Directors' Report 2019-20

To,
The Members,
Home First Finance Company India Limited.

Your Directors take pleasure in presenting the 11th Annual Report of the Company together with the Audited Statement of Accounts for the year ended March 31, 2020.

FINANCIAL SUMMARY:

Financial Results:

The key highlights of the audited financial statements of your Company for the financial year ended March 31, 2020 and comparison with the previous financial year ended March 31, 2019 are summarized below:

₹ in Cr.

Particulars	FY 2019-20	FY 2018-19
Total Income	419.67	271.02
Less: Total Expenses	312.34	205.74
Profit/ (Loss) before tax	**107.33**	**65.28**
Less: Current tax	23.19	16.05
Deferred tax	4.59	3.51
Profit after Tax	**79.55**	**45.72**
Other Comprehensive Income	(0.16)	(0.10)
Transfer of Statutory Reserve (u/s 29C of NHB Act, 1987)	(16.24)	(8.50)
Balance carried to Balance Sheet	**63.16**	**37.12**
Earnings per Share (Face Value ₹2)		
Basic (₹)	10.81	7.91
Diluted(₹)	10.57	7.74

Financial Performance:

Your Company has recorded another year of steady growth, despite a highly competitive environment in the housing finance sector. To achieve meaningful scale, and support the growth; your Company has expanded its branch network from 60 branches to 68 branches in FY 2019-20.Total employee strength stood at 696 as on March 31, 2020 as against 675 for the previous year. Despite increase in people costs and administration expenses on account of increase in employee strength during the year and expansion of branch network, the profit before tax as on March 31, 2020 increased by 64.41% to ₹107.33 crores (previous year: ₹65.28 crores). The profit after tax as on March 31, 2020 increased by 73.99% to Rs. 79.55 crores (previous year: ₹ 45.72 crores) and the Net Worth of the Company as on March 31, 2020 stood at ₹933.43 crore.

Pursuant to the requirement of the Indian Accounting Standard ("Ind AS") a provision of ₹ 19.8 crores (previous year: ₹ 11.97 crores) on total loan assets of the Company were made as at March 31, 2020. Additionally, the Company has separately incorporated estimates, assumptions and judgements specific to the impact of the COVID-19 pandemic and the associated support packages in the measurement of impairment loss allowance. The total provision recognized towards COVID- 19 impact on the Company's financial assets is ₹ 6.94 crores in addition to the existing impairment loss allowance; specified above.

Your Company has continued to maintain good asset quality with a NPA of 0.87% as on March 31, 2020 (previous year: 0.70%), (without including the benefit of moratorium for March 20) in spite of an extremely difficult macro-economic environment.

OPERATIONS AND BUSINESS HIGHLIGHTS:

The Company continues to be focused on low- and mid-income affordable housing and propelled by the growth in this segment, the Company's total AUM grew to ₹3618.36 crores as at the end of FY 20, up 48% from ₹2444 crores.

Originations, Disbursements and Yield:

FY 20 has been a year of achieving scale; driven by expanding our presence from core states of Gujarat and Maharashtra to creating new moats in Tamil Nadu, Andhra Pradesh, Telengana and Rajasthan. This has also enabled the business to strengthen its presence in the self-construction business within the housing finance industry. With this, the company now has the knowledge and capability to grow in builder led and self-construction markets. The Originations for FY20 stood at ₹2012 Crores at an origination yield of 13.2%. This accounted for Disbursements of ₹1618 Crores during the year.

During the year Company has received subsidy worth ₹ 109.5 Crores; in respect of 5654 beneficiaries and the same has been credited into to the respective customer's loan account.

For the year ended March 31, 2020; the Company ended with a network 68 branches covering 11 states and a union territory.

Resources and Liquidity:

The entire financial sector faced liquidity concerns, particularly from the second half of FY19. In a difficult year, the Company was able to raise funding of ₹985 Crores from multiple sources across term loans and refinance from NHB. The company on boarded two new lenders viz. Bajaj Finance and Kotak Bank as part of their borrowing book within the existing consortium structure. The company's assets created a good demand under the PSL criteria and this enabled the Company to conclude direct assignments of ₹298 Crores in FY20. The Company maintained a cumulative positive Asset Liability Management (ALM) at all quarter ends during FY20.

Your Company continues to have and further diversify funding sources to include public sector banks, private sector banks, mutual funds and financial institutions. Funds were raised in accordance with the Company's Resource Planning Policy, through term loans and re-finance facility from NHB.

During the year under review, your Company has raised (i) ₹745 Crore as bank borrowings (outstanding as on March 31, 2020: ₹1844.89 Crore), (ii) ₹298.49 Crore by way of Direct Assignment and (iii) ₹240 Crore through re-finance from NHB (outstanding as on March 31, 2020: ₹654.36 Crore).

Credit Rating:

The Company's financial discipline and prudence is reflected in the strong credit ratings assigned by Credit Rating Agencies as under:

Instrument	Rating Agency	Rating	Amount	Remarks
Term Loan from Banks	ICRA	A+	3200 Crore	Stable
	CARE	A+	282.97 Crore	Stable
Commercial Paper	ICRA	A1+	100 Crore	-
	India Ratings	A1+	300 Crore	-
Non-Convertible Debentures	ICRA	A+	200 Crore	Stable

Deposits:

Your Company being a Non-Deposit taking Housing Finance Company has not accepted or renewed any amount falling within the purview of provisions of Section 73 of the Act read with the Companies (Acceptance of Deposit) Rules, 2014 during the year under review. Hence, the requirement for furnishing the details relating to deposits covered under Chapter V of the Act or the details of deposits which are not in compliance with the Chapter V of the Act is not applicable.

Change in the nature of business:

There has been no change in the nature of business of the Company during the year under review.

Details of Companies which have become or ceased to be its subsidiary, associate and joint venture companies:

During the year under review the Company does not have any Subsidiary, Associate and Joint venture Companies.

Adoption of Indian Accounting Standards (Ind AS):

The Ministry of Corporate Affairs amended the Companies (Indian Accounting Standards) Rules, 2015 vide Companies (Indian Accounting Standards) (Amendment) Rules dated March 30, 2016 had issued directions for implementation of Ind AS for the NBFCs in a phased manner. National Housing Bank ("NHB") vide its circular dated April 16, 2018 and June 14, 2018 had directed HFCs to comply with Ind AS in the phased manner. Accordingly, the standalone financial statements for the financial year ended March 31, 2020, forming part of the annual report, have been prepared in accordance with Ind AS specified under the Companies Act, 2013 ("the Act") and other relevant provisions of the Act. The adoption of Ind AS has resulted in significant changes in the financial statements, details of which are provided in the notes to accounts. Further, in preparing the opening and comparative Ind AS balance sheet, the Company has adjusted the amounts reported previously in financial statements prepared in accordance with the accounting standards notified under Companies (Accounting Standards) Rules, 2014 (as amended) and other relevant provisions of the Act (Indian GAAP).

Material changes and commitments, if any, affecting the financial position of the Company which have occurred between the Financial year end March 31, 2020 and date of this report:

No material changes and commitments, affecting the financial position of the Company have occurred between the Financial Year ended March 31, 2020 and date of this Director's Report other than the Covid pandemic that has impacted the entire planet.

COVID-19 is a developing situation across the globe and in India. In the light of the current situation, the collections for April has been relatively good at 73%. The impact assessment of COVID-19 is a continuing process given its nature and duration. The Company will continue to monitor the impact and take appropriate steps at each stage as guided by RBI and NHB.

Dividends & Reserves:

Considering your Company's rapid growth and future strategy and plans, your Directors consider it prudent to conserve the resources of the Company for its growth and despite having sufficient distributable profits, do not recommend any dividend on equity shares for the financial year under review.

During the year under review, pursuant to Section 29C of the NHB Act, 1987, the Company had transferred a sum of Rs.16.24 crores out of the previous year's profits available for appropriation to the Statutory Reserve Fund.

Adoption of new set of Memorandum of Association and Articles of Association:

During the year under review, the Company has adopted a new set of Memorandum of Association and Articles of Association.

Capital Adequacy Ratio:

As required under NHB Directions, 2010, the Company is presently required to maintain a minimum capital adequacy of 13% on a stand-alone basis. Further, the NHB vide its note dated March 04, 2019 has proposed certain amendments which includes to raise the capital adequacy ratio for HFCs from 12% to 15% by March 2022.The capital adequacy ratio of HFCs is to be increased from 12% to 13% by March 2020, 14% by March 2021 and 15% by March 2022 as per the said proposal.

The Company's Capital Adequacy Ratio as at March 31, 2020 was 48.80% (previous financial year 38.01%) which is far above the minimum required level of 12% as well as the proposed level of 15%.

SHARE CAPITAL:

Authorized Share Capital:

During the year under review the Company had increased its Authorized Share Capital to

₹ 250,000,000 (Rupees Twenty-Five Crores Only) divided into 25,000,000 Equity Shares of ₹ 10 each in its Annual General Meeting held on June 12, 2019 and amended clause V of Memorandum of Association accordingly. Subsequently the Company in its Extra-Ordinary General Meeting held on October 30, 2019 had approved sub division of 25,000,000 fully paid up equity shares of face value of ₹ 10 each into 125,000,000 equity shares of face value ₹ 2 each.

Issued, Subscribed and Paid-up Share Capital:

During the year under review, the Company issued and allotted 2,928,145 Equity Shares to the existing Investors as well as the management team of the Company at a price of ₹ 1,116. Further, 63,500 Equity Shares were issued and allotted on exercise of stock options granted to employees of the Company under ESOP Plan 2012 and ESOP II. Pursuant to the aforesaid allotments and the sub-division of equity shares, the issued, subscribed and paid-up share capital of the Company stands increased to ₹ 156,595,430 /- (78,297,715 Equity Shares of Face Value ₹ 2/- each).

Filing of Draft Red Herring Prospectus:

During the year under review, the Company filed Draft Red Herring Prospectus with Securities and Exchange Board of India (SEBI) on November 29, 2019 and subsequently with BSE Limited(BSE) and National Stock Exchange of India Limited (NSE) {collectively called the 'Exchanges'}. The Exchanges have granted their in-principle approval of the Company's listing application on December 10, 2019 and December 16, 2019 respectively. SEBI vide its letter dated February 25, 2020 has given the final observation and approved the Company's application to list with the Exchanges.

Impact of COVID- 19 on Housing Finance Sector:

The housing finance market is currently exhibiting moderate to negative outlook on the backdrop of the coronavirus pandemic. The priority for the company is to focus on asset quality, liquidity and slow return to growth path; as the economic outlook improves.

Affordable housing finance market in India was estimated to touch ₹ 5.3 trillion by FY 22 from the market size of ₹ 3.3 trillion during FY 19[1]. Although the YoY growth of affordable housing finance companies is 26% as of December 31, 2019, the housing finance companies are expected to see slower credit growth in FY21 to the tune of 9-12% as compared to 16% which was the CAGR for the past 3 years[2]. It is estimated that the HFC industry will face a slowdown in the next 12-18 months with a drop of 45% in sales of new homes[3]. However, demand will pick up in Tier 2 and Tier 3 cities mainly on account of self-construction and extra room/plot construction.

The self-employed borrowers' segment is estimated to be affected negatively since the income generation activities of the customers would be disrupted. Asset quality is expected to deteriorate with estimated GNPA for housing loans predicted to touch 1.8-2% in March 2021 from 1.4% as of December 2019 and for non-housing loans slippages is estimated at 3-3.5% in March 2021 from 2.1% as of December 2019[4]. Since your company has a higher proportion of salaried customers with focus on housing loans, the impact will be lesser. Your company has made good efforts in collections and has managed to keep GNPA on AUM at 0.87% for FY20 (without including the benefit of moratorium for Mar'20).

The prolonged slowdown may also increase the credit cost and thereby impact the profitability to the extent of 200-300 basis points. Operating efficiencies will also moderate as growth slows. Another impact of the pandemic is estimated to be a possible correction in prices of the properties resulting in higher LTV. This may in turn affect the recovery and liquidity of the repossessed properties adversely. The liquidity scheme worth ₹ 300 bn and extension of partial guarantee worth ₹ 450 bn to NBFCs/HFCs/MFIs as part of Stimulus 2.1 announced by government is expected to reduce the liquidity woes[5].

Early trends in moratorium availment amongst prime and affordable lenders shows that Maharashtra, Tamil Nadu and West Bengal lead the states who have high opt-in rate for moratorium. The sectors where highest opt-in for moratorium experienced are automobile, gems and jewellery, hotel, restaurant and tourism sectors[6]. Your company has also evaluated the trends in moratorium across sectors with real estate,

[1] *CRISIL* [2&4] *ICRA* [3] *CRISIL* [5] *I-Sec Industry Report*
[6] IMGC Report on Early Moratorium Trends – April 2020

travel and entertainment emerging as the highest impacted sectors. These highly impacted sectors form less than 7% of the overall company AUM.

In the light of the moratorium facility availed by our customers, it remains to be seen how it will impact the financial discipline of our customers in the future. This may result in increased collection efforts. Besides the challenges on asset side, the funding challenges could mount again as banks become more selective in extending credit. The environment is turbulent with RBI taking steps for liquidity infusion measures and convincing banks to continue funding HFCs for their genuine credit requirements. Your Company is proactively raising funding to tide over the prevailing uncertainty and keeping ALM in check.

Home First approach to lockdown:

As you must all be aware that the country is going through an unprecedented lock down situation with the COVID-19 pandemic which has hit populations around the world and has resulted in significant restrictions on movements.

The Company has taken various steps to cope with the situation created by Covid-19 which can be listed out as follows:

All Head Office and branch employees have moved to work-from-home mode. Since our CRM, lending as well as accounting applications are on cloud, the Company did not face any challenges in this transition.

- Employees have been advised not to use public transport.
- All branch employees have been advised to prioritize collection activities. All our branch employees are trained and accustomed to handling collections as part of their regular activities. This has enabled a smooth transition to predominant focus on collections.
- Due to lockdown imposed across the country, our employees faced hindrance in physical collections. Despite this, our collections for the month of April, 2020 stands at 73%. 98% of this was collected electronically. The Company's investments in developing electronic collection processes have proved very useful in the current situation.
- Disbursal of loans approved earlier are continuing at a slower pace.
- The Company has enough liquidity to meet its obligation for the next 6 months and is focussed on improving the funding pipeline.

Management perspective about future growth:

The management of Home First is optimistic about the outlook of its business post return to normalcy from the current situation. The Company's significant up front investment in creating risk focused approach to doing business is helping in these trying times. With strong processes in place, the Company is confident of sustaining sound portfolio quality. With adequate capital in hand, Home First expects to sustain good growth in the medium term. The Company is well organized and structured to capitalize on the market opportunity, given its strong balance sheet, pan India network of branches, a highly motivated workforce and an experienced leadership team at its helm.

The Company, with an assumption that this pandemic is not going to ease any time soon, is working with the following action plan for FY 21

- Asset Quality – focus on collections, control NPA's
- Liquidity – build cash on the balance sheet actively using measures announced by RBI through existing and new lenders
- Digital - Review tech/digital to identify areas to prioritize and build a low touch loan approval model
- Cost control - Review all cost lines to understand levers for reducing cost
- Interim credit guidelines in place for further new business and disbursals of already approved loans
- Pivoting back to growth by segmenting markets; as lockdown opens

Your company is already working on off-balance sheet funding, options such as co-origination and assignment and securitization. In FY21 we will focus on ensuring high employee morale and safety, sustained engagement with existing customers to maximize collections efficiency and prudent practices to restart business and disbursals. As we maneuver our way through the current pandemic, our focus is on leveraging our inherent strengths to come out stronger. Our historical focus on building a technology driven business with digital infrastructure and cloud computing has made it easy for us to transition to the new realities of working. While we remain cautious on the liquidity environment, our focus will be on judicious capital allocation with an emphasis on maximizing our return on capital.

PARTICULAR OF CONTRACTS OR ARRANGEMENT WITH RELATED PARTIES:

During the financial year under review the Company has entered into certain transactions /contract with the related parties falling within the provisions of Section 188 of the Act and the rules made thereunder. However, the Company has obtained Omnibus approval for the same, accordingly requirement of disclosure of Related Party Transactions in terms of Section 134(h) of the Act is provided in Form AOC-2 as **Annexure A.**

Further as required by NHB notification no. NHB.HFC. CG-DIR.1/MD&CEO/2016 dated February 9, 2017, "Related Party Transaction Policy" can be accessed on the website of the Company at https://homefirstindia.com/policy/related-party-transaction-policy/

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:

Since your Company is engaged in financial services activities, its operations are not energy intensive nor does it require adoption of specific technology and hence information in terms of Section 134(3)(m) of the Act read with the Companies (Accounts) Rules, 2014 is not provided in this Board's Report.

Foreign Exchange Earnings and Outgo:

The Company has no foreign exchange earnings and has made expenditure in foreign currency as per the following table:

₹ in Cr.

Sr No.	Particulars	FY 2019-20	FY 2018-19
1.	Software fee	4.50	2.95
2.	Legal Counsel fee for IPO	1.53	-
3.	Data Room charges for IPO	0.04	-
	Total	**6.07**	**2.95**

EXTRACT OF ANNUAL RETURN:

Pursuant to the provisions of Section 134(3)(a) of the Act, the extract of Annual Return in Form MGT-9 as required under Section 92 (3) of the Act and Rule 12 of Companies (Management and Administration) Rules, 2014 is annexed as **Annexure B.**

PARTICULARS OF INVESTMENTS, LOANS, GUARANTEES AND SECURITIES:

The Company is a Housing Finance Company, the disclosures with respect to loan, guarantee or security provided in the ordinary course of the business is exempted under the provisions of Section 186 (11) of the Act. However, the details of the loans made and particulars of investment made by the Company are provided in the financial statements.

ADEQUACY OF INTERNAL FINANCIAL CONTROLS IN RELATION TO THE FINANCIAL STATEMENTS:

The Company has in place adequate internal financial controls with reference to its financial statements. During the year, such controls were tested and no reportable material weakness in the design or operation was observed. In the opinion of the Auditors of the Company, there are adequate internal financial control procedures commensurate with the size of the Company.

MATTERS RELATED TO DIRECTORS AND KEY MANAGERIAL PERSONNEL:

The composition of the Board is in accordance with Section 149 of the Act with an appropriate combination of Executive, Non-executive and Independent Directors. As of March 31, 2020, the Board of Directors of your Company comprised of 8 Directors out of which one (1) is Executive Director and three (3) Independent Directors out of which one is Woman Director and one is Chairman and rest are Nominee Directors.

Details of Board of Directors along with Key Managerial Personnel as on March 31, 2020 are mentioned below:

Name	DIN / PAN	Designation
Mr. Deepak Satwalekar	00009627	Chairman & Independent Director
Mr. Sakti Prasad Ghosh	00183802	Independent Director
Ms. Sujatha Venkatramanan	05340759	Independent Director
Mr. Rajagopalan Santhanam	00025669	Nominee Director
Mr. Vishal Vijay Gupta	01913013	Nominee Director
Mr. Divya Sehgal	01775308	Nominee Director
Mr. Maninder Singh Juneja	02680016	Nominee Director
Mr. Manoj Viswanathan	01741612	Director and Chief Executive Officer
Ms. Nutan Gaba Patwari	AGSPG3187G	Chief Financial Officer
Mr. Shreyans Bachhawat	AJDPB9500E	Company Secretary

Appointment / Resignation of Directors:

During the FY 2019-20 Mr. Deepak Satwalekar was appointed on October 23, 2019 as an Independent Director of the Company. Further, the Board at its meeting held on November 18, 2019 has elected Mr. Satwalekar as the Chairman of the Company. Mr. Rajagopalan Santhanam resigned as the Nominee Director of True North Fund V LLP and was re-appointed as the Nominee Director of Aether (Mauritius)Limited on February 28, 2020.

As per Section 134(q) of the Act read with sub-clause (iiia) of sub rule 5 of Rule 8 of Companies (Accounts) Rules, 2014 in the opinion of the Board Mr. Deepak Satwalekar, Chairman and Independent Director appointed during the year has relevant expertise and experience as well as high integrity.

Key Managerial Personnel (KMP):

During the year under review there was no change in the Key Managerial Personnel of the Company.

In terms of the Act, the following are the KMPs of the Company as on March 31, 2020:

a. Mr. Manoj Viswanathan-Director & CEO
b. Ms. Nutan Gaba Patwari - Chief Financial Officer
c. Mr. Shreyans Bachhawat – Company Secretary

A detailed report on appointment of Directors and Key Managerial Personnel has been set out in Corporate Governance report.

Declaration by Independent Directors:

There are three Independent Directors on the Board of the Company. The Independent Directors have submitted the Declaration of Independence in accordance with the relevant provisions of Section 149 of the Act stating that they meet the criteria of Independence and are not disqualified from continuing as Independent Directors.

Declaration of Fit & Proper Criteria:

All the Directors of the Company have given the declaration to the effect that they are Fit & Proper, to be appointed as Director, as per the criteria prescribed by NHB.

Director(s) Retiring by Rotation:

In terms of Section 152(6) of the Act read with the Articles of Association of the Company, not less than one-third of the total number of retiring directors should retire by rotation, at every Annual General Meeting. For the purpose of this section, the total number of directors to retire by rotation shall not include Independent Directors.

In accordance with provisions Section 152 of the Act, Mr. Maninder Singh Juneja (DIN:02680016), Nominee Director of the Company, being longest in the office, retires at the ensuring Annual General Meeting and being eligible, offers himself for re-appointment.

Corporate Governance Report:

Your Company believes that a good corporate governance system is necessary to ensure its long-term success. The Company ensures good governance through the implementation of various effective policies and procedures, which is mandated and reviewed by the Board or the Committees of the members of the Board in regular intervals. The Corporate Governance report is furnished as **Annexure C** to this report.

Internal Guidelines on Corporate Governance:

During the financial year under review, your Company adhered to the Internal Guidelines on Corporate Governance adopted in accordance with Housing Finance Companies-Corporate Governance (NHB) Directions, 2016, which inter-alia, defines the legal, contractual and social responsibilities of the Company towards its various Stakeholders and lays down the Corporate Governance practices of the Company. The said policy is available on the website of the Company can be accessed at https://homefirstindia.com/policy/corporate-governance-policy/

Company's policy on Director's appointment and remuneration:

The Nomination and Remuneration Committee had laid down criteria for determining Directors Qualification, Positive Attributes & Independence of a Director, Remuneration of Directors, Key Managerial Personnel and other employees and criteria for evaluation of Directors, Chairperson, Non-Executive Directors and Board and the evaluation process of the same. The policy may be accessed on the Company's website at https://homefirstindia.com/policy/nomination-and-remuneration-policy/

Further as required by NHB notification no. NHB. HFC. CG-DIR.1/MD&CEO/2016 dated February 9, 2017 there were no pecuniary relationship or transactions of the non-executive directors with the Company except sitting fees paid to the Independent Directors as disclosed in the Extract of Annual Return in Form MGT-9.

Management Discussion and Analysis:

The Management Discussion and Analysis forms part of this report and is furnished in the Annual Report for FY 2019-20.

DISCLOSURES RELATED TO BOARD, COMMITTEES AND POLICIES:

Board and Committee Meetings:

During the financial year 2019-20, the Board of Directors of the Company met 9 times. The details of meetings of the Board and its Committees held during the financial year under review are further specified in the Corporate Governance Report of the Directors which forms a part of this report. The intervening gap between the two Board meetings was within the period prescribed under the Act.

Whistle Blower Policy / Vigil Mechanism:

In accordance with the provisions of Section 177 (9) of the Act and the rules made thereunder, the Company has established Vigil mechanism and also adopted a Whistle blower Policy under the surveillance of the Audit committee. The Company has adopted work culture which ensures highest standards of professionalism, honesty, integrity, moral and ethical behavior.

The Policy may be accessed on the Company's website at the link: http://www.homefirstindia.com/whistle-blower-policy

Corporate Social Responsibility (CSR):

The CSR Committee has formulated a Corporate Social Responsibility (CSR) policy indicating activities to be undertaken by the Company. The CSR policy may be accessed on the Company's website at the link: :http://www.homefirstindia.com/CSR policy.

The Company being committed to the well-being and betterment of the Country has considered the outbreak of the fatal Covid-19 in the Country to have a significant impact on the economy and has accordingly decided to donate an amount of Rs. 49.50 Lakhs to PM Cares Fund and Rs. 25 lakhs to Masina Hospital pertaining to the FY 2019-20 on March 30, 2020. A detailed report on the CSR Expenditure is being set out in **Annexure D.**

RISK MANAGEMENT FRAMEWORK:

As a housing finance company, the Company is exposed to various risks like credit risk, market risk (interest rate and currency risk), liquidity risk and operational risk (technology, employee, transaction and reputation risk). To identify and mitigate these risks the Company has an effective Risk Management Control Framework that has been developed encompassing all the above areas.

The Company has in place the mechanism to identify, assess, monitor and mitigate various risks to key business objectives. Major risks identified by the businesses and functions are systematically addressed through mitigating actions on a continuing basis. The Company encourages sound risk management culture within the organization.

The Company has a Risk Management Committee (RMC) is in place that comprises of its director and members of its senior management team, who have rich experience in the industry in various domains. The RMC kept an active watch on the emergent risks the Company was exposed to during the year. 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.

The Company has adequate internal control systems in place, commensurate with its size and the industry in which it operates. The internal control framework is intended to ensure correct, reliable, complete and timely financial reporting and management information, safeguarding of company assets, and efficient conduct of business. The framework endorses ethical values, good corporate governance and risk management practices.

AUDITORS AND REPORTS:

Ratification of Appointment of Auditors:

Pursuant to the provisions of Section 139 of the Act and the Companies (Audit and Auditors) Rules, 2014, M/s. Walker Chandiok & Co LLP, Chartered Accountants, Firm registration no: 001076N/N500013, the Statutory Auditors of the Company had been appointed for a term of 5 years. The Share holders in their Annual General Meeting held on June 12, 2019 had ratified the appointment of the Auditors for the FY 2019-20. The Company has received a confirmation from the said Auditors that they are not disqualified to act as the Auditors and are eligible to hold the office as Auditors of the Company.

Observations of Statutory Auditors on Financial Statements for the year ended March 31, 2020:

The observations / qualifications / disclaimers made by the Statutory Auditors in their report for the financial year ended March 31, 2020 read with the explanatory notes therein are self-explanatory and therefore, do not call for any further explanation or comments from the Board under Section 134(3) of the Act.

Fraud Reported by Auditors:

During the year under review, the Statutory Auditors have not reported any instances of frauds committed in the Company by its officers or employees to the Board/Audit Committee under Section 143(12) of the Act, details of which needs to be mentioned in this report.

Internal Auditors:

The Company had appointed M/s. P Chandrashekhar LLP and M/s Ernst and Young LLP as its Joint Internal auditors to conduct comprehensive audits of functional areas and operations to examine the adequacy of, and compliance with policies, plans and statutory requirements. The Internal Auditors have not submitted any material qualifications, reservations or adverse remarks or disclaimers.

Maintenance of Cost records:

The Company being a Housing finance company maintenance of cost records as prescribed under section 148(1) of the Act is not applicable.

Secretarial Standards:

During the year under review, the Company has complied with the applicable secretarial standards issued by the Institute of Company Secretaries of India.

Secretarial Auditors:

In accordance with Section 204 of the Actand Rule 9 of the Companies (Appointment & Remuneration of Managerial Personnel) Rules, 2014. The Company had appointed M/s. Aashish K. Bhatt and Associates, Practicing Company Secretaries to conduct secretarial audit of the Company for the FY 2019-20. The Secretarial Audit report has been annexed to this Report as **Annexure E.** The Secretarial Auditors have not submitted any material qualifications, reservations or adverse remarks or disclaimers.

HUMAN RESOURCE:

At Home First, we believe that our employees are our most valuable assets and endeavor to help them realize their full potential. The Human Resource function plays a crucial role in supporting the organization in meeting its dynamic needs from recruitment, on-boarding and training to performance management, compensation & benefits, and organizational development. We emphasize on continuous enhancement of our processes keeping in mind the best practices in the industry in order to attract the best talent across geographies and verticals. To further augment, we have re-engineered our recruitment processes where we do a basic intelligence check as well as psychometric assessment for attracting the right talent. Apart from this we also conduct a 12-day induction programme wherein we provide a holistic view of the sector and the product. The training also imparts the working culture of Home First.

The Company had opened 8 new branches in FY 20. The HR and Training team along with respective functions took the primary responsibility to timely on-board experienced resources across all new locations, impart functional and system training and develop them as a homogenous and productive resources for cross functional teams. The Company also gave an opportunity to identify and develop the internal talent pool. Employees were given career enhancement opportunity by horizontal and vertical movements and were entrusted with higher functional responsibilities.

The Company's staff strength as at March 31, 2020 was 696 employees.

EMPLOYEE STOCK OPTION SCHEMES:

Your Company believes that its success is largely determined by the quality of its workforce and their commitment towards achieving the goals of the Company. In order to enable the employees of the Company to participate in the future growth and success of your Company, Employee Stock Option Scheme 2012 Policy ("ESOP 2012") and Employee Stock Option Plan II Policy ("ESOP II") as adopted by the Company. In terms of Section 62 of the Act read with Rule 12(9) of the Companies (Share Capital and Debentures) Rules, 2014, the disclosures for the Financial Year ended March 31, 2020 with respect to ESOP 2012 and ESOP II have been provided in **Annexure F** to this Director's Report.

Employee Remuneration:

Statement containing details of employees as required in terms of Section 197 of the Act read with Rule 5(2) and Rule 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, is available for inspection by the Members at the Registered & Corporate Office of the Company during normal business hours on all working days. A copy of the statement may be obtained by the Members by writing to the Company Secretary at the Registered & Corporate Office of the Company.

PREVENTION OF SEXUAL HARASSMENT AT WORKPLACE:

In accordance with the Act mentioned herein above and the rules made thereunder the Company has adopted and implemented a policy in this behalf.

The Policy is available on the website of the Company at the below mentioned http://www.homefirstindia.com/psh-policy. The Company has complied with the provisions relating to the constitution of Internal Complaints Committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act,2013.

During the financial year 2019-20, the Company did not receive any complaint. The Annual Report as required to be prepared and submitted under Section 21 of the Act read with Rule 14 of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Rules, 2013 is furnished as **Annexure G** to this Report

REGULATORY COMPLIANCE:

The Company has been following guidelines, circulars and directions issued by NHB/RBI from time to time. The Company has adopted all the Policies as recommended by NHB/RBI from time to time.

The Company also has been following directions / guidelines / circulars issued by Accounting Standards, Income Tax Act, 1961 and Ministry of Corporate Affairs from time to time, applicable to the company.

OTHER DISCLOSURES:

Other disclosures as per provisions of Section 134 of the Act read with Companies (Accounts) Rules, 2014 are furnished as under:

DISCLOSURE OF ORDERS PASSED BY REGULATORS OR COURTS OR TRIBUNAL:

During the year under review there were no significant material orders passed by the Regulators / Courts which would impact the going concern status of the company and its future operations. However, NHB had issued a show cause notice dated June 26, 2019 to the Company, in relation to non-compliance with provisions of paragraph 2(1)(zg) and paragraph 30 of the NHB Directions in relation to incorrect inclusion of provisions for NPA's in the computation of Tier-II capital and wrong risk weight assignment. Your Company vide its letter dated July 4, 2019 responded to NHB by providing certain clarifications and requesting to NHB for condonation of error and ensuring compliances in the future. NHB did not accept the submission and levied a penalty of ₹ 10,000 by its letter dated July 30, 2019. The penalty inclusive of tax has been duly paid and acknowledged by the NHB.

Further, NHB vide their letter dated March 3, 2020 had issued a show cause notice to the Company in relation to non-compliance of the provisions of paragraph 28 of the Housing Finance Companies Directions, 2010 wherein every Housing Finance Company is required to make provisions on the total outstanding amount for different categories of the loans. The Company vide their letter dated March 16, 2020 had responded appropriately to the show cause notice and had requested NHB to reconsider of levying the penalty. Pursuant to this NHB had not accepted the submission made by the Company and levied a penalty of ₹ 5,000 by its letter dated May 19, 2020.

DIRECTOR'S RESPONSIBILITY STATEMENT:

In terms of Section 134(5) of the Act, in relation to the audited financial statements of the Company for the year ended March 31,2020, the Board of Directors hereby confirms that:

a. in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;

b. the directors had selected such accounting policies have been selected and applied consistently and the Directors made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2020 and of the profit of the Company for that year;

c. the directors had taken proper and sufficient care was taken for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

d. the directors had prepared the annual accounts of the Company have been prepared on a going concern basis;

e. the directors had devised proper systems have been devised to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively;

DISCLOSURE UNDER SECTION 43(a)(ii) OF THE ACT:

The Company has not issued any shares with differential rights and hence no information as per provisions of Section 43(a)(ii) of the Act read with Rule 4(4) of the Companies (Share Capital and Debenture) Rules, 2014 is furnished.

DISCLOSURE UNDER SECTION 54(1)(d) OF THE ACT:

The Company has not issued any sweat equity shares during the year under review and hence no information as per provisions of Section 54(1)(d) of the Act read with Rule 8 (13) of the Companies (Share Capital and Debenture) Rules, 2014 is furnished.

DISCLOSURE UNDER SECTION 67(3) OF THE ACT:

During the year under review, there were no instances of non-exercising of voting rights in respect of shares purchased directly by employees under a scheme pursuant to Section 67(3) of the Act read with Rule 16(4) of Companies (Share Capital and Debentures) Rules, 2014 is furnished.

ACKNOWLEDGMENT AND APPRECIATION:

Your Board of Directors take this opportunity to express their appreciation to all stakeholders of the Company including the RBI, NHB, the Ministry of Corporate Affairs, Securities and Exchange Board of India, the Government of India and other Regulatory Authorities, Bankers, Financial Institutions, Members, Customers and Employees of the Company for their continued support and trust. Your Directors would like to express deep appreciation for the commitment shown by the employees in supporting the Company in achieving continued robust performance on all fronts.

In closing, I would like to thank all our investors, bankers and lenders who have reposed trust in us and supported us in our journey. I am confident of maintaining your trust and look forward to a long-lasting relationship with all of you.

For and on behalf of the Board of Directors

Deepak Satwalekar
Chairman & Independent Director
DIN: 00009627

Date: May 26,2020
Place: Mumbai