

ANNEXURE-I

MANAGEMENT DISCUSSIONS AND ANALYSIS REPORT

Overview of Indian Economy:

The economy of India is a developing mixed economy. It is the world's seventh-largest economy by nominal GDP and the third-largest by purchasing power parity. For FY 2017-18 the government has taken significant economic measures, the long awaited GST has been introduced on 1st July 2017. GST seeks to transform India with its "One Nation, One Market, One Tax" principle and is expected to improve tax compliance and improve governance, implementing a major recapitalization package to strengthen the public sector Banks, further liberalization of FDI and the export uplift from the global recovery.

Despite Demonetization and GST, the economic growth was strong. As per the Central Statistical Organization, India has emerged as the fastest growing major economy in the world as per the Central Statistics Organization (CSO) and International Monetary Fund (IMF) and it is expected to be one of the top three economic powers of the world over the next 10-15 years, backed by its strong democracy and partnerships. India's GDP is estimated to have increased 6.6 per cent in 2017-18 and is expected to grow 7.3 per cent in 2018-19.

The Government has been forefront in encouraging housing sector and have taken various initiatives in this regard. The key reforms were introduced by the government to boost the housing sector in India which in turn will have a positive impact on the housing finance sector.

Market Scenario

India's financial service sector has grown from strength to strength. Housing finance sector is an important contributor to the entire economy. It is the second-largest loan portfolio for Housing Finance Company after infrastructure and an important employment generating sector, accounting for 5-6% share of India's GDP and capital formation. It has improved significantly compared with the overall banking sector over the past years.

The demand for housing is ever-increasing with the growing population and urbanisation and access to housing finance needs to keep pace with it, Housing Finance Companies are finding ways and means of offering financial inclusion by replacing collateral requirements from proper land titles to pseudo collaterals, introducing qualitative measures for assessment of low income borrowers, offering developmental housing loans and more.

Though the implementation of Real Estate Regulation Act (RERA) and GST caused a temporary slowdown in the market, these are not expected to obstruct growth in the long term, with RERA in fact likely to boost Transparency & Efficiency in real estate sector in regards to sale of plot, apartment, building or real estate project.

India Home Loan Limited (IHLL) is making steady and strong progress in the field of Housing Finance. It provides various products for Lower Income Group and Middle Income Groups. It is concentrating on affordable housing loan for purchase of ready or under-construction housing units, home renovation/extension, self-construction, purchase of plots and composite loan for purchase of plot and self-construction. Company has entered into various a Memorandum of Understanding with various Governments and provide benefit and incentives to its borrower

Products and Services:

IHLL's primary offering is through home loan products to suit borrowing capabilities across different classes of borrowers, namely salaried professionals, self-employed and entrepreneurs with repayment options. Housing loans include finance for the purchase of ready or under-construction housing units, home renovation/ extension, self-construction, purchase of plots and composite loan for purchase of plot and self-construction. Special care is taken to enable home loan access to the Low-and mid-income (LMI) segment, while designing the product and processes. Home loan products are being offered at fixed rates, giving customers an option to decide on the type of interest rate risk

Branding and Marketing Efforts:

IHLL through concerted branding and marketing efforts continues to strengthen its reach and service to customers, especially in the Low-and mid-income (LMI) segment. Company is engaged with specialized third party agencies for various marketing activities like production of advertisement, research etc. IHLL is operating in two states – Gujarat and Maharashtra. It has 6 retail offices across these two states. IHLL's staff strength as at March 31st, 2018 was 40.

Financial Performance:

In the financial year ended March 31, 2018, the Company's profits increased every sequential quarter, The Company's revenues for the year ended March 31, 2018 stood at Rs. 16.70 Cr, growing by 184.96% over last year's revenues of Rs. 5.86 Cr.

Profits for the year ended March 31, 2018 was Rs. 2.96 Cr, a growth of 199.33% over the previous year. For FY 2017-18, the return on equity was at 8.75%.

Statement of Profit and Loss

Key elements of the statement of profit and loss for the year ended March 31, 2018 are:

1. Profit before Tax up by 190.13% as compared to previous year.
2. Profit after Tax up by 199.33% as against the previous year.
3. Current year income tax provisions amounted to INR 109.87 lakhs as compared to INR 41.01 lakhs in the previous year.
4. The Earnings per Share (Basic) was Rs 2.08 for the current year as against INR 0.80 for the Previous Year.

The Company stands out on every key quantitative and qualitative parameter:

- The Company's credit rating is "CARE BBB- Stable"
- Focus on low-risk lending evident in superior asset quality
- Active and aligned with developers through Project Finance and approved Project strategy to build continuing leads and forward linkages for home loans
- Competitive offerings, both on products and pricing.

Portfolio

IHLL's portfolio is INR 142.07 Cr as of 31st March, 2018 (previous year INR 29.63 Cr) for home purchase and construction in the retail home loan segment.

IHLL's portfolio is INR 35.86 Cr as of 31st March, 2018 (previous year INR 12.58 Cr) for mortgage loans and builder loans for Long term housing projects.

Loans

The Loan approval process at IHLL is centralized with varying approval limits. Approvals of lending proposals are carried out by Credit Committees upto the limits delegated. Approvals beyond certain limits are referred to the Credit Committee larger proposals, as appropriate, are referred to the Committee of Directors, set up by the Board. During the year, IHLL's total outstanding loans increased to Rs. 177.93 Cr from Rs. 42.21 Cr. IHLL's outstanding home loans to individuals is of Rs. 142.07 Cr and other loans including loan to developers for long term housing projects and mortgage loans is of Rs.35.86 Cr.

Provision for Standard Assets, NPAs and Contingencies

As per prudential norms prescribed by NHB for Standard Loan Assets, HFCs are required to carry a provision of 0.40% on all Individuals Home Loans, 1% on Individual LAP Loans, 0.75% on Developers Loans for residential projects and 1% on Developer loans for commercial projects.

As per the prudential norms of NHB, IHLL has identified Non Performing Asset (NPAs) and made required provisions on such NPAs besides not recognizing income in respect of such NPAs. An asset is NPA if the interest or EMIs (Equated Monthly Installment) is overdue for 90 days. IHLL's NPAs as at March 31st, 2018 were 3.97 Cr in respect of Individual Home Loans and 0.46 Cr in respect of LAP Loan. There were no NPAs under Developer Loans. As per prudential norms of NHB, IHLL is required to carry a provision of INR 71.87lakhs towards such NPAs. IHLLs gross NPAs are 2.49% and net NPAs are 2.09% on the outstanding loans of INR 177.93 Cr as at March 31st, 2018.

Investments

The Risk Management Committee constituted by the Board of Director is Responsible for approving investments in line with limits as set out by the board. The decisions to buy and sell up to the approved limit delegated by the board are taken by the Managing Director. The investment function is carried out primarily to support the core business of housing finance to ensure adequate levels of liquidity and to maintain investment in approved securities as per the norms of

NHB. Considering the time lag between raising of resources and its deployment, the surplus funds are generally being parked with liquid fund schemes of mutual funds and short-term deposits with banks.

Borrowed Funds

IHLL has been raising funds for its lending activities from banks/FIs by way of term loan, from NHB by way of refinance. Endeavours at IHLL have been to maintain low rate borrowings with a view to minimize the weighted average cost of borrowings and maintain a healthy spread on its lending activities. While such a mix enables IHLL to sustain a healthy net-interest margin, it raises the risks of asset liability mismatch. To minimize the risk arising on account of such mismatch, IHLL has set internal norms on the quantum of short-term borrowings so that a prudent balance is maintained in keeping the cost of funds low to an extent that the risk raising from the mismatch could be managed.

During the Financial 2017-18, Company has availed total sanction loan of Rs158.24 Crs (includes OD& car loan). The outstanding amount as on 31st March 2018 stood at Rs 155.74 Crs.

Operational Performance

During the course of the year, the Company had a robust growth in the total revenue from operations which mainly includes interest on housing loan disbursed to the customers. In support of the governments flagship scheme "Housing for all" Company has increased its efforts towards loans to Low Income Group and Middle Income Group where Household income are upto Rs 3 Lakhs and Rs 6 Lakhs per annum respectively.

NHB Guidelines and Prudential Norms

The Company has complied with the provisions of the Housing Finance Companies (NHB) Directions as prescribed by National Housing Bank (NHB) and has been in compliance with the various Circulars, Notifications and Guidelines issued by NHB from time to time. The Circulars, Notifications and Guidelines issued by NHB are also placed before the Audit Committee / Board of Directors at regular intervals to update the Committee/ Board members on the compliance of the same.

IHLL's total borrowings as at March 31, 2018 of INR 155.74 Cr were within the permissible limit of 16 times the net owned funds. IHLL's Capital Adequacy Ratio as at March 31, 2018 was 29.67% as against NHB's prescribed limit of 12% The Capital Adequacy on account Tier I Capital was 29.18% while the Capital Adequacy on account of the Tier II Capital was 0.49%.

Inspection by National Housing Bank (NHB)

NHB, under section 34 of the NHB Act, 1987, carries out inspection of HFCs . NHB conducts comprehensive inspection of select few branches of IHLL and also inspects IHLL's lending. Resource raising and accounting activities apart from the compliances with the Prudential Guidelines issue by NHB.

BUSINESS STRATEGY:

IHLL is non deposit accepting Housing Finance Company (HFC), the Company which relies on borrowing to fund its lending business. Company derived its total revenue from interest on housing loan. The Government's efforts to boost "affordable housing" by conferring "infrastructure status" to this segment and announcing various tax incentives will continue to attract more prominent developers to realign their products to compete in this category. The Union Cabinet's decision to increase the carpet area of affordable units to 120 sq.m and 150 sq. m for MIG-I (income category ₹6-12 lakh per annum) and MIG-II (income category of ₹12-18 lakh per annum) segments respectively, coupled with an interest subsidy of upto 3-4%, will benefit both buyers and sellers as options increase for the former and inventories are cleared for the latter.

Risk Management

IHLL has a well-defined risk management framework in place. The risk management framework works at various levels across the enterprise. The Company has constituted a Risk Management Committee of the Board which is authorised to monitor and review risk management plan and risk certificate. The Risk Management Committee (RMC) comprises the Non Executive Director as the chairman and the members include Managing Director and Whole Time Director of the Company holding key positions in the Company. The RMC apprises the Audit Committee of the key risks associates with the business of the Company and the measures to mitigate them.

Company's Management Assurance and Audit Function is headed by senior management personnel with reporting lines to the Audit Committee of the Board and a dotted line reporting to the Managing Director. The head of management assurance and audit is accountable to the Board of Directors through the Chairman of the Audit Committee. The function is responsible for providing comprehensive audit coverage of all divisions within the Company and for assisting management in ensuring proper control over Company's assets and liabilities. It is an independent and objective assurance and consulting activity designed to add value and improve the Company's operations. It helps your Company accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The function adopts a risk based audit approach and conducts an audit of all branches and functions and also proactively recommends improvements in operational processes and suggests streamlining of controls to mitigate various risks.

Human Resource and Employee Relations:

As business continues to grow at a steady pace amidst greater consumer expectations, the Human Resource Department's responsibility of nurturing the potential of employees is also greater. With digitization of the HR function we have made further progress towards creating an environment that fosters learning and growth.

We continue to deepen our relationship with campuses across the country to hire fresh talent. Our talent acquisition programme is also continually focused on hiring best in class lateral talent. The management along with senior employees are putting great effort invested in developing internal talent and performing employees are given enhanced job responsibilities in your fast growing Company.

On behalf of the Board of Directors

**Place: Mumbai
Dated: 31.07.2018**

Sd/-

**Mahesh Narshibhai Pujara
Managing Director
(DIN: 01985578)**

Sd/-

**Harshita Jagwani
Independent Director
(DIN: 07797684)**