

Directors' Report

Financial Year 2019-20

Dear Members,

Your Directors have pleasure in presenting fourteenth Annual Report of your Company with the Audited Financial Statements for the financial year ended March 31, 2020.

1) FINANCIAL PERFORMANCE

Particulars	(₹ in Million)	
	2019-20	2018-19
Gross Total Income	17,751.94	18,277.78
Less: Expenditure	14,447.54	13,783.87
Profit before exceptional items and tax	3,304.40	4,493.91
Exceptional item	15.04	-
Profit after exceptional items and before tax	3,289.36	4,493.91
Less: Taxation	840.14	1,429.98
Net Profit after Tax	2,449.22	3,063.93

2) REVIEW OF BUSINESS

During the year under review, your Company's total income amounted to ₹ 17,751.94 million. Profit before tax and exceptional items stood at ₹ 3,304.40 million. Profit after tax stood at ₹ 2,449.22 million. During the year ended March 31, 2020, Assets Under Management (AUM) of the Company has grown by 2% y-o-y to ₹ 1,84,947 million. At the segment level, there is moderate growth in the home loan and LAP segments whereas the real estate segment has de-grown y-o-y. Loan book has de-grown by 4% y-o-y to ₹ 128,139.6 million as on March 31, 2020. Loan Book has de-grown in comparison to AUM growth due to high assignment of portfolio during the year.

3) OUTLOOK

The Covid-19 pandemic has disrupted global economy and created unprecedented challenges. Economic activity in India was down to a standstill owing to the nation-wide lockdown in India from March 25, 2020. The housing finance industry was severely impacted with disruption in collections, moratorium to customers, challenges in raising funds and Banks not granting moratorium, adversely affecting our business performance in the last quarter of the financial year.

During the lockdown, the Company migrated to a 100% work from home scenario and all business operations continued to run smoothly. However, both disbursements and physical collections were adversely impacted due to branches being closed during the lockdown period. Taking cognizance of the scenario the Company made an additional provision of ₹ 536.64 million for any potential COVID related impact on asset quality.

We expect, as the lockdown starts to lift, and as stimulus measures announced by Government of India and Reserve Bank of India will start reaching end-customers, economic recovery will commence. The housing finance industry remains an important functionary in housing finance sector and eventually to the economic ecosystem.

4) IMPACT OF COVID -19 PANDEMIC

The detailed disclosure on the material impact of Covid-19 pandemic on the Company is forming part of the Financial Statements of the Company. You may refer to Note no. 7.1 of the Financial Statements for the same.

5) RESOURCE MOBILISATION

Non Convertible Debentures (NCDs)

During the year under review, the Company issued Secured Redeemable Non Convertible Debentures aggregating to an amount of ₹ 3,000 million and did not issue Unsecured Redeemable Non Convertible Subordinated Debentures. Further, the Company redeemed /Bought Back Non Convertible Debentures of amounting to ₹ 4,438.5 million, issued on private placement basis. Further, the Company also redeemed NCDs issued to the public aggregating to an amount of ₹ 1,977.9 million.

The Company has been regular in making payments of principal and interest on NCDs. The Company has complied with the provisions of the Housing Finance Companies Issuance of Non-Convertible Debentures on Private Placement (NHB) Directions, 2014. During the year under review, the Non-Convertible Debentures were paid / redeemed by the Company on or before

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their respective due dates. As on March 31, 2020, no Debentures, other than the stated above, issued on the private placement basis, were due or outstanding for redemption.

Assignment of Loans

During the year under review, the Company has securitised /assigned the receivables of housing loan portfolio aggregating to ₹ 21,010.53 million and non housing loan portfolio aggregating to ₹ 7,090.08 million. The Company was appointed as servicer by the Assignee/Trustee to collect and receive payment of the receivables from the Securitised/Assigned Assets.

Term Loans and other Borrowings

During the year under review, the Company availed ₹ 7,000 million of refinance facility from NHB under various refinance schemes of NHB. Further, the Company raised funds by way of borrowing from term loans, issuance of Commercial paper and other sources. As on March 31, 2020, total loan outstanding stands at ₹ 1,13,195.52 million.

6) DIVIDEND

During the year under review, your Directors has recommended interim dividend of ₹ 15 per share to shareholders. Total outgo (ex-Dividend Distribution Tax) towards payment of Dividend is ₹ 314.52 million and towards Dividend Distribution Tax ₹ 64.65 million. Your Directors recommend that the said interim dividend be considered as final.

7) TRANSFER TO RESERVES

Pursuant to section 29C 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. During the year under review, the Company transferred ₹ 493 million (20% of Net Profit for the year) to Special Reserve. As on March 31, 2020, the said Reserves stood at ₹ 2,068.70 million. During the year under review, the Company also transferred total outstanding amount of ₹ 500 million in DRR to General Reserves. The Balance in General Reserves stood at ₹ 1,438.60 million.

8) SHARE CAPITAL OF THE COMPANY

Authorised Share Capital

As on March 31, 2020, Authorised Share Capital of the Company was ₹ 1,720,000,000 (Rupees one hundred and seventy two crore only) divided into 1,52,000,000

(Fifteen crore and twenty lakh) Equity Shares of ₹ 10 (Rupees ten only) each and 20,000,000 (Two crore) Preference Shares of ₹10 (Rupees ten only) each.

Paid-up Share Capital

During the year under review, the Company has not issued Equity Shares as it considers capital base of the Company is adequate to meet statutory and business requirements of the Company. As on March 31, 2020, paid up share capital of the Company stands at ₹ 209.68 million.

9) PUBLIC DEPOSITS

Your Company is registered with National Housing Bank as a non-deposit taking housing finance company. The provisions of Section 73 of the Companies Act 2013, read with applicable rules thereto, are not applicable on the Company and, hence, during the period under review, your Company has not accepted/ renewed any public deposit.

10) INTERNAL FINANCIAL CONTROL WITH REFERENCE TO FINANCIAL STATEMENTS

The Company has in place adequate internal controls with reference to financial statements and operations and the same are operating effectively. The Internal Auditors tested the design and effectiveness of the key controls and no material weaknesses were observed in their examination. Further, Statutory Auditors verified the systems and processes and confirmed that the Internal Financial Controls system over financial reporting are adequate and such controls are operating effectively as at March 31, 2020.

11) VIGIL MECHANISM

In Compliance with the provisions of Section 177(9) of the Companies Act, 2013, read with the rules made there under, the Company has adopted a Whistle Blower Policy and has established the necessary vigil mechanism for employees to report genuine concerns about unethical behavior, actual or suspected fraud or violation of the Company's code of conduct or ethics policy. The Policy also provides for adequate safeguard against victimisation of Whistle Blower who avails of such mechanism and also provides for the access to the Chairman of the Audit Committee. None of the Whistle Blowers have been denied access to the Audit Committee. Whistle Blower Policy is uploaded on website of the Company at https://www.iifl.com/sites/default/files/vigilance_policy_0.pdf

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12) CREDIT RATINGS

During the year under review, the Company's Secured Non-Convertible Debentures were rated as [ICRA] AA Negative by ICRA Limited, CARE AA (Double A) Stable by Care Ratings Limited and CRISIL AA Stable by CRISIL Limited.

Further, Unsecured Non-Convertible Debentures were rated as BWR AA+ Negative by BRICKWORK Ratings, [ICRA] AA Negative by ICRA Limited and CRISIL AA Stable by CRISIL Limited, CARE AA Stable by CARE Ratings Limited.

13) IIFL FINANCE LIMITED IS HOLDING COMPANY

India Infoline Finance Limited, holding company of the Company merged with IIFL Finance Limited (the ultimate holding company) with effect from March 30, 2020. Therefore, the Company became wholly owned subsidiary of IIFL Finance Limited.

14) RISK MANAGEMENT

The Company has a defined Risk Management Strategy and a Framework which is designed to identify, measure, monitor and mitigate various risks. A Board approved Risk Management Policy has been put in place to establish appropriate systems or procedures to mitigate all material risks faced by the Company.

The Company is exposed to different types of risks emanating from both internal and external sources. The Company has in place a Risk Management team, whose job is to identify, analyze and take measures to mitigate risks faced by the Company. The team is guided by the Company's Risk Management Committee and the Senior Management to develop and implement Risk Assurance practices on a pan-organisational basis. The risk management framework institutionalised in the Company is supported by a "Three Lines of Defense" approach. Business function acts as first line of defense, control functions like Risk Management and Compliance act as second line of defense and the Internal Audit acts as third line.

15) ANNUAL EVALUATION OF THE BOARD

Pursuant to the provisions of the Companies Act, 2013, the Board of Directors has carried out an annual performance evaluation of its own performance, the Directors individually including Independent Directors based out of the criteria and framework adopted by the Board.

The Board considered and discussed the inputs received from the Directors. Also, the Independent Directors at their meeting held on March 30, 2020 reviewed the following:

- performance of Non-Independent Directors and the Board as a whole;
- performance of the Chairperson of the Company;
- Assessed the quality, quantity and timeliness of flow of information between the Company's management and the Board, which is necessary for the Board to effectively and reasonably perform their duties;

The Independent Directors expressed their satisfaction with overall functioning and implementations of their suggestions.

The evaluation process endorsed the Board Members' confidence in the ethical standards of the Company, the cohesiveness that exists amongst the Board Members, the two-way candid communication between the Board and the Management and the openness of the Management in sharing strategic information to enable Board Members to discharge their responsibilities.

16) DIRECTORS AND KEY MANAGERIAL PERSONNEL

Independent Directors

During the year under review, the Board appointed Mr. Arun Kumar Purwar as an Additional Independent Director for a period of 5 years, subject to approval of shareholders with effect from August 22, 2019. Shareholders at their extraordinary general meeting (EGM) held on September 27, 2019 appointed Mr. Arun Kumar Purwar as an Independent Director for 5 years with effect from his appointment as an Additional Independent Director by the Board i.e. August 22, 2019.

Non-Executive Directors

In terms of provisions of Section 152 of the Companies Act, 2013, Mr. Nirmal Jain, Non-Executive Director is liable to retire by rotation at the ensuing Annual General Meeting and, being eligible, has offered himself for reappointment. The Board recommends the same for shareholders' approval.

Key Managerial Personnel

Mr. Monu Ratra, Executive Director & CEO, Mr. Ajay Jaiswal, Company Secretary and Mr. Amit Gupta, Chief Financial Officer are the Key Managerial Personnel as

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per the provisions of the Companies Act, 2013 and Rules made thereunder. None of the Key Managerial Personnel has resigned or appointed during the year under review.

17) STATEMENT OF DECLARATION BY INDEPENDENT DIRECTORS

In terms of provisions of sub-section (7) of Section 149 of the Companies Act, 2013, the Company has received declarations by Independent Directors stating and confirming that they are not disqualified to act as Independent Directors on the Board of the Company and further the Board is also of the opinion that the Independent Directors fulfill all the conditions specified in the Companies Act, 2013 making them eligible to act as Independent Director.

18) AUDITORS

M/s Deloitte Haskins & Sells LLP, Chartered Accountants (Firm's Registration No. 117366W/W-100018) was appointed as Statutory Auditors of the Company by the shareholders of the Company at the 11th Annual General Meeting (AGM) held on July 21, 2017 for a period of 5 years till conclusion of 16th Annual General Meeting of the Company to be held in 2022.

However, Deloitte vide its letter dated June 07, 2020, resigned as the Statutory Auditors of the Company since the audit fees is not commensurate to the efforts that they would be incurring to conduct an audit for the Financial Year 2020-21 in accordance with the Standards on Auditing specified under Section 143(10) of the Companies Act, 2013.

Based on the recommendations of the Audit Committee, the Board of Directors of the Company, at its meeting held on June 07, 2020, noted and accepted the resignation of Deloitte. The Board also placed on record its appreciation to Deloitte for their contribution to the Company with their audit processes and standards of auditing.

In this regard, after obtaining their consent and eligibility certificate under Section 139(1) of the Companies Act, 2013, the Board of Directors of the Company at their meeting held on June 07, 2020 appointed M/s MP Chitale & Co. Chartered Accountants (ICAI FRN: 101851W), Mumbai as the Statutory Auditors of the Company under Section 139(8)(i) of the Companies Act, 2013, to fill the casual vacancy consequent to the resignation of Deloitte.

As required by Section 139(8)(i) of the Companies Act, 2013, the appointment is also to be ratified and approved at a general meeting of the Company. Accordingly, the Board of Directors recommends the said appointment for the ratification and approval of shareholders at the ensuing AGM of the Company.

Further, the Board, on the recommendation of the Audit Committee and subject to the approval of the shareholders, approved appointment of M/s MP Chitale & Co. Chartered Accountants (ICAI FRN: 101851W), Mumbai as the Statutory Auditors of the Company for a period of 5 (five) years from the conclusion of the ensuing 14th AGM till the conclusion of the 19th AGM to be held in the year 2025 at such remuneration plus out of pocket expenses and applicable taxes, as may be mutually agreed between the Board of Directors of the Company and the Auditors.

Appropriate resolution seeking Members' approval for the appointment of M/s MP Chitale & Co. Chartered Accountants as the Statutory Auditors of the Company is appearing in the Notice convening the ensuing AGM of the Company.

The Audit for FY 2019-20 was conducted by Deloitte and there are no qualifications, reservations, adverse remarks or disclaimers made by the Statutory Auditor in their Audit Report. The Notes to the financial statements referred in the Auditors Report are self-explanatory and therefore do not call for any comments under Section 134 of the Companies Act, 2013. The Auditors' Report is enclosed with the financial statements in the Annual Report.

19) REPORTING OF FRAUDS BY AUDITORS

During the year under review, the Statutory Auditors and the Secretarial Auditor have not reported any instances of frauds committed in the Company by its Officers or Employees to the Audit Committee under section 143(12) of the Companies Act, 2013, details of which needs to be mentioned in this Report.

20) REGULATORY GUIDELINES

The Company has duly complied with the Housing Finance Companies (NHB) Directions, 2010 issued by National Housing Bank regarding accounting standards, prudential norms for asset classification, income recognition, provisioning, Capital Adequacy, concentration norms and ALM requirements etc. as in force from time to time.

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Your Company has been maintaining capital adequacy as prescribed by the NHB. The Capital adequacy was 23.71% (as against 12% prescribed by the NHB) as on March 31, 2020.

NHB conducted inspection of books of accounts and records of the Company for the year ended March 31, 2018 and 2019. In the report, there was no material adverse remark which is having material impact on the financials of the Company. The Company submitted its replies to the NHB observations and there has been no further communication from NHB in this connection.

21) REMUNERATION POLICY

The Board of Directors of the Company approved the Nomination and Remuneration Policy on recommendation of the Nomination and Remuneration Committee. Objective of the Policy is to have adequate composition of the Board comprising of Executive, Non-Executive and Independent Directors and appointment and removal of Directors, Key Managerial Personnel (KMPs). The Policy also provides for remuneration to Directors, KMPs and senior management, involves balance between fixed and variable pay reflecting short and long term performance objectives appropriate to the working of the Company and its goal. The Remuneration Policy is placed at website of the Company at <https://www.iifl.com/sites/default/files/remuneration-policy.pdf>.

22) EXTRACT OF ANNUAL RETURN

In accordance with section 134(3)(a) of the Companies Act, 2013, an extract of the Annual Return in the prescribed format (MGT 9) is appended as Annexure I to the Board's Report.

23) CORPORATE SOCIAL RESPONSIBILITY

The Corporate Social Responsibility ("CSR") Committee of the Board has formulated and recommended to the Board a CSR Policy indicating the CSR activities which can be undertaken by the Company. The Board approved the CSR Policy which is available on the website of the Company at <https://www.iifl.com/sites/default/files/csr-policy.pdf>

The CSR projects of the Company are steered by the same values that guide the business of IIFL Group Companies. It can be summarised in one acronym – GIFTS, which stands for Growth, Integrity, Fairness, Transparency and Service Orientation.

The most of the activities are undertaken through India Infoline Foundation (generally referred to as "IIFL Foundation"), a CSR arm of the IIFL Group. During the year under review, your Company deployed 2% of its average net profits (computed as per the relevant provisions of the Companies Act, 2013) of the preceding years on CSR projects, fully utilising the required amount and the details of those are provided in the Annual Report on CSR which is enclosed at Annexure II.

24) MATERIAL CHANGES AND COMMITMENTS AFFECTING THE FINANCIAL POSITION OF THE COMPANY

There have been no material changes and commitments affecting the financial position of the Company, which have occurred between the end of the financial year of the Company to which the financial statements relate and the date of the Report.

25) PARTICULARS OF EMPLOYEE

Disclosures pertaining to remuneration and other details as required under section 197(12) of the Companies Act, 2013 read with Rule 5 (1) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are provided in "Annexure III".

Further, a statement showing the names and other particulars of employees drawing remuneration in excess of the limits set out in the Rules 5(2) and 5(3) of the aforesaid Rules, forms part of this report. However, in terms of first proviso to section 136(1) of the Act, the Annual Report and Accounts are being sent to the members and other entitled thereto, excluding the aforesaid information. The said information is available for inspection by the members at the Registered Office of the Company during the business hours on working days upto the date of Annual General Meeting of the Company. If any member is interested in obtaining a copy thereof, such member may write to the Company Secretary, whereupon a copy would be sent.

26) SECRETARIAL AUDIT

For the year under review, the Secretarial Audit was conducted by M/s RMG & Associates, Practicing Company Secretaries, in accordance with the provisions of section 204 of the Companies Act, 2013. The Secretarial Audit Report is attached as "Annexure IV" and forms part of this Report of Directors. There

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is no qualification or observation or adverse remark made by the Secretarial Auditors in their Report.

27) SECRETARIAL STANDARDS

The Board confirms that the Company complied with all applicable mandatory Secretarial Standards for the financial year 2019-20.

28) NAME & CONTACT DETAILS OF DEBENTURE TRUSTEES

a. IDBI Trusteeship Services Limited

Asian Building, Ground Floor
17, R Kamani Marg, Ballard Estate,
Mumbai - 400 001
Telephone: +91 22 4080 7000
Fax: +91 22 6631 1776
E-mail: itsl@idbitrustee.co.in

b. Vistra ITCL (India) Limited

(Formerly known as IL&FS Trust Company Limited)
IL&FS Financial Centre,
Plot C-22, G Block, Bandra- Kurla Complex,
Bandra (East), Mumbai-400 051
Tel: +91 22 2659 3535
Fax: + 91 22 2653 3297
E-mail: mumbai@vistra.com

c. Milestone Trusteeship Services Private Limited

602, Hallmark Business Plaza
Sant Dnyaneshwar Marg, Opp. Guru Nanak Hospital
Bandra (E), Mumbai-400 051.
Telephone: +91 22 6288 6119/6120
Fax: +91 22 6716 7077
E-mail: vaishali@milestonetrustee.in

29) DIRECTORS' RESPONSIBILITY STATEMENT

The Board acknowledges its responsibility for ensuring compliance with the provisions of Section 134(3)(c) read with Section 134(5) of the Companies Act, 2013 in the preparation of annual accounts for the year ended as on March 31, 2020 and states that:

- a. in the preparation of the Annual Accounts, the applicable Accounting Standards had been

followed along with proper explanation relating to material departures;

- b. the Directors had selected such accounting policies and applied them consistently and 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 at the end of the financial year and of the Profit and Loss of the Company for that period;
- c. the Directors had taken proper and sufficient care 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 on a going concern basis;
- e. the Directors had laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively; and
- f. the Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

30) AUDITORS REPORT

Audit Report as issued by M/s Deloitte Haskins & Sells LLP, Chartered Accountants, Statutory Auditors of the Company forming part of financial statements of the Company does not contain any qualifications or observations or remarks made by the Statutory Auditors in their Report.

31) PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS UNDER SECTION 186

As the Company is a housing finance company, the disclosures regarding particulars of the loans made, guarantee given and security provided is exempted under the provisions of Section 186(11) of the Companies Act, 2013. As such the particulars of loans and guarantees have not been provided in this report.

As regards investments made by the Company, the details of the same are provided under Notes No. 8 forming part of the Audited Financial Statements for the year ended March 31, 2020.

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32) PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

All related party transactions that were entered during the financial year were in ordinary course of the business of the Company and were on Arm's Length basis. No contracts/ arrangements have been entered into by the Company with its Promoters, Directors, Key Managerial Personnel or other persons which may have a potential conflict with the interest of the Company. Since all related parties transactions entered into by the Company were in the ordinary course of business and were on an arm's length basis, Form AOC-2 is not applicable to the Company. The transactions with related parties are disclosed in the Notes to Accounts in the standalone financial statements of the Company for the year ended March 31, 2020.

33) ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Conservation of energy

The Company is engaged in providing home loans and other financial services and as such, its operations do not account for substantial energy consumption. However, the Company is taking all possible measures to conserve energy. Several environment friendly measures were adopted by the Company such as:

- Installation of capacitors to save power;
- Installed Thin Film Transistor (TFT) monitors that saves power;
- Shutting off all the lights when not in use;
- Light Emitting Diode (LED) lights;
- Minimising air-conditioning usage;
- Automatic power shutdown of idle monitors;
- Education and awareness programs for employees;
- Creating environmental awareness by way of distributing the information in electronic form.

The Management frequently puts circulars on corporate intranet, IWIN for the employees educating them on ways and means to conserve the electricity and other natural resources and ensures strict compliance of the same.

Technology

The Company remains committed to investing in technology to provide it a competitive edge and business scalability. Digitisation and analytics through

all business processes has been the focus enabling agility, flexibility and relevance. The major highlights of the current year are as follows:

- Jhatpat loan applications have now been extended to other group companies as well as Direct Selling Agents for an efficient sourcing and on-boarding process.
- Company has integrated the property management system with loan origination system, bringing down the turnaround time of 24 hours to real time. With the inventory details available, this will also have an impact on the credit cost saving.
- For Collections company has partnered up with Airtel for increasing the number of collection centre points exponentially through integration.
- Company has updated the Jhatpat process flow with more inclusion of branch level credit team to include localised transition knowledge and commercial finalisation. This has reduced turnaround time and led to higher productivity for both central and branch level credit teams.
- Company has partnered up with Saverisk and Finfort for real time detailed MCA information on organisations and validated ITRs respectively.
- Collection App has now been extended to our branch level customer care managers for branch walk-in collections, digitizing our collection process end to end
- Company has also partnered with Cubic tree for systematic processing of legal collections.
- The Company has also enhanced legal verification by bifurcating the process into search report to reduce cost and increase productivity through TAT reduction.

As the Company continues to expand its geographic reach and enhance the scale of operations, it intends to further develop and integrate technology to support growth and improve service quality.

Foreign Exchange earnings & Outgo

During the year under review, the details of Foreign Exchange earnings & Outgo of the Company are as under

Foreign Exchange earnings: - Nil

Outgo- ₹ 0.23 million for procurement of software (previous year: 4.34 million on account of Advertisement and other expense)

34) CORPORATE GOVERNANCE

National Housing Bank vide Notification No. NHB. HFC.CG-DIR.1/MD&CEO/2016, February 9, 2017 issued the Housing Finance Companies- Corporate Governance (National Housing Bank) Directions, 2016 (Directions) which, inter alia, required housing finance companies to comply with the corporate governance standards. As per these Directions, the Policy on Related Party Transaction, Report on Corporate Governance and Management Discussion & Analysis Report are enclosed at Annexure V, Annexure VI and Annexure VII, respectively.

35) DISCLOSURES UNDER SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION & REDRESSAL) ACT, 2013

The Company is committed to provide a work environment that ensures every woman employee is treated with dignity and respect and afforded equitable treatment. The Company is also committed to promote a work environment that is conducive to the professional growth of its women employees and encourages equality of opportunity. The Company will not tolerate any form of sexual harassment and is committed to take all necessary steps to ensure that its women employees are not subjected to any form of harassment. During the year under review, neither any complaint was received nor was any pending at the commencement or end of the year.

36) ANNEXURE FORMING PART OF THIS REPORT OF DIRECTORS

The Annexure referred to in this Report and other information which are required to be disclosed are annexed herewith and form a part of this Report of the Directors:

- a. Extract of Annual Return- **Annexure I**
- b. Report on Corporate Social Responsibility - **Annexure II**
- c. The ratio of the remuneration of each director to the median employee's remuneration and other details in terms of sub-section 12 of Section 197 of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 – **Annexure III**

- d. Secretarial Audit Report- **Annexure IV**
- e. The Policy on Related Party Transaction- **Annexure V**
- f. Report on Corporate Governance- **Annexure VI**
- g. Management Discussion & Analysis Report- **Annexure VII**

37) ACKNOWLEDGEMENTS

Your Directors place on record their sincere appreciation for the assistance and guidance provided by the regulators, stock exchanges, other statutory bodies and Company's bankers for the assistance, cooperation and encouragement extended to the Company.

Your Directors also gratefully acknowledge all stakeholders of the Company viz. customers, dealers, vendors, banks and other business partners for the excellent support received from them during the year. Your Company's employees are instrumental in your Company scaling new heights, year after year. Their commitment and contribution is deeply acknowledged. Your involvement as shareholder is also greatly valued. Your Directors look forward to your continued support.

For and on Behalf of the Board of Directors

Monu Ratra
Executive Director & CEO
DIN: 07406284

Sumit Bali
Director
DIN: 02896088

Date: June 7, 2020
Place: Gurugram

Date: June 7, 2020
Place: Mumbai

Annexure (I)

Extract of Annual Return as provided under section 92 (3) of Companies Act, 2013

The Extract of Annual Return as specified in form MGT-9 under Section 92 (3) of Companies Act, 2013 read with Rule 12 (1) of the Companies (Management and Administration) Rules, 2014 are as under:

I. REGISTRATION AND OTHER DETAILS

1	CIN	U65993MH2006PLC166475
2	Registration Date	26/12/2006
3	Name of the Company	IIFL Home Finance Limited
4	Category/ Sub Category of the Company	Category- Company Limited by Shares and sub category- Indian Non-Government Company.
5	Address of the Registered Office of the Company#	IIFL House, Sun Infotech Park, Road no. 16V, Plot no. B-23, MIDC Thane Industrial Area, Wagle Estate, Thane – 400604
6	Whether Listed / Unlisted	Debt Listed Company
7	Name, address and contact details of Registrar and Transfer Agent	Link Intime India Private Limited C 101, 247 Park, L.B.S. Marg, Vikhroli (West), Mumbai - 400083. Tel: +91 22 4918 6270 Fax: +91 22 4918 6060 E-mail : rnt.helpdesk@linkintime.co.in

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the Total turnover of the Company shall be stated:-

Sr. No	Name and Description of main products/ services	NIC code of the product/ Service	% to total turnover of the Company
1	Carrying out activities of Housing Finance (Housing Loan & Non Housing Loan)	65922	96.21%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sr. No	Name and Address of the Company	CIN/ GIN	Holding/ Subsidiary/ Associate Company	% of Shares held	Applicable Section
1	IIFL Finance Limited	L67100MH1995PLC093797	Holding	100%	Section 2 (46) of Companies Act, 2013

India Infoline Finance Limited (CIN: U67120MH2004PLC147365), holding company of the Company merged with IIFL Finance Limited (the ultimate holding company) with effect from March 30, 2020. Therefore, the Company became wholly owned subsidiary of IIFL Finance Limited.

Annexure (I) (Contd.)

IV. SHAREHOLDING PATTERN (EQUITY SHARE CAPITAL BREAK UP AS PERCENTAGE OF TOTAL EQUITY)

i. Category- wise Shareholding

Category of Shareholder	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% of Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
1) Indian	-	-	-	-	-	-	-	-	-
a. Individual/ HUF	-	-	-	-	-	-	-	-	-
b. Central Govt./ State Govt.	-	-	-	-	-	-	-	-	-
c. Body Corporate	20,967,581	600*	20,968,181	100	20,967,581	600*	20,968,181	100	Nil
d. Banks/ FIS	-	-	-	-	-	-	-	-	-
e. Any other	-	-	-	-	-	-	-	-	-
Sub Total (A) (1)									
2) Foreign									
a. NRI- Individuals	-	-	-	-	-	-	-	-	-
b. Other Individuals	-	-	-	-	-	-	-	-	-
c. Body Corporate	-	-	-	-	-	-	-	-	-
d. Bank/ FI	-	-	-	-	-	-	-	-	-
e. Any Other	-	-	-	-	-	-	-	-	-
Sub Total (A) (2)									
Total Shareholding of Promoter (A) = (A)(1) + (A) (2)	20,967,581	600*	20,968,181	100	20,967,581	600*	20,968,181	100	Nil
B. Public Shareholding									
1) Institutions									
a) Mutual funds	-	-	-	-	-	-	-	-	-
b) Banks/ FI	-	-	-	-	-	-	-	-	-
c) Central Govt./ State Govt.	-	-	-	-	-	-	-	-	-
d) Venture Capital Funds	-	-	-	-	-	-	-	-	-
e) Insurance Companies	-	-	-	-	-	-	-	-	-
f) FIIs	-	-	-	-	-	-	-	-	-
g) Foreign Venture Capital funds	-	-	-	-	-	-	-	-	-
h) Others (Specify)	-	-	-	-	-	-	-	-	-
Sub- Total (B) (1)									
2) Non- Institutions									
a) Bodies Corporates	-	-	-	-	-	-	-	-	-
(i) Indian	-	-	-	-	-	-	-	-	-
(ii) Overseas	-	-	-	-	-	-	-	-	-
b) Individuals	-	-	-	-	-	-	-	-	-
(i) Individuals holding nominal share capital up to ₹ 1 Lakh	-	-	-	-	-	-	-	-	-
(ii) Individual holding nominal share capital in excess of ₹ 1 Lakh	-	-	-	-	-	-	-	-	-
c) Others	-	-	-	-	-	-	-	-	-
Sub (B) (2)									
Total Public Shareholding (B) = (B) (1) + (B) (2)									
C. Shares held by Custodian for GDR's and ADR's									
Grand Total (A+B+C)	20,967,581	600*	20,968,181	100	20,967,581	600*	20,968,181	100	Nil

* Shares were held by six nominee shareholders holding 100 equity shares each on behalf of IIFL Finance Limited.

Annexure (I) (Contd.)
ii. Shareholding of Promoters

Sr. No	Shareholders name	Shareholding at the beginning of the year			Shareholding at the end of the year			% Change in shareholding during the year
		No. of Shares	% of Total Shares of the Company	% of Shares Pledged/ encumbered to total shares	No. of Shares	% of Total Shares of the Company	% of Shares Pledged/ encumbered to total shares	
1	IIFL Finance Limited	20,968,181*	100	-	20,968,181*	100	-	Nil

*Includes 600 equity shares held by 6 nominee shareholders holding 100 equity shares each on behalf of IIFL Finance Limited.

iii. Change in Promoters' Shareholding: Nil
iv. Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs)

Company is wholly owned subsidiary of IIFL Finance Limited. This clause is not applicable.

v. Shareholding of Directors and Key Managerial Personnel

Sr. No	Name of Director/ KMP	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total shares of the Company	No. of Shares	% of total shares of the Company
1	Mr. Kranti Sinha – Director	-	-	-	-
2	Mr. Sridhar Srinivasan-Director	-	-	-	-
3	Mr. Nirmal Bhanwarlal Jain-Director	-	-	-	-
4	Mr. Venkataraman Rajamani- Director	-	-	-	-
5	Ms. Suvalaxmi Chakraborty - Director	-	-	-	-
6	Mr. Arun Kumar Purwar-Director	-	-	-	-
7	Mr. Sumit Bali- Director	-	-	-	-
8	Mr. Monu Ratra- ED & CEO*	100	Negligible	100	Negligible
9	Mr. Ajay Jaiswal- Company Secretary	-	-	-	-
10	Mr. Amit Kumar Gupta – Chief Financial Officer*	100	Negligible	100	Negligible

*As a nominee of IIFL Finance Limited.

V. INDEBTEDNESS
Indebtedness of the Company including interest outstanding/accrued but not due for payment

(₹ in Million)

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total
Indebtedness at the beginning of the financial year				
i. Principal Amount	107,333.27	12,410.85	-	119,744.12
ii. Interest Due but not paid	-	-	-	-
iii. Interest Accrued but not due	2,659.25	466.08	-	3,125.34
Total (i+ii+iii)	109,992.52	12,876.93	-	122,869.46

Annexure (I) (Contd.)

(₹ in Million)

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total
Change in Indebtedness during the financial year				
Additions / (Reduction)				
i. Principal Amount	7,677.47	(8,021.44)	-	(343.97)
ii. Interest Due but not paid	-	-	-	-
iii. Interest Accrued but not due	732.94	(113.16)	-	619.78
Net Change	8,410.41	(8,134.60)	-	275.81
Indebtedness at the end of the financial year				
i. Principal Amount	115,010.74	4,389.41	-	119,400.15
ii. Interest Due but not paid	-	-	-	-
iii. Interest Accrued but not due	3,392.19	352.93	-	3,745.12
Total (i+ii+iii)	118,402.93	4,742.34	-	123,145.27

VI. Remuneration of Directors and Key Managerial Personnel

A. Remuneration to Managing Director, Whole Time Director and/ or Manager

(₹ in Million)

Sr. No	Particulars of Remuneration	Managing Director – NA	Mr. Monu Ratra - Executive Director & CEO	Manager – NA	Total Amount
1	Gross Salary	-	20.04		20.04
	Salary as per provisions contained in Section 17 (1) of Income Tax Act, 1961				
	Value of Perquisites u/s 17 (2) of Income Tax Act, 1961	-	0.04		0.04
	Profit in lieu of salary under Section 17 (3) of Income Tax Act, 1961	-			
2	Stock Option	-	-	-	-
3	Sweat Equity	-	-	-	-
4	Commission - as a % of profit - others, specify				
5	- Others, (performance bonus)	-	28.40	-	28.40
	Total (A)	-	48.48		48.48
	Ceiling as per the Act	In terms of the provisions of the Companies Act, 2013, ("Act") the remuneration payable to the Executive Director shall not exceed 5% of the net profit of the Company as calculated as per the Act. The remuneration paid to Mr. Monu Ratra – Executive Director & CEO was well within the limits prescribed under the Companies Act, 2013 and the approval accorded by the members of the Company.			

Annexure (I) (Contd.)
B. Remuneration to other Directors

(₹ in Million)

Sr. No.	Particulars of Remuneration	Name of Directors				Total Amount
		Kranti Sinha	S Sridhar	Suvalaxmi Chakraborty	Arun Kumar Purwar	
1	Independent Directors					
	Fees for attending Board Committee Meeting	0.48	0.51	0.24	0.12	1.35
	Commission	-	1.0	0.67	-	1.67
	Others, please specify					
	Total (1)					
2	Other Non- Executive Director					
	Fees for attending Board Committee Meeting					
	Commission					
	Others, please specify					
	Total (2)					
	Total B (1+2)					
	Total Managerial Remuneration	0.48	1.51	0.91	0.12	3.02
	Overall ceiling as per the Act.	1. In terms of the provisions of the Companies Act, 2013, "Act" the remuneration payable to directors (other than Executive Directors) shall not exceed 1% of the net profit of the Company, as calculated as per the Act. The remuneration paid to the Independent Directors listed above was well within the limits prescribed under the Companies Act, 2013 and the approval accorded by the Members of the Company. 2. The remuneration paid to the Directors of the Company was within the overall ceiling as prescribed under the Companies Act, 2013. 3. Mr. Arun Kumar Purwar was appointed as Independent Director with effect from August 22, 2019.				

C. Remuneration to Key Managerial Personnel Other than MD/Manager/WTD

(₹ in Million)

Sr. No.	Particulars of Remuneration	Mr. Monu Ratra -Executive Director & CEO*	Mr. Ajay Jaiswal - Company Secretary	Mr. Amit Gupta - Chief Financial Officer	Total
1	Gross Salary				
	(a) Salary as per provisions contained in Section 17 (1) of Income Tax Act, 1961	20.04	4.60	5.81	30.45
	(b) Value of Perquisites u/s 17 (2) of Income Tax Act, 1961	0.04	0.04	0.03	0.11
	(c) Profits in lieu of salary under section 17 (3) of Income Tax Act, 1961				
2	Stock Option	-	-	-	-
3	Sweat Equity	-	-	-	-
4	Commission	-			
	- as a % of profit				
	- others, specify				
	- Others, (performance bonus)	28.40	1.30	1.00	30.70
5	Total	48.48	5.94	6.84	61.26

Annexure (I) (Contd.)

D. Penalties/ punishment/ Compounding of offences

Type	Section of the Companies Act	Brief Description	Details of penalty/ punishment/ Comp	Authority [RD/ NCLT/Court]	Appeal Made, if any
A. Company					
Penalty					
Punishment					
Compounding					
B. Directors Not Applicable					
Penalty					
Punishment					
Compounding					
C. Other officers in Default					
Penalty					
Punishment					
Compounding					

For and on Behalf of the Board of Directors

Monu Ratra
Executive Director & CEO
DIN: 07406284

Sumit Bali
Director
DIN: 02896088

Date: June 7, 2020
Place: Gurugram

Date: June 7, 2020
Place: Mumbai

Annexure (II)

Corporate Social Responsibility (CSR)

[Pursuant to clause (o) of sub-section (3) of section 134 of the Act and Rule 9 of the Companies (Corporate Social Responsibility) Rules, 2014]

1. OUTLINE OF CSR POLICY:-

The CSR Policy and projects of IIFL Home Finance Ltd. are steered by the same values that guide the business of the IIFL Finance & its subsidiaries. It can be summarised in one acronym – GIFTS, which stands for:

- Growth
- Integrity
- Fairness
- Transparency
- Service Orientation

By applying these values to the CSR projects, IIFL Home Finance Ltd. undertakes initiatives that create sustainable growth and empowers underprivileged sections of society.

The focus areas prioritised by IIFL Home Finance Ltd in its CSR strategy are given below:-

- Child Illiteracy Eradication Programme
- Financial Literacy
- Environmental Sustainability
- Health Initiative
- Livestock Development Programme
- Water Conservation
- Natural Disaster
- COVID 19

The CSR Project of IIFL Home Finance Limited is managed by India Infoline Foundation ("generally referred as IIFL Foundation"). The CSR Policy adopted by IIFL Home Finance Ltd is available on the website of the Company: <https://www.iifl.com/sites/default/files/csr-policy.pdf>

2. COMPOSITION OF THE CSR COMMITTEE

IIFL Home Finance Limited has constituted a CSR Committee of the Board that fulfills all requirements of Section 135 of the Companies Act 2013 (hereafter referred to as Section 135). The members constituting the Committee have been listed below:

- Mr. R Venkataraman
- Mr. Sumit Bali
- Mr. Kranti Sinha

3. PRESCRIBED CSR SPEND OF IIFL HOME FINANCE LTD.

a) Average net profit of the company for last three financial years :

The average net profit of the company of the last three financial years was calculated to be ₹ 315,78,00,408 /-

b) Prescribed CSR Expenditure :

The recommended CSR expenditure for IIFL Home Finance Ltd as per Section 135 for the financial year 2019-20 was ₹ 6,31,56,000/-

c) Amount Spent:

During the financial year 2019-20, IIFL Home Finance Ltd. spent the entire budget i.e. ₹ 6,31,56,000/- on various social development activities, thereby fulfilled its commitment of spending 2% on its CSR activities.

d) Amount unspent :

Nil

Annexure (II) (Contd.)

4. DETAILS OF CSR SPENT DURING THE FINANCIAL YEAR :-

During FY 2019-20, IIFL Home Finance Ltd. spent a total of ₹ 6,34,75,190 on CSR projects. A breakdown of the manner in which this expenditure was made has been depicted in the table given below.

Sr. No	Projects/ Activities	Sector	Locations	Amount Outlay (Budget Projects or Programs wise (₹))	Amount Spent on the Projects or programs (₹)	Cumulative Expenditure upto Reporting Period (₹)	Amount Spent : Direct or through Implementing Agency
1	Eradicating child illiteracy	Education	Rajasthan	₹ 37,829,950	₹ 37,829,950	₹ 37,829,950	Through India Infoline Foundation.
2	Financial Literacy	Education	West Bengal	₹ 10,766,965	₹ 10,766,965	₹ 10,766,965	Through India Infoline Foundation.
3	Environmental Sustainability	Environment	Gujarat, Karnataka, Telangana	₹ 4,626,435	₹ 4,626,435	₹ 4,626,435	Direct
4	Health Initiative- Arogya	Health	Rajasthan	₹ 2,192,275	₹ 2,192,275	₹ 2,192,275	Through India Infoline Foundation.
5	Livestock Development Programme	Health	Rajasthan, Karnataka	₹ 909,045	₹ 909,045	₹ 909,045	Through India Infoline Foundation.
6	Water Conservation	Environment	Maharashtra	₹ 1,836,480	₹ 1,836,480	₹ 1,836,480	Through India Infoline Foundation.
7	Disaster Relief	Environment	Odisha	₹ 314,040	₹ 314,040	₹ 314,040	Through India Infoline Foundation.
8	COVID 19	Health	India	₹ 5,000,000	₹ 5,000,000	₹ 5,000,000	Through India Infoline Foundation.

5. BRIEF DESCRIPTION OF THE PROJECT

Girl Child illiteracy eradication program:

It is a matter of great concern and shame that girls in large number continue to be out of school and remain illiterate. This problem is particularly severe in northern state of Rajasthan, India Infoline Foundation has vowed to change this in the next few years through starting community schools, which are multi grade multi-level schools started in the villages as per the convenience of the girls to enable them to get educated. IIFL Foundation has setup such 1218 school across 11 districts of Rajasthan for girls known as - Sakhiyon ki Baadi (SKB). This literacy initiative engages over 35,964 girls, primarily from eight tribal communities of Rajasthan and has completed 3 years. It has brought over 3000+ girls in the main fold education by their enrollment in government schools.

IIFL Foundation also runs mobile learning centers - '*Raathsaala*', for promoting literacy among The *Rebari Tribe* from Sirohi district that migrate with their families and cattle for over eight months in a year.

IIFL Foundation runs '*Chauras*' – A learning centre cum crèche for children of migrant construction workers, operational near the construction site. IIFL Foundation has digitised learning by installation of 'Smart Boards' – an interactive digital learning tool, at nine Govt. Schools across Rajasthan.

Financial Literacy:

IIFL Foundation has taken steps towards **empowerment of women** through Financial Literacy in East and North-East states of India. IIFL Foundation has established 8 Financial Literacy Centers (FLC) reaching out to over 1,08,991 beneficiaries. The initiative pays special attention towards participation & inclusion of women in financial planning of their household, by developing their interest in planning & management of savings, investments in financial products and availing financial inclusion schemes by government.

The company has actively contributed towards Govt. Initiatives - Angikaar which is an awareness campaign for social behavior change, water & energy

Annexure (II) (Contd.)

conservation, waste management, health, sanitation and hygiene for beneficiaries of completed houses under PMAY (U) through community mobilisation.

Environmental Sustainability

IIFL Home Finance Ltd. as an organisation encourages the adoption of sustainable development and green buildings under the project named "Kutumb" - an initiative towards green affordable housing, is a revolutionary platform that brings together industry experts on a common platform, addressing the building-life-cycle challenges for the developers. IIFL Home Loan believes Kutumb to be a stepping stone for its partner developers to institute green technologies and eventually align with green buildings. The larger objective is to participate in and practice sustainable living.

IIFL Home Finance has successfully completed 5 Chapters of Kutumb in Ahmedabad, Indore, Pune, Bangalore and Hyderabad; educating 450+ developers about the design and technology involved in Green Building construction. Our Green Value Partners offer consultation from conception to certification of the green building including design, construction, material support etc. Through our initiatives we have been able to reach a wider audience and incept within them the thought of Green Housing.

Arogya – Health Initiative: Arogya is a unique health initiative to conduct primary health assessment of 35,000+ girls across 11 districts in Rajasthan. The primary objective of this project is to improve the health status of children falling in the age bracket of 6-14 years, especially the girls. The secondary objective is to make available special care to the children found to be in need of medical attention. The company has actively contributed towards Govt. Initiatives - Angikaar, through which the company has organised health talks/yoga camps and reached out to more than 6000 beneficiaries, planted over 1200 saplings and collected more than 85 kgs of plastic.

Livestock Development Programme: IIFL Foundation has initiated Livestock Development Program - Cattle in Rajasthan & Karnataka to provide services / inputs at the doorstep of the cattle owners to encourage and maintain livestock rearing as a secondary source of income. The main objective of livestock development activities is to upgrade the local indigenous low milk-yielding cows and promote dairy produce, thus development in livestock.

Water Conservation: Agriculture is the prime occupation in rural India and is directly dependent on

water and it's the groundwater supply that contributes more than 85% of rural India's needs for irrigation. IIFL Foundation partnered with Maharashtra State Government to rejuvenate Arvi River and its tributaries in Wardha district of Maharashtra by artificial recharge methodology to improve ground water conditions. The project covered an overall geographical area of 6,564 hectares, benefitting 16 villages across Wardha district.

COVID 19: Corona (COVID 19) pandemic has shaken countries across the world by bringing most of their operations to a lockdown. India has come together to fight the battle by initiating a lockdown and taking various economic and health measures to deal with the crisis. IIFL Foundation showed it's support to Prime Minister's efforts by contributing to the PM-Cares Fund and has also extended support to various hospitals by providing personal protective gears through the industry body FICCI. The Company has also engaged its employees to volunteer and contribute during this period as per their wish.

5. RESPONSIBILITY STATEMENT OF THE CSR COMMITTEE:

Through this report, IIFL Home Finance Limited seeks to communicate its commitment towards CSR to the Ministry of Corporate Affairs. The implementation and monitoring of the CSR Policy is in compliance with the CSR objectives and policies as laid down in this report. The Board of the Company and the CSR Committee is responsible for the integrity and the objectivity of all the information provided in the disclosure above. All projects reported have been selected based on careful evaluation of the extent to which they create sustainable positive outcomes for marginalised segments of society. The company has adopted measures to ensure that these projects are implemented in an effective and efficient manner so that they are able to deliver maximum potential impact. In line with the requirements of the Section 135, the company has also established a monitoring mechanism to track the progress of its CSR projects.

For IIFL Home Finance Limited

Monu Ratra
Executive Director & CEO
DIN: 07406284

R Venkataraman
Chairman
DIN: 00011919

Date: June 7, 2020
Place: Gurugram

Date: June 7, 2020
Place: Mumbai

Annexure (III)

The ratio of the remuneration of each Director to the median employee's remuneration and other details in terms of sub-section 12 of Section 197 of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

Sr. No	Requirements	Disclosure	
1	The ratio of the remuneration of each Director to the median remuneration of the employees for the financial year.	Executive Chairman	Nil
		Executive Director & CEO	135%
		Non-Executive Director	
		Mr. S. Sridhar	2.79%
		Mr. Kranti Sinha	Nil
		Mr. Nirmal Jain	Nil
		Mr. R. Venkataraman	Nil
		Mr. Sumit Bali	Nil
		Ms. Suvalaxmi Chakraborty	1.86%
2	The percentage increase in remuneration of each director, CFO, CEO, CS in the financial year.	Executive Chairman	Nil
		Executive Director & CEO	Nil
		Non-Executive Director	
		Mr. S. Sridhar	Nil
		Mr. Kranti Sinha	Nil
		Mr. Nirmal Jain	Nil
		Mr. R. Venkataraman	Nil
		Mr. Sumit Bali	Nil
		Ms. Suvalaxmi Chakraborty	Nil
		Mr. Arun Kumar Purwar	Nil
		KMPs other than Directors	
		Chief Financial Officer	14%
		Company Secretary	20%
		3	The percentage increase in the median remuneration of employees in the financial year
4	The number of permanent employees on the rolls of the Company	The Company had 2131 employees on the rolls as on March 31, 2020.	

Annexure (III) (Contd.)

Sr. No	Requirements	Disclosure
5	Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration;	Not applicable to the Company as all the employees are under managerial role.
6	Key parameters for any variable component of remuneration availed by Directors	The broad factors and guidelines considered for performance bonus are: (a) Annual performance review by the Board (b) financial outcomes and profitability of the Company.
7	Affirmation that the remuneration is as per the remuneration policy of the Company	Yes, It is hereby affirmed that the remuneration paid is as per the Remuneration Policy of the Company.

For and on Behalf of the Board of Directors

Monu Ratra
Executive Director & CEO
DIN: 07406284

Sumit Bali
Director
DIN: 02896088

Date: June 7, 2020
Place: Gurugram

Date: June 7, 2020
Place: Mumbai

Annexure (IV)

FORM NO. MR - 3

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED ON MARCH 31, 2020

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule No. 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

The Members

IIFL Home Finance Limited

(CIN: U65993MH2006PLC166475)

(Formerly known as India Infoline Housing Finance Limited)

IIFL House, Sun Infotech Park, Road No. 16V,

Plot No. B-23, MIDC, Thane Industrial Area,

Wagle Estate Thane, Maharashtra - 400604

We have conducted the Secretarial Audit in compliance with the applicable statutory provisions and in adherence to good corporate practices by **IIFL Home Finance Limited (Formerly known as India Infoline Housing Finance Limited)** (hereinafter referred to as 'the Company'), having its Registered Office at IIFL House, Sun Infotech Park, Road No. 16V, Plot No. B - 23, MIDC, Thane Industrial Area, Wagle Estate Thane, Maharashtra - 400604. The process was undertaken at the Corporate Office of the Company at IIFL House, Plot No. 98, Phase - IV, Udyog Vihar, Gurgaon, Haryana - 122015. The Secretarial Audit was conducted in a manner that provided us a reasonable foundation for evaluating the corporate conducts / statutory compliances and expressing our opinion thereon.

Based on our verification, to the extent possible due to lockdown announced by the Government of India on account of COVID - 19 pandemic, of the Company's books, papers, minutes books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorised representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the Financial Year ended **March 31, 2020**, complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the Financial Year ended on March 31, 2020 according to the provisions of:

- I. The Companies Act, 2013 ('the Act') and the rules made thereunder;
- II. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- III. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- IV. Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent applicable. Further, there were no compliances required relating to Foreign Direct Investment, Overseas Direct Investment except External Commercial Borrowings during the period under review.
- V. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ("SEBI Act"):-
 - i. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 including the provisions with regard to disclosures and maintenance of records required under the said Regulations; **[Not applicable since the shares of the Company are not listed on any stock exchange during the period under review];**
 - ii. Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015.
 - iii. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018; **[Not applicable as the Company has not listed any share capital during the period under review];**
 - iv. The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014; **[Not applicable as the Company has not offered any shares or granted any options pursuant to any employee benefit scheme during the period under review];**
 - v. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;

Annexure (IV) (Contd.)

- vi. The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client to the extent of securities issued;
 - vii. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; **[Not applicable as the Company has not delisted/proposes to delist its equity shares from any Stock Exchange during the financial year under review];**
 - viii. The Securities and Exchange Board of India (Buy Back of Securities) Regulations, 2018; **[Not applicable as the Company has not bought back/proposes to buy-back any of its securities during the financial year under review].**
- VI. Laws specifically applicable to the industry to which the Company belongs, as identified by the management, that is to say:
- 1. National Housing Bank Act, 1987;
 - 2. Housing Finance Companies (NHB) Directions, 2010;
 - 3. Housing Finance Companies issuance of Non-Convertible Debentures on private placement basis (NHB) Directions, 2014;
 - 4. Housing Finance Companies Corporate Governance (National Housing Bank) Directions, 2016;
 - 5. Housing Finance Companies Approval of Acquisition or Transfer of Control (National Housing Bank) Directions, 2016;
 - 6. Fair Practices Code (FPC) for all HFCs;
 - 7. Guidelines on 'Know Your Customer' & 'Anti Money Laundering Measures' for HFCs.
 - 8. IRDAI (Registration of Corporate Agents) Regulations, 2015

For the compliances of Environmental Laws, Labour Laws & other General Laws, our examination and reporting is based on the documents, records and files as produced and shown to us and the information and explanations as provided to us, by the officers and management of the Company and to the best of our judgment and understanding of the applicability of the different enactments upon the Company, in our opinion there are adequate systems and processes exist in the Company to monitor and ensure compliance with applicable Environmental Laws, Labour Laws & other General Laws.

The compliance by the Company of applicable financial laws, like direct and indirect tax laws, has not been reviewed in this audit since the same have been subject to review by the statutory financial auditor and other designated professionals.

We have also examined compliance with the applicable clauses of the following:

1. Secretarial Standards with respect to Meetings of Board of Directors (SS-1) and General Meetings (SS-2) issued by the Institute of Company Secretaries of India.
2. Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

During the period under review, the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards etc. mentioned above subject to observations elsewhere mentioned in the report.

We further report that the Board of Directors of the Company is constituted with balance of Executive Directors, Non-Executive Directors, Independent Directors and Woman Director. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice(s) were given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent in accordance with applicable laws, to all Directors and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

As per the minutes of the meetings of the Board and Committees of the Board duly signed by the Chairman, all the decisions of the Board were adequately passed and no dissenting views have been recorded.

As per the records, the Company has generally filed all the returns, documents and resolutions, forms, as were required to be filed with the Registrar of Companies and other authorities and all the formalities relating to the same is generally in compliance with the Act;

We further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report that during the audit period the Company has following specific events/actions having a major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards etc.

Annexure (IV) (Contd.)

referred to above:-

1. The Shareholders at their Extraordinary General Meeting held on April 15, 2019 accorded consent for shifting the Registered Office of the Company outside the local limits of city, town or village where such office was first situated.
2. The Shareholders at their Extraordinary General Meeting held on September 27, 2019 appointed Mr. Arun Kumar Purwar as an Independent Director for a period of 5 years with effect from August 22, 2019.
3. The Company issued and allotted Secured Redeemable Non-Convertible Debentures aggregating to an amount of ₹ 3,000 million in the Board Meeting held on October 3, 2019.
4. The Company obtained the renewed certificate of registration on February 4, 2020 to act as a Corporate Agent for three years from February 1, 2020 to January 31, 2023 for procuring or soliciting insurance business in the category of Composite.
5. The Board of Directors declared interim dividend of ₹ 15/- each on per equity share to the equity shareholders through circular resolution on March 9,

2020 and the same was paid within five days.

6. The Shareholders at their Extraordinary General Meeting held on March 24, 2020 approved alteration in the Clause 65 of Object Clause of the Memorandum of Association of the Company in consonance with the advisory contained in the NHB Inspection report for the Financial Year 2017-18.

For RMG & Associates

Company Secretaries
Firm Registration No. P2001DE16100
Peer Review No. : 734 / 2020

CS Manish Gupta

Partner
FCS: 5123; C.P. No.: 4095

Place : New Delhi

Date : 23-05-2020

UDIN : F005123B000268804

Note: This report is to be read with 'Annexure I' attached herewith and forms an integral part of this report.

The Members**IIFL Home Finance Limited**

Our Secretarial Audit Report for the financial year ended March 31, 2020 of even date is to be read along with this letter:

1. It is the responsibility of management of the Company to maintain secretarial records, devise proper systems to ensure compliance with the provisions of all applicable laws and regulations and to ensure that the systems are adequate and operating effectively.
2. Our responsibility is to express an opinion on these secretarial records, standards and procedures followed by the Company with respect to secretarial compliances.
3. We believe that audit evidence and information obtained from the Company's management is adequate and appropriate for us to provide a basis for our opinion.
4. Wherever required, we have obtained the management's representation about the compliance of laws, rules and regulations and happening of events etc.

5. The Secretarial Audit Report is neither an assurance as to future viability of the Company nor of the efficacy or effectiveness with which the management has conducted affairs of the Company.
6. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
7. We have tried to verify the physical records maintained by the Company to the extent possible in order to verify the compliances, however, reliance was also placed on electronic records for verification due to lockdown announced by Government of India on account of COVID- 19 pandemic.

For RMG & Associates

Company Secretaries
Firm Registration No. P2001DE16100
Peer Review No. : 734 / 2020

CS Manish Gupta

Partner
FCS: 5123; C.P. No.: 4095

Place : New Delhi
Date : 23-05-2020
UDIN : F005123B000268804

Annexure (V)

Related Party Transaction Policy

IIFL HOME FINANCE LIMITED

I. OBJECTIVE

To ensure that all transactions with the related parties are properly identified, reviewed and approved pursuant to the applicable law. This policy applies to any transaction where the Company is a participant, and the Related Party has or will have a direct or indirect material interest in the transaction. This Policy may be amended at any time and is subjected to further guidance from the Audit Committee/ Board of Directors.

II. GUIDING ACT/REGULATIONS/RULES

- a) The Companies Act, 2013 and rules made there under
- b) Ind AS -24

III. DEFINITIONS

- (i) **"Audit Committee"** or **"Committee"** means Committee of the Board of Directors of the Company constituted under the provisions of the Companies Act, 2013.
- (ii) **"Board"** means the Board of Directors of the Company.
- (iii) **"Control"** shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011
- (iv) **"Key Managerial Personnel"** means key managerial personnel as defined under the Companies Act, 2013
- (v) **"Material Related Party Transaction"** means a transaction with a related party if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.
- (vi) **"Policy"** means the Policy on Related Party Transactions
- (vii) **"Related Party"** and 'Relative' has the same meaning as described in the Companies Act, 2013, which is defined as follows:

Pursuant to Section 2(76) of the Companies Act, 2013 a "related party", with reference to a company, means—

- (i) a director or his relative;
- (ii) a key managerial personnel or his relative;
- (iii) a firm, in which a director, manager or his relative is a partner;
- (iv) a private company in which a director or manager is a member or director;
- (v) a public company in which a director or manager is a director or holds along with his relatives, more than two per cent. of its paid-up share capital;
- (vi) any Body corporate whose Board of Directors, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager;
- (vii) any person on whose advice, directions or instructions a director or manager is accustomed to act:

Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;

- (viii) any company which is—
 - (A) a holding, subsidiary or an associate company of such company; or
 - (B) a subsidiary of a holding company to which it is also a subsidiary;

- (ix) such other person as may be prescribed;

As per Rule 3 of the Companies (Specification of definitions details) Rules, 2014,

"related party" - For the purposes of sub-clause (ix) of clause (76) of section 2 of the Act, a director other than an independent director or key managerial personnel of the holding company or his relative with reference to a company, shall be deemed to be a related party.

IV. RELATED PARTY TRANSACTIONS (RPT)

As per Section 188 of Companies Act, 2013 read with the Companies (Meetings of Board and its Powers) Rules, 2014, the following transactions will be considered as "Related Party Transactions";

- a. sale, purchase or supply of any goods or materials;
- b. selling or otherwise disposing of, or buying, property of any kind;

Annexure (V) (Contd.)

- c. leasing of property of any kind;
- d. availing or rendering of any services;
- e. appointment of any agent for purchase or sale of goods, materials, services or property;
- f. such related party's appointment to any office or place of profit in the Company, its subsidiary company or associate company; and
- g. underwriting the subscription of any securities or derivatives thereof, of the Company;

V. COMPLIANCES/APPROVALS/PROCESSES WITH RESPECT TO RELATED PARTY TRANSACTIONS

In compliance and as provided in Section 188 of the Companies Act, 2013, the following process is put in place:

A. Approval of the Board/ Audit Committee

1. All proposed related party transactions / arrangements or any modifications thereof, with the details of related party, nature of transaction, reason for undertaking the transaction, confirmation on arms length & in the ordinary course of business, duration of the transaction will be placed before the Audit Committee for prior approval.
2. All Related Party Transactions shall require prior approval of the Audit Committee. However, the Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company subject to the following conditions:
 - a. The Audit Committee lays down the criteria for granting the omnibus approval in line with the policy on Related Party Transactions of the Company and such approval shall be applicable in respect of transactions which are repetitive in nature.
 - b. While granting omnibus approval, the Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;
 - c. Such omnibus approval shall specify (i) the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into, (ii) the indicative base price / current contracted price and the formula for variation in the price if any and (iii) such other conditions as the Audit Committee may deem fit;

- d. Provided that where the need for Related Party Transaction cannot be foreseen and aforesaid details are not available, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs. 1 crore per transaction;
- e. Audit Committee shall review, at least on a quarterly basis, the details of RPTs entered into by the Company pursuant to each of the omnibus approval given.
- f. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

3. Related Party Transactions as defined under Section 188 of Companies Act, 2013 which are not in ordinary course of business and/or not on arms length basis or any subsequent modification thereto, will be placed before the Board for its approval.

B. Approval of Shareholders

The following transactions will be placed before the shareholders for its approval through Special Resolution;

- i. sale, purchase or supply of any goods or materials directly or through appointment of agents exceeding ten percent of the annual turnover or ₹ 100 crore, whichever is lower
- ii. selling or otherwise disposing of, or buying, property of any kind directly or through appointment of agents exceeding ten percent of net worth or Rs.100 crore, whichever is lower
- iii. leasing of property of any kind exceeding ten percent of the net worth or exceeding ten percent of turnover or ₹ 100 crore, whichever is lower
- iv. availing or rendering of any services directly or through appointment of agents exceeding ten percent of annual turnover or ₹ 100 crore, whichever is lower
- v. appointment to any office or place of profit in the Company, its subsidiary company or associate company at a monthly remuneration exceeding two and half lakh rupees

Annexure (V) (Contd.)

- vi. remuneration for underwriting the subscription of any securities or derivatives thereof of the Company exceeding one percent of the net worth

C. Review of RPTs by Audit Committee

Review of transactions with related parties pursuant to Accounting Standard – 18, on quarterly basis.

D. Disclosure

All Related Party Transactions will be disclosed in annual report, results and other filings, as may be applicable, made by the Company to the extent required as per the applicable provisions of the laws and regulations.

In terms of General Circular No. 30/2014 dated July 17, 2014 issued by MCA, all existing contracts approved pursuant to Section 297 of the Companies Act, 1956 will not require fresh approval under the said section 188 till the expiry of the original term of such contracts.

VI. CRITERIA/DOCUMENTS/PROCESS FOR ALL TRANSACTIONS WITH RELATED PARTIES

- a) For all the transactions, due documentation by way of contract/agreement/ bills/invoices/ should be in place.
- b) All the related party transactions shall be subject to the applicability, limits, enablement and other conditions as prescribed under the applicable Acts, Rules, Regulations and circulars and guidelines of Regulatory authorities including RBI, NHB, SEBI, MCA, Income Tax, etc.
- c) In case of infrastructure and common sharing arrangement, the terms of arrangement including the nature and quality of services, consideration and other terms and conditions shall be as comparable with the terms if availed from the market/third parties.
- d) In case of purchase/ sale of fixed assets or other assets, the same shall be at market prices or per the valuer certificate.
- e) Related Party Transaction shall be approved after assessing all material terms and conditions of the transaction and ensure that the terms are comparable with the market rates/practices at

the particular point of time and on arms length basis. The following information will be taken into account when assessing a Related Party Transaction:

- a. The terms of such transaction;
 - b. The Related Person's interest in the transaction;
 - c. The purpose and timing of the transaction;
 - d. the nature of the Company's participation in the transaction;
 - e. If the transaction involves the sale of an asset, a description of the asset, including date acquired and costs basis;
 - f. Information concerning potential counterparties in the transaction;
 - g. Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction and
 - h. Any other relevant information regarding the transaction.
- f) Where any contract or arrangement is entered into by a director or any other employee, without obtaining the consent of the Board or approval by a special resolution in the general meeting, should be ratified by the Board or, as the case may be, by the shareholders at a meeting within three months from the date on which such contract or arrangement was entered into. If the said ratification is not done such contract or arrangement shall be voidable at the option of the Board;

Any other regulatory changes in this regard will stand updated in the policy from time to time.

For and on behalf of the Board of Directors

Monu Ratra
Executive Director & CEO
DIN: 07406284

Sumit Bali
Director
DIN: 02896088

Date: June 7, 2020
Place: Gurugram

Date: June 7, 2020
Place: Mumbai

Annexure (VI)

Report on Corporate Governance

As the Company catapulted into larger HFC domain to achieve its vision of being the most respected financial service provider on the housing finance landscape, the Company's responsibility and accountability to its stakeholders have also been growing simultaneously. The Company has always been strived to maintain a valuable relationship and trust with all its stakeholders and over the years has been nurturing this relationship and trust with utmost care. The Company has adopted thoughtful strategies, efficient processes, ethical practices and high degree of corporate governance to maximises the value for all the stakeholders and remains committed to it. The Company firmly believes that corporate governance is the set of rules, controls, policies, practices and processes that plays a pivotal role way beyond the regulatory compliance requirements. The Company intends to foster highest degree of corporate governance at all levels of business operations and therefore strongly emphasises on reliability, transparency, integrity, timely disclosures of information, fairness dealing with stakeholders, robust internal control system. The Board of Directors is the primary force that

influences the corporate governance and the changing environment of stakeholder stewardship has greater influence on the quality of the board and its composition, skills. The Company has an optimum combination of non-executive, executive and independent directors on the Board are from financial services background with demonstrated skill sets and relevant experience. The Board monitors the business plans & strategies, various policies, operational and financial performance of the Company. The Composition of Board and its committees are in compliance with the Companies Act, 2013, National Housing Bank rules and regulations and various applicable policies and circular thereof. The responsibility of the Board as whole, and Terms of Reference Committees are provided in this report.

1) BOARD OF DIRECTORS

The size of the Board commensurate with the size and business of the Company. As on March 31, 2020, the Board comprises of following Directors as mentioned below:

Name	Designation	No. of meetings held	No. of meetings attended
Mr. S. Sridhar	Chairman, Independent Director	6	6
Mr. Kranti Sinha	Independent Director	6	6
Ms. Suvalaxmi Chakraborty	Independent Director	6	4
Mr. Arun Kumar Purwar*	Independent Director	3	3
Mr. Nirmal Jain	Non Executive Director	6	4
Mr. R Venkataraman	Non Executive Director	6	5
Mr. Monu Ratra	Executive Director & CEO	6	6
Mr. Sumit Bali	Non Executive Director	6	4

*Mr. Arun Kumar Purwar was appointed as Director of the Company with effect from August 22, 2019.

Responsibilities of the Board

- i. The key purpose of the Board is to ensure the Company's prosperity by collectively directing its affairs, whilst meeting the appropriate interests of its shareholders and stakeholders.
- ii. The Board is primarily responsible for:
 - a) establishing vision, mission & values and determining, reviewing the goals, policy of the Company from time to time;
 - b) setting strategy and structure and deciding the means to implement and support them;
 - c) delegate to Management, determine monitoring criteria to be used to ensuring effectiveness of Internal Controls;
 - d) exercising accountability to shareholders and be responsible to relevant stakeholders; and
 - e) Management and Control.

2) COMMITTEES

The Board has constituted various Committees with specific terms of reference to focus on specific issues and ensure expedient resolution of diverse matters.

Annexure (VI) (Contd.)

These include the Audit Committee, Nomination and Remuneration Committee, Stakeholders Relationship Committee, Asset Liability Management Committee, Risk Management Committee, Corporate Social Responsibility Committee, etc. The composition of the various Committees along with their terms of reference are provided herein below.

A. Audit Committee

In terms of the requirements of section 177 and other applicable provisions of the Companies Act, 2013, read with Rules made thereunder, the Board constituted an Audit Committee.

Composition of the Audit Committee as on March 31, 2020 and number of the meetings held and attended by the members of the Committee during the financial year 2019-2020 are summarised below:

Name	Designation	No. of meetings held	No. of meetings attended
Mr. S. Sridhar	Chairman, Independent Director	5	5
Mr. Kranti Sinha	Independent Director	5	5
*Ms. Suvalaxmi Chakraborty	Independent Director	4	3
Mr. R Venkataraman	Non Executive Director	5	5

*Ms. Suvalaxmi Chakraborty was inducted as member of the Audit Committee w.e.f. May 13, 2019.

The Company Secretary to act as Secretary to the Audit Committee. The details of all Related Party Transactions are periodically placed before the Audit Committee. During the year, there were no instances where the Board did not accept the recommendations of the Audit Committee.

The role and terms of reference of the Audit Committee, *inter alia*, includes the following:

- i. recommendation for appointment, remuneration and terms of appointment of auditors of the Company;
- ii. review and monitor the auditor's independence and performance, and effectiveness of audit process;
- iii. examination of the financial statement and the auditors' report thereon;
- iv. approval or any subsequent modification of transactions of the Company with related parties;
- v. scrutiny of inter-corporate loans and investments;
- vi. valuation of undertakings or assets of the Company, wherever it is necessary;
- vii. evaluation of internal financial controls and risk management systems;
- viii. monitoring the end use of funds raised through public offers and related matters;
- ix. Appointment of Internal Auditor.

- x. The Audit Committee have such powers and it performs such functions as may be required under the Companies Act, 2013 and such other applicable Regulations as may be notified by Securities and Exchange Board of India, National Housing Bank and other regulators from time to time.

The Audit Committee have such powers and it performs such functions as may be required under the Companies Act, 2013 and such other applicable Regulations as may be notified by National Housing Bank from time to time.

During the year under review, the Audit Committee met 5 times i.e. on May 13, 2019, June 28, 2019, August 8, 2019, October 23, 2019 and January 23, 2020.

B. Nomination and Remuneration Committee

In terms of the provisions of section 178 and other applicable provisions of the Companies Act, 2013, read with rules made thereunder, the Board constituted a Nomination and Remuneration Committee of the Directors. Presently, the Committee comprises the following Directors:-

Mr. S. Sridhar – Independent Director

Mr. Kranti Sinha - Independent Director

Mr. R Venkataraman – Non Executive Director

The terms of reference of the Nomination and Remuneration Committee, *inter alia*, includes the following:

Annexure (VI) (Contd.)

- i. identify persons who are qualified to become Directors and who may be appointed in Senior Management and recommend to the Board their appointment and removal;
- ii. carry out evaluation of every Director's performance;
- iii. formulate the criteria for determining qualifications, positive attributes and independence of a Director;
- iv. to devise policy on:
 - a) remuneration including any compensation related payments of the Directors, Key Managerial Personnel and other employees and recommend the same to the Board of the Company;
 - b) Board diversity laying out an optimum mix of Executive, Independent and Non-Independent Directors keeping in mind the needs of the Company.

During the year under, the Nomination and Remuneration Committee met once on May 13, 2019.

C. Stakeholders Relationship Committee

The Stakeholders Relationship Committee of the Company presently comprises the following Directors as its members-

Mr. R. Venkataraman - Non Executive Director

Mr. Monu Ratra - Executive Director & CEO

Mr. Sumit Bali - Non Executive Director

The terms of reference of the Stakeholders Relationship Committee, inter alia, includes the following:-

- i. Review of investors' complaints and their redressal;
- ii. Review and approval of the queries/requests received from the investors/shareholders.

During the year under review, the Committee met twice on May 13, 2019 and October 23, 2019.

D. Corporate Social Responsibility (CSR) Committee

In terms of the provisions of Section 135 and other applicable provisions of the Companies Act, 2013, read with rules made thereunder, the Board has constituted a CSR Committee.

The CSR Committee of the Company presently comprises the following Directors as its members

Mr. Kranti Sinha - Independent Director

Mr. R Venkataraman - Non Executive Director

Mr. Sumit Bali - Non Executive Director

The terms of reference of the CSR Committee is governed by the provisions of section 135 of the Companies Act, 2013 read with the applicable rules and such modification or amendments as made thereto from time to time.

The terms of reference of the CSR Committee, inter alia, includes the following:

- i. Consider any matters relating to the social, charitable, community and educational activities, expenditures and related publications of the Company and its subsidiary companies (the "Group") that it determines to be desirable. In addition, the CSR Committee shall examine any other matters referred to it by the Board.
- ii. Maintain the Company's CSR policy framework (e.g. environment, human rights and responsible business conduct) in line with best practice and the appropriate international standards and guidelines;
- iii. Receive reports and review activities from executive and specialist groups managing CSR matters across the Company's operations;
- iv. Consider and propose an Annual Budget for CSR activities to the Board.

During the year under review, the CSR Committee met twice on February 6, 2020 and March 24, 2020.

E. Risk Management Committee

In accordance with the Policy Circular No. NHB/ND/DRS/Pol-No. 35/2010-11 dated October 11, 2010, the Board of Directors constituted Risk Management Committee comprising of Directors and senior officials of the Company. The composition of the Risk Management Committee is provided below:

1. Mr. S Sridhar
2. Mr. Kranti Sinha
3. Mr. Nirmal Jain
4. Mr. Amit Gupta
5. Mr. Sanjeev Srivastava
6. Mr. Govind Modani

Annexure (VI) (Contd.)

The terms of reference of the Risk Management Committee are in line with Guidelines prescribed by NHB which, inter alia, includes the following:

- i. To identify the various types of risks involved in the business,
- ii. To define the methodology to measure / quantify the risks,
- iii. To control and mitigate the variety of risks involved in business,
- iv. To specify the risk tolerance of the Company,
- v. To ensure regulatory and statutory compliance on risk management and prudential norms,
- vi. To improve the assets quality of the Company by using risk management tools,
- vii. To maximise the profit of the Company,
- viii. To maximise the return on equity with an acceptable level of risk, for the purpose of protecting, preserving and increasing the net worth of the Company.

During the year under review, the Committee met three times on August 8, 2019, October 23, 2019 and January 23, 2020.

F. Asset Liability Committee (ALCO)

In accordance with the Policy Circular No. NHB/ND/DRS/Pol-No. 35/2010-11 dated October 11, 2010, the Board of Directors constituted Asset Liability Committee (ALCO). The composition of the ALCO is provided below:

Mr. Monu Ratra- Executive Director & CEO

Mr. R. Venkataraman- Non Executive Director

Mr. Sumit Bali- Non Executive Director

The terms of reference of the ALCO are in line with Guidelines prescribed by NHB which, inter alia, includes the following:

- i. Liquidity risk management
- ii. Management of market risks
- iii. Funding and capital planning
- iv. Profit planning and growth projection
- v. Forecasting and analysing 'what if scenario' and preparation of contingency plans

During the year under review, the Committee met on May 13, 2019, August 8, 2019, October 23, 2019 and January 23, 2020.

For and on behalf of the Board of Directors

Monu Ratra
Executive Director & CEO
DIN: 07406284

Date: June 7, 2020
Place: Gurugram

Sumit Bali
Director
DIN: 02896088

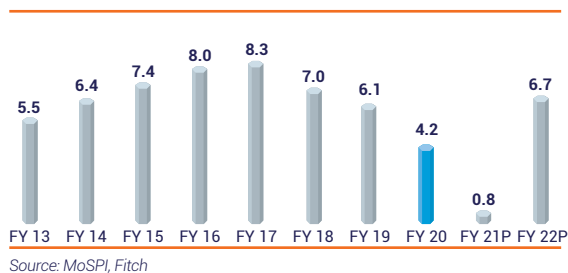
Date: June 7, 2020
Place: Mumbai

Management Discussion & Analysis

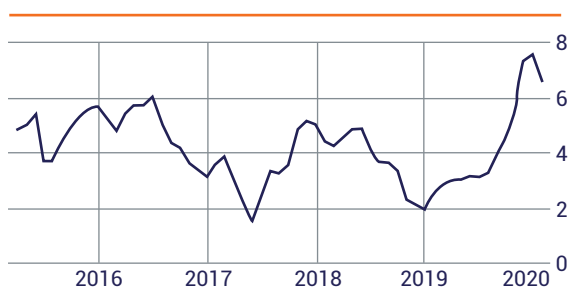
MACROECONOMIC OVERVIEW

Though the Indian economic growth has been faster than the world economy, it remained subdued as compared to previous years in FY20. The slowdown in the first 11 months of FY20 was mainly on account of the slump in the auto sector, contraction in capital goods output and slowdown in investment cycle. On the expenditure side, public expenditure remained moderately high whereas private expenditure was low as compared to the previous financial years. However, due to the onset of the COVID-19 pandemic in March, 2020 and the resultant lockdown, the output for March, 2020 has been low. India's services sector activity contracted during March as the COVID-19 pandemic dented demand, particularly in overseas markets. Business activity was reduced in response to weaker demand and firms responded by reducing their workforces as intakes of new business were insufficient to maintain payroll numbers. Indian economy grew by 4.2% in FY20 (Source: MoSPI).

Indian Economy Growth Output (%)



India Retail Inflation (%)



The retail inflation rate in India was at 6.58% in February, 2020 as compared to 7.59% in January, 2020 and 2.57% in February, 2019. The moderation in inflation has expectedly been led largely by food inflation while core inflation remains muted amidst moderate demand. The inflation trajectory is expected to continue to moderate going ahead led by deflationary trends from falling crude oil prices, lower

food prices and weak demand. With domestic and global growth facing downside risks from the spread of COVID-19 and deflationary forces emerging along with cooling off of global crude prices, the inflation trend of India is expected to be impacted positively in future.

The outbreak of COVID-19 is the third shock to the economy in the last three & a half years, after demonetisation and GST. Prospects of a good Rabi harvest and stabilising high frequency data of the macro economy had raised hopes of a recovery after a deep slump. However, the shutdown due to the pandemic has derailed this nascent recovery. The government has enforced shutting down of non-essential businesses to prevent the spread of infection. The informal economy would be disproportionately impacted by these necessary steps. The recent weakness in consumption was partly driven by slowing income growth and a weak job market. The income growth or the job market is unlikely to improve given the disruption to the economy and hence growth is unlikely to recover till the first half of FY21. However, the Government along with the RBI has taken a slew of measures to reduce the slowdown, including:

1. All lenders can freeze repayments for six months (earlier 3 months) on term loans outstanding as on March 1, 2020
2. The Government of India along with the RBI has released a stimulus package of ₹ 20 trillion, which is approximately 10% of GDP. The package includes additional liquidity to sectors like NBFC (incl. HFC and MFI) and MSME, government guarantees on lending by banks, greater allocation to social spending schemes like MNREGA, direct bank transfers, free food grains for the poor, etc.
3. Out of the above ₹ 20 trillion package, the Government allocated ₹ 300 billion to buy investment-grade debt of NBFCs, HFCs and MFIs. The second measure is a partial guarantee scheme worth ₹ 450 billion on primary market paper sold by NBFCs.
4. Benchmark repo rate reduced to its lowest ever level of 4%
5. The time period for realisation and repatriation of export proceeds for exports made up to or on July 31, 2020, has been extended to 15 months from the date of export
6. Loans to commercial property projects that are delayed for reasons beyond the control of the developer are allowed to be treated as standard for another year

GDP growth is expected to be at 0.8% in FY21 (Source: Fitch). The pandemic is expected to subside in the second half of FY21. Also, the economic growth trajectory is highly dependent on a normal monsoon. The slump in growth

Management Discussion & Analysis (Contd.)

is expected to remain in the first half of next fiscal. With expectations that the lockdown will be further eased slowly, the second half of FY21 should see recovery in growth.

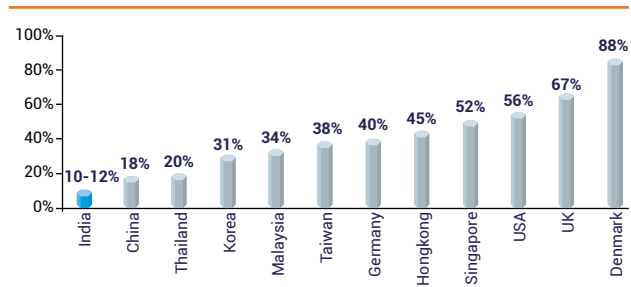
INDUSTRY OVERVIEW

The housing finance market in India is financed by Scheduled Commercial Banks (SCBs) as well as NBFCs including HFCs. Though NBFCs and HFCs have different dynamics, HFCs will now be treated as one category under the NBFCs. In the interim Budget 2019, the Government handed over regulations of HFCs from NHB to RBI. However, till the time RBI issues fresh guidelines, HFCs will continue to be governed by NHB. The grievance redressal mechanism regarding HFCs will also continue to be with the NHB till then.

India's housing finance sector has remained relatively underpenetrated compared to its peers as evident by the low mortgage-to-GDP ratio (10-12% in FY19) as compared to its regional peers (FY15) (20% for Thailand, 18% for

China, 34% of Malaysia) shown in the figure below (Source: CRISIL). While there has been substantial progress over the years, the sector continues to hold potential for long term growth.

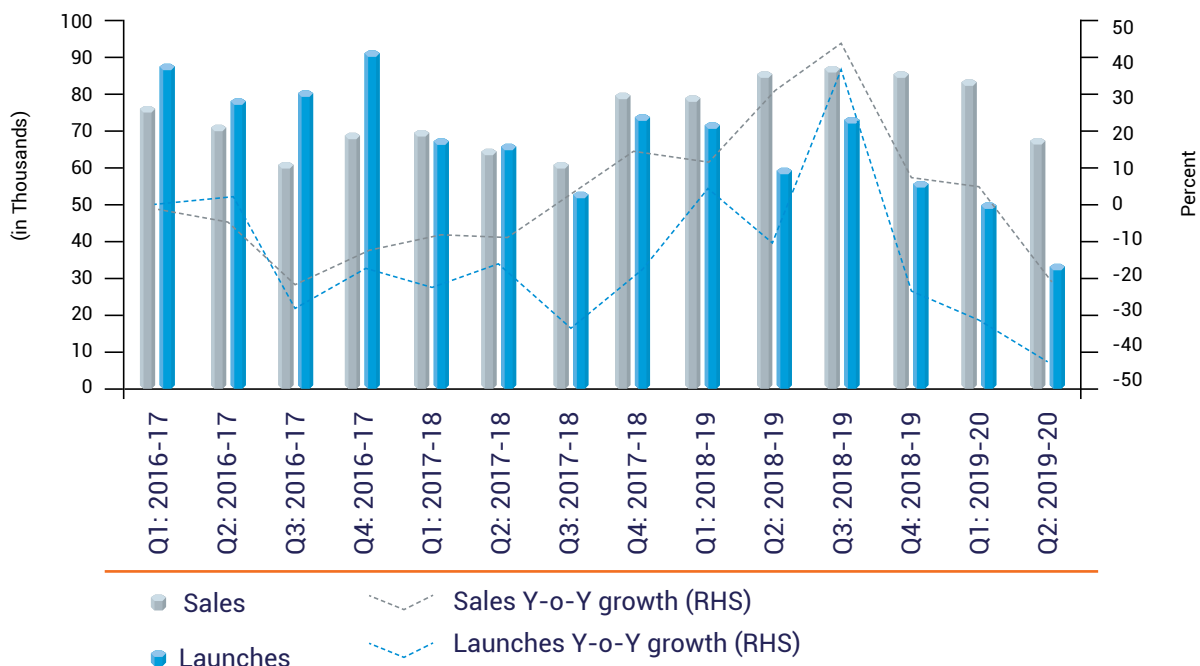
Low Mortgage Penetration (% of GDP) compared with other developing countries



Source: CRISIL

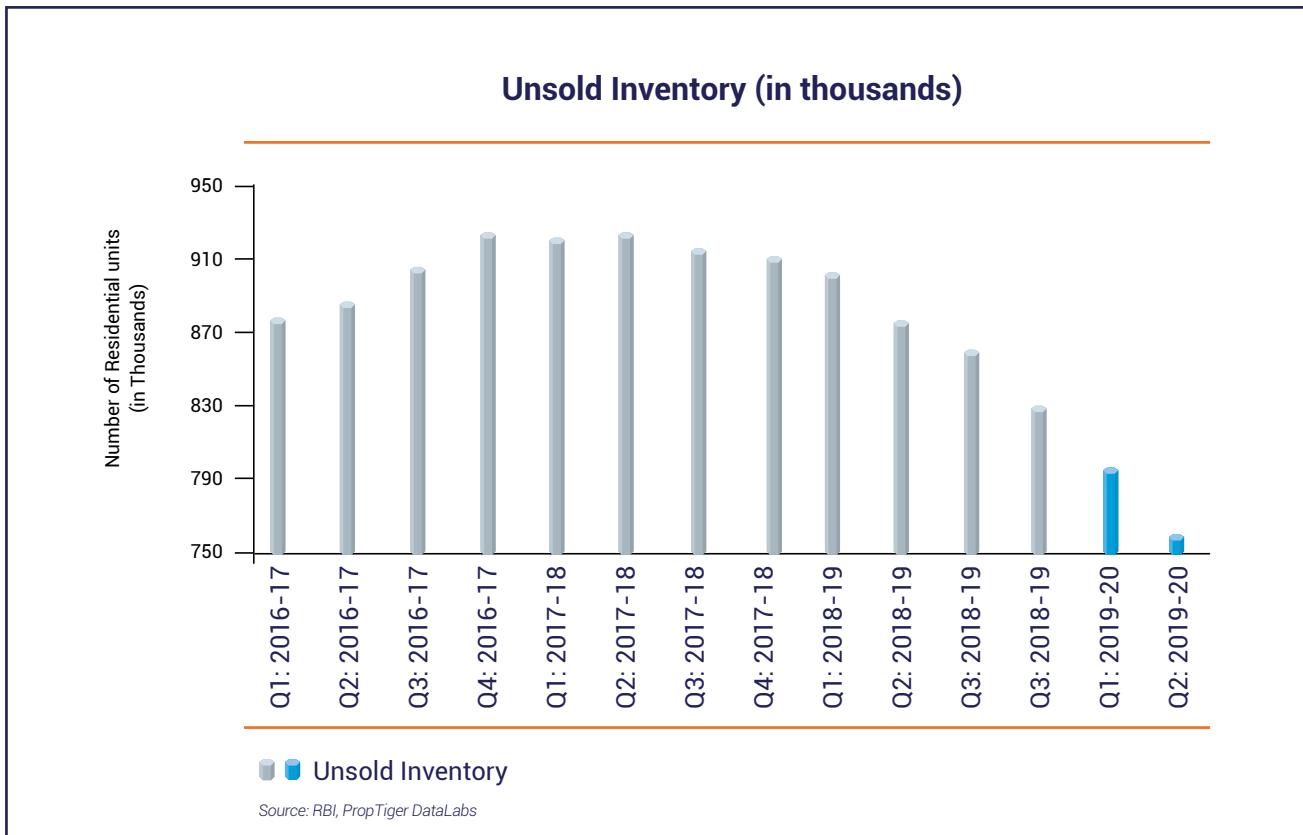
Though housing prices in India reduced marginally, sales remained moderated in the first half of FY20. However, the launch of new projects fell down in H1FY20.

Number of Residential units (in thousands)



Source: RBI, PropTiger DataLabs

Management Discussion & Analysis (Contd.)



HFCs in India have shown rapid growth in its Asset under Management (AUM) from FY13 to the first half of FY19. It grew at a CAGR of 20% over the period (Source: CRISIL). This growth was mainly on account of the encouragement given by the Government to promote affordable housing in India, as a result of which demand for housing boosted in Tier 2 and 3 cities. Other factors that contributed to this growth were rising disposable income, increase in nuclear families and fiscal incentives on housing loans. However, the growth trajectory slowed down in H2FY19 and FY20. The second half of FY19 was marked by liquidity constraints which trickled over to FY20. HFCs are expected to grow by ~2% in FY20 (Source: Brickworks). The low growth rate in FY20 is also on account of the COVID-19 impact in March 2020, which halted disbursements and brought businesses across the country to a standstill.

Government measures for the Industry

The Government of India has given special focus for the housing sector in the Budget 2020 as well as to tackle the slowdown on account of COVID-19 lockdown.

Budget 2020

To boost affordable housing and achieve the vision of Housing for all by 2022, several initiatives have been undertaken, such as Pradhan Mantri Awas Yojana (PMAY)

that aims to build 10 million homes in urban and rural India by 2022. In order to ensure that developers in this segment have access to cheaper loans, affordable housing has also been accorded infrastructure status.

Budget 2020 saw the Housing and Urban Affairs Ministry outlay touch ₹ 500.4 billion, 18.4% increase from the revised estimate of ₹ 423 billion for FY20. In 2020, the allocation for PMAY, the flagship scheme of the government, has been granted ₹ 275 billion as against the revised estimates of ₹ 253 billion in FY20, an 8.5% increase.

NHB Refinance

Also, the government has revised its ₹ 300 billion liquidity infusion facility scheme to encourage HFCs to avail refinance funds. Under the revised scheme, the earlier exposure cap of ₹ 7.5 billion per HFC and exposure ceiling of 50% of individual housing loan have been removed. The maximum exposure has been revised to 30% of HFCs net owned funds or 50% of NHBs net owned funds, whichever is lower. This scheme that was launched in August, 2019, can be availed till June 2020 by HFCs. This will help HFCs for their business expansion in FY21. In April 2020, the RBI also announced refinance facility for NHB worth ₹ 100 billion out of total ₹ 500 billion for various institutions. This is expected to boost liquidity in the system.

Management Discussion & Analysis (Contd.)

COVID-19 recovery

The Government of India has announced a ₹ 20 trillion economic package i.e. almost 10% of the GDP, which combined the government's recent announcements on supporting key sectors along with the measures rolled out by RBI to counter the COVID-19 impact. The goal is to address the problems of a wide range of sectors and become self-reliant.

Going forward

The resultant lockdown on account of the COVID-19 pandemic has slowed down businesses in the short run. Disbursements are expected to be low in H1FY21 and growth in H2FY21 will depend upon the extent of the pandemic spread and its impact on the economy. However, it is expected that businesses will pick up in the second half of FY21. **Co-lending and securitisation** are going to remain the catalyst of the next fiscal to boost HFCs growth trajectory. HFCs are expected to grow at 6% in FY21 (Source: India Ratings). HFCs are expected to fund a large size of their portfolio via assignment/securitisation. This along with government measures, such as partial credit guarantee scheme, will improve liquidity and enable HFCs to better manage their asset-liability profile. One of the major synergistic partnerships between HFCs and banks-- co-lending, is expected to pick up pace in FY21. Banks can leverage HFCs' geographic reach and benefit from their origination and servicing capabilities, and HFCs will get access to better-profile clients and higher fee income. The affordable housing segment accounts for roughly 15% of the HFC portfolio. Given the government push towards affordable housing, co-lending in this space will provide required impetus to drive growth, hence it is attracting a lot of interest from banks.

OPPORTUNITIES

Affordable Housing

By the year 2030, more than 40% of the Indian population will live in urban India, as against the current figure of 34%, which is likely to create a demand for 25 million additional affordable housing units (Source: RICS and Knight Frank Report). Increasing urbanisation will boost per-capita GDP and increase the number of nuclear families. This in turn will lead to rise in demand for more urban households. Also, with the rate cuts announced by the RBI, housing demand is expected to improve along with the liquidity conditions of real estate companies in FY21. With the stock market witnessing a lot of fluctuation in these times of uncertainty, we anticipate that a lot of people will consider investing in property, as that is a more stable, long-term asset. Affordable housing segment is going to be the core growth segment for HFCs in the years to come.

Government Push for the sector:

The current government has viewed housing as the core of its economic policy and announced various schemes and policies to increase home ownership. It has been realised that in addition to its social aspects, housing is also a key driver of economic growth with its ability to create employment and its linkages to multiple other sectors. Housing is the fourth largest contributor to Indian GDP and the sector has the potential to become the engine of domestic growth for the Indian economy in the coming years.

The moratorium of six months on term loans, including home loans, would provide relief and enable real estate companies to focus more on the operational requirement and recalibrate their business strategies

Housing for Investment- Millennials

Millennials, especially financially independent women, are preferring investment in real estate from erstwhile gold and fixed deposits. Nearly 57% women respondents preferred real estate as an investment asset class followed by 28% for the stock market, 11% for fixed deposits and a mere 4% for gold (Source: Anarock-LIC Housing Finance Ltd consumer sentiment survey). Millennial women are emerging as a crucial homebuyer segment in India, unlike earlier being just a niche segment. This provides ample opportunities for developers to include them as a major target customer. Also, the government of India to empower women of the low-income segment as per the Housing for All by 2022 mission, has made it mandatory for them to be either co-owners or sole owners of affordable homes.

Lower effective interest rates:

Pradhan Mantri Awas Yojana (PMAY) subsidy and tax incentives have led to lower effective interest rates for the affordable housing sector borrowers. This will provide good demand for housing in FY21 and beyond.

Demand for rural and semi urban sector:

With rising rural incomes and the government investing heavily in enhancing rural demand, in the coming years there could be high demand coming from the rural and semi-urban areas.

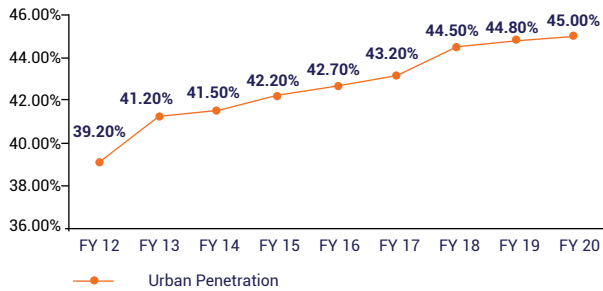
Rising Finance penetration

With growing urbanisation and rising finance penetration in India, the growth in housing finance sector is expected to rise. With this, like in FY20, in FY21 also the demand for housing is expected to come from tier II and tier II cities in urban areas. The finance penetration in Indian urban areas rose from 39.2% in FY12 to an estimated 45% in FY20

Management Discussion & Analysis (Contd.)

(Source: CRISIL). With more number of people moving from rural to urban areas, growing digitisation and financial awareness, these trends are only expected to rise in the years coming.

Uptick in finance penetration in urban areas (%)



(Source: CRISIL)

Threats

Fall in real estate sales and unsold inventory

Enforcement of the nationwide lockdown following the spread of COVID-19 has caused a temporary slump in housing sales. Also, a slowing economy along with constraint in liquidity may cause reduction in sales and thereby leading to rise in unsold inventory. This may dissuade developers from launching new projects. Fall in real estate sales and unsold inventory remains a threat in FY21.

Disruption by new/emerging technologies

Besides using AI and Natural Language Processing (NLP) for first level customer interactions (chat box etc.), finance companies are using AI for risk management, marketing, portfolio management, HR, hiring, collections, and employee on-boarding. As companies grow digital channels, business growth increases the risk of doing business with an unknown entity on the other side of the device. High volumes of online payments, require review of vast quantities of transactions in thousands of a second, to manage existing compliance requirements.

Increasing Competition

Increasing competition from Banks to gain market share in the growing affordable housing segment could be a challenge for HFCs.

COMPANY OVERVIEW

IIFL Home Finance Limited (IIFL HFL) (previously known as India Infoline Housing Finance Limited), incorporated in 2006, is a 100% subsidiary of IIFL Finance Limited (IIFL). IIFL HFL got registered with National Housing Bank (NHB) in 2009 and commenced operations. In line with

its motto, 'Ghar Aapka, Loan Hamaara', the Company majorly provides home loans to customers for purchasing affordable homes. Besides, loans are also offered for home renovation and home construction. Loan against Property is provided to Small and Medium Enterprises (SMEs) for their working capital requirements, business use and to acquire commercial property and construction financing.

The Company is guided by the professional values and ethos of its parent and ultimate holding company, IIFL Finance. The Company has gained a reputation for reliability, transparency of operation and absolute integrity. Over the years, the Company has maintained its high quality loan and investment portfolios through focused customer approach, a comprehensive risk assessment process and thorough risk remediation procedure. The Company aims to focus on steady earnings growth through conservative risk management techniques and by accessing low-cost funds.

Business Overview & Strategy

In FY20, the company closed the year with total loan assets under management of ₹ 184,947.4 million and balance sheet size of ₹ 144,970.7 million. The home loan contribution to total loan book remains stable y-o-y at 67% with continued focus on low ticket size loan. Through our Swaraj Home loans, a dedicated home loan product to cater to the needs of underserved section of the society, the Company has continued to support the Government in its vision of "Housing for All". The Company benefited 38300+ customers with ₹ 9,000+ million subsidy till date.

During the year the Company has been able to securitise and assign ₹ 28,100.6 million worth of assets, enabled by the trust and confidence of our securitisation investors and our portfolio quality. The acceptance of IIFL Home Finance granular loan book portfolio across investors is a testimony of its strong underwriting capabilities and strong portfolio quality.

Strength

Wide Presence: Our network of brick and mortar branches and channel partners coupled with digital touch points (Website and Mobile App), enables us to build enduring bonds of trust and loyalty with the customers. As on March 31, 2020, we have 127 branches nationwide to support mid income affordable housing segment. In addition to our network and online channels, we have vast Group's network of 2300+ touch points to reach potential customers in Tier II & Tier III cities.

Customer First Approach: Knowledgeable, attentive and empathetic Customer First approach is at the core of our operations. With wide range of customised products, continued focus on customer experience, transparency in

Management Discussion & Analysis (Contd.)

all our operations and process and investment in creating cutting edge technology have enabled us to serve more than 1,24,000+ customers over the years.

Prudent credit policy and process: We have robust in house credit appraisal process. Our credit policies are designed to mitigate risk and formalise procedures for determining acceptable risk. We have also brought smart technologies for a flawless credit appraisal, underwriting and monitoring, leading to seamless end to end loan sanction process. Robust credit approval mechanism, credit control processes, audit and risk management process and policies have helped us to maintain our portfolio quality.

Focus on Technology: We continue to invest in cutting edge technologies to expand our technology landscape and upgrade innovative technology solutions, thereby increasing customer delight and employee efficiency. The technology platform covers all functions starting from sales to loan underwriting, customer management, collection management and financial accounting.

The mobile platform empowers our employees to manage their work on the go thereby improving the overall employee experience and efficiency.

The investment in technology has not only helped us in improving customer experience, but also in reducing operating cost and development of new business opportunities.

SEGMENT OVERVIEW

Home Loans

We offer affordable home loans to diverse set of customers such as salaried, self-employed, professionals and entrepreneurs. We provide financial aid for home purchase, home renovation, home construction and plot purchase. Through our affordable home loans offering - Swaraj Home Loans, we cater to the underserved segment of the country. Home loan constitutes 74% of the total disbursements in FY20 of which affordable segment were 39%.

Our retail loan processing is done through our proprietary application "Jhatpat Loans" in which underwriting is automated with pre-defined business rule engines thereby leading to reduced TAT and increased standardisation of decisions.

Loan Against Property (LAP)

We offer loans backed by mortgage of residential or commercial properties to small and medium enterprises. These loans are predominantly used for working capital requirement, business use and purchase of commercial property. We also offer small ticket size variant named Samman. LAP contributed 15% of the disbursed units in FY20.

Project Loans

The developers often need size-able funds for the construction and development of residential and mixed-use projects. A strong emphasis is being placed on the identification of environment & social friendly projects with Green Certification for funding under this segment. In line with our broader retail strategy also, a project loan is an important offering to the developers. The projects funded under the Construction Finance vertical provide an opportunity for retail home loans via the Approved Project Finance route. The contribution of construction finance loans within the total disbursements was only 10% in FY20.

FINANCIAL OVERVIEW

For the financial year ending March 31, 2020, AUM of the Company has grown by 2% y-o-y to ₹ 184,947.4 million from ₹ 181,578.3 million, as on March 31, 2019. At the segment level, there is moderate growth in the home loan and LAP segments whereas the real estate segment has de-grown y-o-y. Loan book has de-grown by 4% y-o-y to ₹ 128,139.6 million as on March 31, 2020 from ₹ 134,002.6 million as on March 31, 2019. Loan Book growth has de-grown in comparison to AUM growth due to high assignment of portfolio during the year.

For FY20, IIFL Home Finance reported a Profit After Tax (PAT) of ₹ 2,449.2 million down by 20% y-o-y. The decline in profit has been mainly on account of the additional provisioning for COVID-19 impact. Operating profit (excluding provision and Write off) was down by only 3% y-o-y. With a capital adequacy of 23.7% (Tier-I CAR of 18.4%), the Company is well capitalised for growth. The Company has striven to maintain the key qualitative and quantitative parameters. The Company has continued to maintain decent return ratios, RoA of 1.8% and ROE of 13.8%. Gross NPA (IND AS) is 1.6% with provision coverage ratio of 23.5% for the year under review. Provision coverage ratio including standard asset provision (Stage1 and Stage 2) stands at 84.5%.

Provision charge for Expected Credit Loss, including additional COVID-19 provision, as a percentage of average loan book stands at 1.0%.

RISKS AND CONCERNS

Risk Management

The Company has a well-defined risk governance structure which includes periodic reviews and close monitoring to enable building a sustainable business that takes care of the interests of all stakeholders. The Company's risk management policy is steered by the Board, with the overall responsibility assigned to the Risk Management Committee.

Management Discussion & Analysis (Contd.)

Regulatory Risk:

Regulatory risk is the risk that can materially impact a company due to changes in laws and regulations made by the government or a regulatory body like NHB, SEBI etc. It can increase the costs of operating the business, and/or change the competitive landscape. The Company is able to mitigate the same by making quick change in its systems and practices to realign itself with the changed regulatory framework from time to time as required.

Credit Risk:

Lending involves a number of risks, largely related to the creditworthiness of the borrowers. A credit risk is the risk of default that may arise from a borrower failing to make payments towards their debt. This is inherent and most dominant of the risks in the lending business. The credit risk arises because of the quality of the loan portfolio and it is extremely important to control this risk.

We have well defined policy guidelines which are built in the "Jhatpat application" for rule based underwriting which reduces the frequency of judgment-based errors. We use technology to verify the identity and other loan documents submitted by the borrower along with digital underwriting. This integration of new data sources enables better insights for credit decisions, while real-time data processing, reporting, and monitoring further improves overall risk-management capabilities.

Our portfolio management uses advanced analytics and machine-learning tools to identify the problematic loans at an early stage. Based on the continuous review mechanism, credit policies and processes are being reviewed and appropriate changes are undertaken.

An independent internal audit team conducts regular review of credit files on a sample basis to ensure adherence to the policies.

Operational Risk:

Operational risk management is defined as a continuous process which includes risk assessment, decision making, and implementation of controls, which results in acceptance, mitigation or avoidance of risk. To have a preventive vigilance and control the transaction risk, Risk Containment Units have been established at major locations, wherein hind sighting, upfront scrutiny and curbing of malpractices are undertaken. Operational costs are also reduced as credit processes are digitised. A greater share of time and resources can be dedicated to value-added activities, as inputs and outputs become standardised and paperless.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has an elaborate system of internal controls commensurate with the size, scale and complexity of its operations. Regular internal audits are conducted to check and to ensure that responsibilities are discharged effectively. The Internal Audit Department monitors and evaluates the efficacy and adequacy of internal control systems in the Company, its compliance with regulatory directives, adherence to the accounting procedures and policies. Wherever required, the internal audit efforts are supplemented by audits conducted by specialised consultants/audit firms. Based on the report of the Internal Auditors, process owners undertake corrective actions, in their respective areas and thereby strengthen the controls.

The Company has also placed its focus on making its internal control system digitalised. The Company has introduced an in-house internal control system software for better monitoring of audit processes at PAN India level.

HUMAN RESOURCES

Our people supported by digital power will prove to be our competitive advantage. To ensure that we remain agile and focused, we are harnessing digital power to build upon people and organisational capabilities. We are on our way to have an all inclusive digital ecosystem which will create a culture of fairness, transparency and process & policy compliance and hence ensure a sustainable and measurable organisational and people performance. We are creating a unique employee on-boarding experience, getting the right job-fit candidates in the system and ensuring right and timely interventions at each stage of employee life cycle at IIFL Home Finance, so that there is a unique employee journey for each employee to experience here.

TRAINING & DEVELOPMENT

Our Money Versity app offers a variety of business, domain & wellness centered channels for our employees. We have helped the employees learn on the go in a very engaging multimedia & interactive way. For the high-fliers there are MDPs at premier B-schools to ensure their growth in organisation is well-supported. The Company arranges Classroom Training for First Time managers across functions. Also, there are customised Lunch Bunch Sessions for specialised teams focusing on enhancing team bonding & cohesiveness.

PERFORMANCE MANAGEMENT & REWARDS

We have a fair and transparent performance appraisal system for employees across all levels and functions with a 4 point rating scale- Flyer, Runner, Learner, Walker. We have

Management Discussion & Analysis (Contd.)

introduced LEAP Program for the sales workforce pan India in order to focus on continuous assessment of the targets achieved by the team. We encourage and reward our best performers, both individual and at team level, during the annual R&R program- PRIDE 4.0

EMPLOYEE ENGAGEMENT AND WELLNESS

Employee centered chat bot have been introduced for all employees to capture their real time sentiment across various tenures within the organisation. The leadership also connects with the teams every quarter during the 'CPlogue: HFC Townhall with the CEO', to address all employee queries, discuss game plan for the coming quarter and share achievements of the quarter gone by. Focus has been given on Employee health and wellness by introducing the new Healthify App for the employees to keep a tab on their health parameters.

Our workplace is on the path of becoming more inclusive and sustainable with focus on Complete Profitability, an ESG initiative. It is our aim to empower our employees to create their own Complete Profitability story through everyday steps towards sustainability. IIFL Home Finance has been recognised as a Great Place to Work for the 2nd time in a row. This year, 78% of our sampled employees rated the organizational culture & employee practices at 4 and above, on a scale of 5 (5 being the highest).

As on March 31, 2020, the Company has a strong workforce of 2,131 employees.

OUTLOOK

Though the COVID-19 pandemic is expected to result in significant adverse economic impacts globally, Indian economy is expected to show moderate growth in H2FY21 mainly dependant on the expected economic activity spurt in the second half of FY21. Private consumption growth is expected to face strong headwinds. With the restrictions on non-essential activities getting lifted in less contagious regions in the country coupled with an increase in government expenditure, we can expect an uptick economic recovery in the second half of the FY21.

For IIFL Home Finance Limited,

Monu Ratra
Executive Director & CEO
DIN: 07406284

Date: June 7, 2020
Place: Gurugram

Sumit Bali
Director
DIN: 02896088

Date: June 7, 2020
Place: Mumbai