TATA CAPITAL HOUSING FINANCE LIMITED

Annual Report 2016-17

BOARD'S REPORT

To the Members,

The Board has pleasure in presenting the Ninth Annual Report and the Audited Financial Statements of the Company for the Financial Year ("FY") ended March 31, 2017.

1. BACKGROUND

Tata Capital Housing Finance Limited ("Company" or "TCHFL"), is a wholly owned subsidiary of Tata Capital Limited ("TCL") and is registered with the National Housing Bank ("NHB") to carry on housing finance activities. The Company offers a range of Housing Loans and Loans against Property to various segments of society such as salaried individuals, self-employed individuals, self-employed professionals, corporates, etc. and has been focusing on business opportunities available within the Tata ecosystem.

Apart from Housing Loans and Loans against Property to the retail segment, TCHFL also provides project finance loans to developers. The Company intends to keep growing its business at a healthy rate with Rural and Affordable Housing Finance, as one of its focus areas.

2. INDUSTRY AND ECONOMIC SCENARIO

The year proved that analysts and markets often get it completely wrong. The key surprises globally were Brexit, results of the US elections and impact of the Demonetisation in the largest democracy in the world. It is heartening to note that even in the weak global backdrop, our economy remains a visible bright spot. The macro economic conditions of India are amongst the best they have been in recent times.

This year the incumbent Government pushed ahead with its reform agenda, backed by key wins in the state elections. The outcome of the state elections pushed the equity markets to an all time high in March 2017 and the Rupee witnessed considerable relative strengthening in the current fiscal. The top three reforms during the current fiscal were Demonetisation, Goods and Services Tax and operationalisation of the Monetary Policy Committee.

The third quarter economic growth measured in terms of GDP growth was a positive surprise, when contrasted with estimates based on high frequency indicators, which had clearly pointed to subdued economic activity due to Demonetisation. The above average monsoon after a span of two years has further aided some recovery in the agriculture or agriculture dependent sectors.

During the year, consumer price inflation declined to a three-year low on account of lower vegetable and pulses prices but core consumer inflation remained sticky. The new Governor of the Reserve Bank of India ("RBI") cut rates by 25 bps in his first policy but has since held rates given that the inflation pressures are likely to be exerted by a reviving commodity cycle and global risks to the Indian economy. On the fiscal front, our country's position has improved, helped mainly by controlled spending and higher GDP to the tax ratio. The low crude prices and consequently lower subsidies and higher cesses played an important part in the fiscal strength demonstrated by the Government.

On the interest rate front globally, the Federal Reserve Bank raised rates for the first time in December 2016 and indicated that they could further raise rates upto 3 times in the calendar year 2017. Closer home, the 10-year Government Securities rates declined by approximately 125 bps. The declining interest rates in India were helped by easing liquidity which the RBI mopped up in the course of the year through the Market Stabilisation Scheme in the latter part of the financial year. The outlook on interest rates is mixed as the RBI will need to balance growth objectives, especially post Demonetisation with Inflation targeting. FY 2017-18 may provide some pockets for rate reduction but the key determinants will be the monsoon and uptick in commodity and crude prices driven more largely by artificial supply constraints than the demand side.

The asset quality and growth of the financial services sector saw significant deterioration in the current financial year. The Non Performing Assets ("NPA") of the Banking sector touched approximately 9.2% by September 2016. Overall credit growth declined to single digits, with a divergence observed between the public sector and private sector in terms of credit growth. The lack of credit growth can be attributed partially to lack of capital expenditure by industry but more so to a shift in well rated corporate borrowing through Commercial Papers and Non-Convertible Debentures. The Retail Loans both home and non-home continued to record robust growth.

As we enter the new financial year, the economy is on the cusp of a major transformation, with several policy initiatives set to be implemented shortly. Enhanced spending on infrastructure, speedy implementation of projects and continuation of reforms are expected to drive growth. We have a cautiously optimistic outlook for the next financial year and shall closely track the impact of various Government policies, natural phenomena like the monsoon and impact of key global events on two key aspects of our business i.e. interest rates and credit quality.

The Housing Finance market in India is growing fast over the last 25 years and is served by multiple institutions that cater to people in diverse geographies and across income spreads. Mortgage lending has significantly contributed to the growth in housing construction and housing consumption activities.

Mortgage penetration in India, despite a rising trend, is still quite low not only relative to advanced economies but even relative to its peers like Malaysia, Korea, Thailand and China. Mortgage to GDP ratio in India is currently 9%. This implies a huge growth opportunity for the sector as also for the Company. As per estimates, the total outstanding mortgages in India will increase eight fold with Mortgage to GDP ratio increasing to 20%, by FY 2020.

The Union Budget for FY 2017-18 maintained its focus on the agenda ‘Housing for All’ by 2022 with 39% higher allocations vis-à-vis FY 2016-17 under the Pradhan Mantri Awas Yojana (PMAY). Further, the Government has accorded the ‘infrastructure’ status to affordable housing projects, which is likely to encourage the participation of a wider investor community and improve access to funding avenues like insurance and pension funds. The Credit Linked Subsidy Scheme and Middle Income Group Scheme is likely to expand the eligible borrower base and also improve affordability of the borrowers owing to lower equated monthly instalments (EMI) and debt burden ratios. All these supporting factors, coupled with the current low to moderate penetration levels are likely to help growth in the affordable housing segment.

Housing Finance Companies have the advantage of domain expertise, regulatory advantages (No Cash Reserve Ratio or Statutory Liquidity Ratio), NHB refinancing support and low cost income ratio model and appear to be well placed to take advantage and succeed in this changing environment.

3. FINANCIAL RESULTS

The performance of the Company for the Financial Year ended March 31, 2017 is summarized below:

(₹ in crore)

Particulars	FY 2016-17	FY 2015-16
Total Income	1,723	1,265
Total Expenditure	1,450	1,092
Profit Before Tax	273	173
Provision for Tax (net of deferred tax)	95	60
Profit After Tax	178	113
Balance brought forward from the previous year	101	66
Adjustment of Deferred Tax Liability on Special Reserve u/s 36(1)(viii) of the Income tax Act, 1961	–	–
Amount available for appropriation	279	179
Appropriations		
Interim Dividend on Compulsorily Convertible Cumulative Preference Shares	66	46
Dividend Distribution Tax on interim dividend	14	9
Proposed dividend on Compulsorily Convertible Cumulative Preference Shares	–	–
Dividend Distribution Tax	–	–
Transfer to Special Reserve	52	23
Balance carried to Balance Sheet	147	101

During FY 2016-17, the Company disbursed Mortgage Loans amounting to ₹ 8,236 crore (FY 2015-16: ₹ 6,532 crore), representing an increase of over 26%. This included Housing Loans of ₹ 4,783 crore in FY 2016-17 (FY 2015-16: ₹ 3,936 crore). The Company’s loan portfolio stood at ₹ 16,926 crore as on March 31, 2017 (₹ 13,005 crore as on March 31, 2016), representing an increase of 30%. The Cost to Income ratio decreased to 41% in FY 2016-17 as compared to 46% in FY 2015-16. Gross NPA and Net NPA were 0.91% and 0.46%, respectively, as on March 31, 2017 (0.72% and 0.46%, respectively, as on March 31, 2016).

The Company’s Gross Income increased to ₹ 1,723 crore in FY 2016-17 from ₹ 1,265 crore in FY 2015-16, representing an increase of 36%. Interest expenses increased by 32% to ₹ 1,137 crore in FY 2016-17 from ₹ 863 crore, in FY 2015-16.

Total Income (Net Interest Margin plus other revenue) of the Company increased by 45%, from ₹ 398 crore in FY 2015-16 to ₹ 579 crore in FY 2016-17. Net Interest Margin as a percentage of average assets stood at 3.4% for FY 2016-17. Total Income included Investment and Fee Income of

₹ 1 crore and ₹ 73 crore, respectively, for FY 2016-17.

The Company's Profit Before Tax from Home Loan segment increased from ₹ 58.19 crore in FY 2015-16 to ₹ 133.07 crore in FY 2016-17, the Home Equity segment increased from ₹ 51.12 crore in FY 2015-16 to ₹ 64.02 crore in FY 2016-17 and the Builder segment increased from ₹ 50.82 crore in FY 2015-16 to ₹ 89 crore in FY 2016-17.

Operating Cost increased by 33% from ₹ 150 crore in FY 2015-16 to ₹ 199 crore in FY 2016-17. Manpower expenses for FY 2016-17 were ₹ 104 crore as against ₹ 74 crore in FY 2015-16, an increase of 42%. Cumulative provisioning on the asset book as on March 31, 2017 was ₹ 167 crore, of which, standard asset provisioning amounted to ₹ 90 crore. The provision for taxation during the year was ₹ 95 crore.

The Net Profit After Tax for the year increased by 58%, from ₹ 113 crore in FY 2015-16 to ₹ 178 crore in FY 2016-17.

An amount of ₹ 52 crore is proposed to be transferred to the Special Reserve Fund for FY 2016-17, pursuant to Section 29C of the National Housing Bank Act, 1987 and the balance of ₹ 147 crore is proposed to be carried to the Balance Sheet.

4. SHARE CAPITAL

During FY 2016-17, the Authorised Share Capital of the Company increased from ₹ 2,500 crore to ₹ 4,500 crore.

The Issued, Subscribed and Paid-up Share Capital of the Company as on March 31, 2017 was ₹ 10,77,33,33,320 consisting of 25,33,33,332 Equity Shares of ₹ 10 each and 82,40,00,000 Compulsorily Convertible Cumulative Preference Shares ("CCCPS") of ₹ 10 each.

During the year under review, the Company issued and allotted to TCL, 9%, 16,50,00,000 CCCPS of ₹ 10 each, at par, aggregating ₹ 165 crore on a 'Rights basis'.

5. DIVIDEND

At the Meeting of the Board of Directors of the Company held on March 22, 2017, the Directors declared an Interim Dividend of ₹ 66.13 crore on the CCCPS @ 9% i.e. ₹ 0.90 per CCCPS for FY 2016-17, as under:

i. On 65,90,00,000 CCCPS of ₹ 10 each, aggregating ₹ 59.31 crore, to be paid for the period April 1, 2016 to March 31, 2017; and

ii. On 16,50,00,000 CCCPS of ₹ 10 each, aggregating ₹ 6.82 crore, to be paid on a pro-rata basis, from the respective dates of allotment to March 31, 2017.

The dividend distribution tax on the above dividend payments was ₹ 13.46 crore (FY 2015-16: ₹ 9.37 crore).

With a view to conserving the resources of the Company and for building up its reserves and after considering the business plans of the Company for FY 2017-18, the Board of Directors do not recommend payment of dividend on Equity Shares for the year ended March 31, 2017.

6. FINANCE

During FY 2016-17, the Company met its funding requirements through a combination of short term debt (comprising Commercial Paper and Bank Loans) and long term debt (comprising Non-Convertible Debentures ("NCD"), Subordinated Debt and Bank Loans). During the year under review, the Company issued on a private placement basis, Secured Redeemable NCDs of an aggregate Face Value of ₹ 1,949.40 crore and Unsecured Redeemable Subordinated NCDs, as Tier II Capital, of an aggregate Face Value of ₹ 200 crore and received funding of ₹ 1,937.47 crore from NHB. The Company securitized some of its receivables aggregating ₹ 638.03 crore. The aggregate debt outstanding as at March 31, 2017 was ₹ 15,208 crore (of which, ₹ 6,550 crore was payable within one year). The Debt Equity ratio of the Company as at March 31, 2017 was 11.32 times. The Company has been regular in repayment of its borrowings and payment of interest on borrowings.

7. CREDIT RATING

During the year under review, the Company received the following ratings:

RATING	NATURE OF SECURITIES
CRISIL A1+ stable	Short Term Debt (including Commercial Paper and Short Term Bank Facilities)
CRISIL AA+ stable	Secured NCDs, Subordinated Debt and Long Term Bank facilities
ICRA AA+ stable	Subordinated Debt, Secured NCDs.

8. RISK MANAGEMENT

Risk Management is an integral part of the Company's business strategy. The Risk Management oversight structure includes Committees of the Board and Senior Management Committees. The Risk Management process is governed by the Comprehensive Enterprise Risk Management Framework which lays down guidelines for Risk identification, assessment and monitoring as an ongoing process that is supported by a robust risk reporting framework. Risk Management Framework of the Company covers Credit Risk, Market Risk, Operational Risk, Fraud Risk and other risks. The Risk Management Practices of Tata Capital are compliant with ISO 31000:2009, which is the International Standard for Risk Management, that lays down Principles, Guidelines and Framework for Risk Management in an organisation.

The Risk Management Committee of the Board assists the Board in its oversight of various risks mentioned above. The Risk Management Committee reviews compliance with risk policies, monitors risk tolerance limits, reviews and analyses risk exposures related to specific issues and provides oversight of risk across the organisation.

The Credit Risk management structure includes separate credit policies which define customer assessment criteria, prudential limits, and Delegation of Authority metrics (DoA), etc. and cover risk assessment for new product offerings. Concentration Risk is managed by analysing counter-party, industry sector, geographical region, single borrower and borrower group. Structured Monitoring and Reporting framework is in place for account specific and portfolio reviews. Periodic scenario analysis is conducted and a Risk Mitigation Plan based on the analysis, has been implemented.

Management of Liquidity (Asset Liability and Interest Rate) and Market Risk is carried out using quantitative techniques such as sensitivity and stress testing. The Asset Liability Committee reviews liquidity risk and the interest rate risk profile of the organisation on a regular basis.

The Company has a Board approved Operational Risk Management framework. Ongoing monitoring of Key Risk Indicators ("KRI") is done and corrective actions are implemented on KRI exceptions. A Senior Management oversight committee, viz. the Operational Risk Management Committee, meets periodically to review the operational risk profile of the organisation.

Risks associated with frauds are mitigated through a Fraud Risk Management framework. A Fraud Risk Management Committee comprising Senior Management representatives reviews matters relating to fraud risk, including corrective and remedial actions as regards people and processes.

9. INTERNAL CONTROL SYSTEMS

The Company's internal control system is designed to ensure operational efficiency, protection and conservation of resources, accuracy and promptness in financial reporting and compliance with laws and regulations. The internal control system is supported by an internal audit process for reviewing the design, adequacy and efficacy of the Company's internal controls, including its systems and processes and compliance with regulations and procedures. Internal Audit Reports are discussed with the Management and are reviewed by the Audit Committee of the Board which also reviews the adequacy and effectiveness of the internal controls in the Company. The Company's internal control system is commensurate with the size, nature and operations of the Company.

10. INTERNAL FINANCIAL CONTROLS

The Management had appointed an external consultant and formed a Cross Functional Team ("CFT") comprising Operating Managers, Internal Audit and Risk to document and evaluate the design, adequacy and operating effectiveness of the Internal Financial Controls of the Company, broadly in accordance with the criteria established under the Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Entity Level Control framework document based on COSO 2013 framework has been documented. The documentation of process maps, key controls, standard operating procedures and risk registers has been completed for all businesses and functions under the supervision of the CFT. Further, during FY 2016-17, Management testing has been conducted on a sample basis for all key processes and remedial action has been taken or agreed upon with a finite closure date where control weaknesses were identified. The Internal Audit team has also conducted a review of the Internal Financial Controls and remedial action has been taken or agreed upon with a finite closure date where control weaknesses were identified. There are no material unaddressed Internal Financial Controls related observations outstanding as at March 31, 2017. Based on the above, the Board believes that adequate Internal Financial Controls exist.

11. INFORMATION TECHNOLOGY SUPPORT

Information Technology ("IT") after having achieved stability in the core systems and is close to total automation of all the business processes. TCHFL's core lending system is now being migrated to an industry standard application. TCHFL has entered into the digital space with several new products. The focus is now on enhancing the digital footprint. The digital strategy is based on the 'nexus of forces' covering social, mobile, analytics and the cloud and internet using the 'bi-modal' delivery approach. The emphasis is on continual improvement and upgradation of systems and underlying processes.

The Company has completed an assessment of its IT capability maturity with a high score. There is a constant endeavour to move up the IT maturity curve (including benchmarking against internationally accepted IT Capability Maturity Framework) and deliver value to businesses and customers. TCHFL has identified several IT projects for the coming year that would give TCHFL a clear advantage and would benefit the stakeholders. TCHFL is well on its way on the 'digitalisation' journey, where in it will deploy the latest technology covering the internet, cloud, analytics, social media and mobility areas. Mobility applications for Retail Loans have been deployed across multiple operating systems. 'TataCapitalHomeLoans' - a mobile app for housing finance prospects and customers has been deployed which enables customers to view their existing account details and also enables prospects to view properties.

The Company is now moving into the leadership stage in its technology journey. The innovation driven projects on the IT road map and the digital strategy initiative will enable the Company to take the leadership position with the support of its technology partners and the business units representing a collaborative framework.

12. HUMAN RESOURCES

The Company recognises people as its most valuable asset and it has built an open, transparent and meritocratic culture to nurture this asset. There were 942 permanent employees on the rolls of Company as on March 31, 2017.

Tata Capital's mission on creating a high performance culture has been further strengthened through areas like building a capability model (identification of critical competencies), nurturing talent through interventions such as mentoring, competency based training programs and cross functional projects.

Talent Management (Apex) is a key people planning tool that provides an integrated means of identifying, selecting, developing and retaining top talent within the organisation. Focus on behavioural and leadership traits through Learning and Development ("L&D") interventions and job rotations are planned for the employees who constitute the Talent Pool.

Tata Capital's second Cultural Survey, based on the ten identified attributes and conducted by the Gallup Organisation, in August 2015, has given it a very healthy and positive score of 4.25 on a scale of 5.

Tata Capital's focus on Employee Engagement has resulted in its overall Employee Engagement Scores (Q12) climbing steadily from 3.52 in 2009 to 4.14 in 2016, in surveys, conducted by the Gallup Organisation.

The Company's L&D initiatives are focused on enhancing the functional and behavioural competencies of its employees through L&D interventions, such as Executive Development Programs, e-learning and various classroom based training programs. In order to encourage e-learning, several new modules such as New Employee Orientation e-learning module, Prevention of Sexual Harassment Policy, Tata Code of Conduct and other functional e-learning modules have been launched.

Tata Capital also achieved key milestones in FY 2016-17, whereby some of the key HR processes were digitised, supporting the fast pace of our growing manpower and thus achieving an objective of improved employee experience, better employee insight and moving towards a paperless environment.

Tata Capital is committed to maintain the highest standards of health, safety and security for its employees and business associates and to operate in a healthy and safe environment. To meet the same, Tata Capital has developed and implemented an Occupational Health & Safety ("OH&S") Management System manual.

The OH&S Management System in Tata Capital, is within the framework of Tata Safety & Health Management System and OHSAS 18001:2007 standard. This document is a comprehensive manual detailing our safety processes, procedures and reports.

The manual describes the OH&S Management System, delineates authorities, inter relationships and responsibilities of the personnel performing within the system. The document is intended to create an empowered workforce by guiding Tata Capital's employees and all stakeholders on various requirements of the standard that must be met and maintained, in order to ensure occupational health and safety stewardship.

13. CORPORATE SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY

The Tata Group's ethos is deeply ingrained in the philosophy of societal development and is especially focused upon the engagement and upliftment of the disadvantaged sections of the society. The Company is committed to a policy of inclusive and sustainable growth for the marginalised communities. The Company shares the Group's belief that our society can only truly progress, if every individual can be included and empowered.

To guide us in this journey, the Company has a well-defined Corporate Social Responsibility ("CSR") policy which outlines four thrust areas of development, viz. Livelihood and Employability, Health, Education and Environment as adopted by the CSR Committee of the Board and the same is available on the Company's website, www.tatacapital.com. As per the provisions of Section 135 of the Companies Act, 2013 ("Act"), the Company has constituted a CSR Committee comprising Ms. Anuradha E. Thakur (Chairperson), Mr. Shailesh Rajadhyaksha and Mr. R. Vaithianathan as Members.

During FY 2016-17, the CSR budget of the Company of ₹ 2.86 crore (being 2 percent of the average net profit of the Company, in the three immediately preceding financial years, calculated as per Section 198 of the Act read with the Companies (Corporate Social Responsibility Policy) Rules, 2014) was spent towards projects and programmes covered under Schedule VII to the Act. Basis the conceptualisation of the projects under the thrust areas, Tata Capital appraises and empanels reputed NGOs that help implement projects and programmes to bring the desired positive and measurable results for the target beneficiaries. The Annual Report on CSR activities is annexed herewith as Annexure 'A'.

Tata Capital has adopted the Tata Group's Affirmative Action ("AA") Programme since 2008. The AA Programme addresses the 5Es - Essentials, Education, Employability, Employment and Entrepreneurship for the Scheduled Caste ("SC") and Scheduled Tribe ("ST") communities. In the annual AA assessment of Tata Capital's AA strategy and projects conducted by the Tata Business Excellence Group ("TBExG"), Tata Capital moved up by two bands from 451-475 in FY 2015-16 to 501-525 in FY 2016-17. Tata Capital was recognised for taking a responsible business approach, amongst other community driven projects, by giving subsidised loans to businesses owned and operated by SC / ST community members in partnership with Dalit Indian Chamber of Commerce and Industry.

14. COMPLIANCE

The Company is registered with the NHB as a Non–Deposit accepting Housing Finance Company. The Company has complied with and continues to comply with all applicable provisions of the Act, the National Housing Bank Act, 1987, NHB Directions, 2010 and other applicable rules/regulations/guidelines, issued from time to time.

During the year, there were no frauds committed by the Company and no material frauds committed on the Company by its officers or employees. Further, the Company has complied with its reporting requirements, including to NHB.

Further, during FY 2016-17, there were no frauds reported by the Statutory Auditors to the Audit Committee or the Board under Section 143(12) of the Act.

The Company has deployed "ComplianceCheck" ("Application"), an online platform to report and monitor compliances. The Application has features such as generation of compliance task alerts to the Performer, escalation mechanism to Reviewer and Business/Functional Heads and Compliance Officer, generation of compliance reports and updating the compliance tasks based on regulatory developments. Compliance Status Reports are submitted, on a regular basis, to the Managing Director and are placed before the Board on a half-yearly basis by the Company Secretary.

The Capital Adequacy Ratio ("CAR") of the Company was 16.01% as on March 31, 2017 against the CAR of 12.00%, prescribed by the NHB.

Mr. S Balakrishna Kamath, Company Secretary and Chief Financial Officer, is also the Compliance Officer of the Company.

15. REGULATORY ACTION

There are no significant or material orders passed by the regulators or courts or tribunals impacting the going concern status and operations of the Company in future.

16. DEPOSITS

The Company did not hold any public deposits at the beginning of the year nor has it accepted any public deposits during the year under review.

17. DETAILS OF LOANS, GUARANTEES AND INVESTMENTS

The provisions of Section 186 of the Act pertaining to granting of loans to any persons or bodies corporate and giving of guarantees or providing security in connection with loans to any other bodies corporate or persons are not applicable to the Company since the Company is a Housing Finance Company.

18. DIRECTORS

In accordance with the provisions of the Act and the Articles of Association of the Company, Mr. Praveen P. Kadle is liable to retire by rotation at the ensuing Annual General Meeting ("AGM") and is eligible, for re-appointment. The Members of the Company may refer to the accompanying Notice of the AGM of the Company, for a brief resume of Mr. Kadle. Pursuant to the 'Fit and Proper' Policy adopted by the Company under the Housing Finance Companies – Corporate Governance (National Housing Bank) Directions, 2016, the Company has received the 'Fit and Proper' declarations from Mr. Kadle for his renewal of appointment as a Director of the Company.

The Company has received declarations from the Independent Directors, viz. Mr. Janki Ballabh and Ms. Anuradha E. Thakur, stating that they meet the criteria of independence as provided in Section 149(6) of the Act.

The Nomination and Remuneration Committee ("NRC") and the Board of Directors had, at their respective meetings held on April 28, 2017, approved the re-appointment of Mr. R. Vaithianathan as the Managing Director and Key Managerial Person of the Company, subject to the approval of the Members of the Company, with effect from June 1, 2017. In accordance with the Governance Guidelines on Board Effectiveness issued by Tata Sons Limited and adopted by the Company, Mr. Vaithianathan's term as the Managing Director would be upto May 21, 2018 i.e. upon his attaining the age of 65 years. The Members of the Company may refer to the accompanying Notice of the AGM of the Company.

19. EVALUATION OF THE BOARD, ITS COMMITTEES AND INDIVIDUAL DIRECTORS

Pursuant to the provisions of the Act, the Board has carried out an annual evaluation of its own performance and of the individual Directors (including the Chairman) as well as an evaluation of the working of all the Committees of the Board. The Board of Directors was assisted by the NRC. The performance evaluation was carried out by seeking inputs from all the Directors / Members of the Committees, as the case may be. The criteria for evaluating the performance of the Board as a whole, covered various aspects of the Board's functioning such as fulfillment of key responsibilities, structure of the Board and its composition, establishment and delineation of the responsibilities of the Board Committees, effectiveness of Board processes, information and functioning, Board culture and dynamics, etc. The criteria for evaluation of individual Directors covered parameters such as attendance and contribution at meetings, guidance to Management, etc. The criteria for evaluation of the Board Committees covered areas related to degree of fulfillment of key responsibilities, adequacy of Board Committee composition, effectiveness of meetings, Committee dynamics, quality of relationship of the Committee with the Board and the Management, etc. The criteria for evaluation of the Board Committees covered areas related to degree of fulfillment of key responsibilities, adequacy of Board Committee composition, effectiveness of meetings, Committee dynamics, quality of relationship of the Committee with the Board and the Management, etc.

Further, pursuant to the Guidance Note on Board Evaluation ("Guidance Note"), issued by the Securities and Exchange Board of India ("SEBI"), additional criteria had been introduced and also, those companies which were not covered under Chapter IV of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, ("LODR Regulations") were encouraged to follow the additional criteria. The Board of the Company, followed the said additional criteria recommended under the Guidance Note.

The feedback of the Independent Directors on their review of the performance of Non-Independent Directors and the Board as a whole, the performance of the Chairman of the Company and the assessment of the quality, quantity and timeliness of flow of information between the Company Management and the Board was taken into consideration by the Board in carrying out the performance evaluation.

20. POLICY ON APPOINTMENT OF DIRECTORS AND REMUNERATION POLICY OF THE COMPANY

The NRC of the Company comprises Mr. Janki Ballabh, Independent Director (Chairman), Ms. Anuradha E. Thakur, Independent Director and Mr. Praveen P. Kadle, Non-Executive Director, as Members. The NRC develops the competency requirements of the Board based on the industry and the strategy of the Company, conducts a gap analysis and recommends the reconstitution of the Board as and when required. It also recommends to the Board, the appointment of Directors having good personal and professional reputation and conducts reference checks and due diligence of all Directors before recommending them to the Board. Besides the above, the NRC ensures that the new Directors are familiarised with the operations of the Company and endeavours to provide relevant training to the Directors.

In accordance with the provisions of Section 178 of the Act, the Board of Directors have adopted a Policy on Board Diversity and Director Attributes and a Remuneration Policy. The Policy on Board Diversity and Director Attributes has been framed to encourage diversity of thought, experience, knowledge, perspective, age and gender in the Board. The Remuneration Policy for Directors, Key Managerial Personnel and all other employees is aligned to the philosophy on the commitment of fostering a culture of leadership with trust. The Remuneration Policy aims to ensure that the level and composition of the remuneration of the Directors, Key Managerial Personnel and all other employees is reasonable and sufficient to attract, retain and motivate them to successfully run the Company. The Policy on Board Diversity and Director Attributes as also the Remuneration Policy of the Company are attached as Annexures 'B' and 'C', respectively.

The Company has also adopted a 'Fit and Proper' Policy for ascertaining the 'fit and proper' criteria to be adopted at the time of appointment of directors and on a continuing basis, pursuant to the Housing Finance Companies – Corporate Governance (National Housing Bank) Directions, 2016, issued by NHB.

21. KEY MANAGERIAL PERSONNEL

Mr. R. Vaithianathan, Managing Director and Mr. S Balakrishna Kamath, Chief Financial Officer and Company Secretary, are the Key Managerial Personnel of the Company.

22. DIRECTORS' RESPONSIBILITY STATEMENT

Based on the framework of internal financial controls and compliance systems established and maintained by the Company, work performed by the Internal, Statutory and Secretarial Auditors, including audit of internal financial controls over financial reporting by the Statutory Auditors and the reviews performed by the Management and the relevant Board Committees, including the Audit Committee, the Board is of the opinion that the Company's internal financial controls were adequate and effective during FY 2016-17.

Accordingly, pursuant to Section 134(5) of the Act, the Board of Directors, to the best of their knowledge and ability, confirm that:

a) in the preparation of the annual accounts, the applicable accounting standards and guidance provided by The Institute of Chartered Accountants of India had been followed and that there are no material departures thereof;

b) they 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 cash flows of the Company for the year;

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

d) they had prepared the annual accounts on a going concern basis;

e) they 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) they had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

23. CORPORATE GOVERNANCE

Company's Philosophy on Corporate Governance

The Company recognises its role as a corporate citizen and endeavours to adopt the best practices and the highest standards of corporate governance through transparency in business ethics, accountability to its customers, Government and others. The Company's activities are carried out in accordance with good corporate practices and the Company is constantly striving to better them by adopting the best practices.

The Company believes that governance practices enable the Management to direct and control the affairs of the Company in an efficient manner and to achieve the Company's goal of maximizing value for all its stakeholders. The Company will continue to focus its resources, strengths and strategies to achieve its vision of becoming a leading Housing Finance Company in India, while upholding the core values of transparency, integrity, honesty and accountability, which are fundamental to Tata companies.

The Corporate Governance philosophy is further strengthened with the adherence to the Tata Business Excellence Model as a means to drive excellence, the Balanced Scorecard methodology for tracking progress on long term strategic objectives and the Tata Code of Conduct ("TCOC"), which articulates the values, ethics and business principles and serves as a guide to the Company, its directors and employees, supplemented with an appropriate mechanism to report any concern pertaining to non-adherence to the TCOC. In addition, the Company has adopted the Governance Guidelines on Board Effectiveness, a Code of Conduct for Prevention of Insider Trading, a Code of Corporate Disclosure Practices, a Vigil Mechanism, a Fair Practices

Code, a Policy against Sexual Harassment in the Workplace, a Fit and Proper Policy for ascertaining the fit and proper criteria of the directors at the time of appointment and on a continuing basis, a Policy on Board Diversity and Director Attributes, a Code of Conduct for Non-Executive Directors, Guidelines on Corporate Governance, an Occupational Health and Safety Management System and an Anti-Bribery and Anti-Corruption ("ABAC") Policy .

a. Board of Directors

The Board of Directors along with the Committees of the Board provides leadership and guidance to the Company's Management and directs, supervises and controls the activities of the Company.

The Board of Directors of the Company has an optimum combination of Managing, Non-Executive and Independent Directors. The size of the Board is commensurate with the size and business of the Company.

During FY 2016-17, seven Meetings of the Board of Directors were held: May 02, 2016; July 21, 2016; August 23, 2016; October 24, 2016; January 25, 2017; February 17, 2017 and March 22, 2017. The details of attendance of the Directors at Board Meetings held during FY 2016-17 and at the last AGM are given below:

Name of Director	Director Identification Number	Category	Board Meetings		Whether present at previous AGM held on May 23, 2016
			Held	Attended	
Mr. Janki Ballabh	00011206	Independent Director	7	7	Yes
Ms. Anuradha E. Thakur	06702919	Independent Director	7	7	No
Mr. Praveen P. Kadle	00016814	Non-Executive Director	7	7	Yes
Mr. Shailesh H. Rajadhyaksha	00020465	Non-Executive Director	7	6	Yes
Mr. Govind Sankaranarayanan	01951880	Non-Executive Director	7	7	Yes
Mr. R. Vaithianathan	05267804	Managing Director	7	7	No

Mr. Janki Ballabh, Chairman of the Audit Committee and the NRC had attended the last AGM of the Company.

b. Remuneration to the Directors

The Company paid Sitting fees for attending Board Meetings and Meetings of Committees of the Board and will pay Commission for FY 2016-17, within the maximum prescribed limits, to the Non-Executive Directors and Independent Directors (as recommended by the NRC and approved by the Board at their meetings held on April 28, 2017). The details of the same are, as under:

Name of Director	Sitting Fees paid for attending Board and Committee Meetings during FY 2016-17 (₹)	Commission to be paid for FY 2016-17
Mr. Janki Ballabh	7,20,000	10,00,000
Ms. Anuradha E. Thakur	6,60,000	10,00,000
Mr. Shailesh H. Rajadhyaksha	6,30,000	10,00,000
Mr. Govind Sankaranarayanan	2,60,000	–

Mr. R. Vaithianathan had been appointed as the Managing Director of the Company for a period of 5 years with effect from June 1, 2012. Based on the recommendation of the Members of the NRC, the Directors approved a Commission of ₹ 60,00,000 for FY 2016-17, to Mr. Vaithianathan. With this, the total remuneration of Mr. Vaithianathan for FY 2016-17, was ₹ 2.05 crore.

None of the Non-Executive Directors and the Independent Directors had any pecuniary relationships or transactions with the Company during the year under review.

c. Committees of the Board

The Board has constituted Committees with specific terms of reference / scope to focus effectively on issues