processes for our internal audit team to scrutinise, and periodically test and update, all facets of our operations, as necessary. We believe that our risk management, compliance, audit and operational risk management functions are commensurate with the size and complexity of our operations and equipped to make an independent and objective evaluation of the adequacy and effectiveness of internal controls on an on-going basis to ensure that our business units adhere to compliance requirements and internal guidelines. However, we are exposed to risks arising from the inadequacy or failure of internal systems or processes, and any actions we may take to mitigate these risks may not be sufficient to ensure an effective internal control environment. Given our high volume of transactions, errors may be repeated or compounded before they are discovered and rectified. Our management information systems and internal control procedures may not be able to identify non-compliance or suspicious transactions in a timely manner, or at all. Where internal control weaknesses are identified, our actions may not be sufficient to fully correct such weaknesses. In addition, several of our credit appraisal, portfolio management and collection related processes are yet to be fully automated, which may increase the risk that human error, tampering or manipulation will result in losses that may be difficult to detect. As a result, we may incur expenses or suffer monetary losses, which may not be covered by our insurance policies and may result in a material adverse effect on our business, reputation, financial condition and results of operations. Further, the Companies Act, 2013 requires that effective from and including the Fiscal Year 2016, the annual report of a company must state the adequacy of the internal financial controls system and its operating effectiveness.

Our business is subject to various operational risks associated with the financial industry, including fraud.

Our business is subject to various operational and other risks associated with the financial industry, including:

- inadequate procedures and controls;
- failure to obtain proper internal authorisations;
- misreporting or non-reporting with respect to statutory, legal or regulatory reporting and disclosure obligations;
- improperly documented transactions;
- customer or third-party fraud, such as impersonation or identity theft;
- failure of operational and information security procedures, computer systems, software or equipment;
- the risk of fraud or other misconduct by employees;
- unauthorised transactions by employees; and
- inadequate training and operational errors, including record keeping errors or errors resulting from faulty computer or communications systems.

For further details, see "*Business–Risk Management–Operational Risk Management*."

We undertake several measures with the assistance of our fraud control team and external fraud control, credit verification and investigation service providers to verify documents provided to us as part of loan applications, to obtain information on the credit worthiness of our prospective customers and to detect any potential fraud. We also educate our customer relationship managers and other personnel to identify various types of frauds in the industry. We are registered with the Central Registry of Securitisation Asset Reconstruction and Security Interest of India (**CERSAI**) set up under section 20 of the SARFAESI Act and submit relevant data to it from time to time. For further details, see "*Business—Lending Policies and Procedures*." However, there can be no assurance that these measures will be effective in preventing frauds, or that any of these events will not occur again in the future or that we will be able to recover funds misused or misappropriated if such events occur.

Further, where possible, there could be instances of fraud and misconduct by our employees which may go unnoticed for a certain period of time before they are identified and corrective actions are taken. A regulatory proceeding initiated by a report filed against us in connection with an unauthorised transaction, fraud or misappropriation by our employees could adversely affect our reputation and business prospects, and any significant frauds committed by customers or outsiders could result in an adverse effect on our business, financial condition and results of operations.

We may not be able to identify, monitor and manage risks and effectively implement our risk management policies.

The effectiveness of our risk management is limited by the quality and timeliness of available data. We have devoted resources to develop our risk management policies and procedures and aim to continue to do so in the future. We have policies and procedures in place to measure, manage and control the various risks to which we are exposed, which include our asset-liability management policy, credit policy, investment policy, collections policy and KYC and AML policy and which articulate our approach to the identification, measurement, monitoring, controlling and mitigation of various risks associated with our operations in addition to providing certain important guidelines for strict adherence. Our Board of Directors and the Risk Management Committee review our integrated risk management policy. For details, see "*Business—Risk Management*." However, our policies and procedures to identify, monitor and manage risks may not be fully effective. Certain of our risk management processes are not automated and are subject to human error. Certain of our methods of managing risks are based on the use of observed historical market behaviour and may not accurately predict future risk exposures, which could be significantly greater than those indicated by the historical measures. In addition, as we seek to expand the scope of our operations, we also face the risk of inability to develop commensurate risk management policies and procedures.

To the extent any of the instruments and strategies we use or develop to hedge or otherwise manage our exposure to market or credit risk are not effective, we may not be able to mitigate effectively our risk exposures in particular market environments or against particular types of risk. Further, a portion of our risk management strategies may not be effective in a difficult or less liquid market environment, where other market participants may be attempting to use the same or similar strategies to deal with the difficult market conditions. In such circumstances, it may be difficult for us to reduce our risk positions due to the activity of such other market participants. Other risk management methods depend upon an evaluation of information regarding the markets we operate in, the customers we service and certain other matters, which may not be accurate, complete, up-to-date or properly evaluated in all cases. Management of operational, legal or regulatory risks requires, among other things, policies and procedures to properly record and verify a number of transactions and events. Although we have established these policies and procedures, they may not be fully effective.

Our investment and interest rate risk are dependent upon our ability to properly identify, and mark-to-market changes in the value of financial instruments caused by changes in market prices or rates. Our earnings are dependent upon the effectiveness of our management of changes in credit quality and risk concentrations, the accuracy of our valuation models and our critical accounting estimates and the adequacy of our allowances for loan losses. To the extent our assessments, assumptions or estimates prove inaccurate or not predictive of actual results, we could suffer higher than anticipated losses. If we fail to effectively implement our risk management policies, it could have a material and adverse effect on our business, financial condition, cash flows and results of operations.

We may not be able to detect money-laundering and other illegal or improper activities fully or on a timely basis, which could expose us to additional liability.

We are required to comply with applicable anti-money-laundering (**AML**) and anti-terrorism laws and other regulations in India. In the ordinary course of our operations, we run the risk of failing to comply with the prescribed KYC procedures and the consequent risk of fraud and money laundering by dishonest customers and assessment of penalties or imposition of sanctions against us for such compliance failures despite having implemented systems and controls designed to prevent the occurrence of these risks. Although we believe that we have adequate internal policies, processes and controls in place to prevent and detect any AML activity and ensure KYC compliance, there can be no assurance that we will be able to fully control instances of any potential or attempted violation by other parties and may accordingly be subject to regulatory actions including imposition of fines and other penalties by the NHB and other relevant governmental authorities to whom we report. For instance, the NHB made certain observations in Fiscal Years 2010 and 2012 with respect to our failure to comply with certain KYC and AML requirements. If any party uses or attempts to use us for money-laundering or any other illegal or improper purposes and such attempts are not detected or reported to the appropriate authorities in compliance with applicable legal requirements, our reputation could suffer and could result in a material adverse effect on our business, financial condition and results of operations.

Non-compliance with the NHB's observations made during its periodic inspections could expose us to certain penalties and restrictions.

We are subject to periodic inspection by the NHB under the NHB Act, 1987 (the **NHB Act**), pursuant to which the NHB inspects our books of accounts and other records for the purpose of verifying the correctness or completeness of any statement, information or particulars furnished to the NHB or for obtaining any information which we may have failed to furnish when being called upon to do so. Inspection by the NHB is a regular exercise and is carried out periodically by the NHB for all HFCs under the NHB Act. In its past inspection reports, the NHB has identified certain deficiencies in our operations.

For instance, in its inspection report for Fiscal Year 2016, the NHB has identified additional compliances to be undertaken by us, which we believe do not have a financial impact, including (i) ensuring correct position in public deposits in all public disclosure/ documents by separately stating out the ICDs and other deposits (not coming under public deposits), (ii) provision of a timeline for phasing out the deposit control account, (iii) timeline for formulation and implementation of a risk management policy, (iv) confirmation of compliance with provisions of Paragraph 10(2) of the Housing Finance Companies issuance of Non-Convertible Debentures on private placement basis (NHB) Directions, 2014; (v) migration of loan accounts including partly disbursed cases to the new software adopted by our Company, (vi) clarification on the contradictory statements made by us to NHB regarding treatment of the insurance component funded by us, (vii) providing a timeline for carrying out an information security audit, (viii) submission of a progress report on data updating/validation of property value in system with regard to the observation on non-compliance with the LTV norms prescribed by the NHB, (ix) providing status on resolution of certain cases of negative amortisation observed during the course of its inspections, (x) obtaining fresh KYC document in case of a specific depositor and (xi) confirmation that the migrated balances of loan accounts (from erstwhile Bancmate System to Kastle) are in order and there are no instances of capitalisation of interest.

We have noted the above matters and have taken corrective actions, as appropriate. While we seek to comply with all regulatory provisions applicable to us, in the event we are unable to comply with the observations made by the NHB, we could be subject to penalties and restrictions which may be imposed by the NHB. Imposition of any penalty or adverse finding by the NHB during the ongoing or any future inspection may have a material adverse effect on our reputation, business, financial condition and results of operations.

We may not be able to obtain, renew or maintain our statutory and regulatory permits and approvals required to operate our business.

We are required to maintain certain licenses, approvals, permits and registrations in order to undertake our business activities. We are also required to maintain licenses under various applicable national and state labour laws in force in India for certain of our offices and with regard to certain of our employees. For instance, we have applied for certain permissions under the Shops and Establishments statutes applicable to us in certain locations where we operate, which are currently pending. In addition, in the ordinary course of our business, we may apply for renewal of the relevant licenses, approvals, permits and registrations that may have expired. There can be no assurance that the relevant authorities will grant the required permissions or renew the expired licenses and approvals in the anticipated time-frame, or at all. Additionally, our failure to comply with the terms and conditions to which such licenses, approvals, permits or registrations are subject or to renew, obtain or maintain the required licenses, approvals, permits or registrations may result in an interruption of our operations and may have a material adverse effect on our business, financial condition and results of operations.

We may be required to adopt and implement technological changes in order to realise the expected benefits of our investments in our ESS technology platform.

We have made, and expect to continue to make, investments in personnel and our technology platform to allow us to expand our loan portfolio. In particular, we have invested ₹355.00 million in developing, acquiring and implementing our new integrated technology platform, "enterprise system solution" (**ESS**) as well as in recruiting and training our personnel, as well as in the related back-up systems. The new ESS platform was launched recently and is expected to be useful for improving our technology in areas such as lead management, loan origination, loan management, collections and collateral management, deposits, customer service and integrated accounting. One of the consequences of implementation of our ESS is that our loan originations process has become increasingly dependent on our ability to adopt technological changes, such as our ability to process applications over the internet, accept electronic signatures, provide process status updates instantly and provide other customer-expected conveniences. Maintaining and improving this new technology and becoming proficient with it may also require significant capital expenditure as well as training our existing personnel and hiring new skilled personnel. As these requirements increase in the future, we will have to fully develop these technological capabilities to remain competitive and any failure to do so could adversely affect our business, financial condition and results of operations. While our ESS technology platform is expected to be flexible, configurable and scalable for our evolving business needs, there can be no assurance it would be able to manage the growth and expansion in our operations or that our personnel will adopt and implement the required technological changes within the required time, or at all, which could result in a material adverse effect on our business, financial condition and results of operations.

Our technology platform and telecommunication systems may experience failures or security breaches.

Our ability to operate and remain competitive depends in part on our ability to maintain and upgrade our technology platform, ESS, on a timely and cost-effective basis, including our ability to process a large number of transactions on a daily basis. Our operations also rely on the secure processing, storage and transmission of confidential and other information in our computer systems and networks. The financial services industry as a whole is characterised by rapidly changing technologies, and system disruptions and failures caused by fire, power loss, telecommunications failures, unauthorised intrusion, computer viruses and disabling devices, natural disasters and other similar events may interrupt or delay our ability to provide services to our customers. Security breaches, acts of vandalism and developments in computer capabilities could result in a compromise or breach of the technology that we use to protect our customers' personal information and transaction data that we receive and store. Additionally, we are dependent on certain external vendors or service providers for the implementation and maintenance of our ESS and certain other elements of our operations, including implementing IT infrastructure and hardware, industry standard commercial off-the-shelf products, establishment of new branches, networking, managing our data-centre and back-up support for disaster recovery. We are exposed to the risk that these external vendors or service providers may be unable to fulfil their contractual obligations to us (or will be subject to the risk of fraud or operational errors by their respective employees) and to the risk that their (or their vendors') business continuity and data security systems prove to be inadequate. Any defaults or lapses by these external vendors or service providers could result in a material adverse effect on our business, reputation, financial condition and results of operations.

If an unauthorised party were to compromise or breach our security measures or those of our external vendors or service providers, through electronic, physical or other means, and misappropriate such information, it could cause interruptions in our operations and expose us to significant liabilities, reporting obligations, remediation costs and damage to our reputation. Despite our efforts to ensure the integrity of our systems, it is possible that we and our external vendors and service providers may not be able to anticipate or implement preventive measures against all security breaches, especially because the techniques used change frequently or are not recognised until launched, and because security attacks can originate from a wide variety of sources. Third parties may also attempt to fraudulently induce our employees, customers or other users of our systems to disclose sensitive information in order to gain access to our data or that of our customers. These risks may increase in the future as we continue to increase our reliance on the internet and use of web-based product offerings and on the use of cyber-security. A successful penetration or circumvention of the security of our systems or a defect in the integrity of our systems or cyber-security could cause serious negative consequences for our business, including significant disruption of our business and operations, misappropriation of our confidential information or that of our customers, or damage to our computers or operating systems and to those of our customers and counterparties.

Any of the foregoing events could result in violations of applicable privacy and other laws, financial loss to us or to our customers, loss of confidence in our security measures, customer dissatisfaction, significant litigation exposure and harm to our reputation, all of which could result in a material adverse effect on our business, financial condition and results of operations.

Significant differences exist between Indian GAAP used to prepare our financial statements and other accounting principles, such as U.S. GAAP and IFRS, with which investors may be more familiar. Further, we will be subject to a number of new accounting standards as part of our transition to Ind-AS that may significantly impact our financial statements.

Our financial statements included in this Offering Circular are prepared in conformity with Indian GAAP as applicable to HFCs. Indian GAAP differs in certain significant respects from IFRS, U.S. GAAP and other accounting principles and standards. We have not attempted to quantify the impact of U.S. GAAP or IFRS on the financial data included in this Offering Circular, nor do we provide a reconciliation of our financial statements to those of U.S. GAAP or IFRS. If we were to prepare our financial statements in accordance with such other accounting principles, our results of operations, cash flows and financial condition may be substantially different. The significant accounting policies applied in the preparation of our Indian GAAP financial statements are set forth in the notes to our Financial Statements included in this Offering Circular. Prospective investors should consult their own professional advisers for an understanding of the differences between these accounting principles and those with which they may be more familiar. Accordingly, the degree to which the financial statements included in this Offering Circular will provide meaningful information is entirely dependent on the investor's level of familiarity with Indian accounting practices. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in this Offering Circular should accordingly be limited.

The Companies (Indian Accounting Standards) Rules, 2015 (**IAS Rules**), as amended by the Companies (Indian Accounting Standards) (Amendment) Rules, 2016, enacted changes to Indian GAAP that are intended to align Indian GAAP further with IFRS. The IAS Rules provide that the financial statements of the companies to which they apply shall be prepared and audited in accordance with Ind-AS, although any company may voluntarily implement Ind-AS for the accounting period beginning from 1 April 2015. All NBFCs and HFCs having a net worth of more than ₹5,000.00 million are required to mandatorily adopt Ind-AS for the accounting period beginning from 1 April 2018 with comparatives for the period ending on 31 March 2017. As there is not yet a significant body of established practice, such as interpretations of the new accounting standards, on which to draw in forming judgments regarding the new system's implementation and application, we have not determined with any degree of certainty the impact such adoption will have on our financial reporting. However, the Ind-AS accounting standards will change our methodology for estimating allowances for doubtful debt losses. They may require us to value our NPAs by reference to their market value (if a ready market for such loans exists) or to calculate the present value of the expected future cash flows realisable from our loans, including the possible liquidation of collateral (discounted at the loan's effective interest rate) in estimating allowances for doubtful debt losses. This may result in us recognising higher allowances for doubtful debt losses in the future which will adversely affect the results of our operations. As a result, there can be no assurance that our financial condition, results of operations, cash flows or changes in shareholders' equity will not appear materially worse under Ind-AS than under Indian GAAP. In our transition to Ind-AS reporting, we may encounter difficulties in the on-going process of implementing and enhancing our management information systems. Our management may also have to divert significant time and additional resources in order to implement Ind-AS on a timely and successful basis. Moreover, there is increasing competition for the small number of Ind-AS experienced accounting personnel available as more Indian companies begin to prepare Ind-AS financial statements. There can be no assurance that our adoption of Ind-AS will not adversely affect our reported results of operations or financial condition and any failure to successfully adopt Ind-AS could adversely affect our business, financial condition and results of operations.

A significant number of our offices, including our Registered and Corporate Office, are located on leased premises. There can be no assurance that these lease agreements will be renewed upon termination or that we will be able to obtain other premises on lease on same or similar commercial terms.

A significant number of our offices, including our Registered and Corporate Office, are located on leased premises, and we do not own any of these premises. Any of these lease agreements can be terminated, and any such termination could result in any of these offices being shifted or shut down. There can be no assurance that we will, in the future, be able to retain and renew the leases for the existing locations on same or similar terms, or will be able to find alternate locations for the existing branches on similar terms favourable to us, or at all. In the event we fail to find suitable premises for relocation of existing branches or offices, if required, or in relation to new or proposed branches, in time or at all this may cause a disruption of our operations in these premises and result in a material adverse effect on our business, financial condition and result of operation. Further, certain of these properties may have one or more irregularities of title, such as non-registration of lease deeds and there can be no assurance that we would be able to enforce our rights under the relevant lease agreements, and any inability to do so could impair our operations.

Our insurance coverage may not adequately protect us against certain losses or claims that exceed the limits of our available insurance coverage.

We maintain insurance coverage of the type and in the amounts that we believe are commensurate with our operations. As of 31 March 2017, our fixed assets, prior to charging depreciation, amounted to ₹1,042.95 million and, after charging depreciation, amounted to ₹583.99 million, against which we had taken insurance coverage amounting to ₹955.61 million. We have insured our various properties and facilities against the risk of fire, theft and other perils. We have obtained a future money policy to cover money in safe and until counter as well as money in transit for our branches and various offices. We have also obtained insurance for certain of our vehicles. For further details on our insurance coverage, see "*Business—Insurance*." However, there are various types of risks and losses for which we do not maintain insurance because they are either uninsurable or because insurance is not available to us on acceptable terms. There can be no assurance that our current insurance policies will insure us fully against all risks and losses that may arise in the future. In addition, even if such losses are insured, we may be subject to certain deductibles, exclusions and limits on coverage. The occurrence of a serious uninsured loss or a successful assertion of one or more large claims against us that exceeds our available insurance coverage or results in changes in our insurance policies, including premium increases or the imposition of a larger deductible or co-insurance requirement, could adversely affect our business, financial condition and results of operations.

We have contingent liabilities as of 31 December 2017 and if any of our contingent liabilities materialise, it could result in a material adverse effect on our liquidity, business, financial condition, cash flows and results of operations.

The table below sets forth our contingent liabilities as of 31 December 2017 in accordance with the provisions of Accounting Standard-29, "Provisions, Contingent Liabilities and Contingent Assets".

Particulars	**Amount** *(in ₹ million)*
Income-tax and interest-tax demand	217.39[1]
Contracts remaining to be executed on capital account and not provided for (net of advances)	181.33[2]

[1] We have disputed this demand and the matter is currently under appeal before the relevant authorities. We expect to succeed before the appellate authority, and hence, we have not created any additional provision for these demands. Against the demands from the income tax authorities, ₹112.87 million has been paid and will be received as refund if the matters are decided in our favour.

[2] Estimated value.

In the event that any of these contingent liabilities materialise, it could result in a material adverse effect on our liquidity, business, financial condition, cash flows and results of operations. For further details, see Note 28 to our Financial Statements for Fiscal Year 2017 in the section titled "*Index to Financial Statements*."

Our investments are subject to market risk and our exposure to capital markets is subject to certain regulatory limits.

As part of our treasury management, we invest a portion of our deposits in certain long-term fixed income securities in order to meet our SLR obligations. We also invest surplus funds out of our borrowings and operations in such securities. As of 31 December 2017 the book value of our short-term investments was ₹4,800.79 million, which accounted for 7.88% of our total net worth as of that date. These securities include government securities, bonds carrying sovereign guarantee, bonds issued by state governments or public sector enterprises, debt mutual funds, fixed deposits with banks and other highly rated bonds. Our investment policy prescribes investment limits for each of these securities. Certain of these investments are unlisted, offering limited exit options. The value of these investments depends on several factors beyond our control, including the domestic and international economic and political scenario, inflationary expectations and the RBI's monetary policies. Any decline in the value of the investments may have an adversely effect on our business, financial condition and results of operations. Further, pursuant to the NHB Directions, we are not permitted to have an aggregate exposure to capital markets (both fund and non-fund based) in excess of 40.00% of our net worth as of the end of the previous financial year. Within the overall ceiling, direct investments in shares, convertible bonds or debentures, units of equity-oriented mutual funds and all exposures to venture capital funds should not exceed 20.00% of our net worth. Such restrictions may limit our investments or access to capital, which may have an adverse effect on our business, financial condition and results of operations.

We have had negative cash flows from operations in recent periods and there can be no assurance that such negative cash flows from operations will not recur in future fiscal periods.

Our cash outflows relating to loans and advances we disburse (net of any repayments we receive) are reflected in our cash flow from operating activities whereas the cash inflows from funds we procure (net of any repayments of such funds) to disburse these loans and advances are reflected in our cash flows from financing activities. Consequently, we had negative net cash flow from operating activities of ₹(131,738.20) million, ₹(124,064.72) million, ₹(96,644.70) million and ₹(67,881.67) million in the nine months ended 31 December 2017 and in Fiscal Years 2017, 2016 and 2015, respectively, as a result of increases in our lending operations and there can be no assurance that such negative cash flows from operations will not recur in future fiscal periods.

Hedging arrangements we have entered into in respect of fluctuations in interest rates or currency exchange rates may be inadequate and are subject to the risks of default.

As of 31 December 2017, we had foreign currency borrowings amounting to US$227.50 million (₹14,532.50 million, based on an average exchange rate of US$1.00 = ₹63.88), representing 2.86% of our total borrowings. We have entered into various hedging arrangements to hedge the entire balance sheet risk on our exposure to foreign exchange fluctuations. We also enter into interest rate swaps to reduce our risk of exposure to interest rate fluctuations. However, there can be no assurance that our existing hedging arrangements will adequately reduce our foreign currency exchange risk or interest rate risk, or that such hedging arrangements will protect us against any unfavourable fluctuations in exchange rates or interest rates. Further, the relevant counterparty may fail to perform its obligations under the hedging arrangement. If we are unable to pass on any increase in our costs due to fluctuations in interest rates or exchange rates to our customers, it could reduce our profitability and result in a material and adverse effect on our cash flows, results of operations and financial condition.

We have availed certain unsecured borrowings which may be recalled by our lenders at any time.

As of 31 December 2017, we had availed certain unsecured borrowings aggregating to ₹208,624.72 million, of which ₹121,511.52 million was long-term and ₹87,113.20 million was short-term, which may be recalled by these lenders at any time, with or without the existence of an event of default. Any demand by a lender for accelerated repayment may adversely affect our financial condition.

Third party industry and statistical information in this Offering Circular may be incomplete or unreliable.

Neither we, nor any of the Arrangers or Dealers, nor any other person connected with any issue of Notes, have independently verified data obtained from industry publications and other sources referred to in this Offering Circular such as the CRISIL Issuer Profile and the CRISIL NBFC Report, and therefore, while we believe them to be true, there can be no assurance that they are complete or reliable. Such data may also be produced on different bases from those used in the industry publications we have referenced. Therefore, discussions of matters relating to India, its economy and the housing finance industry are subject to the caveat that the third party and statistical data upon which such discussions are based may be incomplete or unreliable. In addition, internal company reports may be based on a number of variables and have not been verified by independent sources and may be incomplete or unreliable. Prospective investors are advised not to unduly rely on the data derived from the CRISIL Issuer Profile and the CRISIL NBFC Report when making their investment decision. For further details, see "*Industry Overview*."

Negative public opinion could damage our reputation and adversely affect our earnings.

Reputation risk, or the risk to our business, earnings and capital from negative public opinion, is inherent in our business. Negative public opinion can result from our actual or alleged conduct in any number of activities, including lending and debt collection practices, corporate governance, and actions taken by government regulators and community organisations in response to those activities. Negative public opinion can also result from media coverage, whether accurate or not. Negative public opinion can adversely affect our ability to attract and retain customers, trading counterparties and employees and can expose us to litigation and regulatory action. Although we take steps to minimise reputation risk in dealing with our customers and communities, this risk will always be present in our organisation.

Risks relating to India

A slowdown in economic growth in India or global economic instability could result in an adverse effect on our business, financial condition and results of operations.

Our financial performance and the quality and growth of our business depend significantly on the health of the overall Indian economy, the GDP growth rate and the economic cycle in India. In its Monetary Policy Report for October 2017, the RBI announced that GDP growth was 7.1% in Fiscal Year 2017. India's GDP is expected to decrease marginally to 6.5% in Fiscal Year 2018, according to the Monthly Economic Report as of December 2017. In addition, according to the Monthly Economic Report for December 2017 prepared by the Department of Economic Affairs, Ministry of Finance, Government of India, the Wholesale Price Index (**WPI**) headline inflation rate for the month of December 2017 was 3.6% as compared to 3.9% in November 2017. In periods prior to Fiscal Year 2017, India has experienced a slowdown in economic growth due to a variety of factors, including unsustainably high current account deficit, capital outflows and consequent exchange rate pressures. Despite the recent signs of an economic turnaround in the Indian economy, there is no assurance that growth will not slow down again or that inflation will not increase further in the future. A slowdown in the Indian economy could adversely affect our business and our customers and contractual counterparties, especially if such a slowdown were to be continued and prolonged. In periods of high rates of inflation, our operating expenses may increase which could have an adverse effect on our cash flows and results of operations.

We may also be affected by the financial difficulties faced by certain Indian financial institutions because the commercial soundness of many financial institutions may be closely related as a result of credit, trading, clearing or other relationships. This risk, which is commonly referred to as "systemic risk", may adversely affect financial intermediaries, such as clearing agencies, banks, securities firms and exchanges with whom we interact on a daily basis, which exposes us to the systemic risks faced by entities operating in the Indian financial system, including the risk of deposit runs notwithstanding the existence of a national deposit insurance scheme.

Further, in light of the increasing linkage of the Indian economy to other global economies, the Indian economy is increasingly influenced by economic developments and volatility in securities markets in other countries. Global slowdown of the financial markets and economies has in the past contributed to weakness in the Indian financial and economic environment. Investors' reactions to developments in one country may have adverse effects on the market price of securities of companies located in other countries, including India. These economies could be adversely affected by various factors, such as political and regulatory changes including adverse changes in liberalisation policies, social disturbances, religious or communal tensions, terrorist attacks and other acts of violence or war, natural calamities, interest rates, commodity and energy prices and various other factors. The global credit markets have continued to experience significant volatility in recent years, which have had, and may continue to have, a significant adverse effect on the availability of credit and the confidence of the financial markets, globally as well as in India. The global economic downturn led to an increased level of consumer delinquencies, lack of consumer confidence, decreased market valuations and liquidity, increased market volatility and a widespread reduction of business activity generally. The resulting economic pressure and dampened consumer sentiment may adversely affect our business and our results of operations. A recession in the United States and other countries in the developed world and a slowdown in economic growth in markets such as China could also have an adverse impact on economic growth in India. Any slowdown in these economies could adversely affect the ability of our customers to borrow for housing, which in turn would adversely impact our business and financial performance and the price of the Notes. A slowdown in the pace of growth in the Indian economy could result in lower demand for credit and other financial products and services and higher defaults among corporate, retail and rural customers, which could result in an adverse effect on our business, financial condition and results of operations.

If inflation were to rise in India, we might not be able to increase the prices of our products at a proportional rate in order to pass costs on to our customers and our profits might decline.

Inflation rates in India have been volatile in recent years, and such volatility may continue in the future. According to the Monthly Economic Report for December 2017 prepared by the Department of Economic Affairs, Ministry of Finance, Government of India, the year-on-year inflation in terms of the WPI was 1.7% for Fiscal Year 2017 as compared to -3.7% in Fiscal Year 2016 and 1.2% in Fiscal Year 2015. In February 2018, in its sixth bi-monthly policy statement 2017-18 and accompanying teleconference, the RBI noted that retail inflation increased for the sixth consecutive month in December on account of a strong unfavourable base effect. After rising abruptly in November, food prices reversed partly in December, reflecting mainly the seasonal moderation, albeit muted, in prices of vegetables along with continuing decline in prices of pulses. Cereals inflation moderated with prices remaining steady in December. However, inflation in some components of food (eggs; meat and fish; oils and fats; and milk) increased. Fuel and light group inflation, which showed a sharp increase in November, softened somewhat in December, driven by moderation in electricity, LPG and kerosene inflation.

There can be no assurance that Indian inflation levels will not worsen in the future. Further, the Government has previously initiated economic measures to combat high inflation rates, and it is unclear whether these measures will remain in effect. Higher rates of inflation in the Indian economy could lead to a lower demand for our housing and non-housing loans and may require us to increase the interest rate we pay to our customers on our deposits. High inflation rates may also adversely affect growth in the Indian economy, our operating expenses and our ability to increase the prices of our products at a proportional rate in order to pass costs on to our customers. In the event of increasing inflation in India, our costs such as operating expenses may increase. Further, we might not be able to increase the prices of our products at a proportional rate in order to pass costs on to our customers and as a result, our profits might decline. Higher inflation rates may result in an increase in overall interest rates which may adversely affect our NII.

The growth rate of India's housing finance industry may not be sustainable.

We expect the housing finance industry in India to continue to grow as a result of anticipated growth in India's economy, increases in household income and demographic changes. In addition, the Government of India is pursuing various social welfare schemes and initiatives to create an enabling and supportive environment to both enhance the flow of credit to the housing sector and increase home ownership in India. Various Central Government policies and initiatives such as "*Smart Cities*" and the "*Pradhan Mantri Awas Yojana*" or the "*Housing for all by 2022*" scheme have reinforced the primacy of the housing sector and the need to provide housing to all and are expected to promote affordable housing through partnerships with private sector entities. However, it is not clear how certain trends and events, such as the pace of India's economic growth, the development of domestic capital markets and the on-going reform will affect India's housing finance industry. In addition, there can be no assurance that the Government policies and initiatives for the housing finance industry will continue at the same or expected pace in the future. Consequently, there can be no assurance that the growth and development of India's housing finance industry will be sustainable.

Borrowing for the purchase or construction of property may not continue to offer customers the same fiscal benefits it currently offers, which may have an adverse effect on the housing and housing finance markets.

The rapid growth in the housing finance industry in India in the last decade is in part due to the introduction of fiscal benefits for purchase or construction of property by the Government from time to time. Since the early 1990s, interest and principal repayments on capital borrowed for the purchase or construction of housing have been tax deductible up to certain limits and tax rebates of such capital up to certain specified income levels have been available for customers. There can be no assurance that the Government will continue to implement such schemes or offer such tax benefits to customers at the current levels, or at all. In addition, there can be no assurance that the Government will not introduce tax efficient investment options which are more attractive to customers than property investment. Further, any changes in tax laws and reduction in tax concessions for housing loans may have an adverse effect on the housing and housing finance markets in general. In the event any of these changes occur, the demand for housing and housing finance may reduce, which in turn may result in a material adverse effect on our business, financial condition and results of operations.

Political instability or a significant change in the Government's economic liberalisation and deregulation policies could adversely affect our business and the price of the Notes.

Our business and customers are located in India and we currently derive all of our revenues from operations in India and all of our assets are located in India. Consequently, our performance, market price and liquidity of the Notes may be affected by changes in control, government policies, taxation, social and ethnic instability, social/civil unrest and other political and economic developments affecting India. The Indian government has traditionally exercised, and continues to exercise, a significant influence over many aspects of the economy. Government policies could adversely affect business and economic conditions in India, as well as our ability to implement our strategy and our future financial performance. Our business is also impacted by regulations and conditions in the various states in India where we operate.

Since 1991, successive Indian governments have pursued policies of economic liberalisation. The current Government has announced that its general intention is to continue India's current economic and financial sector liberalisation and deregulation policies, including significantly relaxing restrictions on the private sector and encouraging the development of the Indian financial sector. However, there can be no assurance that such policies will be continued. A significant change in the Government's policies, in particular, those relating to the housing finance sector in India, could result in an adverse effect on our business, financial condition and results of operations. The rate of economic liberalisation could change and specific laws and policies affecting finance companies, foreign investment, currency exchange and other matters affecting investment in our securities could change as well. For instance, if the Government or any state government were to enact legislation or policies requiring the waiver or restructuring of loans to specific persons or industries, such waived and/or restructured loans could have an adverse effect on our financial condition and results of operations; moreover, such legislation and policies may also cause a significant behavioral change in the future with respect to borrowers in such industries or otherwise. Any significant change in India's economic liberalisation and deregulation policies could adversely affect business and economic conditions in India generally and our business in particular.

Natural or man-made disasters, acts of terrorism, other similar threats to security and events outside our control, and the ineffective management of the effects of such events, may affect our business.

Certain of our offices and branches as well as the properties provided as collateral in relation to our loans may be located in areas that may be impacted by natural disasters such as earthquakes, water shortage, droughts and floods. All such properties and offices are subject to other natural or manmade disasters such as fires, acts of terrorism and community disturbances and riots. All of our operations and employees are located in India and there can be no assurance that we will not be affected by natural disasters in India in the future. If any such event were to occur, our business could be affected due to the event itself or due to our inability to effectively manage the effects of the particular event. Potential effects include the damage to infrastructure, the loss of collateral or the loss of business continuity and relevant customer information and could have an adverse effect on the financial markets and economics of India and other countries. If our operations at a location is disrupted due to the occurrence of any such event, it may be impractical or impossible to transfer such work to another location. Thus, any disruption in operations at any of our existing locations could result in a material adverse effect on our ability to serve our customers, and in turn, our business, financial condition and results of operations.

The threat or occurrence of terrorist attacks, enhanced national security measures, conflicts in several regions in which we operate, strained relations arising from these conflicts and the related decline in customer confidence may hinder our ability to do business. Any escalation in these events or similar future events may disrupt our operations or those of our customers and could also affect the real estate market at the locations where we have provided loans resulting in a decline in value of collateral provided by our customers to secure our loans. These events have had and may continue to have an adverse impact on the Indian economy and customer confidence and spending in particular, which could in turn adversely affect our business, financial condition and results of operations. The impact of these events on the volatility of the market price of our securities and may limit the capital resources available to us.

Risks relating to the Notes and the Offering

Notes may not be a suitable investment for all investors.

Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- understand thoroughly the terms of the relevant Notes and be familiar with the behavior of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Uncertainty relating to the LIBOR calculation process and potential phasing out of LIBOR after 2021 may adversely affect the value of the Notes.

Actions by the British Bankers' Association, regulators or law enforcement agencies may result in changes to the manner in which LIBOR is determined or the establishment of alternative reference rates. For example, in July 2017, the chief executive of the United Kingdom's Financial Conduct Authority announced that it does not intend to continue to encourage, or use its power to compel, panel banks to provide rate submissions for the calculation of the LIBOR benchmark to be set beyond the end of 2021 and that, as a result, there can be no guarantee that LIBOR will be determined after 2021 on the same basis as presently, if at all. At this time, it is not possible to predict the effect of any such changes, any establishment of alternative reference rates or any other reforms to LIBOR that may be enacted in the United Kingdom or elsewhere. Uncertainty as to the nature of such potential changes, alternative reference rates or other reforms may adversely affect the trading market for LIBOR-based securities, including any LIBOR-based Notes.

A trading market for the Notes may not develop, and there are restrictions on resale of the Notes.

The Notes are a new issue of securities for which there is currently no trading market. Although application has been made for the listing of the Notes on the ISM, we cannot assure you that we will obtain or be able to maintain a listing on the ISM, or that, if listed, a liquid trading market will develop. We have been advised that the Dealers intend to make a market in the Notes, but the Dealers are not obligated to do so and may discontinue such market making activity at any time without notice. In addition, the Notes are being offered pursuant to exemptions from registration under the Securities Act and, as a result, you will only be able to resell your Notes in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act. See "*Subscription and Sale*." We cannot predict whether an active trading market for the Notes will develop or be sustained.

The liquidity and price of the Notes following the offering may be volatile.

The price and trading volume of the Notes may be highly volatile. Factors such as variations in our revenues, earnings and cash flows and proposals for new investments, strategic alliances and/or acquisitions, interest rates and fluctuations in price for comparable companies could cause the price of the Notes to change. Any such developments may result in large and sudden changes in the trading volume and price of the Notes. We cannot assure you that these developments will not occur in the future.

Definitive Notes not being available in certain denominations.

In relation to any issue of Notes which has a denomination consisting of the minimum specified denomination plus a higher integral multiple of another smaller amount, it is possible that such Notes may be traded in amounts in excess of the minimum specified denomination that are not integral multiples of the minimum specified denomination (or its equivalent). In such a case, a Noteholder who, as a result of trading such amounts, holds a principal amount of less than the minimum specified denomination will not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more specified denominations.

If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum specified denomination may be illiquid and difficult to trade.

If we have the right to redeem any Notes at our option, this may limit the market value of the Notes concerned and an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return.

An optional redemption feature is likely to limit the market value of Notes. During any period when we may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

We may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

If we have the right to convert the interest rate on any Notes from a fixed rate to a floating rate, or vice versa, this may affect the secondary market and the market value of the Notes concerned.

Fixed/Floating Rate Notes are Notes which may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where we have the right to effect such a conversion, this will affect the secondary market in, and the market value of, the Notes since we may be expected to convert the rate when it is likely to result in a lower overall cost of borrowing for us. If we convert from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If we convert from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing market rates.

Notes which are issued at a substantial discount or premium may experience price volatility in response to changes in market interest rates.

The market values of securities issued at a substantial discount (such as Zero Coupon Notes) or premium to their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for more conventional interest-bearing securities. Generally, the longer the remaining term of such securities, the greater the price volatility as compared to more conventional interest bearing securities with comparable maturities.

An investor might receive less interest than expected or no interest in respect of Notes such as Index Linked Notes and Dual Currency Notes, and may lose some or all of the principal amount invested by it.

We may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each a **Relevant Factor**). In addition, we may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- the market price of such Notes may be volatile;
- they may receive no interest;
- payment of principal or interest may occur at a different time or in a different currency than expected;
- they may lose all or a substantial portion of their principal;
- a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and
- the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

The historical experience of an index or other Relevant Factor should not be viewed as an indication of the future performance of such Relevant Factor during the term of any Notes. Accordingly, each potential investor should consult its own financial and legal advisers about the risk entailed by an investment in any Notes linked to a Relevant Factor and the suitability of such Notes in light of its particular circumstances.

Where Notes are issued on a partly paid basis, an investor who fails to pay any subsequent instalment of the issue price could lose all of his investment.

We may issue Notes where the issue price is payable in more than one instalment. Any failure by an investor to pay any subsequent instalment of the issue price in respect of his Notes could result in such investor losing all of his investment.

Noteholders are required to rely on the procedures of the relevant clearing system and its participants while the Notes are cleared through the relevant clearing system.

Notes issued will be represented on issue by one or more Global Notes that may be deposited with a custodian for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in each Global Note, investors will not be entitled to receive Notes in definitive form. Each of Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the beneficial interests in each Global Note held through it. While the Notes are represented by a Global Note, investors will be able to trade their beneficial interests only through the relevant clearing systems and their respective participants.

While the Notes are represented by Global Notes, the Company will discharge its payment obligation under the Notes by making payments through the relevant clearing systems. A holder of a beneficial interest in a Global Note must rely on the procedures of the relevant clearing system and its participants to receive payments under the Notes. The Company has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in any Global Note. Holders of beneficial interests in a Global Note will not have a direct right to vote in respect of the Notes so represented. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

Legal investment considerations may restrict certain investments.

The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Notes are legal investments for it, (2) the Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of the Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

Noteholders' right to receive payments on the Notes is junior to certain tax and other liabilities preferred by law.

The Notes will be subordinated to certain liabilities preferred by law such as claims of the Government on account of taxes, and certain liabilities incurred in the ordinary course of the Company's trading or banking transactions. In particular, in the event of bankruptcy, liquidation or winding up, the Company's assets will be available to pay obligations on the Notes only after all of those of the Company's liabilities that rank senior to these Notes have been paid. In the event of bankruptcy, liquidation or winding up, there may not be sufficient assets remaining, after paying amounts relating to these proceedings, to pay amounts due on the Notes.

The insolvency laws of India may differ from English insolvency law or those of another jurisdiction with which holders of the Notes are familiar.

Because we are incorporated under the laws of India, an insolvency proceeding relating to us, even if brought in England, would likely involve Indian insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of English insolvency law.

Decisions may be made on behalf of all Noteholders that may be adverse to the interests of individual Noteholders.

The terms and conditions contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders, including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

Remittance of funds outside India pursuant to indemnification by the Company in relation to the Notes requires prior RBI approval.

Remittance of funds outside India by the Company pursuant to indemnity causes under the Terms and Conditions of the Notes, Trust Deed or any other agreements in relation to the Notes requires prior RBI approval under the FEMA Guarantees Regulations. Any approval, if and when required, for the remittance of funds outside India is at the discretion of the RBI and the Company can give no assurance that it will be able to obtain such approval.

Early redemption of Notes prior to its stated average maturity and certain modification or waiver of the Terms and Conditions of the Notes require prior RBI approval.

An early redemption of the Notes (whether due to certain tax events described in Condition 8.2 (*Redemption for tax reasons*) or due to an Event of Default as specified in Condition 11.1 (*Events of Default*) or otherwise) will be subject to limitations on the ability of the Company to redeem the Notes prior to the Maturity Date, including obtaining the prior written approval of the RBI and compliance with any conditions that the RBI may impose in accordance with ECB Master Direction at the time of such approval. There can be no assurance that RBI will provide such approval in a timely manner or at all.

Further, any modification or waiver of the Terms and Conditions of the Notes which has the effect of modifying or waiving terms which are not permitted under the automatic route for issue of rupee denominated bonds under the ECB Master Direction, will require prior approval from the RBI in accordance with the ECB Master Direction, and such approval may not be forthcoming.

The Terms and Conditions of the Notes contain covenants limiting the Company's financial and operating flexibility.

The Terms and Conditions of the Notes contain covenants that will restrict the Company's ability to, among other things:

- incur secured indebtedness;
- pay dividends on, or repurchase, capital stock; and
- enter into certain consolidation and merger transactions and sales of assets.

These limitations are subject to certain, exceptions and qualifications described in "*Terms and Conditions of the Notes*."

These covenants could limit the Company's ability to pursue its growth plans, restrict its flexibility in planning for, or reacting to, changes in its business and industry and increase its vulnerability to general adverse economic and industry conditions.

Any default under the covenants contained in the Terms and Conditions of the Notes may lead to an event of default under the Notes and may lead to a cross default under the Company's other indebtedness. The Company may not be able to pay any amounts due to the holders of the Notes in the event of any such default and any such default may significantly impair the Company's ability to satisfy its obligations under the Notes.

If we are unable to comply with the restrictions and covenants in our debt agreements or the Trust Deed, there could be a default under the terms of these agreements or the Trust Deed, which could cause repayment of our debt to be accelerated.

If we are unable to comply with the restrictions and covenants in the Trust Deed, or our current or future debt obligations and other agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to us, accelerate repayment of the debt and declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Furthermore, some of our debt agreements, including the Trust Deed, contain cross-acceleration or cross-default provisions. Any early redemption would require approval of the RBI. As a result, our default under one debt agreement may cause the acceleration of repayment of debt, subject to RBI approval, including the Notes, or result in a default under our other debt agreements, including the Trust Deed. If any of these events occur, we cannot assure you that our assets and cash flow would be sufficient to repay in full all of our indebtedness, or that we would be able to find alternative financing. Even if we could obtain alternative financing, we cannot assure you that it would be on terms that are favourable or acceptable to us.

The Trustee may request Noteholders to provide an indemnity and/or security and/or prefunding to its satisfaction.

In certain circumstances, the Trustee may (at its sole discretion) request Noteholders to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes actions on behalf of the Noteholders. The Trustee shall not be obliged to take any such actions if not indemnified and/or secured and/or prefunded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or prefunding can be a lengthy process and may have an impact on when such actions can be taken. The Trustee may not be able to take actions, notwithstanding the provision of an indemnity or security or prefunding to it, if such actions would be in breach of the terms of the Trust Deed.

Certain facts and statistics are derived from publications not independently verified by us, the Dealers or our respective advisers.

Facts and statistics in this Offering Circular relating to India's economy and the housing financing industry are derived from publicly available sources. While we have taken reasonable care to ensure that the facts and statistics presented are accurately reproduced from such sources, they have not been independently verified by us, the Dealers or our or their respective advisers and, therefore, we make no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside India. Due to possibly flawed or ineffective calculation and collection methods and other problems, the facts and statistics herein may be inaccurate or may not be comparable to facts and statistics produced for other economies and should not be unduly relied upon. Further, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

There may be less publicly available information about us than is available in certain other jurisdictions.

There may be less publicly available information about companies listed in India than is regularly made available by public companies in certain other countries.

We will follow the applicable corporate disclosure standards for debt securities listed on the ISM, which standards may be different from those applicable to debt securities listed in certain other countries.

We will be subject to reporting obligations in respect of the Notes to be listed on the ISM. The disclosure standards imposed by the ISM may be different than those imposed by securities exchanges in other countries or regions such as the United States. As a result, the level of information that is available may not correspond to what investors in the Notes are accustomed to.

There may be interest rate risks on an investment in the Notes.

Noteholders may suffer unforeseen losses due to fluctuations in interest rates. Generally, a rise in interest rates may cause a fall in the price of the Notes, resulting in a capital loss for the Noteholders. However, the Noteholders may reinvest the interest payments at higher prevailing interest rates. Conversely, when interest rates fall, the price of the Notes may rise. The Noteholders may enjoy a capital gain but interest payments received may be reinvested at lower prevailing interest rates.

Changes in market interest rates may adversely affect the value of the Notes.

Investment in the Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Notes.

International financial markets and world economic conditions may adversely affect the market price of the Notes.

The market price may be adversely affected by declines in the international financial markets and world economic conditions. The market for Indian securities is, to varying degrees, influenced by economic and market conditions in other markets. Although economic conditions are different in each country, investors' reactions to developments in one country can affect the securities markets and the securities of other issuers in other countries, including India. Since the sub-prime mortgage crisis in 2008, the international financial markets have experienced significant volatility. If similar developments occur in the international financial markets in the future, the market price of the Note could be adversely affected.

Performance of contractual obligations.

Our ability to make payments in respect of the Notes may depend upon the due performance by the other parties to the transaction documents of the obligations thereunder including the performance by the Trustee, the Paying Agent and/or the Registrar of their respective obligations. Whilst the non-performance of any relevant parties will not relieve us of our obligations to make payments in respect of the Notes, we may not, in such circumstances, be able to fulfil our obligations to the Noteholders.

Redemption of the Notes prior to maturity may be subject to compliance with applicable regulatory requirements, including the prior approval of the RBI or the Authorised Dealer Bank, as the case may be.

Any early redemption of the Notes (whether due to certain tax events or an Event of Default, each as described in the Terms and Conditions of the Notes) may require the prior approval of the RBI or the Authorised Dealer Bank. Compliance with any conditions specified in any such RBI or the Authorised Dealer Bank approval will be required. The RBI and the Authorised Dealer Bank may not provide such approval in a timely manner or at all. Furthermore, any modification or waiver of the Terms and Conditions of the Notes which has the effect of modifying or waiving terms which are not permitted under the automatic route for issue of Rupee-denominated bonds under the ECB Guidelines, will require prior approval from the RBI in accordance with the ECB Guidelines, and such approval may not be forthcoming.

Risks relating to an Investment in Rupee denominated Notes

Rupee Denominated Notes are subject to exchange rate risks and exchange controls.

India maintains a managed floating exchange rate system under which market forces determine the exchange rate for the INR. Under RBI's policies, the RBI may, however, intervene in the market to maintain orderly market conditions and limit sharp fluctuations in the exchange rate. Interventions by the RBI have taken the form of transparent measures and have included clearly delineated periods and amounts involved, as well as the explanations for these actions. RBI's foreign exchange policy objectives include maintaining price stability, promoting and maintaining monetary stability and the convertibility of the INR, protecting its international reserves during times of impending or ongoing exchange crises or national emergencies.

Notes denominated in Rupees and payable in a currency other than Rupees (Rupee Denominated Notes) are denominated in INR and payable in foreign currency. This entails risks which are not associated with a similar investment in a foreign currency denominated security. Such risks include, without limitation, the possibility of significant changes in the exchange rate between INR and the relevant foreign currency if such currency risk is unhedged by an investor or the possibility of imposition or modification of exchange controls by the RBI. Such risks are usually dependent on various economic and political events over which we do not have any control. In the past, exchange rates have been volatile and the possibility of such volatility in the future may continue. The risk pertaining to exchange rate fluctuation therefore persists. However, the recent fluctuations in exchange rates are not indicative in nature. If INR depreciates against the relevant foreign currency, the effective yield on the Rupee Denominated Notes will decrease below the interest rate on the global bonds, and the amount payable on maturity may be less than the investment made by the investors. This could result in a total or substantial loss of the investment made by the investor towards the Rupee Denominated Notes. Rates of exchange between the foreign currency and INR may be significantly varied over time. However, historical trends do not necessarily indicate future fluctuations in rates, and should not be relied upon as indicative of future trends. Political, economic or stock exchange developments in India or elsewhere could lead to significant and sudden changes in the exchange rate between INR and the relevant foreign currency.

Furthermore, the overseas investors are eligible to hedge the above-mentioned exchange rate risk only by way of permitted derivative products with: (i) AD Category – I banks in India; (ii) the offshore branches or subsidiaries of Indian Banks; or (iii) branches of foreign banks having a presence in India.

INR "Non-convertibility."

The convertibility of a currency is dependent, *inter alia*, on international and domestic political and economic factors, and on measures taken by governments and central banks. Such measures include, without limitation, imposition of regulatory controls or taxes, issuance of a new currency to replace an existing currency, alteration of the exchange rate or exchange characteristics by revaluation or revaluation of a currency, or imposition of exchange controls with respect to the exchange or transfer of a specified currency that would affect exchange rates and the availability of a specified currency. The taking of any one or more of such measures could adversely affect the value of the Notes as well as any amount which may be payable upon redemption of the Notes.

The Rupee Denominated Notes are subject to selling restrictions and may be transferred only to a limited pool of investors.

The Rupee Denominated Notes can only be issued to and held by investors resident in jurisdictions which comply with FATF Requirements (as further set out in the section headed "*Subscription, Sale,* *Transfer and Selling Restrictions*") or other applicable Indian laws and regulations on FATF in relation to Rupee denominated Notes from time to time. In addition, foreign branches of Indian banks cannot subscribe or hold the Notes. Therefore, the bonds can only be transferred to a limited group of investors resulting in restricted liquidity of the Notes. For further information relating to the selling restrictions, see the "*Subscription and Sale*" section of this Offering Circular.

Risks relating to the Secured Property

The value of the Secured Property (as defined in "Terms and Condition of the Notes") may not be sufficient to satisfy our obligations under the Notes.

The ability of the Security Trustee, on behalf of the holders of the Notes, to foreclose on the Secured Property upon the occurrence of an Event of Default or otherwise, will be subject in certain instances to perfection and priority issues. Although procedures will be undertaken to support the validity and enforceability of the security interests, we cannot assure you that the Security Trustee or holders of the Notes will be able to enforce the security interest.

The value of the Secured Property in the event of a liquidation will depend upon market and economic conditions, the availability of buyers and similar factors. Accordingly, we cannot assure you that the proceeds of any sale of the Secured Property following an acceleration of the Notes would be sufficient to satisfy, or would not be substantially less than, amounts due and payable on the Notes. By their nature, some or all of the Secured Property may be illiquid and may have no readily ascertainable market value. Likewise, we cannot assure you that the Secured Property will be saleable or, if saleable, that there will not be substantial delays in its liquidation.

BUSINESS

The following information should be read together with the more detailed financial and other information included in this Offering Circular, including the information contained in the section titled "Risk Factors" beginning on page 99 of this Offering Circular.

OVERVIEW

We are a deposit taking housing finance company registered with the NHB. The Promoter is Punjab National Bank (**PNB**), a large nationalised bank in India.

We offer our customers "housing loans" for the purchase, construction, extension or improvement of residential properties or for the purchase of residential plots, and "non-housing loans" in the form of loans against property (**LAP**) to property-owning customers through mortgages over their existing property and any additional security, if required; non-residential premises loans (**NRPL**) for the purchase or construction of non-residential premises; lease rental discounting (**LRD**) loans offered against rental receipts derived from lease contracts with commercial tenants; and corporate term loans (**CTL**), which are general purpose loans to developers and/or corporates for purposes of on-going projects or business needs. Our target customers for our housing loans are salaried customers, whose main source of income is salary from their employment, and self-employed customers, whose main source of income is their profession or their business. We also offer housing loans in the form of construction finance loans to real estate developers of residential housing. Our loan portfolio grew at a CAGR of 51.36% from ₹168,193.17 million as of 31 March 2015 to ₹385,313.46 million as of 31 March 2017. As of 31 December 2017, our loan portfolio had further increased to ₹552,957.70 million.

We conduct our operations through an operating model which, as of 31 December 2017, included 80 branches across the northern, western and southern regions of India and 21 processing hubs (which include three co-located zonal offices) and our central support office (**CSO**) in New Delhi. Our branches act as the primary point of sale and assist with the origination of loans, various collection processes, sourcing deposits and enhancing customer service, while our processing hubs and zonal offices provide support functions, such as loan processing, credit appraisal and monitoring, and our CSO supervises our operations nationally. Our enterprise system solution (**ESS**) integrates all activities and functions within our organisation under a single technology and data platform, bringing efficiencies to our back-end processes and enabling us to focus our resources on delivering quality services to our customers. Our branches, processing hubs, zonal offices and CSO are supported by our centralised operations (**COPS**) and central processing centre (**CPC**), which provide centralised and standardised back-end and administrative activities, payments and processing for our business, relying in turn on our ESS. Our distribution network included over 12,000 channel partners across different locations in India as of 31 December 2017, including our in-house sales team as well as external direct marketing associates (the **DMAs**), deposit brokers and national aggregator relationships with reputed brands.

As of and for the nine months ended 31 December 2017, our total borrowings were ₹507,509.95 million and our average cost of borrowings on an annualised basis was 7.78%. We have access to diverse sources of liquidity, such as term loans from banks and financial institutions, non-convertible debentures (**NCDs**) and other debt instruments, deposits, external commercial borrowings (**ECBs**), commercial paper, refinancing from the NHB and unsecured, subordinated debt, to facilitate flexibility in meeting our funding requirements. As of 31 December 2017, our operations were principally funded by borrowings from banks and financial institutions, domestic debt markets, deposits and the NHB, which accounted for 10.50%, 43.22%, 21.02% and 5.06%, respectively, of our outstanding borrowings. In addition, due to our short-term and long-term credit ratings, we have access to certain fundraising opportunities in the capital markets. We also offer a broad range of deposit products of different tenures with various interest rate options. Our outstanding deposits (net of maturities) grew at a CAGR of 42.80% from ₹48,974.26 million as of 31 March 2015 to ₹99,870.90 million as of 31 March 2017. As of 31 December 2017, our outstanding deposits (net of maturities) had grown to ₹106,684.72 million.

Our gross NPAs, as a percentage of our total loan portfolio, were 0.42% and 0.22% as of 31 December 2017 and 31 March 2017, respectively. As of 31 December 2017 and as of 31 March 2017, 2016 and 2015, our provisioning coverage ratio (i.e., reflects the ratio of provisions created for NPAs, standard assets and provision for contingency to gross NPAs) was 175.11%, 303.38%, 295.34% and 295.17%, respectively. As of 31 December 2017, our overall Capital to Risk (Weighted) Assets Ratio (**CRAR**) and Tier I Capital CRAR were 17.39% and 13.33%, respectively, which provides protection to withstand business risks and exceeds the minimum requirements stipulated by the NHB. The table set forth below summarises certain of our other key operating and financial information as of and for the periods indicated below.

	As of and for the nine months ended 31 December		As of and for the Fiscal Years ended 31 March		
Operational and financial parameters	**2017**	**2016**	**2017**	**2016**	**2015**
Revenue from operations *(in ₹ million)*	39,467.60	28,318.65	39,078.32	26,965.94	17,767.26
Profit after tax *(in ₹ million)*	6,101.98	3,713.28	5,237.23	3,264.71	1,961.10
Net interest income *(in ₹ million)*[1]	11,407.66	7,021.13	10,348.13	7,079.80	4,415.72
Gross NPAs *(in ₹ million)*	2,304.51	1253.74	857.73	598.08	341.35
Assets under management *(in ₹ million)*	576,684.71	377,450.70	414,918.03	275,549.17	172,972.27
Average ticket size	4.59	4.40	4.45	4.34	4.11
Net interest margin[2]	3.11%	2.82%	2.97%	3.10%	2.98%
Average yield[3]	10.12%	10.89%	10.76%	11.25%	11.65%
Average cost of borrowings[4]	7.78%	8.81%	8.55%	9.07%	9.42%
Spread[5]	2.34%	2.08%	2.21%	2.18%	2.23%
Cost to income ratio[6]	18.32%	23.20%	22.43%	25.15%	30.87%
Return on Average Assets[7]	1.62%	1.49%	1.46%	1.37%	1.28%
Return on Equity[8]	13.92%	17.03%	14.92%	17.12%	16.08%
Gross NPAs to total loan portfolio	0.42%	0.37%	0.22%	0.22%	0.20%
Provisioning Coverage Ratio[9]	175.11%	169.08%	303.38%	295.34%	295.17%
CRAR[10]	17.39%	24.82%	21.62%	12.70%	13.76%
Tier I Capital CRAR	13.33%	18.96%	16.48%	9.04%	10.41%

* *Wherever relevant, percentages and ratios as of and for the nine months ended 31 December 2017 and 2016 are presented on an annualised basis.*
[1] *Net interest income, or **NII**, represents total interest income less total interest expense (including brokerage on deposits, other ancillary cost and forward premium cost on ECBs).*
[2] *Net interest margin, or **NIM**, for any given period represents the ratio of NII to the average of interest-earning assets, expressed as a percentage.*
[3] *Average yield refers to interest income for the period divided by average interest earning assets, expressed as a percentage.*
[4] *Average cost of borrowings refers to finance cost for the period divided by average interest-bearing liabilities, expressed as a percentage.*
[5] *Spread refers to difference between yield and cost of borrowings.*
[6] *Cost to income ratio refers to the ratio of total operating expenses (including employee expenses, office operating expenses, other expenses (excluding loan origination costs), depreciation and amortisation expense) to our gross income (revenue from operations less finance cost and loan origination cost).*
[7] *Return on average asset (after tax) is calculated by dividing the profit after tax for the period by the average total assets for the period.*
[8] *Return on equity is calculated by dividing the profit after tax for the period by average shareholder's equity for the period, expressed as a percentage.*
[9] *Provisioning Coverage Ratio reflects the ratio of provisions created for NPAs, standard assets and provisions for contingency to gross NPAs.*
[10] *CRAR is defined as a capital ratio consisting of Tier I and Tier II capital to its aggregated risk weighted assets (in accordance with the NHB Directions) and risk adjusted value of off-balance sheet items.*

OUR BUSINESS PROCESS TRANSFORMATION AND RE-ENGINEERING

Our Company was incorporated as "PNB Housing Finance Private Limited" on 11 November 1988, as a wholly-owned subsidiary of PNB. We were registered as an HFC with the NHB on 31 July 2001. In December 2009, we entered into an agreement with PNB and Destimoney Enterprises Limited (**DEL**), pursuant to which DEL acquired 26.00% of the equity share capital of our Company. Subsequently, through a series of transactions, DEL subscribed to additional equity shares in our Company and increased its stake to 49.00% of the equity share capital of our Company. In February 2015, DEL was sold to Quality Investments Holding, a company incorporated in Mauritius, owned and controlled by CAP IV AIV Mauritius Ltd and CAP IV Coinvest AIV Mauritius Ltd, which have an investment advisory arrangement with affiliates of the Carlyle Group, L.P. In November 2016, we completed our initial public offering and the listing of our equity shares on the BSE Limited and the National Stock Exchange of India Limited.

In Fiscal Year 2011, we initiated "*Project Kshitij*", our BPR programme, with the aim of combining the stability of the traditional public sector company with the responsiveness and dynamism that is typically associated with private sector companies. The implementation of the BPR programme recently concluded in Fiscal Year 2016 and included the improvement, centralisation and standardisation of our business processes, payments and credit policies, changes in our origination and sourcing strategy, as well as in our product composition and target customer segments. We also made changes to our organisational structure, which involved significant changes in our credit underwriting and monitoring functions and the hiring of in-house sales teams, fraud prevention specialists, collection experts and in-house legal, technical and property valuation experts. A key component of our BPR programme was the creation and implementation of our new operating model. As part of our new operating model, our branches were positioned to act as the primary point of sale and assist with the origination of loans, various collection processes and enhancing customer service, while our processing hubs were positioned to provide support functions, such as loan processing, credit appraisal and monitoring. We also developed a new integrated information technology platform for all of our activities and functions and automated several processes, which improved the efficiency and quality of our operations, and made changes to our service delivery model, including through the addition of channels of marketing and distribution, such as our customer service portal and customer contact centre, making our services more accessible.

Under our BPR programme, we also repositioned the "PNB Housing" brand, which required all our offices to be revamped, creation of our new logo and its tagline, "*Ghar Ki Baat*", the re-launch of our refreshed, mobile-friendly website, an increased online presence and new marketing communication to enhance our brand image. We also undertook human resource initiatives, such as implementation of a new performance management system with revised salary scales commensurate with industry standards, a rewards and recognition programme and an increased focus on employee training programmes. We believe that as a result of these and other changes, the BPR programme has helped us in making significant improvements in our competitive position and scale of operations, which, among others, have helped us achieve continued growth in our loan portfolio during the period between Fiscal Years 2012 and 2017.

OUR CREDIT STRENGTHS

Our key credit strengths are as follows:

Fifth largest HFC in India and the fastest growing HFC among the leading HFCs in India

We have over 30 years of experience in the Indian housing finance industry. We are the fifth largest HFC in India by loan portfolio, with the second largest amount of deposits in an HFC in India as of 30 September 2017, according to CRISIL Ratings. (*Source: CRISIL Ratings – PNB Housing Finance Ltd – Issuer Profile, February 2018.*) We are also the fastest growing HFC among the leading HFCs in India as of 30 September 2017, according to the CRISIL Issuer Profile, with our loan portfolio growing at a CAGR of 51.36% from ₹168,193.17 million as of 31 March 2015 to ₹385,313.46 million as of 31 March 2017. As of 31 December 2017, our loan portfolio had grown to ₹552,957.70 million. The recent growth in our loan portfolio and our operations reflects the continued rapid growth in the housing finance industry in India, combined with our market share gain.

HFCs' loan outstanding is projected to clock 17-19% CAGR from INR7.8 trillion in 2016-17 to INR10.8 trillion in 2018-19, aided by higher finance penetration and demand for affordable housing. (*Source: CRISIL Research – NBFC Report, November 2017.*) The share of mortgage lending by HFCs as a portion of the total housing lending market has also steadily been increasing due to, among other things, policy initiatives by the Government and the NHB. In addition, India's mortgage penetration ratio (also known as mortgage to GDP ratio) was low in Fiscal Year 2016 at 10% compared to other developing countries, and is particularly low in comparison to other international markets such as China (18%) and Thailand (20%) in calendar year 2015, which we believe indicates a significant opportunity for growth in the sector. (*Source: CRISIL Research – NBFC Report, November 2017.*) As we continue to expand our operations, our strong market position, combined with growing size and scale, and our national presence allow us to benefit from the significant growth potential in the Indian housing finance industry and provide us with a competitive advantage.

Strong distribution network with deep penetration of key Indian urban centres

The geographical reach of our business covers the northern, western and southern regions of India. As of 31 December 2017, we had 80 branches that were supported by 21 processing hubs, three co-located zonal offices, 30 outreach offices and our CSO in New Delhi. We are selective when we open a new branch or expand in a new location but typically look to geographies where urbanisation, income and the demand for housing and housing projects are growing. To date, we have successfully expanded our business, which had traditionally been focused on the northern region in India, into the western and the southern regions in India. As of 31 December 2017, 38.22% of our loan portfolio was originated in states within the western region whereas 32.63% and 29.15% of our loan portfolio was originated in states within the northern and the southern regions in India, respectively.

Across our different locations in India, our loans and deposits are sourced through our marketing and distribution network, which comprised over 12,000 channel partners as of 31 December 2017. Our channel partners include our in-house direct sales team (**DST**) and third-party channel partners, which include DMAs, deposit brokers and aggregator and referral relationships with reputable national brands. Our DST are employed on third-party payroll but are trained and managed by our sales and marketing team. Our DST channel partners generate leads from potential customers through direct contact with customers, through real estate developers, property brokers and references. Our DST channel partners also provide "door step" services to certain customers and help customers complete the relevant loan documentation. Recently, we have formed a new subsidiary, PHFL Home Loans and Services Limited, with the primary objective of reducing our reliance on third party vendors and contracted sales agents. In doing so, we aim to bring our assets sales business into the Company, using the services of a dedicated in-house sales team. In order to manage leads that originate from our various affiliates, advertisement campaigns, email marketing channels, toll free calls and lead aggregator websites, we have also implemented a lead management system to originate, track and manage the resulting housing loan applications. This automated lead management process allows us to provide efficient service to our customers, facilitates end-to-end lead tracking, and monitors the performance of marketing campaigns and sales reports electronically. In addition, an integral part of our lead management is our customer contact centre, which houses a team of tele-executives equipped to manage business development and post-disbursement customer queries.

Our DMAs and deposit brokers are typically proprietorships, professionals such as chartered accountants and consultants who, working under the supervision of our sales managers, provide advice to small businesses and recommend and identify prospective customers for us and coordinate the submission of loan application documents. Once our DMAs have identified a prospective customer and the customer's loan application documents are submitted, our teams at our processing hubs undertake credit appraisals and our branches subsequently conduct loan fulfillment processes directly with the customer. We also have arrangements with a number of banks and financial institutions and market aggregators to provide their customers access to our housing and non-housing loan products, and have empaneled certain deposit brokers for raising deposits for us and offer them brokerage for successfully raising deposits.

Scalable operating model and centralised and streamlined operational structure

Our current operating model is scalable, which we expect will enable us to expand with lower incremental costs to drive profitability. Our processing hubs are generally designed to support additional branches, which we believe will enable us to deepen our penetration of key geographies in which we are currently active by opening new branches and leveraging the investment we have made in our existing processing hubs.

Our branches, processing hubs and CSO are supported by our COPS and CPC, which provide centralised and standardised back-end and administrative activities, payments and processing for our business, relying in turn on our new ESS. In particular, centralisation of our payments and banking has enabled timely collection of funds, better fund management, stronger control and early, proactive alerts to our collections department in the event of an overdue payment. Our ESS is a configurable and flexible system that integrates all activities and functions within our organisation under a single technology and data platform. This single platform utilises automated and standardised processes which we believe optimises our resource utilisation. Our ESS enables stakeholders, including external service providers, to share information with us on a real-time basis which increases the speed with which loans are processed and improves oversight of their activities and reporting. It covers all our support functions, allowing us to realise efficiencies and reduce operational errors and wastage. Our ESS is also scalable and is utilised across our entire network, making it easy to replicate in new locations when we open new branches and processing hubs.

Our COPS, CPC, Outbound Contact Center and branch operations are certified under ISO 9001:2015, which is a globally accepted standard on quality management. The ISO 9001:2015 standard requires that we demonstrate process documentation and standardization, a structured framework to all existing processes, logical sequence of processes, consistency in processes, a culture of continual improvement, efficient and effective operational activities and increased level of satisfaction by internal and external customers.

Housed within our COPS is a modern and innovative document digitisation centre, which we believe is a true amalgamation of people, process and technology. Accuracy with speed is the mantra of our document digitisation centre. With the help of cost effective innovations, all property and loan documents are digitised at our COPS and are made available to our customers at the click of a button. Rollers and lenses are tuned to digitise millions of pages every month, and human verification complemented by IBM cognitive checks supports error-proofing. Scanned security and title documents are stored on a dedicated private cloud for us. The digitised documents are available to the customers at click of a button. This technology facility has improved our systems in mitigating operational and transit risk, reducing retrieval costs, increasing data security and, therefore, resulting in higher customer satisfaction.

We believe that factors such as our scalable operating model, technology and data platform and our centralised and standardised back-end processes position us well to expand our business in geographies that offer strong opportunities for us to grow further. In addition, our operating model brings uniformity and minimises local subjectivities to the extent possible and allows us to derive economies of scale from our operations, which we believe is especially important due to the highly competitive and volume intensive nature of our business. We are selective when we open a new branch or expand in a new location but typically look to geographies where urbanisation, income and the demand for housing and housing projects are growing. Our expansion strategy involves careful selection of geographies and distribution network such that the operational efficiencies remain homogeneous across all outlets. Our consistent focus has been on exploring new markets while realising full potential of the existing markets rather than spreading thinly.

A streamlined operational structure has resulted in improved turn-around-time (**TAT**) for processing a loan application until loan sanction. For the nine months ended 31 December 2017 and Fiscal Year 2017, 83.76% and 77.83%, respectively, of housing loans to salaried customers had a TAT of three days (the benchmark we use for salaried customers) and 80.47% and 72.04%, respectively, of housing loans to self-employed customers had a TAT of seven days. This has helped us in improving our customer service standards and realising operational efficiencies, which among other things, has resulted in average loan disbursements per branch of ₹3,275.99 million, ₹3,075.75 million and ₹2,484.21 million in Fiscal Years 2017, 2016 and 2015, respectively, representing a CAGR of 14.84% in average loan disbursements per branch during this period. Average loan disbursements per branch for the nine months ended 31 December 2017 were ₹3,056.91 million on an annualised basis. The operational efficiencies that we derive from our new operating model have also helped us reduce our cost to income ratio, which was 22.43%, 25.15% and 30.87% in Fiscal Years 2017, 2016 and 2015, respectively. Our cost to income ratio was 18.32% in the nine months ended 31 December 2017, during which time we continued to expand our business through the opening of additional branches and expect to realise additional operational efficiencies as those businesses develop.

Access to diversified and cost-effective funding sources

As of 31 December 2017, we met our funding requirements through a diverse set of sources which included term loans from banks and financial institutions, non-convertible debentures (**NCDs**), deposits, ECBs, commercial paper, refinancing from NHB and unsecured, subordinated debt. As of 31 December 2017, our lenders included 30 public and private sector banks, 19 mutual funds, 29 insurance companies, 650 provident funds, 35 pension funds, six foreign portfolio investors and two multilateral institutions, among others (including superannuation funds and gratuity funds). We also entered into a securitisation transaction in Fiscal Year 2015 for ₹5,000.00 million and, in Fiscal Year 2017, we entered into securitisation transactions for two pools, one amounting to ₹24,400.00 million, and a second pool amounting to ₹ 9,370.00 million, which helped us to effectively utilise our capital and also served as a source of liquidity for us. Going forward, we want to securitize about 7-8% of our AUM and continue to use it as a source of funding. Another key source of funding for us is our deposit base—we are the second largest HFC in India by amount of deposits as of 30 September 2017, according to CRISIL Ratings. (*Source: CRISIL Ratings – PNB Housing Finance Ltd – Issuer Profile, February 2018.*) Diversification of our sources of funding in recent periods has contributed to an overall reduction in our average cost of borrowings in recent fiscal periods and has allowed us to maintain sufficient interest margins and achieve our liquidity goals, as well as maintain funding stability.

The tables below set forth our different sources of funding, their respective contribution as a percentage of our total outstanding borrowings and the respective average cost of such funding as of 31 December 2017 and as of 31 March 2017, 2016 and 2015.

	As of 31 December 2017		
Source of funding	*Amount (in ₹ million)*	*% of total outstanding borrowings*	*Average cost of borrowings*
Loans from banks and financial institutions	53,280.00	10.50%	6.80%
NCDs and other debt instruments	205,370.00	40.47%	8.43%
Deposits	106,684.72	21.02%	8.31%
ECBs	14,532.50	2.86%	9.33%
Commercial paper	87,950.00	17.33%	6.79%
Refinancing from NHB	25,701.73	5.06%	8.13%
Subordinated debt	13,990.00	2.76%	8.60%
Total borrowings	**507,509.95**	**100.00%**	

	As of 31 March								
	2017			2016			2015		
Source of funding	*Amount (in ₹ million)*	*% of total outstanding borrowings*	*Average cost of borrowings*	*Amount (in ₹ million)*	*% of total outstanding borrowings*	*Average cost of borrowings*	*Amount (in ₹ million)*	*% of total outstanding borrowings*	*Average cost of borrowings*
Loans from banks and financial institutions	24,688.26	6.92%	9.24%	19,484.74	7.45%	9.53%	34,042.74	20.32%	9.51%
NCDs and other debt instruments	131,720.00	36.94%	8.59%	87,700.00	33.53%	8.87%	39,650.00	23.67%	9.12%
Deposits	99,870.90	28.01%	9.05%	71,158.51	27.20%	9.56%	48,974.26	29.24%	9.80%
ECBs	15,115.49	4.24%	9.36%	6,106.95	2.33%	9.27%	6,106.95	3.65%	9.42%
Commercial paper	43,700.00	12.26%	7.64%	50,250.00	19.21%	8.27%	16,000.00	9.55%	8.92%
Refinancing from NHB	27,483.98	7.71%	8.73%	20,788.48	7.95%	9.17%	17,741.76	10.59%	9.39%
Subordinated debt	13,990.00	3.92%	8.60%	6,100.00	2.33%	8.95%	5,000.00	2.98%	8.97%
Total borrowings	**356,568.70**	**100.00%**		**261,588.67**	**100.00%**		**167,515.72**	**100.00%**	

Our average cost of borrowings in the nine months ended 31 December 2017, on an annualised basis, and in Fiscal Years 2017, 2016 and 2015 was 7.78%, 8.55%, 9.07% and 9.42%, respectively. While term loans from banks and financial institutions were, until Fiscal Year 2014, one of our primary sources for meeting our funding requirements, an increasing portion of our funding requirements have been met in recent fiscal periods through sources such as NCDs and commercial paper, which in our experience have relatively lower cost of borrowings, and deposits, which are a relatively more stable source of funds. The reduction in the repo rate by 175 basis points since 16 January 2015 by the RBI has also contributed to the reduction in our cost of borrowings during this period.

We expect that factors such as our financial performance, capital adequacy levels, relatively high credit ratings and relationships with lenders enable us to raise funds in the capital markets or borrow funds from lenders at competitive rates. Our revenue from operations grew at a CAGR of 48.31%, from ₹17,767.26 million in Fiscal Year 2015 to ₹39,078.32 million in Fiscal Year 2017. Our revenue from operations was ₹39,467.60 million in the nine months ended 31 December 2017. As of 31 December 2017, our CRAR was 17.39%, with Tier I and Tier II capital comprising 13.33% and 4.06%, respectively, of risk weighted assets as of that date. Further, we have received credit ratings of "FAAA/Stable" from CRISIL and "CARE AAA (FD)" from CARE for our deposits. Our NCDs (secured and unsecured) are rated "CARE AAA", "[ICRA] AA+/Stable", "IND AAA/ Stable" and "CRISIL AA+/Stable" by CARE, ICRA, India Ratings (Fitch) and CRISIL, respectively. Our long-term loan facilities are rated "CARE AAA" by CARE and "CRISIL AA+/Stable" by CRISIL. We have also received the rating of "CARE A1+" and "CRISIL A1+" for our commercial paper programme from CARE and CRISIL, respectively.

Diversified product offering with specific focus on self-employed customers

We offer a range of housing and non-housing loan products to meet the needs of our customers. As of 31 December 2017, our housing and non-housing loans constituted 69.73% and 30.27%, respectively, of our total loan portfolio. We offer secured, mortgage-backed retail housing loans to salaried customers, whose main source of income is salary from their employment and self-employed customers, whose main source of income is their profession or their business, for the purchase, construction, extension or improvement of residential house properties or the purchase of residential plots. In addition, we offer construction finance loans directly to real estate developers for residential housing projects. According to CRISIL Research, the yield differential between housing loans and developer finance is approximately 250-300 basis points on an incremental basis in fiscal 2017, since loans to real estate developers are considered relatively risky. (*Source: CRISIL Research – NBFC Report, November 2017.*) We offer our non-housing loans, such as LAP, NRPL, LRD, and CTL generally to customers who already own a property. LAP are primarily used for business financing requirements such as business expansion or working capital for business. NRPL are usually taken by self-employed customers for financing the purchase, construction or extension of an office, clinic, shop or other commercial property. LRD loans are offered against rental receipts derived from lease contracts with commercial tenants. CTL are general purpose loans granted to developers and/or corporates for purposes of their on-going projects or business needs. As of 31 December 2017, LAP constituted 52.83% of our non-housing loan portfolio and 15.99% of our total loan portfolio.

Self-employed customers are often considered to be higher credit risk customers due to their potential to be more exposed to fluctuations in cash flows from income and their increased exposure to adverse economic conditions generally. (*Source: CRISIL Research – NBFC Report, November 2017.*) We undertake rigorous credit appraisal and verification processes to manage the risks associated with self-employed customers and only lend to self-employed customers that are able to provide formal proof of income. However, we are able to charge self-employed customers interest rates that are higher than what we offer to salaried customers, which means that we can realise relatively higher yields from these loans to the extent the additional risk can be managed.

Self-employed customers typically prefer LAP, as that form of loan generally carries lower rates of interest than personal loans. (*Source: CRISIL Research – NBFC Report, November 2017.*) However, according to the CRISIL NBFC Report, LAP carries higher rates of interest in comparison with housing loans, and thus offer higher yields (approximately 100-150 basis points higher on an incremental basis in Fiscal 2017), primarily due to being riskier than housing loans, since they are usually opted for by self-employed customers and their end-use is not typically monitored (although documentary and other evidence of end-use may be required). In the nine months ended 31 December 2017, on an annualised basis, the average yield on our LAP portfolio was 10.57% in comparison with average yield of 9.74% on our housing loan portfolio. The relatively higher yields, along with demand from self-employed customers for relatively larger average loan sizes and their relatively better loan servicing capability, according to the CRISIL NBFC Report, make loans to self-employed customers and LAPs attractive market segments for us.

Customer-centric approach resulting in strong brand recognition

We believe that our customer-centric approach has been one of the key reasons for our recent growth and helps us differentiate ourselves from many of our competitors. We closely interact with our customers in the markets in which we operate through employees who have an in-depth understanding of local market conditions and regulations, which we believe assists us in selling our loan and deposit products to our customers. We consider that transparency in customer communication is key to increasing customer satisfaction and loyalty. For example, we provide customers with regular status updates at certain key stages of the loan approval process. Our lead management system manages new enquiries which originate through various marketing activities, on a real-time basis. We make on-boarding calls to all new customers to familiarise them with our entire range of services and guide them through the entire life-cycle of our products. This direct customer contact also allows us to speed up our approval processes and help mitigate the risks associated with taking on new clients. We also manage customer attrition through proactive retention measures, such as tracking and monitoring credit bureau triggers, which provide information with respect to housing loan enquiries made by customers and enable us to initiate retention efforts at early stages of our customers' enquiries into new or different housing loans. A customer service portal handles queries from existing customers and post-disbursement service requirements, which we believe also helps with customer retention.

Our customer-centric approach has been further reinforced by the strong recognition of the "PNB" brand and our increased focus on marketing and advertising campaigns that emphasise trustworthiness, transparency and our contemporary outlook and convenience for our customers. We have also increased our use of digital media and other direct marketing methods to communicate directly with our customers, which includes presence at our branches, participation in trade shows and property exhibitions, a refreshed, mobile-friendly website, search engine marketing, e-mail marketing and an increased presence on various social media. Our tagline, "*Ghar Ki Baat*", exhibits our goal of making a housing loan a pleasant experience for our customers. It conveys our commitment of making them feel at home if they come to us for a housing loan. This is also reflected in our revamped branches, personalised services and enhanced technology initiatives. We believe that these initiatives have helped in enhancing our visibility and raising our brand recognition.

Prudent credit underwriting, monitoring and collection processes, supported by strong IT processes, leading to high asset quality

We have well-established and streamlined credit underwriting, monitoring and collection processes, which we believe have contributed to the growth of our loan portfolio and helped us manage the increased scale of our business by enhancing our productivity and our ability to take prudent credit decisions, which in turn has helped us maintain the growth in our loan portfolio without compromising on the credit quality.

We have credit appraisal teams of experienced personnel at our processing hubs who implement our credit approval policies and conduct a credit check and verification procedure on each customer, ensuring consistent underwriting standards in an effort to minimise losses. We also have subject matter experts in several areas, particularly in underwriting, legal, technical valuation fraud control and collections. For our construction finance loans to real estate developers, a dedicated team at our CSO undertakes project risk analysis, financial appraisal and cash flow analysis. Our technical service group (**TSG**) and underwriting teams utilise data on supply and demand dynamics of projects, rentals and market prices from “Prop Equity”, an online real estate data and analytics platform. Each of our processing hubs has at least one fraud control unit (**FCU**), who is supported by certain empanelled external vendors to identify and prevent any potential fraud at the earliest possible stage of loan processing. Our portfolio management methodologies are designed for early identification of problematic loans. We monitor our portfolio through various analyses on a regular basis to evaluate the portfolio quality. We also regularly review and monitor concentration risk in certain segments of our loan portfolio, which allows us to identify potentially problematic loans at an early stage and prepares us for immediate action if any repayment problems arise. Our credit and collection teams undertake regular review of all large value loans, including construction finance loans.

Our credit underwriting, monitoring and collection processes are supported by strong enterprise resource planning (**ERP**) and IT processes through which the entire process of loan origination, underwriting, collection, maturity and servicing are performed on one single platform, our ESS. Our ESS is a work flow based system whereby every single loan application is required to undergo standardised processes. Our ESS facilitates, among other things, the capture of demographics, de-duplication, bureau checks, loan eligibility computation and approval. While loan approving rights are provided to various underwriters based on their level of seniority with the Company, overall experience in the mortgage business, qualification and empirical trend of loans underwritten in the past, decision making rights are managed centrally at our CSO by our IT team.

In accordance with our risk based pricing model, we have defined lending rates for all loan products based on perceived risk profiling. Our asset liability management committee (**ALCO**) from time to time determines our benchmark lending rates, PNBHFRs, to which all loans we underwrite are linked by way of a constant spread. On this basis, we prepare pricing grids. Our benchmark rate, however, may vary based on product, sub-product, customer profile, income program and type of property mortgaged. Our risk professionals assess the efficacy of our products on a periodic basis by performing product and portfolio analyses and presenting their findings to management.

Our portfolio is reviewed periodically by the credit committee of our Board in a detailed manner. This portfolio quality review process involves assessments of trends and analyses on delinquencies, business and run off. We also identify segments, products and geographies where any business policy is required to altered and consider mitigation strategies to overcome any issues. In addition to the internal review, we also seek an issuer profile from CRISIL Ratings on a semi-annual basis that contains a detailed credit risk profile, product and process overview, collection process overview and sets out a comparison with other HFCs.

We also have an experienced collection team, which has, with the support of our legal team, enabled us to maintain high collection efficiencies. With respect to our retail loan portfolio, as of 31 December

2017, we were able to recover an aggregate of ₹4,077.04 million of past-due payments out of an aggregate total of ₹9,941.11 million delinquent loans as of 31 March 2017. As of 31 March 2017, we were able to recover an aggregate of ₹1,795.87 million of past-due payments out of an aggregate total of ₹3,421.64 million delinquent loans as of 31 March 2016. These teams use streamlined collection processes which utilise centralised recovery monitoring systems and regular follow-ups. We have, in recent periods, increased focus on replacing external collection agencies with in-house collection resources, to have better control over the process and enhance our cost effectiveness. We are a notified financial institution under the provisions of the SARFAESI Act since 2003 and initiate proceedings under the SARFAESI Act for recovery of NPAs.

Our gross NPAs, as a percentage of our total loan portfolio, were 0.42% and 0.22% as of 31 December 2017 and 31 March 2017, respectively. As of 31 December 2017 and 31 March 2017, our provisioning coverage ratio (i.e., reflects the ratio of provisions created for NPAs, standard assets and provisions for contingency to gross NPAs) was 175.11% and 303.38%, respectively. Our gross NPAs in our retail housing loan portfolio, as a percentage, were 0.49% and 0.27% as of 31 December 2017 and 31 March 2017, respectively. As of 31 December 2017 and 31 March 2017, gross NPAs in our construction finance loan portfolio, as a percentage, were 0.30% and 0.00%, respectively. As of 31 December 2017 and 31 March 2017, LAP constituted 52.83% and 57.44%, respectively, of our non-housing loan portfolio. As of 31 December 2017 and 31 March 2017, gross NPAs in our LAP portfolio, as a percentage, were 0.59% and 0.31%, respectively.

We believe that the quality of our credit underwriting, monitoring and collection processes is further evidenced by the outcome of the "PNB Housing Finance Ltd – Issuer Profile" sought from CRISIL Ratings, according to which the percentage of "gross NPAs (2 year lagged)" of our portfolio as of 31 March 2017 was 0.5%, compared to an industry average of 1.2%. (*Source: CRISIL Ratings – PNB Housing Finance Ltd – Issuer Profile, February 2018.*)

Managed by experienced and qualified professionals with strong industry expertise

Our senior management team is comprised of experienced and qualified professionals each of whom have in-depth industry knowledge and experience in mortgage and housing finance sector, with many having held senior positions at leading banks and financial services companies such as, HDFC Limited, ICICI Bank, Indiabulls Housing Finance Limited, Religare Housing Finance and ABN AMRO Bank N.V. In addition, our BPR programme has fostered an entrepreneurial culture and contributed to the professionalism and autonomy of our management team, enabling it to play a key role in the transformation of our business model and drive improved performance, while also helping us to continue to attract managerial talent.

As part of our BPR programme, we recruited a number of senior managers having extensive experience in the Indian banking sector and specialised lending finance firms to lead our business functions. Our operations are also supported by a pool of trained personnel at our branch offices and processing hubs who have strong local knowledge of our target markets, which enables us to solicit better loan proposals, improve credit appraisals, manage risks better and provide better quality and customised services to our customers. We conduct regular training programmes and workshops in areas such as credit risk, credit underwriting, customer service, negotiation and operational processes for our management and employees. We have also implemented a reward and recognition framework across all functions under which our employees' contributions to the business are rewarded and have recently instituted an employee stock option plan to align the long-term interests of our management and employees with that of the Company. We believe these measures have incentivised our management and employees and contributed to their professionalism and commitment and helped to drive improvements in their performance. The productivity ratio of our employees has increased consistently in the past. As of 31 March 2017, 2016 and 2015, our profits per average employee were ₹6.15 million, ₹4.79 million and ₹3.57 million, respectively, and as of those dates, our loan distribution with respect to disbursements per average employee (excluding our third party distribution channel partners) was ₹242.50 million, ₹212.30 million and ₹171.60 million, respectively.

Our management team plays an active role in the risk management of our business, including through roles on ALCO and on our credit committee, focusing on identifying opportunities in the housing finance business that are capable of providing steady returns within our risk profile. We believe that our management's capabilities, reputation, extensive network of industry relationships and considerable experience will allow us to continue to build a high quality, scalable and institutionalised HFC.

OUR STRATEGIES

The key elements of our business strategy are as follows:

Consolidate our position and selectively expand into specific target geographies and markets

Our current operating model is scalable, which we expect will enable us to expand with lower incremental costs to drive profitability. Our processing hubs are generally designed to support additional branches, which we believe will enable us to deepen our penetration of key geographies in which we are currently active by opening new branches or selectively expanding into geographies where we see potential growth for the loan products we offer. In addition, our investments in our integrated technology and data platform and our centralised and standardised back-end processes position us well to scale up and grow our network. We are selective when we open a new branch or expand in a new location and typically look to geographies where urbanisation, income and the demand for housing and development of housing projects are growing. We currently plan to expand our distribution network in new locations and engage additional external service providers, if required, in locations where we believe that sufficient potential for growth exists based on factors such as target income groups, demographics, average loan size and the development of real estate markets.

We currently expect that a significant portion of our geographic expansion will include tier II and tier III cities in the southern and western regions of India. According to the CRISIL Research, tier II and tier III cities in India have experienced an increased rate of urbanisation and increased demand for housing from the lower income segments, which has resulted in growth in disbursements of housing loans with lower average loan sizes in these cities. (*Source: CRISIL Research – NBFC Report, November 2017.*) We expect our expansion in these cities to provide us with increased access to housing finance opportunities as a result of the significant demand for affordable housing in these cities. The demand for housing in these cities is being driven in part by the implementation of the Government's initiatives, such as "*Smart Cities*" and the "*Pradhan Mantri Awas Yojana*" or the "*Housing for all by 2022*" scheme. Pursuant to these schemes, low-cost funding, such as ECBs or refinancing from the NHB, is available for on-lending. For further details, see "**—***Our Strategies—Continue to reduce our cost of borrowings*." As a result, our strategy to increasingly focus on the affordable housing loans segment should also provide us access to additional low-cost funding, which we believe will help drive profitable growth.

Continue to reduce our cost of borrowings and raise deposits

We have reduced our average cost of borrowings from 9.42% in Fiscal Year 2015 to 8.55% in Fiscal Year 2017 and 7.78% in the nine months ended 31 December 2017, on an annualised basis, by actively seeking to diversify the sources of our funding through the use of funding sources such as NCDs, ECBs, refinance from the NHB and commercial paper. Lower cost of borrowings enables us to competitively price our loan products. We plan to continue to meet our requirement for diverse and cost-effective funding sources by continuing to rely on borrowings from these less costly sources and by reducing our dependence on more costly term loans from banks and financial institutions.

Our ability to continue to lower our cost of borrowings will be driven primarily by our credit ratings, our financial discipline and the performance of our business. In particular, we currently also expect to continue to source funding at competitive rates from the debt capital markets by issuing NCDs and other debt instruments in order to further reduce our overall cost of borrowings.

In addition, deposits are a relatively stable source of funds for us. Our outstanding deposits (net of maturities) grew at a CAGR of 42.80% from ₹48,974.26 million as of 31 March 2015 to ₹99,870.90 million as of 31 March 2017 (which constituted 28.01% of our total outstanding borrowings as of that date), and were ₹106,684.72 million as of 31 December 2017. We source deposits through brokers, distributors and directly by the relationship managers. We currently have approximately 6,000 brokers/distributors empanelled with us. The brokers/distributors play a significant role in sourcing fixed deposits for us, even from markets where we lack a branch presence. Our strategy is to continue to raise deposits, which we believe can be achieved through introducing new deposit products, improving the quality and efficiency of our customer services, expanding our distribution network and adding more deposit brokers.

The RBI allows HFCs to raise low-cost ECBs under the RBI's master direction dated 1 January 2016 in relation to external commercial borrowings (the **ECB Master Direction**) for funding low-cost affordable housing projects, which are defined as units where the property cost is up to ₹3.00 million, the carpet area of the unit does not exceed 60 square meters and the loan amount is capped at ₹2.50 million. In Fiscal Years 2015 and 2017, we raised US$100.00 million and US$150.00 million, respectively, as ECB on terms which are consolidated under the ECB Master Direction. We plan to continue to originate further loans which are eligible for financing under the ECB Master Direction. As part of this plan, we are also currently undertaking initiatives to obtain international ratings in order to raise funding internationally.

Further, the NHB provides refinance for certain qualifying loans at reduced rates to certain qualifying HFCs pursuant to various rural and affordable housing schemes of the Government. In order to access NHB refinance, we are required to lend to certain select customers in the low and middle income segments in rural and urban parts of India. In the nine months ended 31 December 2017 and in Fiscal Years 2017, 2016 and 2015, we were disbursed ₹0.00 million, ₹10,000.00 million, ₹9,000.00 million and ₹10,100.00 million, respectively, under various refinancing schemes of the NHB. We plan to continue to originate loans which are eligible for refinance from the NHB as they contribute to the diversification of our sources of funding.

Continue to maintain the credit quality of our loan portfolio

Our loan portfolio has grown at a CAGR of 51.36%, from ₹168,193.17 million as of 31 March 2015 to ₹385,313.46 million as of 31 March 2017, and we plan to grow the size of our loan portfolio further through our business and expansion strategies. Our loan portfolio as of 31 December 2017 was ₹552,957.70 million. In building a large loan portfolio with low credit risk, the success of our business will be increasingly dependent on, among other factors, our ability to maintain and streamline consistent underwriting standards to reduce credit risks and implement strict risk management standards, especially as our loan portfolio matures and as we continue to grow our operations and expand into new geographies. As of 31 December 2017 and 31 March 2017, our gross NPAs, as a percentage of our total loan portfolio, were 0.42% and were 0.22%, respectively. As of 31 December 2017 and 31 March 2017, our provisioning coverage ratio (i.e., reflects the ratio of provisions created for NPAs, standard assets and provisions for contingency to gross NPAs) was 175.11% and 303.38%, respectively. We intend to continue to maintain the credit quality of our loan portfolio by undertaking comprehensive risk assessment processes and diligent portfolio monitoring and management methodologies. In addition, we plan to further supplement our existing risk management protocols and processes by introducing a credit scoring template to assist our underwriting teams and other subject matter experts in decision-making and increasing the turnaround speed of loan applications.

Continue to enhance customer delivery by leveraging digital media and continue to develop and strengthen our technology platforms

We believe that our target customer base is increasingly relying on online platforms to manage their finances and many of our existing customers prefer to engage with us directly through an online interface. In order to meet the needs of new customers, we reach out to them through email campaigns and have established an online network of loan aggregators, which generates strong enquiry volume and brand recall. Our social media marketing initiatives, such as online paid advertisements, also ensure that we are able to reach prospective customers that are searching for home loan-related information and considering taking a home loan. In addition, for ease of access across mobile devices, all our online platforms are mobile optimised. We are also in the process of increasing our ability to target potential customers through social media. In addition, we intend to strengthen our existing customer portal for easy access of all important loan information and to have a dedicated customer service centre to improve our TAT for post-sales services. We also intend to further develop and strengthen our technology platform to support our growth and improve the quality of our services. We regularly update our systems and plan to continue to implement new technology that becomes available in the future in order to continue to streamline our credit approval, administration and monitoring processes to meet customer requirements on a real-time basis. We believe that additional improvements in technology could further reduce our operational and processing time, thereby improving our efficiency and allowing us to provide better service to our customers.

OUR LOAN PRODUCTS

We have a diverse and well-balanced range of products and offer our customers "housing loans" and "non-housing loans" that can be adapted to the needs of our different types of customers.

Housing Loans

Retail Housing Loans

Our retail housing loans consist of secured, mortgage-backed financing for the purchase, construction, extension or improvement of residential house properties or the purchase of residential plots. We offer our retail housing loans to salaried customers, whose main source of income is salary from their employment and self-employed customers, whose main source of income is their profession or their business. Our housing loans include:

Home Purchase Loans. Loans for financing the purchase of under-construction or completed apartments, row-houses, bungalows or other kinds of freehold or leasehold properties from real estate developers, co-operative housing societies or apartment owners' associations.

Residential Construction Loans. Loans for financing the construction of a residential property on a plot of land already owned or to be acquired.

Residential Plot Loans. Loans for financing the purchase of a residential plot of land, with an option to finance construction thereon.

Home Extension Loans. Loans for financing the extension of an existing residential property, such as adding new floors or rooms.

Home Improvement Loans. Loans for financing the renovation or improvement of an existing residential property.

We allow co-owners or proposed co-owners to apply for housing loans together so long as they are co-applicants. We also offer a variety of housing loans for properties in India to salaried non-resident Indians (**NRIs**) who reside in one of our approved foreign countries in accordance with applicable foreign exchange control regulations and after taking into consideration any risks associated with funding NRIs.

Over the years, we have broadened our target customer group and enhanced our ability to appraise both the salaried segment and the self-employed segment of the housing loan market. Our experience has shown that a large share of housing demand is sourced from the self-employed segment, however, credit penetration of this segment is comparably lower than the actual home purchase ratio for this segment. During Fiscal Year 2017, more than 30% of our home loans were sourced from the self-employed segment.

LTV Ratio, EMI and Tenure for Housing Loans

The NHB Directions prescribe the maximum permissible parameters of the loan amount that can be provided to housing loan customers. A property with market value of up to ₹3.00 million is permitted have a maximum LTV ratio of up to 90.00%, property with market value between ₹3.00 million and ₹7.50 million is permitted to have maximum LTV ratio of up to 80.00% and property with market value above ₹7.50 million is permitted to have maximum LTV ratio of up to 75.00%.We set an LTV ratio range for each of our loan products.

One of the key eligibility criteria for approving a customer's loan is the customer's repayment capacity, which is determined by factors such as the customer's age, educational qualification, number of dependents and the stability and continuity of the customer's income, and, if applicable, the co-applicant's income, assets and liabilities. Subject to the regulatory limits, the amount of the loan is determined on the basis of our evaluation of the repayment capacity of the customer and the value of the relevant property. Loans are generally required to be repaid in equated monthly instalments (**EMI**) over an agreed period. The size of the EMI depends on the size of loan, interest rate and tenure of loan.

The tenure of our retail housing loans can be up to 30 years and may vary according to the purpose of the loan, the customer's age and the customer segment.

The tables below set forth, as of the dates indicated below, the average loan size (at origination), weighted average LTV ratio (at origination) and average residual tenure for our housing loans.

				As of 31 March					
	As of 31 December 2017			2017			2016		
Customer Type	**Average Loan Size** (*at origination*) (*in ₹ million*)	**Weighted Average LTV** (*at origination*) (*%*)	**Average Residual Tenure** (*months*)	**Average Loan Size** (*at origination*) (*in ₹ million*)	**Weighted Average LTV** (*at origination*) (*%*)	**Average Residual Tenure** (*months*)	**Average Loan Size** (*at origination*) (*in ₹ million*)	**Weighted Average LTV** (*at origination*) (*%*)	**Average Residual Tenure** (*months*)
Retail Housing Loans									
Salaried Customers	2.79	71.85%	215	2.80	71.18%	207	2.89	69.25%	185
Self-employed customers	3.99	62.85%	177	4.01	62.07%	176	3.89	60.24%	166

Interest Rates and Fees on Housing Loans

We also offer our housing loan customers the option to choose between a fixed interest rate or a variable interest rate or from a combination of fixed and variable rates of interest in order to allow them to hedge against unexpected interest rate movements. The pricing of the fixed interest rate loan and the variable interest rate loans is generally determined on the basis of market conditions. In the case of the variable rate loans, the interest rate is linked to our applicable reference rate (**PNBHFR**), which varies according to the type of customer and is fixed in accordance with the perceived risks and opportunities for the type of customer. We determine the applicable PNBHFR from time to time based on market conditions and price our loans at either a discount or a premium to the applicable PNBHFR. As of 31 December 2017, our PNBHFR was 14.35% for existing customers (loans disbursed) acquired before 1 March 2017, and for new customers (loans disbursed) acquired on or after 1 March 2017 was as follows: 8.50% for housing loans to salaried customers, 8.55% for housing loans to self employed non-professional customers, 9.15% for non-housing loans, 12.25% for construction finance loans and 9.35% for corporate term loans. We require our customers to pay certain processing fees and charges prior to the disbursement of the loans at different stages of the loan application. These fees and charges are subject to change from time to time based on market conditions and regulatory requirements.

Collateral for Housing Loans

The security for all housing loans is created either through an equitable mortgage by way of deposit of title deeds or a simple registered mortgage of immovable property. In addition to the mortgage of immovable property, in some of the cases, security is also provided by the borrowers through personal or corporate guarantees and/or the hypothecation of the receivables based on the credit requirements.

Construction Finance Loans for Real Estate Developers

We offer construction finance loans directly to real estate developers for residential housing projects they are developing. A dedicated team at our CSO conducts a detailed evaluation of the concerned projects and the real estate developers, including financial appraisal, project risk analysis and cash flow analysis. This enables us to offer customised loans to real estate developers based on their expected acquisition and construction cost. Our TSG monitors projects for delivery standards and maintains an internal grading for the concerned real estate projects and developers.

The loan size, repayment schedule, LTV ratio, tenure and the interest rate and fees for our construction finance loans to real estate developers are generally determined on the basis of our evaluation of the real estate project and the developer as well as market conditions. The interest rate and fees at which we offer construction finance loans to real estate developers is typically higher than what we offer to our retail housing loan customers.

The security for all the construction finance loans are created either through equitable or English mortgages (as defined in the Transfer of Property Act, 1882, as amended) of immovable property tendered as collateral for the loan. In addition to the mortgage of immovable property, in most of the cases, security is also provided by the developers by way of personal guarantee of the promoters and/or a corporate guarantee of the related holding or group companies in addition to the hypothecation of project/rent receivables and assignment of the relevant insurance policy based on credit requirements.

The table below sets forth details in relation to our housing loan products as of dates indicated below.

			As of 31 March					
	As of 31 December 2017		**2017**		**2016**		**2015**	
	Amount (in ₹ million)	*% of total housing loans*	*Amount (in ₹ million)*	*% of total housing loans*	*Amount (in ₹ million)*	*% of total housing loans*	*Amount (in ₹ million)*	*% of total housing loans*
Loan Product								
Retail Housing Loans								
Home Purchase Loans	267,135.70	69.29%	195,086.89	71.56%	142,867.75	74.74%	88,863.26	74.28%
Residential Construction Loans	12,950.21	3.36%	9,177.04	3.37%	6,528.40	3.42%	4,953.31	4.14%
Residential Plot Loans	16,586.81	4.30%	11,582.02	4.25%	8,476.96	4.43%	4,472.27	3.74%
Residential Plot Cum Construction Loans	16,960.31	4.40%	10,741.72	3.94%	6,896.30	3.61%	4,337.11	3.63%
Home Extension Loans	529.25	0.14%	509.15	0.19%	660.84	0.35%	730.40	0.61%
Home Improvement Loans	2,338.84	0.61%	1,708.16	0.63%	1,081.42	0.57%	168.34	0.14%
Total Retail Housing Loans	316,501.13	82.09%	228,804.99	83.93%	166,511.67	87.10%	103,524.70	86.53%
Construction Finance Loans	69,049.13	17.91%	43,815.73	16.07%	24,650.75	12.90%	16,110.82	13.47%
Total Housing Loans	**385,550.26**	**100.00%**	**272,620.72**	**100.00%**	**191,162.42**	**100.00%**	**119,635.52**	**100.00%**

Non-Housing Loans

We offer our non-housing loans to customers in the form of retail non-housing loans, which include LAP, NRPL and LRDs below ₹250.00 million, as well as non-housing loans in the form of CTL and LRDs of ₹250.00 million or more. Our retail non-housing loans are primarily for self-employed customers who already own a property and whose main source of income is their profession or their business, while we offer CTLs and LRDs of ₹250.00 million or more primarily to developers and/or corporates.

Loans against Property. LAP are loans that are used primarily for business financing requirements, such as, for the expansion of business and/or working capital for a business or another legitimate purpose as set out in the relevant loan documentation. LAP loans to self-employed customers accounted for approximately 81.78% of our total LAP portfolio as of 31 December 2017. Certain self-employed customers are professionals such as lawyers, doctors or chartered accountants with higher incomes, referred to as "self-employed professionals". Certain other self-employed customers rely on their commercial businesses for their income, referred to as "self-employed non-professionals". We are usually able to charge self-employed non-professionals interest rates that are higher than what we typically offer to salaried customers or to self-employed professionals. LAP are usually secured through an equitable mortgage by way of deposit of title deeds or by registered mortgage on the customers' existing commercial or residential property.

Non-Residential Premises Loans. Loans for financing the purchase, construction or extension of offices, clinics, shops and other commercial properties. NRPL are usually secured through an equitable mortgage over the customers' existing commercial or residential property.

Lease Rental Discounting. Loans which are offered to customers who satisfy our underwriting norms. These loans are generally provided against rental receivables (which are typically routed through an escrow account) derived from lease contracts with tenants of an operational commercial property, which is the primary source of repayment of the loan and other related dues. The size of the loan is based on the discounted value of the rentals and the underlying property value. An equitable mortgage is created over the commercial property to secure the loan and other related dues. In certain circumstances, security may also be created in the form of pledge over the shares of the customer/mortgagor. A key consideration in the credit appraisal process is the enforceability of the security, as well as the quality of the tenant occupying the property.

Corporate Term Loans. CTLs are general purpose loans granted to developers and/or corporates for purposes of on-going projects or business needs. The security for all CTLs is created either through equitable or English mortgages of immovable property tendered as collateral for the loan. In addition to the mortgage of immovable property, in most of the cases, security is also provided by the customer by way of personal guarantees of the promoters and/or a corporate guarantee of the related holding or group companies.

The table below sets forth, as of the dates indicated below, the average loan size (at origination), weighted average LTV ratio (at origination) and average residual tenure for our non-housing loans.

				As of 31 March					
	As of 31 December 2017			2017			2016		
Customer Type	**Average Loan Size** (*at origination*) (*in ₹ million*)	**Weighted Average LTV** (*at origination*) (*%*)	**Average Residual Tenure** (*months*)	**Average Loan Size** (*at origination*) (*in ₹ million*)	**Weighted Average LTV** (*at origination*) (*%*)	**Average Residual Tenure** (*months*)	**Average Loan Size** (*at origination*) (*in ₹ million*)	**Weighted Average LTV** (*at origination*) (*%*)	**Average Residual Tenure** (*months*)
Retail Non-Housing Loans									
Salaried Customers	2.30	50.19%	167	2.05	47.94%	162	1.99	44.43%	143
Self-employed customers	7.02	48.91%	139	7.27	47.66%	136	7.20	46.53%	133

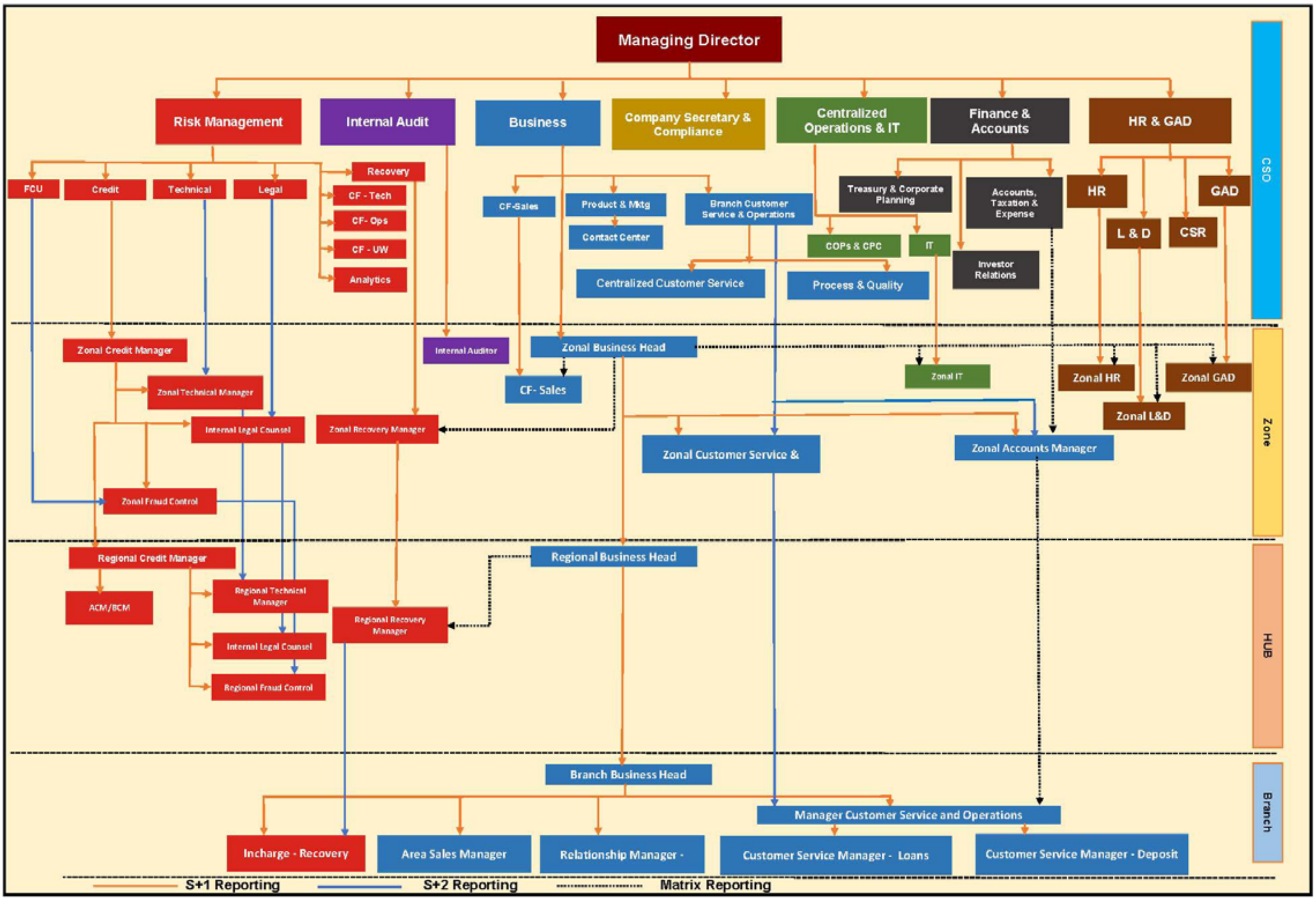
The table below sets forth details in relation to our non-housing loan products as of dates indicated below.

	As of 31 December 2017		As of 31 March 2017		2016		2015	
Non-housing loans	*Amount (in ₹ million)*	*% of total non-housing loans*	*Amount (in ₹ million)*	*% of total non-housing loans*	*Amount (in ₹ million)*	*% of total non-housing loans*	*Amount (in ₹ million)*	*% of total non-housing loans*
Loan Against Property (LAP)	88,443.28	52.83%	64,733.58	57.44%	49,108.82	60.92%	33,915.77	69.85%
Non-residential Premises Loans (NRPL)	18,978.10	11.34%	13,960.66	12.39%	10,435.52	12.95%	5,957.92	12.27%
Lease Rental Discounting (LRD)[1]	35,316.33	21.10%	18,698.73	16.59%	11,972.75	14.85%	5,618.21	11.57%
Corporate Term Loans (CTL)	24,669.72	14.74%	15,299.78	13.58%	9,093.16	11.28%	3,065.74	6.31%
Total Non-Housing Loans	**167,407.44**	**100.00%**	**112,692.74**	**100.00%**	**80,610.26**	**100.00%**	**48,557.65**	**100.00%**

[1] *Our retail non-housing loans include LAP, NRPL and LRD below ₹250.00 million. As of 31 December 2017 and as of 31 March 2017, 2016 and 2015, LRD below ₹250.00 million amounted to ₹7,675.36 million, ₹7,116.11 million, ₹4,296.35 million and ₹2,694.89 million, respectively.*

Our Operational Structure

As part of "*Project Kshitij*", our BPR programme, we structured our operations into a scalable operating model with following main components: branch operations, processing hubs, zonal offices (which are co-located with our processing hubs) and our CSO. These components are supported by our COPS and CPC. As of 31 December 2017, we operated 80 branches, 21 processing hubs and three co-located zonal offices. Each processing hub currently serves on an average four branches but are generally designed to support additional branches. Set out below is a graphical representation of our operating structure.



Branches

Our branches assist us with several of our customer-interfacing operations, including management of our relationships with our customers. Our branches also assist us with marketing of our products and act as a point of sale for our loan and deposit products. We also provide post-disbursement services to our customers through our branches. The employees at our branches originate and service loans and conduct various collection processes. As of 31 December 2017, we operated 80 branches across the northern, western and southern regions in India and the average number of our employees at each branch was approximately 8. We have made significant investments in standardisation of our branches over the last few years. In order to enhance the experience for our customers, all our branches and workplaces have been recently revamped to give them a uniform, contemporary appearance. All our branches have an advanced data transfer network with two levels of back-up failure support. The table below sets forth the regional locations of our branches as of 31 December 2017.

Northern Region	Western Region	Southern Region
Agra, Bhiwadi, Bhubaneswar, Bikaner, Chandigarh, Dehradun, Delhi-NCR*, Jaipur, Jalandhar, Jodhpur, Kanpur, Karnal, Kolkata*, Lucknow, Ludhiana, Meerut and Varanasi.	Ahmedabad*, Bhopal, Indore*, Kolhapur, Mumbai-MMR*, Nagpur, Nasik, Pune*, Raipur, Rajkot, Surat and Vadodara.	Bengaluru*, Chennai*, Cochin, Coimbatore, Hyderabad*, Madurai, Mangalore, Mysore, Salem, Thrissur, Trichy, Thiruvananthapuram, Vijaywada and Vishakhapatnam.

* Branches in these cities: Delhi-NCR-9, Kolkata-2, Ahemdabad-2, Indore-2, Mumbai-MMR-10, Pune-6, Bengaluru-8, Chennai-4, and Hyderabad-3.

Zonal Offices

As of 31 December 2017, we had three zonal offices at Noida, Mumbai and Bengaluru for the northern, western and southern regions, respectively, which are co-located with three processing hubs. As of that date, the average number of our employees at each zonal office was 17. While carrying out the functions of a processing hub, each of our zonal offices also supervises our operations in the relevant region through our branches and processing hubs and reports to the relevant key management persons at the CSO.

Processing Hubs

Each of our zonal offices is supported by our regional processing hubs:

- at Chandigarh, Dehradun, Green Park, Jaipur, Kolkata, Lucknow, and Noida in the northern region;
- at Ahmedabad, Indore, Mumbai (two hubs), Pune (two hubs) and Surat in the western region; and
- at Bengaluru (three hubs), Chennai, Coimbatore, Hyderabad and Kochi in the southern region.

Our processing hubs are responsible for credit approval, credit evaluation and implementation of our credit portfolio management methodologies. We have credit appraisal teams of experienced personnel at our processing hubs who implement our credit approval policies and conduct a credit check and verification procedure on each customer, ensuring consistent underwriting standards in an effort to minimise delinquencies. We also have subject matter experts in several areas, particularly in underwriting, legal, technical valuation fraud control and collections. As of 31 December 2017, the average number of our employees at each processing hub was 12.

Underwriters. Our team of underwriters comprises experienced mortgage professionals who have in the past worked with well-known financial institutions in the region. Our team of underwriters receives training at regular intervals and is equipped to underwrite all customer segments. The underwriting team works closely with the other subject matter experts to take credit decisions and monitors the credit quality of the loan portfolio.

Fraud Control Units. Our FCUs screen the files and examine the documents provided by our customers for genuineness in order to identify and prevent any potential fraud at an early stage of loan processing. Our FCUs also educate our business team members about the checks required to identify various types of frauds in the industry. Each of our processing hubs is staffed with at least one FCU, who are supported by certain empanelled external vendors based on requirements.

Technical Service Group. Our TSG is a team of experts which includes civil engineers and conducts technical appraisal of a property. Each of our processing hubs is staffed with at least one member of the TSG, who is supported by a regional team to manage geographical diversity and complexity across the different regions that we operate in. Our TSG and underwriting teams also utilise data, on selective basis, on supply and demand dynamics of projects, rentals, and market prices from online real estate data and analytics platform.

Legal. Our legal team at each processing hub manages property title verification of collateral properties in connection with our housing and non-housing loans. This team is also involved in formulating our legal policies and processes, drafting of loan agreements and related documents as well as reviewing title due diligence reports of real estate projects. The team manages external lawyers for certain legal transactions, particularly those relating to balance transfer cases and construction finance to real estate developers.

Collections. Our collections team at each branch comprises collection experts who have extensive experience with SARFAESI, DRT and other legal recovery procedures. Our collections team monitors our outstanding loan portfolio and the related collateral. It also manages collections of overdue or written-off loans by our collection personnel at our branches as well as certain external collection agencies.

Central Support Office (CSO)

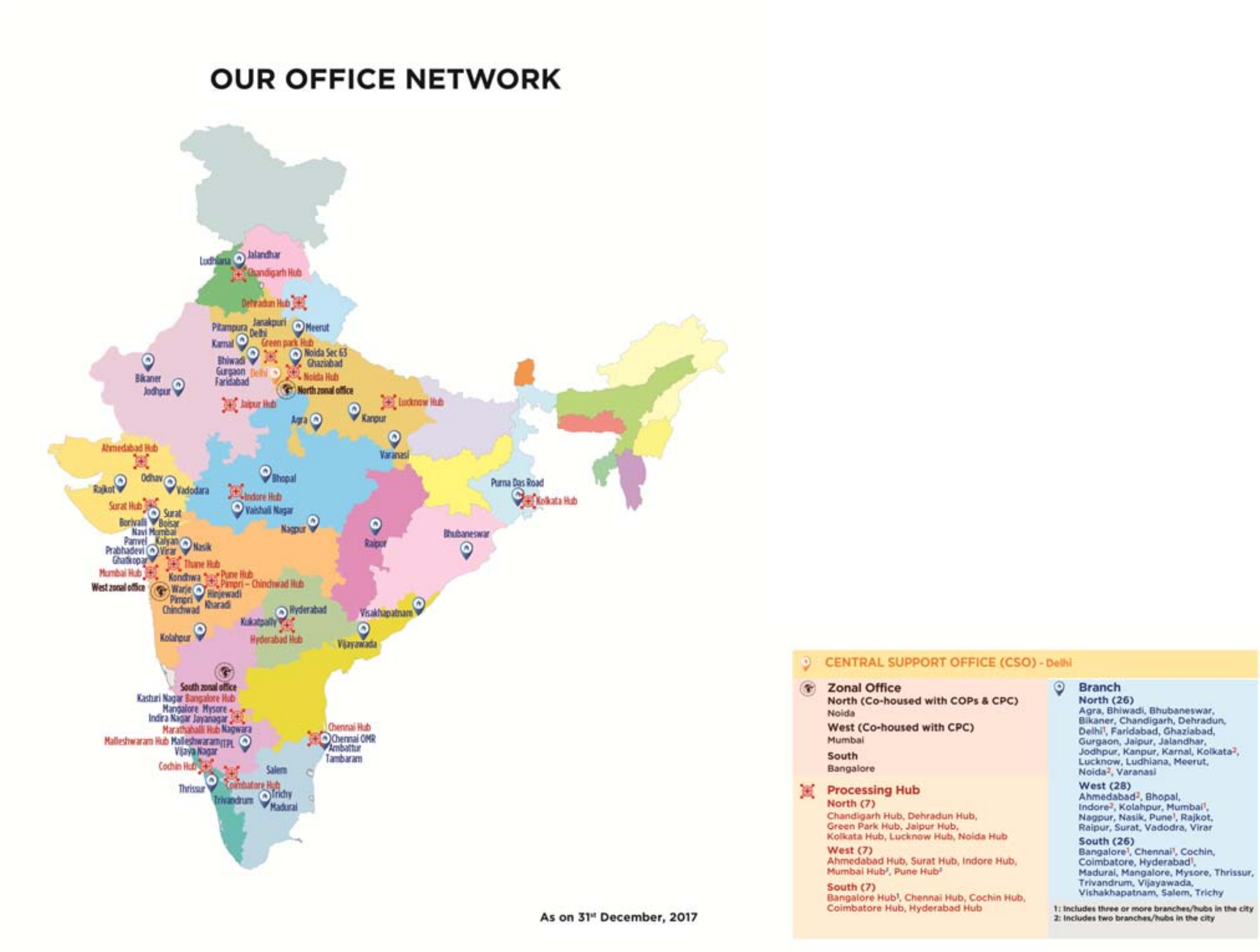
Our CSO is our head office and supervises our operations nationally, including our branches, zonal offices and processing hubs. The CSO is where our senior management team, including our Managing Director and Chief Executive Officer, is based. It also includes the key business persons who oversee our various business functions, including business development, products and marketing, underwriting, collections, corporate planning, treasury and accounting, centralised operations, facilities management, human resources, information technology and corporate social responsibility.

Back-End Administrative Activities (COPS and CPC)

We have standardised our operating procedures, documentation and policies across all locations. COPS and CPC are supported by our recently implemented ESS, which integrates all our activities and functions under a single platform and is expected to support sustainable business growth by automating several processes and as a result, improve the efficiency and quality of our operations. For details in relation to ESS, see "*—Information Technology*." COPS provides centralised back-end administrative activities and processing for our business such as deposit account creation, pay-out channel processing and processing of interest warrants for deposit accounts, insurance reconciliation and handling customer correspondence, which enables our branches to focus on origination, collection and enhancing customer service. A two-step "four eye" verification process is carried out at COPS in order to minimise human error, which involves the roles of "maker" and "checker". A maker verifies documents once they are uploaded onto the ESS by the branch representatives and may send an application back to the branch if there are any discrepancies. A checker scrutinises deposit details and authorises or rejects the transaction. The deposit receipt is then printed and dispatched to the customer and certain relevant details are provided through an SMS and e-mail as well.

With implementation of the ESS, our loan and security documents have been moved from branch offices to a professionally managed repository at CPC where they are stored in a secured vault area in accordance with our agreements with third party service providers and are appropriately logged using barcodes. We conduct internal audit checks and continuously track movement of documents as a standard procedure. Our deposit application forms and related documents get dispatched to CPC after creation of a deposit receipt from COPS. The CPC also manages concurrent title document verification and CERSAI update of customers and loans. After disbursement, loan files are moved to centralised storage. We have recently centralised loan repayment, i.e., electronic instructions for credit or debit and post-dated cheques (**PDCs**) for all loan accounts and the entire process of banking, monitoring and exchange of instruments is now handled by CPC. As of 31 December 2017, approximately 97% of the aggregate amount of EMIs were paid electronically, i.e., through payment channels such as electronic clearing system or "ECS" and "National Automated Clearing House" or "NACH". Similarly, we make payments on our deposit accounts electronically and manage them through a centralised location.

Set out below is a graphical representation of our sourcing network and our key business locations across India as of 31 December 2017.



Our Marketing and Distribution Network

Our loans and deposits are sourced through our marketing and distribution network, which is divided primarily between our in-house channel and third party channels. As of 31 December 2017, our marketing and distribution network comprised over 12,000 channel partners. We are increasingly becoming less dependent on third party channels. In the nine months ended 31 December 2017 and in

Fiscal Years 2017, 2016 and 2015, we sourced 65.65%, 59.47%, 55.00% and 53.07%, respectively, of new loans from our in-house channels.

In-house Channels

Our in-house channel of marketing and distribution includes our in-house DST who are employed on third party payroll but are trained by our sales and marketing team and who we manage through our branches. Our DST channel partners generate leads from potential customers through direct contact with customers, through real estate developers, property brokers and references. Our DST channel partners also provide “door step” services to certain customers and help customers complete the relevant loan documentation. To support our customers and in-house sales channel, we also have a centralised contact centre team in place.

Recently, we have formed a new subsidiary, PHFL Services, with the primary objective of reducing our reliance on third party vendors and contracted sales agents. In doing so, we aim to bring our assets sales business into the Company, using the services of a dedicated in-house sales team. As part of this process, we plan to migrate certain existing DSTs who are presently on the rolls of third party vendors, such as Teamlease, onto the rolls of PHFL Services, after screening and selection.

Third-party Channels

Our third party channels include the DMAs, deposit brokers and referrals from financial institutions and market aggregators. Our DMAs and deposit brokers are typically proprietorships, professionals such as chartered accountants and consultants who provide advice to small businesses and recommend customers to us. We pre-screen all DMAs and deposit brokers and conduct a KYC check process with them before entering into an agreement with them. These DMAs and deposit brokers do not work exclusively with us and may also work with other lenders, including our competitors.

DMAs work under the supervision of our sales managers who monitor their performance on the basis of parameters such as understanding of our products and procedures, number and amount of loans sourced, TAT and instances of fraud, delinquencies or customer complaints. Once the DMAs identify prospective customers and submit loan application documents, the teams at our processing hubs undertake credit appraisal and subsequently the branches conduct loan fulfilment processes directly with the customer. DMAs are generally paid for their services in the form of a variable commission based on the disbursement of loans sourced by them. The commission paid to DMAs are accounted for as loan origination costs and are amortised over the average loan tenure.

We also have arrangements with a number of banks and financial institutions and market aggregators to provide their customers access to our housing and non-housing loan products.

We have empaneled certain deposit brokers for raising deposits for us and offer them brokerage for successfully raising deposits. The brokerage structure is linked to the tenure of deposits raised and we amortise the brokerage paid over the tenure of deposits raised. We seek to comply with the applicable guidelines issued by the NHB regarding the ceiling on the brokerage paid to the deposit brokers. For further details regarding regulatory requirements in relation to deposits, see “*Key Regulations and Policies—NHB Directions—Public Deposits*.”

Lead Management System

In order to manage leads that originate from our various affiliates, advertisement campaigns, email marketing channels, toll free calls and lead aggregator websites, we have implemented a lead management system to originate and manage the resulting housing loan applications. An integral part of our lead management is our customer contact centre, which houses a team of tele-executives equipped to manage business development and post-disbursement customer queries. Our contact centre responds to the initial inquiries from potential customers with the help of our lead management system and makes the first contact with potential customers and sets up an appointment between the customer and our DST channel partner after an initial verification of the credentials and loan requirements of the potential customer. An alert is also sent to our DST as well as to the customer. Our DST channel partner meets the customer to understand their financing requirements and updates the customer's status by mobile, which gets updated in our lead management on the system on a real-time basis. The lead management system then continues to track progress made by the DST on the loan application and provides regular status updates to stakeholders in the process at all key stages of the loan application process. The automated lead management process allows us to provide efficient service to our customers, facilitates end-to-end lead tracking, and monitors the performance of marketing campaigns and sales reports electronically.

Branding and Advertising

The Company promotes itself as “PNB Housing”. We introduced our new logo “” in August 2014, which has improved our brand visibility as a specialised HFC. We continue to benefit from the Promoter’s “PNB” brand, which we feel conveys a high level of trust and is a well-recognised brand in India due to the Promoter’s long presence in the Indian market and the financial services businesses in which PNB and its affiliated entities operate. See “—*Intellectual Property*.” for further details in relation to our brand. Our tagline, “*Ghar Ki Baat*” is meant to convey to our customers that obtaining a housing loan should be a pleasant experience and that we will make them feel at home if they come to us for a housing loan. Our marketing and branding team analyses various marketing opportunities, carefully selects alternatives and ensures consistent communication to build a brand recall. Our communication strategy revolves around trustworthiness, transparency, customer-centric approach and contemporary outlook as well as technology initiatives to enhance transparency and communication.

The central messages that we seek to reinforce through our marketing initiatives are:

- A high level of trust and transparency: Delivering on what we have committed to delivering, while being transparent and fair in our dealings; and
- A contemporary and customer-centric outlook: Superior quality of service to meet the expectations of our customers.

We use offline and online media channels to promote our brand, products and services. To date, we have focused on ground-based activities, such as participation in trade exhibitions, maintaining a strong presence at points of sale and utilising direct mailers and flyer distributions. This has enabled us to reach out to specifically targeted audiences to drive business volumes. Our digital media presence though our website, social media, display banners, and search engine optimisation has enabled us to increase our brand awareness and customer reach and drive business volumes. During the nine months ended 31 December 2017, online enquiries were an average of 33,170 per month. In January 2016, we also launched a multimedia brand campaign on television, radio, and print in order to improve our brand perception and increase our exposure to a larger audience.

We believe that branding and marketing are the key essentials for every HFC. We also participate in numerous events and exhibitions and make our presence felt at points of sale to engage and foster relationship with potential customers. Further, our digital innovations have supported our efforts to reach out to modern and technologically savvy customers.

Customer Service, Grievance Redressal and Customer Retention

In addition to providing our services through our branches, to promote ease of accessibility, we provide several of our services at the doorstep of our customers pursuant to our non-branch delivery model. We have established a multi-level customer query and grievance resolution process, which we believe helps us build stronger relationship with our customers. Our online customer portal, which is available 24/7 both on the Web as well as in form of a mobile application, is also a source for our customers to easily access all important information related to their loans and deposits. In order to achieve customer satisfaction and loyalty, our customer contact centre assists with post-disbursement customer service through regular communication of loan and account status to our customers and by responding to their queries and requests. We regularly communicate with our customers and provide our customers with the documents or letters they require such as transaction completion or loan disbursement documents and tax exemption form submission letters. At our branches, dedicated customer service managers ensure timely resolution of the complaints or queries received. In addition, customers can register their grievances through email, telephone or a complaint book, which is available at all our offices. We strive to develop customer ownership in all our employees as well as maintain transparency at all levels in order to deliver customer satisfaction. When we receive a customer complaint, we first perform a preliminary check to verify the customer's details and subsequently assign a unique service request number. We ascertain the nature of the customer request and strive to provide a prompt resolution. If necessary, we engage our legal team in the response process. Our customer service managers co-ordinate with the relevant team members for resolution of complaints.

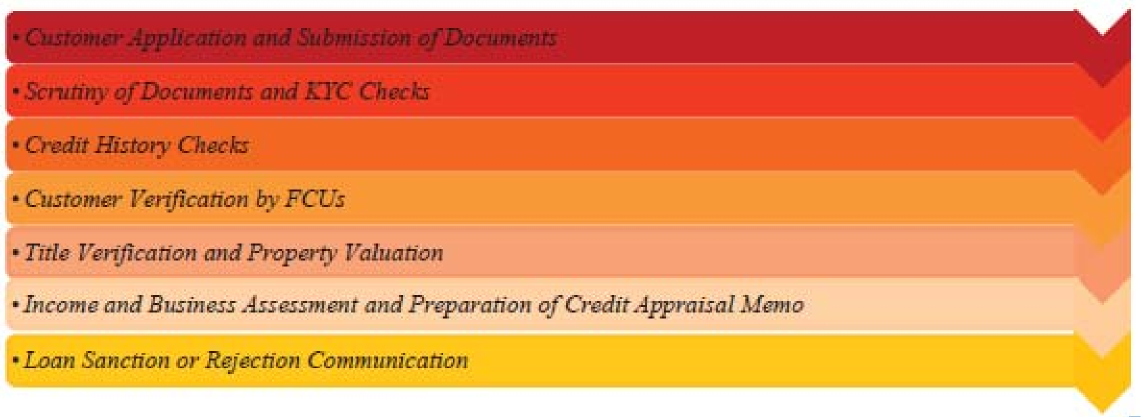
We endeavor to retain customers requesting pre-payment of loans or closure of accounts. Our customer retention team at our CSO plays an important role in retaining customers by monitoring pre-payment requests and by contacting customers who may be considering balance transfer loans to other lenders. Our customer relationship managers try to retain such customers to the extent possible by understanding their requirements and providing suitable solutions. In the majority of cases, rate revisions and top up loans are offered to customers. From time-to-time, we also offer customers a change in loan structure such as tenure reduction or enhancement upon approval of our underwriting team.

LENDING POLICIES AND PROCEDURES

We have a well-established and streamlined credit underwriting process. We have experienced personnel at our CSO and processing hubs who develop and implement our credit approval policies within the prudential guidelines, directions and circulars prescribed by the NHB. Under our end-to-end business model, our employees are involved throughout the entire loan process and are able to interact regularly with our customers at all stages until loan disbursement, which we believe is relevant for loans to self-employed customers where credit risk may be more difficult to assess.

Loan Underwriting Process

Set forth below is a graphical representation and a brief description of our loan underwriting process.



Customer Application and Submission of Documents. We require all applications for our housing and non-housing loans to be submitted on our standardised forms along with the processing fee and predefined documents to assist KYC checks, including those relating to proof of name, date of birth, address, telephone number and signature as well as the property to be purchased or mortgaged. Salaried customers are required to submit documents such as salary slips, bank statements or tax deduction certificates for income verification purposes. Self-employed customers are required to submit income tax returns, financial statements, bank statements and other documentation which demonstrates business track record and sufficient earnings.

Scrutiny of Documents and KYC Checks. The completed application and documents as submitted are reviewed for completeness by our processing hubs, which along with certain empanelled third-party agencies, conduct various KYC checks, including on-site checks, to verify the customer's details.

Credit History Checks. We also check the credit history and credit worthiness of the customer with our preferred credit bureaus, such as CIBIL and certain local customer verification agencies, to ascertain the financial obligations of the customer, clean repayment track record or instances of any delays or defaults in the past by the customer.

Customer Verification by FCU. Our FCUs and certain third-party fraud control agencies conduct preliminary verification checks on the customer files and documentation in order to identify and subsequently prevent any possible fraudulent loan applications. Internally, we check our databases for any information on the customer. Under certain circumstances, such as for self-employed customers, we may, with the assistance of an empanelled third-party agency, carry out reference checks with the customer's bankers and creditors as well as other persons in the customer's community.

Title Verification and Property Valuation. We carry out title verification checks on the collateral offered by the customer to verify its quality and enforceability. We conduct property valuations to assess the property and often engage external property valuation experts. These experts assess the fair market value of the property, together with whether there are any risks associated with the property's marketability and whether the property complies with local bye-laws and regulatory norms.

While the property valuation experts provide an independent assessment of the property's current market value, our technical team generally adopts a conservative approach in valuing the property. In the case of houses under construction, we consider the cost estimate given by the architect or chartered engineer to be the project cost. We verify the cost estimate, and in turn the project cost, by using an average cost of construction per sq. ft., which we periodically revise based on input prices. Our Company uses this measure as a benchmark against the cost estimate submitted by the prospective borrower. These activities are supervised by our TSG and legal team.

Income and Business Assessment and Preparation of Credit Appraisal Memo. We undertake an assessment of our customer's income, and in case of self-employed customers, their business. Certain factors that influence our assessment include the customer's income, employment, dependency details, age, education and other existing financial obligations (which we measure through the "fixed obligation to income ratio", or **FOIR**) and the instalment to net salary/income ratio.

For prospective self-employed professional self-employed non-professional borrowers, our credit team visits the prospective borrower's business and residential premises and examines the prospective borrower's financial information, including bank statements and cash receipts, in order to ascertain whether the prospective borrower's business is generating sufficient income to repay the loan sought.

Upon satisfactory completion of the process described above, our credit team determines the loan amount to be granted to the borrower. Key determinants of the loan amount that can be sanctioned are the borrower's repayment capacity and the value of the collateral property. Our credit team would then prepare a credit appraisal memo which would include details such as the credit evaluation summary, customer verification report, valuation report, recommended LTV, tenure and interest rate.

Loan Sanction or Rejection. Once the application review process is completed, the loan application is either sanctioned or rejected by the relevant approvers. The sanctioning authority is delegated to various personnel such as the area credit manager, regional credit manager, zonal credit manager, national credit head, chief risk officer, managing director and our management and credit committees of the Board, depending on the loan amount.

For construction loans to real estate developers, additional information on the prospective borrower's past and present projects, estimates of cost and means of finance is obtained along with construction, sales and cash flow projections. This information is evaluated by a team of specialised underwriters at our CSO. Construction loans to real estate developers require regulatory approvals and credit ratings by rating agencies.

Loan disbursement

We disburse loans to our customers only after execution of the loan agreement and the mortgage or an alternative security document. We obtain electronic clearance instructions or PDCs from the customer for the EMI payments before disbursing the loan. We also obtain an additional cheque for the principal amount of the loan which we can present in the event the customer defaults for any reason. We disburse the loan to the customer once the electronic clearing system form or cheques have been received.

Disbursement for construction finance loans to real estate developers of residential housing projects is based on our verification of the construction progress of the project and our review of completion certificates or other documents provided by the real estate developer. Disbursements typically occur at specific stages of the construction project, such as percentage of construction complete or at particular milestones.

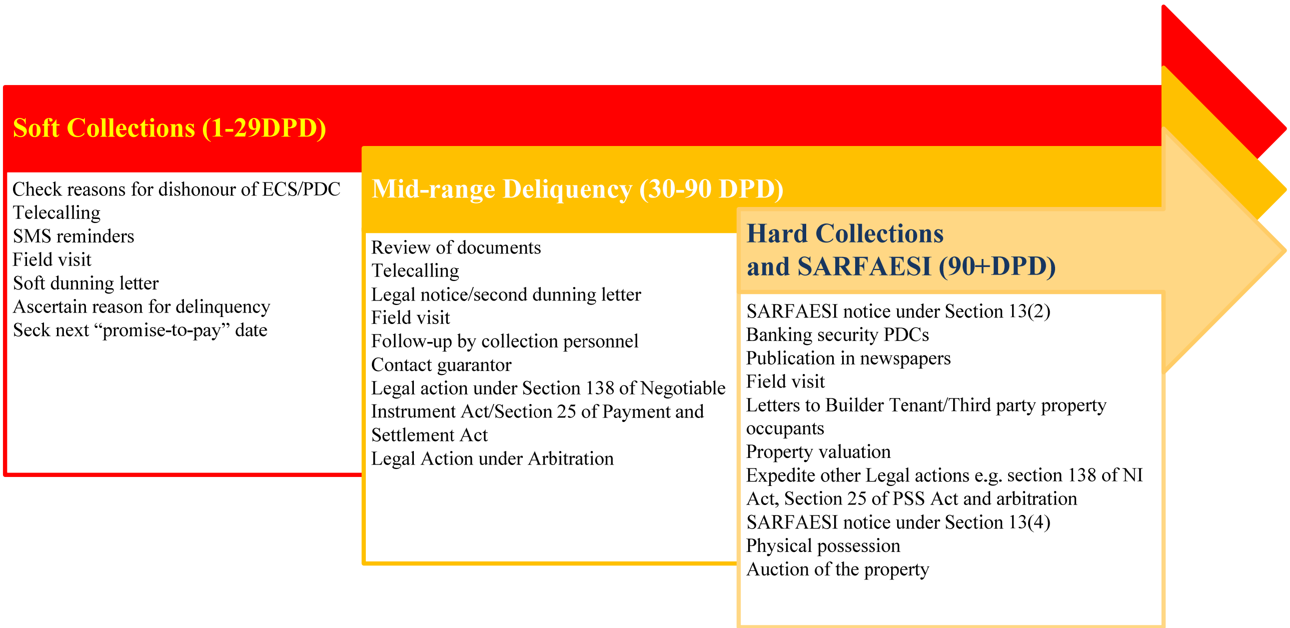
Portfolio Monitoring

We have designed our portfolio management methodologies for early identification of problematic loans. We regularly review and monitor our loan portfolio as well as debt repayment levels of certain loan portfolio segments, which allows us to identify potentially problematic loans at an early stage and prepares us for immediate action if any principal or accrued interest repayment problems arise. We monitor our portfolio through various analyses, which include, among others, delinquency ageing analysis, where delinquencies are broken into various categories, such as region, branch, product, occupation and property type, and analyzed to understand the reasons for the delinquency; early warning delinquency analysis, where customers who have repeatedly failed to make payments are pooled, tracked and monitored; as well as detailed variance analysis, product analysis and historical case review on a periodical basis. Our credit and collection teams undertake regular review of concentration risk, and loans that have large values or historically higher than average delinquency rates are monitored more frequently. We undertake a periodical portfolio scrub with bureaus to ascertain/identify customers who are a standard loan facility with us but are delinquent in loan facilities with other institutions. This provides us early warning signals and makes our collections pro-active and efficient in dealing with probable delinquent customers.

Asset Recovery Processes

We follow a streamlined process for recovery of delinquent loans. A loan account may be declared delinquent when no payment is received for more than one day after it has remained "past-due". We classify loans as "past-due" if an EMI is not received on the due date on account of either the ECS payment instruction or the PDCs not being honoured. The asset recovery process is conducted by our collections team as well as third party collections agencies under the supervision of our collections experts at our processing hubs. All personnel engaged in our collection activities are required to adhere to a code of conduct, which requires them to, among other things, be courteous and objective in their dealings with our customers, maintain integrity and reject any bribes or any other form of personal gain, maintain transparency and confidentiality in their operations and not engage in any form of physical contact with our customers.

Set out below is a graphical representation of our asset recovery process.



** “DPD” represents the days past-due.*

We classify the loan recovery process under broadly three stages of delinquency.

Soft Collections (1-29 DPD). Once a loan has become past-due, we try to ascertain the reasons for the dishonour of the ECS or PDC. Our asset recovery process commences with reminders to delinquent customers to make the payment at the earliest through a “soft-dunning” letter which is followed by an SMS message and a telephone call. If payments are not received, or if promised–to-pay (**PTP**) dates are missed, we remind our customers again through a telephone call. Our collections team may visit the delinquent customer’s premises to have a discussion regarding the reasons for the delinquency and to convince the customer to make the payment before the loan becomes past-due for more than 30 days.

Mid-range Delinquency (30-89 DPD). We continue to follow-up with our delinquent customers through telephone calls and SMS reminders if loan repayments remain overdue and send written repayment demands through a “second-dunning” letter. We make further field visits to the customer to convince them to make the repayment by explaining to them the consequences of non-repayment (including repossession of the mortgaged property) and try to obtain another PTP date. We also try to identify the likelihood of further delinquency at this stage and our collections team may provide an early warning internally in certain cases. We review the security documents or guarantees provided by the customer and may initiate appropriate legal action by issuing a legal notice under the loan agreement with our customer if payment is not received by the PTP date. If a guarantee has been provided, the guarantor is contacted to make payments on behalf of the customer.

Hard Collections and SARFAESI (90+ DPD). In accordance with the NHB Directions, once a loan remains past-due for a period of more than 90 days, it is classified as a “non-performing asset”, or **NPA**. The proceedings under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, as amended (the **SARFAESI Act**) may commence once a loan becomes an NPA. The proceedings commence with the issuance of a notice to the customer and/or the guarantor calling upon them to pay the demanded amount within 60 days. In the case of non-compliance, another notice is issued for taking over symbolic possession of mortgaged property and applications seeking assistance of the police for taking physical possession of the mortgaged property are filed. We obtain a valuation of the mortgaged property, fix the reserve price and place it for auction. At times, the property is also sold through private arrangements after obtaining consent of the customer. The loans where the likelihood of repayment is remote are written off. Subsequent recoveries on these loans are recognised directly in our income statement but the asset itself is not regularised and remains written off.

In the event that the cheques issued by our customers are dishonoured on account of insufficiency in funds, we may also undertake proceedings under Section 138 of the Negotiable Instrument Act, 1881, as amended (**NIA**). We initiate legal actions under the NIA in the event of default. Upon the receipt of the relevant information and documents such as the cheque dishonour memo, a notice demanding payment is served to initiate proceedings under the NIA. If no payment is received within the stipulated period, a criminal complaint is filed before the competent court. We also initiate arbitration proceedings based on arbitration clauses in our loan agreements. The proceedings are conducted in accordance with procedure agreed in the loan agreement or as prescribed under the (Indian) Arbitration and Conciliation Act, 1996, as amended. After adjudication, *ex-parte* or otherwise, an award is passed by the arbitrator.

Debt Settlement

Under certain exceptional circumstances, we may offer customers a negotiated settlement where the settlement amount may be determined on the basis of factors such as quality and enforceability of collateral, other attachable assets of the customer or guarantor, status of legal action initiated and category of NPA as well as certain other factors such as death or long-term illness of customer, failure of customer's business or occurrence of any natural disaster.

SOURCES OF FUNDING

Overview

As of 31 December 2017, our borrowings constituted 94.33% of our total liabilities. Set forth below are our different sources of funding and their respective contribution as a percentage of our total outstanding borrowings as of 31 December 2017 and as of 31 March 2017, 2016 and 2015.

Source of funding			**As of 31 March**					
	As of 31 December 2017		**2017**		**2016**		**2015**	
	Amount (in ₹ million)	*% of total outstanding borrowings*	*Amount (in ₹ million)*	*% of total outstanding borrowings*	*Amount (in ₹ million)*	*% of total outstanding borrowings*	*Amount (in ₹ million)*	*% of total outstanding borrowings*
Loans from banks and financial institutions	53,280.00	10.50%	24,688.26	6.92%	19,484.74	7.45%	34,042.74	20.32%
NCDs and other debt instruments	205,370.00	40.47%	131,720.00	36.94%	87,700.00	33.53%	39,650.00	23.67%
Deposits	106,684.72	21.02%	99,870.90	28.01%	71,158.51	27.20%	48,974.26	29.24%
ECBs	14,532.50	2.86%	15,115.49	4.24%	6,106.95	2.33%	6,106.95	3.65%
Commercial paper	87,950.00	17.33%	43,700.00	12.26%	50,250.00	19.21%	16,000.00	9.55%
Refinancing from NHB	25,701.73	5.06%	27,483.98	7.71%	20,788.48	7.95%	17,741.76	10.59%
Subordinated debt	13,990.00	2.76%	13,990.00	3.92%	6,100.00	2.33%	5,000.00	2.98%
Total borrowings	**507,509.95**	**100.00%**	**356,568.70**	**100.00%**	**261,588.67**	**100.00%**	**167,515.72**	**100.00%**

Our average cost of borrowings in the nine months ended 31 December 2017 and in Fiscal Years 2017, 2016 and 2015 was 7.78%, 8.55%, 9.07% and 9.42%, respectively.

Term loans from banks and financial institutions

As of 31 December 2017, the term loans outstanding from banks and financial institutions, excluding line of credit facilities, amounted to ₹33,852.44 million, as compared to ₹5,868.45 million and ₹11,594.53 million as of 31 March 2017 and 2016, respectively. As of 31 December 2017, we had outstanding loans from an aggregate of nine banks. Our term loans from banks and financial institutions are secured by a negative lien on our assets (excluding those used to secure our NCDs and deposits) and a charge on specific book debts. Our long term bank facilities are rated "CARE AAA" by CARE and "CRISIL AA+/Stable" by CRISIL, indicating high safety with respect to timely payment of interest and principal.

Non-Convertible Debentures

In the nine months ended 31 December 2017 and in Fiscal Years 2017, 2016 and 2015, we raised ₹82,650.00 million, ₹53,810.00 million, ₹50,150.00 million and ₹11,000.00 million, respectively, through privately placed NCDs. As of 31 December 2017, the outstanding balance of NCDs was ₹219,360.00 million, of which ₹13,990.00 million was unsecured. Our NCD issues have been listed on the wholesale debt market segment of the NSE. The NCDs are secured by mortgage of specific immovable property and by hypothecation of specific book debts. Our NCDs (secured and unsecured) are rated "CARE AAA", "[ICRA] AA+/Stable", "IND AAA/Stable" and "CRISIL AA+/Stable" by CARE, ICRA and India Ratings (Fitch) and CRISIL, respectively, indicating high safety with respect to timely payment of interest and principal.

Deposits

We are the second largest HFC in India by amount of deposits as of 30 September 2017, according to CRISIL Ratings. (*Source: CRISIL Ratings – PNB Housing Finance Ltd – Issuer Profile, February 2018.*) We offer a range of deposit products to our customers. We source deposits through brokers, distributors and directly by the relationship managers. We currently have approximately 6,000 brokers/distributors empanelled with us. The brokers/distributors play a significant role in sourcing fixed deposits for us, even from markets where we lack a branch presence. In the nine months ended 31 December 2017, we raised deposits of ₹25,976.39 million and repaid deposits of ₹19,162.63 million. Our outstanding deposits (net of maturities) grew at a CAGR of 42.80% from ₹48,974.26 million as of 31 March 2015 to ₹99,870.90 million as of 31 March 2017, and were ₹106,684.72 million as of 31 December 2017. As of 31 December 2017, our outstanding deposits (net of maturities) constituted 21.02% of our total outstanding borrowings. As of that date, our deposits were within the limit of five times of the net owned funds prescribed by the NHB. Our deposits are secured by a floating charge on the statutory liquid assets created by way of a deed of trust as per the NHB Directions. Our deposit programme is rated "FAAA/Stable" by CRISIL and "CARE AAA (FD)" by CARE. These ratings indicate the highest degree of safety regarding the repayment of principal and interest based on industry standards. Our deposits are repayable in accordance with the individually contracted maturities ranging from 12 to 120 months from the date of deposit. As of 31 December 2017, the interest rate we offered on our deposits ranged from 7.45% to 7.55% and was payable on the contracted terms depending upon the scheme opted by the customer.

External commercial borrowings

In Fiscal Years 2015 and 2017, we raised US$100.00 million and US$150.00 million as ECBs for durations of five years and seven years, respectively, on terms which are consolidated under the ECB Master Direction for funding low-cost affordable housing projects. The foreign exchange risk related to the principal and the spread has been fully hedged in accordance with the ECB Master Direction. Further, under the ECB Master Direction, "low-cost affordable housing units" have been defined as units where the property cost is up to ₹3.00 million, where the carpet area of the unit does not exceed 60 square meters and the loan amount is capped at ₹2.50 million.

Commercial paper

We use commercial paper as a source of short-term funds for our working capital needs and for bridge financing until such time as longer term securities are placed. In the nine months ended 31 December 2017 and in Fiscal Years 2017 and 2016, we raised ₹177,500.00 million, ₹142,950.00 million and ₹158,250.00 million, respectively, through issuance of commercial paper. The outstanding balance of commercial paper as of 31 December 2017 was ₹87,950.00 million. Our commercial paper is rated

“CARE A1+” by CARE and "CRISIL A1+" by CRISIL, indicating highest safety with respect to timely repayment.

NHB Refinance

The Government of India supports the flow of credit to the housing sector, and has implemented various policy initiatives, primarily in the form of the NHB’s affordable housing schemes aimed at providing low-cost, long-term credit to the low and middle income segments in rural and urban parts of India. Pursuant to these initiatives, the NHB provides refinance for certain qualifying loans at significantly reduced rates to certain qualifying HFCs through schemes such as the “*Rural Housing Fund*”, the “*Golden Jubilee Rural Housing Refinance Scheme*”, the “*Special Refinance for Urban Low Income Housing*” and the “*Refinance Scheme for Construction Finance for Affordable Housing*”. As of 31 December 2017, our outstanding refinancing from the NHB was ₹25,701.73 million and was secured by hypothecation of specific loans, including book debts. In the nine months ended 31 December 2017 and in Fiscal Years 2017, 2016 and 2015, we were disbursed ₹0.00 million, ₹10,000.00 million, ₹9,000.00 million and ₹10,100.00 million, respectively, under various refinancing schemes of the NHB.

Subordinated Debt

In the nine months ended 31 December 2017 and in Fiscal Years 2017, 2016 and 2015, we raised ₹0.00 million, ₹7,890.00 million, ₹2,100.00 million and ₹2,000.00 million, respectively, through long-term, unsecured, redeemable NCDs for the purpose of raising Tier II capital, determined in accordance with the guidelines issued by the NHB for the purposes of computation of CRAR. The debt under such debentures is subordinated to present and future indebtedness of the Company. The outstanding subordinated debt as of 31 December 2017 was ₹13,990.00 million. The NCDs issued in in Fiscal Years 2017 and 2016 were rated “CARE AAA” and “IND AAA” and those issued in Fiscal Year 2015 were rated “CRISIL AA+” and “ICRA AA+”, indicating high safety with regard to timely payment of interest and principal, with stable outlook.

Credit Ratings

For details in relation to credit ratings for various instruments we use to raise funds, see “*Assets and Liabilities—Sources of Funding—Credit Ratings*.”

Securitisation Transactions

We have in the past assigned loans in securitisation transactions and currently expect to enter into securitisation transactions from time to time in the future based on our internal funding requirements and business needs. In Fiscal Year 2015, we assigned loans with a weighted average interest rate of 10.89% amounting to ₹5,000.00 million to PNB. In Fiscal Year 2017, we assigned two pools, one with a weighted average interest rate of 11.22%, amounting to ₹24,400.00 million, and a second pool with a weighted average interest rate of 11.17%, amounting to ₹ 9,370.00 million, to The Federal Bank Limited (the **Federal Bank**). As of 31 December 2017, the aggregate amount of loans that we had assigned in securitisation transactions amounted to ₹23,727.01 million. We service the loans we assigned in the PNB and the Federal Bank securitisation transactions for servicing fees of 1.25% per annum, 2.20% per annum and 2.00% per annum, respectively, on the average monthly outstanding amount of the relevant loan portfolio. We continue to service these loans for PNB and the Federal Bank. Our responsibilities as the servicing agent include, among other things, keeping custody of the loan documents; collecting and receiving instalments; distributing monthly payments; maintaining escrow accounts; taking follow up actions in respect of defaulted amounts; releasing documents of title; providing periodic reports; and issuing any certificates or clarifications as may be required. For the securitisations with PNB and the Federal Bank, we will continue to retain approximately 10% of the receivables and corresponding interest in the underlying assets and security interests in accordance with the minimum retention requirements prescribed by the RBI. The residual income on loans sold is recognised at the time of actual collection (i.e., over the life of the underlying loans) and not upfront on a net present value basis. ICRA, an external credit rating agency, has estimated the lifetime loss for these loan pools to be in the range of 1.10% to 2.00%. The assignments of the loan portfolios were made on a non-recourse basis. Subject to a 120-day rectification period for any defects relating to the loans after the dates of assignment, we are not liable to repurchase and/or substitute any loan assigned or transferred. Further, we have no obligation to make good any loss suffered by the relevant bank acquiring the receivables as a result of a non-recovery of receivables or a dilution of interest rates or yield.

Although we define our loan portfolio as including the housing and non-housing loans we provide to our customers, our AUM includes both our loan portfolio and the loans we assign pursuant to securitisation transactions and for which we retain the associated servicing rights. As of 31 December 2017, our loan portfolio constituted 95.89% of our AUM.

Capital Adequacy

The NHB Directions currently require HFCs to comply with a CRAR, consisting of Tier I and Tier II capital, of not less than 12.00% of the sum of the HFC's risk-weighted assets and the risk adjusted value of off-balance sheet items, as applicable. At a minimum, Tier I capital may not be less than 6.00% of risk weighted assets. Further, the NHB Directions require that the Tier II capital may not exceed Tier I capital. For further details in relation to these requirements, see "*Key Regulations and Policies—The Housing Finance Companies (National Housing Bank) Directions, 2010, as amended —Capital Adequacy*."

As of 31 December 2017, our overall CRAR and Tier I Capital CRAR were 17.39% and 13.33%, respectively, which we believe provides an adequate cushion to withstand business risks and exceeds the minimum requirements stipulated by the NHB. For further details, see "*Assets and Liabilities—Capital Adequacy*."

Statutory Liquidity Ratio

HFCs are currently required to comply with a statutory liquidity ratio (**SLR**), or a minimum percentage of their deposits that they are required to maintain in the form of approved investments, of 12.50%. Under these requirements, 6.50% of their deposits must be held in approved unencumbered securities and the additional 6.00% of their deposits may be held in either approved unencumbered securities or fixed deposits. In order to maintain our SLR requirements within the limits prescribed by the NHB, in the nine months ended 31 December 2017 and in Fiscal Years 2017, 2016 and 2015, we invested ₹0.00 million, ₹0.00 million, ₹818.29 million and ₹2,462.18 million, respectively, in bank deposits and in the nine months ended 31 December 2017 and in Fiscal Years 2017, 2016 and 2015, we invested ₹11,385.06 million, ₹9,615.25 million, ₹8,139.62 million and ₹2,191.26 million, respectively, in approved securities comprising government securities and government-guaranteed bonds.

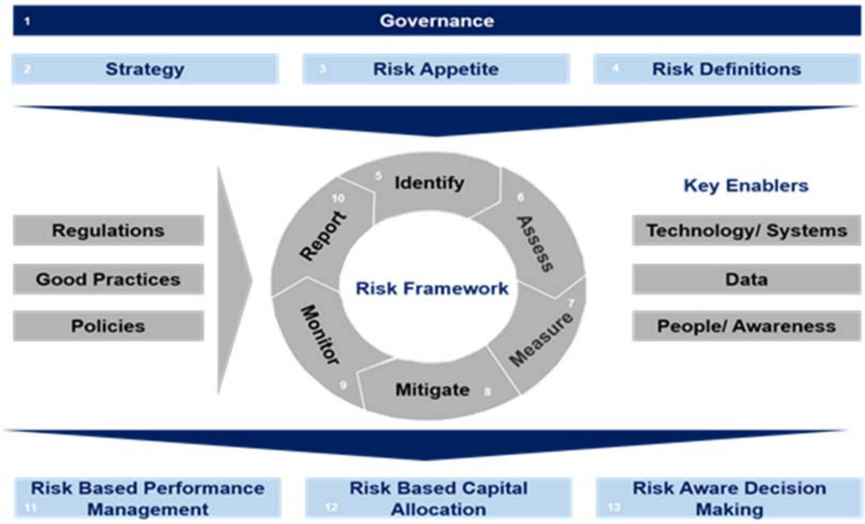
RISK MANAGEMENT

We are exposed to various risks that are inherent in the lending business, with the major risks being credit risk, market risk, liquidity risk, legal risks, interest rate risk and operational risk. We place emphasis on risk management measures for a balance between risk and return and have taken steps to implement policies and procedures to identify, measure, monitor and manage risks.

Integrated Risk Management Policy

We have an integrated risk management policy (**IRM Policy**) in place, which communicates the risk management strategy, framework and risk processes throughout our organization and is approved by our Board.

Risk management framework of our organization:



Our risk management framework includes components such as:

- Governance, roles and responsibilities
- Risk appetite approach (in line with the risk strategy of our organization)
- Risk specific guidelines (for credit, market, liquidity, reputation, technology, compliance, etc.)
- Risk measurement, mitigation, monitoring and reporting
- Risk based pricing
- Policy maintenance, review and approval process
- List of risk reporting templates

Our risk appetite framework establishes boundaries for risk taking and is linked to our overall risk management philosophy and strategic ambition. Our objective of developing a clearly articulated risk appetite statement is to explicitly define the level and nature of risk that our organization is willing to take, in order to pursue the articulated mission on behalf of shareholders, subject to constraints imposed by debt holders, regulators, and other stakeholders. Performance against our risk appetite is monitored and reported to our Board and the Risk Management Committee of our Board.

Our Board has delegated the responsibility of risk management to its Risk Management Committee, which reviews the efficacy of our risk management framework to ensure that executive management controls risk through a standardized framework. Our Risk Management Committee also provides important oversight over our risk management framework, assessing whether it consistent with the risk tolerance levels approved by our Board.

The responsibilities of the Risk Management Committee of our Board include:

- Approving the risk management framework and policy for the Company.
- Guiding executive management in setting and approving the risk appetite and tolerance levels of the Company, ensuring they are line with the business plans and that mechanisms are in place to ensure senior management can act in a timely manner to effectively manage and, where necessary, mitigate material adverse risk exposures, in particular those that are close to or exceed the approved risk appetite statement or risk limits.
- Reviewing reports on the risk profile of the Company and the adequacy of the measures taken to mitigate such risks.
- Accessing any information and documents from personnel of the Company to ascertain adherence to policies and procedures and whether standards are established for monitoring, evaluating and reporting of risks.

In addition, we have an Executive Risk Management Committee, which is an executive level risk committee comprising the following senior members of management:

- Managing Director (who serves as Chairman of the Executive Risk Management Committee)
- Chief Risk Officer
- Chief Finance Officer
- Chief Technology Officer
- Chief Compliance Officer
- Chief People Officer

The responsibilities of our Executive Risk Management Committee include:

- Formulating and reviewing our IRM Policy, in line with the strategic objectives laid by our Board.
- Ensuring appropriate methodology, processes and systems are in place to monitor, evaluate and report risks associated with the business of the Company.
- Evaluating the risk profile in credit portfolio, investment portfolio, financial statement, IT, operations, etc.
- Evaluating the methodology adopted by our branches and functions for assessing and evaluating risk.
- Ensuring risk management is supported by adequate IT and MIS.
- Reviewing and validating aggregated risk reports and ensuring periodic risk information is presented to our Board.
- Ensuring adequate resources and expertise are dedicated to risk management as well as internal audit management (including IT and MIS), in order to provide independent assurances to our Board and senior management.
- Obtaining an independent assessment (through internal assessors, third parties or both) of the design and effectiveness of our risk management framework and its alignment with supervisory expectations.

Our management team plays an active role in the risk management of our business, including through roles on our ALCO and on our credit committee. Our risk management and appraisal systems are regularly reviewed and upgraded to address changes in regulations and market conditions.

The ALCO comprises six members who are responsible for, among other things:

- reviewing our assets and liabilities position and liquidity risk;
- managing and instructing the finance and treasury teams in the event of asset liability management mismatches beyond permissible limits set by the ALCO;
- managing and evaluating market risk involved in launch of new products such as interest risk and product pricing;
- reviewing floating loan reference rates periodically and recommending changes to the applicable PNBHFR;
- measuring future cash flows as per the given matrix in the NHB Directions or other asset-liability management guidelines prescribed by the NHB (the **NHB ALM Guidelines**) as fix up tolerance level in different time buckets as prescribed in the NHB Directions and the NHB ALM Guidelines;
- analysing various risks, including liquidity risk, interest rate risk, investment risk and business risk;
- assessing opportunity costs and maintenance of liquidity;
- deciding our transfer pricing policy; and
- approving and regularly reviewing our business plan and targets.

Our credit committee comprises three members, who are responsible for approval of the credit policy parameters under which our housing finance loans to various market segments are sanctioned. As part of its risk-return analysis, our credit committee reviews the credit performance and collection effectiveness of our loan portfolio, as well as the various feedback and monitoring mechanisms set up under our policies to maintain credit risk exposure within acceptable parameters. Our credit committee is responsible for the approval of credit proposals above ₹600.00 million with respect to construction finance, CTLs and LRD, and above ₹150.00 million with respect to individual loans.

Asset-Liability and Interest Rate Risk Management

We may face potential liquidity risks as a result of maturity and interest rate mismatches between our assets and liabilities. We are particularly vulnerable to volatility and mismatch in generally prevailing interest rates, especially if the changes are sudden or sharp, which could result in a decline in our NII and NIM. For a discussion of the liquidity and interest rate risks we face and the steps we take to address these risks, see "*Assets and Liabilities—Asset-Liability Gap Management*." See also "*Risk Factors—We face liquidity risks as a result of maturity and interest rate mismatches between our assets and liabilities.*" and "*Risk Factors—Our business and financial performance may be adversely affected by volatility in interest rates*."

Credit Risk Management

Credit risk is a risk of loss due to failure of a customer or counterparty to meet the contractual obligation of repaying debt in accordance with the agreed terms, which is also commonly known as the "risk of default". We actively monitor and control our credit risk. Our credit committee regularly reviews and updates our credit policy that our underwriting teams are required to strictly adhere to. We manage credit risk by using a set of credit norms and policies, including a standard credit appraisal policy based on customer credit criteria approved by the Board. We have a structured and standardised credit approval process including a comprehensive credit risk assessment, which encompasses analysis of relevant quantitative and qualitative information to ascertain the credit worthiness of the customer. For further details in relation to our credit evaluation and credit portfolio management methodologies, see "*—Lending Policies and Procedures*."

Credit Quality

As of 31 December 2017, our NPAs were ₹2,304.51 million, representing 0.42% of our total loan portfolio. As of 31 December 2017, we made provisions for contingencies of ₹759.98 million, representing 32.98% of our NPAs, which comprised ₹485.46 million as provision for our NPAs and ₹2,790.00 million as provision for our standard assets. For further details in relation to our asset classification and provisioning policies as well as analysis in relation to our NPAs, see "*Assets and Liabilities—Credit Quality*."

Operational Risk Management

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or external events. Operational risk can result from a variety of factors, including inadequate procedures and controls; failure to obtain proper internal authorisations; misreporting or non-reporting with respect to statutory, legal or regulatory reporting and disclosure obligations; improperly documented transactions; failure of operational and information security procedures, computer systems, software or equipment; the risk of fraud or other misconduct by employees or outsiders; unauthorised transactions by employees; and inadequate training and operational errors, including record keeping errors or errors resulting from faulty computer or communications systems. We make efforts to identify, assess and monitor risks, strengthen controls, improve services and minimise operating losses.

Our internal audit team conducts periodic audits for all our businesses and functions. In addition, we maintain a comprehensive system of internal controls, and have established systems and procedures to monitor transactions, maintain key back-up procedures, undertake regular contingency planning and provide employees with continuous training. We have implemented a screening programme to conduct pre-employment background checks. In addition, extensive reference checks and screening of the prospective employee's credentials are conducted prior to recruitment. We train our employees to follow a clear procedure regarding compliance with all regulatory requirements and this process is managed by our regulatory compliance team. At the time of appraisal of a loan, we review the underlying documents from an anti-money laundering perspective and preserve records in compliance with the requirements under the Prevention of Money Laundering Act 2002, as amended.

Our IT team is responsible for use of contemporary software and hardware systems which are safeguarded against any kind of technology related threats. The IT team is also responsible for limiting the accessibility of our IT system only to authorised users and password management. All authorised users have well defined access rights depending on their functional roles. We have set up a disaster recovery centre (**DR**) in Chennai for retrieval of data to operating units in case of an eventuality or system failure as a part of our business continuity plan. We have also set up a data centre (**DC**) in Noida for updating records for all transactions on a real time basis. We periodically review vigilance and fraud reports, recovery reports and audit reports to detect failures with the objective of systemic remediation.

Internal Audit and Control Procedures

Our internal audit function, headed by senior management personnel, is independent and reports only to our Audit Committee. The internal auditors undertake a comprehensive audit of all functional areas and operations, with their findings being outlined in the report to our Audit Committee. Our Audit Committee reviews the performance of the internal audit function on a quarterly basis, gives direction to its functionaries and reviews effectiveness of internal control systems. Our internal audit function adopts a risk based audit approach and conducts an audit of all branches through its in-house internal audit team. It recommends improvements in operational processes and suggests streamlining of controls against various risks. It continuously evaluates the adequacy and effectiveness of our internal controls, adherence to policies and procedures as well as legal and regulatory requirements. We have strengthened our audit team by increasing the number of professionals to 14 as of 31 December 2017.

Our COPS and internal audit function are responsible for checking and validating all loans for compliance with prescribed policies, risk management processes and policies, including collateral valuation and title search, concurrent document verification against fraud, KYC checks and personal meetings with clients. Further, inspection teams from our CSO and processing hubs frequently visit our branches and inspect records on a periodic basis. Our statutory auditor also carries out an audit of certain branches on a random basis each year to check the efficacy of the credit appraisal and lending process and other internal controls. We have implemented an internal audit system pursuant to which the risk exposure at our branches is rated annually from "low risk" to "very high risk".

Corporate Governance and Regulatory Compliance

Our Board has constituted various other committees, namely the Audit Committee, the nomination and remuneration committee, the stakeholders relationship committee, the risk management committee, the credit committee, the asset and liability management committee and the corporate social responsibility committee, which act in accordance with the terms of reference determined by our Board, as well as applicable corporate governance regulators under the Listing Agreement and the SEBI Listing Regulations. These committees comprise independent directors on our Board along with experienced members of our senior management team who have put in place preventive measures to mitigate various risks. We review our systems, policies, processes and procedures to contain and mitigate risks that arise from time to time.

Being an HFC registered with the NHB, which is the regulator for HFCs in India, we are required to comply with the rules, regulations, guidelines, directions and circulars issued by the NHB in relation to HFCs. We comply with the guidelines and norms issued by the NHB regarding accounting standards, prudential norms for asset classification, income recognition, provisioning for standard and non-standard assets, capital adequacy, concentration of credit and investments, credit rating for deposits, KYC checks, fair practices code and grievance redressal mechanism, recovery of dues, channel partners and real estate and capital market exposures. For further details, see "*Key Regulations and Policies*." Further, we undergo annual inspections by the NHB, which are exhaustive and can last for a period of three to four weeks. During these inspections, the NHB inspects our centralised offices and selected branches and processing hubs, on a random basis, to assess our compliance with the NHB Directions and other guidelines and circulars issued by the NHB and adherence to prescribed formats in the filing of regulatory reports. The NHB also reviews our processes, our loan portfolio and loan files, including security documents. The NHB enquires about the functioning of our Board and its committees and reviews implementation of decisions and policies of our Board. One of the key components of the NHB's annual inspection is a review of our NPA and delinquent loan portfolio and a review of our credit approval policies and credit assessment standards. We have been regularly inspected by the NHB and have addressed all observations made during, or as a result of, these inspections. See "*Risk Factors—Non-compliance with the NHB's observations made during its periodic inspections could expose us to certain penalties and restrictions*."

Information Technology

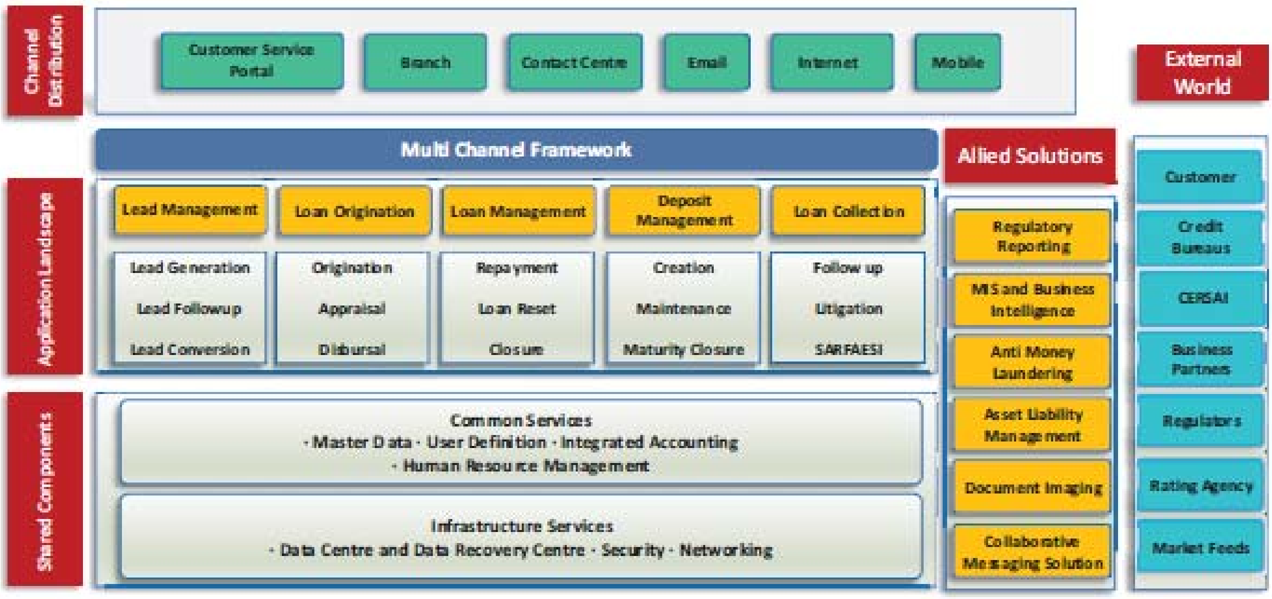
We maintain and update our IT infrastructure that helps connect our employees, offices and facilities and assists in faster processing of information. The ESS is a single platform encompassing a centralised, cloud-based information database and integrates a suite of applications which cover lead management, loan origination, loan management, collections and collateral management, deposits, asset liability management, integrated accounting, anti-money laundering systems, human resource management, document management, a customer contact centre and a customer service interface portal. The ESS was designed to provide the following objectives:

- end-to-end business automation, reducing inputs from individuals to the extent possible;
- enabling all stakeholders to interact on a single platform and share information, on a real-time basis;
- configurable and flexible system, scalable with enough capacity to support high business growth;

- a workflow based model, designed to optimise processes, reduce TAT and reduce wastage;
- a secured and compliant system with access based controls, which enables online audit; and
- communication with customers on a real-time basis for a range of services on a transparent platform, leading to enhanced customer service.

The ESS has the ability to draw out information for business intelligence reports from various credit information networks, such as CIBIL and CERSAI, rating agencies and certain other external sources. The ESS is flexible, configurable and scalable for further growth. We have conducted extensive training programmes for all our employees preparing them for both work and environment changes. The ESS is hosted on the infrastructure of DC and DR. The architecture of DC and DR has been designed on four fundamental principles of data security, data integrity, data availability and data scalability. Replication of business related information from DC to DR occurs on a real-time basis. In addition, backup information is stored on external media at regular intervals. Access to ESS is provided to employees at various levels, determined on the basis of their pre-defined roles with assistance from our human resources personnel. We have formulated a contingency plan to address data recovery in case of a disaster and also periodically review and monitor critical parameters to detect failures with the objective of systemic remediation.

Set forth below is a graphical representation of our ESS platform.



The ESS allows exchange of information with various business partners through a separate portal called the "*VConnect Solution*". In addition, we use a web based learning management solution called "*eGuru*" for continuous skill development of our employees. We use applications such as "*Yammer*" and "*Skype for Business*" as well as video conferencing at all key branches and processing hubs for messaging and internal communication and collaboration.

Human Resources

Our vision is to become an employer of choice by providing a compelling employee value proposition. We strive to attract the best talent in the industry and ensure our employees' development, retention and contribution to our success. We have integrated behavioral competency and technical competency frameworks into our training, evaluation and recruiting processes. We focus on training our employees and conduct regular training programmes and workshops for our employees. Our management and executive trainees generally undergo extensive training on various topics in the finance sector. In addition to on-the-job training, we provide employees courses in specific areas or specialised operations on an as-needed basis including in credit risk, credit underwriting, customer service, negotiation and operational processes. The trainings are conducted with a focus on enhancing functional competencies and achieving efficiencies. We follow a holistic 70:20:10 capability-building approach, based on the belief that 70% of all capability is built on the job, 20% through training and 10% through classroom learning. We have implemented a reward and recognition framework across all functions under which contributions to the business by the employees are rewarded. We intend to continue investing in employee leadership, motivation, training and assistance programmes.

Our key governance policies include KYC and AML Policy, Fair Practices Code, Code of Conduct for Board Members and Senior Management, Code for Prevention of Insider Trading Practices, Code of Business Ethics, Whistle Blower Policy and Workplace Sexual Harassment Policy. Our shareholders have approved granting of stock options to our employees under an employee stock option plan and authorised our Board and the Nomination and Remuneration Committee to formulate such plans and grant stock options within the limit of 3.30% of the aggregate number of the issued and paid up equity share capital. The objective of our employee stock option plans is, among other things, to create shareholder value by aligning the interests of the eligible employees with the long term interests of the Company.

As of 31 December 2017 and as of 31 March 2017, 2016 and 2015, we had a dedicated workforce of 1,254, 999, 752 and 630 employees, respectively. The growth in our employee headcount is in line with our strategy of growing our operations. Our employees are not members of any labour union. We have not experienced any labour strikes or work stoppages since our inception.

Competition

The housing finance industry in India is highly competitive. We face competition from domestic and international banks as well as other HFCs and non-banking finance companies. We generally compete with our competitors on the basis of the range of product offerings, interest rates and fees and customer service, as well as for suitably skilled personnel. Our primary competitors include HDFC Limited, LIC Housing Finance Limited, Indiabulls Housing Finance Limited, Dewan Housing Finance Corporation Limited, HDFC Bank, ICICI Bank and Axis Bank. For further details, see "*Risk Factors—The Indian housing finance industry is highly competitive and increased competition may lead to a relative decline in average yields and spreads*."

Insurance

We believe that our insurance coverage is of the type and in the amounts commensurate with the nature and scope of our operations. We have insured our various properties and facilities against the risk of fire, theft and other perils. We have obtained future money policy to cover money in safe and until counter as well as money in transit for our branches and various offices. We have also obtained insurance for certain of our vehicles. We also have in place a medi-claim policy for our employees and their dependent family members and a group personal accident policy, which provides uniform benefits to all the employees. For a discussion of certain risks relating to our insurance coverage, please refer to the section entitled "*Risk Factors—Our insurance coverage may not adequately protect us against certain losses or claims that exceed the limits of our available insurance coverage*."

Intellectual Property

We conduct our operations under the "PNB Housing" brand name. The name, brand and trademark "PNB" and the associated logo is owned by, and is registered in favour of the Promoter, PNB. Pursuant to an agreement dated 7 December 2009 (the **License Agreement**), PNB granted us the royalty-free, non-exclusive right to use the name, brand and trademark and the associated logo in the ordinary course of our business and in our corporate name. Under the terms of the License

Agreement, PNB will not have the right to terminate the license until its shareholding falls below 30.00% of our outstanding equity share capital. See "*Risk Factors—We use the brand "PNB" of the Promoter, PNB, and are exposed to the risk that the "PNB" brand may be affected by events beyond our control and that PNB may prevent us from using it in the event its shareholding falls below 30.00%.*"

We have obtained registration of trademark over our branding message "*Ghar Ki Baat*". In addition, we have obtained registration of one copyright of artistic works relating to "*Ghar Ki Baat*". We have also obtained registration for various domain names, including our website, "www.pnbhousing.com".

Legal Proceedings

We are party to various legal proceedings which arise primarily in the ordinary course of our operations. We are also involved in certain tax disputes. As on the date of this Offering Circular, we are not involved in any material governmental, legal or arbitration proceedings or litigation and are not aware of any pending or threatened material governmental, legal or arbitration proceedings or litigation relating to it which, in either case, to the extent quantifiable, exceeds ₹500 million or may have a significant effect on our financial condition, the results of operations or cash flows.

Property

We do not own the premises on which our Registered and Corporate Office is located but we have historically leased it from PNB. A significant number of the properties that we currently use for the purposes of our business, including our branches, processing hubs, zonal offices, our corporate offices and CSO, CPC, DC and DR have been leased. Typically, our leases are for a period ranging between 11 months and three years. Further, we own six small properties in Mumbai, which are currently vacant. The table below sets out certain details in relation to our key properties as of 31 December 2017.

Principal Business Activity	**Locations**
Registered Office	New Delhi
Corporate Office/CSO	New Delhi
CPC/COPS	Noida
DC	Noida
DR	Chennai
Customer Contact Centre	New Delhi
Processing hubs	Ahmedabad, Bengaluru^#, Chandigarh, Chennai, Cochin, Coimbatore, Dehradun, Delhi, Hyderabad, Indore, Jaipur, Kolkata, Lucknow, Mumbai^#, Noida, Pune^#, Surat and Thane
Branches	**North:** Agra, Bhiwadi, Bhubaneswar, Bikaner, Chandigarh, Dehradun, Delhi-NCR*, Jaipur, Jalandhar, Jodhpur, Kanpur, Karnal, Kolkata*, Lucknow, Ludhiana, Meerut and Varanasi **West:** Ahmedabad*, Bhopal, Indore*, Kolhapur, Mumbai-MMR*, Nagpur, Nasik, Pune*, Raipur, Rajkot, Surat and Vadodara. **South:** Bengaluru*, Chennai*, Cochin, Coimbatore, Hyderabad*, Madurai, Mangalore, Mysore, Salem, Thrissur, Trichy, Thiruvananthapuram, Vijaywada and Vishakhapatnam

^Co-located zonal offices, #Cities having 2 hubs
* Branches in these cities: Delhi-NCR-9, Kolkata-2, Ahemdabad-2, Indore-2, Mumbai-MMR-10, Pune-6, Bengaluru-8, Chennai-4, and Hyderabad-3

Corporate Social Responsibility

The Ministry of Corporate Affairs, Government of India has notified Section 135 and Schedule VII of Companies Act 2013 along with the Companies (Corporate Social Responsibility Policy) Rules, 2014, as amended which came into effect from 1 April 2014. These provisions require us to spend, in each financial year, at least 2.00% of average net profits in the three immediately preceding financial years towards one of the specified corporate social responsibility (**CSR**) activities. We have adopted a CSR policy which is in compliance with these new guidelines and rules and which, we believe, will guide us in serving the society through meaningfully aligned CSR activities. Further, our Board has constituted a CSR committee which has planned the way forward for our social initiatives.

In the nine months ended 31 December 2017, we allocated ₹72.53 million on various CSR activities.

ASSETS AND LIABILITIES

The following unaudited information should be read together with the Company's financial statements included in this Offering Circular. All amounts presented in this section have been prepared in accordance with Indian GAAP. Footnotes appear at the end of each related section of tables.

ASSETS

The following table sets forth, for the periods indicated, information relating to our assets.

	As of 31 December	As of 31 March		
	2017	2017	2016	2015
		(in ₹ million)		
Interest-earning assets:				
Loans and Advances	552,957.70	385,313.40	271,772.69	168,193.17
Investments	16,185.85	33,651.74	17,041.03	18,321.93
Total interest-earning assets	**569,143.55**	**418,965.14**	**288,813.72**	**186,515.10**
Non-interest earning assets:				
Fixed assets	726.30	604.27	621.65	576.78
Other assets	29,104.95	10,026.18	7,274.08	3,240.74
Total assets	**598,974.80**	**429,595.59**	**296,709.45**	**190,332.62**
Interest-bearing liabilities:				
Deposits	106,684.72	99,870.96	71,158.50	48,974.26
Other Borrowings	400,825.23	256,697.74	190,430.17	118,541.47
Total interest-bearing liabilities	**507,509.95**	**356,568.70**	**261,588.67**	**167,515.73**
Non-interest-bearing liabilities:				
Capital and reserves	60,942.10	55,773.10	21,459.00	15,812.71
Other liabilities	30,522.75	17,253.79	13,661.78	7,004.18
Total non-interest-bearing liabilities	**91,464.85**	**73,026.89**	**35,120.78**	**22,816.89**
Total liabilities	**598,974.80**	**429,595.59**	**296,709.45**	**190,332.62**

INVESTMENT PORTFOLIO

We classify our investments as current and long-term investments. In respect of long-term investments, we have made provisions for decreases in investment value. Our investment decisions are taken within the limits set out by the Board. Our investment function supports the core housing finance business to ensure adequate liquidity and maintain statutory liquidity.

The tables below set forth, as of the dates indicated below, certain information related to our investments classified under the held to maturity (**HTM**), available for sale (**AFS**) and held for trading (**HFT**) categories.

	As of 31 December 2017		
	HTM	AFS	HFT
Government Securities	11,382.26	—	—
Other Approved securities	—	—	—
Bonds and Debentures and CDs	—	—	4,800.79
Deposits	—	—	—
Others (including mutual fund investments)	—	—	—

	As of 31 March								
	2017			2016			2015		
	HTM	AFS	HFT	HTM	AFS	HFT	HTM	AFS	HFT
	(in ₹ million)								
Government Securities	9,615.24	—	—	8,139.62	—	—	2,191.26	—	—
Other Approved securities	—	—	—	—	—	—	—	—	—
Bonds and Debentures and CDs	—	—	11,972.65	—	8,083.12	—	—	13,668.54	—
Deposits	856.17	—	—	818.29	—	—	2,462.18	—	—
Others (including mutual fund investments)	—	8,900.00	—	—	—	—	—	—	—

Maturity Profile

The table below sets forth, as of 31 December 2017, the residual maturity profile of our government and debt securities and their market yields.

	Up to one year		One to five years		Five to 10 years		More than 10 years	
Particulars	Amount *(in ₹ million)*	Yield *(%)*	Amount *(in ₹ million)*	Yield *(%)*	Amount *(in ₹ million)*	Yield *(%)*	Amount (in ₹ *million)*	Yield *(%)*
Government Securities	0.99	6.29%	887.91	8.56%	10,131.60	8.63%	361.76	9.64%
Other Debt Securities	—	—	1,638.26	8.71%	3,108.56	8.72%	53.87	7.38%
Total	**0.99**	**6.29%**	**2,526.17**	**8.66%**	**13,240.16**	**8.65%**	**415.63**	**9.35%**

LOAN PORTFOLIO

We define our "loan portfolio" as the housing and non-housing loans we provide to our customers. Our "assets under management" or **AUM** includes both our loan portfolio and the loans we sell pursuant to securitisation transactions and for which we retain the associated servicing rights. As of 31 December 2017, our loan portfolio constituted 95.89% of our AUM. The tables below set forth details of our loan portfolio as of the dates indicated below.

Loan Product	As of 31 December 2017		As of 31 March					
			2017		2016		2015	
	Amount (in ₹ million)	*% of total housing loans*	*Amount (in ₹ million)*	*% of total housing loans*	*Amount (in ₹ million)*	*% of total housing loans*	*Amount (in ₹ million)*	*% of total housing loans*
Home Purchase Loans	267,135.70	69.29%	195,086.89	71.56%	142,867.75	74.74%	88,863.26	74.28%
Residential Construction Loans	12,950.21	3.36%	9,177.04	3.37%	6,528.40	3.42%	4,953.31	4.14%
Residential Plot Loans	16,586.81	4.30%	11,582.02	4.25%	8,476.96	4.43%	4,472.27	3.74%
Residential Plot cum Construction Loans	16,960.31	4.40%	10,741.72	3.94%	6,896.30	3.61%	4,337.11	3.63%
Home Extension Loans	529.25	0.14%	509.15	0.19%	660.84	0.35%	730.40	0.61%
Home Improvement Loans	2,338.84	0.61%	1,708.16	0.63%	1,081.42	0.57%	168.34	0.14%
Total Retail Housing loans	**316,501.13**	**82.09%**	**228,804.99**	**83.93%**	166,511.67	87.10%	103,524.70	86.53%
Construction Finance loans	69,049.13	17.91%	43,815.73	16.07%	24,650.75	12.90%	16,110.82	13.47%
Total housing loans	**385,550.26**	**100.00%**	**272,620.72**	**100.00%**	**191,162.42**	**100.00%**	**119,635.52**	**100.00%**

Loan Product	As of 31 December 2017		As of 31 March					
			2017		2016		2015	
	Amount (in ₹ million	*% of total non-housing loans*	*Amount (in ₹ million*	*% of total non-housing loans*	*Amount (in ₹ million*	*% of total non-housing loans*	*Amount (in ₹ million*	*% of total non-housing loans*
Loan Against Property	88,443.28	52.83%	64,733.58	57.44%	49,108.82	60.92%	33,915.77	69.85%
Non-residential Premises Loans	18,978.10	11.34%	13,960.66	12.39%	10,435.52	12.95%	5,957.92	12.27%
Lease Rental Discounting	35,316.33	21.10%	18,698.73	16.59%	11,972.75	14.85%	5,618.21	11.57%
Corporate Term Loan	24,669.72	14.74%	15,299.78	13.58%	9,093.16	11.28%	3,065.74	6.31%
Total non-housing loans	**167,407.44**	**100.00%**	**112,692.74**	**100.00%**	**80,610.26**	**100.00%**	**48,557.65**	**100.00%**

Our loan portfolio grew at a CAGR of 51.36%, from ₹168,193.17 million as of 31 March 2015 to ₹385,313.46 million as of 31 March 2017, and was ₹552,957.70 million as of 31 December 2017. During the period from Fiscal Year 2015 to Fiscal Year 2017, our loan sanctions grew at a CAGR of 46.14%, from ₹150,762.43 million in Fiscal Year 2015 to ₹ 322,247.41 million in Fiscal Year 2017 and our loan disbursements grew at a CAGR of 47.86%, from ₹94,403.26 million in Fiscal Year 2015 to ₹206,387.10 million in Fiscal Year 2017. In the nine months ended 31 December 2017, our loan sanctions were ₹402,800.74 million and our loan disbursements were ₹244,552.95 million.

Loan Sanctions

The table below sets forth our loan sanctions by product type and the percentage such amount represented of our total loan sanctions for all products as of 31 December 2017 and as of 31 March 2017, 2016 and 2015.

Loan Sanctions	As of 31 December 2017		As of 31 March 2017		2016		2015	
	Amount (in ₹ million)	*% of total loan sanctions*	*Amount (in ₹ million)*	*% of total loan sanctions*	*Amount (in ₹ million)*	*% of total loan sanctions*	*Amount (in ₹ million)*	*% of total loan sanctions*
Housing loans	308,867.06	76.68%	226,799.03	70.44%	170,430.40	74.06%	106,415.52	70.58%
Non-housing loans	93,933.68	23.32%	95,448.38	29.56%	59,681.28	25.94%	44,346.90	29.42%
Total	**402,800.74**	**100.00%**	**322,247.41**	**100.00%**	**230,111.68**	**100.00%**	**150,762.43**	**100.00%**

Loan Disbursements

The table below sets forth our loan disbursements by product type and the percentage such amount represented of our total loan disbursements for all products as of 31 December 2017 and as of 31 March 2017, 2016 and 2015.

Loan Disbursement	As of 31 December 2017		As of 31 March 2017		2016		2015	
	Amount (in ₹ million)	*% of total loan disbursement*	*Amount (in ₹ million)*	*% of total loan disbursement*	*Amount (in ₹ million)*	*% of total loan disbursement*	*Amount (in ₹ million)*	*% of total loan disbursement*
Housing loans	168,343.65	68.84%	144,654.99	70.09%	102,839.44	71.14%	65,097.91	68.96%
Non-housing loans	76,209.30	31.16%	61,732.11	29.91%	41,717.69	28.86%	29,305.35	31.04%
Total	**244,552.95**	**100.00%**	**206,387.10**	**100.00%**	**144,557.14**	**100.00%**	**94,403.26**	**100.00%**

Average yield

The table below sets forth the average yield of our loans by product type for the nine months ended 31 December 2017, on an annualised basis, and in Fiscal Years 2017, 2016 and 2015.

Average Yield	Nine months ended 31 December 2017	Fiscal Year 2017	2016	2015
Housing loans	9.74%	10.31%	10.46%	10.84%
Non-housing loans	10.78%	11.47%	12.93%	13.65%

Spread

The table below sets forth the spread on our loans by product type for the nine months ended 31 December 2017 and in Fiscal Years 2017, 2016 and 2015.

Spread	Nine months ended 31 December 2017	Fiscal Year 2017	2016	2015
Housing loans	1.96%	1.76%	1.79%	1.57%
Non-housing loans	3.00%	2.92%	4.25%	4.39%

Maturity and Interest Rate Sensitivity of Loans

The table below sets forth the maturity and interest rate sensitivity of our loans as of 31 December 2017.

Interest rate classification of loans by maturity	As of 31 December 2017 Due in one year or less	Due in one to five years	Due after five years	Total
		(in ₹ million)		
Fixed rates	128,532.05	24,906.09	15,583.36	169,021.49
Variable rates	382,117.06	—	—	382,117.06
Total	**510,649.11**	**24,906.09**	**15,583.36**	**551,138.55**

Concentration of Customers

The table below sets forth, as of the dates indicated below, our loans outstanding categorised by customer type.

	As of 31 December 2017		As of 31 March					
			2017		2016		2015	
Concentration of Customers	*Amount (in ₹ million)*	*% of total loan portfolio*	*Amount (in ₹ million)*	*% of total loan portfolio*	*Amount (in ₹ million)*	*% of total loan portfolio*	*Amount (in ₹ million)*	*% of total loan portfolio*
Salaried individuals[1]	228,387.01	41.30%	157,061.04	40.76%	108,967.25	40.09%	61,655.30	36.66%
Self-employed customers[2]	204,429.67	36.97%	157,554.29	40.89%	121,385.11	44.66%	84,434.88	50.20%
Loans to corporates[3]	120,141.02	21.73%	70,698.12	18.35%	41,420.31	15.24%	22,102.98	13.14%
Total	**552,957.70**	**100.00%**	**385,313.46**	**100.00%**	**271,772.68**	**100.00%**	**168,193.17**	**100.00%**

Notes:

[1] "Salaried individuals" are individual customers whose main source of income is a salary from their employment.
[2] "Self-employed customers" are individual customers whose main source of income is their profession or their business.
[3] "Loans to corporates" includes non-housing loans to corporates/developers as well as construction finance to real estate developers.

Geographic Concentration

The table below sets forth, as of the dates indicated below, our loans outstanding categorised by customer type.

	As of 31 December 2017		As of 31 March					
			2017		2016		2015	
Region	*Amount (in ₹ million)*	*% of total loan portfolio*	*Amount (in ₹ million)*	*% of total loan portfolio*	*Amount (in ₹ million)*	*% of total loan portfolio*	*% of total loan portfolio*	*Amount (in ₹ million)*
Northern region[1]	180,456.13	32.63	134,800.45	34.98	109,802.38	40.40	78,099.83	46.43
Western region[2]	211,321.25	38.22	131,032.73	34.01	81,240.32	29.90	44,886.26	26.69
Southern region[3]	161,180.32	29.15	119,480.27	31.01	80,729.98	29.70	45,207.08	26.88
Total	**552,957.70**	**100.00%**	**385,313.46**	**100.00%**	**271,772.68**	**100.00%**	**168,193.17**	**100.00%**

Notes:

[1] "Northern region" includes the states of Delhi, Punjab, Haryana, Uttar Pradesh, Rajasthan, West Bengal and Uttarakhand and the union territory of Chandigarh.
[2] "Western region" includes the states of Maharashtra, Gujarat and Madhya Pradesh.
[3] "Southern region" includes the states of Tamil Nadu, Telengana, Karnataka and Kerala.

Employee and Branch Productivity

The table below sets forth, for the periods indicated, our employee and branch productivity.

	As of and for the nine months ended 31 December 2017	As of and for the Fiscal Year ended 31 March		
		2017	2016	2015
Particulars	*(in ₹ millions, except numbers of employees and branches)*			
Loan disbursements (A)	244,552.95	206,387.10	144,557.14	94,403.26
Profit after tax (B)	6,101.98	5,237.23	3,264.71	1,961.10
Number of employees (C)	1,254	999	752	630
Number of branches (D)	80	63	47	38
Loan disbursements per branch (A/D)	3,056.91	3,275.98	3,075.74	2,484.21

CAPITAL ADEQUACY

The NHB Directions currently require HFCs to comply with a CRAR, consisting of Tier I and Tier II capital, of not less than 12.00% of the sum of the HFC's risk-weighted assets and the risk adjusted value of off-balance sheet items, as applicable. At a minimum, Tier I capital may not be less than 6.00% of risk weighted assets. Further, the NHB Directions require that the Tier II capital may not exceed Tier I capital.

The table below sets forth certain key financial information and ratios, as of and for the nine months ended 31 December 2017 and as of and for Fiscal Years 2017, 2016 and 2015, in relation to our capital adequacy computed as per the NHB Directions.

	As of and for the nine months ended 31 December 2017	As of and for Fiscal Year ended 31 March		
		2017	2016	2015
		(in ₹ million, except percentages)		
Particulars				
CRAR[1]	17.39%	21.62%	12.70%	13.76%
CRAR - Tier I capital	13.33%	16.48%	9.04%	10.41%
CRAR - Tier II capital	4.06%	5.14%	3.66%	3.35%
Borrowings	507,509.95	356,568.70	261,588.67	167,515.72
Cash and cash equivalents (as per the cash flow statement)	15,944.58	658.57	1,667.07	469.24
Net worth	60,941.98	55,773.12	21,459.00	15,812.71
Current investments (Investments in liquid debt instruments)	—	8,900.00	—	—
Debt to equity ratio[2]	8.33	6.39	12.19	10.59

Notes:

[1] *CRAR is defined as a capital ratio consisting of Tier I and Tier II capital to its aggregated risk weighted assets (in accordance with the NHB Directions) and risk adjusted value of off-balance sheet items.*
[2] *Debt to equity ratio refers to borrowings at the end of the period divided by the net worth at the end of the period.*

SOURCES OF FUNDING

As of 31 December 2017, our borrowings constituted 94.33% of our total liabilities. Set forth below are our different sources of funding and their respective contribution as percentage of our total outstanding borrowings as of 31 December 2017 and as of 31 March 2017, 2016 and 2015.

Source of funding	As of 31 December 2017		As of 31 March					
			2017		2016		2015	
	Amount (in ₹ million)	*% of total outstanding borrowings*	*Amount (in ₹ million)*	*% of total outstanding borrowings*	*Amount (in ₹ million)*	*% of total outstanding borrowings*	*Amount (in ₹ million)*	*% of total outstanding borrowings*
Loans from banks and financial institutions	53,280.00	10.50%	24,688.26	6.92%	19,484.74	7.45%	34,042.74	20.32%
NCDs and other debt instruments	205,370.00	40.47%	131,720.00	36.94%	87,700.00	33.53%	39,650.00	23.67%
Deposits	106,684.72	21.02%	99,870.90	28.01%	71,158.51	27.20%	48,974.26	29.24%
ECBs	14,532.50	2.86%	15,115.49	4.24%	6,106.95	2.33%	6,106.95	3.65%
Commercial paper	87,950.00	17.33%	43,700.00	12.26%	50,250.00	19.21%	16,000.00	9.55%
Refinancing from NHB	25,701.73	5.06%	27,483.98	7.71%	20,788.48	7.95%	17,741.76	10.59%
Subordinated debt	13,990.00	2.76%	13,990.00	3.92%	6,100.00	2.33%	5,000.00	2.98%
Total borrowings	**507,509.95**	**100.00%**	**356,568.70**	**100.00%**	**261,588.67**	**100.00%**	**167,515.72**	**100.00%**

Our average cost of borrowings in the nine months ended 31 December 2017 and in Fiscal Years 2017, 2016 and 2015 was 7.78%, 8.55%, 9.07% and 9.42%, respectively.

Subordinated Debt

In the nine months ended 31 December 2017 and in Fiscal Years 2017, 2016 and 2015, we raised ₹0.00 million, ₹7,890.00 million, ₹2,100.00 million and ₹2,000.00 million, respectively, through long-term unsecured, redeemable, subordinated NCDs for the purpose of raising Tier II capital, determined in accordance with the guidelines issued by the NHB for the purposes of computation of CRAR. The debt under such debentures is subordinated to present and future indebtedness of the Company. The outstanding subordinated debt as of 31 December 2017 was ₹13,990.00 million. The NCDs issued in Fiscal Years 2012 and 2015 are rated “CRISIL AA+” and “[ICRA] AA+/Stable”, indicating high safety with regard to timely payment of interest and principal. The NCDs issued in Fiscal Years 2016 and 2017 are rated “CARE AAA” and “IND AAA”, indicated highest safety with regard to timely payment of interest and principal. The table below sets forth information with respect to subordinated debt issued by us as of the dates indicated below.

ISIN	Amount *(in ₹ million)*	Issue Date	Maturity Date	Terms of Redemption
INE572E09197	2,000.00	21 December 2012	21 December 2022	Fully redeemable on maturity
INE572E09262	2,000.00	24 November 2014	24 November 2024	Fully redeemable on maturity
INE572E09320	2,100.00	18 January 2016	17 January 2026	Fully redeemable on maturity
INE572E09346	2,900.00	28 April 2016	28 April 2026	Fully redeemable on maturity
INE572E09387	4,990.00	26 July 2016	26 July 2023	Fully redeemable on maturity
Total	**13,990.00**			

Credit Ratings

As of the date of this Offering Circular, we had not obtained any international credit ratings. The table below sets forth brief details for domestic credit ratings and outlook provided by rating agencies such as Credit Analysis and Research Limited (**CARE**), CRISIL Limited (**CRISIL**), India Ratings and Research Private Limited (**India Ratings (Fitch)**) and ICRA Limited (**ICRA**) and in relation to our sources of funds, which continue to be valid as of the date of this Offering Circular. The ratings or the outlook set forth below may be revised, suspended or withdrawn by these rating agencies at any time.

	CARE		**CRISIL**		**India Ratings (Fitch)**		**ICRA**	
Instrument	**Size** *(in ₹ million)*	**Credit Rating/ Outlook**	**Size** *(in ₹ million)*	**Credit Rating/ Outlook**	**Size** *(in ₹ million)*	**Credit Rating/ Outlook**	**Size** *(in ₹ million)*	**Credit Rating/ Outlook**
Bank Term loans/ Foreign currency Loans	59,149.59	CARE AAA/Stable	40,000.00	CRISIL AA+/Stable	—	—	—	—
Bonds/NCDs	19,937.00	CARE AAA	40,750.00	CRISIL AA+/Stable	165,370.00	IND AAA/ Stable	17,250.00	[ICRA] AA+/ Stable
Deposits	106,684.72	CARE AAA (FD)	106,684.72	FAAA/ Stable	—	—	—	—
Commercial paper	87,950.00	CARE A1+	87,950.00	CRISIL A1+	—	—	—	—
Subordinated NCDs/Tier-II Bonds	11,990.00	CARE AAA	4,000.00	CRISIL AA+/Stable	9,990.00	IND AAA/ Stable	2,000.00	[ICRA] AA+/ Stable

ASSET-LIABILITY GAP MANAGEMENT

The table below sets forth the asset-liability gap position for our operations as of 31 December 2017 and as of 31 March 2017, 2016, and 2015.

		1 day to 30/31 Days (1 month)	Over one month to two months	Over 2 months to 3 months	Over 3 months to 6 months	Over 6 months to 1 year
				(in ₹ million)		
Liabilities						
Borrowing from banks and financial institutions	As of 31 December 2017	21,053.49	3,522.90	7,043.84	16,089.67	150.41
	As of 31 March 2017	9,406.90	9,606.90	121.60	2,740.40	4,486.70
	As of 31 March 2016	7,837.10	200.00	—	2,686.12	5,364.53
	As of 31 March 2015	3,642.91	200.00	800.00	4,953.57	6,766.36
Market borrowings	As of 31 December 2017	17,740.48	25,122.20	32,649.10	16,472.89	33,901.57
	As of 31 March 2017	7,794.30	6,662.70	7,427.50	28,962.40	37,261.30
	As of 31 March 2016	1,273.51	37,730.65	13,691.90	5,237.77	3,508.30
	As of 31 March 2015	2,280.43	5,892.20	8,883.11	6,833.93	13,942.04
Assets						
Loans and Advances	As of 31 December 2017	15,814.49	15,311.21	14,824.67	41,715.33	72,324.72
	As of 31 March 2017	11,595.20	10,884.00	10,520.20	29,509.60	50,854.30
	As of 31 March 2016	5,395.03	5,301.76	5,210.46	15,102.50	27,985.52
	As of 31 March 2015	2,152.87	2,125.32	2,098.11	6,134.57	11,580.26
Investments	As of 31 December 2017	15,635.56	2,616.14	—	—	0.99
	As of 31 March 2017	13,792.90	7,080.70	856.40	—	2,308.30
	As of 31 March 2016	5,710.09	0.50	3,192.13	—	302.78
	As of 31 March 2015	13,668.50	1.88	—	186.43	15,524.02
Cumulative gap (assets-liability)	As of 31 December 2017	(7,343.92)	(10,717.75)	(24,868.27)	9,152.77	38,273.73
	As of 31 March 2017	8,186.90	1,695.10	3,827.50	(2,193.20)	11,414.60
	As of 31 March 2016	1,994.51	(32,628.39)	(5,289.31)	7,178.61	19,415.46
	As of 31 March 2015	9,898.04	(3,965.00)	(7,585.00)	(5,466.50)	(6,395.88)

		Over 1 to 3 years	Over 3 to 5 years	Over 5 to 7 years	Over 7 to 10 years	Over 10 years	Grand Total
				(in ₹ million)			
Liabilities							
Borrowing from banks and financial institutions	As of 31 December 2017	20,032.07	12,720.96	9,111.44	2,787.52	1,003.00	93,515.30
	As of 31 March 2017	15,707.30	8,574.10	11,029.80	4,354.10	1,260.00	67,287.80
	As of 31 March 2016	9,647.44	11,193.99	4,409.95	3,387.93	1,600.00	46,327.06
	As of 31 March 2015	20,859.82	13,201.75	3,853.54	3,613.54	—	57,891.47
Market borrowings	As of 31 December 2017	188,373.30	74,183.07	18,658.60	6,893.50	—	413,994.70
	As of 31 March 2017	83,477.30	83,227.60	24,271.40	10,195.40	—	289,279.90
	As of 31 March 2016	41,343.69	50,666.62	46,015.49	14,019.14	1,721.45	215,208.51
	As of 31 March 2015	30,053.60	14,507.70	5,015.10	22,216.16	—	109,624.27
Assets							
Loans and Advances	As of 31 December 2017	184,738.55	91,330.81	45,034.41	31,240.16	38,804.20	551,138.55
	As of 31 March 2017	128,661.50	62,630.00	32,416.00	23,219.40	25,356.50	385,646.70
	As of 31 March 2016	88,216.45	45,100.08	28,605.22	24,741.41	26,349.97	272,008.28
	As of 31 March 2015	38,324.45	28,131.93	20,650.14	21,150.73	35,844.78	168,193.17
Investments	As of 31 December 2017	9.31	878.75	6,391.37	3,741.96	361.82	29,635.90
	As of 31 March 2017	7.80	116.60	3,635.40	5,490.10	363.60	33,651.80
	As of 31 March 2016	3.99	8.39	539.16	6,919.79	364.21	17,041.04
	As of 31 March 2015	1,064.36	7.81	121.74	1,747.19	—	18,321.93
Cumulative gap (assets-liability)	As of 31 December 2017	(23,657.51)	5,305.53	23,655.74	25,301.10	38,163.02	73,264.45
	As of 31 March 2017	29,484.70	(29,055.10)	750.20	14,160.00	24,460.10	62,730.80
	As of 31 March 2016	37,229.38	(16,752.14)	(21,281.07)	14,254.13	23,392.73	27,513.75
	As of 31 March 2015	(11,524.61)	430.29	11,903.24	(2,931.77)	35,844.78	18,999.36

CREDIT QUALITY

Asset Classification

To establish allowances and provisions, we classify our loan assets by their perceived risk criteria in accordance with our policies and accounting requirements and in compliance with the NHB Directions. We classify our loans and advances and any other form of credit as standard assets, sub-standard assets, doubtful assets and loss assets.

Standard Assets. A standard asset is defined as an asset that is not an NPA, in respect of which no default in repayment of principal or payment of interest is perceived and which does not disclose any problem nor carry more than normal risk attached to the business.

Non-performing Assets. A non-performing asset, or **NPA**, is defined as an asset that is a substandard asset, a doubtful asset or a loss asset.

Substandard Assets. A substandard asset is defined as a NPA for a period not exceeding 15 months.

Doubtful Assets. A doubtful asset is defined as an asset which remains a substandard asset for a period exceeding 15 months.

Loss Assets. A loss asset is defined as an asset which has been identified as a loss asset by us, our internal or external auditor, or the NHB, to the extent it is not written off by us or the asset remains doubtful for a period exceeding three years, whichever is earlier, or an asset which is adversely affected by a potential threat of non-recoverability due to (i) erosion in the value of security; (ii) non-availability of the security in the case of secured loans and advances; (iii) denial or part settlement of insurance claims; (iv) any fraudulent act or omission on the part of the customer; (v) the debt becoming time barred under the Limitation Act, 1963; or (vi) inchoate or defective documentation.

Provisioning and Write-offs

We make provisions for contingencies for decreases in investment value and on NPAs and other assets in accordance with the prudential norms prescribed by the NHB. Depending on the classification, provision is required to be made on the book value of the asset, taking into account the degree of well-defined credit weakness and the extent of dependence on the collateral security for realisation. We also make certain additional provisions to meet unforeseen contingencies. We utilise a combination of substandard asset provisions, standard asset provisions and counter-cyclical provisions on our outstanding loan portfolio.

Standard asset provisions are made on the standard assets at rates prescribed by the NHB. We therefore make a general provision on standard assets (i) at the rate of 1.00% of standard assets in respect of other commercial real estate; (ii) at the rate of 0.75% of standard assets in respect of commercial real estate – residential housing; (iii) at the rate of 0.25% of the standard assets in respect of individual housing loan booked after 1st August, 2017 and (iv) at the rate of 0.40% of the total outstanding amount of loans which are standard assets other than those mentioned in (i), (ii) and (iii). Substandard asset provisions are made as a proportion of the delinquent portfolio aged beyond a certain level. The percentage provided for increases with increasing delinquency ageing. Provision for contingencies are made to mitigate cyclicality and to build a buffer which can be drawn down in adverse circumstances.

The classification and provisioning requirements under the NHB Directions are set out below.

Asset Classification	Period of Default	Provisioning Required
Standard Assets (in respect of individual housing loans booked after 1 August, 2017)	Less than or equal to 90 days	0.25%
Standard Assets (housing loans booked before 1 August, 2017 and loan against properties and other non-housing loans)	Less than or equal to 90 days	0.40%
Standard Assets (with respect to commercial real estate – residential housing)	Less than or equal to 90 days	0.75%
Standard Assets (with respect to other commercial real estate)	Less than or equal to 90 days	1.00%
Sub-standard Assets	91 days to one year	15.00%
Doubtful Assets	One to two years	25.00%
	Two years to three years	40.00%
	More than three years	100.00%
Loss Assets		100.00%

Non-Accrual Policy

When an asset is classified as non-performing, we stop accounting for interest accrual thereon and the unrealised interest is reversed by a debit to our profit and loss account. In accordance with the NHB Directions, interest realised on NPAs may be credited as income, provided that the interest does not relate to additional credit facilities sanctioned to the customer. The NHB has also stipulated that in the absence of a clear agreement between us and the customer for the purpose of appropriating recoveries in NPAs (i.e., towards principal or interest due), we should adopt an accounting principle and exercise the right of appropriation of recoveries in a uniform and consistent manner. If recoveries are effected on NPAs which have not been written off, our policy is to appropriate such recoveries against the charges first, followed by interest and the principal. However, if recoveries are effected on NPAs which have been written off, our policy is to appropriate such recoveries against the principal first, followed by interest and the charges. If any loans of a customer are classified as an NPA, all loans to such customer are classified as NPAs.

Non-Performing Assets

As of 31 December 2017, our gross NPAs, as a percentage of our total loan portfolio, were 0.42% and our net NPAs, as a percentage of our total loan portfolio, were 0.37%. As of the same date, we made NPA provision of ₹485.46 million and Standard asset provision of ₹2790.00 million as per NHB guidelines. In addition, we made provision for contingency of ₹759.98 million.

The table below sets forth the risk classification (i.e., standard, sub-standard, doubtful or loss assets) of the aggregate loan portfolio (in amounts as well as a percentage of total outstanding loan portfolio) and provisions made for NPAs as of the dates indicated below.

			As of 31 March					
	As of 31 December 2017		2017		2016		2015	
Particulars	*Amount (in ₹ million)*	*% of total loan portfolio*	*Amount (in ₹ million)*	*% of total loan portfolio*	*Amount (in ₹ million)*	*% of total loan portfolio*	*Amount (in ₹ million)*	*% of total loan portfolio*
Housing Loans								
Standard	384,142.17	69.40%	273,486.61	70.54%	190,835.01	70.16%	119,403.62	70.99%
Sub-Standard	1,456.69	0.26%	364.23	0.09%	348.96	0.13%	67.71	0.04%
Doubtful	280.05	0.05%	255.22	0.07%	94.13	0.03%	139.19	0.08%
Loss	6.00	0.00%	6.00	0.00%	6.91	0.00%	25.00	0.01%
Sub Total	**385,884.91**	**69.72%**	**274,112.06**	**70.70%**	**191,285.01**	**70.32%**	**119,635.52**	**71.13%**
Non-Housing Loans								
Standard	167,063.99	30.18%	113,357.80	29.24%	80,575.19	29.62%	48,448.20	28.81%
Sub-Standard	479.52	0.09%	133.07	0.03%	83.96	0.03%	68.19	0.04%
Doubtful	82.24	0.01%	99.21	0.03%	64.12	0.02%	41.26	0.02%
Loss	—	—	—	—	—	—	—	—
Sub Total	**167,625.76**	**30.28%**	**113,590.08**	**29.30%**	**80,723.27**	**29.68%**	**48,557.65**	**28.87%**
Total loans*	**553,510.66**	**100.00%**	**387,702.14**	**100.00%**	**272,008.28**	**100.00%**	**168,193.17**	**100.00%%**

** Inclusive of overdue principal.*

Set forth below are details of our NPAs, defaulting loans, restructured loans and write-offs for loan losses as of 31 December 2017 and as of 31 March 2017, 2016 and 2015.

	As of	As of 31 March		
Particulars	**31 December 2017**	**2017**	**2016**	**2015**
Opening balance at the beginning of the period (in ₹ million) (loans outstanding)	385,313.46	271,772.68	168,193.17	105,912.08
Opening balance at the beginning of the period (in ₹ million) (NPAs)	857.73	598.08	341.35	337.20
Increase/ (decrease) in NPAs during the period (in ₹ million)	1,446.78	259.65	256.73	4.20
Gross NPAs at the end of the period (in ₹ million)	2,304.51	857.73	598.08	341.35
Total loan portfolio (in ₹ million)	552,957.70	385,313.46	271,772.68	168,193.17
Gross NPAs to total loan portfolio	**0.42%**	**0.22%**	**0.22%**	**0.20%**
Salaried individuals	34.25%	38.02%	37.86%	23.12%
Self-employed customers	56.86%	61.98%	62.14%	69.91%
Loans to corporates	8.89%	—	—	6.97%
Provision for NPAs (in ₹ million)	485.46	267.77	216.81	228.14
Provisioning Coverage Ratio[1]	**175.11%**	**303.38%**	**295.34%**	**295.17%**
Net NPAs (in ₹ million)[2]	1,819.05	589.96	381.29	113.61
Net NPAs to total loan portfolio	0.33%	0.15%	0.14 %	0.07 %
Total restructured loans (in ₹ million)	88.56	—	—	—
Total restructured loans to total loan portfolio	0.02%	—	—	—
Loans – written off (in ₹ million)	33.85	53.78	25.51	10.23
Total loans written off to total loan portfolio	**0.01%**	**0.01%**	**0.02%**	**0.01%**

Notes:

[1] *Provisioning Coverage Ratio reflects the ratio of provisions created for NPAs, standard assets and provisions for contingency to gross NPAs.*

[2] *Net NPAs reflect our gross NPAs less provisions for NPAs, except counter-cyclical provisions.*

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Under the Articles of Association, our Company can have a maximum of 15 Directors. As of the date of this Offering Circular, we have nine Directors on our Board, comprising of one Executive Director, two Non-Executive (Non-Independent) Directors and six Independent Directors. The present composition of the Board and its proceedings are in accordance with the Companies Act 2013 and the SEBI (Listing Obligations and Disclosure. Requirements) Regulations, 2015 (**SEBI Listing Regulations**).

OUR BOARD

The following table sets forth details regarding our Board as of the date of this Offering Circular.

Name, designation, address, occupation, nationality, date of appointment, term and	Age (years)	Other Directorships
Mr. Sunil Mehta *Designation:* Chairman *Address:* 20 Rajdoot Marg, Chanakya Puri, New Delhi *Occupation*: Banker *Nationality:* Indian *Date of Appointment:* 12 May 2017 *Term:* Liable to retire by rotation *DIN:* 07430460	58	***Other Directorships:*** *Indian Public Limited Companies* Punjab National Bank PNB Gilts Limited PNB Investment Services Limited PNB Metlife India Insurance Company Limited India Infrastructure Finance Company Limited *Others* Indian Institute of Banking and Finance
Mr. Sanjaya Gupta *Designation:* Managing Director *Address:* K-74 A, Second Floor, Hauz Khas Enclave, New Delhi, 110016, India *Occupation*: Service *Nationality:* Indian *Date of appointment:* 25 June 2010 *Term:* Five years with effect from 5 May 2015 *DIN:* 02939128	55	***Other Directorships:*** *Indian Public Limited Companies* India Shelter Finance Corporation Limited Satin Creditcare Network Limited

Name, designation, address, occupation, nationality, date of appointment, term and	Age (years)	Other Directorships
Mr. Sunil Kaul *Designation:* Non-Executive Director *Address:* 2A, Lincoln Road 29-09 Park Infinia, Singapore, 308364 *Occupation*: Investment Advisor *Nationality:* American *Date of Appointment:* 5 March 2015 *Term:* Liable to retire by rotation *DIN:* 05102910	57	***Other Directorships:*** *<u>Indian Private Limited Companies</u>* SBI Cards and Payment Services Private Limited GE Capital Business Process Management Services Private Limited *<u>Foreign Companies</u>* Carlyle Singapore Investment Advisors Pte Limited Zhong Xi Co Limited Sunil DRU LLC
Mr. Shital Kumar Jain *Designation:* Independent Director *Address:* 5/10, Second Floor, Shanti Niketan, New Delhi, 110021, India *Occupation*: Retired Banker *Nationality:* Indian *Date of Appointment:* 9 December 2009 *Term:* Five years from 8 August 2014 *DIN:* 00047474	78	***Other Directorships:*** *<u>Indian Public Limited Companies</u>* Canara Robeco Asset Management Company Limited R S Software (India) Limited
Mr. R Chandrasekaran *Designation:* Independent Director *Address:* Sruthi, 1-C, 4th Street, Dr. Radhakrishnan Salai, Mylapore, Chennai, Tamil Nadu, 600004, India *Occupation*: Service *Nationality:* Indian *Date of Appointment:* 7 October 2015 *Term:* Five years from 7 October 2015 *DIN:* 00580842	60	***Other Directorships:*** *<u>Indian Private Limited Companies</u>* Valuesource Technologies Private Limited Trizetto Services India Private Limited Saband Software Technologies Private Limited Kbace Technologies Private Limited Cognizant Technology Solutions India Private Limited Cognizant Global Services Private Limited ITAAS India Private Limited Excellence Data Research Private Limited Trizetto India Private Limited Cognizant Technology Services Private Limited

Name, designation, address, occupation, nationality, date of appointment, term and	Age (years)	Other Directorships
Mr. Nilesh S. Vikamsey *Designation:* Independent Director *Address:* 184, Tower A, Kalapataru Habitat, Tower-A, Dr. SS Rao, Road, Parel, Mumbai, 400012, Maharashtra, India *Occupation*: Practising Chartered Accountant *Nationality:* Indian *Date of Appointment:* 22 April 2016 *Term:* Five years from 22 April 2016 *DIN:* 00031213	53	***Other Directorships:*** *Indian Private Limited Companies* HLB Offices And Services Private Limited Trunil Properties Private Limited Barkat Properties Private Limited *Indian Public Limited Companies* Navneet Education Limited Thomas Cook (India) Limited The Federal Bank Ltd IIFL Holdings Limited SBI Life Insurance Company Limited SOTC Travel Limited India Infoline Finance Limited NSEIT Limited IIFL Wealth Management Limited *Others* ICAI Accounting Research foundation Indian Institute of Insolvency Professionals of ICAI Extensible Business Reporting Language (XBRL) India
Dr. Gourav Vallabh *Designation:* Independent Director *Address:* Adarsh Nagar, Near Government Hospital, Pipar City, District Jodhpur, 342601, Rajasthan, India *Occupation*: Professor *Nationality:* Indian *Date of Appointment:* 22 April 2016 *Term:* Five years from 22 April 2016 *DIN:* 02972748	40	***Other Directorships:*** *Others* Economic and Policy Research Foundation

Name, designation, address, occupation, nationality, date of appointment, term and	Age (years)	Other Directorships
Mr. Ashwani Kumar Gupta *Designation:* Independent Director *Address:* 1/2 Gokhale Marg, Lucknow-226001 *Occupation*: Chartered Accountant *Nationality:* Indian *Date of Appointment:* 12 May 2017 *Term:* Five years from 12 May 2017 *DIN:* 00108678	63	***Other Directorships:*** *Indian Private Limited Companies* Ashlay Infrastructure Private Limited Ganga Heritage Resorts Private Limited A K G Consultants Private Limited Lallooji And Sons Private Limited Kapareva Development Private Limited *Indian Public Limited Companies* The Dhampur Sugar Mills Limited Mani Capitals Limited *Others* Mani Infraconsultancy LLP Real Value Developers LLP Kapes Commercials LLP Saar Dwellings LLP Mani Infradev LLP
Mrs. Shubhalakshmi Panse *Designation:* Independent Director *Address:* Row House No B-3 Roseland Residency Pimple Saudagar Pune Maharashtra-411027, India *Occupation*: Retired Banker *Nationality:* Indian *Date of Appointment:* 7 July 2017 *Term:* Five years from 7 July 2017 *DIN:* 02599310	63	***Other Directorships:*** *Indian Private Limited Companies* Catalyst Asset Reconstruction Private Limited *Indian Public Limited Companies* Sudarshan Chemical Industries Limited TI Financial Holdings Limited The Federal Bank Limited IL & FS Investment Managers Limited Atul Limited IL & FS Financial Services Limited L&T Infrastructure Development Projects Limited Cholamandalam Ms General Insurance Company Limited India Infoline Finance Limited

Arrangement or Understanding with Major Shareholders

Pursuant to the AOA, our Board is comprised of a maximum of 15 Directors. At present our Board has nine Directors which includes one Director nominated by the Promoter (the Chairman of the Board), one Director nominated by QIH, six Independent Directors and one Managing Director.

As of the date of this Offering Circular, Mr. Sunil Mehta has been appointed as nominee Director of the Promoter and Mr. Sunil Kaul has been appointed as nominee Director of QIH.

Brief profiles of our Directors

Mr. Sunil Mehta, aged 58 years, is the Chairman of our Company. He is also the Managing Director and Chief Executive Officer of Punjab National Bank. He is a post graduate in Agriculture, MBA in Finance and a Certified Associate of Indian Institute of Bankers (CAIIB). He has held various important positions during the course of his career in the field of credit and planning & development. He is a seasoned banker with over 35 years of rich experience in various administrative and functional capacities at Branches, Zonal Offices, and also at the Head Office level. He started his banking career as an Agriculture Field Officer at Allahabad Bank in 1982. Prior to assuming the position of Managing Director and Chief Executive Officer of Punjab National Bank, he was Executive Director of Corporation Bank.

Mr. Sanjaya Gupta, aged 55 years, is the Managing Director of our Company. He holds a bachelor's degree in commerce from Lucknow University and a master's degree in business administration from Lucknow University. He has significant experience in the mortgage industry in both retail and corporate assets. Prior to joining our Company, he had worked with AIG United Guaranty as the country head and Chief Executive Officer of the prospective mortgage guaranty business in India. He also worked with ABN Amro Bank N.V. as the National Product Head, Mortgages-Consumer Banking and with ABN AMRO Central Enterprise Services Private Limited as the Vice President, Mortgages. Prior to that, he had worked with HDFC Limited in various capacities for over 17 years.

Mr. Sunil Kaul, aged 57 years, is a Non-Executive Director of our Company. He holds a bachelor's degree in technology in electrical engineering from the Indian Institute of Technology, Bombay. He also holds a post graduate diploma in management from the Indian Institute of Management, Bangalore. Mr. Sunil Kaul has been the President of Citibank Japan and the Chairman of CitiCards Japan KK and CitiFinancial Japan KK. He was also the Head of Retail Banking for Citibank in Asia, the Head of International Personal Banking for Citibank in New York and the Head of Citi's Global Transaction Services at Citibank, Japan. He is presently the Managing Director of Carlyle Singapore Investment Advisors Pte Limited and is the Head of South East Asia for Financial Services sector of the Carlyle Asia Buyout Advisory Team and concurrently heads the Financial Services sector for the team in Asia. He has 30 years of experience in the fields of private equity, corporate and consumer banking.

Mr. Shital Kumar Jain, aged 78 years, is an Independent Director of our Company. He holds a bachelor's degree in economics from Punjab University, a master's degree in economics from the University of Punjab and a master's degree in business administration from the School of Business, University of Indiana, USA. He was a member of the Beta Gamma Sigma Society of the Indiana University chapter. He had worked with Citibank for more than 31 years in Hong Kong, Taiwan, Philippines and Canada. He has more than three decades of experience in the field of credit and finance.

Mr. R Chandrasekaran, aged 60 years, is an Independent Director of our Company. He holds a bachelor's degree in mechanical engineering from the University of Madras, a post graduate diploma in management from the Indian Institute of Management, Bangalore. Apart from being on our Board of Directors, Mr. Chandrasekaran is also the Executive Vice Chairperson of Cognizant India since 1 December 1994. Prior to joining Cognizant, he had worked with Tata Consultancy Services for over nine years. He has 30 years of experience in the fields of information technology.

Mr. Nilesh S. Vikamsey, aged 53 years, is an Independent Director of our Company. He has a bachelor's degree in commerce from the University of Bombay. He is a member of the Institute of Chartered Accountants of India (ICAI) since 1985 and is presently the President of ICAI. He holds a post qualification course in information systems audit from the Institute of Chartered Accountants of India. He has completed a course in business consultancy studies from the Bombay Accountants Society and Jamnalal Bajaj Institute of Management Studies. He has worked with Khimji Kunverji and Co. since 1985. He has 30 years of experience in the fields of auditing, taxation, corporate and personal advisory services, business and management consulting services, due diligence, valuations, inspections, investigations.

Dr. Gourav Vallabh, aged 40 years, is an Independent Director of our Company. He is professor of Finance at XLRI Jamshedpur. He holds a bachelor’s degree in commerce, a bachelor’s degree in law and a master’s degree in commerce from Maharshi Dayanand Saraswati University, Ajmer. He has a doctor of philosophy degree in financial statements’ analysis. He is a qualified company secretary from the Institute of Company Secretaries of India since June 2006. He is a financial risk manager from Global Association of Risk Professionals, USA. Dr. Vallabh has been a member of the Institute of Chartered Accountants of India since 18 December 2002. He has also worked at the Mody College of Management Studies, Lakshmangarh, Sikar, Rajasthan, at the Management Development Institute and the National Institute of Bank Management, Pune.

Mr. Ashwani Kumar Gupta, aged 63 years, is an Independent Director of our Company. A member of the Institute of Chartered Accountants (1977 batch), Mr. Gupta has 40 years of experience in corporate finance, treasury, capital management and asset reconstruction. After being a Whole Time Director (Finance) for more than 15 years, he is currently a Non-Executive Director on the Board of The Dhampur Sugar Mills Limited, a leading sugar manufacturer in India. He is also experienced in private equity investing and real estate development.

Mrs. Shubhalakshmi Panse, aged 63 years, is an Independent Director of our Company. She is a post graduate in Science and holds a Diploma in Business Management and a Masters in Management Sciences with specialization in Financial Management from Pune University. She also holds an MBA with specialization in Bank Management from Drexel University, USA. She is also a Certified Associate of Indian Institute of Bankers (CAIIB). She has 38 years of experience in the field of banking, particularly in corporate credit appraisal, credit monitoring, NPA management, planning, project appraisal and also in economics, finance and information technology. She is the former Chairman and Managing Director of Allahabad Bank. She was also the Executive Director of Vijaya Bank for two and half years. She started her career with Bank of Maharashtra.

Key Managerial Personnel

Mr. Shaji Varghese, aged 45 years, is ED and Business Head. He has been with our Company since 1 February 2012. He holds a bachelor’s degree in law from the Bharati Vidyapeeth New Law College, University of Pune. He also holds a diploma in business management from the Bharati Institute of Management, University of Pune. He holds a master’s degree in management science from the University of Pune. Prior to joining our Company, he was the Senior Vice President at Indusind Bank. He has also handled assignments with banks and financial institutions including ABN AMRO Bank NV and ICICI Bank Limited.

Mr. Ajay Gupta, aged 51 years, is ED and Chief Risk Officer. He has been with our Company since 10 September 2012. He holds a bachelor’s degree in commerce from the University of Delhi. He is also a qualified chartered accountant from the Institute of Chartered Accountants of India. Prior to joining our Company, Mr. Gupta has worked with Religare Finvest Limited as a director and the Chief Risk Officer. He has also worked with GE Money and India Bulls Financial Services.

Mr. Nitant Desai, aged 55 years, is our Chief Centralized Operations and Technology Officer. He has been with our Company since 4 April 2011. He holds a bachelor’s degree in commerce from the University of Bombay. Prior to joining our Company, he was associated with HDFC Standard Life Insurance Company Limited, Union National Bank – Abu Dhabi, ICICI Bank Limited, GE Countrywide, TATA Finance Limited and HDFC Limited.

Mr. Anshul Bhargava, aged 50 years, is our Chief People Officer. He has been with our Company since 8 August 2011. He has completed a certificate course in business management at the Indian Institute of Management, Calcutta for Officers in the Armed Forces. Prior to joining our Company, he was associated with Arms, the retail debt recovery division of Arcil, where he was the General Manager. He has also worked with the Indian army.

Mr. Kapish Jain, aged 45 years, is our Chief Financial Officer. He has been with the Company from 9 February 2018. He is a business focused, solution oriented finance professional with more than 20 years of experience in the BFSI sector. With strong analytical mind he holds rich experience across all facets of finance, i.e. treasury, business planning and MIS, accounts, internal audit, secretarial and compliance. He is a qualified Chartered Accountant, Company Secretary and Cost Accountant. He has held assignments with leading finance organizations and banks such as Xander Finance, Au Small Finance Bank, ICICI Prudential Life Insurance and Deutsche Bank.

Mr. Sanjay Jain, aged 54 years, is our Company Secretary and Head Compliance. He has been with our Company since 1 May 1995. He holds a bachelor's degree in commerce from the University of Delhi and a bachelor's degree in law from the University of Delhi. He is a fellow member of Institute of Companies Secretaries of India. Prior to joining our Company he worked with Ansal Group as a Company Secretary.

INDUSTRY OVERVIEW

*The information in this section has been derived from publicly available sources, government publications such as National Housing Bank Annual Report 2014-2015 & 2015-16,Census Data 2011, Reserve Bank of India's Annual Report 2016-17, CIA Factbook and IMF's World Economic Outlook, October 2017 and certain industry sources such as the CRISIL NBFC Report, prepared by CRISIL Research, and "Decoding housing for all by 2022," prepared by KPMG; and has not been independently verified by us, the Arrangers, the Dealers or any of our or their respective affiliates or advisors, and none of these parties makes any representation as to the accuracy of this information. The information in this section may not be consistent with other information compiled by third parties within or outside India. Industry and government sources and publications referred to in this section generally state that the information contained in such sources and publications has been obtained from sources generally believed to be reliable, but their accuracy, adequacy or completeness and underlying assumptions are not guaranteed and their reliability cannot be assured. Industry and government sources and publications are also prepared on the basis of information as of specific dates and may no longer be current or reflect current trends. Industry and government sources and publications may also base their information on estimates, forecasts and assumptions which may prove to be incorrect. Accordingly, investors should not place undue reliance on the information contained in this section. Figures used in this section are as presented in the original sources and have not been adjusted, restated or rounded off for presentation. Statements in this section that are not statements of historical fact constitute "forward-looking statements", which are subject to various risks, assumptions and uncertainties and certain factors could cause actual results or outcomes to differ materially. For further details, see "**Forward-Looking Statements**".*

OVERVIEW OF THE INDIAN ECONOMY

GDP and Disposable Income

The Indian economy is one of the largest economies in the world, with a GDP at current price of an estimated Rs. 167.2 trillion for the fiscal year 2016-2017. (*Source: IMF World Economic Outlook, October 2017.*) Despite an overall slowdown in India's rate of GDP growth since 2011, per capita GDP at constant prices in India nevertheless grew from an estimated US$5,190 in 2013 to an estimated US$6,538 for the year of 2017. (*Source: IMF World Economic Outlook, October 2017.*)

Investors' perceptions of India improved in early 2014, due to a reduction of the current account deficit and expectations of post-election economic reform, resulting in a surge of inbound capital flows and stabilization of the rupee. (*Source: CIA Factbook.*)

GDP growth slowed down in the year 2016-2017, rising 7.1% as compared to a growth of 8.0% in the year 2015-2016. The growth moderated due to slowdown in gross capital formation as waning business confidence and flagging entrepreneurial energies took their toll on the appetite for new investment, even as government and private consumption accelerated and held up aggregate demand (*Source: RBI's Annual Report 2016-17.*)

Demographics

India had an estimated population of 1.281 billion as of July 2017. Approximately 66.5% of the entire population in India in 2015 lived in rural and remaining 33.5% lived in urban areas, respectively. The estimated rate of urbanization in India is 2.28% between 2015 and 2020. (*Source: CIA Factbook.*)

The outlook for India's long-term growth is moderately positive due to a young population and corresponding low dependency ratio, healthy savings and investment rates, and increasing integration into the global economy. The median age of its population is only 27.9 years as of 2017. (*Source: CIA Factbook.*)

HOUSING FINANCE MARKET IN INDIA

Overview

In India, the housing industry is recognized as having an important impact on the country's development, civic life and human capital formation. India's economic growth, coupled with favourable structural factors, such as under-penetration of the mortgage market, the large gap between housing demand and supply, improved affordability as a result of tax incentives, the encouraging regulatory environment and positive demographic trends, is expected to fuel continued growth in the housing finance market.

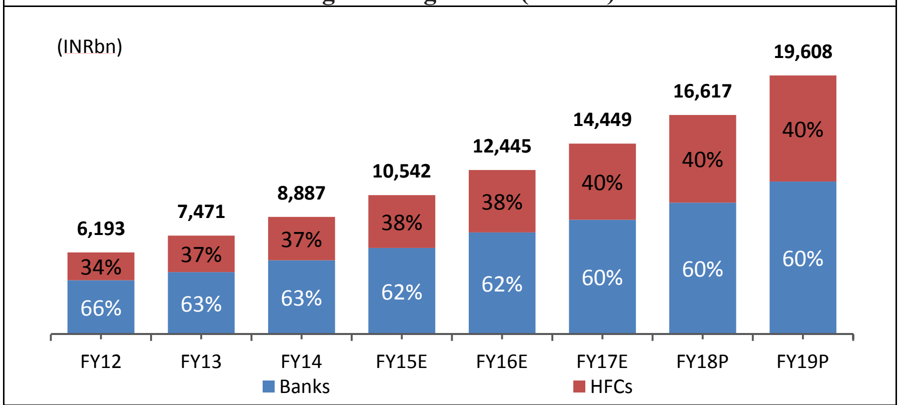
Participants in India's housing finance market mainly comprise commercial banks, including national banks, private sector banks, regional rural banks, agriculture and rural development banks and state-level apex co-operative housing finance societies, and specialized lending institutions for housing, such as the Company, known as housing finance companies (**HFCs**). It also includes some smaller institutions, such as microfinance institutions, community-based organizations and self-help groups, as well as other non-banking financial companies (**NBFCs**).

The Indian housing finance market has grown rapidly, with mortgage lending significantly contributing to growth in construction and demand for housing. Housing finance companies (HFCs) have been at the forefront, clocking CAGR of approximately 22% in loan outstanding between 2011-12 and 2016-17 vis-a-vis the industry's (banks + HFCs) 18-19%. This is due to higher growth in non-metro cities supported by government's support, rising finance penetration, lower interest rates, easing inflation, increasing demand from Tier-II cities as well as improved transparency and higher focus by HFCs.

HFCs' loan outstanding is projected to clock 17-19% CAGR from INR7.8 trillion in 2016-17 to INR10.8 trillion in 2018-19, aided by higher finance penetration and demand for affordable housing.

The following graph shows the growth of total outstanding housing loans for banks and HFCs from Fiscal Year 2012 to Fiscal Year 2019:

Trend in Total Outstanding Housing Loans (INRbn)



Note: "E" means estimated data and "P" means projected data.

Housing loans outstanding grew at 18% CAGR from fiscal 2011 to 2017, supported by higher government support, lower interest rates and easing inflation. Also, rising urbanisation, nuclearisation of families and increase in number of affordable-housing projects speeded loan growth.

(*Source: CRISIL Research – NBFC Report, November 2017.*)

Key Growth Drivers

Low mortgage penetration and housing shortage

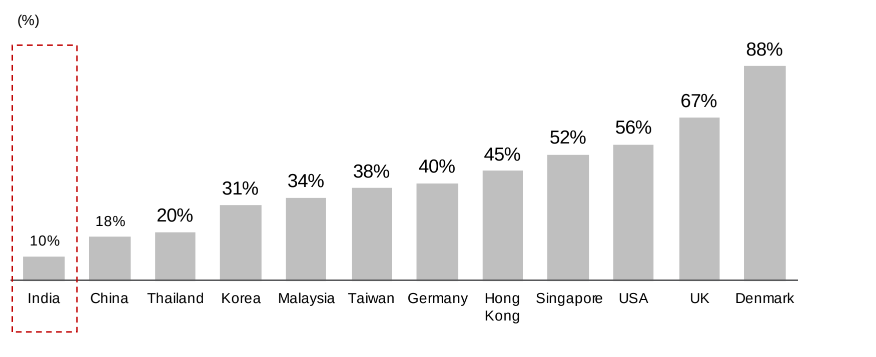
India's mortgage-to-GDP ratio has seen strong growth since 2010 having improved from 7.4% in March, 2010 to 10% as of March 2016.

Despite the strong growth in outstanding housing loans in India in recent years, India's housing finance sector remains underpenetrated in comparison to other advanced economies, as evidenced by its low mortgage-to-GDP ratio.

India's mortgage-to-GDP ratio stood at 10% in the year 2015-2016, which is significantly lower than the levels achieved in most of the advanced economies. Some developed economies (for example, Denmark) have mortgage markets that are close to 88% of GDP, while others (such as the United States and the United Kingdom) average around 56% and 67% respectively. (*Source: CRISIL Research – NBFC Report, November 2017.*)

The following graph shows the mortgage-to-GDP ratio for certain countries in the year 2015 and India for Fiscal Year 2016:

Growth in Total Housing Finance Disbursements



Note: India data for FY16, Other countries data for CY15

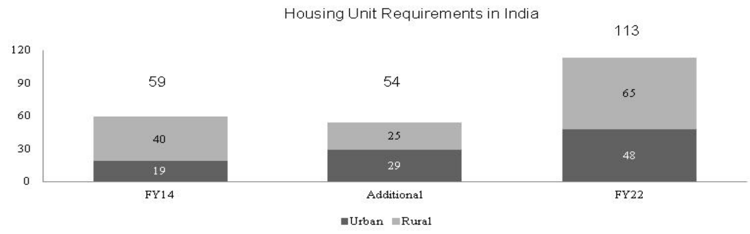
(*Source: CRISIL Research – NBFC Report, November 2017.*)

India's low mortgage-to-GDP ratio is a result of several factors, such as the shortage of housing supply, pre-existing regulatory restrictions, and the lack of borrowing power of the largely rural population. The mortgage penetration in India is estimated to be 9-11 years behind the regional emerging markets e.g. China, Thailand etc. (*Source: CRISIL Research – NBFC Report, November 2017.*)

Housing Unit Shortfall

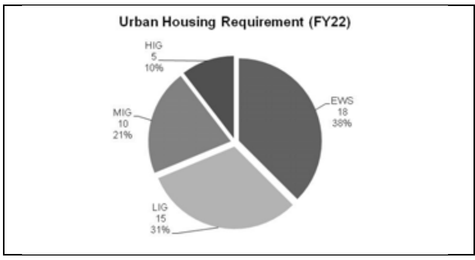
Despite a flourishing housing finance industry, India still faces a huge shortage of houses, especially in the urban areas. Consequently, India continues to face a huge shortage of houses especially in urban areas which will continue to drive the huge boost for housing finance industry.

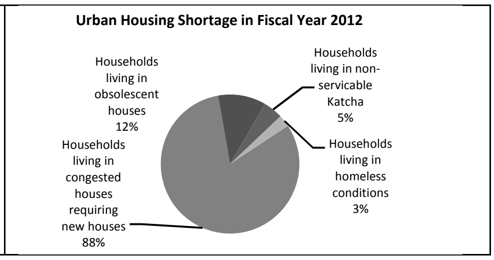
In FY14, the housing shortage was estimated to be 59 million units and is projected to be approximately 113 million units in 2022. The Government aims to provide Housing for All by 2022 which entails development of approximately 113 million housing units including the existing shortage. The total investment required to meet the housing unit shortfall will be over US$ 2tn



(*Source: KPMG, Decoding housing for all by 2022.*)

According to KPMG estimates, there would be a total requirement of ~48 million units of urban housing to fulfill urban housing requirements by 2022.





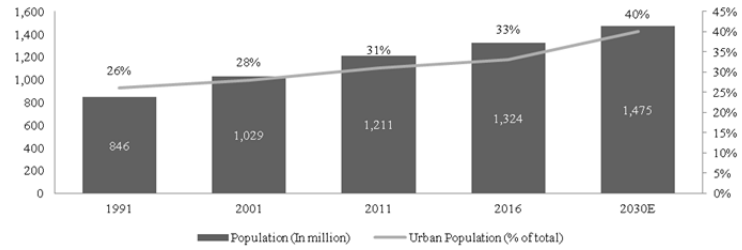
(*Source: KPMG, Decoding housing for all by 2022.*)

Population Growth, Increasing Urbanisation and Favourable Demographics

In the current decade, India's population is expected to grow at 1.1%. Any increase in population directly impacts the demand for housing units. The number of householders is likely to increase as well with the change in age mix, growing number of nuclear families, increasing urbanisation and penetration of financing.

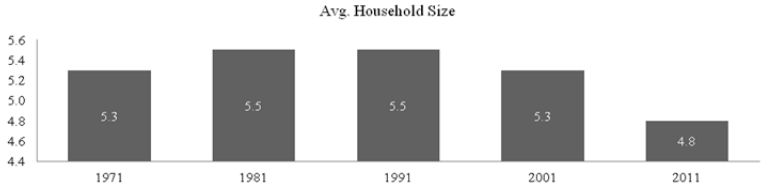
CRISIL Research expect urbanisation to accelerate, translating into a CAGR of 2.8-3.0% in urban population between 2016-17 and 2020-21, compared with the overall population growth of 1.1% during the same period.

CRISIL Research expects urbanisation to accelerate, driven by factors such as the large number of employment opportunities created by IT/ITeS companies in urban areas, which has led to the migration of the younger workforce. The proportion of urban population is expected to reach approximately 40% in CY2030. Urbanisation has a twin impact on housing demand. On the one hand, it reduces the area per household, and on the other, there is a rise in the number of nuclear families, leading to the formation of more households.

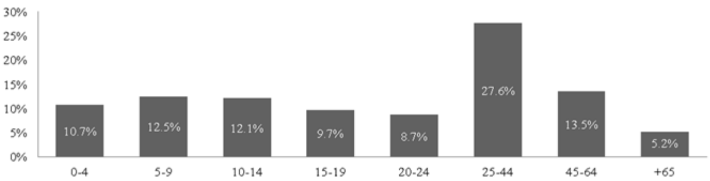


(*Source: CRISIL Research – NBFC Report, November 2017.*)

In addition, the trend of the reduction in household size and the corresponding increase in nuclear families is driving the demand for housing units as detailed in the figure below.



According to the Census data 2011, approximately 43% of the population is in the age group of 5 to 24 years of age, which will drive the increase in workforce and the rise in demand for housing units in future.

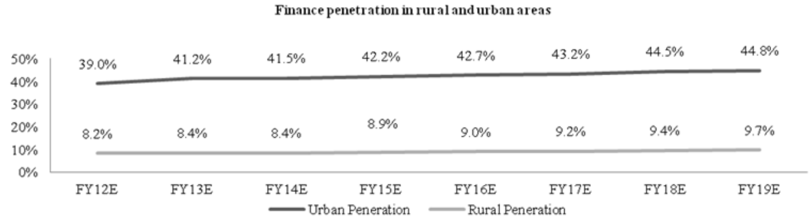


(*Source: Census Data, 2011, Government of India.*)

Increasing Finance Penetration

An increase in the finance penetration is expected to support the industry's growth. The increasing rising demand for housing units from tier-II and tier-III cities, and a subsequent surge in the construction activity, have increased the focus of financiers on these geographies. Consequently, finance penetration in urban areas is estimated to have increased to approximately 43% in fiscal 2017, from approximately 39% in fiscal 2012, while penetration in rural areas is estimated to have risen only slightly.

However, even in urban areas, the self-employed population is not catered to by several HFCs. CRISIL Research expects the finance penetration to increase gradually from these levels, driven by the thrust on affordable housing improved data availability, and rising competition. Moreover, CRISIL Research expects rural areas are expected to witness considerable improvement in finance penetration, led by the government's efforts to provide housing for all.



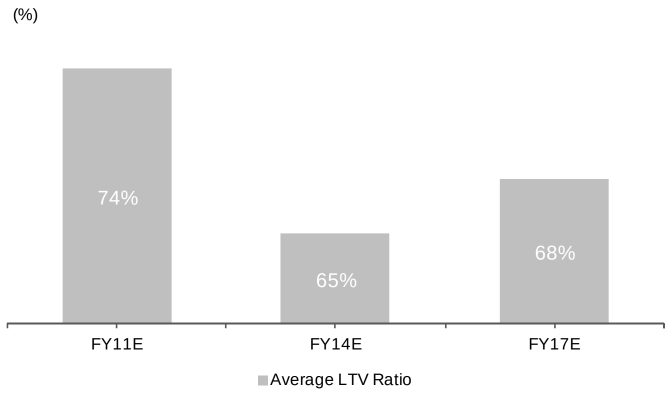
(*Source: CRISIL Research – NBFC Report, November 2017.*)

Slowing average ticket size growth

The average LTV ratio disbursed in the top 13 cities declined from 74.3% to approximately 68% between fiscals 2011 and 2017,

as rising interest rates and slow income growth led to higher EMIs and, consequently, a decline in LTVs. With interest rates likely to decline over the medium term, the LTV ratio is likely to increase from the current level.

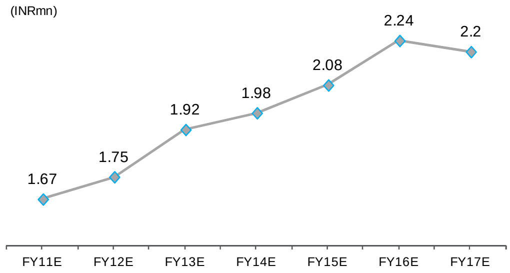
In the long term as well, as prices of urban properties rise, borrowers will find it increasingly difficult to arrange for the required equity. However, CRISIL Research expects factors such as regulatory obligations and prudent lending norms to deter financiers from increasing LTVs significantly. Hence, over the longer term, the LTV ratio is projected to go up to 75%.



Note: E: Estimate, P: Projected. Numbers are based on data from top 13 cities.

(*Source: CRISIL Research – NBFC Report, November 2017.*)

The average ticket size of loans disbursed by HFCs increased in line with the rapid rise in urban property prices, thereby fuelling growth in the sector. While the average ticket size of loans grew 7-8% to Rs 2.2 million in fiscal 2016, it declined marginally in fiscal 2017, because of a slight drop in property prices. As property prices declined post demonetization, CRISIL Research expects the average ticket size to remain stable in fiscal 2018, but increase marginally in fiscal 2019 on a recovery in prices.



(*Source: CRISIL Research – NBFC Report, November 2017.*)

Tax Incentives

The Tax incentives have traditionally been a key instrument used by the Government to promote the growth in housing sector. The Tax incentives have also been instrumental in driving the housing demand in India with few of the tax benefit being as follows:

- For individual borrowers, tax deductions are available for home loan interest payments and home loan principal payments. In respect of interest payments, annual interest payments on housing loans of up to INR0.2 million can be claimed as a deduction from taxable income under Section 24(B) of the Income Tax Act, 1961.

- In addition, under Section 80C (read with Section 80 CCE) of the Income Tax Act, 1961, principal payments of up to INR0.15mn on home loans are allowed as a deduction from gross total income. As per Section 80 EE, an additional deduction in respect of interest of INR50,000 p.a has been provided exclusively for first-time home buyers, provided the following: (1) Property value is up to INR5 million; (2) Loan is up to INR3.5 million; and (3) Loan has been sanctioned between April 1, 2016, and March 31, 2017.

- Under the Government mission "Housing for All by 2020", the Cabinet Committee on Economic Affairs has approved to increase the interest subsidy to 6.5% for loans of up to INR0.6mn for the economically weaker section (EWS) and lower income group (LIG) beneficiaries under affordable housing through Credit-Linked Subsidy Scheme (CLSS). In February 2017, benefits of the CLSS were extended to include middle-income group households as well.

- The Government also provides exemption from capital gains from the transfer of residential property, if invested in acquiring a residential building.

(*Source: CRISIL Research – NBFC Report, November 2017.*)

Government and Regulatory Initiatives for Affordable Housing

Pradhan Mantri Awas Yojana (PMAY): Housing for all by 2022

The push by the Government of India to provide 'Housing for All' by 2022 will boost sales of affordable, low-cost housing units and consequently, their financing. Under PMAY, the government plans to target construction of 20 million houses across India by 2022. The implementation of PMAY is expected to boost sales of affordable, low-cost housing units and their financing.

The key features of PMAY as divided into four components as detailed below:

Slum Redevelopment	Affordable Housing in Partnership
- Land as a resource with private participation - GOI grant of Rs 1 Lakh per house - Developers to benefit from free sale component - Extra floor space index (FSI)/floor area ratio and transfer of development rights	- With private sector or public sector agencies - Central assistance of Rs 1.5 lakh per economically weaker section (EWS) houses in projects where the project has at least 250 houses and 35% of houses eligible for EWS category
Affordable housing through credit linked subsidy	**Subsidy for beneficiary – led housing**
- The government has implemented the credit-linked subsidy scheme (CLSS) under 'Housing for All' mission as a demand-side intervention to expand institutional credit flow to meet housing requirements of people residing in urban regions.	- For individuals of EWS category for own house construction or enhancement - Credit assistance of Rs 1.5 lakh per beneficiary

Under the mission, affordable housing through Credit-Linked Subsidy Scheme (CLSS) will be implemented through banks or financial institutions.

The subsidy will be provided on home loans availed of by eligible urban population for acquisition and construction of houses with Housing and Urban Development Corporation (HUDCO) and National Housing Bank (NHB) being the central nodal agencies to direct this subsidy to the lending institutions, and monitor the progress of this component.

The details of the CLSS are below:

Category	Annual Household Income (INR)	Loan Amount (INR)	Interest Subsidy	Size of the Proposed House (sq.m – carpet area)
EWS	Up to INR300,000	600,000	6.50%	30
LIG	INR300,000 – 600,000	600,000	6.50%	60
MIG 1	INR600,000 – 1,200,000	900,000	4%	120
MIG 2	INR1,200,000 – 1,800,000	1,200,000	3%	150

(*Source: CRISIL Research – NBFC Report, November 2017.*)

Infrastructure status to affordable-housing companies

The Government granted infrastructure status to affordable-housing sector, which implies lower financing costs for the same while enabling a new funding source for HFCs in form of External Commercial Borrowings as well as institutional credit which will reduce the cost of borrowing.

Atal Mission for Rejuvenation and Urban Transformation (AMRUT)

The purpose of AMRUT is to provide basic services i.e. water supply, sewerage, urban transport etc. to households and build amenities in cities and to improve quality of life for all, especially the poor and the disadvantaged.

Limit raised for Priority sector lending credit and affordable housing

To promote the affordable housing segment, the Reserve Bank of India (RBI) has revised the risk weightage criteria for lenders and reduced it to even below 50% for low ticket housing loans. This will help in the conservation of capital and increase lending to the smaller-ticket home loan segment.

Real Estate (Regulatory & Development) Act, 2016 (RERA)

The Government has implemented the Real Estate (Regulatory & Development) Act, 2016 to protect the interests of home buyers while boosting the investments in real estate sector. While RERA will have a short term negative impact on the sector given it will drive developers to complete existing projects, it will streamline the structure, improve discipline and transparency in the real estate sector in the long term.

SEBI Prudential limits in sector exposure for Housing Finance Companies (HFCs)

SEBI has allowed Debt Mutual Funds to invest in AA and above rated HFCs up to 40% exposure limit against 25% for other sectors.

100% Tax benefit on profit to affordable housing project Builder / Developers and Service Tax Exemption

With a view to incentivize affordable housing sector as a part of larger objective of 'Housing for All', the Government has provided a 100% deduction of the profits of an Company developing and building affordable housing projects. In addition, it has also provided a service tax exemption on the construction of affordable housing.

(*Source: CRISIL Research – NBFC Report, November 2017*.)

THE NHB

The NHB was established pursuant to the NHB Act to operate as a principal agency and statutory body to promote housing finance institutions and to provide financial and other support to such institutions. The NHB is wholly-owned by the RBI. Under the provisions of the NHB Act, the NHB regulates how HFCs conduct business in India.

The following table sets out the refinance disbursements of the NHB (INR mn), by breakdown of categories of recipient institutions, in Fiscal Years 2014, 2015 and 2016:

Institution	FY14	FY15	FY16
HFCs	96,330	73,900	108,520
SCBs	79,430	141,140	102,750
Others	2,800	3,430	4,630
Total	**178,560**	**218,470**	**215,900**

(*Source: National Housing Bank, Annual Report 2015-16, 2014-15.*)

The refinance disbursements of the NHB to HFCs were INR96,330mn, INR73,900mn and INR108,520mn in Fiscal Years 2014, 2015 and 2016, respectively.

Key Market Participants

HFCs initially benefited from regulatory restrictions placed on banks, which prevented them from offering housing loans directly to borrowers and, therefore, effectively built the foundation of the Indian retail housing finance market. Since the RBI relaxed these restrictions in the late 1990s in order to develop the housing finance sector, HFCs have competed with banks for market share, focusing in particular on segments of the Indian population which historically been under-served by the banks.

Banks held an estimated 60.00% share of the housing finance market as of Fiscal Year 2017, based on loan assets. (*Source: CRISIL Research – NBFC Report, November 2017.*) The higher market share of banks, as compared to HFCs can be attributed to extensive networks, broad customer bases and access to stable low-cost funds.

HFCs have steadily gained housing finance market share from banks, having increased their share from 34.00% in Fiscal Year 2012 to 40.00% in Fiscal Year 2017. Despite banks showing continuing growth in their lending portfolio, HFCs are able to gain market share due to, among other things, strong origination skills, focused approach (catering to a particular category of customers), relatively superior customer service and diverse channels of business sourcing. (*Source: CRISIL Research – NBFC Report, November 2017.*)

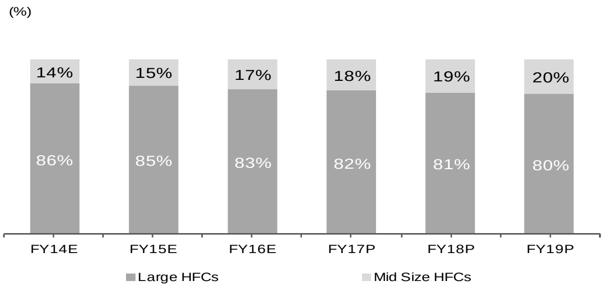
The recent slowdown in corporate credit has led to commercial banks aggressively focusing on the housing finance market and competing with HFCs. Despite this, HFCs' market share is expected to remain steady going forward.

CRISIL Research predicts mid-sized HFCs (those with total retail housing loan outstanding of below Rs 300 billion, as of March 2017) will record 22-23% CAGR in fiscals 2018 and 2019, while large HFCs will grow at a slower pace of 14-16% CAGR.

Mid-sized HFCs are expected to grow at a higher rate given their focus on affordable-housing projects and their relatively higher concentration in Tier-II and smaller cities, where growth has been higher over the past year.

(*Source: CRISIL Research – NBFC Report, November 2017.*)

Share of mid and small-sized HFCs to increase



Note: "E" means estimated data and "P" means projected data.

(*Source: CRISIL Research – NBFC Report, November 2017*.)

The most prominent HFCs in India are widely recognized as Housing Development Finance Corporation Limited, LIC Housing Finance Limited, Indiabulls Housing Finance Ltd, Dewan Housing Finance Corporation Limited, PNB Housing Finance Limited, and Gruh Finance Limited.

PRODUCT SEGMENTS

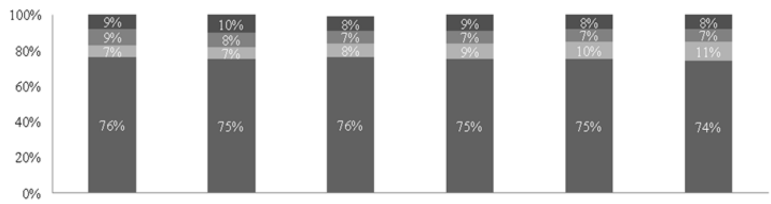
Overview

Generally, HFCs' housing loans can be categorised into two segments: housing loans and non-housing loans.

Housing loans represent housing loans to individuals, which is the focus of HFCs whereas Non-housing loans include construction finance, corporate loans, loan against movable property (LAP) and lease rental discounting.

Over the last 2-3 years, HFCs focus has moved to higher yield segments i.e. Non-Housing loans. It is expected that the HFCs will continue to focus on high yielding assets as competition is increasing in housing finance both within sectors and from the banks.

The following graph shows the composition of housing and non-housing loans of HFCs from the year 2011-2012 to the year 2016-2017E:

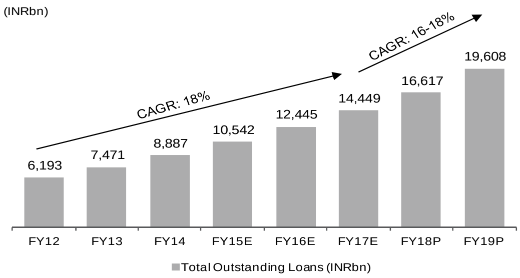


(*Source: CRISIL Research – NBFC Report, November 2017*.)

RETAIL HOUSING LOANS

The following graphs illustrate the historical and projected growth of India's outstanding retail housing loans and finance disbursements:

Growth in Outstanding Retail Housing Loans *(INRbn)*



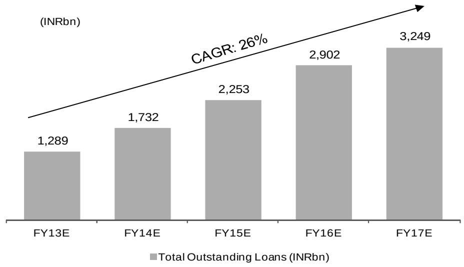
Notes: "E" means estimated data and "P" means projected data. This graph accounts for retail housing loans only.

(*Source: CRISIL Research – NBFC Report, November 2017*.)

LAP

The total outstanding on LAP for Fiscal Year 2017 was estimated to be INR3,249 billion, reflecting a 26% CAGR since Fiscal Year 2013. This increase was due to better product awareness, small businesses' rising capital needs, and rapidly increasing property prices in key markets. CRISIL Research expects continued growth of outstanding on LAP in the mid-term at a CAGR of 13-15%. (*Source: CRISIL Research – NBFC Report, November 2017*.)

Growth in LAP Outstanding Loans

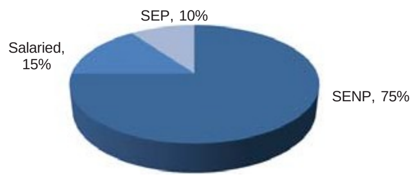


Note: "E" means estimated data and "P" means projected data.

(*Source: CRISIL Research – NBFC Report, November 2017*.)

Self-employed borrowers account for almost 80-85% of LAP disbursements, of which 70-75% are self-employed non-professionals, while the rest are self-employed professionals. The salaried class accounts for the remaining approximately 15.00%, primarily utilizing LAP to meet personal expenses related to marriage, healthcare and repayment of previous loans. While HFCs target riskier self-employed customers, banks focus more on those salaried individuals and self-employed individuals with a relatively established credit profile. (*Source: CRISIL Research – NBFC Report, November 2017*.)

The following pie chart illustrates the LAP borrower base for HFCs and NBFCs in Fiscal Year 2015:



Note: "SENP" means self-employed non-professional and "SEP" means self-employed professional.

(*Source: CRISIL Research – NBFC Report, November 2017.*)

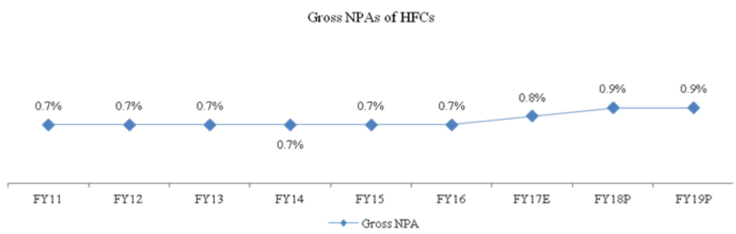
Quality of Assets - Asset quality of housing loan portfolios performed better than any other retail asset class

Given that the demand for home loans largely comes from first-time buyers, the asset quality in this segment has remained strong historically. The NPAs of financiers have improved in past two years driven by the adequate appraisal systems and effective recovery mechanisms as well as better availability of information (CIBIL data).

However, for many of the growing HFCs, given the focus on self-employed customers and due to the seasoning of portfolios, there is a potential risk of a rise in delinquency.

NPAs are likely to show a marginal uptick in fiscal 2018 but expected to remain stable in long term, led by an economic recovery, lower interest rates, better control, system checks, follow-ups and an expected improvement in job security.

The following graph illustrates the trend of gross NPA of HFCs from the year 2010-2011 to the year 2018-2019:



Note: GNPA is calculated based on weighted average of 15 HFCs accounting for more than 95% of market share. P: Projected.

(*Source: CRISIL Research – NBFC Report, November 2017.*)

Sources of Borrowing - Well-diversified, stable resource base for HFCs with growing reliance on capital markets

HFCs have a well-diversified and stable resource base with a mix of fixed deposits, bank borrowings, debentures, bonds and foreign currency borrowings which helps HFCs to optimize costs

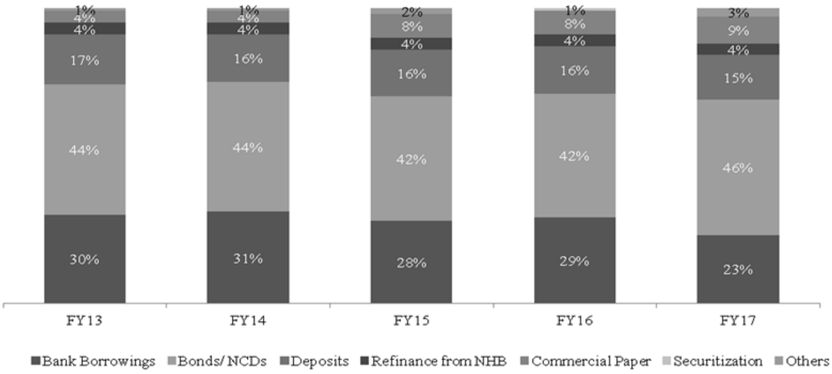
The share of borrowings from debt funds has increased in fiscal 2017, driven by a approximately 80 bps reduction in government security yield (difference between average yield during the year) in March 2017 compared with the previous year, which has reduced the borrowings costs for higher-rated HFCs.

The HFCs are increasingly raising funds through non-bank routes, particularly bonds/non-convertible debentures to help them maintain their spreads.

CRISIL Research believes that HFCS access to funds will improve, as the government and the Reserve Bank of India (RBI) have announced several measures to ensure adequate funding.

The new MCLR scheme has reduced borrowing costs wherein we have observed bank lending for housing loans reduce by 100-120 bps since banks switched to MCLR from the previous base-rate system.

Over the past few years, HFCs have adjusted their funding mix in a proportion to optimize costs as illustrated below:



Note: borrowings include financials of; Aadhar Housing Finance Limited, Aptus Value Housing Finance India Limited, Aspire Home Finance Corporation Limited, Can Fin Homes Ltd, Capital First Home Finance Private Limited, Dewan Housing Finance Corporation Ltd, DHFL Vysya Housing Finance Limited, Edelweiss Housing Finance Limited, GIC Housing Finance Ltd, Gruh Finance Ltd, Housing Development Finance Corporation Limited (HDFC), India Infoline Housing Finance Limited, Indiabulls Housing Finance Limited, L&T Housing Finance Ltd, LIC Housing Finance Ltd, Magma Housing Finance, Mahindra Rural Housing Finance Limited, Manappuram Home Finance Private Limited, Manipal Housing Finance Syndicate Limited, Micro Housing Finance Corporation Limited, PNB Housing Finance Limited, REPCO Home Finance Ltd., Sahara Housingfina Corporation Limited, Shriram Housing Finance Ltd, Sundaram BNP Paribas Home Finance Limited, and Tata Capital Housing Finance Limited

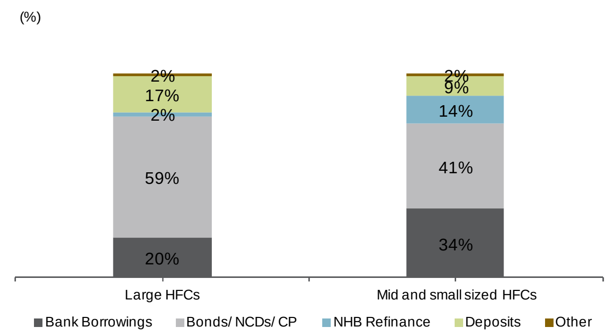
(*Source: CRISIL Research – NBFC Report, November 2017.*)

Large HFCs have better access to the debt market, given their size and parentage, making it easier for them to mobilize resources. But, during a lower interest rate regime, when the difference between the bond yields and the bank rate converges, these large HFCs could again turn to higher funding from banks.

On the other hand, mid-sized and small HFCs incur higher borrowing costs, given their limited ability to tap the bond market: These HFCs have greater reliance on bank borrowings and refinancing from the NHB, which runs various schemes under which it refinances banks and HFCs.

Most of these schemes are formulated to encourage lending in semi-urban, rural, and the peripherals of urban areas where ticket sizes are generally low. Given the design of the schemes, mid-sized and small HFCs have been the disproportionate beneficiaries of low-cost funds released by NHB. Also, they aid in reducing asset-liability mismatches on their balance sheets and eventually reduce the cost of borrowing.

Borrowings Mix for Large & Mid and Small-sized HFCs is illustrated below:



Note: Aggregate for large HFCs includes HDFC, DHFL, Indiabulls Housing Finance and LIC Housing Finance

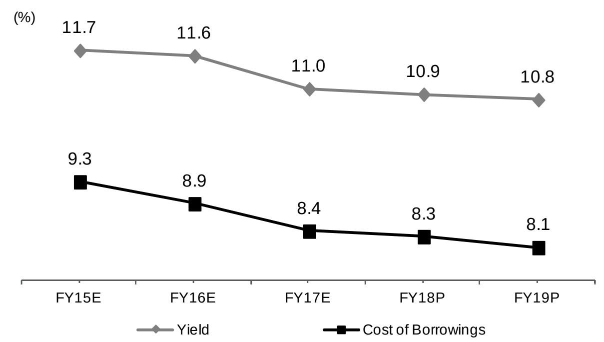
(*Source: CRISIL Research – NBFC Report, November 2017*.)

Profitability of HFCs

The NIMs for HFCs are expected to remain stable as the overall cost of borrowings for HFCs decline faster than the reduction in yield due to the higher borrowing share of capital markets

HFCs are increasingly raising funds through non-bank routes, particularly bonds and non-convertible debentures, which will help HFCs maintain their spreads as cost of debenture is less than cost of bank borrowings.

The following table sets forth the profitability of HFCs:



Overall Profitability of HFCs

Particulars	FY15E	FY16E	FY17E	FY18P	FY19P
Net-interest margin	3.93	3.95	3.97	4.06	4.12
Operating Expenses	0.69	0.72	0.70	0.76	0.79
Other Income	0.03	0.02	0.03	0.03	0.03
Credit Costs	0.29	0.32	0.36	0.39	0.40
Tax	0.90	0.89	0.82	0.82	0.83
Post-tax RoA	2.08	2.04	2.12	2.12	2.13

Notes: 1) Aggregate include financials of Aadhar Housing Finance Limited, Aptus Value Housing Finance India Limited, Aspire

Home Finance Corporation Limited, Can Fin Homes Ltd, Capital First Home Finance Private Limited, Dewan Housing Finance

Corporation Ltd, DHFL Vysya Housing Finance Limited, Edelweiss Housing Finance Limited, GIC Housing Finance Ltd, Gruh

Finance Ltd, Housing Development Finance Corporation Limited (HDFC), India Infoline Housing Finance Limited, Indiabulls

Housing Finance Limited, L&T Housing Finance Ltd, LIC Housing Finance Ltd, Magma Housing Finance, Mahindra Rural Housing

Finance Limited, Manappuram Home Finance Private Limited, Manipal Housing Finance Syndicate Limited, Micro Housing

Finance Corporation Limited, PNB Housing Finance Limited, REPCO Home Finance Ltd., Sahara Housingfina Corporation

Limited, Shriram Housing Finance Ltd, Sundaram BNP Paribas Home Finance Limited, and Tata Capital Housing Finance Limited

2) Profitability is only for HFCs

(*Source: CRISIL Research – NBFC Report, November 2017*.)

In future, CRISIL Research expects the yield of large HFCs to come down in tandem with large PSBs or private sector banks. Large HFCs are increasingly raising funds through non-bank routes, particularly bonds/nonconvertible debentures (though, some part of bank borrowings are retained for liquidity management). CRISIL Research expects this trend to continue, helping HFCs maintain their spreads, as the cost of raising funds through debentures is lower than long-term bank borrowings.

Overall Profitability of Large HFCs

Particulars	FY15E	FY16E	FY17E	FY18P	FY19P
Net-interest margin	3.85	3.83	3.85	3.89	3.94
Operating Expenses	0.57	0.56	0.53	0.54	0.54
Other Income	0.03	0.02	0.02	0.03	0.03
Credit Costs	0.26	0.30	0.32	0.34	0.34
Tax	0.91	0.89	0.81	0.81	0.83
Post-tax RoA	2.15	2.10	2.20	2.22	2.25

Notes: Aggregate include financials of HDFC, Indiabulls Housing Finance, LIC Housing Finance and DHFL

(*Source: CRISIL Research – NBFC Report, November 2017.*)

Mid and small HFCs earn higher NIMs as compared with large HFCs, as their books are highly concentrated on risky segments (self-employed and informal sector), where they are able to charge premium on yield. However, their return on assets (RoA) is lower than larger HFCs due to higher credit and operating expenses. These HFCs are in expansion mode (both in terms of number of employees as well as branches) and assimilation of latest technology, resulting in higher operating expenditure. The credit cost is also on the rise due to seasoning of books, leading to lower post-tax

RoA.

Overall Profitability of Mid & Small HFCs

Particulars	FY15E	FY16E	FY17E	FY18P	FY19P
Net-interest margin	4.37	4.46	4.53	4.59	4.66
Operating Expenses	1.44	1.53	1.47	1.52	1.53
Other Income	0.02	0.03	0.05	0.04	0.04
Credit Costs	0.41	0.43	0.51	0.53	0.56
Tax	0.85	0.87	0.88	0.76	0.77
Post-tax RoA	1.69	1.66	1.72	1.82	1.84

(*Source: CRISIL Research – NBFC Report, November 2017.*)

KEY REGULATIONS AND POLICIES

The following description is a summary of the relevant regulations and policies as prescribed by the Government of India and other regulatory bodies that are applicable to our business. The information detailed below has been obtained from various legislations, including rules and regulations promulgated by regulatory bodies, and the bylaws of the respective local authorities that are available in the public domain. The regulations set out below may not be exhaustive and are merely intended to provide general information to the investors and are neither designed nor intended to substitute for professional legal advice. The statements below are based on the current provisions of Indian law, which are subject to change or modification by subsequent legislative, regulatory, administrative or judicial decisions.

For the purposes of this section, references to any legislation, act, regulation, rule, guideline, policy, circular, notification or clarification are to such legislation, act, regulation, rule, guideline, policy, circular, notification or clarification as amended from time to time.

Investors shall carefully consider the information described below, together with the information set out in other sections of this Offering Circular including the financial statements before making an investment decision relating to the Notes, as any changes in the regulations and policies could have a material adverse effect on our Company's business.

The National Housing Bank Act, 1987

The National Housing Bank Act, 1987, as amended (the **NHB Act**) was enacted to establish the National Housing Bank (**NHB**) to operate as a principal agency to promote Housing Finance Companies (**HFC**) both at the local and regional levels and to provide financial and other support to such institutions for matters connected therewith or incidental thereto. The business of the NHB, *inter alia*, includes the following:

(i) promoting, establishing, supporting or aiding in the promotion, establishment and support of HFCs;

(ii) making loans and advances or other forms of financial assistance for housing activities of HFCs, scheduled banks, state co-operative agricultural and rural development banks or any other institution or class of institutions as may be notified by the central government;

(iii) guaranteeing the financial obligations of HFCs and underwriting the issue of stocks, shares, debentures and other securities of HFCs;

(iv) formulating one or more schemes for the purpose of mobilization of resources and extension of credit for housing;

(v) providing guidelines to the HFCs to ensure their growth on sound lines; and

(vi) providing technical and administrative assistance to HFCs and exercising all powers and functions in the performance of duties entrusted to the NHB under the NHB Act or under any other law for the time being in force.

Under the NHB Act, every HFC is required to obtain a certificate of registration and meet the requirement of net owned funds of ₹100 million or such other higher amount as the NHB may specify for commencing or carrying on the business of HFCs. Further, every HFC is required to invest and continue to invest in India in unencumbered approved securities, an amount which, at the close of business on any day, is not less than 5% (or such higher percentage as the NHB may specify, not exceeding 25%) of the deposits outstanding at the close of business on the last working day of the second preceding quarter.

Additionally, every HFC is required to maintain in India an account with a scheduled bank in term deposits or certificate of deposits (free of charge or lien) or in deposits with the NHB or by way of subscription to the bonds issued by the NHB, or partly in such account or in such deposit or partly by way of such subscription, a sum which, at the close of business on any day, together with the investment as specified above, shall not be less than 10% (or such higher percentage as the NHB may specify, not exceeding 25%), of the deposits outstanding in the books of the HFC at the close of business on the last working day of the second preceding quarter. Pursuant to the NHB Act, every HFC is also required to create a reserve fund and transfer therein a sum not less than 20% of its net profit every year as disclosed in the profit and loss account and before any dividend is declared.

Under the terms of the NHB Act, the NHB has the power to direct deposit accepting HFCs to furnish such statements, information or particulars relating to deposits received by the HFC, as may be specified by the NHB. The NHB may cause an inspection to be made of any deposit accepting HFCs, for the purpose of verifying the correctness or completeness of any statement, information or particulars furnished to the NHB or for the purpose of obtaining any information or particulars which the HFC has failed to furnish on being called upon to do so. If any HFC accepting deposits fails to comply with any direction given by the NHB, the NHB may prohibit the acceptance of deposits by that HFC.

The Recovery of Debts due to Banks and Financial Institutions Act, 1993

The Recovery of Debts due to Banks and Financial Institutions Act, 1993, as amended (the **DRT Act**) provides for the establishment of the Debts Recovery Tribunals (the **DRT**) for expeditious adjudication and recovery of debts due to banks and public financial institutions or to a consortium of banks and public financial institutions. Under the DRT Act, the procedures for recovery of debt have been simplified and time frames have been fixed for speedy disposal of cases. The DRT Act lays down the rules for the establishment of DRTs, procedure for making an application to the DRTs, powers of the DRTs and modes of recovery of debts determined by DRTs. These include the attachment and sale of movable and immovable property of the defendant, arrest of the defendant and the defendant's detention in prison and the appointment of a receiver for the management of the movable or immovable properties of the defendant.

The DRT Act also provides that a bank or public financial institution having a claim to recover its debt may join an ongoing proceeding filed by some other bank or public financial institution against its debtor at any stage of the proceedings before the final order is passed by making an application to the DRT.

The Housing Finance Companies (National Housing Bank) Directions, 2010, as amended ("NHB Directions")

The NHB Directions consolidate and issue directions in relation to the acceptance of deposits by HFCs. Additionally, the NHB Directions provide for prudential norms for income recognition, accounting standards, asset classification, provision for bad and doubtful assets, capital adequacy and concentration of credit/investment to be observed by the housing finance companies and the matters to be included in the auditors' report by auditors of HFCs.

Income Recognition

The NHB Directions require that income recognition should be based on recognised accounting principles. Income including interest, discount, hire charges, lease rentals or any other charges on non-performing assets (**NPA**) shall be recognized only when it is actually realised. Any such income recognized before the asset became nonperforming and remaining unrealized shall be reversed. Further, income from dividend on shares of corporate bodies and units of mutual funds shall be taken into account on cash basis. However, the income from dividend on shares of corporate bodies may be taken into account on an accrual basis when such dividend has been declared by the corporate body in its annual general meeting and the right to receive payment is established. Income from bonds and debentures of corporate bodies and from Government securities or bonds may be taken into account on an accrual basis provided that the interest rate on these instruments is pre-determined and interest is serviced regularly and is not in arrears. Income on securities of corporate bodies or public sector undertakings, the payment of interest and repayment of principal of which have been guaranteed by Central Government or a State Government, may be taken into account on accrual basis.

Asset Classification

The NHB Directions prescribe that every HFC shall, after taking into account the degree of well-defined credit weaknesses and extent of dependence on collateral security for realisation, classify its lease or hire purchase assets, loans and advances and any other forms of credit into standard assets; sub-standard assets; doubtful assets; and loss assets. An asset is classified as non-performing asset under these directions when the interest on such asset has remained overdue for a period of more than ninety days. The class of assets shall not be upgraded merely as a result of rescheduling, unless it satisfies the conditions required for the upgrade.

Under the NHB Directions, standard assets are assets in respect of which no default in repayment of principal or payment of interest is perceived and which does not disclose any problem, nor carry more than the normal risk attached to the business. Sub-standard assets are assets which have been classified as a non-performing asset for a period of up to twelve months. Assets in respect of which, the terms of the agreement regarding interest or principal have been re-negotiated or rescheduled after release of any instalment of loan or an inter corporate deposit which has been rolled over, shall be termed as sub-standard assets until the expiry of one year of satisfactory performance under the re-negotiated or rescheduled terms. Doubtful assets are assets which are classified as sub-standard assets for a period of more than twelve months. Loss assets are assets which are classified as loss assets by an HFC, or its internal or external auditor or by the NHB, to the extent it is not written off by the HFC. Assets which are adversely affected by a potential threat of being non recoverable due to, among others, non-availability of security, either primary or collateral, in case of secured loans and advances are also classified as loss assets.

Provisioning requirement

Every HFC is required to make provisions against sub-standard assets, doubtful assets and loss assets in accordance with provisioning requirements under NHB Directions after taking into account the time lag between an account becoming non-performing, its recognition as such, the realisation of the security and the erosion over time in the value of security charged. Further, the provisioning requirement in respect of loans, advances and other credit facilities including bills purchased and discounted as well as lease and hire purchase assets are required to be:

(a) loss assets - all assets categorized as loss assets shall be written off. However, if these assets are permitted to remain in the books of an HFC, the entire outstanding amounts shall be provided for;

(b) doubtful assets – 100.00% of the amount should be provisioned for, to the extent to which the advance is not covered by the realisable value (to be estimated on realistic basis) of the security to which the HFC has a valid recourse shall be made. Also, depending upon the period for which the asset has remained doubtful, a provision to the extent of 25.00%, 40.00% and 100.00% of the secured portion should be made when the period for which the asset has been considered as doubtful is up to one year, between one to three years and more than three years respectively;

(c) sub-standard assets - a provision of 15.00% of total outstanding amounts should be made without making any allowance for export credit guarantee, corporation guarantee and securities available; and

(d) standard assets –

   (i) standard assets with respect to housing loans at teaser/special rates - provision of 2.00% on the total outstanding amount of such loans and the provisioning of these loans to be re-set after one year at the applicable rates from the date on which the rates are re-set at higher rates if the accounts remain standard;

   (ii) (a) standard assets in respect of Commercial Real Estates Residential Housing (CRE-RH) (consisting of loans to builders/ developers for residential housing projects (except for captive consumption). Such projects do not include non-residential commercial real estate. However, integrated housing projects comprising of some commercial space (e.g. shopping complex, school etc.) can be classified as CRE-RH, provided that the commercial space in the residential housing project does not exceed 10% of the total floor space index (FSI) of the project. In case the FSI of the commercial area in a predominantly residential housing complex exceeds the ceiling of the project loans, the entire loan should be classified as CRE (and not CRE-RH) - provision of 0.75% on the total outstanding amount of such loans; (b) standard assets in respect of all other Commercial Real Estates (CRE) (consisting of loans to builders/developers/others for office buildings, retail space, multipurpose commercial premises, multitenant commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction etc., other than those covered in (ii)(a). Loans for third dwelling unit onwards to an individual will also be treated as CRE exposure) – provision of 1% on the total outstanding amount of such loans;

   (iii) standard assets in respect of non-housing loans - a general provision of 0.40% of the total outstanding amount of loans which are standard assets is required to be made. The NHB Directions also prescribe additional provisions for hire purchase and leased assets. Where amounts of hire charges or lease rentals are overdue for more than 12 months and up to 24 months, 10.00% of the net book value shall be provisioned for, when they are overdue for more than 24 months and up to 36 months 40.00% of the net book value shall be provisioned for, when they are overdue for more than 36 months and up to 48 months 70.00% of the net book value shall be provisioned for and when they are overdue for more 48 months 100.00% of the net book value shall be provisioned for. Nothing shall be provisioned for if the amounts of hire charges or lease rentals are overdue for up to 12 months; and

   (iv) standard assets in respect of individual housing loans (booked after 1 August 2017) at the rate of 0.25%; and standard assets in respect of individual having loans (booked before 1 August, 2017) at the rate of 0.40%.

Public Deposits

The NHB Directions mandate that an HFC cannot accept or renew any public deposit which is repayable on demand or on notice unless such deposit is repayable after a period of 12 months but not later than 120 months from the date of acceptance or renewal of such deposits. The NHB Directions further prescribe that an HFC cannot accept or renew public deposits unless the HFC has obtained minimum investment grade rating for its fixed deposits from any one of the approved rating agencies, at least once a year and a copy of the rating is sent to NHB. Further, all HFCs are prohibited from accepting deposits in excess of 5 times of their net owned funds.

Capital Adequacy

The NHB Directions require that HFCs shall maintain a minimum capital adequacy ratio, consisting of Tier I capital and Tier II capital not lower than 12.00% of its aggregate risk weighted assets and risk adjusted value of off-balance sheet items. Further the total Tier II capital at any point of time shall not exceed one hundred percent of Tier I capital. Other conditions have been imposed on HFCs by the NHB Directions, other directions of the NHB and circulars, including the following:

(a) No HFC may grant housing loans to individuals (a) of up to ₹3.00 million with an LTV exceeding 90.00%; (b) of between ₹3.00 million to ₹7.50 million with LTV exceeding 80.00%; and (c) above ₹7.50 million with LTV exceeding 75.00%.

(b) No HFC shall invest in land or buildings, except for its own use, an amount exceeding 20.00% of the aggregate of its Tier I capital and Tier II capital. Such investment over and above 10.00% of its owned funds is required to be made only in residential units.

(c) No HFC shall lend to any single borrower an amount exceeding 15.00% of its owned funds, and to any single group of borrowers, an amount exceeding 25.00% of its owned funds.

(d) The aggregate exposure of an HFC to the capital market in all forms should not exceed 40.00% of its net worth as on March 31 of the previous year. Within this overall ceiling, direct investment in shares, convertible bonds, debentures, units of equity-oriented mutual funds and all exposures to venture capital funds should not exceed 20.00% of its net worth.

(e) All HFCs must ensure that disbursement of housing loans sanctioned to individuals should be closely linked to the stages of construction of the housing projects/houses and upfront disbursal should not be made in cases of incomplete/under-construction/greenfield housing projects/houses.

(f) HFCs are eligible to issue non-convertible debentures only if it has net owned funds of ₹100.00 million as per their last audited balance sheets.

The Prevention of Money Laundering Act, 2002

The Prevention of Money Laundering Act, 2002, as amended (the **PMLA**) was enacted to prevent money laundering and to provide for confiscation of property derived from, and involved in, money laundering. In terms of the PMLA, every financial institution, including housing finance institutions, is required to maintain a record of all transactions including the value and nature of such transactions, furnish information of such transactions to the director defined under PMLA and verify and maintain the records of the identity of all its clients, in such a manner as may be prescribed. The PMLA also provides for power of summons, searches and seizures to the authorities under the PMLA. In terms of PMLA, whosoever directly or indirectly attempts to indulge or knowingly assists or knowingly is a party or is actually involved in any process or activity connected with the proceeds of crime and projecting it as untainted property shall be guilty of the offence of money laundering. The NHB *vide* circular NHB(ND)/DRS/POL No. 13/2006 dated 10 April 2006 had introduced anti-money laundering measures wherein the HFCs were advised *inter alia* to follow the customer identification procedure, maintenance of records of transactions and period of preservation of such record keeping in view of the provisions of PMLA. Further, the aforesaid circular introducing anti-money laundering measures were reviewed and revised *vide* circular NHB(ND)/DRS/POL-No. 33/2010-11 dated 11 October 2010 (the **2010 Notification**) in light of amendments in the PMLA and the rules framed there under. Further the 2010 Notification requires the HFC to verify the identity of non-account based customers while carrying out a transaction of an amount equal to or exceeding ₹50,000. Further, it was directed *vide* NHB(ND)/DRS/Misc. Circular No.13/2014 dated 20 January 2014, that the HFCs shall ensure that the documents are not given directly to the customers for verification etc. to obviate any fraud.

The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002

The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (the **SARFAESI Act**) regulates the securitization and reconstruction of financial assets of banks and financial institutions. The SARFAESI Act provides for measures in relation to enforcement of security interests and rights of the secured creditor in case of default.

The RBI has issued guidelines to banks and financial institutions on the process to be followed for sales of financial assets to asset reconstruction companies. These guidelines provide that a bank or a financial institution may sell financial assets to an asset reconstruction company provided the asset is a Non-Performing Asset (**NPA**). A bank or financial institution may sell a financial assets only if the borrower has a consortium or multiple banking arrangements and at least 75% by value of the total loans to the borrower are classified as an NPA and at least 75% by the value of the banks and financial institutions in the consortium or multiple banking arrangement agree to the sale. These assets are to be sold on a "without recourse" basis only.

The SARFAESI Act provides for the acquisition of financial assets by a securitization company or reconstruction company from any bank or financial institution on such terms and conditions as may be agreed upon between them. A securitization company or reconstruction company having regard to the guidelines framed by the RBI may, for the purposes of asset reconstruction, provide for measures such as the proper management of the business of the borrower by change in or takeover of the management of the business of the borrower, the sale or lease of a part or whole of the business of the borrower and certain other measures such as rescheduling of a payment of debts payable by the borrower and enforcement of security.

Additionally, under the provisions of the SARFAESI Act, any securitization company or reconstruction company may act as an agent for any bank or financial institution for the purpose of recovering its dues from the borrower on payment of such fee or charges as may be mutually agreed between the parties.

Refinance Scheme for Housing Finance Companies, 2013

Pursuant to the Refinance Scheme for Housing Finance Companies, 2013 (**Refinance Scheme**), HFCs fulfilling *inter alia* the following criteria will be eligible to draw refinance from NHB:

(i) the HFC should be registered with the NHB to carry out housing finance activity in the country;

(ii) the HFC should provide long-term finance for construction/purchase/repair/upgrade of dwelling units by home-seekers;

(iii) the HFC should invest at least 75% of capital employed by way of long-term finance for housing;

(iv) the HFC should have net owned funds of not less than ₹100 million; and

(v) the HFC should have completed at least three years of operations (i.e. the HFC should be able to furnish 3 years' audited financial statements).

The Refinance Scheme states that refinance will be available to the extent of 100% of housing loans sanctioned and disbursed by the HFCs for acquisition/construction of new housing units and for upgrade/major repairs. In addition, the refinance will be available for a period of not less than one year and not exceeding 15 years. HFCs can repay the principal and pay interest on a quarterly basis. HFCs also have an option of prepay all or part of the refinance outstanding at any point of time without payment of any prepayment levy. The security to be obtained from individual beneficiaries including mortgage of property. Other forms of acceptable security are life insurance policies, promissory notes, shares and debentures, or such other security as deemed appropriate between the parties to fully secure the loan. A Loan for refinance from the NHB may generally be secured by a charge on the book debts of a HFC. If at any time the NHB is of the opinion that the security provided by the HFC has become inadequate to cover the outstanding refinance, it may advise the HFC to furnish such additional security as may be acceptable to NHB to cover such deficiency.

Master Circular on Housing Finance issued by the RBI

Pursuant to the Master Circular on Housing Finance dated 1 July 2015, as amended, and issued by the RBI (**Master Circular**), banks are eligible to deploy their funds under the housing finance allocation in any of three categories, *i.e.* (a) direct finance; (b) indirect finance; or (c) investment in bonds of the NHB/Housing and Urban Development Corporation Limited, or combination thereof. Indirect finance includes loans to HFCs, housing boards, other public housing agencies etc., primarily for augmenting the supply of serviced land and constructed units.

Under the terms of the Master Circular, banks may grant loans to HFCs taking into account (long-term) debt-equity ratio, track record, recovery performance and other relevant factors including other applicable regulatory guidelines.

Master Circular on Priority Sector Lending-Targets and Classification by the RBI

Pursuant to the Master Circular on Priority Sector Lending – Targets and Classification dated 1 July 2015, issued by the RBI, loans granted by banks to HFCs approved by the NHB for the purpose of refinance for purchase/construction/reconstruction of individual dwelling units or for a slum clearance and rehabilitation of slum dwellers, subject to an aggregate loan limit of ₹1 million per borrower would be classified under the priority sector, provided that an all inclusive interest rate charged to the ultimate borrower is not exceeding the lowest lending rate of the lending bank for housing loans plus 8% p.a. However, the eligibility under this measure is restricted to 5% of the individual bank's total priority sector lending, on an ongoing basis. The maturity of bank loans should be co-terminus with average maturity of loans extended by HFCs. Banks should maintain necessary borrower-wise details of the underlying portfolio.

Guidelines for Asset Liability Management System for HFCs vide circular NHB/ND/DRS/Pol-No. 35/2010-11 dated 11 October 2010

The guidelines for an introduction of asset liability management system (**ALM**) by HFCs was issued by NHB *vide* circular NHB(ND)/HFC(DRS-REG)/ALM/1407/2002 dated 28 June 2002 (**ALM Guidelines**). NHB has since revised the guidelines. The revised guidelines would be applicable to all HFCs irrespective of whether they are accepting/holding public deposits or not. The ALM Guidelines for HFCs lays down broad guidelines for HFCs in respect of systems for management of liquidity and interest rate risks. The ALM Guidelines provide that the board of directors of an HFC should have overall responsibility for management of risks and should decide the risk management policy and set limits for liquidity, interest rate, exchange rate and equity price risks. Additionally, an asset-liability committee is required to be constituted consisting of the HFC's senior management including the chief executive officer for ensuring adherence to the limits set by the board as well as for deciding the business strategy of the HFC (on the assets and liabilities sides) in line with the HFC's budget and decided risk management objectives. Asset-liability management support groups to be constituted of operating staff are required to be responsible for analysing, monitoring and reporting the risk profiles to the asset-liability committee.

The ALM Guidelines also recommended classification of various components of assets and liabilities into different time buckets for preparation of gap reports (liquidity and interest rate sensitive). The gap is the difference between rate sensitive assets and rate sensitive liabilities for each time bucket. In accordance with the ALM Guidelines, HFCs which are better equipped to reasonably estimate the behavioural pattern of various components of assets and liabilities on the basis of past data/empirical studies could classify them in the appropriate time buckets, subject to approval by the asset-liability committee/board of the HFC. HFCs should set prudential limits on individual gaps in various time buckets with the approval of the board or management committee and such limits should have a relationship with total assets, earning assets or equity. Since gap analysis measures mismatches between the rate sensitive liabilities and rate sensitive assets including off-balance sheet positions, it has been provided that the gap reports are instrumental in indicating whether the institution is in a position to benefit from rising interest rates by having positive gap or vice versa. An asset or liability is classified as rate sensitive if: (a) there is a cash flow within the time interval under consideration; (b) the interest rates resets contractually during the interval; (c) it is contractually pre-payable or withdrawable before the stated maturities; and (d) it is dependent on the changes in the bank rate by RBI. The NHB revised the ALM guidelines in 2010 *vide* its policy NHB/ND/DRS/Pol-No. 35/2010-11 dated 11 October 2010, as amended (the **ALM Guidelines 2010**). The ALM Guidelines 2010 is applicable to all HFCs irrespective of whether they are accepting/holding public deposits or not. All HFCs are required to put in place the ALM System. HFCs meeting the criteria of asset base of ₹1 billion (whether accepting/holding public deposits or not) or holding public deposits of ₹200 million or more (irrespective of their asset size) as per the audited balance sheet as of 31 March 2010 would be required to submit the quarterly statement of short-term dynamic liquidity and half-yearly statements of structural liquidity and interest rate sensitivity. The quarterly statement shall be submitted within ten days of the close of the quarter and half yearly statements within 20 days of the close of the half year. It further provided that a board approved comprehensive ALM policy and risk management policy be sent to the NHB before 31 December 2010. The Asset-Liability Committee (**ALCO**) consisting of the HFC's senior management including the chief executive officer should be responsible for ensuring adherence to the limits set by the board as well as for deciding the business strategy of the HFC (on the assets and liabilities sides) in line with the HFC's budget and decided risk management objectives. The chief executive officer/president or the executive director should head the ALCO. A copy of the policy note recorded by the HFCs on the treatment of the investment portfolio for the purpose of ALM and approved by their board of directors/ALCO should be forwarded to the NHB. ALM Guidelines 2010 further provide guidelines for equipping HFC to manage and minimize liquidity risk, currency risk and interest rate risk.

Guidelines on Fair Practices Code for HFCs

The Guidelines on Fair Practices Code for HFCs (**Fair Practices Code**) were issued by the NHB *vide* circular NHB(ND)/DRS/POL-No-16/2006 dated 5 September 2006, and were revised by the NHB *vide* circular NHB/ND/DRS/Pol No. 34/2010-11 dated 11 October 2010, and as further amended *vide* circular NHB (ND)/DRS/Pol. No. 38/2010-11, dated 25 April 2011, to bring more clarity and transparency and to cover all aspects of loan sanctioning, disbursal and repayment issues. The Fair Practices Code seeks to promote good and fair practices by setting minimum standards in dealing with customers, increase transparency, encourage market forces, promote fair and cordial relationship between customer and HFCs, and foster confidence in the housing finance system.

The Fair Practices Code provides for provisions in relation to providing regular and appropriate updates to the customer, prompt resolution of grievances and confidentiality of customer information. Further, the HFCs are required to disclose information on interest rates, common fees and charges through notices etc. HFCs are required to ensure that all advertising and promotional material is clear and not misleading, and that privacy and confidentiality of the customers' information is maintained. Further, whenever loans are given, HFCs should explain to the customer the repayment process by way of amount, tenure and periodicity of repayment. However, if the customer does not adhere to the repayment schedule, a defined process in accordance with the laws of the land shall be followed for the recovery of dues. The process will involve reminding the customer by sending him/her notice or by making personal visits and/or repossession of security, if any.

Vide circular NHB (ND)/DRS/Policy Circular No.74/2015, any guarantor refusing to comply with the demand made by the creditor/lender to make payment of dues despite having sufficient means to do so, will be treated as a wilful defaulter.

Vide circular NHB(ND)/DRS/Policy Circular No.73/2015-16 and NHB(ND)/DRS/Misc. Circular No.16/2015-16 dated 3 December 2015, the HFCs shall not discriminate visually impaired or physically challenged applicants on the ground of disability in extending products, services, facilities etc.

Guidelines for Recovery Agents Engaged by HFCs

The Guidelines for Recovery Agents Engaged by HFCs bearing no. NHB(ND)/DRS/Pol-No.25/2008 (the **Recovery Agents Guidelines**) were issued on 14 July 2008 by the NHB in relation to the practices and procedures regarding the engagement of recovery agents by the HFCs. Under the Recovery Agents Guidelines, HFCs are required to have a due diligence process in place for the engagement of recovery agents, which should cover *inter alia*, individuals involved in the recovery process. HFCs are required to ensure that the agents engaged by them in the recovery process carry out a verification of the antecedents of their employees and HFCs may decide the periodicity at which re-verification should be resorted to. HFCs are required to ensure that the recovery agents are properly trained to handle with care and sensitivity their responsibilities, in particular, aspects like hours of calling and privacy of customer information, among others. HFCs are also required to inform the borrower of the details of recovery agency firms/companies while forwarding default cases to the recovery agency.

Under the Recovery Agents Guidelines, any person authorized to represent an HFC in collection and/or security repossession should follow guidelines which includes *inter alia* contacting the customer ordinarily at the place of his/her choice; interaction with the customer in a civil manner and assistance to resolve disputes or differences regarding dues in a mutually acceptable and orderly manner. Each HFC should have a mechanism whereby the borrower's grievances with regard to the recovery process can be addressed. The details of the mechanism should also be furnished to the borrower. HFCs have been advised to constitute grievance redressal machinery within the company and give wide publicity about it through electronic and print media. Further, Recovery Agents Guidelines provides that where HFCs have incorporated a re-possession clause in the contract with the borrower and rely on such re-possession clause for enforcing their rights, they should ensure that the re-possession clause is legally valid, complies with the Indian Contract Act in letter and spirit, and that such repossession clause is clearly brought to the notice of the borrower at the time of execution of the contract. The terms and conditions of the contract should be strictly in terms of the disclosed Recovery Policy and should contain provisions regarding (a) notice period before taking possession; (b) circumstances under which the notice period can be waived; (c) the procedure for taking possession of the security; (d) final chance to be given to the borrower for repayment of loan before sale/ auction of the property; (e) the procedure for giving repossession to the borrower; and (f) the procedure for sale/auction of the property. HFCs are required at least on an annual basis, to, review the financial and operational condition of the service providers to assess their ability to continue to meet their outsourcing obligations. Such due diligence reviews, which can be based on all available information about the service provider, should highlight any deterioration or breach in performance standards, confidentiality and security, and in business continuity preparedness.

Guidelines on Know Your Customers and Anti Money Laundering measures for Housing Finance Companies

The Know Your Customer (**KYC**) guidelines issued by NHB *vide* circular NHB/ND/DRS/Pol-No. 33/2010-11 on 11 October 2010, as amended (**NHB KYC Guidelines**) mandate the KYC policies and anti-money laundering measures for HFC to have certain key elements, including *inter alia* a customer acceptance policy, customer identification procedures, monitoring of transactions and risk management, adherence to NHB KYC Guidelines and the exercise of due diligence by the NBFC, including its brokers and agents. The NHB KYC Guidelines were amended *vide* circular NHB(ND)/DRS/Pol. Circular No.60/2013-14 dated 6 February 2014 and circular NHB (ND)/DRS/Policy Circular No.72/2014-15 dated 23 April 2015 to provide an indicative list of the nature and type of documents/information that may be relied upon for customer identification.

Further, the NHB introduced various reforms *vide* circular no. NHB (ND)/DRS/Policy Circular No.85/2017-18 dated 8 December 2017 that HFC can now carry out their e-KYC verification through Aadhaar based One Time Pin (**OTP**). The process involves verification by input of OTP that has been sent at the time of registration to the mobile number of the customer which is linked with his/her Aadhaar. Accounts opened in terms of this proviso are subject to certain conditions like the explicit consent from the customer for authentication through OTP. The aggregate amount of all the deposit accounts taken together for a customer must not exceed ₹1 million. Only term loans not exceeding ₹50,000 in a year will be sanctioned. The payment of deposits in terms of accounts opened on-line through OTP based e-KYC, shall be accepted only through internet banking from a designated bank account of the customer. A declaration is also required to be obtained from the customer to the effect that no other account has been opened nor will be opened using OTP based KYC either with the same entity or with any other HFC. The circular also provides for reforms to the biometric authentication for e-KYC verification. The customer can now provide the same to an authorized person of the HFC by complying certain criteria while before he/she was required to visit the branch office of the HFC.

The government of India *vide* circular no. NHB(ND)/DRS/Policy Circular No.76/2016-17 dated 1 November 2016 reiterated appointment of the Central Registry of Securitization Asset Reconstruction and Security Interest of India (**CERSAI**) to perform the functions of the Central KYC Record Registry for uploading KYC of individual accounts required under Prevention of Money Laundering (Maintenance of Records) Rules, 2005. Thus, HFCs have to prepare to introduce the process of opening new individual accounts and uploading the KYC data of these new and existing accounts.

Guidelines on Corporate Governance

The NHB *vide* Notification No. NHB.HFC.CG-DIR.1/MD&CEO/2016 dated 9 February 2017 has issued guidelines on corporate governance covering constitution of committees of the Board, fit and proper criteria for the appointment of directors, disclosure and transparency in annual reporting, rotation of partners of statutory auditors and framing of internal guidelines on corporate governance.

Norms for excessive interest rates

The NHB *vide* circular NHB(ND)/DRS/POL-No-29/2009 dated 2 June 2009, has advised all HFCs to revisit internal policies in determining interest rates, fees and other charges. According to this notification, the board of each HFC is required to revisit its policies on interest rate determination, fees and other charges, including margins and risk premiums charged to different categories of borrowers and approve the same. HFCs are advised to put in place an internal mechanism to monitor the process and operations in relation to the disclosure of interest rates and charges in view of the guidelines indicated in the Fair Practices Code, to ensure transparency in communications with the borrowers.

Guidelines for pre-payment levies and pre-closure penalties

Pursuant to a circular dated 18 October 2010, NHB has prescribed that pre-payment levy or penalty on pre-closure of housing loans shall not be collected from the individual borrowers, in an event a housing loan is pre-closed by the individual borrowers out of their own sources. HFCs shall not charge pre-payment levy or penalty on pre-closure of housing loans where (i) the housing loan is availed on floating interest rate basis and the loan is pre-closed through any source; and (ii) where the housing loan is availed on a fixed interest rate basis and the loan is pre-closed by the borrower out of their own sources. Loans in which a company or firm is a co-borrower is excluded from the purview of the circular.

It has been clarified *vide* circular no NHB(ND)/DRS/Pol-No.48/2011-12 dated 9 April 2012 that the instruction applicable to fixed interest rate housing loans referred to in the circular dated 19 October 2011 will be applicable to such loans which carry fixed rate of interest at the time of origination of the loan. Further, it has been directed *vide* circular no NHB(ND)/DRS/Pol-No.51/2012-13 dated 7 August 2012 that all dual/special rate (combination of fixed and floating) housing loans will attract the pre-closure norms applicable to fixed/floating rate depending on whether at the time of pre-closure, the loan is on fixed or floating rate. A fixed rate loan shall be considered to be a loan where the rate is fixed for entire duration of the loan. Thus, in the case of a dual/special rate housing loans, the pre-closure norm for floating rate will be applicable once the loan has been converted into floating rate loan, after the expiry of the fixed interest rate period. This shall be applicable to all such dual/special rate housing loans being foreclosed hereafter. Further *vide* NHB (ND)/DRS/Policy circular No. 63/2014-15 dated 14 August 2014, it was directed that HFCs shall not charge foreclosure charges/pre-payment penalties on all floating rate term loans sanctioned to individual borrowers, with immediate effect. Subsequently, it was clarified *vide* circular no NHB(ND)/DRS/Policy circular 66/2014-15 dated 3 September 2014 that provisions of the circular issued on 14 August 2014 are applicable in respect of all floating rate term loans sanctioned to individual borrowers by HFCs, irrespective of the date of sanction and whether the relevant loan was prepaid on or after 14 August 2014. The provisions of the said circular cover part as well as full prepayment. It was also clarified that the aforesaid circular is applicable to term loans sanctioned to individual borrowers, and a loan availed by a company, firm etc., therefore is excluded from its purview.

Foreign Investment in HFCs

Foreign investments in India are governed primarily by the provisions of the Foreign Exchange Management Act, 1999, as amended (**FEMA**) and the rules, regulations and notifications there-under, read with the presently applicable Consolidated FDI Policy, dated 28 August 2017 (**Consolidated FDI Policy**) (provisions of the Circular of 2017) issued by the Department of Industrial Policy and Promotion from time to time. As per the provisions of the Consolidated FDI Policy, 100% Foreign Direct Investment (**FDI**) under the automatic route is permitted for investment in the NBFCs which carry out certain specified activities, which includes HFCs. With the earlier pre-requisites of common minimum capitalisation for all sectors under NBFCs having now been scrapped, the concerned regulator/government agency, in this case, the NHB, has been given the authority to specify the requirements for FDI, including minimum capitalisation norms. Currently the minimum capitalisation required at the time of application for registration with the NHB is a net owned fund of ₹100 million.

Other compliance requirements for the said registration are as follows:

(i) It should either primarily transact in, or have it as one of its primary objects, the business of providing finance for housing, whether directly or indirectly;

(ii) The HFC should be in a position to pay its present or future depositors in full as and when their claims accrue;

(iii) Affairs of the HFC are not being or are not likely to be conducted in a manner detrimental to the interest of its present or future depositors;

(iv) General character of the management or the proposed management of the HFC should not be prejudicial to the public interest or to the interests of its depositors;

(v) HFC should possess adequate capital structure and earning prospects;

(vi) Public interest should be served by the grant of certificate of registration to the HFC to commence or carry on the business in India;

(vii) Grant of certificate of registration should not be prejudicial to the operation and growth of the housing finance sector of the country; and

(viii) Any other condition, fulfilment of which in the opinion of the NHB, that should be necessary to ensure that the commencement of or carrying on the business in India by a HFC and which should not be prejudicial to the public interest or in the interests of the depositors.

With respect to the issuance of shares, every Indian company issuing shares or convertible debentures in accordance with the RBI regulations is required to submit a report to the RBI within 30 days of receipt of the consideration and another report within 30 days from the date of issue of the shares to a non-resident purchaser.

Foreign Exchange Laws

The current laws relating to ECBs as applicable to the issue of Notes are embodied in the Master Direction on External Commercial Borrowings, Trade Credit, Borrowing and Lending in Foreign Currency by Authorised Dealers and Persons other than Authorised Dealers, 2016 (as updated from time to time) (**ECB Master Direction**). ECBs can be accessed under two routes: (i) the automatic route; and (ii) the approval route. The automatic route does not require a borrower to obtain any RBI approvals, whereas the approval route requires a prior RBI approval. The ECB Master Direction classify ECBs under the categories:

(i) medium term foreign currency denominated ECBs with minimum average maturity of three to five years (Track I ECBs);

(ii) long-term foreign currency denominated ECBs with minimum average maturity of ten years (Track II ECBs); and

(iii) Indian Rupee denominated ECBs with minimum average maturity of three to five years (Track III ECBs).

Automatic route

The following entities have been classified as recognised borrowers for raising Track I ECBs: (i) companies in the manufacturing and software development sectors; (ii) shipping and airlines companies; (iii) Small Industries Development Bank of India; (iv) units in special economic zones in India; and (v) companies in the infrastructure sector, NBFC-Infrastructure Finance Companies, NBFCs-Asset Finance Companies, holding companies and core investment companies. For Track II ECBs, all entities eligible under Track I ECBs can raise ECBs in addition to real estate investment trusts and infrastructure investment trusts coming under the regulatory framework of SEBI. In case of Track III ECBs, all entities eligible under Track II ECBs can raise ECBs in addition to (i) all NBFCs coming under the purview of RBI; (ii) NBFCs-micro finance institutions, not for profit companies registered under the companies act 1956 or 2013, societies, trusts and co-operatives, non-government organisations engaged in micro-finance activities; (iii) companies engaged in miscellaneous services such as research and development, companies supporting infrastructure and companies providing logistics services; and (iv) developers of special economic zones and national manufacturing and investment zones.

The following lenders are eligible to provide ECBs for Track I ECBs: (i) international banks; (ii) international capital markets; (iii) multilateral financial institutions or regional financial institutions and Government-owned financial institutions; (iv) export credit agencies; (v) suppliers of equipment; (vi) foreign equity holders; (vii) overseas long term investors; and (viii) overseas branches or subsidiaries of Indian banks. For Track II ECBs all entities listed under Track I ECBs other than overseas branches or subsidiaries of Indian banks. For Track III ECBs all entities listed under Track I ECBs other than overseas branches or subsidiaries of Indian banks. In case of NBFCs-MFIs, other eligible MFIs, not for profit companies and non-government organisations, ECBs can also be availed from overseas organisations and individuals.

ECB proceeds under Track I can be utilised for, inter alia (i) capital expenditure in the form of import and local sourcing of capital goods, new projects and modernisation or expansion of existing units; (ii) overseas direct investment; (iii) acquisition of shares in the Government's disinvestment programme of public sector units; (iv) refinancing of existing (a) trade credits (raised for import of capital goods), (b) ECBs, provided the residual maturity is not reduced; (v) payment of capital goods already shipped but unpaid. The proceeds of Track II ECBs and Track III inter alia can be used for all purposes, excluding (i) real estate activities; (ii) investing in capital markets or equity in the domestic market; (iii) on-lending to other entities for the above mentioned objectives; and (iv) purchase of land.

NBFCs, under Track III ECBs, can use ECB proceeds only for (i) on-lending for any activity, including to infrastructure sector as permitted by RBI; (ii) providing hypothecated loans to domestic entities for acquisition of capital goods and equipment; and (iii) providing capital goods and equipment to domestic entities by way of lease and hire-purchases.

Further, the maximum amount which can be raised every fiscal year under the automatic route is U.S.$750 million or its equivalent for companies in the infrastructure and manufacturing sector, NBFC — infrastructure finance companies, NBFC — asset finance companies, holding companies and core investment companies, U.S.$200 million or its equivalent for companies in the software development sector, U.S.$100 million or its equivalent for entities engaged in micro finance activities and U.S.$500 million or its equivalent for remaining entities. The all-in cost (which includes rate of interest, other fees and expenses in foreign currency or Indian Rupees but does not include commitment fees, prepayment fees, payments for withholding tax in Rupees) ceilings for (i) Track I ECBs is 300 basis points per annum over six month LIBOR for ECBs with minimum average maturity between three and five years and 450 basis points per annum over six month LIBOR for ECBs with minimum average maturity of more than five years; (ii) Track II ECBs is 500 basis points per annum over the benchmark; and (iii) Track III ECBs will be in compliance with market conditions.

Approval route

All ECBs falling outside the automatic route limits are considered by the RBI under the approval route.

Filing and regulatory requirements in relation to issuance of Notes

An ECB borrower, including the Company is required to obtain a loan registration number (LRN) from the RBI before an issuance of Notes is effected. To obtain this, ECB borrowers are required to submit a completed Form 83 certified by a company secretary or a chartered accountant to the AD Bank of the ECB borrower. The AD Bank is then required to forward the completed Form 83 to the RBI. Any ECB borrower, including the Company is required to submit an ECB-2 Return on a monthly basis via its AD Bank to the RBI.

Hedging requirements in relation to issuance of ECB

An ECB borrower is required to have a board approved risk management policy and is required to keep 100 per cent. of the ECB principal and interest hedged at all times. A minimum one year financial hedge is required with a periodic rollover to ensure the ECB is not un-hedged at any point. The designated AD Bank will have the responsibility of verifying the 100 per cent. hedging requirement is complied with.

Procedure in relation to any change to the Terms and Conditions of the Notes

Any change in the terms and conditions of the Notes after obtaining the LRN requires the prior approval of the RBI or AD Bank, as the case may be. Certain changes (such as amendments to the repayment date, currency, the name of the borrower, recognised lender, the purpose for which the ECB is utilised, all-in costs, cancellation of LRN, reduction in amount of the ECB or any change to the AD Bank) may be approved by the AD Bank under a delegated authority from the RBI subject to certain conditions being complied with. Any redemption of the Notes prior to their stated maturity, including on occurrence of an early redemption event, event of default or for taxation reasons (as further described in the Terms and Conditions of the Notes) will require the prior approval of the RBI or the AD Bank, as the case may be.

Indemnity

Remittances of funds outside of India by the Company pursuant to indemnity clauses under the Terms and Conditions of the Notes, or any other agreements in relation to the Notes requires prior RBI approval.

Regulatory Requirements in relation to issuance of Indian Rupee denominated bonds overseas

Pursuant to the ECB Master Direction, any company or body corporate (including NBFCs), as well as real estate investment trusts and infrastructure investment trusts, can issue plain vanilla Rupee - denominated overseas bonds with a three-year minimum maturity period. The Notes can only be subscribed or purchased by a resident of a country that is a member of the FATF or member of a FATF-style regional body and whose securities market regulator is a signatory to the International Organization of Securities Commission's Multilateral Memorandum of Understanding (Appendix A Signatories) or a signatory to bilateral Memorandum of Understanding with the Securities and Exchange Board of India for information sharing arrangements. Additionally, investors should not be a resident of a country identified in the public statement of the FATF as: (i) a jurisdiction having a strategic anti-money laundering or combating the financing of terrorism deficiencies to which counter measures apply; or (ii) a jurisdiction that has not made sufficient progress in addressing the deficiencies or has not committed to an action plan developed with the FATF to address the deficiencies. An offshore branch or subsidiary of an Indian bank is not permitted to invest in such notes.

Banks incorporated in India cannot subscribe to such Rupee denominated bonds; however, they can act as arrangers and underwriters for such issuances. A related party (as defined in AS-24) of the Indian company issuing such bonds is not permitted to subscribe to such bonds.

The proceeds of such issuance can be used for all purposes except for (i) real estate projects other than the development of integrated township and affordable housing projects; (ii) the investment in capital markets and domestic equity investments; (iii) prohibited activities under the foreign direct investment guidelines; (iv) land acquisition; and (v) on-lending to other entities for any of the above objectives.

The foreign currency to Rupee conversion will be at the market rate on the settlement date. Furthermore, investors are allowed to hedge their Rupee exposure through permitted derivative products with: (a) an AD Bank in India; or (b) the offshore branches or subsidiaries of Indian banks on a back-to-back basis; or (c) branches of foreign banks with a presence in India on a back-to-back basis. Issuers issuing Rupee denominated bonds offshore are required to comply with provisions of the ECB Master Direction in relation to the reporting requirement, security creation and parking of proceeds offshore.

Pursuant to an amending circular dated 16 February 2017, the RBI allowed multilateral and regional financial institutions where India is a member country to invest in Rupee denominated bonds. Pursuant to amending circular dated 7 June 2017, the RBI amended certain aspects governing issuance of Rupee - denominated overseas bonds as follows:

1. Examination of the Rupee denominated bonds issued overseas proposal: every issue of Rupee-denominated overseas bonds is now required to be examined through the AD bank by the Foreign Exchange Department, Central Office, Mumbai. On approval by RBI, the borrowing entity may then approach the Department of Statistics and Information Management for obtaining loan registration number;

2. Revised maturity prescription: the minimum original maturity period for issue of Rupee-denominated overseas bonds up to U.S.$50 million equivalent in INR per financial year was revised to three years and for bonds above U.S.$50 million equivalent in INR per financial year was revised to five years;

3. All-in-cost ceiling: the all-in-cost ceiling for Rupee-denominated overseas bonds is capped at 300 basis points over the prevailing yield of the government of India securities of corresponding maturity; and

4. Related parties excluded as recognized investors: any person who is a "related party" of the issuer as defined in Ind-AS 24) was excluded from investing in Rupee-denominated overseas bonds.

Recently, the RBI *vide* its circulars dated 22 September 2017 clarified that Rupee-denominated bonds will not form a part of the limit for investments by foreign portfolio investors in corporate bonds.

In relation to the Notes, our Company is required to provide the list of primary Noteholders procured from the Manager(s) to the relevant regulatory authorities in India as and when required.

Conversion from ECB to Equity

The conversion of ECB into equity is permitted subject to the following conditions:

(i) the activity of the borrowing company is covered under the automatic route for FDI or approval from the RBI, wherever applicable, for foreign equity participation has been obtained in accordance with the prevailing FDI policy;

(ii) the foreign equity holding after such conversion (with lender's consent) of debt into equity is within the applicable sectoral cap;

(iii) that the applicable pricing guidelines for shares are complied with;

(iv) that reporting requirements on account of conversion of ECB into equity are complied with;

(v) if the borrower concerned has availed of other credit facilities from the Indian banking system, including overseas branches/subsidiaries, the applicable prudential guidelines issued by the department of banking regulation of RBI, including guidelines on restructuring are complied with; and

(vi) consent of other lenders, if any, to the same borrower is available or at least information regarding conversions is exchanged with other lenders of the borrower.

Procedure in relation to any change to the Terms and Conditions of the Notes or Early Redemption of the Notes

Any change in the terms and conditions of the Notes or early redemption of the Notes after obtaining the LRN requires the prior approval of the RBI or AD Bank, as the case may be. Certain changes (such as amendments to the repayment date, currency, the name of the borrower, recognized lender, the purpose for which the ECB is utilized, all-in costs, cancellation of LRN, reduction in amount of the ECB or any change to the AD Bank) may be approved by the AD Bank under conditions being complied with. Any redemption of the Notes prior to their stated maturity, including on occurrence of an event of default or for taxation reasons (as further described in the Conditions) will require the prior approval of the RBI or the AD Bank, as the case may be. Consequently, the prior approval of the RBI will be required prior to an early redemption of the Notes upon: (a) an early redemption of the Notes due to taxation reasons; or (b) early redemption at the option of the issuing company; or (c) early redemption at the option of the Noteholders.

Procedure for creation of security in relation to Secured Notes

Under the ECB Master Direction AD Banks are permitted to allow creation of charge on immovable assets, movable assets, financial securities and issue of corporate and/or personal guarantees in favour of overseas lender/security trustee, to secure the Notes to be raised by the Company, subject to the Company complying with the following conditions:

(a) the underlying Notes are in compliance with the applicable provisions of the ECB Master Direction;

(b) there exists a security clause requiring the Company to create charge, in favour of overseas lender/security trustee, on immovable assets/movable assets/financial securities/issuance of corporate and/or personal guarantee; and

(c) no objection certificate, as applicable, from the existing lenders in India has been obtained.

Creation of charge on immoveable assets are subject to the following:

(a) such security shall be subject to provisions contained in the Foreign Exchange Management (Acquisition and Transfer of Immovable Property in India) Regulations, 2000;

(b) the permission should not be construed as a permission to acquire immovable asset (property) in India, by the overseas lender/security trustee; and

(c) in the event of enforcement/invocation of the charge, the immovable asset/property will have to be sold only to a person resident in India and the sale proceeds shall be repatriated to liquidate the outstanding ECB.

However, with respect to security created on movable assets, in the event of enforcement/invocation of the charge, the claim of the Noteholders, whether the Security Trustee takes over the movable asset or otherwise, will be restricted to the outstanding claim against the Notes. Encumbered movable assets may also be taken out of the country subject to getting 'No Objection Certificate' from domestic lender/s, if any. Similarly, the ECB Master Direction lists out conditions to be complied with in order to create security over immovable assets or financial securities or to issue corporate or personal guarantees.

Parking of the proceeds from the issuance of the Rupee Denominated Bonds:

The proceeds from the issuance of the Rupee Denominated Bonds are permitted to be parked abroad as well as domestically subject to the conditions mentioned below.

Parking of proceeds abroad: The proceeds of this Issue meant only for foreign currency expenditure can be parked abroad pending utilization. Till utilization, these funds can be invested in the following liquid assets: (a) deposits or certificate of deposit or other products offered by banks rated not less than AA(-) by Standard and Poor/Fitch IBCA or Aa3 by Moody's; (b) treasury bills and other monetary instruments of one year maturity having minimum rating as indicated above; and (c) deposits with overseas branches/subsidiaries of Indian banks abroad.

Parking of proceeds domestically: The proceeds of this Issue meant for rupee expenditure should be repatriated immediately for credit to the Company's rupee accounts with AD Banks in India. The Company can park the Issue proceeds in term deposits with AD Banks in India for a maximum period of 12 months. These term deposits should be unencumbered.

Insolvency and Bankruptcy Code

The Insolvency and Bankruptcy Code, 2016, as amended (**Code**) consolidates laws relating to insolvency, reorganization and liquidation/bankruptcy of all persons, including companies, individuals, partnership firms and Limited Liability Partnerships (**LLPs**). The Code has established an Insolvency and Bankruptcy Board of India (**IBBI**) to function as the regulator for all matters pertaining to insolvency and bankruptcy. The Code prescribes a timeline of 180 days for the insolvency resolution process, which begins from the date the application is admitted by the National Company Law Tribunal. During this period, the creditors and the debtor shall negotiate and finalize a resolution plan (accepted by 75% of the financial creditors) and in the event they fail, the debtor is placed in liquidation and the moratorium lifted. The Code stipulates an interim-moratorium period which would commence after filing of the application for a fresh start process and shall cease to exist after elapse of a period of 180 days from the date of application. During such period, all legal proceedings against such debtor should be stayed and no fresh suits, proceedings, recovery or enforcement action may be initiated against such debtor. However, the Code has also imposed certain restrictions on the debtor during the moratorium period such as the debtor shall not be permitted to act as a director of any company or be involved in the promotion or management of a company during the moratorium period.

The National Company Law Tribunal is the adjudicating authority with jurisdiction over companies and limited liability entities. However, the provisions and sections under the Bankruptcy Code are being notified in a staggered manner and some provisions and sections are not effective yet.

To the extent notified, the Bankruptcy Code has amended relevant provisions of, inter alia, the Companies Act, 2013 and the other legislations as specified therein, and shall further amend relevant provisions of, inter alia, the Companies Act, 2013 and such specified legislations upon future notification of the Bankruptcy Code. Further, the provisions relating to the corporate insolvency resolution process were notified on 30 November 2016 and came into force on 1 December 2016 and certain provisions concerning Insolvency Professionals and inspection and investigation came into force on 15 November 2016. In addition, the Insolvency and Bankruptcy Code (Amendment) Act, 2017 came into force on 23 November, 2017, which inter alia has introduced section 29A in the Bankruptcy Code which sets out certain criteria, that if applicable to the Resolution Applicant or any person connected to the Resolution Applicant, would disqualify the affected person from even submitting a resolution plan in respect of a corporate debtor.

Registration of a charge under the Companies Act, 2013

Under the Companies Act, 2013, the Company is required to register a charge on its property or assets or any of its undertakings, whether tangible or otherwise by filing the relevant form with the jurisdictional Registrar of Companies (**ROC**) along with the instrument creating this charge within 30 days of its creation by paying a prescribed fee. No charge created by a company will be taken into account by the liquidator or any other creditor unless it is duly registered and a certificate of registration of such charge is given by the ROC.

If the particulars of a charge are not filed within the aforesaid period, but filed within a period of 300 days of such creation or modification, an additional fee shall be levied. Further, the Company is required to keep at its registered office a register of charges and enter therein particulars of all the charges registered with the ROC on any of the property, assets or undertakings of the Company as well as particulars of any modification of a charge and satisfaction of charge. The entries in the register of charges of the Company shall be made forthwith after the creation, modification or satisfaction of charge, as the case may be.

Where a charge is registered with the ROC, they will issue a certificate of registration of such charge to the person in whose favour the charge is created.

Disclaimer Clause of NHB

The Company has a valid Certificate of Registration dated 31 July 2001 issued by the NHB under Section 29A of the NHB Act, 1987. However, the NHB does not accept any responsibility or guarantee about the present position as to the financial soundness of the Company or for the correctness of any of the statements or representations made or opinion expressed by the Company and for repayment of deposits/discharge of liabilities by the Company.

TAXATION

The information provided below does not purport to be a comprehensive description of all tax considerations which may be relevant to a decision to purchase Notes. In particular, the information does not consider any specific facts of circumstances that may apply to a particular purchaser. Neither these statements nor any other statements in this Offering Circular are to be regarded as advice on the tax position of any holder of the Notes or of any person acquiring, selling or otherwise dealing with the Notes or on any tax implications arising from the acquisition, sale or other dealings in respect of the Notes. The statements do not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and do not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities) may be subject to special rules.

Prospective purchasers of Notes are advised to consult their own tax advisers as to the tax consequences of the purchase, ownership and disposal of Notes, including the effect of any state or local taxes, under the tax laws applicable in India and each country of which they are residents or countries of purchase, holding or disposal of the Notes. Additionally, in view of the number of jurisdictions where local laws may apply, this Offering Circular does not discuss the local tax consequences to a potential holder, purchaser or seller arising from the acquisition, holding or disposal of the Notes. Prospective investors must therefore inform themselves as to any tax, exchange control legislation or other laws and regulations in force relating to the subscription, holding or disposal of Notes at their place of ordinance, and the countries of which they are citizens or countries of purchase, holding or disposal of Notes.

India

The following is a summary of the principal existing Indian tax consequences for non-resident investors subscribing to the Notes issued by the Issuer. The summary is based on existing Indian taxation law and practice in force at the date of this Offering Circular and is subject to change, possibly with retroactive effect. The summary does not constitute legal or tax advice and is not intended to represent a complete analysis of the tax consequences under Indian law of the acquisition, ownership or disposal of the Notes. Prospective investors should, therefore, consult their own tax advisers regarding the Indian tax consequences, as well as the tax consequences under any other applicable taxing jurisdiction of acquiring, owning and disposing of the Notes.

Payments through India

Any payments which the Issuer will make under the Notes, including any additional amounts to be made in India, will be subject to the RBI regulations.

Taxation of interest and withholding in respect thereof

Interest on the Notes may not be subject to taxes in India if the proceeds of the issuance of the Notes are used for purposes of business carried on by the Issuer outside India or for the purposes of making or earning any income from any source outside India. However, should the proceeds of the issuance of the Notes be used for the purposes of carrying on the Issuer's business in India or for the purposes of making or earning any income from any source in India, non-resident investors would be liable to pay tax on the interest paid on the Notes at the prevailing tax rates subject to, and in accordance with, the provisions contained in the Income Tax Act, 1961 (the **IT Act**). The rates of tax will be reduced if the non-resident investor is the beneficial recipient and is a resident of a country with which the Government has entered into an agreement for granting of relief from tax or for avoidance of double taxation (each a **Tax Treaty**), which, provided the provisions of such Tax Treaty are complied with, provides for the taxation in India of income by way of interest at a rate lower than that stated below.

The Noteholder could be required to provide certain documents as well as information as prescribed by law to avail of the beneficial withholding tax rate.

If interest payable on the Notes is subject to tax in India, there is a requirement to withhold tax at the prevailing tax rate under the provisions of the IT Act, subject to any lower rate of tax provided for by an applicable Tax Treaty. The Noteholders would be required to provide a tax residency certificate, Form 10F and other relevant details or documents in order to claim relevant tax treaty benefits.

All payments of interest on the Notes, will be made free and clear of and without withholding or deduction on account of any present or future taxes within India unless it is required by law, in which case pursuant to Condition 9.1, the Issuer will pay additional amounts as may be necessary in order that the net amount received by the Noteholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes in the absence of the withholding or the deduction, save for certain exceptions as set out therein.

Notes other than Rupee denominated Notes

In the case of Notes that are not denominated in INR but are denominated in any other foreign currency and which Notes may be in the nature of infrastructure bonds, provided such Notes were / are issued any time between 1 October 2014 to 30 June 2020, in accordance with the provisions of Section 115A read with Section 194LC and CBDT Circular no. 15/2014 dated 17 October 2014, the rate of tax that would be applicable on such Notes in accordance with the IT Act would be 5.00 per cent. (plus the applicable surcharge and cess).

Rupee denominated Notes

Under Section 115A read with Section 194LC of the IT Act, interest income of a non-resident, arising out of Rupee denominated Notes which were / are / shall be issued before 1 July 2020, shall be subject to tax at 5.00 per cent (plus applicable surcharge and cess). This tax liability shall be discharged by way of tax being withheld at source.

For the aforementioned concessional tax regimes to apply, i.e. both in the case of Rupee denominated Notes and Notes other than Rupee denominated Notes, the Noteholder may be required to provide either a (i) copy of the Permanent Account Number (**PAN**), registration card and number; or (ii) documentation including a tax residency certificate, a tax identification number and other details including their name, address, email and contact number, pursuant to Rule 37BC of Income Tax Rules, 1962. In case the 5.00 per cent. rate (plus applicable surcharge and cess) shall be inapplicable, the tax rate could be 20.00 per cent. plus applicable surcharge and cess. However, the rates may be reduced, subject to the relevant Tax Treaty and the conditions therein.

It may be noted that as per the Finance Bill, 2018, it is proposed to amend section 139A of the IT Act, to provide that all entities, other than individuals, which enter into any financial transaction of an amount exceeding INR 250,000 in a financial year, would be required to apply for PAN. This obligation of obtaining PAN is also proposed to be extended to managing director, director, partner, trustee, author, founder, karta, chief executive officer, principal officer or office bearer or any person competent to act on behalf of such entities. Thus, every investor entering into a financial transaction of an amount exceeding INR 250,000 ,with the Issuer, may be required to compulsorily apply for a PAN, unless PAN has been already obtained by such investor.

Kindly note that all amendments proposed by the Finance Bill, 2018 will become statutory law only after the approval of the Indian Parliament and thereafter, from the President of India.

Taxation of gains arising on transfer

Some of the key considerations in relation to taxation of gains arising on transfer of Notes are as follows:

Any gains arising to a non-resident investor from the transfer of a capital asset will be chargeable to income tax in India if such capital asset is considered as property situated in India. A non-resident investor generally will not be chargeable to income tax in India from the transfer of a Note if the Note is regarded as a capital asset situated outside India. Whether a Note should be regarded as a capital asset situated in India or not is not free from doubt. Indian tax authorities may treat the Notes as being situated in India as the Issuer is incorporated in and resident in India. Potential investors should, therefore, consult their own tax advisers regarding the Indian tax consequences, as well as the computation of tax liability in India as a result of transfer of the Notes.

(i) If the Notes are considered as situated in India, then: gains arising out of transfer (outside India) of Rupee denominated Notes by a non-resident investor to another non-resident investor are exempt from capital gains tax, under Section 47(viiaa) of the IT Act;

(ii) a non-resident investor who has held the Notes as a capital asset for a period of more than 36 months immediately preceding the date of their disposal would be liable to pay capital gains tax at a rate of 10.00 per cent. (without indexation and foreign currency conversion benefit) of the capital gains (plus applicable surcharge and cess), subject to and in accordance with the provisions of the IT Act. These rates are subject to any exemption or lower rate provided for by an applicable Tax Treaty, subject to fulfilment of the conditions prescribed under any such Tax Treaty;

(iii) a non-resident investor who has held the Notes as a capital asset for a period of 36 months or less would be liable to pay capital gains tax at a rate of 30.00 per cent. (plus applicable surcharge and cess) of capital gains in case of the non-resident investor other than a company and at a rate of 40.00 per cent. (plus applicable surcharge and cess) of capital gains in case of the non-resident investor being a company, subject to any exemption or lower rate provided for by an applicable Tax Treaty, subject to fulfilment of the conditions prescribed under any such Tax Treaty;

(iv) at the time of redemption of Notes that are denominated in INR and which have been issued by an Indian Company but are held by non-resident investors, any gains arising on account of appreciation of the Rupee against a foreign currency shall be ignored for the computation of full value of consideration. Accordingly, such gains arising to the non-resident investor on account of the appreciation of the Rupee against a foreign currency at the time of redemption of the Notes held by such non-resident investor, shall not be taxable as capital gains;

(v) any gains arising to a non-resident investor from disposal of the Notes held as stock-in-trade would be subject to income tax in India or in a case where a Tax Treaty is applicable, if the gains are attributable to a "permanent establishment" of the non-resident investor in India. A non-resident investor would be liable to pay Indian tax on such gains at rates of tax ranging from 30.00 per cent. to 40.00 per cent. (plus applicable surcharge and cess) depending upon the legal status of the non-resident investor and his taxable income in India. These rates are subject to any beneficial provision provided in the relevant Tax Treaty.

The IT Act requires that tax shall be withheld by a person, making any payment to a non-resident investor, on gains arising from transfer of Notes at the aforesaid rates if such gains are held as chargeable to tax in India. In case the Noteholders wish to claim the benefit under any Tax Treaty, they would be required to provide a tax residency certificate, Form 10F and other relevant details or documents (as may be applicable) in order to claim relevant Tax Treaty benefits. These details will also be required in order to apply the 10.00 per cent. tax rate under the provisions of the IT Act, as mentioned above.

Potential investors should, in any event, consult their own tax advisers on the tax consequences of transfer of the Notes.

Wealth Tax

As of the date of this Offering Circular, no wealth tax is payable on the Notes.

Estate Duty

No estate duty is payable at present in relation to the Notes. There are no inheritance taxes or succession duties currently imposed in respect of the Notes held outside India.

Gift Tax

No gift tax is payable at present in relation to the Notes in India.

Stamp Duty

A transfer of the Notes outside India will not give rise to any Indian stamp duty liability unless brought into India. Stamp duty would be payable if the Notes are brought into India for enforcement or for any other purpose. This stamp duty will have to be paid within a period of three months from the date the Notes are first received in India. The amount of Stamp duty payable would depend on the applicable Stamp Act of the relevant state into which the Notes are brought.

The proposed financial transactions tax (FTT)

On 14 February 2013, the European Commission published a proposal (the **Commission's Proposal**) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **participating Member States**). However, Estonia has since stated that it will not participate.

The Commission's Proposal has a very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 are expected to be exempt.

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a **foreign financial institution** (as defined by FATCA) may be required to withhold on certain payments it makes (**foreign passthru payments**) to persons that fail to meet certain certification, reporting or related requirements. We may be a foreign financial institution for these purposes. A number of jurisdictions (including the Republic of India) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (**IGAs**), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, such withholding would not apply prior to 1 January 2019 and Notes issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed with the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date. However, if additional Notes (as described under "*Terms and Conditions of the Notes — Further Issues*") that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

SUBSCRIPTION AND SALE

The Dealers have, in a programme agreement dated 12 March 2018 as amended, restated and/or supplemented from time to time (the **Programme Agreement**), agreed with us a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "*Form of the Notes*" and "*Terms and Conditions of the Notes*". In the Programme Agreement, we have agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith. The Programme Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to us.

In order to facilitate the offering of any Tranche of the Notes, a nominated Dealer participating in the offering of the Tranche may engage in transactions that stabilise, maintain or otherwise affect the price of the relevant Notes, which support the market price of the relevant Notes during and after the offering of the Tranche. Specifically such persons may over-allot or create a short position in the Notes for their own account by selling more Notes than have been sold to them by us. Such persons may also elect to cover any such short position by purchasing Notes in the open market. In addition, such persons may stabilise or maintain the price of the Notes by bidding for or purchasing Notes in the open market and may impose penalty bids, under which selling concessions allowed to syndicate members or other broker-dealers participating in the offering of the Notes are reclaimed if Notes previously distributed in the offering are repurchased in connection with stabilisation transactions or otherwise. The effect of these transactions may be to stabilise or maintain the market price of the Notes at a level higher than that which might otherwise prevail in the open market. The imposition of a penalty bid may also affect the price of the Notes to the extent that it discourages resales thereof. No representation is made as to the magnitude or effect of any such stabilising or other transactions. Such transactions, if commenced, may be discontinued at any time, and must be brought to an end after a limited period. Under U.K. laws and regulations stabilising activities may only be carried on by the Stabilising Manager (or any person acting for the Stabilising Manager) named in the applicable Pricing Supplement and only for a period of 30 days following the Issue Date of the relevant Tranche of Notes.

Each of the Dealers and its affiliates may engage in investment or commercial banking and other dealings in the ordinary course of business with us or our affiliates from time to time and may receive fees and commissions for these transactions. In addition to the transactions noted above, each Dealer and its affiliates may, from time to time after completion of the offering of Notes, engage in other transactions with, and perform services for, us or our affiliates in the ordinary course of their business. Each Dealer or its affiliates may also purchase Notes for asset management and/or proprietary purposes but not with a view to distribution or may hold the Notes on behalf of clients or in the capacity of investment advisors. While each Dealer and its affiliates has policies and procedures to deal with conflicts of interests, any such transactions may cause a Dealer or its affiliates or its clients or counterparties to have economic interests and incentives which may conflict with those of an investor in the Notes. Each Dealer may receive returns on such transactions and has no obligation to take, refrain from taking or cease taking any action with respect to any such transactions based on the potential effect on a prospective investor in the Notes. Further, each of the Dealers and their affiliates are full service financial institutions engaged in various activities which may include securities trading, commercial and investment banking, financial advice, investment management, principal investment, hedging, financing and brokerage activities. Each of the Dealers may have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us or our subsidiaries, jointly controlled entities or associated companies from time to time. In the ordinary course of their various business activities, the Dealers and their affiliates may make or hold (on their own account, on behalf of clients or in their capacity of investment advisers) a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments and enter into other transactions, including credit derivatives (such as asset swaps, repackaging and credit default swaps) in relation thereto. Such transactions, investments and securities activities may involve securities and instruments of us or our subsidiaries, jointly controlled entities or associated companies, including Notes issued under the Programme, may be entered into at the same time or proximate to offers and sales of Notes or at other times in the secondary market and be carried out with counterparties that are also purchasers, holders or sellers of Notes. Notes issued under the Programme may be purchased by or be allocated to any Dealer or an affiliate for asset management and/or proprietary purposes but not with a view to distribution.

United States

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that:

(a) the Notes have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States except in certain transactions exempt from the registration requirements of the Securities Act;

(b) the Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Notes will be issued in accordance with the provisions of U.S. Treasury Regulation §1.163–5(c)(2)(i)(D) (or any successor U.S. Treasury Regulation section, including without limitation, regulations issued in accordance with Internal Revenue Service Notice 2012–20 or otherwise in connection with the U.S. Hiring Incentives to Restore Employment Act of 2010), unless the relevant Pricing Supplement specifies that Notes will be issued in accordance with the provision of U.S. Treasury Regulation §1.163–5(c)(2)(i)(c) (or any successor U.S. Treasury Regulation section, including without limitation, regulations issued in accordance with Internal Revenue Service Notice 2012–20 or otherwise in connection with the U.S. Hiring Incentives to Restore Employment Act of 2010). Terms used in this paragraph have the meanings given to them by the U.S. Revenue Code of 1986 and regulations thereunder;

(c) in connection with any Notes which are offered or sold outside the United States in reliance on exemption from the registration requirements of the Securities Act provided under Category 1 of Regulation S (**Category 1 Notes**), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver such Category 1 Notes within the United States or to a United States person, as such term is defined in the U.S. Internal Revenue Code of 1986 and regulations thereunder. Each Dealer has agreed that it will not offer, sell or deliver any Notes within the United States, except as permitted by the Dealer Agreement. In addition, until 40 days after the commencement of the offering of any identifiable tranche of such Notes, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

(d) until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act; and

(e) each issuance of Index Linked Notes or Dual Currency Notes shall be subject to such additional U.S. selling restrictions as we and the relevant Dealer may agree as a term of the issuance and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Pricing Supplement.

Terms used in this paragraph have the meanings given to them by Regulation S.

Public Offer Selling Restriction under the Prospectus Directive

Unless the Pricing Supplement in respect of any Notes specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

(a) the expression "retail investor" means a person who is one (or more) of the following:

  (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**);

  (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the **Insurance Mediation Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II;

  (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the **Prospectus Directive**); and

(b) the expression "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

If the Pricing Supplement in respect of any Notes specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", in relation to each Member State of the EEA which has implemented the Prospectus Directive (each, a **Relevant Member State**), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

(a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision:

- the expression **an offer of Notes to the public** in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State; and

- the expression **Prospectus Directive** means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to us; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to such Notes in, from or otherwise involving the United Kingdom.

India

Notes with minimum average maturity of five years

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that (a) this Offering Circular has not been and will not be registered, produced or published as an offer document (whether as a prospectus in respect of a public offer or an information memorandum or private placement offer letter or other offering material in respect of a private placement under the Companies Act, 1956, Companies Act, 2013 (each as amended, supplemented or re-enacted from time to time) and the rules framed thereunder or any other applicable Indian laws for the time being in force) with the Registrar of Companies, the Securities and Exchange Board of India or any other statutory or regulatory body of like nature in India, save and except any for information from part of the Offering Circular which is mandatorily required to be disclosed or filed in India under any applicable Indian laws; (b) the Notes will not be offered or sold and have not been offered or sold, in India by means of this Offering Circular or any other offering document or material relating to the Notes and will not be circulated or distributed and have not been circulated or distributed, directly or indirectly, to any person or the public in India or otherwise generally distributed or circulated in India which would constitute an advertisement, invitation, offer, sale or solicitation of an offer to subscribe for or purchase any securities in violation of applicable Indian laws.

Notes with a minimum average maturity of ten years

Each Dealer represents and agrees (a) to the restrictions set out in "Notes with Minimum Average Maturity of five years"; and (b) this Offering Circular, any material relating to the Notes and the Notes will not be offered or sold and have not been offered or sold to any overseas branch or subsidiary of an Indian bank.

Rupee Denominated Notes

Each Dealer represents and agrees that in relation to any issuance of Notes denominated in Rupees and payable in a currency other than Rupees (the **Rupee Denominated Notes**), the Offering Circular or any other material relating to such Notes has not been and will not be circulated or distributed to any prospective investor who is an INR Bond Restricted Investor.

Eligibility of holders of the Notes

Holders and beneficial owners of the Notes shall be responsible for compliance with restrictions on the ownership of the Notes imposed from time to time by applicable laws or by any regulatory authority or otherwise. In this context, holders and beneficial owners of Notes shall be deemed to have acknowledged, represented and agreed that such holders and beneficial owners are eligible to purchase the Notes under applicable laws and regulations and are not prohibited under any applicable law or regulation from acquiring, owning or selling the Notes.

Disclosure of information relating to holders of Rupee Denominated Notes

The holders and beneficial owners of Rupee Denominated Notes shall be deemed to confirm that for so long as they hold any Rupee Denominated Notes, they will not be classified as INR Bond Restricted Investor and be in compliance with the ECB Master Direction. Further, all Noteholders represent and agree that the Rupee Denominated Notes will not be offered or sold on the secondary market to any person who is not an INR Bond Restricted Investor or does not comply with the ECB Master Direction. In relation to any issuance of Rupee Denominated Notes, the holders and beneficial owners represent and agree that they will provide all information and details about itself to the Issuer, to enable the Issuer to provide such information to the RBI or any other statutory or regulatory authority in India as and when such information is required.

The holders and beneficial owners will provide all information and details that they have or can procure about any subsequent transferee Noteholders (and shall provide all assistance in relation thereto) to the Issuer so as to enable the Issuer to obtain the details of the transferee Noteholders or any other information pertaining to such transferee Noteholders to enable the Issuer to provide such information to the RBI or any other statutory or regulatory authority in India as and when such information is required.

To comply with applicable laws and regulations, the Issuer or its duly appointed agent may from time to time to request Euroclear and Clearstream to provide them with details of the accountholders within Euroclear and Clearstream, as maybe appropriate that hold the Rupee Denominated Notes and the number of Rupee Denominated Notes held by each such accountholder. Euroclear and Clearstream participants which are holders of the Rupee Denominated Notes or intermediaries acting on behalf of such Noteholders would be deemed to have hereby authorised Euroclear and Clearstream, as may be appropriate, to disclose such information to the Issuer or its duly appointed agent.

Singapore

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree that it has not offered or sold any Notes or caused any Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of any Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act, (Chapter 289 of Singapore) (the **Securities and Futures Act**) pursuant to Section 274 of the Securities and Futures Act, (ii) to a relevant person (as defined in Section 275(2) of the Securities and Futures Act) under Section 275(1) of Securities and Futures Act, or any person pursuant to Section 275(1A) of the Securities and Futures Act, and in accordance with the conditions specified in Section 275 of the Securities and Futures Act or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

Where the Notes are subscribed or purchased under Section 275 of the Securities and Futures Act by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the Securities and Futures Act)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the Securities and Futures Act) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferable for six months after that corporation or that trust has acquired the Notes pursuant to an offer under Section 275 of the Securities and Futures Act except:

(i) to an institutional investor or to a relevant person defined in Section 275(2) of the Securities and Futures Act or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the Securities and Futures Act;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the Securities and Futures Act; or

(v) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Hong Kong

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree that:

(a) it has not offered or sold, and will not offer or sell, in Hong Kong Special Administrative Region of the People's Republic of China (**Hong Kong**), by means of any document, any Notes (except for Notes which are a "structured product" as defined in the Securities and Futures Ordinance (Cap.571) of Hong Kong) other than (i) to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance, or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(b) it has not issued, or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance of Hong Kong and any rules made under that Ordinance.

General

Each Dealer has represented, warranted and undertaken and each further Dealer appointed under the Programme will be required to represent, warrant and undertake that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither we, the Trustee nor any of the other Dealers shall have any responsibility therefor.

None of us, the Trustee, the Arrangers and the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with such other restrictions as we and the relevant Dealer shall agree and as shall be set out in the applicable Pricing Supplement.

SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN IFRS, INDIAN GAAP AND IND-AS

The following table summarises certain general differences between IFRS, Indian GAAP and Ind-AS that could have a significant impact on the financial position and operations of the Issuer if its financial statements were prepared under IFRS. The summary below should not be considered exhaustive and no attempt has been made to identify possible future differences among IFRS, Indian GAAP and Ind AS as a result of prescribed changes in accounting standards nor to identify future differences that may affect the Issuer's financial statements as a result of transactions or events that may occur in the future. No attempt has been made by the Issuer to quantify the effects of those differences, nor has a reconciliation of Indian GAAP and Ind AS to IFRS been undertaken by the Issuer. Had any such quantification or reconciliation been undertaken, other potential significant accounting and disclosure differences may have come to its attention, which are not identified below.

Prospective investors should consult their own professional advisers for an understanding of the principal differences between IFRS, Indian GAAP and Ind-AS and how these differences might affect the financial statements of the Issuer presented in this Offering Circular.

Summary of Certain Differences

Topic	IFRS	Indian GAAP	Ind-AS
Presentation of Financial Statements — Components of financial statements	The requirements for the presentation of financial statements, and the guidelines for their structure and content are set out in IAS 1. A complete set of financial statements under IFRS comprises: (a) a statement of financial position; (b) a statement of profit or loss and other comprehensive income (presented as a single statement or by presenting the profit and loss section in a separate statement of profit or loss, immediately followed by a statement presenting comprehensive income beginning with profit or loss; (c) statement of cash flow; (d) statement of changes in equity; and (e) notes comprising a summary of significant	The requirements for the presentation of financial statements are set out in Schedule III, Division I to the Companies Act, 2013 and the accounting standards notified thereunder are applicable to the preparation of financial statements of respective years. The components of financial statements are: (a) balance sheet; (b) statement of profit and loss; (c) cash flow statement; and explanatory notes and accounting policies.	Similar to IFRS. Further, Schedule III, Division II, to the Companies Act, 2013 sets out the requirements for the presentation of financial statements which are in conformity with Ind-AS 1. However, terminology for "statement of position" has been changed to "balance sheet" in Ind-AS.

Topic	IFRS	Indian GAAP	Ind-AS
	accounting policies and explanatory notes.		
Presentation of Financial Statements — Disclosure of Reclassification	The disclosure of reclassification of comparative amounts includes the nature, amount and reason for reclassification.	A disclosure is made in financial statements that comparative amounts have been reclassified to conform to the presentation in the current period without additional disclosure for the nature, amount and reason for reclassification.	Similar to IFRS
Presentation of Financial Statements — Balance sheet/statement of financial position.	An entity is required to present current and non-current assets, and current and non-current liabilities, as separate classifications on the cover of the statement of financial position except when a presentation based on liquidity provides information that is more reliable and more relevant. Minimum line item requirements are set out in IAS 1.	All items of assets and liabilities are to be bifurcated between current and non-current portions and presented separately on the cover of the balance sheet. Schedule III of the Companies Act, 2013 sets out the minimum requirements for disclosure required in the balance sheet and statement of profit and loss account and notes.	Similar to IFRS. Minimum line item requirements are set out in Schedule III to the Companies Act, 2013
Presentation of Financial Statements — Presentation of income statement	An analysis of expenses is presented using a classification based on either the nature of those expenses or their function or by whichever method that provides information that is reliable and more relevant. If presented by function, specific disclosures by nature are provided in the notes. Profit or loss attributable to non-controlling interests and equity holders of	Schedule III to the Companies Act, 2013 only permits an analysis of expense by nature.	Entities should present an analysis of expenses recognised in profit or loss using a classification based only on the nature of the expense.

Topic	IFRS	Indian GAAP	Ind-AS
	the parent are disclosed in the statement of comprehensive income/income statement (if presented separately) as allocations of profit or loss for the period.		
Presentation of Financial Statements — Statement of changes in equity	A statement of changes in equity is presented showing: (a) total comprehensive income for the period, separately showing the total amounts attributable to owners of the parent and to NCI; (b) for each component of equity, the effects of retrospective application or retrospective restatement recognised in accordance with IAS 8; and (c) for each component of equity, a reconciliation between the carrying amount at the beginning and at the end of the period, separately disclosing changes resulting from: Profit or loss; OCI; and transactions with owners in their capacity as owners, showing separately contributions by and distributions to owners and changes in ownership interests in subsidiaries that do not result in a loss of control.	Statement of changes in equity is not presented. Movements in share capital, retained earnings and other reserves are presented in the notes to financial statements.	Similar to IFRS
Presentation of Financial Statements — Critical Judgments	The critical judgements made by the management in applying accounting	The disclosure of critical judgments made by the management is not	Similar to IFRS

Topic	IFRS	Indian GAAP	Ind-AS
	policies are to be disclosed separately.	specifically required.	
Presentation of Financial Statements — Disclosure of Capital	The disclosure of information about management of capital and compliance with externally imposed capital requirements, if any, is required.	The information regarding management of capital is not required to be disclosed.	Similar to IFRS
Presentation of Financial Statements — Extraordinary items	Presentation of any items of income or expense as extraordinary is prohibited. However, it requires that when some items of income or expense are material, an entity shall disclose their nature and amount separately.	Extraordinary items are disclosed separately in the statement of profit and loss and are included in determination of net profit or loss. Items of income or expense to be disclosed as extraordinary should be distinct from the ordinary activities and are determined by the nature of the event or transaction in relation to the business ordinarily carried out by an entity.	Similar to IFRS
Inventories — Net realisable value and reversal of write-down of inventory	A new assessment of net realisable value is required to be made in each subsequent period. Write-down of inventory is reversed if circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in the net realisable value because of changes in economic circumstances.	No specific guidance in AS 2 for reversal of write-down of inventories. However, reversals may be permitted as AS 5, Net Profit or Loss for the period, Prior Period Items and Changes in Accounting Policies requires this to be disclosed as a separate line item in the statement of profit or loss.	Similar to IFRS
Cash Flow Statement — Bank overdrafts	Included in cash & cash equivalents if they form an integral part of	Bank overdrafts are considered to be financing activities.	Similar to IFRS

Topic	IFRS	Indian GAAP	Ind-AS
	an entity's cash management. Usually, these bank balances often fluctuate between being positive and being overdrawn.		
Cash Flow Statement — Cash flows from extraordinary items	As presentation of items as extraordinary is not permitted in accordance with IAS 1, a cash flow statement does not reflect any items of cash flow as extraordinary.	Cash flows from items disclosed as extraordinary are classified as arising from operating, investing or financing activities and are disclosed separately.	Similar to IFRS
Cash Flow Statement — Interest and dividend	May be classified as operating, investing or financing activities in a manner consistent from period to period.	Interest and dividends received are required to be classified as investing activities. Interest and dividends paid are required to be classified as financing activities other than for financial enterprises.	Similar to IFRS
Changes in Accounting Policies and Errors	Retrospective application of changes in accounting policies is made by adjusting the opening balance of the affected component of equity for the earliest prior period presented and the other comparative amounts for each period presented as if the new accounting policy were always applied. If retrospective application is impracticable for a particular prior period, or for a period before those presented, the circumstances that led to the existence of that condition and a description of how and from when the change	Changes in accounting policies are not applied retrospectively. The cumulative impact arising from such change is made in the financial statements in the period of change. If the impact of the change is not ascertainable, this should be disclosed. Material prior year errors are included in determination of profit or loss in the period in which the error is discovered and are separately presented in the profit and loss, so that the impact on current profit or loss can be perceived.	Similar to IFRS

Topic	IFRS	Indian GAAP	Ind-AS
	in accounting policy has been applied needs to be stated. Material prior year errors are corrected retrospectively by restating the comparative amounts for prior periods presented in which the error occurred , or if the error occurred before the earliest period presented, by restating the opening statement of financial position.		
New accounting pronouncements	New accounting pronouncements that have been issued but which are not effective on the date of the statement of financial position are disclosed. Known or reasonably estimable information relevant to assessing the possible impact of the new accounting pronouncements on initial application on the financial statements is disclosed.	Not required to be disclosed	Similar to IFRS
Events after balance sheet date/reporting period — Dividends	Liability for dividends declared to holders of equity instruments are recognised in the period when declared.	Until Fiscal Year 2017, dividends were recognised as an appropriation from profits and recorded as provisional at the balance sheet date, if proposed or declared subsequent to the reporting period but before approval of the financial statements. However, Fiscal Year	Similar to IFRS

Topic	IFRS	Indian GAAP	Ind-AS
		2017 onwards, treatment of Dividends has been made similar to IFRS.	
Income Taxes — Recognition of deferred tax liabilities	Deferred tax liability shall be recognised for all taxable temporary differences except to the extent they arise from initial recognition of: (a) goodwill; or (b) an asset or liability in a transaction which is not a business combination, and, at the time of the transaction, affects neither the accounting nor the tax profit.	Deferred tax liabilities are recognised for all timing differences in respect of recognition of items of profit or loss for the purposes of financial reporting and for income taxes.	Similar to IFRS
Income Taxes — Recognition of deferred tax assets	Deferred tax assets are recognised for carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and tax credits can be utilised.	Deferred tax assets, where an enterprise has unabsorbed depreciation or carry forward of losses under tax laws, are recognised only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets in other situations are recognised only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.	Similar to IFRS
Income Taxes — Recognition of taxes	Current tax and deferred tax is	No specific guidance in AS 22. However, an	Similar to IFRS

Topic	IFRS	Indian GAAP	Ind-AS
on items recognised in other comprehensive income or directly in equity	recognised outside profit or loss if the tax relates to items that are recognised in the same or a different period, outside profit or loss. Therefore the tax on items recognised in other comprehensive income, or directly in equity, is also recorded in other comprehensive income or in equity, as appropriate.	announcement made by the Institute of Chartered Accountants of India (the "ICAI") requires any expense charged directly to reserves and/or securities premium accounts to be net of tax benefits expected to arise from the admissibility of such expenses for tax purposes. Similarly, any income credited directly to a reserve account or a similar account should be net of its tax effect.	
Income Taxes — Investments in subsidiaries, branches and associates, and interests in joint ventures	Deferred tax should not be recognised for temporary differences in respect of investment in subsidiaries, branches, associates and interest in joint ventures if certain conditions are satisfied.	No deferred tax is recognised.	Similar to IFRS
Income Taxes — Deferred tax on unrealised intra-group profits	Deferred tax on unrealised intra-group profits is recognised at the buyer's rate.	Deferred tax expense is an aggregation from separate financial statements of each group entity and no adjustment is made on consolidation.	Similar to IFRS
Property, Plant and Equipment — Cost of major inspection	Costs of major inspections and overhauls are recognised as a separate component of property, plant and equipment.	Costs of major inspections are expensed when incurred.	Similar to IFRS
Property, Plant and Equipment — Spare parts	Spare parts are recognised in accordance with IAS 16 when they meet the	Machinery spares are usually charged to the profit and loss statement as and when	Similar to IFRS

Topic	IFRS	Indian GAAP	Ind-AS
	definition of property, plant and equipment. Otherwise such items are classified as inventory.	consumed. However, if such spares can be used only in connection with a fixed asset and their use is expected to be irregular, it may be appropriate to allocate the total cost on a systematic basis over a period not exceeding the useful life of the principal item.	
Property, Plant and Equipment — Revaluation	If an entity adopts the revaluation model, revaluations are required to be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the date of the statement of financial position.	No specific requirement on frequency of revaluation.	Similar to IFRS
.Property, Plant and Equipment — Change in Method of Depreciation	A change in depreciation method is considered to be a change in the accounting estimate and accounted for prospectively.	Until Fiscal Year 2017, a change in depreciation method was treated as a change in the accounting policy and required retrospective re-computation of depreciation and any excess or deficit arising on such re-computation was required to be adjusted in the period in which such change was effected. However, Fiscal Year 2017 onwards, provisions related to accounting for depreciation have been made similar to IFRS.	Similar to IFRS

Topic	IFRS	Indian GAAP	Ind-AS
Property, Plant and Equipment — Changes in existing, decommissioning, restoration and similar liabilities	Provisions for decommissioning, restoration and similar liabilities that have previously been recognised as part of the cost of an item of property, plant and equipment are adjusted for changes in the amount or timing of future costs and for changes in market-based discount rates.	No specific guidance in this regard until Fiscal Year 2017. However, Fiscal Year 2017 onwards, provisions related to decommissioning, restoration and similar liabilities have been made similar to IFRS.	Similar to IFRS
Leases — Interest in leasehold land	Recognised as an operating/finance lease unless the leasehold interest is accounted for as investment property in accordance with IAS 40 and the fair value model is adopted.	Recognised as tangible fixed assets regardless of whether title is expected to pass to the lessee by the end of the lease term. Assets under lease are separately classified under each class of asset.	Similar to IFRS, except that a property interest in an operating lease cannot be accounted for as investment property as the fair value model, is not permissible under Ind-AS 40.
Determining whether an arrangement contains a lease	An arrangement that does not take the legal form of a lease, but the fulfilment of which is dependent on the use of specific assets and which conveys the right to use the assets, is accounted for as a lease in accordance with IAS 17.	There is no such requirement.	Similar to IFRS
Operating Leases — Incentives	The lessor and lessee recognise lease incentives as an increase or reduction of rental expense over the lease term, on a straight line basis, unless another systematic basis is representative of the time pattern of the lessee's benefit from	There is no specific guidance.	Similar to IFRS

Topic	IFRS	Indian GAAP	Ind-AS
	use of the leased asset.		
Revenues — Definition	Revenue is the gross inflow of economic benefits during the period arising in the course of the ordinary activities of an entity when those inflows result in increases in equity, other than increases relating to contributions from equity participants. Amounts collected on behalf of third parties such as sales and service taxes and value added taxes are excluded from revenues.	Revenue is the gross inflow of cash, receivables or other consideration arising in the course of the ordinary activities. Revenue is measured by the charges made to customers for goods supplied and services rendered to them and by the charges and rewards arising from the use of resources by them. Revenue is presented below: Turnover Rs.100 Less: Excise Duty Rs.15 Turnover (Net) Rs.85	Similar to IFRS
Revenues — Measurement	Fair value of revenue from the sale of goods and services when the inflow of cash and cash equivalents are deferred is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of consideration is recognised as interest revenue using the effective interest method.	Revenue is recognised as the nominal amount of consideration receivable.	Similar to IFRS
Revenues — Interest	Interest income is	Interest is recognised	Similar to IFRS

Topic	IFRS	Indian GAAP	Ind-AS
	recognised using the effective interest method.	on a time proportion basis, taking into account the amount outstanding and the rate applicable.	
Employee benefits — Actuarial gains and losses	Actuarial gains and losses arising on post retirement defined benefit obligations shall be recognised immediately in other comprehensive income and not reclassified to profit or loss in a subsequent period.	Actuarial gains and losses should be recognised immediately in the statement of profit and loss as income or expense.	Similar to IFRS
Employee benefits — Discount rate	Market yields at the date of the statement of financial position on high-quality corporate bonds are used as discount rates. In countries where there are no deep markets for such bonds, market yields on government bonds are used.	Market yields at the balance sheet date on government bonds are used as discount rates.	The rate used to discount shall be determined by reference to market yields at the end of the reporting period on government bonds.
Government Grants — Non-monetary assets	The asset and the grant may be accounted for at fair value. Alternatively, these can be accounted for at nominal value.	If the asset is given by the government at a discounted price, the asset and the grant are accounted for at the discounted purchase price. All other non-monetary grants are accounted for at nominal values.	The asset and the grant should be accounted for at fair value.
Government Grants — Repayment	If repayment of a government grant relating to an asset is recorded by increasing the carrying amount of the asset or reducing the deferred income by the amount repayable, the cumulative additional depreciation that would have been	If repayment of a government grant relating to an asset is recorded by increasing the carrying amount of the asset, the cumulative additional depreciation that would have been recognised in the absence of the grant is recognised	Recognised by reducing the deferred income balance by the amount repayable. It is prohibited from being disclosed as an extraordinary item.

Topic	IFRS	Indian GAAP	Ind-AS
	recognised in the absence of the grant is immediately recognised as an expense. It is prohibited from being disclosed as an extraordinary item.	over the remaining useful life of the asset. It is then disclosed as an extraordinary item.	
Effects of Changes in Foreign Exchange Rates — Functional and presentation currency	Functional currency is the currency of the primary economic environment in which the entity operates. Foreign currency is a currency other than functional currency. Presentation currency is the currency in which the financial statements are presented.	Foreign currency is a currency other than the reporting currency, which is the currency in which financial statements are presented. An enterprise normally uses the currency of the country in which it is domiciled to present its financial statements. If it uses a different currency, disclosure of the reason for using that currency is required. There is no concept of functional currency.	Similar to IFRS
Effects of Changes in Foreign Exchange Rates — Exchange differences	Exchange differences arising on translation or settlement of foreign currency monetary items are recognised in profit or loss in the period in which they arise.	Similar to IFRS. However, as per Accounting Standard 11 (AS-11), exchange differences arising on reporting of long-term foreign currency monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements, in so far as they relate to the acquisition of a depreciable capital asset, can be added to or deducted from the cost of the asset and shall be depreciated over the balance life of	Similar to IFRS.

Topic	IFRS	Indian GAAP	Ind-AS
		the asset and, in other cases, can be accumulated in a "Foreign Currency Monetary Item Translation Difference Account" and amortised over the balance period of such long-term asset/liability by recognition as income or expense in each of such periods.	
Effects of Changes in Foreign Exchange Rates — Translation in consolidated financial statements	Assets and liabilities should be translated from functional to presentation currency at the closing rate at the date of the statement of financial position; income and expenses at the actual/average rate for the period; exchange differences are recognised as a separate component of equity and recycled to income statement on the disposal of the investment/operation.	Translation of financial statements to the reporting currency of the parent depends on the classification of that operation as integral or non-integral. Integral Operation: monetary assets are translated at the closing rate; non-monetary items are translated at the historical rate if they are valued at cost and at the closing rate if they are valued on another valuation basis. Income and expense items are translated at the historical/average rate. Exchange differences are incorporated in the statement of Profit and Loss. For non-integral operations, the closing rate method should be followed, i.e. assets and liabilities are translated at the closing rate while Profit and Loss items are translated at	Similar to IFRS.

Topic	IFRS	Indian GAAP	Ind-AS
		actual/average rates. The resulting exchange difference is taken to reserve and is recycled to Profit and Loss on the disposal of the non-integral foreign operation.	
Borrowing cost — Recognition	Capitalised if these costs are attributable to the acquisition, construction or production of a qualifying asset. Interest expense included in borrowing costs is calculated using the effective interest method as described in IFRS 9: Financial Instruments. It is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. Transaction costs are taken into account when determining the initial net carrying amount and their recognition in profit or loss is effectively spread over the life of the instrument.	Borrowing costs are required to be capitalised if these costs are attributable to the acquisition, construction or production of a qualifying asset. Interest is calculated on the amount of the loan outstanding at the applicable rates.	Similar to IFRS.
Related Party Disclosures — Identification	Related party includes post employment benefit plans for the benefit of employees of the reporting entity or any entity that is a	Post-employment benefit plans are not included as related parties.	Similar to IFRS.

Topic	IFRS	Indian GAAP	Ind-AS
	related party of the reporting entity.		
Related Party Disclosures — Key management personnel	Key management personnel include both executive and non-executive directors.	Key management personnel do not include non-executive directors.	Similar to IFRS.
Related Party Disclosures — Government related entities	Government related entities require disclosure of: (a) The name of the government and its relationship with the reporting entity. (b) The nature and amount of each significant transaction and a qualitative or quantitative indication of other transactions which are significant collectively.	No disclosure is required in the financial statements of state-controlled enterprises as regards related party relationships with other state-controlled enterprises and transactions with such enterprises.	Similar to IFRS.
Consolidated Financial Statements — Definition of control of investee	An investor controls an investee when the investor is exposed, or has the right, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.	Control is: (a) The ownership, directly or indirectly through a subsidiary (or subsidiaries), of more than one-half of the voting power of an enterprise; or (b) control of the composition of the board of directors in the case of a company or of the composition of the corresponding governing body in the case of any other enterprise so as to obtain economic benefits from its activities.	Similar to IFRS.

Topic	IFRS	Indian GAAP	Ind-AS
Consolidated Financial Statements — Potential voting rights	Potential voting rights are considered only if they are substantive. For a right to be substantive it must give the holder the current ability to direct the relevant activities of an investee when necessary and the holder must have the practical ability to exercise that right.	Potential voting rights are not considered when assessing control.	Similar to IFRS.
Consolidated Financial Statements — Exclusion of subsidiaries	If the acquisition of a subsidiary meets the criteria to be classified as held for sale in accordance with IFRS 5, it is included in the consolidation but is accounted for under that standard.	Excluded from consolidation if the subsidiary was acquired with intent to dispose of it within 12 months or if it operates under severe long-term restrictions which significantly impair its ability to transfer funds to the parent.	Similar to IFRS.
Consolidated Financial Statements — Reporting dates	The difference between the reporting date of the subsidiary and that of the parent shall be no more than three months.	The difference between the reporting date of the subsidiary and that of the parent shall be no more than six months.	Similar to IFRS.
Consolidated Financial Statements — Uniform Accounting policies	Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.	Similar to IFRS except if it is impracticable to use uniform accounting policies, which fact should be disclosed together with the proportions of the items in the consolidated financial statements to which different policies have been applied.	Similar to IFRS.
Consolidated Financial Statements — Disposals	Partial disposal of a subsidiary where control is retained is accounted for as an equity transaction, and	No specific guidance.	Similar to IFRS.

Topic	IFRS	Indian GAAP	Ind-AS
	gain or loss is not recognised. Partial disposal of a subsidiary resulting in loss of control triggers re-measurement of the residual holding to fair value. Any difference between the fair value and the carrying value is recognised as gain or loss in profit or loss.		
Separate Financial Statements — Accounting for investments in subsidiaries in separate financial statements of the parent	Accounted for either at cost less impairment loss or as available for sale in accordance with IFRS 9.	Accounted at cost less impairment loss.	Similar to IFRS. However, Equity method is not permitted in separate financial statements.
Investments in Associates and Joint Ventures — Significant influence	The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by another entity, are considered when assessing significant influence.	Potential voting rights are not considered when assessing significant influence.	Similar to IFRS.
Investments in Associates and Joint Ventures — Capital Reserve/Negative Goodwill	Any excess of the entity's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate or joint venture's profit or loss in the period in which the investment is acquired.	Capital reserve is included in the carrying amount of investment in the associate but is disclosed separately.	Any excess of the entity's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is recognised directly in equity as capital reserve in the period in which the investment is acquired.
Investments in Associates and Joint Ventures — Reporting	The difference between the reporting date of the associate and that	The maximum difference between the reporting date of the	Similar to IFRS.

Topic	IFRS	Indian GAAP	Ind-AS
date	of the parent shall be no more than three months.	associate and that of the parent is not specified.	
Investments in Associates and Joint Ventures — Method of Accounting	Investments in associates or joint ventures are to be accounted for using the equity method in consolidated financial statements.	Investments in associates are accounted for using the equity method whereas investments in joint ventures are accounted for using the proportionate consolidation method.	Similar to IFRS.
Financial Instruments: Presentation — Classification of convertible debts	Split the instrument into its liability and equity components at issuance.	Classified as debt based on its legal form and any interest expense is recognised based on the coupon rate.	Similar to IFRS, except for conversion option embedded in a foreign currency convertible bond under certain circumstances.
Financial Instruments: Presentation — Treasury shares	If an entity reacquires its own shares (treasury shares), these are shown as a deduction from equity.	Acquiring own shares is permitted only in limited circumstances. Shares repurchased should be cancelled immediately and cannot be held as treasury shares.	Similar to IFRS.
Earnings per share — Extraordinary items	Since IAS 1 prohibits disclosure of extraordinary items, no separate consideration is given to such items while calculating Earnings Per Share (EPS).	EPS with and without extraordinary items is to be presented.	Similar to IFRS.
Earnings per share — Disclosure	IAS 33 requires separate disclosures for EPS from continuing and discontinued operations. Disclosure is also required for instruments (including contingently issuable shares) that could potentially dilute basic earnings per share in	No such disclosure is required.	Similar to IFRS.

Topic	IFRS	Indian GAAP	Ind-AS
	the future, but were not included in the calculation of diluted earnings per share because they are anti-dilutive for the periods presented.		
Earnings per share — Disclosure	No specific guidance.	No specific guidance.	Ind-AS 33 requires separate disclosures where any item of income or expense which is otherwise required to be recognised in profit or loss in accordance with accounting standards is debited or credited to securities premium account/other reserves. The amount in respect thereof shall be deducted from profit or loss from continuing operations for the purpose of calculating basic earnings per share.
Impairment of Assets — Reversal of impairment loss for goodwill	Impairment loss recognised for goodwill is prohibited from reversal in a subsequent period.	Impairment loss for goodwill is reversed if the impairment loss was caused by a specific external event of an exceptional nature that is not expected to recur and subsequent external events have occurred that reverse the effect of that event.	Similar to IFRS.
Provisions, Contingent Liabilities and Contingent Assets — Discounting	Where the effect of time value of money is material, the amount of provision is the present value of the expenditure expected to be required to settle the obligation. The discount rate is a pre-tax rate that reflects the	Discounting of liabilities is not permitted and provisions are carried at their full values.	Similar to IFRS.

Topic	IFRS	Indian GAAP	Ind-AS
	current market assessment of the time value of money and risks specific to the liability. The discount rate does not reflect risk for which future cash flow estimates have been adjusted.		
Provisions, Contingent Liabilities and Contingent Assets — Contingent assets	Contingent assets are disclosed in the financial statements where an inflow of economic benefits is probable.	Contingent assets are not disclosed in the financial statements.	Similar to IFRS.
Intangible assets — Measurement	Intangible assets can be measured at either cost or revalued amount.	Measured only at cost.	Similar to IFRS.
Intangible assets — Useful life	Useful life may be either finite or indefinite.	Useful life may not be indefinite. There is a rebuttable presumption that the useful life of an intangible asset will not exceed ten years from the date when the asset is available for use.	Similar to IFRS.
Financial Instruments: Recognition and Measurement — Investments, loans and receivables	Financial assets are classified as at fair value through profit and loss, fair value through OCI, and amortised cost. Financial assets are classified as fair value through profit and loss if they are acquired principally for the purpose of selling and are part of a portfolio that is managed together and for which there is evidence of a recent actual pattern of short-term profit taking. Investments are	Investments are classified as long-term or current. Long-term investments are carried at cost less provision for diminution in value which is other than temporary. Current investments are carried at the lower of cost and fair value. Loans and receivables are measured at cost less valuation allowance.	Similar to IFRS.

Topic	IFRS	Indian GAAP	Ind-AS
	classified as fair value through OCI when an entity's business model's objective is achieved both by collecting cash flows and by selling financial assets. Investments at amortised cost are investments which meet the SPPI criteria. These investments are measured at amortised cost using the effective interest method.		
Financial Instruments: Recognition and Measurement — Impairment	Impairment losses recognised in profit or loss for equity investments cannot be reversed through profit or loss.	Impairment losses recognised in profit or loss for equity investments are reversed through profit or loss.	Similar to IFRS.
Financial Instruments: Recognition and Measurement — Foreign currency contracts	A forward exchange contract is measured at fair value as at the statement of financial position date. If the forward exchange contract meets the criteria of an effective hedge in accordance with IFRS 9: Financial Instruments, the gain or loss arising on fair valuation is recognised in the statement of changes in equity. If the hedge is ineffective, the gain or loss is recognised in the determination of net income.	Premium or discount on forward exchange contracts is amortised and recognised in the statement of profit and loss over the period of such contracts. Exchange differences on such a contract should be recognised in the statement of profit and loss in the reporting period in which the exchange rates change.	Similar to IFRS.
Financial Instruments: Recognition and Measurement — Derivatives and embedded derivatives	Measured at fair values.	There is no equivalent standard on derivatives except for certain forward exchange contracts within the	Similar to IFRS.

Topic	IFRS	Indian GAAP	Ind-AS
		scope of AS 11.	
Financial Instruments: Recognition and Measurement — Derivatives and hedge accounting	Hedge accounting (recognising the offsetting effects of fair value changes of both the hedging instrument and the hedged item in the same period's profit or loss) is permitted in certain circumstances, provided that the hedging relationship is clearly defined, measurable and actually effective. IFRS 9 provides for three types of hedges: • fair value hedge: if an entity hedges a change in fair value of a recognised asset or liability or firm commitment, the change in fair values of both the hedging instrument and the hedged item are recognised in profit or loss when they occur; • cash flow hedge: if an entity hedges changes in the future cash flows relating to a recognised asset or liability or a highly probable forecast transaction, then the change in fair value of the hedging instrument is recognised in other comprehensive income until such	There is no equivalent standard on derivatives. Forward contracts (including those intended for speculative/trading purposes) are covered by AS 11. An announcement made by the ICAI on 29 March 2008 and applicable to financial statements for the period ending 31 March 2008 or thereafter requires an entity to provide for losses in respect of all outstanding derivative contracts not covered by AS 11 by marking them to market at the balance sheet date. However, in June 2015 a new Guidance Note was issued by ICAI which prescribes accounting for derivatives and hedging transactions similar to IFRS.	Similar to IFRS.

Topic	IFRS	Indian GAAP	Ind-AS
	time as those future cash flows occur. The ineffective portion of the gain or loss on the hedging instrument is recognised in profit or loss in the period of such change; and • hedge of a net investment in a foreign entity: this is treated as a cash flow hedge. A hedge of foreign currency risk in a firm commitment may be accounted for as a fair value hedge or as a cash flow hedge.		
Non-current assets held for sale — Recognition and measurement	Non-current assets to be disposed of are classified as held for sale when the asset is available for immediate sale and the sale is highly probable. Depreciation ceases on the date when the assets are classified as held for sale. Non-current assets classified as held for sale are measured at the lower of their carrying value and fair value less costs to sell.	There is no standard dealing with non-current assets held for sale, though AS 10 deals with assets held for disposal. Items of fixed assets that have been retired from active use and are held for disposal are stated at the lower of their net book value and net realisable value and are shown separately in the financial statements. Any expected loss is recognised immediately in the statement of profit and loss.	Similar to IFRS.
Non-current assets held for sale and discontinued operations — Classification	An operation is classified as discontinued when it has either been disposed of or is classified as held for	An operation is classified as discontinued at the earlier of: (a) a binding sale agreement for sale of the operation; and	Similar to IFRS.

Topic	IFRS	Indian GAAP	Ind-AS
	sale.	(b) on approval by the board of directors of a detailed formal plan and announcement of the plan.	
Exploration for and evaluation of mineral resources — General	Exploration and evaluation assets are measured at cost or revaluation less accumulated amortisation and impairment loss. An entity determines the policy specifying which expenditures are recognised as exploration and evaluation assets.	There is no equivalent standard. However, there is a Guidance Note on Accounting for Oil and Gas Producing Activities. As per this guidance note, there are two alternative methods for acquisition, exploration and development costs, viz. the Successful Efforts Method or the Full Cost Method. The Guidance Note recommends the former one. AS 28; Impairment of Assets is applicable irrespective of the method of accounting used.	Similar to IFRS.
Operating Segments — Determination of segments	Operating segments are identified based on the financial information that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.	AS 17 requires an enterprise to identify two sets of segments (business and geographical), using a risks and rewards approach.	Similar to IFRS.
Operating Segments — Measurement	Segment profit or loss is reported on the same measurement basis as that used by the chief operating decision maker. There is no definition of segment revenue, segment expense, segment result, segment asset or segment liability.	Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the enterprise as a whole. Segment revenue, segment expense, segment result,	Similar to IFRS.

Topic	IFRS	Indian GAAP	Ind-AS
	Requires reconciliation of segment performance measures, and segment assets and liabilities with the corresponding amounts reported in the financial statements.	segment asset and segment liability have been defined. A reconciliation is presented between the information disclosed for reportable segments and the aggregated information in the enterprise's financial statements.	
Operating Segments — Entity-wide disclosures	Requires disclosure of: (a) external revenues from each product or service; (b) revenues from customers in the country of domicile and from foreign countries; and (c) geographical information on non-current assets located in the country of domicile and foreign countries. Information on major customers including total revenues from each major customer is disclosed if revenues from each customer are 10 per cent. or more of total segment revenues.	Disclosures are required based on the classification of segments as primary or secondary. Disclosure requirements for secondary reporting formats are less detailed than those required for primary reporting formats.	Similar to IFRS.
First Time Adoption			
Previous GAAP	IFRS 1 defines previous GAAP as the basis of accounting that a first-time adopter used immediately before adopting IFRS.	No specific guidance.	Ind-AS 101 defines previous GAAP as the basis of accounting that a first-time adopter used for its reporting requirement in India immediately before adopting Ind-AS.
Treatment of Changes in Retained Earnings	The first-time adopter shall account for the resulting change in the retained earnings as at the transition date	No specific guidance.	The first-time adopter shall account for the resulting change in the retained earnings as at the transition date. In

Topic	IFRS	Indian GAAP	Ind-AS
	except in specific instances to make adjustment with goodwill.		specific instances, Ind-AS allowed adjustment to be made with capital reserve to the extent such adjustment amount does not exceed the balance available in capital reserve.
Additional Exemptions	No such exemptions provided in IFRS.	No specific guidance.	Ind-AS 101 provides certain optional exemptions relating to the long-term foreign currency monetary items and service concession arrangements relating to toll roads. An entity may continue the policy adopted for accounting for exchange differences arising from the translation of long term foreign currency monetary items recognised in the financial statements for the period ending immediately after the beginning of the first Ind-AS financial reporting period as per previous GAAP.
Transitional Relief — Property, Plant and Equipment	No such option provided in IFRS.	No specific guidance.	Paragraph D7AA provides the option to use carrying values of all of its property, plant and equipment as at the date of transition to Ind-AS, measured as per previous GAAP and to use them at its deemed cost as at the date of transition.

Topic	IFRS	Indian GAAP	Ind-AS
Transitional Relief — Lease	No such option provided in IFRS.	No specific guidance.	When the lease includes land and building elements, an entity may assess the classification as a finance or operating lease as at the date of transition to Ind-AS based on the facts and circumstances existing at that date.

GENERAL INFORMATION

Authorisation

1. The establishment of the Programme has been approved by the RBI *vide* its letter dated 19 December 2017.

2. The establishment of the Programme and the issue of Notes have been duly authorised by resolutions of our Board dated 25 October 2017. The borrowing limits of the Company have been duly authorised by the special resolution of our shareholders dated 2 August 2017.

No potential conflicts of interest

3. As at the date of this offering Circular, there are no potential conflicts of interest between any duties owed to the Issuer by the Directors and the private interests and/or other duties owed by these individuals.

Listing

4. Application has been made to the London Stock Exchange for the listing and quotation of Notes on the ISM that may be issued pursuant to the Programme and which are agreed at or prior to the time of issue thereof to be listed on the ISM. Notes so admitted to trading on the ISM are not admitted to the Official List of the UKLA. The London Stock Exchange has not approved or verified the contents of this Offering Circular.

Clearing systems

5. The Notes to be issued under the Programme have been accepted for clearance through Euroclear and Clearstream. The appropriate common code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream will be specified in the applicable Pricing Supplement. If the Notes are to be cleared through an additional or alternative clearing system, the appropriate information will be specified in the applicable Pricing Supplement.

No significant change

6. Save as disclosed in this Offering Circular, there has been no significant change in our financial or trading position since 31 December 2017 and there has been no material adverse change in our prospects since 31 March 2017.

Litigation

7. We are not involved in any legal or arbitration proceedings (including any proceedings which are pending or threatened of which we are aware) which may have or have had in the 12 months preceding the date of this document a significant effect on our financial position.

Accounts

8. Our audited financial statements for the Fiscal Years ended 31 March 2017 and 2016 (including comparative numbers for the Fiscal Years ended 31 March 2016 and 2015, respectively) have been prepared in accordance with Indian GAAP, and audited by B.R. Maheswari & Co LLP, Chartered Accountants. Our unaudited and reviewed financial statements for the quarter and nine month period ended 31 December 2017 (including comparative numbers for the quarter and nine month period ended 31 December 2016) that

appear in this Offering Circular have been prepared in accordance with Indian GAAP, and reviewed by B.R. Maheswari & Co LLP, Chartered Accountants.

Documents Available

9. So long as Notes are capable of being issued under the Programme, copies of the following documents will, when published, be available from our corporate office and from the specified office of the Issuing and Paying Agent or, alternatively upon verification of eligibility of receipt, may be made available in electronic form upon request to us at the e-mail address set forth on the back cover of this Offering Circular:

   (a) our audited financial statements in respect of the Fiscal Years ended 31 March 2017, 2016 and 2015;

   (b) our unaudited but reviewed financial results for the quarter and nine month period ended 31 December 2017;

   (c) the Trust Deed, the Agency Agreement and the forms of the Global Notes, the Notes in definitive form, the Receipts, the Coupons and the Talons;

   (d) a copy of this Offering Circular;

   (e) any future offering circulars, prospectuses, information memoranda and supplements including Pricing Supplement (save that a Pricing Supplement relating to an unlisted Note will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to us and the Issuing and Paying Agent as to its holding of Notes and identity) to this Offering Circular and any other documents incorporated herein or therein by reference; and

   (f) our Memorandum and Articles of Association.

INDEX TO FINANCIAL STATEMENTS

B R MAHESWARI & CO LLP
CHARTERED ACCOUNTANTS

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INDEPENDENT AUDITORS' LIMITED REVIEW REPORT

TO THE BOARD OF DIRECTORS OF
PNB HOUSING FINANCE LIMITED

We have reviewed the accompanying Statement of Standalone Unaudited Financial Results of **PNB HOUSING FINANCE LIMITED** ("the Company") for the quarter and nine months ended on December 31, 2017 ("the Statement") being submitted by the Company pursuant to Regulation 33 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the "Listing Regulation, 2015).

This statement is the responsibility of the Company's Management and has been approved by the Board of Directors. Our responsibility is to issue a report on these financial statements based on our review.

We conducted our review in accordance with the Standard on Review Engagements (SRE) 2410, *'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'*, issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and an analytical procedure applied to financial data and thus provides less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.

Based on our review conducted as above, nothing has come to our attention that causes us to believe that the accompanying statement of unaudited financial results prepared in accordance with applicable accounting standards specified in section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014 and other recognized accounting practices and policies has not disclosed the information required to be disclosed in terms of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with circular number CIR/CFD/FAC/62/2016 dated July 05, 2016 of SEBI including the manner in which it is to be disclosed, or that it contains any material misstatement.

For B. R. MAHESWARI & CO. LLP
Chartered Accountants
Firm Registration No. 001035N/N500050

MAHESWARI & CO LLP M-118, Conn. Circus New Delhi Chartered Accountants

SUDHIR MAHESHWARI
Partner
Membership No. 081075

Date: January 23, 2018
Place: New Delhi

Gurgaon Office : 312, 3rd Floor, JMD Pacific Square, Sector - 15 Part - II, Gurgaon - 122001
Phone : +91 (124) 4115 445-49

PNB HOUSING FINANCE LIMITED

BALANCE SHEET AS AT DECEMBER 31, 2017

	Note	As at 31-Dec-17 (₹ in Crore)	As at 31-Dec-16 (₹ in Crore)
EQUITY AND LIABILITIES			
Shareholder's Funds			
Share Capital	2	166.59	165.64
Reserves and Surplus	3	5,927.61	5,251.59
		6,094.20	5,417.23
Non-Current Liabilities			
Long-Term Borrowings	4	33,951.18	22,970.93
Deferred Tax Liabilities (Net)	5	44.98	45.84
Other Long-Term Liabilities	6	318.70	218.36
Long-Term Provisions	7	363.98	194.58
		34,678.84	23,429.71
Current Liabilities			
Short-Term Borrowings	8	13,285.80	4,407.77
Trade Payables	9	128.80	84.44
Other Current Liabilities	10	5,660.03	4,678.55
Short-Term Provisions	7	49.81	33.36
		19,124.44	9,204.12
TOTAL		59,897.48	38,051.06

	Note	As at 31-Dec-17 (₹ in Crore)	As at 31-Dec-16 (₹ in Crore)
ASSETS			
Non-Current Assets			
Fixed Assets			
Tangible Assets	11	44.21	48.60
Intangible Assets	11	14.27	9.94
Capital Work-in-Progress		14.15	1.72
Non-Current Investments	12	1,138.42	892.03
Long-Term Loans And Advances	13	52,837.46	31,948.65
Other Non-Current Assets	14	356.24	236.36
		54,404.75	33,137.30
Current Assets			
Current Investments	15	480.17	1,323.73
Cash and Bank Balances	16	1,594.46	563.71
Short-Term Loans and Advances	17	81.66	82.06
Other Current Assets	18	3,336.44	2,944.25
		5,492.73	4,913.75
TOTAL		59,897.48	38,051.06

PNB HOUSING FINANCE LIMITED

STATEMENT OF PROFIT AND LOSS FOR THE PERIOD ENDED DECEMBER 31, 2017

	Note	Period Ended 31-Dec-17 (₹ in Crore)	Period Ended 31-Dec-16 (₹ in Crore)
INCOME			
Revenue from Operations	19	3,946.42	2,831.77
Other Income		0.33	0.10
TOTAL REVENUE		3,946.75	2,831.87
EXPENSES			
Finance Cost	20	2,514.02	1,965.75
Employee Benefit Expense	21	96.86	73.67
Office Operating Expenses	22	71.49	51.64
Other Expenses	23	156.50	128.39
Depreciation & Amortisation	11	17.10	13.80
Provisions and Contingencies		151.01	35.29
Bad Debts Written-off		3.39	0.96
TOTAL EXPENSES		3,010.37	2,269.50
PROFIT BEFORE TAX		936.38	562.37
Less: Provision for Taxation -Current Tax		328.04	175.68
-Deferred Tax(Net)		(1.86)	15.36
PROFIT AFTER TAX		610.20	371.33

	As at 31-Dec-17 (₹ in Crore)	As at 31-Dec-16 (₹ in Crore)
2 SHARE CAPITAL		
Authorised Share Capital		
50,00,00,000 Equity Shares of ₹ 10/- each (Previous period 50,00,00,000 Equity Shares ₹ 10/- each)	500.00	150.00
Equity Share Capital		
Issued, Subscribed and Paid-up Capital		
16,65,86,482 Equity Shares of ₹ 10/- each fully Paid up (Previous period 12,69,23,000 Equity Shares of ₹ 10/- each)	166.59	165.64
	166.59	165.64

2.1 Reconciliation of Number of Shares

	As at 31-Dec-17		As at 31-Dec-16	
Equity Shares	**Numbers**	**(₹ in Crore)**	**Numbers**	**(₹ in Crore)**
At the beginning of the period	16,56,42,309	165.64	16,56,42,309	126.92
Issued during the period	9,44,173	0.95	3,87,19,309	38.72
Outstanding at the end of the period	16,65,86,482	166.59	20,43,61,618	165.64

2.2 During the Financial year ended 2017, the Company has raised capital of ₹ 3,000 Crores through Initial Public Offer (IPO) by issuing 3,87,19,309 Equity Shares of ₹ 10/- each.

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

	As at 31-Dec-17		As at 31-Dec-16	
Name of Shareholder	**No. of Shares**	**% of Holding**	**No. of Shares**	**% of Holding**
i) Punjab National Bank	5,49,14,840	32.96%	6,47,30,700	31.67%
ii) Destimoney Enterprises Limited	-	-	10,09,11,609	49.38%
ii) Quality Investments Holdings	6,21,92,300	37.33%	-	-
iii) General Atlantic Singapore FII Pte Limited	1,41,99,928	8.52%	-	-

3 RESERVES AND SURPLUS

	As at 31-Dec-17 (₹ in Crore)	As at 31-Dec-16 (₹ in Crore)
<u>Special Reserve</u>		
Created under Section 36(1) (viii) of the Income Tax Act,1961		
Opening Balance	334.76	239.76
Add: Transferred from the Statement of Profit and Loss	-	-
	334.76	239.76

Statutory Reserve		
As per Section 29 C of National Housing Bank Act, 1987		
Opening Balance	40.84	30.24
Add: Transferred from the Statement of Profit and Loss	-	-
	40.84	30.24
General Reserve		
Opening Balance	454.25	427.87
Add: Transferred from the Statement of Profit and Loss	-	-
Less: Utilised for creating Deferred Tax Liability on Special Reserve	-	-
	454.25	427.87
Securities Premium Account		
Opening Balance	3,932.42	1,045.86
Add: Premium on issue of equity shares	30.98	2,961.28
Less: Discount on issue of debenture	5.63	100.00
	3,957.77	3,907.14

	As at 31-Dec-17 (₹ in Crore)	As at 31-Dec-16 (₹ in Crore)
Cash Flow Hedge Reserve		
Opening Balance	8.40	-
Add:- Created during the period	0.70	-
Closing Balance	9.10	-
Surplus in the Statement of Profit and Loss		
Opening Balance	640.99	275.25
Profit for the period	610.20	371.33
Amount Available for Appropriation	1,251.19	646.58

	As at 31-Dec-17 (₹ in Crore)	As at 31-Dec-16 (₹ in Crore)
Appropriations		
-Special Reserve	-	-
-Statutory Reserve (U/s. 29C of the NHB Act)	-	-
-General Reserve	-	-
-Proposed Dividend	99.95	-
-Dividend Distribution Tax	20.35	-
Net Surplus in the Statement of Profit and Loss	1,130.89	646.58
	5,927.61	5,251.59

4 LONG-TERM BORROWINGS

	Non-Current Maturities		Current Maturities	
	As at 31-Dec-17 (₹ in Crore)	As at 31-Dec-16 (₹ in Crore)	As at 31-Dec-17 (₹ in Crore)	As at 31-Dec-16 (₹ in Crore)
Secured Borrowings				
Term Loans				
National Housing Bank	2,213.72	2,570.17	356.45	267.34
Banks	1,814.09	407.96	545.59	506.00
External Commercial Borrowing	1,403.16	1,387.09	50.09	125.23
Redeemable Non-Convertible Debentures	20,237.00	11,247.00	300.00	990.00
	25,667.97	15,612.23	1,252.13	1,888.56
Unsecured Borrowings				
Redeemable Non-Convertible Subordinated Debentures	1,399.00	1,399.00	-	-
Deposits	6,884.21	5,959.71	1,833.78	1,358.40
	8,283.21	7,358.71	1,833.78	1,358.40
Current Maturity of Long-Term Borrowings disclosed under the head "Other Current Liabilities" (Note 10)	-	-	(3,085.91)	(3,246.96)
	33,951.18	22,970.93	-	-

5 DEFERRED TAX LIABILITIES (NET)

In accordance with Accounting Standard on 'Accounting for Taxes on Income' (AS 22), the Company is accounting for Deferred Tax. The break-up of deferred tax assets / liabilities are as follows:

Particulars	As at 31-Dec-17 (₹ in Crore)	As at 31-Dec-16 (₹ in Crore)
Deferred Tax Liabilities		
Expenses Paid in Advance (Net of Income Received in Advance)	68.31	49.52
Depreciation on Fixed Assets	-	0.05
Special Reserve	151.42	78.99
Total Deferred Tax Liabilities- (A)	219.73	128.56
Deferred Tax Assets		
Depreciation on Fixed Assets	1.80	-
Provision for Employees Benefits	3.55	2.35
Provision for Doubtful Debts and contingencies	145.72	74.66
Others	23.66	5.70
Total Deferred Tax Assets - (B)	174.73	82.72
Deferred Tax Liabilities (Net) (A-B)	45.00	45.84

6 OTHER LONG-TERM LIABILITIES

	Non-Current Maturities		Current Maturities	
	As at 31-Dec-17 (₹ in Crore)	As at 31-Dec-16 (₹ in Crore)	As at 31-Dec-17 (₹ in Crore)	As at 31-Dec-16 (₹ in Crore)
Interest Accrued but not Due on Borrowings	198.80	138.67	229.31	141.54
Income Received in Advance	119.90	79.69	52.70	28.43
Amount disclosed under the head "Other Current Liabilities" (Refer Note 10)	-	-	(282.01)	(169.97)
	318.70	218.36	-	-

7 PROVISIONS

	Non-Current Maturities		Current Maturities	
	As at 31-Dec-17 (₹ in Crore)	As at 31-Dec-16 (₹ in Crore)	As at 31-Dec-17 (₹ in Crore)	As at 31-Dec-16 (₹ in Crore)
Provision for Employees Benefits	9.00	15.12	1.26	0.83
Provision for Standard Assets (As per NHB norms)	279.00	166.96	-	-
Provision for NPAs (As per NHB norms)	-	-	48.55	32.53
Provision for Contingencies	75.98	12.50	-	-
	363.98	194.58	49.81	33.36

		As at 31-Dec-17 (₹ in Crore)	As at 31-Dec-16 (₹ in Crore)
8	**SHORT-TERM BORROWINGS**		
	Secured Borrowings		
	Term Loans Banks	1,025.57	-
	Bank Overdraft	1,942.86	746.36
		2,968.43	746.36
	Unsecured Borrowings		
	Deposits	1,522.37	1,161.41
	Commercial Paper	8,795.00	2,500.00
		10,317.37	3,661.41
		13,285.80	4,407.77

		As at 31-Dec-17 (₹ in Crore)	As at 31-Dec-16 (₹ in Crore)
9	**TRADE PAYABLES**		
	Sundry Creditors for Expenses	128.80	84.44
		128.80	84.44

		As at 31-Dec-17 (₹ in Crore)	As at 31-Dec-16 (₹ in Crore)
10	**OTHER CURRENT LIABILITIES**		
	Current Maturity of Long-Term Borrowings (Refer Note 4)	3,085.91	3,246.96
	Current Portion of Other Long-Term Liabilities (Refer Note 6)	282.01	169.97
	Interest Accrued but not Due on Borrowings	663.96	344.76
	Book Overdraft	1,168.74	594.86
	Statutory Dues Payable	8.53	5.49
	Forward Contract Receivable (Net)	8.97	-
	Other Liabilities	441.91	316.51
		5,660.03	4,678.55

11. FIXED ASSETS

(₹ in Crore)

	Gross Block				Accumulated Depreciation/ Amortisation				Net Block	
Description	**As at 01-Apr-17**	**Additions**	**Deductions**	**As at 31-Dec-17**	**As at 01-Apr-17**	**For the period**	**Deductions / Adjustment**	**As at 31-Dec-17**	**As at 31-Dec-17**	**As at 31-Mar-17**
Tangible:										
Buildings*	1.09	-	-	1.09	0.24	0.02	-	0.25	0.84	0.85
Furniture & Fixtures	15.37	2.75	-	18.12	3.67	2.47	-	6.14	11.97	11.70
Vehicles	0.11	-	-	0.11	0.01	0.01	-	0.02	0.09	0.10
Computers	19.60	1.45	-	21.05	12.08	3.57	-	15.65	5.39	7.52
Office Equipment & Others	19.90	3.15	0.00	23.05	9.40	3.01	0.00	12.41	10.65	10.50
Leasehold Improvements	32.77	3.14	-	35.91	15.68	4.96	-	20.63	15.28	17.09
Subtotal	88.84	10.49	0.00	99.33	41.07	14.03	0.00	55.11	44.22	47.77
Intangible:										
Software	15.47	6.71	-	22.17	4.83	3.07	-	7.90	14.27	10.63
Grand Total	**104.30**	**17.20**	**0.00**	**121.50**	**45.91**	**17.10**	**0.00**	**63.01**	**58.49**	**58.40**
Previous Year	85.55	18.96	0.21	104.30	27.44	18.62	0.16	45.90	58.40	

*Includes Buildings of ₹ 0.77 Crore (Previous year ₹ 0.77 Crore) mortgaged for securing Secured Redeemable Non-Convertible Debentures (Refer Note 4.3).

12 NON-CURRENT INVESTMENTS	Number of Shares/Bonds/ Units	Face Value per Shares /Bonds/ Units	As at 31-Dec-17 (₹ in Crore)	Number of Shares/Bonds/ Units	Face Value per Shares Bonds/ Units	As at 31-Dec-16 (₹ in Crore)
OTHER INVESTMENTS (NON TRADE)						
QUOTED - (FULLY PAID)						
Investment in Equity Shares						
Investment in PHFL Home Loan Services Private Limited (Wholly Owned Subsidiary)	2,50,000	10	0.25	-	-	-
Investments in Government Securities						
Goverment of India Stock						
10.03% Government of India Stock 2019	7,000	100	0.08	7,000	100	0.08
10.25% Government of India Stock 2021	10,05,000	100	12.61	10,05,000	100	12.61
8.30% Government of India Stock 2023	30,000	100	0.31	30,000	100	0.31
8.97% Government of India Stock 2030	50,000	100	0.57	50,000	100	0.57
8.33% Government of India Stock 2036	26,000	100	0.28	26,000	100	0.28
8.32% Government of India Stock 2032	25,000	100	0.27	25,000	100	0.27
8.28% Government of India Stock 2032	19,000	100	0.20	19,000	100	0.20
8.26% Government of India Stock 2027	10,000	100	0.11	10,000	100	0.11
8.15% Government of India Stock 2022	14,000	100	0.15	14,000	100	0.15
8.13% Government of India Stock 2022	10,000	100	0.10	10,000	100	0.10
8.08% Government of India Stock 2022	15,000	100	0.16	15,000	100	0.16
7.94% Government of India Stock 2021	7,900	100	0.08	7,900	100	0.08
7.50% Government of India Stock 2034	18,000	100	0.18	18,000	100	0.18
5.69% Government of India Stock 2018	10,000	100	0.09	10,000	100	0.09
10.71% Government of India Stock 2016	-	-	-	-	-	-
8.07% Government of India Stock 2017	-	-	-	30,05,000	100	31.72
State Development Loans						
10.03% Rajasthan SDL 2028	33,91,000	100	34.98	33,91,000	100	34.98
9.79% Maharashtra SDL 2023	15,00,000	100	15.50	15,00,000	100	15.51
8.88% West Bengal SDL 2026	25,00,000	100	25.21	30,00,000	100	32.65
9.72% Kerala SDL 2023	40,00,000	100	41.53	40,00,000	100	41.53
9.70% Uttarakhand SDL 2024	50,00,000	100	54.32	50,00,000	100	54.32
9.60% Maharashtra SDL 2023	14,00,000	100	14.02	14,00,000	100	14.02
9.50% Himachal Pardesh SDL 2024	20,00,000	100	21.48	20,00,000	100	21.48
9.49% Tamil Nadu SDL 2023	30,00,000	100	30.87	30,00,000	100	30.87
9.48% Haryana SDL 2023	50,00,000	100	53.58	50,00,000	100	53.58
9.37% Gujarat SDL 2023	25,00,000	100	25.42	25,00,000	100	25.42

	Number of Shares/Bonds/ Units	Face Value per Shares /Bonds/ Units	As at 31-Dec-17 (₹ in Crore)	Number of Shares/Bonds/ Units	Face Value per Shares Bonds/ Units	As at 31-Dec-16 (₹ in Crore)
9.19% Kerala SDL 2024	10,00,000	100	10.06	10,00,000	100	10.06
9.00% Haryana SDL 2024	10,00,000	100	10.51	10,00,000	100	10.51
8.99% Madhya Pradesh SDL 2024	1,00,00,000	100	104.52	1,00,00,000	100	104.52
8.95% Madhya Pradesh SDL 2024	80,00,000	100	83.40	80,00,000	100	83.40
8.93% Haryana SDL 2022	22,200	100	0.24	22,200	100	0.24
8.92% Rajasthan SDL 2022	40,00,000	100	41.52	40,00,000	100	41.52
8.89% West Bengal SDL 2022	25,000	100	0.27	25,000	100	0.27
9.72% West Bengal SDL 2024	30,00,000	100	32.65	25,00,000	100	25.22
8.84% Punjab SDL 2024	30,00,000	100	31.18	30,00,000	100	31.18
8.83% Uttar Pradesh SDL 2026	1,90,00,000	100	199.02	1,35,00,000	100	139.08
8.73% Madhya Pradesh SDL 2022	12,000	100	0.13	12,000	100	0.13
8.66% Andhra Pradesh SDL 2021	10,000	100	0.11	10,000	100	0.11
8.53% Mahrashtra SDL 2020	25,000	100	0.26	25,000	100	0.26
8.40% Madhya Pradesh SDL 2019	10,000	100	0.10	10,000	100	0.10
8.39% Uttar Pradesh SDL 2020	20,000	100	0.21	20,000	100	0.21
8.25% Rajasthan SDL 2020	30,000	100	0.31	30,000	100	0.31
8.30% Gujarat SDL 2017	-	-	-	10,000	100	0.10
8.55% Uttar Pradesh SDL 2017	-	-	-	10,000	100	0.10
9.12% Gujarat SDL 2022	33,55,000	100	35.26	33,55,000	100	35.25
8.90% Maharashtra SDL 2024	10,00,000	100	10.80	-	-	-
8.05% Rajashthan SDL 25022025	40,00,000	100	41.27	-	-	-
8.72% Andhra Pardesh SDL 2026	20,00,000	100	21.56	-	-	-
8.51% Maharashtra SDL 2026	45,00,000	100	46.42	45,00,000	100	46.42
9.89% Haryana SDL 2023	85,00,000.00	100	95.57	-	-	-
9.69% Punjab SDL 12022024	10,00,000.00	100	11.22	-	-	-
7.76% Karnataka SDL 13122027	17,00,000.00	100	17.11	-	-	-
7.76% Uttar Pardesh SDL 13122027	20,00,000.00	100	20.11	-	-	-
7.46% Madhya Pradesh SDL 27/09/2027	5,00,000.00	100	5.03	-	-	-
			1,151.19			900.25
Less: Current Maturities of Non-Current Invesments (Refer Note 15)			(0.09)			0.00
			1,151.10			900.25
Less: Provision for loss to arise on Redemption of Investments			(12.68)			(8.22)
Aggregate value of investments			1,138.42			892.03
Cost of Quoted investments			1,151.19			900.25
Market Value			1,178.19			983.72

13 LONG-TERM LOANS AND ADVANCES

	Non-Current Maturities		Current Maturities	
	As at 31-Dec-17 (₹ in Crore)	As at 31-Dec-16 (₹ in Crore)	As at 31-Dec-17 (₹ in Crore)	As at 31-Dec-16 (₹ in Crore)
Loans - Secured				
Housing Loans	36,607.62	23,277.00	1,937.88	1,579.09
Non-Housing Loans	16,229.84	8,671.65	520.42	802.26
Current maturities of Long-Term Loans & Advances disclosed under the head Current "Other Current Assets" (Refer Note 18)			(2,458.30)	(2,381.35)
	52,837.46	31,948.65	-	-

14 OTHER NON-CURRENT ASSETS

(Unsecured, Considered Good)

	Non-Current Maturities		Current Maturities	
	As at 31-Dec-17 (₹ in Crore)	As at 31-Dec-16 (₹ in Crore)	As at 31-Dec-17 (₹ in Crore)	As at 31-Dec-16 (₹ in Crore)
Security Deposits	16.14	10.92	-	-
Prepaid Expenses	331.00	225.44	305.57	168.65
Derivative Assets	9.10	-	-	-
	356.24	236.36	305.57	168.65

15 CURRENT INVESTMENTS

	Number of Bonds/ Units	Face Value per Bonds/ Units	As at 31-Dec-17 (₹ in Crore)	Number of Bonds/ Units	Face Value per Bonds/ Units	As at 31-Dec-16 (₹ in Crore)
QUOTED - OTHER THAN TRADE (FULLY PAID)						
Bonds and Debentures						
9.80% Future Enterprises Ltd. 2023	-	-	-	260	10,00,000	26.00
9.80% Future Enterprises Ltd. 2023	-	-	-	190	10,00,000	19.00
8.85% Reliance capital Ltd. 2026	-	-	-	868	10,00,000	25.05
9.05% Deewan Housing Finance Corporation Ltd. 2023	-	-	-	2,00,000	1,000	20.19
8.65% IL & FS Financial Services Ltd. 2021	-	-	-	1,52,000	1,000	15.20
8.68% IL & FS Financial Services Ltd. 2023	-	-	-	1,40,300	1,000	14.03
8.67% Power Finance Corporation Ltd. 2033	-	-	-	3,000	1,000	0.38
8.65% IL & FS Financial Services Ltd. 2026	-	-	-	3,02,000	1,000	30.20
9.00% Indiabulls Housing Finance Ltd. 2026	-	-	-	2,42,300	1,000	24.25
8.70% Indiabulls Housing Finance Ltd. 2019	-	-	-	3,700	1,000	0.37
9.15% India Bulls Housing Finance Ltd. 2016	-	-	-	3,50,000	1,000	35.10
7.99% Punjab & Sind Bank 2026	-	-	-	100	10,00,000	10.05
7.25% Nuclear Power Corporation of India Ltd 2029	-	-	-	600	10,00,000	60.00
7.37% National Thermal Power Corporation Ltd 2031	-	-	-	2,150	10,00,000	215.00
7.98% Infrastructure Development Finance Company Ltd 2023	-	-	-	250	10,00,000	27.18
9.00% Reliance Capital Ltd. 2026	-	-	-	9	10,00,000	0.90
8.80% Reliance Capital Ltd. 2023	-	-	-	250	10,00,000	86.91
8.45% Bajaj Finance Ltd. 2026	-	-	-	235	10,00,000	23.51
9.25% Deewan Housing Finance Corporation Ltd. 2023	-	-	-	6,06,000	1,000	60.63
7.34% Indian Railway Finance Corporation Ltd. 2028	-	-	-	500	10,00,000	50.47
7.59% THDC India Ltd. 2016	-	-	-	460	10,00,000	45.77
9.30% Deewan Housing Finance Corporation Ltd. 2026	-	-	-	2,80,000	1,000	28.52
7.38% National Bank of Agriculture and Rural Development 2031	54	10,00,000	5.39	750	10,00,000	75.02
8.97% UP Power Corporation Ltd 2022	125	10,00,000	12.90	-	-	-
8.97% UP Power Corporation Ltd 2024	187	10,00,000	14.39	-	-	-
8.97% UP Power Corporation Ltd 2026	1,000	10,00,000	168.28	-	-	-
8.97% UP Power Corporation Ltd 2027	509	10,00,000	1.91	-	-	-
8.48% U.P. Power Corporation Ltd 2023	6	10,00,000	24.87	-	-	-
8.48% UP Power Corporation Ltd 2024	6	10,00,000	0.61	-	-	-
8.97% UP Power Corporation Ltd 2025	100	10,00,000	10.55	-	-	-
7.18% Power Finance Corporation 2027	150	10,00,000	14.96	-	-	-
8.85% Reliance Capital Ltd. 2026	573	10,00,000	57.31	-	-	-

	Number of Bonds/ Units	Face Value per Bonds/ Units	As at 31-Dec-17 (₹ in Crore)	Number of Bonds/ Units	Face Value per Bonds/ Units	As at 31-Dec-16 (₹ in Crore)
8.25% Reliance Capital Ltd 2020	250	10,00,000	24.73	-	-	-
8.15% Bajaj Financi Ltd. 2027	24	10,00,000	1.41	-	-	-
7.72% National Thermal Power Corporation ltd sail power company ltd 2022	200	10,00,000	19.80	-	-	-
7.27% Indian Railway Finance Corporation ltd 2027	163	10,00,000	16.26	-	-	-
8.48% UP Power Corporation Ltd 2027	3	10,00,000	0.31	-	-	-
9.05% Dewan Housing Finance Corporation Ltd 2019	5,00,000	1,000	50.75	-	-	-
9.10% Dewan Housing Finance Corporation Ltd 2019	5,00,000	1,000	50.76	-	-	-
7.11% National Highways Authority of India 2022	50	10,00,000	4.89	-	-	-
UNQUOTED - OTHER THAN TRADE (FULLY PAID)						
Mutual Fund - Debt						
LIC Mutual Fund	-	-	-	1,72,425.94	2,899.80	50.00
Mahindra Mutual Fund	-	-	-	1,41,342.49	3,537.51	50.00
ICICI Prudential Mutual Fund	-	-	-	2,28,009.77	2,192.89	50.00
PNB Principal Mutual fund	-	-	-	1,49,713.79	3,339.71	50.00
BOI AXA Mutual Fund	-	-	-	22,59,823.68	221.26	30.00
SBI Mutual Fund	-	-	-	4,83,180.95	1,034.81	50.00
HDFC Mutual Fund	-	-	-	3,21,072.56	1,557.28	50.00
L & T Mutual Fund	-	-	-	2,71,951.00	1,838.57	50.00
Baroda Pioneer Mutual Fund	-	-	-	2,71,452.92	1,841.94	50.00
			480.08			1,323.73
Add: Current Maturities of Non-Current Invesments (Refer Note 12)			0.09			-
Total			**480.17**			**1,323.73**
Aggregate value of quoted investments			480.08			893.74
Market Value of quoted investments			481.43			130.19
Aggregate value of unquoted investments			-			430.00

16 CASH AND BANK BALANCES

	As at 31-Dec-17 (₹ in Crore)	As at 31-Dec-16 (₹ in Crore)
16.1 Cash and Cash Equivalents		
Investment redemption receivable	1,345.00	-
Balances with Banks in Current Accounts	248.44	183.49
Cash-on-Hand	1.02	0.22
	1,594.46	183.71
16.2 Other Bank Balances		
Fixed Deposits with original maturity of more than three months upto twelve months	-	380.00
	1,594.46	563.71

17 SHORT-TERM LOANS AND ADVANCES

(Unsecured, considered good unless otherwise stated)

	As at 31-Dec-17 (₹ in Crore)	As at 31-Dec-16 (₹ in Crore)
Loan Against Deposits (Secured)	14.35	9.44
Advances Recoverable in Cash or Kind	67.31	72.62
	81.66	82.06

18 OTHER CURRENT ASSETS

(Unsecured, considered good unless otherwise stated)

	As at 31-Dec-17 (₹ in Crore)	As at 31-Dec-16 (₹ in Crore)
Current Maturities of Long-Term Loans & Advances (Secured) (Refer Note 13)	2,458.30	2,381.35
Installments Due from Borrowers (Secured)	96.34	57.27
Stock of Acquired Properties (Held for sale or disposal) (Secured)	185.19	119.93
Interest Accrued on Investments	40.45	36.90
Interest Accrued but not Due on Loans	245.64	146.11
Interest Accrued but not Due on Deposit	-	14.87
Prepaid Expenses	305.57	168.65
Other Receivables	4.95	19.17
	3,336.44	2,944.25

19 REVENUE FROM OPERATIONS

	Period Ended 31-Dec-17 (₹ in Crore)	Period Ended 31-Dec-16 (₹ in Crore)
INTEREST INCOME		
i) Interest on Loans	3,532.72	2,540.01
ii) Interest on Investments	104.84	103.21
iii) Other Interest	0.88	0.55
	3,638.44	2,643.77
Fees and Other Charges	187.15	114.76
Other Operating Income	104.49	49.14
Surplus from deployment of funds in Cash Management Schemes of Mutual Funds	10.49	16.91
Profit on sale of Asset	-	0.01
Profit / (Loss) on Sale of Investment	5.85	7.18
	3,946.42	**2,831.77**

20 INTEREST EXPENSES AND OTHER CHARGES

	Period Ended 31-Dec-17 (₹ in Crore)	Period Ended 31-Dec-16 (₹ in Crore)
Interest on:		
Term Loans	284.10	245.02
Non-Convertible Debentures	1,135.50	778.09
Commercial Paper	344.85	273.29
Deposits	632.52	508.71
	2,396.97	1,805.11
Other Charges:		
Brokerage on Deposits	21.22	24.56
Fees and other Charges	18.38	73.60
Hedging Cost	77.03	61.93
Bank Charges	0.42	0.55
	2,514.02	1,965.75

21 EMPLOYEE BENEFIT EXPENSE

	Period Ended 31-Dec-17 (₹ in Crore)	Period Ended 31-Dec-16 (₹ in Crore)
Salaries and Allowances	89.49	68.87
Contribution to Provident Fund and Other Funds	4.58	3.47
Staff Welfare Expenses	2.79	1.33
	96.86	73.67

	Period Ended 31-Dec-17 (₹ in Crore)	Period Ended 31-Dec-16 (₹ in Crore)
22 OFFICE OPERATING EXPENSES		
Rent, Rates and Taxes	21.46	14.06
Repairs and Maintenance - Building	1.04	0.62
Office Maintenance	0.81	0.87
Electricity and Water Charges	4.54	3.75
General Office Expenses	32.50	23.63
Insurance Charges	0.15	0.08
Travelling and Conveyance	3.84	3.40
Printing and Stationery	2.66	1.74
Postage and Telephone	4.49	3.50
	71.49	51.64

	Period Ended 31-Dec-17 (₹ in Crore)	Period Ended 31-Dec-16 (₹ in Crore)
23 OTHER EXPENSES		
Cost of Loan Acquisition	88.04	80.86
Advertisement and Publicity	14.34	12.82
Professional Charges	25.29	15.00
Legal Expenses	19.87	13.60
Director's Sitting Fee	0.29	0.39
Auditors Remuneration		
- Other Certifications work	0.05	0.01
CSR expenses	7.81	4.50
Miscellaneous Expenses	0.81	1.21
	156.50	128.39

B R MAHESWARI & CO LLP
CHARTERED ACCOUNTANTS

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New Delhi - 110001
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Independent Auditors' Report

To the members of
PNB Housing Finance Limited

Report on the Financial Statements

We have audited the accompanying financial statements of PNB Housing Finance Limited ("the Company"), which comprise the Balance Sheet as at 31st March, 2017, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Standalone Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act , read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

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

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that

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are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March, 2017 and its profit and its cash flows for the year ended on that date.

Emphasis of Matter

We refer to Note 3.2 to the financial statements, which describes the accounting treatment used by the Company in creating the Deferred Tax Liability on Special Reserve under section 36(1)(viii) of the Income Tax Act, 1961 as at April 1, 2014, which is in accordance with the National Housing Bank's Circular No. NHB (ND)/DRS/Pol. Circular No. 65/2014 dated August 22, 2014.

Our opinion is not qualified in respect of this matter.

Report on Other Legal and Regulatory Requirements

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

2. As required by section 143(3) of the Act, we report that:

   (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.

   (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.

   (c) The Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.

   (d) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

   (e) On the basis of written representations received from the directors as on 31st March, 2017 and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2017 from being appointed as a director in terms of section 164 (2) of the Act.

B. MAHESWARI & CO LLP ★ Chartered Accountants ★

(f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in Annexure 'II'.

(g) with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014 (as amended), in our opinion and to the best of our information and according to the explanations given to us:

i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note 28(i) to the financial statements;

ii. The Company did not have any long term contracts including any derivative contracts for which there were any material foreseeable losses;

iii. The Company has generally been regular in depositing the amounts required to be transferred to the Investor Education and Protection Fund, though there have been a slight delays in a few cases.

iv. Company has provided requisite disclosures in its financial statements in Note 34 as to holdings as well as dealings in Specified Bank Notes during the period 8 November 2016 to 30 December 2016 and the same are in accordance with the books of accounts maintained by the company.

3. During the current financial year, the Company has issued fresh shares through an Initial Public Offer (IPO) due to which shareholding of Punjab National Bank has reduced from 51% to 39.08%. As a result, the Company no longer falls within the definition of a Government Company as defined in The Companies Act, 2013. Further, we have not received any directions from the Comptroller and Auditor General of India stipulated under section 143(5) of The Companies Act, 2013. Hence, no additional statement is being attached to this report.

For **B R Maheswari & Co LLP**
Chartered Accountants
Firm's Registration No. 001035N/500050

Sudhir Maheshwari
Partner
Membership No.081075

Place: New Delhi
Date: 12th May, 2017

B R MAHESWARI & CO LLP
M-118, Conn. Circus New Delhi
Chartered Accountants

Annexure 'I' to the Independent Auditors' Report
(Referred to in Paragraph 1 under the heading "Report on other legal and regulatory requirements" of our report of even date)

1) In respect of its fixed assets:

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

(b) As informed, fixed assets have been physically verified by the management in a phased periodical manner which in our opinion is reasonable having regard to the size of the Company and nature of its assets. No material discrepancies were noticed on such verification.

(c) Based upon the audit procedure performed and according to the records of the Company, the title deeds of all the immovable properties are held in the name of the Company

2) The provisions of paragraph (ii) of the order are not applicable to the Company, as the Company is engaged in the financial services sector.

3) As informed, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Act for the financial year 2016-17, and accordingly clauses (a), (b) and (c) of para (iii) of the order are not applicable.

4) As informed, the Company has complied with the provisions of section 185 and 186 of the Act, in respect of loans, investments, guarantees and security.

5) In our opinion and according to the information and explanations given to us, the Company has complied with the directives issued by the Reserve Bank of India, provisions of section 73 to 76 and other relevant provisions of the Act, the Companies (Acceptance of Deposit) Rules, 2014 to the extent applicable, and The Housing Finance Companies (NHB) Directions, 2010, with regard to acceptance of deposits from the public. No order has been passed by the Company Law Board or the National Company Law Tribunal or Reserve Bank of India or by any other court or tribunal with regard to such deposits.

6) Since the Company is engaged in the financial services sector, provisions of sub-section (1) of section 148 of the Companies Act, 2013 are not applicable to the Company.

7) (a) According to the information and explanations given to us, the Company has generally been regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, value Added Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues applicable to it. According to the information and explanations given to us, no undisputed amounts payable

B R MAHESWARI & CO LLP ★ M-118, Connaught Circus New Delhi ★ Chartered Accountants in respect of the aforesaid dues were outstanding as at 31st March, 2017 for a period of more than six months from the date they become payable.

(b) According to the information and explanations given to us, the details of disputed amount of Income Tax, Value Added Tax, Sales Tax, Excise Duty, Custom Duty, Service Tax and Cess not deposited by the Company are as follows :

Name of the statute	Nature of the dues	Amount under dispute (Rs. in Crores)	Period to which the amount relates (Financial Year)	Forum where dispute is pending
Income tax Act, 1961	Income tax	1.96	2013-14	CIT(A)
Income tax Act, 1961	Income tax	0.43	2012-13	CIT(A)
Income tax Act, 1961	Income tax	0.43	2011-12	ITAT
Income tax Act, 1961	Income tax	0.32	2010-11	ITAT
Income tax Act, 1961	Income tax	14.98	2009-10	ITAT
Income tax Act, 1961	Income tax	0.53	2008-09	ITAT
Income tax Act, 1961	Income tax	0.40	2007-08	ITAT
Income tax Act, 1961	Income tax	0.76	2006-07	ITAT
Income tax Act, 1961	Income tax	0.52	2005-06	ITAT
Total		**20.33**		

8) Based on the information and explanations given to us, we are of the opinion that the Company has not defaulted in repayment of loans and borrowings to the financial institutions, banks or debenture holders. The Company did not have any outstanding loans and borrowings from government during the year.

9) In our opinion and according to the information and explanations given to us, the Company has utilized the money raised by way of initial public offer and term loans during the year for the purpose for which they were obtained.

10) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year, although there have been few instances of loans becoming doubtful of recovery consequent upon fraudulent misrepresentation by borrowers, the amounts whereof are not material in the context and size of the Company and the nature of its business and which have been provided for.

11) In our opinion, the managerial remuneration has been paid or provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act.

12) In our opinion, the Company is not a nidhi company. Therefore, the provisions of clause 3(xii) of the Order are not applicable to the Company.

B R MAHESWARI & CO LLP
M-118, Conn. Circus
New Delhi
Chartered Accountants

13) In our opinion, all transactions with the related parties are in compliance with sections 177 and 188 of the Act where applicable and the details have been disclosed in the Financial Statements, as required by the applicable accounting standards.

14) The company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year, therefore reporting under clause 3(xiv) of the Order are not applicable.

15) According to the information and explanations given to us and on an overall examination of the financial statements of the Company, we report that the Company has not entered into any non-cash transaction with directors or persons connected with him.

16) In our opinion, the Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

For **B R Maheswari & Co LLP**
Chartered Accountants
Firm's Registration No: 001035N/N500050

Sudhir Maheshwari
Partner
Membership No: 081075

B R MAHESWARI & CO LLP
M-118, Conn. Circus
New Delhi
Chartered Accountants

Place: New Delhi
Date: 12th May, 2017

Annexure 'II' to the Independent Auditors' Report
(Referred to in Paragraph 2(f) under the heading "Report on other legal and regulatory requirements" of our report of even date)

Report on the Internal Financial Controls under clause (i) of sub section 3 of section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of PNB Housing Finance Limited ("the Company") as of March 31, 2017 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls
The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India ("ICAI"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors' Responsibility
Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

B R Maheswari & Co LLP
M-118 Conn. Circus New Delhi
Chartered Accountants

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31st March, 2017 based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **B R Maheswari & Co LLP**
Chartered Accountants
Firm's Registration No: 001035N/N500050

Sudhir

Sudhir Maheshwari
Partner
Membership No: 081075

B R MAHESWARI & CO LLP
M-118, Conn. Circus New Delhi
Chartered Accountants

Place: New Delhi
Date: 12th May, 2017

PNB HOUSING FINANCE LIMITED

BALANCE SHEET AS AT MARCH 31, 2017

	Note	As at 31-Mar-17 (₹ in Crore)	As at 31-Mar-16 (₹ in Crore)
EQUITY AND LIABILITIES			
Shareholder's Funds			
Share Capital	2	165.64	126.92
Reserves and Surplus	3	5,411.67	2,018.98
		5,577.31	2,145.90
Non-Current Liabilities			
Long-Term Borrowings	4	24,083.96	16,646.22
Deferred Tax Liabilities (Net)	5	46.86	30.47
Other Long-Term Liabilities	6	103.90	100.79
Long-Term Provisions	7	242.45	160.93
		24,477.17	16,938.41
Current Liabilities			
Short-Term Borrowings	8	7,947.41	7,448.41
Trade Payables	9	93.56	75.24
Other Current Liabilities	10	4,836.06	2,991.87
Short-Term Provisions	7	28.04	71.12
		12,905.07	10,586.64
TOTAL		42,959.55	29,670.95

PNB HOUSING FINANCE LTD. * Corporate Office * 22, K.G. Marg, New Delhi * Antriksh Bhawan

B.R. MAHESWARI & CO. * Chartered Accountants * M-118, Conn. Circus New Delhi

	Note	As at 31-Mar-17 (₹ in Crore)	As at 31-Mar-16 (₹ in Crore)
ASSETS			
Non-Current Assets			
Fixed Assets			
Tangible Assets	11	47.77	48.15
Intangible Assets	11	10.63	9.96
Capital Work-in-Progress		2.03	4.05
Non-Current Investments	12	961.35	782.10
Long-Term Loans And Advances	13	36,443.79	25,623.56
Other Non-Current Assets	14	278.43	188.01
		37,744.00	26,655.83
Current Assets			
Current Investments	15	2,318.21	840.17
Cash and Bank Balances	16	151.47	248.54
Short-Term Loans and Advances	17	39.94	18.01
Other Current Assets	18	2,705.93	1,908.40
		5,215.55	3,015.12
TOTAL		42,959.55	29,670.95

Significant Accounting Policies 1

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

B.R. MAHESWARI & CO. M-118, Conn. Circus New Delhi Chartered Accountants

PNB HOUSING FINANCE LTD. Corporate Office 9th Floor, Antriksh Bhawan 22, K.G. Marg, New Delhi

In terms of our report of even date
For B.R. Maheswari and Co. LLP
Chartered Accountants

B.R. MAHESWARI & CO. M-118, Conn. Circus New Delhi * Chartered Accountants *

Sudhir Maheshwari
Partner
M No : 081075
FR No : 001035N/N500050

Place: New Delhi
Date: May 12, 2017

For and on behalf of the Board

Sanjaya Gupta
Managing Director
DIN: 02939128

Director
DIN: 07430460

Dr. Gourav Vallabh
Director
DIN: 02972748

Director
DIN: 05102910

Jayesh Jain
Chief Financial Officer
FCA: 110412

Sanjay Jain
Company Secretary
FCS: 002642

PNB HOUSING FINANCE LTD. * Corporate Office * 22, K.G. Marg, New Delhi * Antriksh Bhawan *

PNB HOUSING FINANCE LIMITED

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2017

	Note	Current Year (₹ in Crore)	Previous Year (₹ in Crore)
INCOME			
Revenue from Operations	19	3,907.70	2,697.92
Other Income		0.15	0.75
TOTAL REVENUE		3,907.85	2,698.67
EXPENSES			
Finance Cost	20	2,643.65	1,860.29
Employee Benefit Expense	21	101.26	75.28
Office Operating Expenses	22	74.95	56.43
Other Expenses	23	162.44	105.33
Depreciation & Amortisation	11	18.63	15.04
Provisions and Contingencies	24.14	97.53	80.66
Bad Debts Written-off		5.38	2.55
TOTAL EXPENSES		3,103.84	2,195.58
PROFIT BEFORE TAX		804.01	503.09
Less: Provision for Taxation -Current Tax		264.00	165.98
-Earlier years		-	1.35
-Deferred Tax(Net)		16.28	9.29
PROFIT AFTER TAX		523.73	326.47
Earnings Per Share (Face Value of ₹ 10/- per Share)	26		
-Basic (in ₹)		36.72	27.48
-Diluted (in ₹)		36.15	27.48
Significant Accounting Policies	1		

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

PNB HOUSING FINANCE LTD. * Corporate Office * 22, K.G. Marg, New Delhi * Antriksh Bhawan *

B.R. MAHESWARI & CO. M-118, Conn. Circus New Delhi * Chartered Accountants *

In terms of our report of even date
For B.R. Maheswari and Co. LLP
Chartered Accountants

Sudhir Maheshwari
Partner
M No : 081075
FR No : 001035N/N500050

Place: New Delhi
Date: May 12, 2017

For and on behalf of the Board

Sanjaya Gupta
Managing Director
DIN: 02939128

Director
DIN: 07430460

Dr. Gourav Vallabh
Director
DIN: 02972748

Director
DIN: 05102910

Jayesh Jain
Chief Financial Officer
FCA: 110412

Sanjay Jain
Company Secretary
FCS: 002642

PNB HOUSING FINANCE LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2017
(Indirect Method)

	Current Year (₹ in Crore)	Previous Year (₹ in Crore)
CASH FLOW FROM OPERATING ACTIVITIES		
Profit Before Tax	804.01	503.09
Adjustment for non-cash items, to be disclosed separately		
Add: Depreciation and Amortisation	18.63	15.04
Loss/(Profit) on sale of fixed assets	(0.01)	0.12
Provisions and Contingencies	97.53	80.66
Bad Debts Written-off	5.38	2.55
	121.53	98.37
Operating Profits before Changes in Working Capital	925.54	601.46
Adjustment for Changes in Working Capital and Provisions		
Increase/ (Decrease) in Trade Payables	18.32	17.50
Increase/ (Decrease) in Long-Term Provision	3.03	2.39
Increase/ (Decrease) in Short-Term Provision	0.43	0.08
Increase/ (Decrease) in Other Current Liabilities	251.14	499.96
Increase/ (Decrease) in Other Long-Term Liabilities	49.44	(97.73)
(Increase)/ Decrease in Long-Term Loans & advances	(10,825.61)	(11,243.94)
(Increase)/ Decrease in Short-Term Loans & advances	(14.01)	0.30
(Increase)/ Decrease in Other Non-Current Assets	(70.26)	(64.82)
(Increase)/ Decrease in Other Current Assets	(808.50)	659.80
Investments (Net)	(1,660.27)	(38.42)
(Increase)/ Decrease in Other Bank Balances	(3.79)	164.39
	(13,060.08)	(10,100.48)
Cash Generated from Operations	**(12,134.54)**	**(9,499.02)**
Taxes Paid (net of refunds)	(271.93)	(165.44)
A. NET CASH USED IN OPERATING ACTIVITIES	**(12,406.47)**	**(9,664.46)**

PNB HOUSING FINANCE LTD. Corporate Office 22, K.G. Marg, New Delhi Antriksh Bhawan

B.R. MAHESWARI & CO. M-118, Conn. Circus New Delhi Chartered Accountants

	Current Year (₹ in Crore)	Previous Year (₹ in Crore)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(16.94)	(19.71)
Sale of Fixed Assets	0.06	0.07
	(16.88)	(19.64)
B NET CASH USED IN INVESTING ACTIVITIES	**(16.88)**	**(19.64)**
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from borrowings		
Bonds	5,381.00	5,015.00
Banks	3,100.08	-
Deposits (net)	2,851.40	5,774.35
Commercial paper	14,295.00	15,825.00
Repayment of borrowings		
Commercial paper	(14,950.00)	(12,400.00)
Bonds	(190.00)	(100.00)
Banks	(1,015.77)	(4,581.44)
Proceeds from issue of Share Capital	38.72	23.08
Share Premium Received	2,961.28	276.92
Share Premium Utilised	(100.61)	-
Dividend paid (including dividend distribution tax)	(48.61)	(29.01)
C. NET CASH FROM IN FINANCING ACTIVITIES	**12,322.49**	**9,803.90**
NET CHANGES IN CASH & CASH EQUIVALENTS (A+B+C)	**(100.86)**	**119.79**
Cash or Cash equivalents (Opening Balance)	166.71	46.92
Cash or Cash equivalents (Closing Balance)	65.85	166.71
NET INCREASE / (DECREASE) OF CASH & CASH EQUIVALENTS DURING THE YEAR	**(100.86)**	**119.79**

NOTE : Figures in bracket denotes application of cash

PNB HOUSING FINANCE LTD. Corporate Office 22, K.G. Marg, New Delhi Antriksh Bhawan

B.R. MAHESWARI & CO. M-118, Conn. Circus New Delhi Chartered Accountants

In terms of our report of even date
For B.R. Maheswari and Co. LLP
Chartered Accountants

Sudhir Maheshwari
Partner
M No : 081075
FR No : 001035N/N500050

Place: New Delhi
Date: May 12, 2017

For and on behalf of the Board

Sanjaya Gupta
Managing Director
DIN: 02939128

Director
DIN: 07430460

Dr. Gourav Vallabh
Director
DIN: 02972748

Director
DIN: 05102910

Jayesh Jain
Chief Financial Officer
FCA: 110412

Sanjay Jain
Company Secretary
FCS: 002642

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 GENERAL METHOD AND SYSTEM OF ACCOUNTING

1.1.1 The financial statements are prepared under the historical cost convention on accrual basis of accounting and in accordance with accounting principles generally accepted in India. The financial statements comply in all material aspects with the Accounting Standards specified under section 133 of Companies Act, 2013 read with Rule 7 of the Company (Accounts Rules 2014) and the relevant provisions of the Companies Act, 2013, the National Housing Bank Act, 1987 and the Housing Finance Companies (NHB) Directions, 2010 as amended from time to time, unless stated otherwise hereinafter. Accounting Standards (AS) and Guidance Notes issued by The Institute of Chartered Accountants of India ("ICAI") are followed insofar as they are not inconsistent with the NHB Directions, 2010.

1.1.2 Accounting policies not specifically referred to otherwise are consistent with the generally accepted accounting principles followed by the Company.

1.1.3 The preparation of financial statements requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses during the reporting period. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates.

1.1.4 The Company has adopted the accrual concept in the preparation of the financial statements. The Balance Sheet and the Statement of Profit and Loss of the Company are prepared in accordance with the provisions contained in Section 129 of the Companies Act, 2013, read with Schedule III.

1.1.5 Amounts in the financial statements are presented in "Crore", except for per share data and as otherwise stated. All exact amounts are stated with suffix "/-".

1.2 INFLATION

Assets and liabilities are recorded at historical cost to the company. These costs are not adjusted to reflect the changing value in the purchasing power of money.

1.3 OPERATING CYCLE

Based on the nature of its activities, the Company has determined its operating cycle as 12 months for classification of its assets and liabilities as current and non-current.

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1.4 **CASH FLOW STATEMENT**

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

1.5 **CASH AND CASH EQUIVALENTS (FOR PURPOSES OF CASH FLOW STATEMENT)**

Cash comprises cash-on-hand and demand deposits with banks. Cash equivalents are short-term deposits with banks (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 change in value.

1.6 **REVENUE RECOGNITION**

1.6.1 Interest income on Loans is recognised on accrual basis except in case of non-performing assets where interest is accounted on realisation. Interest on loans is computed either on an annual rest, on a monthly rest or on a daily rest basis depending upon loan product. EMIs commence once the entire loan is disbursed. Certain customers request for commencement of regular principal repayments even before the entire loan is disbursed, especially when the projects are of long gestation. Pending commencement of EMIs, Pre-EMI interest is charged every month. Interest on loans purchased through direct assignment is recognised on accrual basis.

1.6.2 Interest income on Investment is recognized on accrual basis. Dividend income is recognised when the right to receive is established. The gain / loss on account of long-term Investment at discount / premium in Debentures / Bonds and Government Securities, is amortised over the life of the security on a pro-rata basis.

1.6.3 The gain/losses on sale of investments are recognised in the Statement of Profit and Loss on the trade date. Gain or loss on Sale of investment is determined after consideration of cost on a weighted average basis.

1.6.4 Income from login fee, other charges and penal interest on defaults, pre-payment charges etc. is recognised on receipt basis. Processing Fee on loans is recognised over the average tenure of the loan. The average tenure of loan has been arrived at based on the experience of repayment behaviour of the borrowers.

1.6.5 Income from servicing of securitised/assigned portfolio and renting of space in our offices and website is recognised on accrual basis.

1.6.6 Other income and interest on tax refunds are accounted for on receipt basis.

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1.7 **TANGIBLE ASSETS**

Tangible Assets are capitalised at cost including all expenses incidental to the acquisition/ installation.

1.8 **INTANGIBLE ASSETS**

Intangibles Assets are recognised where it is possible that the future economic benefit attributable to the asset will flow to the Company and its cost can be reliably measured. Intangibles are capitalised at cost including all expenses attributable for bringing the same in its working condition.

1.9 **DEPRECIATION / AMORTISATION**

Tangible Assets

Depreciation on Tangible Assets is provided on the Straight Line Method as per the useful life prescribed in Part C of Schedule II of the Companies Act, 2013 on pro-rata basis, except the following category of asset, in whose case the life of the assets has been assessed as under, taking into account the nature of the asset, the estimated usage of the asset, the operating conditions of the asset, past history of replacement, anticipated technological changes, manufacturers warranties and maintenance support, etc. on which different useful lives for depreciation have been charged:

a) Networking Equipment and Mobile phone instruments are depreciated over a period of five and three years respectively.
b) Leasehold Improvements are depreciated over a period of five years.
c) Assets costing up to ₹ 5,000/- is fully depreciated in the year of purchase.

Intangible Assets

Intangible Assets are amortised over a period of five years except website development costs which are amortised over a period of three years.

1.10 **INVESTMENTS**

Investments are capitalised at cost inclusive of brokerage and stamp charges. Investments are classified as Non-Current Investment (long-term investments) and current investments and are valued in accordance with guidelines of National Housing Bank and Accounting Standard on 'Accounting for Investments' (AS-13).

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1.11 EMPLOYEE BENEFITS

1.11.1 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 short-term 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.

1.11.2 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.

1.11.3 Defined Contribution Plan

The Company's contribution to Provident Fund and Employee State Insurance Scheme are considered as defined contribution plans and are charged as an expense based on the amount of contribution required to be made and when services are rendered by the employees.

1.11.4 Defined Benefit Plan

The Company has defined benefit plans as Leave Encashment/Compensated Absences and gratuity for all eligible employees, the liability for which is determined based on an actuarial valuation at the end of the year using the 'Projected Unit Credit Method'. Actuarial gains and losses comprise experience adjustments and the effects of changes in actuarial assumptions and are recognised in the Statement of Profit and Loss as income or expenses, as applicable.

1.11.5 Employees Stock Options Scheme

The Company has introduced the Employee Stock Option Scheme ('the Scheme') which provides for the grant of options to acquire equity shares of the Company to its employees. The options granted to employees vest in a graded manner and these may be exercised by the employees within a specified period. The Company follows the intrinsic value method to account for its stock-based employee compensation plans. Compensation cost, if any, is amortised over the vesting period.

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1.12 **BORROWING COSTS**

1.12.1 Interest on borrowings are recognised as an expense in the period in which they are incurred.
1.12.2 Ancillary cost in connection with long-term borrowing are amortised to the Statement of Profit and Loss over the tenure of the borrowing.
1.12.3 Brokerage and incentive on deposits is amortised over the period of the deposit.
1.12.4 All other borrowing costs are charged to the Statement of Profit and Loss.

1.13 **TRANSACTION INVOLVING FOREIGN EXCHANGE**

Transactions in foreign currencies are recorded at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currency are converted at the rate of exchange prevailing on the date of financial statements.

In case of a forward exchange contracts, the exchange difference between the forward rate and the exchange rate at the date of transaction is recognised as income or expense over the life of the contract in line with Accounting Standard on 'Accounting for the Effects of Changes in Foreign Exchange Rates' (AS-11) issued by the Institute of Chartered Accountants of India.

1.14 **DERIVATIVE TRANSACTIONS**

The derivative contracts are initially recognised at fair value on the date of the transaction and all outstanding derivative transactions, on the date of balance sheet, are revalued at their fair market value, on that date. Profit/Losses, on revaluation, are recognised in the Statement of Profit and Loss. Where hedge accounting is used, fair value changes of the derivative contracts are recognised through the Statement of Profit and Loss in the same period as the offsetting losses and gains on the hedged item. Any profit/loss arising on cancellation/unwinding of derivative contracts are recognised as income or expenses for the period. Premium / discount on derivative contracts, which are not intended for trading or speculation purposes, are amortised over the period of the contracts, if such contracts relate to monetary items as at the Balance Sheet date.

1.15 **SHARE ISSUE EXPENSES**

Share issue expenses, net of tax, are adjusted against the Securities Premium Account, as permissible under Section 52(2) of the Companies Act, 2013, to the extent of balance available and thereafter, the balance portion is charged to the Statement of Profit and Loss, as incurred.

1.16 **OPERATING LEASES**

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

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1.17 **EARNINGS PER SHARE**

The basic earnings per share is computed by dividing the net profit or loss attributable to the equity shareholders for the year by the weighted average number of equity shares outstanding during the reporting year. The number of shares used in computing diluted earnings per share comprises the weighted average number of shares considered for deriving earnings per share, and the weighted average number of equity shares, which could have been issued on the conversion of all dilutive potential shares. In computing, dilutive earnings per share, only potential equity shares that are dilutive and that reduce profit per share are included.

1.18 **TAXES ON INCOME**

Taxes on Income are accounted for in accordance with Accounting Standard "Accounting for taxes on income" (AS 22), issued by The Institute of Chartered Accountants of India. Income tax comprises both current and deferred tax.

Current tax is measured based on estimated taxable income and tax credits computed in accordance with the provisions of the Income Tax Act, 1961 and rules made thereunder.

The tax effect of timing differences that result between taxable income and accounting income and are capable of reversal in one or more subsequent periods are recorded as a deferred tax asset or deferred tax liability. Such deferred tax is quantified using the tax rates and laws enacted of substantively enacted as on Balance Sheet date. The carrying amount of deferred tax asset/liability is reviewed at each Balance Sheet date and consequential adjustments are carried out.

Deferred tax assets arising on account of other timing differences are recognised only to the extent there is a reasonable certainty of its realisation.

1.19 **PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

i) Provisions are recognised when the Company has a legal and constructive obligation as a result of a past event, for which it is probable that cash outflow will be required and a reliable estimate can be made of the amount of the obligation. 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.

ii) Contingent liabilities are disclosed when the Company has a possible or present obligation where it is not probable that an outflow of resources will be required to settle it.

iii) Contingent Assets are neither recognised nor disclosed in the financial statements.

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1.20 **PROIVISION FOR STANDARD ASSETS, NON-PERFORMING ASSETS (NPAs) AND CONTINGENCIES**

The Company's policy is to carry adequate amounts towards Provision for Standard Assets, Non-Performing Assets (NPAs) and other contingencies. All loans and other credit exposures where the instalments are overdue for more than ninety days are classified as NPAs in accordance with the prudential norms prescribed by the National Housing Bank (NHB). The provisioning policy of the Company covers the minimum provisioning required as per the NHB guidelines.

The Company also has a policy to create and carry a provision over and above the provisioning requirements as prescribed in NHB Directions for Standard Assets and NPAs, under the Provision for Contingencies Account. The provision under this head is made with regards to loan accounts and other credit exposure which are classified as standard assets on the balance sheet date, however these were classified as NPA in last 12 months / payments in these loan accounts have not been regular / loan accounts where customers have reported slow progress of construction of the underlying dwelling unit.

1.21 **STOCK OF ACQUIRED PROPERTIES**

The assets acquired by the Company under SARFAESI Act, 2002 are classified as 'Stock of Acquired Properties' and are valued at outstanding dues or net realisable value, whichever is lower.

1.22 **LOAN ORIGINATION / ACQUISITION COST**

All direct costs incurred for the loan origination are amortised over the average tenure of the loan. The average tenure of loan has been arrived at based on the experience of repayment behaviour of the borrowers.

1.23 **UNCLAIMED DEPOSITS**

Deposits, which have become due but have not been presented for payment or renewal, are transferred to unclaimed deposits. Interest for the period from last maturity date till the date of renewal of unclaimed deposits is accounted for during the year of its renewal.

1.24 **IMPAIRMENT OF ASSETS**

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset is less than the carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the Statement of Profit and Loss. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost.

1.25 **SECURITISATION OF LOANS**

Securitised and assigned assets are de-recognised in the books of the Company based on the principle of transfer of ownership over the assets.

Transfer of pool of loan assets under the current RBI guidelines involve transfer of proportionate shares in the pool of loan assets. Such transfers result in de-recognition only of that proportion of the loan assets which meets the de-recognition criteria. The portion retained by the Company continue to be accounted for as loan assets as described above.

On de-recognition, the difference between the book value of the securitised loan assets and consideration received is recognised as gain arising on securitisation in the Statement of Profit and Loss over the balance maturity period of the pool transferred. Losses, if any, arising from such transactions, are recognised immediately in the Statement of Profit and Loss.

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		As at 31-Mar-17 (₹ in Crore)	As at 31-Mar-16 (₹ in Crore)
2	**SHARE CAPITAL**		
	Authorised Share Capital		
	50,00,00,000 Equity Shares of ₹ 10/- each (Previous year 15,00,00,000 Equity Shares ₹ 10/- each)	500.00	150.00
	Equity Share Capital		
	Issued, Subscribed and Paid-up Capital		
	16,56,42,309 Equity Shares of ₹ 10/- each fully Paid up (Previous year 12,69,23,000 Equity Shares of ₹ 10/- each)	165.64	126.92
		165.64	126.92

2.1 Reconciliation of Number of Shares

	As at 31-Mar-17		As at 31-Mar-16	
Equity Shares	**Numbers**	**(₹ in Crore)**	**Numbers**	**(₹ in Crore)**
At the beginning of the year	12,69,23,000	126.92	12,69,23,000	103.85
Issued during the year	3,87,19,309	38.72	-	23.07
Outstanding at the end of the year	16,56,42,309	165.64	12,69,23,000	126.92

2.2 During the year, the Company has raised capital of ₹ 3,000 Crores through Initial Public Offer (IPO) by issuing 3,87,19,309 Equity Shares of ₹ 10/- each.

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

	As at 31-Mar-17		As at 31-Mar-16	
Name of Shareholder	**No. of Shares**	**% of Holding**	**No. of Shares**	**% of Holding**
i) Punjab National Bank	6,47,30,700	39.08%	6,47,30,700	51.00%
ii) Destimoney Enterprises Limited*	-	-	6,21,92,300	49.00%
iii) Quality Investments Holdings*	6,21,92,300	37.55%	-	-
iv) General Atlantic Singapore FII Pte Limited	1,14,24,537	6.90%	-	-

*During the financial year ended March 31, 2017, Destimoney Enterprises Limited transferred 6,21,92,300 equity shares to its holding company Quality Investments Hodlings pursuant to in-specie distribution of its assets as per winding-up scheme.

2.4 Terms/Rights attached to Equity Shares

The Company has only one class of Equity Shares having a par value of ₹ 10/- per Share. Each Shareholder is entitled to one vote per Equity Share held.

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2.5 **Rights Issue of Equity Shares:**

During the financial year ended March 31, 2016, the Company has called third and final call of ₹ 3/- alongwith proportionate premium of ₹ 36/- per share on 7,69,23,000 Equity Shares and was fully received.

2.6 **Issue of Bonus Shares :**

During the financial year ended March 31, 2013, the Company had issued 64,70,589 Equity Shares of ₹ 10/- each as fully paid up Bonus Shares after capitalisation of General Reserves of ₹ 6.47 Crore to shareholders in proportion of their shareholding.

Apart from the issue of bonus shares as mentioned above, the Company has not allotted any share pursuant to contracts without payment being received in cash nor has it bought back any shares during the preceding period of 5 financial years.

2.7 **Shares Reserved for Issue Under ESOP**

i) The Nomination and Remuneration Committee of Directors (NRC) at its meeting held on 18th March 2016 had recommended the grant of 41,88,459 stock options, under ESOP-16, to the eligible employees and Managing Director. At the Extra Ordinary General Meeting (EGM) held on 22nd April, 2016, the shareholders had approved the issue of 41,88,459 stock options representing 41,88,459 equity shares of ₹ 10/- each to the eligible employees and Managing Director of the Company.

Out of 41,88,459 stock options, 38,07,690 stock options have been granted on April 22, 2016 representing 38,07,690 equity shares of ₹ 10/- each under PNB Housing Finance Limited of "Employee Stock Options (ESOPs) Policy 2015-16 (ESOP-2016), to the eligible employees and Managing Director. In terms of ESOP-2016, the options would vest over a period of 4 years from the date of grant. The options can be exercised over a period of three years from the date of respective vesting. Accordingly, no options have vested during the current year.

ii) Method used for accounting for Share based payment plan: Intrinsic Value Method has been used to account for the employee share based payment plans. The intrinsic value of each stock option granted under the ESOP-2016 is ₹ Nil, since the market price of underlying share at the grant date was same as the excercise price and consequnetly, the accounting value of the option (compensation cost) is ₹ Nil.

iii) Movement in stock options ESOP-2016 plan is as follows:

Particulars	ESOP-2016
Options Outstanding at the beginning of the year	-
Options not vested at the beginning of the year	-
Options granted during the year	38,07,690
Options vested during the year	-
Options exercised during the year	-
Options lapsed during the year	25,000
Options vested but not exercised at end of the year	-
Options not vested at end of the year	37,82,690
Options exercisable at the end of the year	37,82,690
Weighted Average Exercise Price per option (₹)	338

iv) Black-Scholes Model have been used to derive the estimated value of stock option granted, if the fair value method to account for the employee share based payment plans were to be used. The estimated value of each stock options and the parameters used for deriving the estimated value of Stock Option granted under Black-Scholes Model is as follows:

Particulars	ESOP-2016
Estimated Value of Stock Option (₹)	111.71
Share Price at Grant Date (₹)	338
Exercise Price (₹)	338
Expected Volatility (%)	0.4065
Dividend Yield Rate (%)	1.24
Expected Life of Options (year)	3
Risk Free Rate of Interest (%)	7.23

v) Had the compensation cost for the stock options granted under ESOP - 2016 been determined on fair value approach, Company's Profit After Tax and earnings per share would have been as per the pro-forma amounts indicated below :

(₹ in crore)

Particulars	31-Mar-17
Adjusted Profit After Tax as reported	523.73
Less :Amortisation of Compensation Cost (pro-forma)	17.95
Profit considered for computing EPS (pro-forma)	505.78
Earnings Per Share - Basic (₹)	
-as reported	36.72
-pro-forma	35.45
Earnings Per Share - Diluted (₹)	
-as reported	36.15
-pro-forma	34.90

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3 RESERVES AND SURPLUS

	As at 31-Mar-17 (₹ in Crore)	As at 31-Mar-16 (₹ in Crore)
Special Reserve		
Created under Section 36(1) (viii) of the Income Tax Act,1961		
Opening Balance	239.76	181.36
Add: Transferred from the Statement of Profit and Loss	95.00	58.40
	334.76	239.76
Statutory Reserve		
As per Section 29 C of National Housing Bank Act, 1987		
Opening Balance	30.24	23.34
Add: Transferred from the Statement of Profit and Loss	10.60	6.90
	40.84	30.24
General Reserve		
Opening Balance	427.87	392.13
Add: Transferred from the Statement of Profit and Loss	52.39	48.97
Less: Utilised for creating Deferred Tax Liability on Special Reserve	26.00	13.23
	454.26	427.87
Securities Premium Account		
Opening Balance	1,045.86	768.94
Add: Premium on issue of equity shares	2,961.28	276.92
Less: Share Issue Expenses [Net of Tax of ₹ 25.88 Crore (Previous Year ₹ Nil)]	74.72	-
	3,932.42	1,045.86
Cash Flow Hedge Reserve		
Opening Balance	-	-
Add:- Created during the year	8.40	-
Less:- Utilised during the year	-	-
Closing Balance	8.40	-
Surplus in the Statement of Profit and Loss		
Opening Balance	275.25	111.66
Profit for the year	523.73	326.47
Amount Available for Appropriation	798.98	438.13

	As at 31-Mar-17 (₹ in Crore)	As at 31-Mar-16 (₹ in Crore)
Appropriations		
-Special Reserve	95.00	58.40
-Statutory Reserve (U/s. 29C of the NHB Act)	10.60	6.90
-General Reserve	52.39	48.97
-Proposed Dividend	-	40.39
-Dividend Distribution Tax	-	8.22
Net Surplus in the Statement of Profit and Loss	640.99	275.25
	5,411.67	2,018.98

3.1 As per Section 29C(i) of the National Housing Bank Act, 1987, the Company is required to transfer at least 20% of its net profit every year to a reserve before any dividend is declared. For this purpose any Special Reserve created by the Company under Section 36(1) (viii) of the Income Tax Act, 1961 is considered to be an eligible transfer. The Company has transferred an amount of ₹ 95.00 Crore (Previous year ₹ 58.40 Crore) to Special Reserve in terms of Section 36(1) (viii) of the Income Tax Act, 1961.

3.2 Vide circular NHB (ND)/DRS/Policy Circular 65 / 2014-15 dated August 22, 2014, the National Housing Bank ("NHB") has directed Housing Finance Companies (HFCs) to provide for a deferred tax liability in respect of amount transferred to "Special Reserve" created under section 36(1)(viii) of the Income Tax Act, 1961. As per the above circular, NHB has advised HFCs to create deferred tax liability in respect of accumulated balance of Special Reserve as on April 1, 2014 from the free reserves over a period of 3 years starting with financial year 2014-15, in a phased manner in the ratio of 25:25:50. Accordingly, the Company has adjusted the balance in General Reserves as at April 01, 2016 by ₹ 26.00 Crore (Previous year ₹ 13.23 Crore) with respect to third and final tranche of deferred tax liability on Special Reserve balance as at April 01, 2014.

The Company has charged its Statement of Profit and Loss for the year ended March 31, 2017 by ₹ 31.01 Crore (Previous year ₹ 20.40 Crore) with the deferred tax liability on an additional amount appropriated towards Special Reserve out of current year's profit. This amount is reflected under the head "Tax Expenses".

3.3 The Company has transferred an amount of ₹ 10.60 Crore (Previous year ₹ 6.90 Crore) to Statutory Reserve u/s 29C of the National Housing Bank Act, 1987.

3.4 Ministry of Corporate Affairs amended the Companies (Accounting Standards) Rules, 2006 on March 30, 2016 and vide its General Circular No 4/2016 dated 27.04.2016 has clarified that Companies (Accounting Standards) Amendment Rules, 2016 would be applicable for preparation of accounts for accounting periods commencing on or after the date of notification, i.e. w.e.f. from FY16-17.

According to this amendment, the proposed dividend shall not be recognised as liability until approved by the Shareholders. In terms of this amendment, the dividend for financial year of ₹ 6/- per equity share of ₹ 10/- each, as proposed by the Board of Directors, has not been recognised as liability in annual accounts for FY17. If the dividend proposed is approved by the shareholders, the outflow for dividend will be ₹ 99.39 Crore and dividend tax will be ₹ 20.23 Crore. The same will be recognised as liability on approval of shareholders in the ensuing Annual General Meeting.

On account of this change, the accounting policy followed for recognising the proposed dividend for current financial year and previous financial year are different and hence financial statements for these two years are not comparable, to that extent.

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T.R. CHADHA & CO. / MAHESWARI & CO.

4 LONG-TERM BORROWINGS

	Non-Current Maturities		Current Maturities	
	As at 31-Mar-17 (₹ in Crore)	As at 31-Mar-16 (₹ in Crore)	As at 31-Mar-17 (₹ in Crore)	As at 31-Mar-16 (₹ in Crore)
Secured Borrowings				
Term Loans				
National Housing Bank	2,481.06	1,826.40	267.34	252.45
Banks	150.00	586.84	436.85	572.62
External Commercial Borrowing	1,461.46	610.70	50.09	-
Redeemable Non-Convertible Debentures	11,972.00	8,580.00	1,200.00	190.00
	16,064.52	11,603.94	1,954.28	1,015.07
Unsecured Borrowings				
Redeemable Non-Convertible Subordinated Debentures	1,399.00	610.00	-	-
Deposits	6,620.44	4,432.28	1,511.49	903.98
	8,019.44	5,042.28	1,511.49	903.98
Current Maturity of Long-Term Borrowings disclosed under the head "Other Current Liabilities" (Note 10)	-	-	(3,465.77)	(1,919.05)
	24,083.96	16,646.22	-	-

4.1 Refinance from National Housing Bank (NHB) and Term Loans from Banks:

Nature of Security

a) Refinance from National Housing Bank (NHB) and Term Loans from Banks other than Punjab National Bank are secured by hypothecation of specific loans/ book debts against which Refinance/ Term Loan has been availed.

b) Term Loan from Punjab National Bank are secured by hypothecation of book debts and negative lien on properties charged to the Company against loans disbursed.

Maturity Profile of Term Loans from National Housing Bank : (₹ in Crore)

Maturities	≤ 1 year	1 - 3 years	3 - 5 years	> 5 years	Total
Rate of interest					
6.00% - 8.00%	53.55	124.68	116.23	368.24	662.70
	(9.97)	(13.29)	(8.46)	-	(31.72)
8.01% - 10.00%	213.79	551.85	549.10	770.96	2,085.70
	(179.37)	(239.16)	(460.08)	(1,168.52)	(2,047.13)
Total	**267.34**	**676.53**	**665.33**	**1,139.20**	**2,748.40**
	(189.34)	(252.45)	(468.54)	(1,168.52)	(2,078.85)

(Previous year figures are in bracket)

Maturity Profile of Term Loans from Banks : (₹ in Crore)

Maturities	≤ 1 year	1 - 3 years	3 - 5 years	> 5 years	Total
Rate of interest					
8.50% - 9.00%	124.68	-	-	-	124.68
	-	-	-	-	-
9.25% - 11.00%	312.17	150.00	-	-	462.17
	(572.62)	(536.84)	(50.00)	-	(1,159.46)
Total	**436.85**	**150.00**	**-**	**-**	**586.85**
	(572.62)	(536.84)	(50.00)	-	(1,159.46)

(Previous year figures are in bracket)

4.2 **External Commercial Borrowing**

i) The Company has availed External Commercial Borrowing of USD 100 million in FY15 and USD 150 million in FY17 for financing prospective buyers of low cost affordable housing units under "approval route" in terms of the RBI guidelines dated December 17, 2012. This facility is secured against eligible affordable housing loans. In terms of the RBI guidelines, these borrowings have been swapped into rupees for the entire tenure by way of principal only swaps and interest payable (fixed coupon) have been swapped into Rupees for the loan tenure by way of interest only swaps. The Company, in terms of the RBI guidelines, is required to keep these swap agreement for entire tenure of the borrowing.

ii) Consequent to the Guidance Note on Accounting for Derivative Contracts (the "GN") issued by the Institute of Chartered Accountants of India, becoming effective from April 1, 2016, the Company has changed its accounting policy relating to derivative contracts. On and from that date, all derivative contracts are recognised in the balance sheet and measured at fair value. The fair value changes are recognised in the Statement of Profit and Loss unless hedge accounting is used. Where hedge accounting is used, fair value changes of the derivative contracts are recognised through the Statement of Profit and Loss in the same period as the offsetting losses and gains on the hedged item. There is no material impact on the results of the Company for the year, as a result of change in this accounting policy.

iii) As on March 31, 2017, the Company has outstanding foreign currency borrowings of USD 233.13 million equivalent (Previous year USD 100 million). The Company has currency swap contracts on a outstanding notional amount of USD 233.13 million equivalent (Previous year USD 100 million) to hedge the foreign currency risk. Further, interest rate swaps (fixed coupon only) on a notional amount of USD 233.13 million equivalent (Previous year USD 100 million) are outstanding, which have been undertaken to hedge the foreign currency risk arising out of interest payment on the said External Commercial Borrowing.

Maturity Profile of External Commercial Borrowings: (₹ in Crore)

Maturities	≤ 1 year	1 - 3 years	3 - 5 years	> 5 years	Total
Rate of interest					
USD LIBOR + 170 - 200 bps	50.09	744.19	192.08	525.19	1,511.55
	-	-	(610.70)	-	(610.70)

(Previous year figures are in bracket)

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4.3 **Secured Redeemable Non-Convertible Debentures**

Nature of Security

Redeemable Non-Convertible Debentures are secured by hypothecation of book debts to the extent of 1.10 to 1.25 times of outstanding amount. In addition, all the Redeemable Non-Convertible Debentures are also secured by mortgage of buildings of ₹ 0.77 Crore (Refer Note 11)

Terms of Repayment (₹ in Crore)

Maturities	**≤ 1 year**	**1 - 3 years**	**3 - 5 years**	**5 - 10 years**	**Total**
Rate of interest					
7.01% - 8.00%	-	800.00	1,275.00	-	2,075.00
	-	-	-	-	-
8.01% - 9.00%	300.00	2,783.00	4,664.00	800.00	8,547.00
	(100.00)	(300.00)	(4,430.00)	(1,300.00)	(6,130.00)
9.01% - 10.00%	900.00	360.00	460.00	830.00	2,550.00
	(90.00)	(1,230.00)	(60.00)	(1,260.00)	(2,640.00)
Total	**1,200.00**	**3,943.00**	**6,399.00**	**1,630.00**	**13,172.00**
	(190.00)	(1,530.00)	(4,490.00)	(2,560.00)	(8,770.00)

(Previous year figures are in bracket)

4.4 **Unsecured Redeemable Non-Convertible Debentures**

Redeemable Non-Convertible Subordinated Debentures, for value aggregating to ₹ 1,399.00 Crore (Previous year ₹ 610.00 Crore) are subordinated debt to present and future senior indebtedness of the Company and qualify as Tier II Capital under National Housing Bank's (NHB) guidelines for assessing capital adequacy. Based on the balance term to maturity as at March 31, 2017, 100% (Previous year 100%) of the book value of Subordinate debt is considered as Tier II capital.

Terms of Repayment (₹ in Crore)

Maturities	**≤ 1 year**	**1 - 3 years**	**3 - 5 years**	**5 - 10 years**	**Total**
Rate of interest					
8.00% - 9.00%	-	-	-	1,199.00	1,199.00
	-	-	-	(410.00)	(410.00)
9.01% - 10.00%	-	-	-	200.00	200.00
	-	-	-	(200.00)	(200.00)
Total	-	-	-	**1,399.00**	**1,399.00**
	-	-	-	(610.00)	(610.00)

(Previous year figures are in bracket)

4.5 Deposits

i) Deposit includes Public Deposits as defined in Paragraph 2(1)(y) of the Housing Finance Companies (NHB) Directions, 2010, are secured by floating charge on the Statutory Liquid Assets maintained in terms of sub-sections (1) & (2) of Section 29B of the National Housing Bank Act, 1987. As on March 31, 2017, the public deposits outstanding amounts to ₹ 8,526.42 Crore (Previous year ₹ 5,431.25 Crore).

ii) The Company is carrying Statutory Liquid Assets amounting to ₹ 961.55 Crore (Previous year ₹ 895.79 Crore) comprising of Investment of ₹ 961.55 Crore (Previous year ₹ 813.96 Crore) and Fixed Deposits of ₹ Nil (Previous year ₹ 81.83 Crore).

5 DEFERRED TAX LIABILITIES (NET)

In accordance with Accounting Standard on 'Accounting for Taxes on Income' (AS 22), the Company is accounting for Deferred Tax. The break-up of deferred tax assets / liabilities are as follows:

Particulars	As at 31-Mar-17 (₹ in Crore)	As at 31-Mar-16 (₹ in Crore)
Deferred Tax Liabilities		
Expenses Paid in Advance (Net of Income Received in Advance)	54.37	39.07
Depreciation on Fixed Assets	0.03	1.13
Special Reserve (Refer Note 3.2)	113.98	56.97
Total Deferred Tax Liabilities- (A)	168.38	97.17
Deferred Tax Assets		
Provision for Employees Benefits	3.55	2.35
Provision for Doubtful Debts and contingencies	95.17	62.45
Others	22.80	1.90
Total Deferred Tax Assets - (B)	121.52	66.70
Deferred Tax Liabilities (Net) (A-B)	46.86	30.47

6 OTHER LONG-TERM LIABILITIES

	Non-Current Maturities		Current Maturities	
	As at 31-Mar-17 (₹ in Crore)	As at 31-Mar-16 (₹ in Crore)	As at 31-Mar-17 (₹ in Crore)	As at 31-Mar-16 (₹ in Crore)
Interest Accrued but not Due on Borrowings	14.86	36.74	144.87	108.46
Income Received in Advance	89.04	64.05	32.48	22.56
Amount disclosed under the head "Other Current Liabilities" (Refer Note 10)	-	-	(177.35)	(131.02)
	103.90	100.79	-	-

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7 **PROVISIONS**

	Non-Current Maturities		Current Maturities	
	As at 31-Mar-17 (₹ in Crore)	As at 31-Mar-16 (₹ in Crore)	As at 31-Mar-17 (₹ in Crore)	As at 31-Mar-16 (₹ in Crore)
Provision for Employees Benefits	9.00	5.97	1.26	0.83
Provision for Standard Assets (As per NHB norms)	193.97	130.46	-	-
Provision for NPAs (As per NHB norms)	-	-	26.78	21.68
Provision for Contingencies	39.48	24.50	-	-
Proposed Dividend (Refer Note 3.4)	-	-	-	40.39
Tax on Proposed Dividend (Refer Note 3.4)	-	-	-	8.22
	242.45	160.93	28.04	71.12

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	As at 31-Mar-17 (₹ in Crore)	As at 31-Mar-16 (₹ in Crore)
8 SHORT-TERM BORROWINGS		
Secured Borrowings		
Bank Overdraft	1,881.98	783.71
Unsecured Borrowings		
Deposits	1,695.43	1,639.70
Commercial Paper	4,370.00	5,025.00
	6,065.43	6,664.70
	7,947.41	7,448.41

	As at 31-Mar-17 (₹ in Crore)	As at 31-Mar-16 (₹ in Crore)
9 TRADE PAYABLES		
Sundry Creditors for Expenses	93.56	75.24
	93.56	75.24

9.1 Trade Payables ₹ Nil (Previous Year ₹ Nil) payable to "Suppliers" registered under the Micro, Small and Medium Enterprises Development Act, 2006. No interest has been paid / payable by the Company during the year to the "Suppliers" covered under the Micro, Small and Medium Enterprise Development Act, 2006.

	As at 31-Mar-17 (₹ in Crore)	As at 31-Mar-16 (₹ in Crore)
10 OTHER CURRENT LIABILITIES		
Current Maturity of Long-Term Borrowings (Refer Note 4)	3,465.77	1,919.05
Current Portion of Other Long-Term Liabilities (Refer Note 6)	177.35	131.02
Interest Accrued but not Due on Borrowings	10.68	14.23
Book Overdraft	777.74	706.00
Statutory Dues Payable	22.32	21.97
Other Liabilities	382.20	199.60
	4,836.06	2,991.87

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11. FIXED ASSETS

(₹ in Crore)

	Gross Block				Accumulated Depreciation/ Amortisation				Net Block	
Description	As at 01-Apr-16	Additions	Deductions	As at 31-Mar-17	As at 01-Apr-16	For the year	Deductions / Adjustment	As at 31-Mar-17	As at 31-Mar-17	As at 01-Apr-16
Tangible:										
Buildings*	1.09	-	-	1.09	0.22	0.02	-	0.24	0.85	0.87
Furniture & Fixtures	12.56	2.81	-	15.37	2.33	1.31	-	3.64	11.73	10.23
Vehicles	0.06	0.11	0.06	0.11	0.05	0.01	0.05	0.01	0.10	0.02
Computers	16.93	2.67	-	19.60	7.44	4.62	-	12.06	7.54	9.49
Office Equipment & Others	15.86	4.19	0.15	19.90	5.92	3.64	0.11	9.45	10.45	9.94
Leasehold Improvements	27.01	5.76	-	32.77	9.40	6.27	-	15.67	17.10	17.60
Subtotal	73.51	15.54	0.21	88.84	25.36	15.87	0.16	41.07	47.77	48.15
Intangible:										
Software	12.04	3.42	-	15.46	2.08	2.75	-	4.83	10.63	9.96
Grand Total	**85.55**	**18.96**	**0.21**	**104.30**	**27.44**	**18.62**	**0.16**	**45.90**	**58.40**	**58.11**
Previous Year	52.20	33.76	0.41	85.55	12.62	15.04	0.23	27.44	58.11	

*Includes Buildings of ₹ 0.77 Crore (Previous year ₹ 0.77 Crore) mortgaged for securing Secured Redeemable Non-Convertible Debentures (Refer Note 4.3).

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12 NON-CURRENT INVESTMENTS	Number of Bonds/ Units	Face Value per Bonds/ Units	As at 31-Mar-17 (₹ in Crore)	Number of Bonds/ Units	Face Value per Bonds/ Units	As at 31-Mar-16 (₹ in Crore)
OTHER INVESTMENTS (NON TRADE)						
QUOTED - (FULLY PAID)						
Investments in Government Securities						
Goverment of India Stock						
10.03% Government of India Stock 2019	7,000	100	0.08	7,000	100	0.08
10.25% Government of India Stock 2021	10,05,000	100	12.61	10,05,000	100	12.61
8.30% Government of India Stock 2023	30,000	100	0.31	30,000	100	0.31
8.97% Government of India Stock 2030	50,000	100	0.57	50,000	100	0.57
8.33% Government of India Stock 2036	26,000	100	0.28	26,000	100	0.28
8.32% Government of India Stock 2032	25,000	100	0.27	25,000	100	0.27
8.28% Government of India Stock 2032	19,000	100	0.20	19,000	100	0.20
8.26% Government of India Stock 2027	10,000	100	0.11	10,000	100	0.11
8.15% Government of India Stock 2022	14,000	100	0.15	14,000	100	0.15
8.13% Government of India Stock 2022	10,000	100	0.10	10,000	100	0.10
8.08% Government of India Stock 2022	15,000	100	0.16	15,000	100	0.16
7.94% Government of India Stock 2021	7,900	100	0.08	7,900	100	0.08
7.50% Government of India Stock 2034	18,000	100	0.18	18,000	100	0.18
5.69% Government of India Stock 2018	10,000	100	0.09	10,000	100	0.09
10.71% Government of India Stock 2016	-	-	-	8,000	100	0.09
8.07% Government of India Stock 2017	-	-	-	30,05,000	100	31.72
State Development Loans						
10.03% Rajasthan SDL 2028	33,91,000	100	34.98	33,91,000	100	34.98
9.79% Maharashtra SDL 2023	15,00,000	100	15.50	15,00,000	100	15.50
8.88% West Bengal SDL 2026	25,00,000	100	25.21	25,00,000	100	25.21
9.72% Kerala SDL 2023	40,00,000	100	41.53	40,00,000	100	41.53
9.70% Uttarakhand SDL 2024	50,00,000	100	54.32	50,00,000	100	54.32
9.60% Maharashtra SDL 2023	14,00,000	100	14.02	14,00,000	100	14.02
9.50% Himachal Pardesh SDL 2024	20,00,000	100	21.48	20,00,000	100	21.48
9.49% Tamil Nadu SDL 2023	30,00,000	100	30.87	30,00,000	100	30.87
9.48% Haryana SDL 2023	50,00,000	100	53.58	50,00,000	100	53.58
9.37% Gujarat SDL 2023	25,00,000	100	25.42	25,00,000	100	25.42

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	Number of Bonds/ Units	Face Value per Bonds/ Units	As at 31-Mar-17 (₹ in Crore)	Number of Bonds/ Units	Face Value per Bonds/ Units	As at 31-Mar-16 (₹ in Crore)
9.19% Kerala SDL 2024	10,00,000	100	10.06	10,00,000	100	10.06
9.00% Haryana SDL 2024	10,00,000	100	10.51	10,00,000	100	10.51
8.99% Madhya Pradesh SDL 2024	1,00,00,000	100	104.52	1,00,00,000	100	104.52
8.95% Madhya Pradesh SDL 2024	80,00,000	100	83.40	80,00,000	100	83.40
8.93% Haryana SDL 2022	22,200	100	0.24	22,200	100	0.24
8.92% Rajasthan SDL 2022	40,00,000	100	41.52	40,00,000	100	41.52
8.89% West Bengal SDL 2022	25,000	100	0.27	25,000	100	0.27
9.72% West Bengal SDL 2024	30,00,000	100	32.65	30,00,000	100	32.65
8.84% Punjab SDL 2024	30,00,000	100	31.18	30,00,000	100	31.18
8.83% Uttar Pradesh SDL 2026	1,60,00,000	100	166.20	1,35,00,000	100	139.08
8.73% Madhya Pradesh SDL 2022	12,000	100	0.13	12,000	100	0.13
8.66% Andhra Pradesh SDL 2021	10,000	100	0.11	10,000	100	0.11
8.53% Mahrashtra SDL 2020	25,000	100	0.26	25,000	100	0.26
8.40% Madhya Pradesh SDL 2019	10,000	100	0.10	10,000	100	0.10
8.39% Uttar Pradesh SDL 2020	20,000	100	0.21	20,000	100	0.21
8.25% Rajasthan SDL 2020	30,000	100	0.31	30,000	100	0.31
8.30% Gujarat SDL 2017	10,000	100	0.10	10,000	100	0.10
8.55% Uttar Pradesh SDL 2017	10,000	100	0.10	10,000	100	0.10
9.12% Gujarat SDL 2022	33,55,000	100	35.26	-	-	-
8.90% Maharashtra SDL 2024	10,00,000	100	10.80	-	-	-
8.05% Rajashthan SDL 25022025	40,00,000	100	41.27	-	-	-
8.72% Andhra Pardesh SDL 2026	20,00,000	100	21.56	-	-	-
8.51% Maharashtra SDL 2026	45,00,000	100	46.42	-	-	-
7.91% Mahrashtra SDL 2016	-	-	-	5,000	100	0.05
			969.28			818.71
Less: Current Maturities of Non-Current Invesments (Refer Note 15)			(0.20)			(31.86)
			969.08			786.85
Less: Provision for loss to arise on Redemption of Investments			(7.73)			(4.75)
Aggregate value of investments			961.35			782.10
Cost of Quoted investments			969.28			818.71
Market Value			1,027.40			843.67

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13 LONG-TERM LOANS AND ADVANCES

	Non-Current Maturities		Current Maturities	
	As at 31-Mar-17 (₹ in Crore)	As at 31-Mar-16 (₹ in Crore)	As at 31-Mar-17 (₹ in Crore)	As at 31-Mar-16 (₹ in Crore)
Loans - Secured				
Housing Loans	25,902.29	18,316.72	1,359.77	799.52
Non-Housing Loans	10,541.50	7,306.84	727.77	754.19
Current maturities of Long-Term Loans & Advances disclosed under the head Current "Other Current Assets" (Refer Note 18)			(2,087.54)	(1,553.71)
	36,443.79	25,623.56	-	-

13.1 Loans and Instalments due from Borrowers shown under Loans and Advances and Other Current Assets respectively are secured wholly or partly by any one or all of the below as applicable:

i) Equitable / Simple / English Mortgage of immovable property;
ii) Mortgage of Development Rights / FSI / any other benefit flowing from the immovable property;
iii) Demand Promissory Note;
iv) Post Dated Cheques towards the repayment of the debt;
v) Personal / Corporate Guarantees;
vi) Hypothecation of rent receivables, cash flow of the project, debt service reserve account , fixed deposit , current and escrow accounts;
vii) Pledge of shares, Security on shares through Non Disposal Undertaking and Power of Attorney, NSCs, other securities
viii) Undertaking to create a security.

14 OTHER NON-CURRENT ASSETS

(Unsecured, Considered Good)

	Non-Current Maturities		Current Maturities	
	As at 31-Mar-17 (₹ in Crore)	As at 31-Mar-16 (₹ in Crore)	As at 31-Mar-17 (₹ in Crore)	As at 31-Mar-16 (₹ in Crore)
Security Deposits	12.66	6.13	-	-
Prepaid Expenses	245.61	181.88	201.85	130.87
Forward Contract Receivable (Net)	11.76	-	-	-
Derivative Assets	8.40	-	-	-
	278.43	188.01	201.85	130.87

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15 CURRENT INVESTMENTS

	Number of Bonds/ Units	Face Value per Bonds/ Units	As at 31-Mar-17 (₹ in Crore)	Number of Bonds/ Units	Face Value per Bonds/ Units	As at 31-Mar-16 (₹ in Crore)
QUOTED - OTHER THAN TRADE (FULLY PAID)						
Bonds and Debentures						
7.98% Infrastructure Development Finance Company Ltd 2023	250	10,00,000	25.00	350	10,00,000	37.13
9.50% The Jammu & Kashmir Bank Ltd 2022	1,250	10,00,000	125.19	-	-	-
9.14% Bank of Baroda (Perpetual)	500	10,00,000	50.13	-	-	-
9.10% Union Bank of India (Perpetual)	2,000	10,00,000	200.00	-	-	-
9.05% Deewan Housing Finance Corporation Ltd. 2023	2,00,000	1,000	20.19	-	-	-
9.00% Indiabulls Housing Finance Ltd. 2026	2,800	1,000	0.28	-	-	-
8.97% UP Power Corporation Ltd 2021	420	10,00,000	42.00	-	-	-
8.97% UP Power Corporation Ltd 2022	420	10,00,000	42.00	-	-	-
8.97% UP Power Corporation Ltd 2023	420	10,00,000	42.00	-	-	-
8.97% UP Power Corporation Ltd 2024	420	10,00,000	42.00	-	-	-
8.97% UP Power Corporation Ltd 2025	420	10,00,000	42.00	-	-	-
8.97% UP Power Corporation Ltd 2026	420	10,00,000	42.00	-	-	-
8.97% UP Power Corporation Ltd 2027	420	10,00,000	42.00	-	-	-
8.25% Reliance Capital Ltd 2020	240	10,00,000	24.00	-	-	-
8.50% Reliance Capital Ltd 2022	310	10,00,000	31.00	-	-	-
7.18% Power Finance Corporation 2027	600	10,00,000	59.28	-	-	-
8.85% Reliance Capital Ltd. 2026	278	10,00,000	27.85	-	-	-
8.70% Indiabulls Housing Finance Ltd. 2019	3,700	1,000	0.37	-	-	-
8.32% Reliance Jio Infocomm Ltd 2021	500	10,00,000	50.88	-	-	-
8.05% Indian Renewable Energy Development Agency Ltd 2027	150	10,00,000	15.00	-	-	-
8.12% Indian Renewable Energy Development Agency Ltd 2027	250	10,00,000	25.00	-	-	-
7.90% Tata Sons Ltd 2020	250	10,00,000	25.03	-	-	-
7.25% Nuclear Power Corporation of India Ltd 2029	150	10,00,000	15.00	-	-	-
7.25% Nuclear Power Corporation of India Ltd 2030	100	10,00,000	10.00	-	-	-
7.25% Nuclear Power Corporation of India Ltd 2031	100	10,00,000	10.00	-	-	-
7.37% National Thermal Power Corporation Ltd. 2031	895	10,00,000	89.08	-	-	-

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	Number of Bonds/ Units	Face Value per Bonds/ Units	As at 31-Mar-17 (₹ in Crore)	Number of Bonds/ Units	Face Value per Bonds/ Units	As at 31-Mar-16 (₹ in Crore)
7.25% Nuclear Power Corporation of India Ltd 2027	150	10,00,000	15.00	-	-	-
7.25% Nuclear Power Corporation of India Ltd 2028	100	10,00,000	10.00	-	-	-
7.18% National Bank Of Agriculture And Rural Development 2020	750	10,00,000	75.00	-	-	-
7.34% Indian Railway Finance Corporation Ltd. 2028	500	10,00,000	-	-	-	-
9.95% Food Corporation of India Ltd. 2022	-	-	-	1	10,00,000	0.11
8.80% Food corporation of India Ltd. 2028	-	-	-	138	10,00,000	15.16
8.69% Damodar Valley Corporation Limited 2028	-	-	-	652	10,00,000	71.08
8.50% National Highway Authority of India 2029	-	-	-	1,00,000	1,000	11.15
8.46% Power Finance Corporation 2028	-	-	-	100	10,00,000	11.08
8.40% Indian Railways Finance Corporation 2029	-	-	-	1,00,000	1,000	11.05
8.14% Nuclear Power Corporation Of India 2027	-	-	-	5	10,00,000	0.51
8.14% Nuclear Power Corporation Of India 2028	-	-	-	73	10,00,000	7.48
7.15% National Thermal Power Corporation Ltd. 2025	-	-	-	12	10,00,000	1.22
7.93% Power Grid Corporation of India Ltd. 2017	-	-	-	50	10,00,000	4.98
7.93% Power Grid Corporation of India Ltd. 2018	-	-	-	50	10,00,000	5.00
7.93% Power Grid Corporation of India Ltd. 2019	-	-	-	50	10,00,000	4.99
7.93% Power Grid Corporation of India Ltd. 2020	-	-	-	50	10,00,000	4.98
7.93% Power Grid Corporation of India Ltd. 2021	-	-	-	50	10,00,000	4.97
7.93% Power Grid Corporation of India Ltd. 2022	-	-	-	50	10,00,000	4.97
7.93% Power Grid Corporation of India Ltd. 2023	-	-	-	50	10,00,000	4.92
7.93% Power Grid Corporation of India Ltd. 2024	-	-	-	50	10,00,000	5.00
7.93% Power Grid Corporation of India Ltd. 2025	-	-	-	40	10,00,000	4.00
7.93% Power Grid Corporation of India Ltd. 2026	-	-	-	45	10,00,000	4.50
7.93% Power Grid Corporation of India Ltd. 2028	-	-	-	41	10,00,000	4.10
7.40% Indian Infrastructure Finance Company Ltd. 2033	-	-	-	5,57,000	1,000	58.32
7.35% Indian Railway Finance Corporation 2031	-	-	-	2,40,000	1,000	24.55
6.89% National Housing Bank 2023	-	-	-	26	10,00,000	2.57
6.87% National Housing Bank 2023	-	-	-	47	10,00,000	4.67
8.58% Housing and Urban Development Corporation Ltd. 2029	-	-	-	95,000	1,000	10.60

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	Number of Bonds/ Units	Face Value per Bonds/ Units	As at 31-Mar-17 (₹ in Crore)	Number of Bonds/ Units	Face Value per Bonds/ Units	As at 31-Mar-16 (₹ in Crore)
UNQUOTED - OTHER THAN TRADE (FULLY PAID)						
Commercial Paper						
JM Financial Products Ltd	5,000	5,00,000.00	230.73	-	-	-
Mutual Fund - Debt						
LIC Mutual Fund	1,35,674	2,948.24	40.00	-	-	-
Mahindra Mutual Fund	4,75,224	1,052.14	50.00			
Invesco Mutual Fund	2,23,446	2,237.68	50.00	-	-	-
Birla Sunlife Mutual Fund	15,31,185	261.24	40.00	-	-	-
Reliance Mutual Fund	2,90,31,083	51.67	150.00	-	-	-
Baroda Pioneer Mutual Fund	2,13,966	1,869.46	40.00	-	-	-
UTI Mutual Fund	1,87,827	2,662.02	50.00	-	-	-
ICICI Prudential Mutual Fund	17,78,101	224.96	40.00	-	-	-
BOI AXA Mutual Fund	2,13,519	1,873.37	40.00	-	-	-
Kotak Mutual fund	1,49,890	2,668.63	40.00	-	-	-
L & T Mutual Fund	2,24,313	2,229.03	50.00	-	-	-
SBI Mutual Fund	1,56,764	2,551.61	40.00	-	-	-
AXIS Mutual Fund	2,21,886	1,802.73	40.00	-	-	-
Tata Money Mutual Fund	2,01,487	2,481.54	50.00	-	-	-
PNB Principal Mutual fund	3,15,812	1,583.22	50.00	-	-	-
HDFC Mutual Fund	1,17,824	3,394.88	40.00	-	-	-
DSP Mutual Fund	1,72,030	2,325.18	40.00	-	-	-
DHFL Pramerica Mutual Fund	18,93,117	211.29	40.00	-	-	-
Certificate of Deposit						
Certificate of Deposit of Indian Bank	-	-	-	30,000	1,00,000	295.09
Certificate of Deposit of Corporation Bank	-	-	-	2,500	1,00,000	23.39
Certificate of Deposit of Bank of Maharashtra	-	-	-	5,000	1,00,000	49.15
Certificate of Deposit of Canara Bank	-	-	-	10,000	1,00,000	98.25
Certificate of Deposit of Andhra Bank	-	-	-	2,500	1,00,000	23.33
			2,318.01			808.31
Add: Current Maturities of Non-Current Invesments (Refer Note 12)			0.20			31.86
Total			**2,318.21**			**840.17**
Aggregate value of quoted investments			1,197.28			319.11
Market Value of quoted investments			1,208.11			321.39
Aggregate value of unquoted investments			1,120.73			489.20

16 CASH AND BANK BALANCES

		As at 31-Mar-17 (₹ in Crore)	As at 31-Mar-16 (₹ in Crore)
16.1	**Cash and Cash Equivalents**		
	Balances with Banks in Current Accounts	51.96	165.87
	Cheques-on-Hand	13.26	-
	Cash-on-Hand	0.63	0.84
		65.85	166.71
16.2	**Other Bank Balances**		
	Fixed Deposits with original maturity of more than three months upto twelve months	85.62	-
	Fixed Deposits with original maturity of more than twelve months	-	81.83
		151.47	248.54

17 SHORT-TERM LOANS AND ADVANCES

(Unsecured, considered good unless otherwise stated)

	As at 31-Mar-17 (₹ in Crore)	As at 31-Mar-16 (₹ in Crore)
Loan Against Deposits (Secured)	13.88	4.03
Advances Recoverable in Cash or Kind	26.06	13.98
	39.94	18.01

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		As at 31-Mar-17 (₹ in Crore)	As at 31-Mar-16 (₹ in Crore)
18	**OTHER CURRENT ASSETS**		
	(Unsecured, considered good unless otherwise stated)		
	Current Maturities of Long-Term Loans & Advances (Secured) (Refer Note 13)	2,087.54	1,553.71
	Installments Due from Borrowers (Secured)	60.14	44.56
	Stock of Acquired Properties (Held for sale or disposal) (Secured)	154.99	83.81
	Interest Accrued on Investments	31.08	23.93
	Interest Accrued but not Due on Loans	164.81	70.90
	Prepaid Expenses	201.85	130.87
	Other Receivables	5.52	0.62
		2,705.93	1,908.40

18.1 The installments due from borrowers is net of interest de-recognised of ₹ 17.71 Crore (Previous year ₹ 14.48 Crore) in respect of non-performing loans. (Refer note 19.1)

18.2 Stock of Acquired Properties is net of Provision for Diminution in Value of ₹ 14.77 Crore (Previous year ₹ 3.81 Crore)

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19 REVENUE FROM OPERATIONS

	Current Year (₹ in Crore)	Previous Year (₹ in Crore)
INTEREST INCOME		
i) Interest on Loans	3,489.73	2,460.03
ii) Interest on Investments	149.48	85.22
iii) Other Interest	0.84	0.89
	3,640.05	2,546.14
Fees and Other Charges	166.08	85.27
Other Operating Income	63.14	42.30
Surplus from deployment of funds in Cash Management Schemes of Mutual Funds	27.86	14.21
Profit on sale of Asset	0.01	-
Profit / (Loss) on Sale of Investment	10.56	10.00
	3,907.70	**2,697.92**

19.1 Interest on non-performing loans is recognised on realisation basis as per the NHB Directions. Accordingly, movement of interest de-recognised as at the Balance Sheet date is summarised as under:-

Particulars	Current Year (₹ in Crore)	Previous Year (₹ in Crore)
Cumulative interest B/F from last Balance Sheet	14.48	3.77
Add:Interest de-recognised for the year on:		
- Sub-Standard Assets (Net)	15.88	9.58
- Doubtful/ Loss Assets	3.60	10.65
Less:Recovered/Write-off during the year	16.25	9.52
Total	17.71	14.48

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		Current Year (₹ in Crore)	Previous Year (₹ in Crore)
20	**INTEREST EXPENSES AND OTHER CHARGES**		
	Interest on:		
	Term Loans	397.24	400.05
	Non-Convertible Debentures	1,079.14	578.14
	Commercial Paper	328.69	226.66
	Deposits	705.31	582.75
		2,510.38	1,787.60
	Other Charges:		
	Brokerage on Deposits	31.60	22.39
	Fees and other Charges	16.47	10.81
	Hedging Cost	84.46	38.88
	Bank Charges	0.74	0.61
		2,643.65	1,860.29

		Current Year (₹ in Crore)	Previous Year (₹ in Crore)
21	**EMPLOYEE BENEFIT EXPENSE**		
	Salaries and Allowances	93.95	70.50
	Contribution to Provident Fund and Other Funds	5.64	3.50
	Staff Welfare Expenses	1.67	1.28
		101.26	75.28

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22 OFFICE OPERATING EXPENSES	Current Year (₹ in Crore)	Previous Year (₹ in Crore)
Rent, Rates and Taxes	19.31	14.96
Repairs and Maintenance - Building	0.86	0.83
Office Maintenance	1.12	0.67
Electricity and Water Charges	4.90	4.15
General Office Expenses	36.80	23.92
Insurance Charges	0.14	0.25
Travelling and Conveyance	4.70	3.31
Printing and Stationery	2.51	2.56
Postage and Telephone	4.61	5.78
	74.95	56.43

23 OTHER EXPENSES	Current Year (₹ in Crore)	Previous Year (₹ in Crore)
Cost of Loan Acquisition	90.30	49.71
Advertisement and Publicity	21.89	23.06
Professional Charges	22.54	14.64
Legal Expenses	20.56	11.41
Director's Sitting Fee	0.54	0.45
Auditors Remuneration (Refer Note 32)	0.39	0.29
Loss on sale of Fixed Assets	-	0.12
CSR expenses (Refer Note 30)	3.68	3.98
Miscellaneous Expenses	2.54	1.67
	162.44	105.33

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24. Disclosure required by National Housing Bank

The following additional disclosures have been given in terms of the circular no. NHB.HFC.CG-DIR.1/MD&CEO/2016 dated February 09, 2017 issued by the National Housing Bank.

24.1 Capital to Risk Assets Ratio (CRAR)

(₹ in Crore)

Particulars	Curent Year	Previous Year
i) CRAR (%)	21.62	12.70
ii) CRAR – Tier I Capital (%)	16.48	9.04
iii) CRAR – Tier II Capital (%)	5.14	3.66
(iv) Amount of Subordinated debt raised as Tier-II Capital	1,399.00	610.00
(v) Amount raised by issue of perpetual Debt Instruments	-	-

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24.2 Reserve Fund u/s 29C of NHB Act, 1987

(₹ in Crore)

Particulars	Curent Year	Previous Year
Balance at the beginning of the year		
(a) Statutory Reserve u/s 29C of NHB Act, 1987	30.24	23.34
(b) Amount of Special Reserve u/s 36 (1)(viii) of Income Tax Act, 1961 taken into account for the purposes of Statutory Reserve u/s 29C of NHB Act, 1987	239.76	181.36
(c) Total	270.00	204.70
Addition / Appropriation / Withdrawal during the year		
Add:		
(a) Amount transferred u/s 29C of the NHB Act, 1987	10.60	6.90
(b) Amount of Special Reserve u/s 36 (1)(viii) of Income Tax Act, 1961 taken into account for the purpose of Statutory Reserve u/s 29C of NHB Act, 1987	95.00	58.40
Less:		
(a) Amount appropriated from Statutory Reserve u/s 29C of the NHB Act, 1987	-	-
(b) Amount withdrawn from Special Reserve u/s 36 (1)(viii) of Income Tax Act, 1961 which has been taken into account for the purpose of provision u/s 29C of NHB Act, 1987	-	-
Balance at the end of the year		
(a) Statutory Reserve u/s 29C of NHB Act, 1987	40.84	30.24
(b) Amount of Special Reserve u/s 36 (1)(viii) of Income Tax Act, 1961 taken into for the purposes of Statutory Reserve u/s 29C of the NHB Act, 1987	334.76	239.76
(c) Total	375.60	270.00

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24.3 Investments

(₹ in Crore)

Particulars	Curent Year	Previous Year
Value of Investments		
(i) Gross value of Investments		
(a) In India	3,287.29	1,627.02
(b) Outside India	-	-
(ii) Provisions for Depreciation		
(a) In India	7.73	4.75
(b) Outside India	-	-
(iii) Net value of Investments		
(a) In India	3,279.56	1,622.27
(b) Outside India	-	-
Movement of provisions held towards depreciation on investments		
(i) Opening balance	4.75	2.67
(ii) Add: Provisions made during the year	4.65	2.08
(iii) Less: Write-off / Written-bank of excess provisions	1.67	-
(iv) Closing balance	7.73	4.75

24.4 Derivatives

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

(₹ in Crore)

Particulars	31-Mar-2017
(i) The notional principal of swap agreements	1,604.13
(ii) Losses which would be incurred if counterparties failed to fulfil their obligations under the agreements	11.31
(iii) Collateral required by the HFC upon entering into swaps	Nil
(iv) Concentration of credit risk arising from the swaps@	Nil
(v) The fair value of the swap book	(57.70)

@ The Company has entered into Swap agreement with four banks having almost equal exposure with each of them. Hence, there is no concentration of credit risk which could be exposure to particular industries or swaps with highly geared companies.

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ii) Exchange Traded Interest Rate (IR) Derivative – There is no exchange traded interest rate derivative.

iii) Disclosure on Risk Exposure in Derivatives

A. Qualitative Disclosure

Particulars	Details
a) the structure and organization for management of risk in derivatives trading,	Company has a Risk Management Committee (RMC) constituted by the Board and has a Market Risk Management policy under its supervision. As a policy, the Company doesn't trade into derivative products. The Company has entered into derivative product for its ECB borrowing for financing prospective buyers of low cost affordable housing units under "approval route" in terms of RBI guidelines.
b) the scope and nature of risk measurement, risk reporting and risk monitoring systems,	The RMC has put in place or enhanced the control measures to contain these risks. The Company has a robust mechanism to ensure an ongoing review of systems, policies, processes and procedures to contain and mitigate risk that arise from time to time.
c) policies for hedging and / or mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges / mitigants, and	The Company has not entered into any derivative transaction except as required under RBI guidelines for its ECB borrowing for financing prospective buyers of low cost affordable housing units. The derivate transaction entered into for hedging the ECB borrowing is an held-till-maturity transaction. As such, as of now, the Company is not required to have policy on hedging or mitigation of risk on derivative transactions.
d) accounting policy for recording hedge and non-hedge transactions; recognition of income, premiums and discounts; valuation of outstanding contracts; provisioning, collateral and credit risk mitigation.	The derivative contracts are initially recognised at fair value on the date of the transaction and all outstanding derivative transactions, on the date of balance sheet, are revalued at their fair market value, on that date. Profit/Losses, on revaluation, are recognised in the Statement of Profit and Loss. Where hedge accounting is used, fair value changes of the derivative contracts are recognised through the Statement of Profit and Loss in the same period as the offsetting losses and gains on the hedged item. Any profit/loss arising on cancellation/unwinding of derivative contracts are recognised as income or expenses for the period. Premium / discount on derivative contracts, which are not intended for trading or speculation purposes, are amortised over the period of the contracts, if such contracts relate to monetary items as at the Balance Sheet date.

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B. Quantitative Disclosure

(₹ in Crore)

Particulars	Currency Derivatives	Interest Rate Derivatives
(i) Derivatives (Notional Principal Amount)	1,604.13	-
(ii) Marked to Market Positions	(57.70)	-
(a) Assets (+)	15.39	-
(b) Liability (-)	(73.09)	-
(iii) Credit Exposure	-	-
(iv) Unhedged Exposures	57.02	-

24.5 Securitisation

i) There are no SPVs sponsored by PNB Housing Finance Limited.

ii) During the year, the Company did not sell any Financial Assets to Securitisation / Reconstruction Company for Asset Reconstruction (Previous year ₹ Nil)

iii) Details of assignment transactions undertaken by HFCs:

(₹ in Crore)

Particulars	Current Year	Previous Year
(i) No. of accounts	9,739	-
(ii) Aggregate value (net of provisions) of accounts assigned	3,377.00	-
(iii) Aggregate consideration	3,377.00	-
(iv) Additional consideration realised in respect of accounts transferred in earlier years	-	-
(v) Aggregate gain / loss over net book value	-	-

iv) Details of non-performing financial assets purchased / sold: The Company has not purchased / sold any non-performing financial assets (Previous year ₹ Nil)

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24.6 Asset Liability Management

The residual maturity profile of Assets and Liabilities is carried out based on the estimates and assumptions regarding prepayments and renewals as prescribed by the National Housing Bank (NHB). Maturity pattern of certain items of assets and liabilities are as follows:

As on March 31, 2017 **(₹ in Crore)**

Particulars	Liabilities				Assets		
	Deposits	Bank Borrowings	Market Borrowings	Foreign Currency	Net Advances	Investments	Foreign Currency
Upto 30/31 days (one month)	179.53	940.69	600.00	-	1,159.52	1,379.29	-
Over 1 month to 2 months	166.27	960.69	500.00	-	1,088.40	708.07	-
Over 2 months to 3 months	242.38	-	500.37	12.16	1,052.02	85.64	-
Over 3 months to 6 months	695.87	261.88	2,200.37	12.16	2,950.96	-	-
Over 6 months to 1 year	1,956.87	422.90	1,769.26	25.77	5,085.43	230.83	-
Over 1 year to 3 years	4,404.73	826.54	3,943.00	744.19	12,866.15	0.78	-
Over 3 years to 5 years	1,923.76	665.33	6,399.00	192.08	6,263.00	11.66	-
Over 5 years to 7 years	98.14	577.79	2,329.00	525.19	3,241.60	363.54	-
Over 7 years to 10 years	319.54	435.41	700.00	-	2,321.94	549.01	-
Over 10 years	-	126.00	-	-	2,535.65	36.36	-
Total	**9,987.09**	**5,217.23**	**18,941.00**	**1,511.55**	**38,564.67**	**3365.18**	**-**

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As on March 31, 2016 (₹ in Crore)

Particulars	Liabilities				Assets		
	Deposits	Bank Borrowings	Market Borrowings	Foreign Currency	Net Advances	Investments	Foreign Currency
Upto 30/31 days (one month)	127.35	783.72	-	-	539.50	571.01	-
Over 1 month to 2 months	73.06	20.00	3,700.00	-	530.18	0.05	-
Over 2 months to 3 months	44.19	-	1,325.00	-	521.05	319.21	-
Over 3 months to 6 months	423.78	268.61	100.00	-	1,510.25	-	-
Over 6 months to 1 year	286.14	536.45	90.00	-	2,798.55	30.28	-
Over 1 year to 3 years	2,584.37	964.74	1,530.00	-	8,821.65	0.40	-
Over 3 years to 5 years	576.66	508.70	4,490.00	610.70	4,510.01	0.84	-
Over 5 years to 7 years	2741.55	441.00	1860.00		2,860.52	53.92	-
Over 7 years to 10 years	91.92	338.79	1310.00		2,474.14	691.98	-
Over 10 years	172.14	160.00	-		2,635.00	36.41	-
Total	**7,121.16**	**4,022.01**	**14,405.00**	**610.70**	**27,200.85**	**1,704.10**	**-**

24.7 Exposure:

i) Exposure to Real Estate Sector

(₹ in Crore)

Sr. No.	Particulars	Current Year	Previous Year
i)	**Direct Exposure** A. Residential Mortgages (including loan against residential property): Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented (Out of which Individual Housing Loans up to ₹ 15 Lakh – ₹ 2,313.59 Crore, Previous year ₹ 2,142.00 Crore)	27,354.46	22,554.97
	B. Commercial Real Estate: Lending secured by mortgages on commercial real estates. Exposure would also include non-fund based (NFB) limits	11,415.71	4,645.86
	C. Investments in Mortgage Backed Securities (MBS) and other securitised exposures – i) Residential ii) Commercial Real Estate	-	-
ii)	**Indirect Exposure** Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	-	-

Note: In computing the above information, certain estimates, assumptions and adjustments have been made by the Management which have been relied upon by the auditors.

ii) Exposure to Capital Market: As on March 31, 2017, the Company does not have any exposure to Capital Market (Previous year ₹ Nil).

iii) Details of financing of parent company products: As on March 31, 2017, the Company has not financed any product of the parent company (Previous year ₹ Nil).

iv) Details of Single Borrower Limit / Group Borrower Limit: As on March 31, 2017, the Company has not exceeded the prudential exposure limit for single borrower or group borrower (Previous year ₹ Nil).

v) Unsecured Advances: As on March 31, 2017, the Company has not given any unsecured advances (Previous year ₹ Nil).

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24.8 Registration obtained from financial sector regulators

From NHB : vide registration numbr 01.0018.01

Ministry of Corporate Affairs : L65922DL1988PLC033856

24.9 Disclosure of Penalties imposed by National Housing Bank and other regulators:

During the financial year ended March 31, 2017:

i) Company has not been imposed any penalty by National Housing Bank and other regulators.

ii) NHB has carried out inspection for FY 2014-15 and has not reported any adverse comment having material impact on the financials.

24.10 Related Party Transactions

As per the Accounting Standard on 'Related Party Disclosures' (AS 18), notified by the Companies (Accounting Standards) Rules, 2006, the related parties of the Company are as follows:

	Name of the Related Party	Nature of Relationship
i)	Punjab National Bank *	Enterprise having Significant Influence#
ii)	Destimoney Enterprises Limited**	Enterprise having Significant Influence
iii)	Quality Investments Holdings**	Enterprise having Significant Influence
iv)	PNB Gilts Limited*	Fellow Subsidiary#
v)	PNB Investment Services Limited*	Fellow Subsidiary#
vi)	Punjab National Bank (International) Ltd., UK *	Fellow Subsidiary#
vii)	Druk PNB Bank Ltd, Bhutan *	Fellow Subsidiary#
viii)	PNB Insurance Broking Private Limited *	Fellow Subsidiary#
ix)	Shri Sanjaya Gupta (Managing Director)	Key Managerial Personnel
x)	Shri Sanjay Jain (Company Secretary)	Key Managerial Personnel
xi)	Shri Jayesh Jain (Chief Financial Officer)	Key Managerial Personnel

* State Controlled Enterprises

**During the year, Destimoney Enterprises Limited transferred 6,21,92,300 equity shares to its holding Company i.e. Quality Investments Holdings pursuant to in-specie distribution of assets as per winding up scheme.

Pursuant to Initial Public Offer (IPO) of the Company, the status of Punjab National Bank has changed from Holding Company to Enterprise having Significant Influence as shareholding of PNB has reduced from 51% to 39.08%. Consequently, subsidiaries of Punjab National Bank cease to be fellow subsidiaries of the Company from the date of allotment of shares under IPO i.e. November 03, 2016.

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Transactions with Related Parties

The nature & volume of transactions of the Company during the year, with the above related parties were as follows. These transactions were carried out in ordinary course of business and were at arm's length price:

(₹ in Crore)

Particulars	Enterprises having significant influence		Fellow Subsidiaries		Key Managerial Personnel	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Punjab National Bank						
- Term Loan Instalment / OD Payment	5,994.02	1,033.33	-	-	-	-
- Interest Paid on Term Loan and Overdraft	56.28	93.15	-	-	-	-
- Rent & Maintenance Charges	0.43	0.36	-	-	-	-
- Bank Charges	0.69	0.54	-	-	-	-
- Director Sitting Fee	0.09	0.13	-	-	-	-
- Servicing Fees received on assignment of Loan Portfolio	4.28	5.32	-	-	-	-
- Interest received on Fixed Deposits	1.13	4.50	-	-	-	-
- Dividend Paid	20.58	13.39	-	-	-	-
- Call money received on partly paid-up Equity Shares	-	153.00	-	-	-	-
Destimoney Enterprises Limited						
- Dividend Paid	19.81	10.71	-	-	-	-
- Commission paid	-	1.30	-	-	-	-
- Call money received on partly paid-up Equity Shares		147.00	-	-	-	-
Professional Services						
- PNB Investment Services Ltd	-	-	0.22	-	-	-
Remuneration paid to KMPs:						
- Shri Sanjaya Gupta (Managing Director)	-	-	-	-	1.89	1.37
- Shri Jayesh Jain (Chief Financial Officer)	-	-	-	-	0.85	0.59
- Shri Sanjay Jain (Company Secretary)	-	-	-	-	0.56	0.47

The policy on dealing with Related Party Transactions is available on our website www.pnbhousing.com

24.11 During the year, no transaction was accounted which was related to prior period (Previous year ₹ Nil).

24.12 During the year, no item of revenue recognition has been postponed except as disclosed in accounting policy for revenue recognition (Refer Note 1.6).

24.13 Rating assigned by Credit Rating Agencies and migration of rating during the year

Nature of Instrument	Ratings
Deposits	CRISIL FAAA (Outlook Negative) CARE AAA
Long term bonds (Secured and Tier-II bonds)	CRISIL AA+(Outlook Negative) CARE AAA (Outlook stable) IND AAA with stable outlook ICRA AA+/ Stable
Commercial Paper	CARE A1+ CRISIL A1+
Bank Term Loan	CRISIL AA+(Outlook Negative) CARE AAA

The details of change in Ratings, during the year is given hereunder:

Rating Agency	Instrument	Previous Rating	Revised Rating
CRISIL	NCD / Term Loan	CRISIL AA+ (Outlook Stable)	CRISIL AA+ (Outlook Negative)
CRISIL	Fixed Deposits	FAAA (Outlook Stable)	FAAA (Outlook Negative)

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24.14 Provisions and Contingencies:

Break up of 'Provisions and Contingencies' shown under the head Expenditure in Profit and Loss Account is given as follows:

(₹ in Crore)

Particulars	Current Year	Previous Year
1. Provisions for depreciation on Investment	2.98	2.08
2. Provision made towards Income tax	280.28	176.62
3. Provision towards NPA	5.09	(1.09)
4. Provision for Standard Assets		
i) Teaser Loans	-	-
ii) CRE	17.68	12.91
iii) CRE – RH	14.91	6.57
iv) Other Loans	30.92	32.98
Total (i + ii + iii + iv)	63.51	52.46
5. Other Provision and Contingencies (Refer Note 1.20)	14.98	24.50
6. Provision for Stock of Acquired Properties	10.97	2.71

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24.15 Break-up of Loan & Advances and Provisions thereon:

The Company has complied with the norms prescribed under Housing Finance Companies (NHB) Directions, 2010 for recognising Non-Performing Assets (NPA) in preparation of Accounts. As per the norms, NPAs are recognised on the basis of more than 90 days overdue. NPAs are to be treated as Bad & Doubtful, if they remain outstanding for more than 15 months. The Company has made adequate provisions on Non-Performing Assets and Standard Assets in respect of Housing and Non-Housing Loans as prescribed under Housing Finance Companies (NHB) Directions, 2010.

(₹ in Crore)

Particulars	Housing		Non-Housing	
	Current Year	Previous Year	Current Year	Previous Year
Standard Assets				
a) Total Outstanding Amount	27,348.61	19,083.50	11,335.78	8,057.52
b) Provision made	124.65	85.28	69.32	45.18
Sub-Standard Assets				
a) Total Outstanding Amount	36.42	34.90	13.31	8.40
b) Provision made	7.60	7.72	2.02	1.30
Doubtful Assets - Category-I				
a) Total Outstanding Amount	19.02	1.49	4.91	1.31
b) Provision made	5.22	0.84	1.23	0.41
Doubtful Assets - Category-II				
a) Total Outstanding Amount	2.79	4.74	0.84	1.06
b) Provision made	1.82	2.79	0.40	0.71
Doubtful Assets - Category-III				
a) Total Outstanding Amount	3.71	3.18	4.18	4.04
b) Provision made	3.71	3.18	4.18	4.04
Loss Assets				
a) Total Outstanding Amount	0.60	0.69	-	-
b) Provision made	0.60	0.69	-	-
TOTAL				
a) Total Outstanding Amount	27,411.15	19,128.50	11,359.02	8072.33
b) Provision made	143.59	100.50	77.15	51.64

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24.16 Concentration of Public Deposits

(₹ in Crore)

Particulars	Current Year	Previous Year
Total Deposits of twenty largest depositors	3,074.42	1,487.36
Percentage of Deposits of twenty largest depositors to Total Deposits	35.27%	27.38%

24.17 Concentration of Loans & Advances

(₹ in Crore)

Particulars	Current Year	Previous Year
Total Loans & Advances to twenty largest borrowers	3,975.49	2,856.16
Percentage of Loans & Advances to twenty largest borrowers to Total Advances	10.25%	10.52%

24.18 Concentration of all Exposure (including off-balance sheet exposure

(₹ in Crore)

Particulars	Current Year	Previous Year
Total Exposure to twenty largest borrowers /customers	4,715.13	3,389.15
Percentage of Exposures to twenty largest borrowers / customers to Total Exposure of the HFC on borrowers / customers	10.74%	10.99%

24.19 Concentration of NPAs

(₹ in Crore)

Particulars	Current Year	Previous Year
Total Exposure to top ten NPA accounts	27.76	20.16

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24.20 Sector-wise NPAs

Particulars	Percentage of NPAs to Total Advances in that sector	
	Current Year	Previous Year
A. Housing Loans:	0.23	0.24
1. Individuals	0.27	0.27
2. Builders/Project Loans	-	-
3. Corporates	-	-
4. Others (specify)	-	-
B. Non-Housing Loans:	0.20	0.18
1. Individuals	0.27	0.25
2. Builders/Project Loans	-	-
3. Corporates	-	-
4. Others (specify)	-	-

24.21 Movement of NPAs

(₹ in Crore)

Particulars	Current Year	Previous Year
(I) Net NPAs to Net Advances (%)	0.15%	0.14%
(II) Movement of NPAs (Gross)		
a) Opening balance	59.81	34.14
b) Additions during the year	261.24	152.27
c) Reductions during the year	235.27	126.60
d) Closing balance	85.78	59.81
(III) Movement of Net NPAs		
a) Opening balance	38.13	18.37
b) Additions during the year	251.23	139.91
c) Reductions during the year	230.36	120.15
d) Closing balance	59.00	38.13
(IV) Movement of provisions for NPAs (excluding provisions on standard assets)		
a) Opening balance	21.68	15.77
b) Provisions made during the year	52.01	33.63
c) Write-off/write-back of excess provisions	46.91	27.72
d) Closing balance	26.78	21.68

24.22 Overseas Assets: As on March 31, 2017, the Company does not have any Assets outside the country (Previous year ₹ Nil).

24.23 As on March 31, 2017, the Company does not have any Off-Balance Sheet SPVs sponsored (Previous year Nil).

24.24 Disclosure of Complaints

Particulars	Current Year	Previous Year
a) No. of complaints pending at the beginning of the year	29	38
b) No. of complaints received during the year	4,138	2,846
c) No. of complaints redressed during the year	4,114	2,855
d) No. of complaints pending at the end of the year	53	29

25. Operating Lease

In accordance with the Accounting Standard on 'Leases' (AS 19), notified by the Companies (Accounting Standards) Rules, 2006, the following disclosures in respect of Operating Leases are made. The Company has acquired properties under Cancellable and non-cancellable operating leases for periods ranging from 12 months to 60 months. The total minimum lease payments for the current year, in respect thereof, included under Rent, aggregates to ₹ 18.70 Crore (Previous year ₹ 14.62 Crore). The future minimum lease payments in respect of properties taken under non-cancellable operating lease are as follows:

(₹ in Crore)

Particulars	Current Year	Previous Year
Not later than one year	9.55	10.87
Later than one year but not later than 5 years	9.80	8.84
More than five years	Nil	Nil

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26. In accordance with the Accounting Standard on 'Earnings Per Share' (AS 20), the Earnings Per Share is as follows:

i) The Earnings Per Share (EPS) is calculated as follows:

Particulars	Unit	Current Year	Previous Year
a) Amount used as the numerator for Basic EPS Profit After Tax	(₹ in Crore)	523.73	326.47
b) Weighted average number of equity shares for Basic EPS	Number	14,26,32,517	11,87,96,450
c) Weighted average number of equity shares for Diluted EPS	Number	14,48,75,547	11,87,96,450
d) Nominal value per share	(in ₹)	10/-	10/-
e) Earnings Per Share:			
-Basic (a/b)	(in ₹)	36.72	27.48
-Diluted (a/c)	(in ₹)	36.15	27.48

ii) The Basic Earnings Per Share have been computed by dividing the Profit After Tax by the weighted average number of equity shares for the respective periods. The weighted average number of shares have been derived as follows:

(a) For the year 2016-17 :

Particulars	No. of Shares	Days
(i) 12,69,23,000 Equity Shares of ₹ 10/- each (Fully Paid-up) at the beginning of the year	12,69,23,000	365
(ii) Shares issued during the year pursuant to IPO	3,87,19,309	148
(ii) Bonus element on issue of Equity Shares to employees pursuant to IPO	9,633	365
(iv) Weighted Average number of shares for computation of Basic Earnings Per Share	**14,26,32,517**	

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(b) For the year 2015-16 :

Particulars	No. of Shares	Days
(i) 5,00,00,000 Equity Shares of ₹ 10/- each (Fully Paid-up) and 7,69,23,000 of ₹ 10/- each (Partly Paid-up ₹ 7/- per each) at the beginning of the year	10,38,46,100	366
(ii) Third and final call of ₹ 3/- on 39,230,700 equity shares having nominal value of ₹ 10/- per share	1,17,69,210	235
(iii) Third and final call of ₹ 3/- on 37,692,300 equity shares having nominal value of ₹ 10/- per share	1,13,07,690	239
(iv) Bonus element on issue of Equity Shares to employees pursuant to IPO	9,633	366
(iv) Weighted Average number of shares for computation of Basic Earnings Per Share	**11,87,96,450**	

iii) The Diluted Earnings Per Share have been computed by dividing the Profit After Tax by the weighted average number of equity shares after giving effect of outstanding Stock Options for the respective periods. The weighted average number of shares have been derived as follows:

For the year 2016-17:

Particulars	No. of Shares	
	Current Year	Previous Year
(i) Weighted Average number of shares for computation of Basic Earnings Per Share	14,26,32,517	11,87,96,450
(ii) Dilute effect of outstanding stock Options	22,43,030	-
(iii) Weighted Average number of shares for computation of Diluted Earnings Per Share	**14,48,75,547**	**11,87,96,450**

27. **Segment Reporting:**

Company's main business is to provide loans against/for purchase, construction, repairs & renovations of Houses/ Flats/Commercial Properties etc. All other activities of the Company revolve around the main business. As such, there are no separate reportable segment, as per the Accounting Standard on Segment Reporting (AS-17), notified by the Companies (Accounting Standard) Rules, 2016.

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28. **Contingent Liabilities and Commitments**

i) Contingent liability in respect of Income-tax and Interest-tax demands of ₹ 20.33 Crore (Previous year ₹ 18.37 Crore) is disputed by the Company and are under appeals. These includes contingent liability of ₹ 17.69 Crore (Previous year ₹ 16.91 Crore) with respect to Income-tax and Interest-tax which have been decided by the CIT(A) in Company's favour. However, Income-tax Department has filed appeal with ITAT. The Company expects the demands to be set aside by the appellate authority and hence no additional provision is considered necessary.

ii) Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) is ₹ 14.11 Crore (Previous year ₹ 17.20 Crore).

iii) Claims against the Company not acknowledged as debt is ₹ Nil (Previous year ₹ Nil)

29. **Disclosure in respect of Employee Benefits:**

In accordance with Accounting Standards on "Employee Benefits" (AS 15), the following disclosure have been made:

29.1 The company has made contribution to Provident Fund of ₹ 3.71 Crore (Previous year ₹ 2.84 Crore) which has been recognised in the Statement of Profit and Loss which are included under "Contribution to Provident Fund and Other Funds" in Note 21.

29.2 The Company has recognised expenses of ₹ 1.14 Crore (Previous Year ₹ 0.87 Crore) in the Statement of Profit and Loss for Contribution to State Plan namely Employee' Pension Scheme.

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29.3 **Defined Benefit Plans**

GRATUITY LIABILITY

Change in present value of obligation (₹ in Crore)

Particulars	Current Year	Previous Year
Present value of obligation as at the beginning of the year	2.95	2.18
Interest cost	0.23	0.17
Current service cost	1.15	0.56
Benefits paid	(0.10)	(0.04)
Actuarial (gain) / loss on obligation	1.34	0.08
Present value of obligation as at the end of year	5.57	2.95

Change in fair value of plan assets (₹ in Crore)

Particulars	Current Year	Previous Year
Fair Value of plan assets as at the beginning of the year	3.47	2.64
Actual return on plan assets	0.28	0.23
Contributions	0.99	0.64
Benefits paid	(0.10)	(0.04)
Fair Value of plan assets as at the end of year	4.64	3.47
Funded status	(0.93)	0.52

Expense recognized in the statement of Profit and Loss (₹ in Crore)

Particulars	Current Year	Previous Year
Current service cost	1.15	0.56
Interest cost	0.23	0.17
Expected return on plan assets	(0.27)	(0.23)
Net actuarial (gain) / loss recognized in the year	1.33	0.08
Expenses recognized in the statement of profit & losses	2.44	0.58

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Assumptions

	Particulars	Current Year	Previous Year
a)	Discounting Rate	7.35%	8.00%
b)	Future salary Increase	7.75%	7.75%
c)	Expected Rate of Return on Plan Assets	7.75%	7.75%
d)	Retirement Age (Years)	60	60
e)	Mortality Table	IALM (2006-08)	IALM (2006-08)

Amount recognised in Balance Sheet **(₹ in Crore)**

Particulars	31-Mar-17	31-Mar-16	31-Mar-15	31-Mar-14	31-Mar-13
Present value of obligation as at the end of the year	5.57	2.95	2.18	1.57	1.33
Fair value of plan assets as at the end of the year	4.64	3.47	2.64	2.02	1.76
Funded / (Unfunded) status	(0.93)	0.52	0.46	0.45	0.43
Net asset / (liability) recognized in balance sheet	(0.93)	-	-	-	-

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30. **Corporate Social Responsibility Activities**

Other Expenses includes ₹ 3.68 Crore for the year ended March 31, 2017 (Previous year ₹ 3.98 Crore) contribution towards Corporate Social Responsibility (CSR) in accordance with Companies Act, 2013.

Disclosure on Corporate Social Responsibility (CSR) under section 135 of the Companies Act, 2013 is as under:
a) Gross amount required to be spent by the Company during the year is ₹ 6.50 Crore.
b) Amount spent during the year on: ₹ 5.72 Crore (includes ₹ 3.56 Crore for earlier years).

(₹ in Crore)

Sr. No.	Particulars	Current Year			Previous Year		
		In cash	Yet to be paid in cash	Total	In cash	Yet to be paid in cash	Total
i)	Construction/acquisition of any asset	-	-	-	-	-	-
ii)	On purposes other than (i) above:						
	a) Contribution to various Trust/NGOs/Societies/Agencies and utilisation thereon	1.77	1.65	3.42	0.33	3.52	3.85
	b) Expenditure on Administrative Overheads for CSR	0.26	-	0.26	0.13	-	0.13

c) Details of related party transactions in relation to CSR expenditure, as per Accounting Standard (AS-18) – ₹ Nil

d) An amount of ₹ 1.65 Crore had been provided for by the company suo-motu as on March 31, 2017 (Previous year ₹ 3.52 Crore) which relates to the projects sanctioned during FY 2016-17 and the disbursement would be done subject to the receipt of a satisfactory field visit report.

31. There are no indications which reflect that any of the assets of the Company had got impaired from its potential use and therefore no impairment loss was required to be accounted in the current year as per Accounting Standard on "Impairment of Assets" (AS 28) notified by the Companies (Accounting Standards) Rules, 2006.

32. **Auditors Remuneration**:

(₹ in Crore)

Particulars	Current Year	Previous Year
Statutory Audit Fee	0.15	0.12
Tax Audit Fee	0.05	0.05
Limited Review Fee	0.04	-
Other Certification Fee	0.13	0.12
Total	**0.37**	**0.29**

* Exclude fee paid to statutory auditor amounting to ₹ 0.40 Crore (Previous year ₹ Nil) for IPO related services.

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33. **Expenditure in Foreign Currency**:

(₹ in Crore)

Particulars	Current Year	Previous Year
Interest Paid	38.10	21.94
Other Expenses	5.51	-

34. Disclosure in respect of details of specified bank notes (SBN) held and transacted during demonetisation period from November 08, 2016 to December 30, 2016 is as follows:

(₹ in Crore)

Particulars	SBN	Other denomination notes	Total
Closing cash in hand as on 08.11.2016	0.75	0.02	0.77
(+) Permitted receipts	-	2.28	2.28
(-) Permitted payments	-	0.08	0.08
(-) Amount deposited in Banks	0.75	2.05	2.80
Closing cash in hand as on 30.12.2016	-	0.17	0.17

35. Previous year figures have been rearranged / regrouped wherever necessary to correspond with Current year's classification disclosure.

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Independent Auditors' Report

TO THE MEMBERS OF PNB HOUSING FINANCE LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of PNB Housing Finance Limited ("the Company"), which comprise the Balance Sheet as at 31st March, 2016, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act , read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

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

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's

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preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March, 2016 and its profit and its cash flows for the year ended on that date.

Emphasis of Matter

We refer to Note 3.2 to the financial statements, which describes the accounting treatment used by the Company in creating the Deferred Tax Liability on Special Reserve under section 36(1)(viii) of the Income Tax Act, 1961 as at April 1, 2014, which is in accordance with the National Housing Bank's Circular No. NHB (ND)/DRS/Pol. Circular No. 65/2014 dated August 22, 2014.

Our opinion is not qualified in respect of this matter.

Report on Other Legal and Regulatory Requirements

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

2. As required by section 143(3) of the Act, we report that:

   (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.

   (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.

   (c) The Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.

   (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

   (e) On the basis of written representations received from the directors as on 31st March, 2016 and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2016 from

B.R. MAHESWARI & CO. M-118, Conn. Circus New Delhi Chartered Accountants

being appointed as a director in terms of section 164 (2) of the Act.

(f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in Annexure 'II'.

(g) with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note 29(i) to the financial statements;

ii. The Company did not have any long term contracts including any derivative contracts for which there were any material foreseeable losses;

iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

3. As required by the Directions and Sub-Directions under section 143(5) of the Companies Act, 2013, refer Annexure 'III' on the matters specified.

For **B. R. Maheswari & Co.**
Chartered Accountants
Firm's Registration No. 001035N

Akshay Maheshwari
Partner
Membership No.504704

B.R. MAHESWARI & CO. M-118, Conn. Circus New Delhi Chartered Accountants

Place: New Delhi
Date: 12th May, 2016

Annexure 'I' to the Independent Auditors' Report
(Referred to in Paragraph 1 under the heading "Report on other legal and regulatory requirements" of our report of even date)

1) In respect of its fixed assets:

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

(b) As informed, fixed assets have been physically verified by the management in a phased periodical manner which in our opinion is reasonable having regard to the size of the Company and nature of its assets. No material discrepancies were noticed on such verification.

(c) Based upon the audit procedure performed and according to the records of the Company, the title deeds of all the immovable properties are held in the name of the Company

2) The provisions of paragraph (ii) of the order are not applicable to the Company, as the Company is engaged in the financial services sector.

3) As informed, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Act for the financial year 2015-16, and accordingly clauses (a), (b) and (c) of para (iii) of the order are not applicable.

4) As informed, the Company has complied with the provisions of section 185 and 186 of the Act, in respect of loans, investments, guarantees and security.

5) In our opinion and according to the information and explanations given to us, the Company has complied with the directives issued by the Reserve Bank of India, provisions of section 73 to 76 and other relevant provisions of the Act, the Companies (Acceptance of Deposit) Rules, 2014 to the extent applicable, and The Housing Finance Companies (NHB) Directions, 2010, with regard to acceptance of deposits from the public. No order has been passed by the Company Law Board or the National Company Law Tribunal or Reserve Bank of India or by any other court or tribunal with regard to such deposits.

6) Since the Company is engaged in the financial services sector, provisions of sub-section (1) of section 148 of the Companies Act, 2013 are not applicable to the Company.

7) (a) According to the information and explanations given to us, the Company has generally been regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, value Added Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues applicable to it. According to the information and explanations given to us, no undisputed amounts payable

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M-118, Conn. Circus New Delhi
Chartered Accountants

in respect of the aforesaid dues were outstanding as at 31st March, 2016 for a period of more than six months from the date they become payable.

(b) According to the information and explanations given to us, the details of disputed amount of Income Tax, Value Added Tax, Sales Tax, Excise Duty, Custom Duty, Service Tax and Cess not deposited by the Company are as follows :

Name of the statute	Nature of the dues	Amount under dispute not yet deposited (Rs. In Lacs)	Period to which the amount relates (Assessment Year)	Forum where dispute is pending
Income tax Act, 1961	Income tax	42.63	2013-14	CIT (Appeals)
Income tax Act, 1961	Income tax	415.16	2012-13	CIT (Appeals)
Income tax Act, 1961	Income tax	32.02	2011-12	CIT (Appeals)
Income tax Act, 1961	Income tax	11.10	2009-10	ITAT
Income tax Act, 1961	Income tax	2.29	2008-09	ITAT
Total		**503.22**		

8) Based on the information and explanations given to us, we are of the opinion that the Company has not defaulted in repayment of loans and borrowings to the financial institutions, banks or debenture holders. The Company did not have any outstanding loans and borrowings from government during the year.

9) The company has not raised any money by way of public offer during the year. In our opinion, the term loans have been applied for the purpose for which they were obtained.

10) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year, although there have been few instances of loans becoming doubtful of recovery consequent upon fraudulent misrepresentation by borrowers, the amounts whereof are not material in the context and size of the Company and the nature of its business and which have been provided for.

11) In our opinion, the managerial remuneration has been paid or provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act.

12) The Company is not a nidhi company. Therefore, the provisions of clause 3(xii) of the Order are not applicable to the Company.

13) In our opinion, all transactions with the related parties are in compliance with sections 177 and 188 of the Act wherever applicable and the details have been disclosed in the Financial Statements, as required by the applicable accounting standards.

B.R. MAHESWARI & CO.
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Conn. Circus
New Delhi
Chartered Accountants

14) The company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year, therefore reporting under clause 3(xiv) of the Order are not applicable.

15) According to the information and explanations given to us and on an overall examination of the financial statements of the Company, we report that the Company has not entered into any non-cash transaction with directors or persons connected with him.

16) In our opinion, the Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

For **B. R. Maheswari & Co**
Chartered Accountants
Firm's Registration No: 001035N

Akshay Maheshwari
Partner
Membership No: 504704

B.R. MAHESWARI & CO.
M-118, Conn. Circus New Delhi
Chartered Accountants

Place: New Delhi
Date: 12th May, 2016

Annexure 'II' to the Independent Auditors' Report
(Referred to in Paragraph 2(f) under the heading "Report on other legal and regulatory requirements" of our report of even date)

Report on the Internal Financial Controls under clause (i) of sub section 3 of section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of PNB Housing Finance Limited ("the Company") as of March 31, 2016 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ("ICAI"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

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Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31st March, 2016 based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **B. R. Maheswari & Co**
Chartered Accountants
Firm's Registration No: 001035N

B. R. MAHESWARI & CO. M-118, Conn. Circus New Delhi * Chartered Accountants *

Akshay Maheshwari
Partner
Membership No: 504704

Place: New Delhi
Date: 12th May, 2016

Annexure 'III' to the Independent Auditors' Report
(Referred to in Paragraph 3 under the heading "Report on other legal and regulatory requirements" of our report of even date)

Directions and Sub-Directions under sub section (5) of section 143 of Companies Act, 2013 for the year 2015-16 for PNB Housing Finance Limited ("the Company")

A.	**Directions**	
1.	Whether the Company has clear title/ lease deeds for freehold and leasehold respectively? If not, please state the area of freehold and leasehold land for which the title/ lease deeds are not available.	The Company does not own any land.
2.	Whether there are any cases of waiver/ write off of debts/loans/interest etc., if yes, the reasons thereof and the amount involved.	The Company has written off Rs. 255.15 lacs as bad debts during the year due to non-recoverability.
3.	Whether proper records are maintained for inventories lying with third parties & assets received as gift/ grant (s) from the Govt. or other authorities.	The Company, being in Housing Finance business, does not hold any inventory. The Company has not received any assets from the government as gift/ grant (s) during the year.
B.	**Sub-Directions**	
1.	Independent verification may be made of information/inputs furnished to Actuary, viz number of employees, average salary, retirement age and assumptions made by the actuary regarding discount rate, future cost increase, mortality rate, etc for arriving at the provision for liability of retirement benefits, viz gratuity, leave encashment, post retirement medical benefits etc.	Retirement benefits provided by the Company include Gratuity and Leave Encashment. Provision for Gratuity liability is made on the basis of an actuarial valuation done by the Life insurance Corporation of India (LIC), who manages the Company Gratuity fund. Liability for Leave Encashment is recognised on the basis of an actuarial valuation conducted by an independent actuary. We have independently verified the information furnished to LIC and the independent Actuary for calculation of liability on account of retirement benefits.

For **B. R. Maheswari & Co**
Chartered Accountants
Firm's Registration No: 001035N

Akshay Maheshwari
Partner
Membership No: 504704

Place: New Delhi
Date: 12th May, 2016

PNB HOUSING FINANCE LIMITED

BALANCE SHEET AS AT MARCH 31, 2016

	Note	As at 31-Mar-16 (₹ in Lacs)	As at 31-Mar-15 (₹ in Lacs)
EQUITY AND LIABILITIES			
Shareholder's Funds			
Share Capital	2	12,692.30	10,384.61
Reserves and Surplus	3	2,01,897.73	1,47,742.52
		2,14,590.03	1,58,127.13
Non-Current Liabilities			
Long-Term Borrowings	4	16,64,621.52	11,10,513.89
Deferred Tax Liabilities (Net)	5	3,046.97	795.32
Other Long-Term Liabilities	6	10,079.02	25,876.46
Long-Term Provisions	7	16,093.23	8,157.57
		16,93,840.74	11,45,343.24
Current Liabilities			
Short-Term Borrowings	8	7,44,840.96	3,44,726.54
Trade Payables	9	7,524.18	5,774.58
Other Current Liabilities	10	2,99,186.95	2,44,097.35
Short-Term Provisions	7	7,111.82	5,257.36
		1,058,663.91	5,99,855.83
TOTAL		29,67,094.68	19,03,326.20

B.R. MAHESWARI & CO. M-118, Conn. Circus New Delhi * Chartered Accountants *

	Note	As at 31-Mar-16 (₹ in Lacs)	As at 31-Mar-15 (₹ in Lacs)
ASSETS			
Non-Current Assets			
Fixed Assets			
Tangible Assets	11	4,815.13	3,829.93
Intangible Assets	11	996.16	127.55
Capital Work-in-Progress		405.23	1,810.32
Non-Current Investments	12	81,396.21	21,912.49
Long-Term Loans And Advances	13	25,62,356.12	14,38,217.24
Other Non-Current Assets	14	18,800.78	12,319.11
		26,68,769.63	14,78,216.64
Current Assets			
Current Investments	15	80,831.24	1,36,685.03
Cash and Bank Balances	16	24,853.59	29,314.20
Short-Term Loans and Advances	17	1,800.57	2,019.73
Other Current Assets	18	1,90,839.65	2,57,090.60
		2,98,325.05	4,25,109.56
TOTAL		29,67,094.68	19,03,326.20

B.R. MAHESWARI & CO. M-118, Conn. Circus New Delhi Chartered Accountants

Significant Accounting Policies	1

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

In terms of our report of even date
For B.R. Maheswari & Co.
Chartered Accountants

Akshay Maheshwari
Partner
M. No : 504704
FR No : 001035N

Place: New Delhi
Date: May 12, 2016

For and on behalf of the Board

Sanjaya Gupta
Managing Director

Sunil Kaul
Director

Usha Ananthasubramanian
Chairperson

Jayesh Jain
Chief Financial Officer

Sanjay Jain
Company Secretary

B.R. MAHESWARI & CO.
M-118,
Conn. Circus
New Delhi
Chartered Accountants

PNB HOUSING FINANCE LIMITED

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2016

	Note	Year Ended 31-Mar-16 (₹ in Lacs)	Year Ended 31-Mar-15 (₹ in Lacs)
INCOME			
Revenue from Operations	19	2,69,659.36	1,77,672.61
TOTAL REVENUE		2,69,659.36	1,77,672.61
EXPENSES			
Interest Expenses and Other Charges	20	1,86,028.53	1,26,484.30
Employee Benefit Expense	21	7,528.33	6,706.26
Office Operating Expenses	22	5,643.41	4,480.71
Other Expenses	23	10,533.65	6,090.44
Depreciation & Amortisation	11	1,503.94	522.75
Provision for Doubtful Debts & Contingencies		7,857.57	3,708.37
Bad Debts Written Off		255.15	102.29
TOTAL EXPENSES		2,19,350.58	1,48,095.12
PROFIT BEFORE TAX		50,308.78	29,577.49
Less: Provision for Taxation -Current Tax		16,598.00	8,980.00
-Earlier years		135.25	-
-Deferred Tax(Net)		928.41	986.52
PROFIT AFTER TAX		32,647.12	19,610.97
Earnings Per Share:	27		
-Basic (Face Value ₹ 10 per share) (in ₹)		27.48	24.41
-Diluted (Face Value ₹ 10 per share) (in ₹)		27.48	24.41

B.R. MAHESWARI & CO. M-118, Conn. Circus New Delhi

Significant Accounting Policies	1

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

In terms of our report of even date
For B.R. Maheswari & Co.
Chartered Accountants

Akshay Maheshwari
Partner
M. No : 504704
FR No : 001035N

For and on behalf of the Board

Sanjaya Gupta
Managing Director

Sunil Kaul
Director

Usha Ananthasubramanian
Chairperson

Jayesh Jain
Chief Financial Officer

Sanjay Jain
Company Secretary

Place: New Delhi
Date: May 12, 2016

M-118, Conn. Circus New Delhi
B.R. MAHESWARI & CO. * Chartered Accountants *

PNB HOUSING FINANCE LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2016

(Indirect Method)

	Year Ended 31-Mar-16 (₹ in Lacs)	Year Ended 31-Mar-15 (₹ in Lacs)
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit Before Tax	50,308.78	29,577.49
Adjustment for non-cash item/items, to be disclosed separately		
Add: Depreciation	1,503.94	522.75
Loss on sale of fixed assets	11.83	22.08
Provision for Doubtful Debts & Contingencies	7,857.57	3,708.37
Bad debts written off/ Business Loss	255.15	102.29
	9,628.49	4,355.49
Operating Profits before Changes in Working Capital	59,937.27	33,932.98
Adjustment for Changes in working capital and provisions:		
Increase/ (Decrease) in Trade Payables	1,749.60	1,682.58
Increase/ (Decrease) in Long-Term Provision	239.39	168.28
Increase/ (Decrease) in Short-Term Provision	7.86	1,941.39
Increase/ (Decrease) in Other Current Liabilities	49,996.07	22,819.83
Increase/ (Decrease) in Other Long-Term Liabilities	(9,772.67)	16,399.06
(Increase)/ Decrease in Long-Term Loans & advances	(11,24,394.03)	(5,74,254.74)
(Increase)/ Decrease in Short-Term Loans & advances	30.26	(4,147.84)
(Increase)/ Decrease in Other Non-Current Assets	(6,481.67)	(5,500.68)
(Increase)/ Decrease in Other Current Assets	65,980.34	(55,348.01)
Investments (Net)	(3,633.85)	(94,050.19)
(Increase)/ Decrease in Other Bank Balances	16,438.88	(13,254.50)
	(10,09,839.82)	(7,03,544.82)
Cash Generated from Operations	**(9,49,902.55)**	**(6,69,611.84)**
Taxes Paid (net of refunds)	(16,544.35)	(8,937.25)
CSR expenses	-	(269.58)
NET CASH USED IN OPERATING ACTIVITIES	**(9,66,446.90)**	**(6,78,818.67)**

B.R. MAHESWARI & CO. M-118, Conn. Circus New Delhi Chartered Accountants

B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(1,971.33)	(3,747.63)
Sale of Fixed Assets	6.83	13.69
	(1,964.50)	(3,733.94)
NET CASH USED IN INVESTING ACTIVITIES	**(1,964.50)**	**(3,733.94)**
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from borrowings:		
-Bonds	5,01,500.00	1,10,000.00
-Banks	-	3,07,069.50
-Unsecured Loans (net)	5,77,434.84	4,64,432.34
Repayment of borrowings:		
-Bonds	(10,000.00)	(8,500.00)
-Banks	(1,15,644.03)	(2,35,971.65)
Proceeds from issue of Share Capital	2,307.69	3,815.39
Share Premium Received	27,692.28	45,784.58
Share Premium Utilised	-	(100.65)
Dividend paid (including dividend distribution tax)	(2,901.11)	(1,759.45)
NET CASH FROM FINANCING ACTIVITIES	**9,80,389.67**	**6,84,770.06**
NET CHANGES IN CASH & CASH EQUIVALENTS (A+B+C)	**11,978.27**	**2,217.45**
Cash or Cash equivalents (Opening Balance)	4,692.44	2,474.99
Cash or Cash equivalents (Closing Balance)	16,670.71	4,692.44
NET INCREASE OF CASH OR CASH EQUIVALENTS DURING THE YEAR	**11,978.27**	**2,217.45**

NOTE : Figures in bracket denotes application of cash

B.R. MAHESWARI & CO.
M-118,
Conn. Circus
New Delhi
Chartered Accountants

Significant Accounting Policies 1

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

In terms of our report of even date		For and on behalf of the Board	
For B.R. Maheswari & Co.			
Chartered Accountants			
Akshay Maheshwari	**Sanjaya Gupta**	**Sunil Kaul**	**Usha Ananthasubramanian**
Partner	**Managing Director**	**Director**	**Chairperson**
M No : 504704			
FR No : 001035N			
Place: New Delhi	**Jayesh Jain**		**Sanjay Jain**
Date: May 12, 2016	**Chief Financial Officer**		**Company Secretary**

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 GENERAL METHOD AND SYSTEM OF ACCOUNTING

The financial statements are prepared under the historical cost convention on accrual basis of accounting and in accordance with accounting principles generally accepted in India. The Financial Statements comply in all material aspects with the Accounting Standards specified under section 133 of Companies Act, 2013 read with rule 7 of the Company (Accounts Rules 2014 and the relevant provisions of the Companies Act, 2013, the National Housing Bank Act, 1987 and the Housing Finance Companies (NHB) Directions, 2010 as amended from time to time, unless stated otherwise hereinafter.

Accounting policies not specifically referred to otherwise are consistent with the generally accepted accounting principles followed by the Company.

1.2 USE OF ESTIMATES

The preparation of financial statements require the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses during the reporting period. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates.

1.3 SYSTEM OF ACCOUNTING

The Company adopts the accrual concept in the preparation of the financial statements.

The Balance Sheet and the Statement of Profit and Loss of the Company are prepared in accordance with the provisions contained in Section 129 of the Companies Act, 2013, read with Schedule III.

1.4 OPERATING CYCLE

Based on the nature of its activities, the Company has determined its operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non-current.

B.R. MAHESWARI & CO.
M-118, Conn. Circus New Delhi
Chartered Accountants

1.5 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.

1.6 CASH AND CASH EQUIVALENTS (FOR PURPOSES OF CASH FLOW STATEMENT)

Cash comprises cash-on-hand and demand deposits with banks. Cash equivalents are short-term deposits with banks (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 change in value.

1.7 REVENUE RECOGNITION

i) INTEREST ON LOANS

Interest income is recognised on accrual basis except in case of non-performing assets where interest is accounted on realisation. Interest on loans is computed either on an annual rest, on a monthly rest or on a daily rest basis depending upon loan product. EMIs commence once the entire loan is disbursed. Certain customers request for commencement of regular principal repayments even before the entire loan is disbursed, especially when the projects are of long gestation. Pending commencement of EMIs, Pre-EMI interest is charged every month. Interest on loans purchased through direct assignment is recognised on accrual basis.

Interest income is allocated over the contractual term of the loan by applying the committed interest rate to the outstanding amount of the loan. Interest income is accrued as earned with the passage of time.

Interest on loan assets classified as "non-performing" is recognised only on actual receipt.

ii) INCOME FROM INVESTMENT

Interest income on Investment is recognized on accrual basis. Dividend income is accounted for in the year in which the same is received. The gain / loss on account of long-term Investment at discount / premium in Debentures/Bonds and Government Securities, is amortised over the life of the security on a pro-rata basis.

iii) FEE AND OTHER CHARGES

Income from login fee, other charges and penal interest on defaults, pre-payment charges etc. is recognised on receipt basis. Processing Fee on loans is recognised over the average tenure of the loan. The average tenure of loan has been arrived at based on the past experience of repayment behaviour of the borrowers.

B.R. MAHESWARI & CO
M-118, Conn. Circus New Delhi
Chartered Accountants

iv) OTHER INCOME

Other income and interest on tax refunds except service fee on securitised portfolio are accounted for on receipt basis.

1.8 TANGIBLE ASSETS

Tangible Assets are capitalised at cost including all expenses incidental to the acquisition/installation.

1.9 INTANGIBLE ASSETS

Intangibles Assets are recognised where it is possible that the future economic benefit attributable to the asset will flow to the company and its cost can be reliably measured. Intangibles are capitalised at cost including all expenses attributable for bringing the same in its working condition.

1.10 DEPRECIATION / AMORTISATION

Depreciation on Tangible Assets is provided on the Straight Line Method at the lives prescribed in Part C of Schedule II of the Companies Act, 2013 on pro-rata basis, except the following items on which different useful lives for depreciation have been charged:

i) Networking Equipment and Mobile phone instruments are depreciated over a period of five and three years respectively.
ii) Leasehold Improvements are depreciated over a period of five years.
iii) Assets costing up to ₹ 5,000/- is fully depreciated in the year of purchase.

Intangible Assets are amortised over a period of five years except website development costs which are amortised over a period of three years.

1.11 INVESTMENTS

Investments are capitalised at cost inclusive of brokerage and stamp charges. Investments are classified as long-term investments (Non-Current Investment) and current investments and are valued in accordance with guidelines of National Housing Bank and Accounting Standard on 'Accounting for Investments' (AS-13) issued by The Institute of Chartered Accountants of India.

1.12 EMPLOYEE BENEFITS

i) The Company has taken Policy from Life Insurance Corporation of India to cover the accumulated gratuity liability of its employees as Defined Benefit Plan. The premium on this policy has been accounted for on accrual basis in line with the Accounting Standard on 'Accounting for Employee Benefits' (AS-15)-Revised, issued by the Institute of Chartered Accountants of India.

ii) Leave benefits for both short-term and long-term compensated absences are accounted for on actuarial valuation determined as at the year end. Actuarial gains and losses comprising of experience adjustments and effects of changes in actuarial assumptions, are recognised immediately in Statement of Profit and Loss as income or expense.

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iii) Provident Fund Contribution paid to Employees Provident Fund Organisation is debited to the Statement of Profit and Loss on accrual basis.

iv) Incentive paid to employees in terms of performance linked incentive scheme is charged to Statement of Profit and Loss on accrual basis.

1.13 TRANSACTION INVOLVING FOREIGN EXCHANGE

i) Foreign currency monetary liabilities are translated at the rate which reflects the liability of the Company in Indian Rupee which is likely to be repaid at the balance sheet date.

ii) Income and expenditure items are accounted for at the exchange rate prevailing on the date of transaction.

iii) Generally Exchange differences arising on Foreign Currency transactions are recognised as income or expense as the case may be in the period in which they arise. However, in case of forward exchange contracts, the Exchange difference between the forward rate and the exchange rate at the date of transaction is recognised as an income or expense over the life of the forward contract in line with Accounting Standard on 'Accounting for the Effects of Changes in Foreign Exchange Rates' (AS-11) issued by The Institute of Chartered Accountants of India.

1.14 BORROWING COSTS

i) Interest of borrowings are recognised as an expense in the period in which they are incurred.
ii) Ancillary cost in connection with long-term borrowing are amortised to the Statement of Profit and Loss over the tenure of the borrowing. Issue expenses of certain securities are charged to Securities Premium account.

1.15 OPERATING LEASES

Lease payments for assets taken on operating lease are recognised as an expense in the Statement of Profit and Loss as per terms of lease agreement.

1.16 EARNINGS PER SHARE

The basic earnings per share is computed by dividing the net profit or loss attributable to the equity shareholders for the year by the weighted average number of equity shares outstanding during the reporting year. The number of shares used in computing diluted earnings per share comprises the weighted average number of shares considered for deriving earnings per share, and also the weighted average number of equity shares, which could have been issued on the conversion of all dilutive potential shares. In computing dilutive earnings per share, only potential equity shares that are dilutive and that reduce profit per share are included.

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1.17 TAXES ON INCOME

Taxes on Income are accounted for in accordance with Accounting Standard (AS)–22–"Accounting for taxes on income", issued by The Institute of Chartered Accountants of India. Income tax comprises both current and deferred tax.

Current tax is measured on the basis of estimated taxable income and tax credits computed in accordance with the provisions of the Income Tax Act, 1961 and rules made thereunder.

The tax effect of timing differences that result between taxable income and accounting income and are capable of reversal in one or more subsequent periods are recorded as a deferred tax asset or deferred tax liability. Such deferred tax is quantified using the tax rates and laws enacted of substantively enacted as at Balance Sheet date. The carrying amount of deferred tax asset/liability is reviewed at each Balance Sheet date and consequential adjustments are carried out.

Deferred tax assets on account of other timing differences are recognised only to the extent there is a reasonable certainty of its realisation.

1.18 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

i) Provisions are recognised when the Company has a legal and constructive obligation as a result of a past event, for which it is probable that cash outflow will be required and a reliable estimate can be made of the amount of the obligation. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

ii) Contingent liabilities are disclosed when the Company has a possible or present obligation where it is not probable that an outflow of resources will be required to settle it.

iii) Contingent Assets are neither recognised nor disclosed.

1.19 PROIVISION FOR STANDARD ASSETS, NON-PERFORMING ASSETS (NPAs) AND CONTINGENCIES

The Company's policy is to carry adequate amounts towards Provision for Standard Assets, Non-Performing Assets (NPAs) and other contingencies. All loans and other credit exposures where the instalments are overdue for more than ninety days are classified as NPAs in accordance with the prudential norms prescribed by the National Housing Bank (NHB). The provisioning policy of the Company covers the minimum provisioning required as per the NHB guidelines. Excess provisions over and above provisioning requirement for Standard Assets and NPAs are carried under Provision for Contingencies Account.

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1.20 STOCK OF ACQUIRED PROPERTIES

The assets acquired by the Company under SARFAESI Act, 2002 are classified as 'Stock of Acquired Properties' and are valued at outstanding dues or net realisable value, whichever is lower.

1.21 LOAN ORIGINATION / ACQUISITION COST

All direct costs incurred for the loan origination are amortised over the average tenure of the loan. The average tenure of loan has been arrived at based on the past experience of repayment behaviour of the borrowers.

1.22 UNCLAIMED DEPOSITS

Deposits, which have become due but have not been presented for payment or renewal, are transferred to unclaimed deposits. Interest for the period from last maturity date till the date of renewal of unclaimed deposits is accounted for during the year of its renewal.

1.23 IMPAIRMENT OF ASSETS

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset is less than the carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the Statement of Profit and Loss. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost.

1.24 SECURITISATION OF LOANS

Securitised and assigned assets are de-recognised in the books of the Company based on the principle of transfer of ownership over the assets.

Transfer of pool of loan assets under the current RBI guidelines involve transfer of proportionate shares in the pool of loan assets. Such transfers result in de-recognition only of that proportion of the loan assets which meets the de-recognition criteria. The portion retained by the Company continue to be accounted for as loan assets as described above.

On de-recognition, the difference between the book value of the securitised loan assets and consideration received is recognised as gain arising on securitisation in the Statement of Profit and Loss over the balance maturity period of the pool transferred. Losses, if any, arising from such transactions, are recognised immediately in the Statement of Profit and Loss.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016 (Continued)

2. SHARE CAPITAL

	As at 31-Mar-16 (₹ in Lacs)	As at 31-Mar-15 (₹ in Lacs)
Authorised Share Capital		
15,00,00,000 Equity Shares of ₹ 10/- each (Previous year 15,00,00,000 Equity Shares)	15,000.00	15,000.00
Equity Share Capital		
Issued, Subscribed and Paid-up Capital		
12,69,23,000 Equity Shares of ₹ 10/- each fully Paid up (Previous year 5,00,00,000 Equity Shares of ₹ 10/- each)	12,692.30	5,000.00
Nil Partly Paid-Up Equity Shares of ₹ 10/- each (Previous year ₹ 7/- Partly Paid-up on 7,69,23,000 Equity Shares)	-	5,384.61
	12,692.30	10,384.61

2.1 Reconciliation of Number of Shares

	As at 31-Mar-16		As at 31-Mar-15	
Equity Shares	**No. of Shares**	**(₹ in Lacs)**	**No. of Shares**	**(₹ in Lacs)**
At the beginning of the year	12,69,23,000	10,384.61	8,92,30,700	6,569.22
Issued during the year	-	2,307.69	3,76,92,300	3,815.39
Outstanding at the end of the year	12,69,23,000	12,692.30	12,69,23,000	10,384.61

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

	As at 31-Mar-16		As at 31-Mar-15	
Name of Shareholder	**No. of Shares**	**% of Holding**	**No. of Shares**	**% of Holding**
Punjab National Bank (Holding Company)	6,47,30,700	51.00	6,47,30,700	51.00
Destimoney Enterprises Limited	6,21,92,300	49.00	6,21,92,300	49.00

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2.3 Terms/Rights attached to Equity Shares

The Company has only one class of Equity Shares having a par value of ₹ 10/- per Share. Each Shareholder is entitled to one vote per Share held.

2.4 Rights Issue of Equity Shares

During the financial year 2013-14, the Company approved Rights Issue of 7,69,23,000 Equity Shares of ₹ 10 each along with premium of ₹ 120 per share. The Company had allotted 3,92,30,700 Equity Shares in financial year 2013-14 and 3,76,92,300 Equity Shares in financial year 2014-15.

During the financial year 2014-15, the Company had called ₹ 3/- along with proportionate premium of ₹ 36/- per share on 7,69,23,000 equity shares.

During the financial year 2015-16, the Company has called third and final call of ₹ 3 along with proportionate premium of ₹ 36 per share on 7,69,23,000 Equity Shares and the call was fully received.

2.5 Issue of Bonus Shares

During the financial year 2012-13, the Company had issued 64,70,589 Equity Shares of ₹ 10 each as fully paid up Bonus Shares after capitalisation of General Reserves of ₹ 647.06 Lacs to shareholders in proportion of their shareholding.

3. RESERVES AND SURPLUS

	As at 31-Mar-16 (₹ in Lacs)	As at 31-Mar-15 (₹ in Lacs)
Special Reserve		
Created under Section 36(1) (viii) of the Income Tax Act,1961		
Opening Balance	18,135.81	15,025.81
Add: Transferred from the Statement of Profit and Loss	5,840.00	3,110.00
	23,975.81	18,135.81
Statutory Reserve		
As per Section 29 C of National Housing Bank Act, 1987		
Opening Balance	2,334.00	1,519.00
Add: Transferred from the Statement of Profit and Loss	690.00	815.00
	3,024.00	2,334.00

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NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016 (Continued)

General Reserve		
Opening Balance	39,212.84	37,989.66
Add: Transferred from the Statement of Profit and Loss	4,897.00	2,500.00
Less: Utilised for creating Deferred Tax Liability on Special Reserve	1,323.25	1,276.82
	42,786.59	39,212.84
Securities Premium Reserve		
Opening Balance	76,894.08	31,210.15
Add: Premium on issue of equity shares	27,692.28	45,784.58
Less: Share issue expenses	-	100.65
	1,04,586.36	76,894.08
Surplus in the Statement of Profit and Loss		
Opening Balance	11,165.79	1,150.51
Profit for the year	32,647.12	19,610.97
Amount Available for Appropriation	43,812.91	20,761.48
Appropriations:		
-Special Reserve	5,840.00	3,110.00
-Statutory Reserve (U/s. 29C of the NHB Act)	690.00	815.00
-General Reserve	4,897.00	2,500.00
-Proposed Dividend	4,038.75	2,410.41
-Dividend Distribution Tax	822.19	490.70
-Corporate Social Responsibility Activities (Refer Note 31)	-	269.58
Net Surplus in the Statement of Profit and Loss	27,524.97	11,165.79
	2,01,897.73	1,47,742.52

3.1 As per Section 29C(i) of the National Housing Bank Act, 1987, the Company is required to transfer at least 20% of its net profit every year to a reserve before any dividend is declared. For this purpose any Special Reserve created by the Company under Section 36(1) (viii) of the Income Tax Act, 1961 is considered to be an eligible transfer. The Company has transferred an amount of ₹ 5,840.00 Lacs (Previous year ₹ 3,110.00 Lacs) to Special Reserve in terms of Section 36 (1)(viii) of the Income Tax Act, 1961.

3.2 Vide circular NHB (ND)/DRS/Policy Circular 65 / 2014-15 dated August 22, 2014, the National Housing Bank ("NHB") has directed Housing Finance Companies (HFCs) to provide for a deferred tax liability in respect of amount transferred to "Special Reserve" created under section 36(1) (viii) of the Income Tax Act, 1961. As per the above circular, NHB has advised HFCs to create deferred tax liability in respect of accumulated balance of Special Reserve as at April 1, 2014 from the free reserves over a period of 3 years starting with financial year 2014-15, ~~in a~~ phased manner in the ratio of 25:25:50. Accordingly,

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the Company has adjusted the balance in free reserves as at April 01, 2015 by ₹ 1,323.25 Lacs (Previous year ₹ 1,276.82 Lacs) with respect to second tranche of deferred tax liability on Special Reserve balance as at April 01, 2014.

Company has charged its Statement of Profit and Loss for the year ended March 31, 2016 by ₹ 2,040.33 Lacs (Previous year ₹ 1,057.09 Lacs) with the deferred tax liability on an additional amount appropriated towards Special Reserve out of current year's profit. This amount is reflected under the head "Tax Expenses".

3.3 The Company has transferred an amount of ₹ 690.00 Lacs (Previous year ₹ 815.00 Lacs) to Statutory Reserve u/s 29C of the National Housing Bank Act, 1987.

3.4 In terms of requirement of NHB's Circular No. NHB(ND)/DRS/Pol.Circular.61/2013-14 dated April 7, 2014 following information on Reserve Fund under section 29C of NHB Act, 1987 is provided :

	Particulars	As at 31-Mar-16 (₹ in Lacs)	As at 31-Mar-15 (₹ in Lacs)
	Balance at the beginning of the year		
a)	Statutory Reserve u/s 29C of NHB Act, 1987	2,334.00	1,519.00
b)	Amount of Special Reserve u/s 36 (1)(viii) of Income Tax Act, 1961 taken into account for the purposes of Statutory Reserve u/s 29C of NHB Act, 1987	18,135.81	15,025.81
c)	Total	20,469.81	16,544.81
	Addition / Appropriation / Withdrawal during the year		
	Add :		
a)	Amount transferred u/s 29C of the NHB Act, 1987	690.00	815.00
b)	Amount of Special Reserve u/s 36 (1)(viii) of Income Tax Act, 1961 taken into account for the purpose of Statutory Reserve u/s 29C of NHB Act, 1987	5,840.00	3,110.00
	Less :		
a)	Amount appropriated from Statutory Reserve u/s 29C of the NHB Act, 1987	-	-
b)	Amount withdrawn from Special Reserve u/s 36 (1)(viii) of Income Tax Act, 1961 which has been taken into account for the purpose of provision u/s 29C of NHB Act, 1987	-	-
		26,999.81	20,469.81
	Balance at the end of the year		
a)	Statutory Reserve u/s 29C of NHB Act, 1987	3,024.00	2,334.00
b)	Amount of Special Reserve u/s 36 (1)(viii) of Income Tax Act, 1961 taken into for the purposes of Statutory Reserve u/s 29C of the NHB Act, 1987	23,975.81	18,135.81
c)	**Total**	26,999.81	20,469.81

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4. LONG-TERM BORROWINGS

	Non-Current Maturities		Current Maturities	
	As at 31-Mar-16 (₹ in Lacs)	As at 31-Mar-15 (₹ in Lacs)	As at 31-Mar-16 (₹ in Lacs)	As at 31-Mar-15 (₹ in Lacs)
Secured Borrowings				
Term Loans:				
National Housing Bank	1,82,639.79	158,254.21	25,244.97	19,163.42
Banks	58,683.80	195,962.67	57,261.57	1,18,369.13
External Commercial Borrowing	61,069.50	61,069.50	-	-
Redeemable Non-Convertible Debentures	8,58,000.00	3,96,500.00	19,000.00	-
	11,60,393.09	8,11,786.38	1,01,506.54	1,37,532.55
Unsecured Borrowings				
Redeemable Non-Convertible Subordinated Debentures	61,000.00	40,000.00	-	10,000.00
Public Deposits	4,43,228.43	2,58,727.51	90,397.78	45,303.01
	5,04,228.43	2,98,727.51	90,397.78	55,303.01
Current Maturity of Long-Term Borrowings disclosed under the head "Other Current Liabilities" (Refer Note 10)	-	-	(1,91,904.32)	(1,92,835.56)
	16,64,621.52	11,10,513.89	-	-

4.1 Refinance from National Housing Bank (NHB) and Term Loans from Banks:

Nature of Security

a) Refinance from National Housing Bank (NHB) and Term Loans from Banks other than Punjab National Bank are secured by hypothecation of specific loans/ book debts against which Refinance/ Term Loan has been availed.

b) Term Loan from Punjab National Bank is secured by hypothecation of book debts and negative lien on properties charged to the Company against loans disbursed.

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Maturity Profile of Term Loans from National Housing Bank: (₹ in Lacs)

Maturities	≤ 1 year	1 - 3 years	3 - 5 years	> 5 years	Total
Rate of interest					
6.00% - 8.00%	996.73	1,328.97	845.89	-	3,171.59
	(1,380.81)	(2,657.94)	(845.89)	-	(4,884.64)
8.01% - 10.00%	17,937.00	23,916.00	46,007.96	1,16,852.21	2,04,713.17
	(17,767.91)	(41,228.51)	(38,772.76)	(74,602.21)	(1,72,371.39)
10.01% - 12.00%	-	-	-	-	-
	(14.70)	(39.20)	(39.20)	(68.50)	(161.60)

(Previous year figures are in bracket)

Maturity Profile of Term Loans from Banks: (₹ in Lacs)

Maturities	≤ 1 year	1 - 3 years	3 - 5 years	> 5 years	Total
Rate of interest					
9.25% - 11.00%	57,261.57	53,683.80	5,000.00	-	1,15,945.37
	(1,18,369.13)	(1,64,672.54)	(31,290.13)	-	(3,14,331.80)

(Previous year figures are in bracket)

4.2 External Commercial Borrowing

During the financial year 2014-15, the Company has availed External Commercial Borrowing of USD 100 million for financing prospective owners of low cost affordable housing units under "approval route" in terms of Reserve Bank of India guidelines dated December 17, 2012. This facility is secured against eligible affordable housing loans. The borrowing has a maturity of five years. In terms of the RBI guidelines, these borrowings have been swapped into rupees for the entire maturity by way of principal only swaps and interest payable (fixed coupon) have been swapped into Rupees for the entire maturity by way of interest only swaps.

As at March 31, 2016, the Company has foreign currency borrowings of USD 100 million equivalent (Previous year USD 100 million). The Company has undertaken currency swap contracts on a notional amount of USD 100 million equivalent (Previous year USD 100 million) to hedge the foreign currency risk. Further, interest rate swaps (fixed coupon only) on a notional amount of USD 100 million equivalent (Previous year USD 100 million) are outstanding, which have been undertaken to hedge the foreign currency risk arising out of interest payment on the said External Commercial Borrowing.

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4.3 Secured Redeemable Non-Convertible Debentures

Nature of Security

Redeemable Non-Convertible Debentures are secured by hypothecation of book debts to the extent of 1.10 to 1.25 times of outstanding amount. In addition, all the Redeemable Non-Convertible Debentures are also secured by mortgage of buildings of ₹ 77.23 Lacs (Refer Note 11).

Terms of Repayment (₹ in Lacs)

Maturities	≤ 1 year	1 - 3 years	3 - 5 years	5 - 10 years	Total
Rate of interest					
8.00% - 9.00%	10,000.00	30,000.00	4,43,000.00	1,30,000.00	6,13,000.00
	-	(40,000.00)	(12,500.00)	(80,000.00)	(1,32,500.00)
9.01% - 10.00%	9,000.00	1,23,000.00	6,000.00	126,000.00	2,64,000.00
	-	(99,000.00)	(36,000.00)	(1,29,000.00)	(2,64,000.00)

(Previous year figures are in bracket)

4.4 Unsecured Redeemable Non-Convertible Debentures

Redeemable Non-Convertible Subordinated Debentures, for value aggregating to ₹ 61,000.00 Lacs are subordinated debt to present and future senior indebtedness of the Company and qualify as Tier II Capital under National Housing Bank's (NHB) guidelines for assessing capital adequacy. Based on the balance term to maturity as at March 31, 2016, 100% (Previous year 80%) of the book value of Subordinate debt is considered as Tier II capital.

Terms of Repayment (₹ in Lacs)

Maturities	≤ 1 year	1 - 3 years	3 - 5 years	5 - 10 years	Total
Rate of interest					
8.00% - 9.00%	-	-	-	41,000.00	41,000.00
	-	-	-	(20,000.00)	(20,000.00)
9.01% - 10.00%	-	-	-	20,000.00	20,000.00
	(10,000.00)	-	-	(20,000.00)	(30,000.00)

(Previous year figures are in bracket)

4.5 Public Deposits

i) Public deposits as defined in Paragraph 2(1) (y) of the Housing Finance Companies (NHB) Directions, 2010, are secured by floating charge on the Statutory Liquid Assets maintained in terms of sub-sections (1) & (2) of Section 29B of the National Housing Bank Act, 1987.

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ii) The Company is carrying Statutory Liquid Assets amounting to ₹ 89,579.09 Lacs (Previous year ₹ 46,534.25 Lacs) comprising of Investment of ₹ 81,396.21 Lacs (Previous year ₹ 21,912.49 Lacs) in Central / State Government Securities and Fixed Deposits of ₹ 8,182.88 Lacs (Previous year ₹ 24,621.76 Lacs).

5. DEFERRED TAX LIABILITIES (NET)

In accordance with Accounting Standard on 'Accounting for Taxes on Income' (AS 22), the Company is accounting for Deferred Tax.

Particulars	As at 31-Mar-16 (₹ in Lacs)	As at 31-Mar-15 (₹ in Lacs)
Deferred Tax Liabilities		
Expenses Paid in Advance (Net of Income Received in Advance)	3,906.95	2,147.65
Depreciation on Fixed Assets	112.72	37.91
Special Reserve	5,697.49	2,333.91
Total Deferred Tax Liabilities - (A)	9,717.16	4,519.47
Deferred Tax Assets		
Provision for Leave Encashment	235.24	146.99
Provision for Doubtful Debts and contingencies	6,244.99	3,464.02
Others	189.96	113.14
Total Deferred Tax Assets - (B)	6,670.19	3,724.15
Net Deferred Tax Liabilities/ (Assets) (Net A-B)	3,046.97	795.32

6. OTHER LONG-TERM LIABILITIES

	Non-Current Maturities		Current Maturities	
	As at 31-Mar-16 (₹ in Lacs)	As at 31-Mar-15 (₹ in Lacs)	As at 31-Mar-16 (₹ in Lacs)	As at 31-Mar-15 (₹ in Lacs)
Interest Accrued but not Due on Borrowings	3,674.19	21,497.21	10,845.70	5,584.10
Income Received in Advance	6,404.83	4,379.25	2,256.23	1,493.06
Amount disclosed under the head "Other Current Liabilities" (Refer Note 10)	-	-	(13,101.93)	(7,077.16)
	10,079.02	25,876.46	-	-

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7. PROVISIONS

	Non-Current Maturities		Current Maturities	
	As at 31-Mar-16 (₹ in Lacs)	As at 31-Mar-15 (₹ in Lacs)	As at 31-Mar-16 (₹ in Lacs)	As at 31-Mar-15 (₹ in Lacs)
Provision for Employees Benefits	596.96	357.57	82.76	74.89
Provision for Standard Assets as per NHB norms	13,046.27	7,800.00	-	-
Provision for Contingencies	2,450.00	-	-	-
Provision for NPAs as per NHB norms	-	-	2,168.12	2,281.36
Proposed Dividend	-	-	4,038.75	2,410.41
Tax on Proposed Dividend	-	-	822.19	490.70
	16,093.23	8,157.57	7,111.82	5,257.36

8. SHORT-TERM BORROWINGS

	As at 31-Mar-16 (₹ in Lacs)	As at 31-Mar-15 (₹ in Lacs)
Secured Borrowings		
Term Loans Banks	-	10,000.00
Bank Overdraft	78,371.00	16,095.73
	78,371.00	26,095.73
Unsecured Borrowings		
Public Deposits	1,63,438.96	1,58,630.81
Commercial Paper	5,02,500.00	1,60,000.00
Others	531.00	-
	6,66,469.96	3,18,630.81
	7,44,840.96	3,44,726.54

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NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016 (Continued)

8.1 Nature of Security

a) Term Loans from Banks are secured by hypothecation of specific loans/ book debts against which Term Loan has been availed.
b) Bank Overdraft is secured by hypothecation of book debts and negative lien on properties charged to the Company against Loans disbursed.

9. TRADE PAYABLES

	As at 31-Mar-16 (₹ in Lacs	As at 31-Mar-15 (₹ in Lac)
Sundry Creditors for Expenses	7,524.18	5,774.58
	7,524.18	5,774.58

9.1 Trade Payables ₹ Nil (Previous Year ₹ Nil) payable to "Suppliers" registered under the Micro, Small and Medium Enterprises Development Act, 2006. No interest has been paid / payable by the Company during the year to the "Suppliers" covered under the Micro, Small and Medium Enterprise Development Act, 2006.

10. OTHER CURRENT LIABILITIES

Current Maturity of Long-Term Borrowings (Refer Note 4)	1,91,904.32	1,92,835.56
Current Portion of Other Long-Term Liabilities (Refer Note 6)	13,101.93	7,077.16
Interest Accrued but not Due on Borrowings	1,422.59	1,444.62
Book Overdraft	70,600.50	31,372.95
Statutory Dues Payable	2,197.31	1,108.06
Security Deposit	-	839.58
Other Liabilities	19,960.30	9,419.42
	2,99,186.95	2,44,097.35

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NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016 (Continued)

11. FIXED ASSETS

(₹ in Lacs)

	Gross Block				Depreciation/ Amortisation				Net Block	
Description	As at 31-Mar-15	Additions	Deductions	As at 31-Mar-16	As at 31-Mar-15	For the year	Deductions / Adjustments	As at 31-Mar-16	As at 31-Mar-16	As at 31-Mar-15
Tangible:										
Buildings*	108.88	-	-	108.88	19.21	2.18	-	21.39	87.49	89.67
Furniture & Fixtures	965.47	304.94	14.65	1,255.76	136.45	105.50	8.73	233.22	1,022.54	829.02
Vehicles	6.59	-	-	6.59	3.87	0.97	-	4.84	1.75	2.72
Computers	734.27	958.62	-	1,692.89	300.65	442.93	-	743.58	949.31	433.62
Office Equipment & Others	1,242.46	358.04	14.56	1,585.94	302.15	298.51	8.51	592.15	993.79	940.31
Leasehold Improvements	1,991.64	720.95	12.00	2,700.59	457.05	488.60	5.31	940.34	1,760.25	1,534.59
Subtotal	5,049.31	2,342.55	41.21	7,350.65	1,219.38	1,338.69	22.55	2,535.52	4,815.13	3,829.93
Intangible:										
Computer Software	170.47	1,033.86	-	1,204.33	42.92	165.25	-	208.17	996.16	127.55
Grand Total	5,219.78	3,376.41	41.21	8,554.98	1,262.30	1,503.94	22.55	2,743.69	5,811.29	3,957.48
Previous Year	3,078.92	2,239.39	98.53	5,219.78	802.31	522.75	62.76	1,262.30	3,957.48	

*Includes Buildings of ₹ 77.23 Lacs (Previous year ₹ 77.23 Lacs) mortgaged for securing Secured Redeemable Non-Convertible Debentures (Refer Note 4.3).

During the Previous Year ended March 31, 2015, the Company has reviewed its policy of providing for depreciation on its fixed assets and has also reassessed their useful lives. On and from April 1, 2014, the straight line method is being used to depreciate all class of fixed assets, Previously, fixed assets were being depreciated using reducing balance method except leasehold improvements, intangibles etc. The revised useful lives, as assessed match those specified in Part C of Schedule II of the Companies Act, 2013, for all classes of assets other than leasehold improvements, intangible assets etc. As a result of the change, the charge on account of Depreciation for the year ended on March 31, 2015 was lower by ₹ 280.16 Lacs.

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12. NON-CURRENT INVESTMENTS

OTHER INVESTMENTS (NON TRADE) QUOTED - (FULLY PAID)	Number of Bonds/ Units	Face Value per Bonds/ Units	As at 31-Mar-16 (₹ in Lacs)	Number of Bonds/ Units	Face Value per Bonds/ Units	As at 31-Mar-15 (₹ in Lacs)
Investments in Government Securities						
Government of India Stock						
10.71% Government of India Stock 2016	8,000	100	8.57	8,000	100	8.57
10.25% Government of India Stock 2021	10,05,000	100	1,261.19	10,05,000	100	1,261.19
10.03% Government of India Stock 2019	7,000	100	7.72	7,000	100	7.72
8.97% Government of India Stock 2030	50,000	100	56.79	50,000	100	56.79
8.33% Government of India Stock 2036	26,000	100	28.20	26,000	100	28.20
8.32% Government of India Stock 2032	25,000	100	26.93	25,000	100	26.93
8.30% Government of India Stock 2023	30,000	100	30.74	30,000	100	30.74
8.28% Government of India Stock 2032	19,000	100	20.24	19,000	100	20.24
8.26% Government of India Stock 2027	10,000	100	10.66	10,000	100	10.66
8.15% Government of India Stock 2022	14,000	100	14.66	14,000	100	14.66
8.13% Government of India Stock 2022	10,000	100	10.15	10,000	100	10.15
8.08% Government of India Stock 2022	15,000	100	15.52	15,000	100	15.52
8.07% Government of India Stock 2017	30,05,000	100	3,171.59	30,05,000	100	3,171.57
7.94% Government of India Stock 2021	7,900	100	8.11	7,900	100	8.11
7.50% Government of India Stock 2034	18,000	100	17.92	18,000	100	17.92
5.69% Government of India Stock 2018	10,000	100	9.05	10,000	100	9.05
State Development Loans						
9.79% Maharashtra SDL 2023	15,00,000	100	1,550.65	15,00,000	100	1,550.65
9.72% Kerala SDL 2023	40,00,000	100	4,153.60	40,00,000	100	4,153.60
9.60% Maharashtra SDL 2023	14,00,000	100	1,401.82	14,00,000	100	1,401.82
8.93% Haryana SDL 2022	22,200	100	23.90	22,200	100	23.90
8.89% West Bengal SDL 2022	25,000	100	26.88	25,000	100	26.88
8.73% Madhya Pradesh SDL 2022	12,000	100	12.73	12,000	100	12.73
8.66% Andhra Pradesh SDL 2021	10,000	100	10.54	10,000	100	10.54

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8.55% Uttar Pradesh SDL 2017	10,000	100	10.30	10,000	100	10.30
8.53% Maharashtra SDL 2020	25,000	100	26.08	25,000	100	26.08
8.40% Madhya Pradesh SDL 2019	10,000	100	10.30	10,000	100	10.30
8.39% Uttar Pradesh SDL 2020	20,000	100	20.65	20,000	100	20.65
8.30% Gujarat SDL 2017	10,000	100	10.18	10,000	100	10.18
8.25% Rajasthan SDL 2020	30,000	100	30.77	30,000	100	30.77
7.91% Maharashtra SDL 2016	5,000	100	5.02	5,000	100	5.02
10.03% Rajasthan SDL 2028	33,91,000	100	3,497.82	33,91,000	100	3,497.82
9.49% Tamil Nadu SDL 2023	30,00,000	100	3,087.32	30,00,000	100	3,087.32
9.37% Gujarat SDL 2023	25,00,000	100	2,541.97	25,00,000	100	2,541.97
9.19% Kerala SDL 2024	10,00,000	100	1,005.83	10,00,000	100	1,005.83
8.92% Rajasthan SDL 2022	40,00,000	100	4,152.44	-	-	-
9.00% Haryana SDL 2024	10,00,000	100	1,050.81	-	-	-
9.48% Haryana SDL 2023	50,00,000	100	5,357.70	-	-	-
9.70% Uttarakhand SDL 2024	50,00,000	100	5,432.14	-	-	-
9.50% Himachal Pradesh SDL 2024	20,00,000	100	2,148.39	-	-	-
8.99% Madhya Pradesh SDL 2024	10,000.00	1,00,000	10,452.00	-	-	-
8.95% Madhya Pradesh SDL 2024	8,000	50,000	8,339.60	-	-	-
8.83% Uttar Pradesh SDL 2026	13,500.00	1,00,000	13,907.91	-	-	-
9.72% West Bengal SDL 2024	3,000	1,00,000	3,264.90	-	-	-
8.88% West Bengal SDL 2026	2,500	1,00,000	2,521.50	-	-	-
8.84% Punjab SDL 2024	3,000	1,00,000	3,119.40	-	-	-
7.85% Uttar Pradesh SDL 2016	-	-	-	8,000	100	8.02
7.79% Tamilnadu SDL 2016	-	-	-	1,200	100	1.20
7.79% Punjab SDL 2016	-	-	-	16,800	100	16.81
7.77% Gujarat SDL 2015	-	-	-	9,800	100	9.80
7.77% Andhra Pradesh SDL 2015	-	-	-	9,000	100	9.00
7.53% Uttar Pradesh SDL 2015	-	-	-	10,200	100	10.15
			81,871.19			22,179.38
Less: Provision for loss to arise on Redemption of Investments			474.98			266.89
Aggregate value of investments			81,396.21			21,912.49
Cost of Quoted investments			81,871.19			22,179.38
Market Value			84,367.47			23,130.50

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13. LONG-TERM LOANS AND ADVANCES

	Non-Current Maturities		Current Maturities	
	As at 31-Mar-16 (₹ in Lacs)	As at 31-Mar-15 (₹ in Lacs)	As at 31-Mar-16 (₹ in Lacs)	As at 31-Mar-15 (₹ in Lacs)
Loans – Secured				
Housing Loans	18,31,672.47	10,23,161.65	79,951.79	1,71,359.83
Non-Housing Loans	7,30,683.65	4,15,055.59	75,418.95	69,551.50
Current maturities of Long-Term Loans & Advances disclosed under the head Current "Other Current Assets" (Refer Note 18)	-	-	(1,55,370.74)	(2,40,911.33)
	25,62,356.12	14,38,217.24	-	-

13.1 Loans and Instalments due from Borrowers shown under Loans and Advances and Other Current Assets respectively are secured wholly or partly by any one or all of the below as applicable:

i) Equitable Mortgage of Property

ii) Pledge of shares, units, NSCs, other securities, assignment of life insurance policies.

iii) Bank guarantee, corporate guarantee, government guarantee or personal guarantee.

iv) Undertaking to create a security.

13.2 The Company has complied with the norms prescribed under Housing Finance Companies (NHB) Directions, 2010 for recognising Non-Performing Assets (NPA) in preparation of Accounts. As per the norms, NPAs are recognised on the basis of more than 90 days overdue. NPAs are to be treated as Bad & Doubtful, if they remain outstanding for more than 15 months. The Company has made adequate provisions on Non-Performing Assets and Standard Assets in respect of Housing and Non-Housing Loans as prescribed under Housing Finance Companies (NHB) Directions, 2010.

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The details of Housing and Non-Housing Loans classified as Non-Performing Assets and provisions carried thereon is given below:

As at March 31, 2016 (₹ in Lacs)

Particulars	Standard	Sub-Standard	Doubtful	Loss	Total
Housing Loans	19,08,350.14	3,489.55	941.34	69.07	**19,12,850.10**
Provision on Housing Loans	8,527.81	772.16	680.95	69.07	**10,049.99**
Non-Housing Loans	8,05,751.90	839.60	641.23	-	**8,07,232.73**
Provision on Non-Housing Loans	4,518.22	130.25	515.92	-	**5,164.39**
Total Loans	**27,14,102.04**	**4,329.15**	**1,582.57**	**69.07**	**27,20,082.83**
Total Provisions	**13,046.03**	**902.41**	**1,196.87**	**69.07**	**15,214.38**

As at March 31, 2015 (₹ in Lacs)

Particulars	Standard	Sub-Standard	Doubtful	Loss	Total
Housing Loans	11,94,036.21	677.10	1,391.86	250.04	**11,96,355.21**
Provision on Housing Loans	5,341.27	117.08	1,391.86	250.04	**7,100.25**
Non-Housing Loans	4,84,481.95	681.89	412.63	-	**4,85,576.47**
Provision on Non-Housing Loans	2,458.73	105.83	412.63	-	**2,977.19**
Total Loans	**16,78,518.16**	**1,358.99**	**1,804.49**	**250.04**	**16,81,931.68**
Total Provisions	**7,800.00**	**222.91**	**1,804.49**	**250.04**	**10,077.44**

The total loans outstanding includes overdue principal of ₹ 2,355.97 Lacs (Previous year ₹ 2,429.16).

13.3 Interest on non-performing loans is recognised on realisation basis as per the NHB Directions. Accordingly, movement of interest de-recognised as at Balance Sheet date is summarised as under:-

Particulars	As at 31-Mar-16 (₹ in Lacs)	As at 31-Mar-15 (₹ in Lacs)
Cumulative interest B/F from last Balance Sheet	377.05	263.37
Add: Interest de-recognised for the year on : -Sub-standard Assets (Net)	958.15	146.03
- Doubtful/ Loss Assets	1,065.00	210.93
Less: Recovered / Write-Off during the year	952.01	243.28
Total	**1,448.19**	**377.05**

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14. OTHER NON CURRENT ASSETS

(Unsecured, Considered Good)

	Non-Current Maturities		Current Maturities	
	As at 31-Mar-16 (₹ in Lacs)	As at 31-Mar-15 (₹ in Lacs)	As at 31-Mar-16 (₹ in Lacs)	As at 31-Mar-15 (₹ in Lacs)
Security Deposits	612.61	522.55	-	-
Prepaid Expenses (Refer Note 18)	18,188.17	11,796.56	13,086.93	6,831.99
	18,800.78	12,319.11	13,086.93	6,831.99

15. CURRENT INVESTMENTS

	Number of Debentures/ / Units	Face Value Debenture	As at 31-Mar-16 (₹ in Lacs)	Number of Debentures/ / Units	Face Value/ Debenture	As at 31-Mar-15 (₹ in Lacs)
QUOTED - OTHER THAN TRADE (FULLY PAID)						
Bonds and Debentures						
7.93% Power Grid Corporation of India Ltd. 2028	41	10,00,000	410.00	70	10,00,000	711.17
7.93% Power Grid Corporation of India Ltd. 2021	50	10,00,000	497.25	50	10,00,000	512.85
7.93% Power Grid Corporation of India Ltd. 2018	50	10,00,000	500.10	50	10,00,000	512.80
7.93% Power Grid Corporation of India Ltd. 2019	50	10,00,000	499.10	50	10,00,000	510.85
7.93% Power Grid Corporation of India Ltd. 2020	50	10,00,000	498.10	50	10,00,000	512.55
7.93% Power Grid Corporation of India Ltd. 2022	50	10,00,000	496.55	50	10,00,000	510.15
7.93% Power Grid Corporation of India Ltd. 2017	50	10,00,000	497.75	50	10,00,000	508.75
7.93% Power Grid Corporation of India Ltd. 2024	50	10,00,000	500.18	50	10,00,000	507.85
7.93% Power Grid Corporation of India Ltd. 2025	40	10,00,000	400.15	50	10,00,000	505.10
7.93% Power Grid Corporation of India Ltd. 2026	45	10,00,000	450.00	50	10,00,000	505.10
7.98% Infrastructure Development Finance Company Ltd. 2023	350	10,00,000	3,712.65	849	10,00,000	8,816.70
8.69% Damodar Valley Corporation Ltd. 2028	652	10,00,000	7,108.10	-	-	-

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016 (Continued)

	Number of Debentures/ / Units	Face Value Debenture	As at 31-Mar-16 (₹ in Lacs)	Number of Debentures/ / Units	Face Value/ Debenture	As at 31-Mar-15 (₹ in Lacs)
8.80% Food corporation of India Ltd. 2028	138	10,00,000	1,515.93	-	-	-
6.89% National Housing Bank 2023	26	10,00,000	257.40	-	-	-
8.40% Indian Railways Finance Corporation 2029	1,00,000	1,000	1,105.34	-	-	-
7.40% Indian Infrastructure Finance Company Ltd. 2033	5,57,000	1,000	5,831.79	-	-	-
6.87% National Housing Bank 2023	47	10,00,000	466.95	-	-	-
7.15% National Thermal Power Corporation Ltd. 2025	12	10,00,000	122.22	-	-	-
8.14% Nuclear Power Corporation of India 2027	5	10,00,000	50.65	-	-	-
8.58% Housing and Urban Development Corporation Ltd. 2029	95,000	1,000	1,060.20	-	-	-
8.46% Power Finance Corporation 2028	100	10,00,000	1,108.35	-	-	-
7.35% Indian Railway Finance Corporation 2031	2,40,000	1,000	2,455.20	-	-	-
8.50% National Highway Authority of India 2029	1,00,000	1,000	1,115.00	-	-	-
8.14% Nuclear Power Corporation of India 2028	73	10,00,000	748.25	-	-	-
7.93% Power Grid Corporation of India Ltd. 2023	50	10,00,000	492.45	-	-	-
9.95% Food Corporation of India Ltd. 2022	1	10,00,000	11.16	9	10,00,000	98.69
11.25% Power Finance Corporation Ltd. 2018	-	-	-	5	10,00,000	54.28
11.00% Bank of India Perpetual Bond (Tier 1- Basel III)	-	-	-	650	10,00,000	7,021.95
10.45% Gujarat State Petroleum Corporation Ltd. 2072	-	-	-	500	10,00,000	5,400.00
9.48% Bank of Baroda Perpetual Bond	-	-	-	550	10,00,000	5,508.50
8.90% Syndicate Bank Perpetual Bond	-	-	-	96	10,00,000	992.79
8.83% Indian Railway Finance Corporation 2023	-	-	-	1,000	1,000	1,349.53
8.78% National Hydroelectric Power Corporation Ltd. 2023	-	-	-	500	1,00,000	507.30
8.78% National Hydroelectric Power Corporation Ltd. 2021	-	-	-	500	1,00,000	508.40
8.78% National Hydroelectric Power Corporation Ltd. 2020	-	-	-	500	1,00,000	510.50
8.69% Damodar Valley Corporation 2028	-	-	-	938	10,00,000	10,026.53
8.55% Indian Infrastructure Finance Company Ltd. 2024	-	-	-	9	10,00,000	90.52
8.36% Power Finance Corporation Ltd. 2020	-	-	-	250	10,00,000	2,490.43
8.10% Indian Infrastructure Finance Company Ltd. 2024	-	-	-	5	10,00,000	48.92
7.93% Power Grid Corporation of India Ltd. 2027	-	-	-	50	10,00,000	503.75
7.34% Indian Railway Finance Corporation 2028	-	-	-	130	10,00,000	10.24

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NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016 (Continued)

	Number of Debentures/ / Units	Face Value Debenture	As at 31-Mar-16 (₹ in Lacs)	Number of Debentures/ / Units	Face Value/ Debenture	As at 31-Mar-15 (₹ in Lacs)
UNQUOTED - OTHER THAN TRADE (FULLY PAID)						
Certificate of Deposit of Indian Bank	30,000	1,00,000	29,509.05	-	-	-
Certificate of Deposit of Corporation Bank	2,500	1,00,000	2,339.06	-	-	-
Certificate of Deposit of Bank of Maharashtra	5,000	1,00,000	4,915.09	-	-	-
Certificate of Deposit of Canara Bank	10,000	1,00,000	9,824.57	17,500	1,00,000	17,092.49
Certificate of Deposit of Andhra Bank	2,500	1,00,000	2,332.65	17,500	1,00,000	16,370.11
Certificate of Deposit of IDBI Bank Ltd.	-	-	-	20,000	1,00,000	19,658.79
Certificate of Deposit of Punjab & Sind Bank	-	-	-	20,000	1,00,000	19,594.30
Certificate of Deposit of Oriental Bank of Commerce	-	-	-	10,000	1,00,000	9,804.57
Certificate of Deposit of Allahabad Bank	-	-	-	5,000	1,00,000	4,928.57
Total			**80,831.24**			**1,36,685.03**
Aggregate value of quoted investments			31,910.81			49,236.20
Market Value of quoted investments			32,138.75			49,448.09
Aggregate value of unquoted investments			48,920.42			87,448.83

16. CASH AND BANK BALANCES

	As at 31-Mar-16 (₹ in Lacs)	As at 31-Mar-15 (₹ in Lacs)
16.1 Cash and Cash Equivalents		
Balances with Banks in Current Accounts	16,586.49	4,576.26
Cash on Hand	84.22	116.18
	16,670.71	4,692.44
16.2 Other Bank Balances		
Fixed Deposits with original maturity of more than three months up to twelve months	-	15,214.18
Fixed Deposits with original maturity of more than twelve months	8,182.88	9,407.58
	24,853.59	29,314.20

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17. SHORT-TERM LOANS AND ADVANCES
(Unsecured, Considered Good unless otherwise stated)

	As at 31-Mar-16 (₹ in Lacs)	As at 31-Mar-15 (₹ in Lacs)
Loan Against Deposits (Secured)	403.02	936.17
Advances Recoverable in Cash or Kind	951.92	449.03
Advance Income Tax [Net of Provision for Taxation ₹ 42,437.00 Lacs (Previous year ₹ 28,626.75 Lacs)]	445.63	634.53
	1,800.57	2,019.73

18. OTHER CURRENT ASSETS
(Unsecured, Considered Good unless otherwise stated)

Current Maturities of Long-Term Loans & Advances (Secured) (Refer Note 13)	1,55,370.74	2,40,911.33
Instalments Due from Borrowers (Secured)	4,455.55	2,803.10
Stock of Acquired Properties (Held for sale or disposal) (Secured)	8,381.08	3,484.66
Interest Accrued on Investments	2,393.79	2,531.11
Interest Accrued but not Due on Loans	7,090.07	528.41
Prepaid Expenses (Refer Note 14)	13,086.93	6,831.99
Other Advances	61.49	-
	1,90,839.65	2,57,090.60

18.1 The instalment due from borrowers is net of interest de-recognised of ₹ 1,448.19 Lacs (Previous year ₹ 377.05 Lacs) in respect of non-performing loans.

18.2 Stock of Acquired Properties is net of Provision for Diminution in Value of ₹ 380.54 Lacs (Previous year ₹ 109.93 Lacs)

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NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016 (Continued)

19. REVENUE FROM OPERATIONS

	Year Ended 31-Mar-16 (₹ in Lacs)	Year Ended 31-Mar-15 (₹ in Lacs)
INTEREST INCOME		
i) Interest on Loans [(TDS ₹ 2,943.66 Lacs (Previous year ₹ 3,306.94 Lacs)]	2,46,002.59	1,59,763.56
ii) Interest on Investments [(TDS ₹ 122.51 Lacs (Previous year 108.19 Lacs)]	8,314.64	7,292.53
iii) Other Interest	88.74	28.06
	2,54,405.97	1,67,084.15
Fees & Other Charges	7,995.66	4,550.47
Surplus from deployment of funds in Cash Management Schemes of Mutual Funds	1,420.60	1,989.31
Profit on Sale of Investment	999.89	1,568.07
Other Operating Income	4,774.66	2,480.61
Interest on Income Tax Refund	62.58	-
	2,69,659.36	1,77,672.61

20. INTEREST EXPENSES AND OTHER CHARGES

Interest on:		
Term Loans	40,004.37	51,310.06
Non-Convertible Debentures	57,814.19	35,275.29
Commercial Paper	22,666.29	5,790.84
Deposits	58,275.00	29,662.37
	1,78,759.85	1,22,038.56
Other Charges:		
Brokerage on Deposits	2,239.28	1,460.56
Fee and other expenses	4,968.09	2,915.08
Bank Charges	61.31	70.10
	1,86,028.53	1,26,484.30

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NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016 (Continued)

21. EMPLOYEE BENEFIT EXPENSE

	Year Ended 31-Mar-16 (₹ in Lacs)	Year Ended 31-Mar-15 (₹ in Lacs)
Salaries and Allowances	7,049.94	6,290.16
Contribution to Provident Fund & Other Funds	350.65	281.66
Staff Welfare Expenses	127.74	134.44
	7,528.33	6,706.26

22. OFFICE OPERATING EXPENSES

Rent	1,462.43	1,145.24
Rates & Taxes	34.11	5.16
Repairs & Maintenance - Building	82.82	72.89
Office Maintenance	67.38	77.05
Registration and Filing Fees	16.64	38.49
Electricity and Water Charges	414.75	299.14
General Office Expenses	2,374.90	1,704.72
Insurance Charges	24.95	12.73
Travelling & Conveyance	331.42	478.54
Printing & Stationery	255.72	220.89
Postage & Telephone	578.29	425.86
	5,643.41	4,480.71

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NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016 (Continued)

23. OTHER EXPENSES

	Year Ended 31-Mar-16 (₹ in Lacs)	Year Ended 31-Mar-15 (₹ in Lacs)
Cost of Loan Acquisition	4,971.07	2,890.86
Advertisement & Publicity	2,306.10	1,177.22
Professional Charges	1,464.04	1,158.94
Legal Expenses	1,141.38	662.12
Director's Sitting Fee	45.60	13.05
Auditors Remuneration:		
- Audit Fees	12.37	11.15
- Tax Audit Fees	4.84	4.25
- Other Certifications work	11.72	11.68
Loss on sale of Fixed Assets	11.83	22.08
CSR expenses (Refer Note 31)	398.00	-
Miscellaneous Expenses	166.70	139.09
	10,533.65	6,090.44

24. DISCLOSURE REQUIRED BY NATIONAL HOUSING BANK

The following additional disclosures have been given in terms of the circular no. NHB/ND/DRS/Pol-No.35/2010-11 dated October 11, 2010 issued by the National Housing Bank.

a) Capital to Risk Assets Ratio (CRAR)

Particulars	31-Mar-16	31-Mar-15 *
i) CRAR (%)	12.70	13.34
ii) CRAR – Tier I Capital (%)	9.04	9.99
iii) CRAR – Tier II Capital (%)	3.66	3.35

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*On Inspection for FY 2013-14, NHB has observed that NOF & CRAR as at March 31, 2014 was overstated on account of intangible assets, deferred revenue expenditure, short provisioning due to wrong asset classification, negative amortisation and non-provisioning on loan against deposits. The Company has made necessary rectifications and accordingly the CRAR as at March 31, 2014 is restated at 12.64% as against 12.95% published in the Annual Report 2014-15. Similarly, the CRAR as at March 31, 2015 has been restated at 13.34% as against 13.76% published in Annual Report 2014-15.

b) Exposure to Real Estate Sector

(₹ in Lacs)

Sr. No.	Particulars	31-Mar-16	31-Mar-15
i)	**Direct Exposure**		
	A. Residential Mortgages(including loan against residential property): Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented (Out of which Individual Housing Loans up to ₹ 15 Lacs – ₹ 2,14,200 Lacs (Previous year ₹ 1,06,755 Lacs)	22,55,497.22	14,34,045.00
	B. Commercial Real Estate: Lending secured by mortgages on commercial real estates. Exposure would also include non-fund based (NFB) limits	4,64,585.61	2,47,887.00
	C. Investments in Mortgage Backed Securities (MBS) and other securitised exposures – i) Residential ii) Commercial Real Estate	Nil	Nil
ii)	**Indirect Exposure** Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	Nil	Nil

In computing the above information, certain estimates, assumptions and adjustments have been made by the Management which have been relied upon by the auditors.

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

During the current year, the company has:

i) Not been imposed any penalty by National Housing Bank.
ii) During the course of inspection for FY 2013-14, NHB has made certain observations. Most of the observations were routine in nature except with reference to the calculation of CRAR as explained above.

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d) **Asset Liability Management**: The residual maturity profile of Assets and Liabilities is carried out based on the estimates and assumptions regarding prepayments and renewals as prescribed by the National Housing Bank (NHB). Maturity pattern of certain items of assets and liabilities is as follows:

As at March 31, 2016 **(₹ in Lacs)**

Maturity Buckets	Liabilities		Assets	
	Bank Borrowings	Market Borrowings	Net Advances	Investments
1 day to 30-31 days (one month)	78,371.00	12,735.10	53,950.33	57,100.83
Over 1 month to 2 months	2,000.00	3,77,306.48	53,017.62	5.00
Over 2 months to 3 months	-	1,36,918.96	52,104.56	31,921.33
Over 3 months to 6 months	26,861.24	52,377.68	1,51,025.01	-
Over 6 months to 1 year	53,645.30	35,083.01	2,79,855.16	3,027.77
Over 1 year to 3 years	96,474.35	4,13,436.87	8,82,165.14	39.87
Over 3 years to 5 years	1,11,939.86	5,06,666.20	4,51,000.77	83.87
Over 5 years to 7 years	44,099.54	4,60,154.88	2,86,052.19	5,391.58
Over 7 years to 10 years	33,879.34	1,40,191.43	2,47,414.36	69,197.94
Over 10 years	16,000.00	17,214.45	2,63,497.69	3,642.14
Total	**4,63,270.63**	**21,52,085.06**	**27,20,082.83**	**1,70,410.33**

As at March 31, 2015 **(₹ in Lacs)**

Maturity Buckets	Liabilities		Assets	
	Bank Borrowings	Market Borrowings	Net Advances	Investments
1 day to 30-31 days (one month)	36,429.06	22,804.33	21,528.73	1,36,685.03
Over 1 month to 2 months	2,000.00	58,921.98	21,253.16	18.80
Over 2 months to 3 months	8,000.00	88,831.10	20,981.12	-
Over 3 months to 6 months	49,535.67	68,339.34	61,345.71	1,864.30
Over 6 months to 1 year	67,663.55	1,39,420.38	1,15,802.63	15,240.19
Over 1 year to 3 years	2,08,598.19	3,00,535.97	3,83,244.53	10,643.57
Over 3 years to 5 years	1,32,017.48	1,45,076.96	2,81,319.27	78.12
Over 5 years to 7 years	38,535.36	50,151.01	2,06,501.40	1,217.38
Over 7 years to 10 years	36,135.35	2,22,161.57	2,11,507.31	17,471.88
Over 10 years	-	-	3,58,447.83	-
Total	**5,78,914.66**	**10,96,242.65**	**16,81,931.66**	**1,83,219.27**

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NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016 (Continued)

25. RELATED PARTY TRANSACTIONS

As per the Accounting Standard on 'Related Party Disclosures' (AS 18), the related parties of the Company are as follows:

	Name of the Related Party	Nature of Relationship
i)	Punjab National Bank *	Holding Company
ii)	PNB Gilts Limited *	Fellow Subsidiary
iii)	Punjab National Bank (International) Ltd., UK *	Fellow Subsidiary
iv)	PNB Investment Services Limited *	Fellow Subsidiary
v)	Druk PNB Bank Ltd, Bhutan *	Fellow Subsidiary
vi)	PNB Insurance Broking Private Limited *	Fellow Subsidiary
vii)	JSC SB PNB Kazakhstan *(up to March 09, 2016)	Fellow Subsidiary
viii)	Destimoney Enterprises Limited	Enterprise having Significant Control
xi)	Shri Sanjaya Gupta (Managing Director)	Key Managerial Personnel
x)	Shri Sanjay Jain (Company Secretary)	Key Managerial Personnel
xi)	Shri Jayesh Jain (Chief Financial Officer)	Key Managerial Personnel

* State Controlled Enterprises

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NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016 (Continued)

25.1 TRANSACTIONS WITH RELATED PARTIES

In view of the exemption available to the Company under para 9 of Accounting Standard on Related Party Disclosures (AS-18), related party relationships with other state controlled enterprises and transactions with such enterprises are not being disclosed. The Company has identified all other related parties transactions during the year as given below:

(₹ in Lacs)

Particulars	31-Mar-16	31-Mar-15
Commission paid to Destimoney Enterprises Limited	130.00	339.39
Dividend paid to Destimoney Enterprises Limited	1071.00	735.00
Issues of Equity Shares under Rights Issue and payment of Call Money by Destimoney Enterprises Limited	14,700.00	34,299.99
Remuneration paid to KMPs:		
a) Shri Sanjaya Gupta (Managing Director)	136.67	105.25
b) Shri Sanjay Jain (Company Secretary)	46.82	35.00
c) Shri Jayesh Jain (Chief Financial Officer)	58.75	27.45*

*For part of the year with effect from 22nd August 2014.

26. OPERATING LEASE

In accordance with the Accounting Standard on 'Leases' (AS 19), notified by the Companies (Accounting Standards) Rules, 2006, the following disclosures in respect of Operating Leases are made. The Company has acquired properties under non-cancellable operating leases for periods ranging from 12 months to 60 months. The total minimum lease payments for the current year, in respect thereof, included under Rent, amounts to ₹ 1,462.43 Lacs (Previous year ₹ 1145.24 Lacs). The future minimum lease payments in respect of properties taken under non-cancellable operating lease are as follows:

(₹ in Lacs)

Particulars	31-Mar-16	31-Mar-15
Not later than one year	1,087.13	938.85
Later than one year but not later than 5 years	883.67	1,337.98
More than five years	Nil	Nil

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NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016 (Continued)

27. In accordance with the Accounting Standard on 'Earnings Per Share' (AS 20), the Earnings Per Share is as follows:

i) The Earnings Per Share (EPS) is calculated as follows:

Particulars	Unit	31-Mar-16	31-Mar-15
a) Amount used as the numerator for Basic EPS Profit After Tax	(₹ in Lacs)	32,647.12	19,610.97
b) Weighted average number of equity shares for Basic EPS	Number	1,18,786,817	8,03,46,855
c) Weighted average number of equity shares for Diluted EPS	Number	1,18,786,817	8,03,46,855
d) Nominal value per share	(in ₹)	10	10
e) Earnings Per Share :			
-Basic (a/b)	(in ₹)	27.48	24.41
-Diluted (a/c)	(in ₹)	27.48	24.41

ii) The Basic Earnings Per Share have been computed by dividing the Profit After Tax by the weighted average number of equity shares for the respective periods. The weighted average number of shares have been derived as follows:

(a) For the year 2015-16 :

Particulars	Pro-Rata No. of Shares	Days
(i) 5,00,00,000 Equity Shares of ₹ 10 each (Fully Paid-up) and 7,69,23,000 Equity Shares of ₹ 10 each (Partly Paid-up ₹ 7 per share) at the beginning of the year	10,38,46,100	366
(iii) Third and final call of ₹ 3 on 39,230,700 Equity Shares having nominal value of ₹ 10 per share	1,17,69,210	235
(iii) Third and final call of ₹ 3 on 37,692,300 Equity Shares having nominal value of ₹ 10 per share	1,13,07,690	239
(iv) Weighted Average number of shares for computation of Basic Earnings Per Share	**118,786,817**	

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(b) For the year 2014-15 :

Particulars	Pro-Rata No. of Shares	Days
(i) 5,00,00,000 Equity Shares of ₹ 10 each (Fully Paid-up) and 3,92,30,700 Equity Shares of ₹ 10 each (Partly Paid-up ₹ 4 per each) at the beginning of the year	6,56,92,280	365
(ii) Allotment of 37,692,300 Equity Shares under rights issue (first call of ₹ 4 having nominal value of ₹ 10 per share)	1,50,76,920	236
(iii) Second call of ₹ 3 on 39,230,700 Equity Shares having nominal value of ₹ 10 per share	1,17,69,210	107
(iv) Second call of ₹ 3 on 37,692,300 Equity Shares having nominal value of ₹ 10 per share	1,13,07,690	47
(v) Weighted Average number of shares for computation of Basic Earnings Per Share	8,03,46,855	

iii) The Diluted Earnings Per Share is same as Basic Earnings Per Share, as there are no dilutive potential equity shares outstanding as at March 31, 2016 and March 31, 2015.

28. SEGMENT REPORTING

Company's main business is to provide loans against/for purchase, construction, repairs & renovations of Houses/ Flats/Commercial Properties etc. All other activities of the Company revolve around the main business. As such, there are no separate reportable segment, as per the Accounting Standard on Segment Reporting (AS-17), notified by the Companies (Accounting Standard) Rules, 2016.

29. CONTINGENT LIABILITIES AND COMMITMENTS

i) Contingent liability in respect of Income-tax ₹ 503.22 Lacs (Previous year ₹ 447.18 Lacs) is disputed by the Company and are under appeal. The Company expects to succeed in these matters before appellate authorities and hence no additional provision is considered necessary.

ii) Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) is ₹ 1,719.51 Lacs (Previous year ₹ 2,107.72 Lacs).

iii) Claims against the Company not acknowledged as debt is ₹ Nil (Previous year ₹ Nil).

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NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016 (Continued)

30. DISCLOSRE IN RESPECT OF EMPLOYEE BENEFITS:

In accordance with Accounting Standard on (AS-15) - "Employee Benefits" the following disclosure have been made:

30.1 The Company has made Contribution to Provident Fund of ₹ 283.98 Lacs (Previous year ₹ 223.68 Lacs) which has been recognised in Statement of Profit and Loss which are included under "Contribution to Provident Fund & Other Funds" in Note 21:

30.2 The Company has recognised expenses of ₹ 87.48 Lacs (Previous year ₹ 60.25 Lacs) in Statement of Profit and Loss for Contribution to State Plan namely Employees' Pension Scheme.

30.3 Gratuity Liability

(₹ in Lacs)

Change in present value of obligation	31-Mar-16	31-Mar-15
Present value of obligation as at the beginning of the year	217.78	161.45
Interest cost	17.42	12.92
Current service cost	56.02	40.01
Benefits paid	(4.34)	(18.01)
Actuarial (gain) / loss on obligation	8.02	21.42
Present value of obligation as at the end of year	294.90	217.78

Fair Value of plan assets	31-Mar-16	31-Mar-15
Fair Value of plan assets as at the beginning of the year	264.06	207.27
Actual return on plan assets	23.12	18.57
Contributions	64.39	56.23
Benefits paid	(4.34)	(18.01)
Fair Value of plan assets as at the end of year	347.22	264.06
Funded status	52.32	46.27

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NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016 (Continued)

(₹ in Lacs)

Amount recognized in Balance Sheet	31-Mar-16	31-Mar-15
Present value of obligation as at the end of the year	294.90	217.78
Fair value of plan assets as at the end of the year	347.22	264.06
Funded status / Difference	52.32	46.27
Net asset / (liability) recognized in balance sheet	52.32	46.27

Expense recognized in the statement of Profit and Loss	31-Mar-16	31-Mar-15
Current service cost	56.02	40.01
Interest cost	17.42	12.92
Expected return on plan assets	(23.12)	(18.57)
Net actuarial (gain) / loss recognized in the year	8.02	21.42
Expenses recognized in the statement of profit & losses	58.34	55.78

Gratuity Contribution is paid to LIC of India under Gratuity Scheme of LIC.

30.4 Leave Encashment

(₹ in Lacs)

Change in present value of obligation	31-Mar-16	31-Mar-15
Present value of obligation as at the beginning of the year	410.71	218.42
Interest cost	31.83	18.56
Current service cost	216.36	150.21
Benefits paid	(60.95)	(39.70)
Actuarial (gain) / loss on obligation	43.03	63.21
Present value of obligation as at the end of year	640.98	410.70

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NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016 (Continued)

(₹ in Lacs)

Amount recognized in Balance Sheet	**31-Mar-16**	**31-Mar-15**
Present value of obligation as at the end of the year	640.98	410.70
Fair value of plan assets as at the end of the year	0.00	0.00
Funded status / Difference	(640.98)	(410.70)
Net asset / (liability) recognized in balance sheet	(640.98)	(410.70)

Expense recognized in the statement of Profit and Loss	**31-Mar-16**	**31-Mar-15**
Current service cost	216.36	150.21
Interest cost	31.83	18.56
Expected return on plan assets	0.00	0.00
Net actuarial (gain) / loss recognized in the year	43.03	63.21
Expenses recognized in the statement of profit & losses	291.22	231.98

Movement in the liability recognized in the Balance Sheet	**31-Mar-16**	**31-Mar-15**
Opening Liability	410.71	218.42
Expenses as above	291.22	231.98
Benefits paid	(60.95)	(39.70)
Actual return of plan assets	0.00	0.00
Acquisition adjustment	0.00	0.00
Closing Liability	640.98	410.70

30.5 **Following assumptions have been made in respect of Gratuity and Leave Encashment:**

Assumptions	**31-Mar-16**	**31-Mar-15**
Discounting Rate	8.00%	8.00%
Future salary Increase	7.75%	7.75%
Retirement Age (Years)	60	60
Mortality Table	IALM (2006-08)	IALM (2006-08)

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31. CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES

During the year, the Company has spent / provisioned ₹ 398.00 Lacs towards Corporate Social Responsibility (CSR) under section 135 of Companies Act, 2013 and rules thereon. In terms of clarification issued by the Institute of Chartered Accountants of India in current year same has been charged to statement of Profit and Loss while during previous year CSR expenses of ₹ 269.58 Lacs had been appropriated from previous year's profits.

32. There are no indications which reflects that any of the assets of the Company had got impaired from its potential use and therefore no impairment loss was required to be accounted in the current year as per Accounting Standard on 'Impairment of Assets' (AS 28) notified by the Companies(Accounting Standards) Rules, 2006.

33. Previous year figures have been rearranged / regrouped wherever necessary to correspond with Current year's classification disclosure.

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