

Act
different!



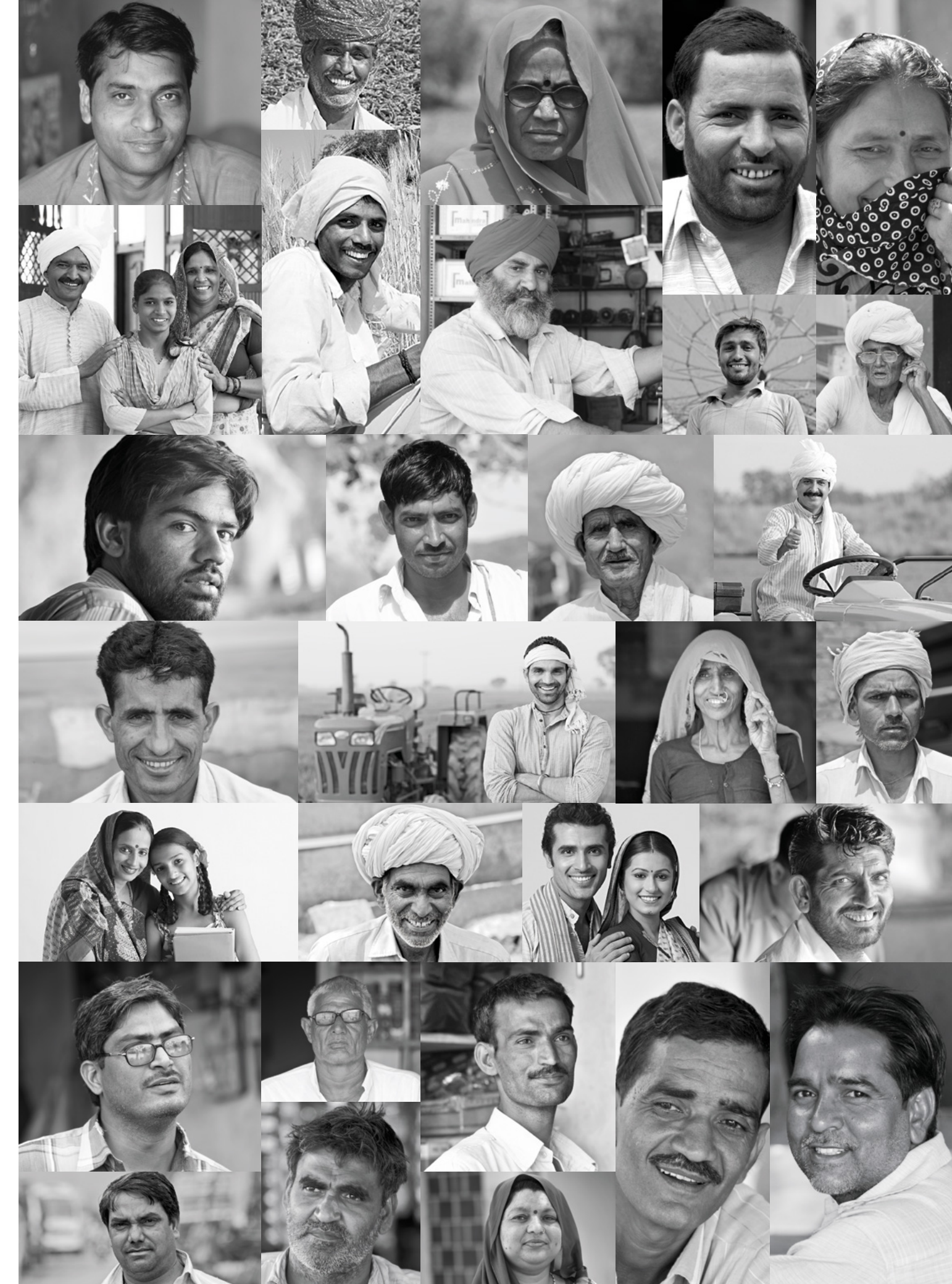
Au FINANCIERS (INDIA) LIMITED

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Forward-looking statement

In this Annual Report, we have disclosed forward-looking information to enable investors to comprehend our prospects and take investment decisions. This report and other statements - written and oral – that we periodically make contain forward-looking statements that set out anticipated results based on the management’s plans and assumptions. We have tried wherever possible to identify such statements by using words such as ‘anticipate’, ‘estimate’, ‘expects’, ‘projects’, ‘intends’, ‘plans’, ‘believes’, and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in assumptions. The achievements of results are subject to risks, uncertainties, and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated, or projected. Readers should keep this in mind. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

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In 2012-13 and 2013-14, India recorded two of the slowest growth years in a decade.

Consumer sentiment weakened. Purchases staggered. Downtrading increased. Discounts prevailed.

It would have been reasonable to believe that Au Financiers would report weaker numbers.

On the contrary, the Company increased assets under management by 20 per cent, increased disbursements by 10 per cent and grew profit after tax 15 per cent to ₹92.39 crore.

The Company's contrarian success in this challenging environment can be summarised in just two words.

act different!

Parentage

- The Company was incorporated in 1996 as a non-deposit taking Non-Banking Financial Company (NBFC) categorised as an Asset Finance Company.
- Promoted by first generation entrepreneur Mr. Sanjay Agarwal, the Company is registered under the aegis of the Reserve Bank of India (RBI)
- The Company's wholly-owned subsidiary Au Housing Finance Limited offers home loans; the associate companies Au Insurance Broking Services Private Limited offers insurance broking services and Mpower Micro Finance Private Limited, a Gujarat-based NBFC, is engaged in micro-finance. Mpower addresses the unique financial needs of the people at bottom of the pyramid - an unreached, unserved and unbanked customer segment.

Offerings

The Company is a premier vehicle financing player in Western and Central India offering a variety of financing products and services addressing diverse vehicles (multi-utility, small, light and heavy), cars, construction equipment, tractors, MSMEs, SMEs, Structured Finance and housing loans (through wholly-owned subsidiary Au Housing).

Presence

The Company is headquartered in Jaipur (Rajasthan) and addresses the growing needs of customers through 220 branches across Rajasthan, Maharashtra, Gujarat, Punjab, Madhya Pradesh, Goa, Chhattisgarh, Delhi-NCR, Haryana and Himachal Pradesh.

The Company is a premier vehicle financing player in Western and Central India offering a variety of financing products and services, addressing the financing of diverse vehicles, MSMEs, SMEs and Structured Finance.



Vision

To be the most preferred financial institution with a nationwide presence and provide customised and speedy financial solutions to rural and emerging India thereby guaranteeing trust, confidence, and customer delight.

Mission

At Au Financiers, we strive to lead in providing the best and most trustworthy financial solutions to cater to the entrepreneurial aspirations of the un-reached and un-banked masses of India and be empathetic to their needs. We endeavour to create strong, consistent value for the stakeholders and live up to the trust and confidence reposed in us.



Our principles

We are guided by four principles – ‘Fair, Flexible, Fast and Friends’ – which reflects the way we work and nurture our mission and vision.



Fair: We are fair and transparent in our dealings. Transparent in thoughts, feelings and policies. We understand the requirement of our customers and offer only those products that suffice their needs, making it a win-win situation.



Flexible: We are flexible in our approach and try sincerely to live up to the expectations of our clients. We are open and transparent regarding our products and schemes. We understand our clients and their concerns and offer the highest levels of flexibility possible.



Fast: We are fast; the client's priorities are our priorities. We are quick in our decision-making. Our robust operations and disbursement processes ensure a best-in-class turnaround time.



Friends: In Au Financiers, you have a friend for life. We have nurtured friendly and congenial relationships with our dealers and customers. This unique aspect helps us make new friends and create lasting relationships across generations.

Core values

Our aim is to strike the right balance between meeting the needs of stakeholders and the management, which is achieved by pursuing some enduring values.



Entrepreneurship:

We stand by our entrepreneurial aspirations. We inspire individuals, firms, and companies to achieve their dreams.



Personalised touch:

Through our behaviour, we endeavour to build relationships which transform people's lives by valuing, understanding and articulating individual needs. We simultaneously respect and value people and uphold human dignity.

The journey

1996

The Company was incorporated as a private limited company in Rajasthan with a limited capital of ₹1 lac by raising funds from high net worth individuals (HNIs) and providing the gamut of financial assistance services in Rajasthan.

1999

The Company adopted a fee-based model by acting as an origination partner for private sector banks, thereby diversifying business activities and helping banks extend their geographical reach in the vehicular, personal, and home loan segments.

2003

The Company became one of the leading business partners of HDFC Bank, originating and servicing vehicle loans with a risk-sharing model. This was an inflection point for the Company,

enabling it to scale operations sustainably in Rajasthan.

2006

The Company ventured into Maharashtra through a base in Pune.

2008

- The Company attracted the first round of private equity worth ₹20 crore from IBEF and IBEF-I (funds advised by MOPE Investment Advisors Private Limited).

- The Company originated loans under its own book, adopting broadly similar procedures as those followed by the Company when originating loans for HDFC Bank.

2009

The Company started operations in Gujarat, the third state the Company entered after Rajasthan and Maharashtra.

2010

- The Company mobilised the second round of private equity funding worth ₹35 crore and ₹20 crore infused by International Finance Corporation (IFC) and Motilal Oswal Private Equity via IBEF and IBEF-I, respectively. The promoters also infused ₹5 crore as growth capital.

- The Company attained the status of 'Systemically Important Non-Deposit Taking Asset Finance Company'.

- The Company diversified by providing loans to micro, small and medium enterprise secured via immoveable properties, plants, machinery and movable assets, stocks and receivables, among others.

2011

- The Company raised Tier-II capital worth ₹55 crore from large private sector banks including HDFC Bank and ICICI Bank.

- The Company set up a wholly-owned



Fairness and equality: We are fair and honest in our thoughts and feelings, and we treat everyone with fairness and equality.



Reliability: We honour the spirit and intent of our commitments and promises, demonstrating consistency between our actions and our words. We stand by our clients in their hour of need to create a formidable bond of trust.



Nurturing talent: We pursue challenging and rewarding opportunities that nurture personal and professional initiatives in an individual.



Empowerment: We empower individuals to dream, create and experiment to attain leadership qualities through teamwork.



Audacity: We constantly encourage individuals to provide open feedback about our processes, products and services to inculcate best practices within the organisation.

subsidiary housing finance company i.e. Au Housing Finance Limited to provide housing finance services.

2012

- The Company raised the third round of private equity worth ₹150 crore from Warburg Pincus and IFC, who reasserted their confidence by investing an additional ₹33 crore in the Company.
- The Company commenced direct insurance broking services through an associate company – Au Insurance Broking Services Pvt. Ltd.
- The Company's credit rating was upgraded by two notches - from 'CRISIL BBB+/Positive Outlook' to 'CRISIL A/ Stable Outlook' in June 2012 – based on consistent income, robust asset quality and timely capital infusion; CARE upgraded the Company's rating from CARE 'A-' to CARE 'A' in August 2012.

2013

- The Company achieved another milestone by fortifying fund raising relationships with banks, financial institutions and foreign institutional investors – which increased from one in 2007 to more than 50.
- The Company received a five-year commitment for unsecured NCDs from FMO, CDC and Guarant Co. worth ₹330 crore.
- Chrys Capital, a leading private equity fund, acquired a 10.01 per cent stake in the Company.

2014

- The Company entered preferred tie-ups with three major OEMs – Bajaj Auto Limited, Daimler India Commercial Vehicle Private Limited and Atul Auto Limited.

- The Company made a strategic investment of ₹4.5 crore in Mpower Micro Finance Private Limited, a Gujarat-based NBFC carrying out micro-finance. Mpower addresses the unique financial needs of 'bottom-of-the-pyramid' individuals - an un-reached, un-served and un-banked customer segment.
- Au Financiers was featured in *Forbes India* in an article called *14 Hidden Gems*, placing Au Financiers in the elite company of Indian corporates who have done well even during difficult times.
- The Company raised its fourth round of capital equivalent to ₹124.55 crore via a preferential offering of shares to existing shareholders, i.e. promoters, employees and global private equity investors.
- Au Group graduated into the big league by crossing the ₹100 crore mark in net profit in FY 2013-14.

Key highlights of what we achieved in 2013-14

Business performance

- 40 per cent growth in income from ₹440.86 crore in 2012-13 to ₹618.66 crore in 2013-14
- 15 per cent growth in profit after tax from ₹80.21 crore in 2012-13 to ₹92.39 crore in 2013-14
- 10 per cent growth in disbursement from ₹2,438.09 crore in 2012-13 to ₹2,685.04 crore in 2013-14
- 20 per cent growth in assets under management from ₹3,704.32 crore in 2012-13 to ₹4,449.01 crore in 2013-14

Strategic

- Reported 26.36 per cent growth in average loan size from ₹3.46 lac in 2012-13 to ₹4.37 lac in 2013-14 by diversifying asset class

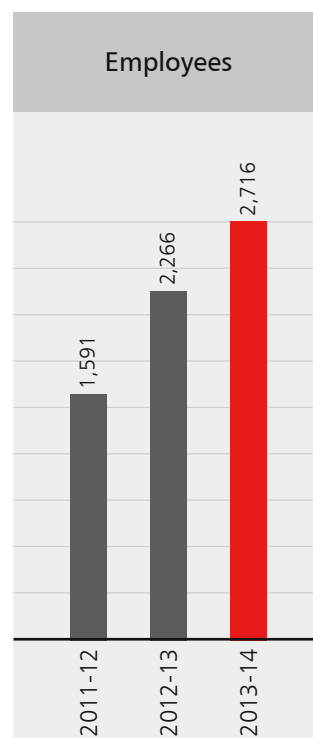
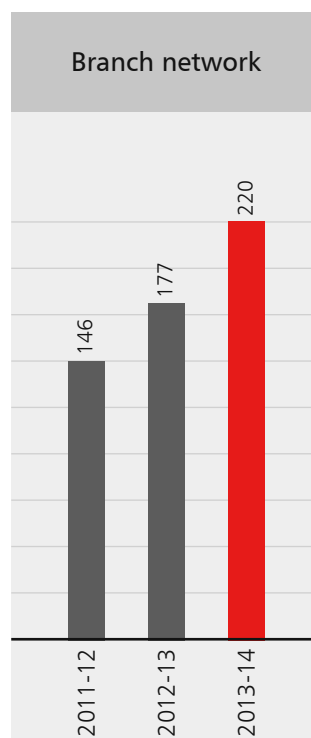
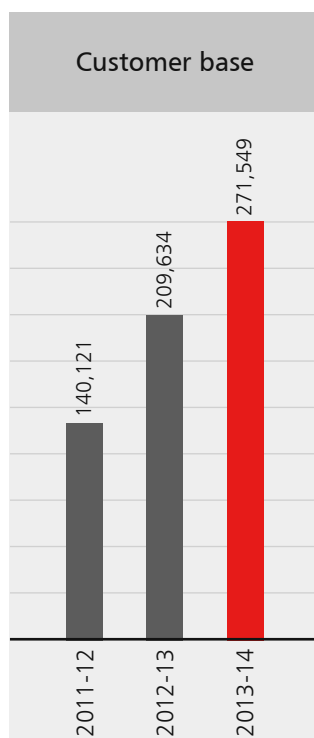
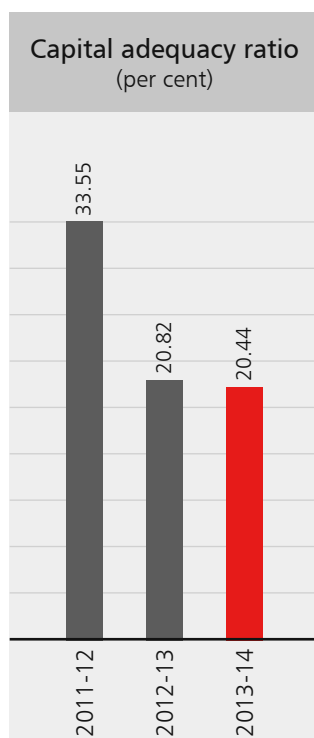
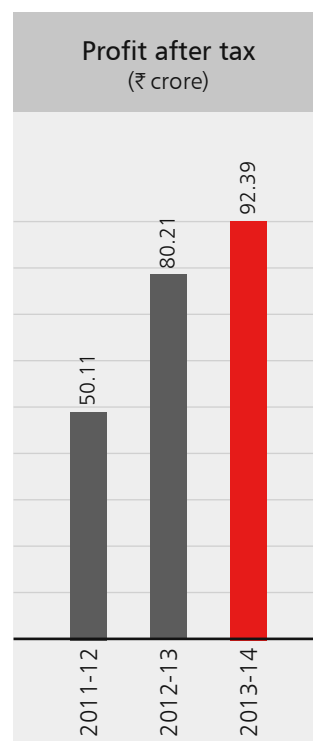
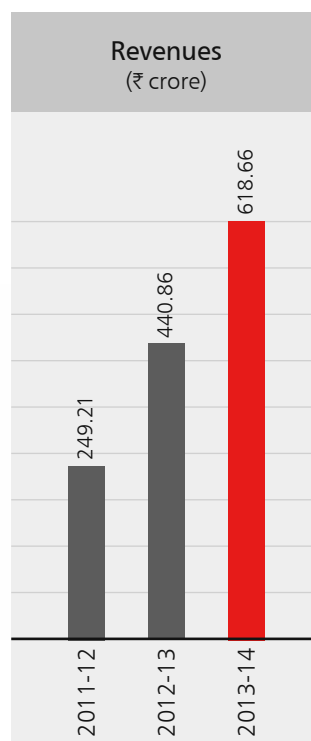
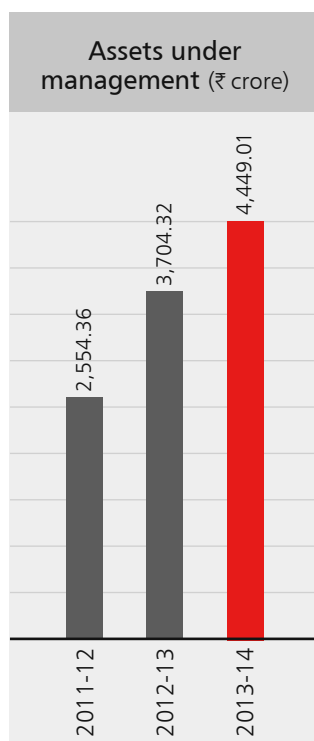
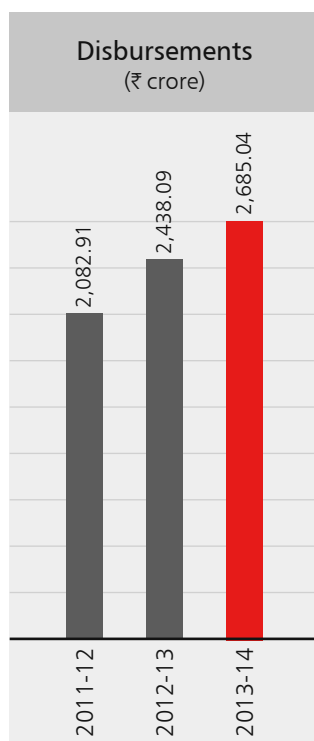
- Reported strong capital adequacy ratio of 20.44 per cent as on March 31, 2014
- Reported strong liquidity position with funds raised worth ₹2,318.30 crore in 2013-14
- Added new product lines, financing to SME (Small and Medium Enterprise) units and small to big sized working capital business loans to manufacturing & services sector, traders, small to medium sized corporates and other business entities
- Added 43 new branches, strengthening our network to 220 as on March 31, 2014

Disbursements by products

Disbursements by products (%)	2012-13	2013-14
Multi-utility vehicle	27	22
Small commercial vehicle	19	16
Heavy commercial vehicle	11	3
Light commercial vehicle	5	4
Three-wheelers	6	5
Cars	16	13
MSMEs	14	19
SME & Structured Finance (SSF)	2	18
Total	100	100

Disbursements by region

State	2012-13 (₹ crore)	2013-14 (₹ crore)	2012-13 (%)	2013-14 (%)
Rajasthan	1,213.59	1,653.83	50	62
Punjab	103.31	81.52	4	3
Maharashtra	569.52	347.21	23	13
Madhya Pradesh	102.63	143.31	4	5
Gujarat	396.15	352.55	16	13
Goa	14.63	6.63	1	0.2
Delhi	19.44	78.68	1	3
Chhattisgarh	18.83	21.31	1	0.8
Total	2,438.09	2,685.04	100	100



Comprehensive responsibility

At Au Financiers, we harbour a sense of responsibility towards our clients, employees, shareholders and the community at large. Over the years, we have carried out these responsibilities diligently, making it possible for Au Financiers to emerge as a conscientious corporate citizen.

At Au Financiers, our overriding goal is to create value for all our stakeholders. As a leading financial services corporate, we provide our clients with customised products and services, we endeavour towards becoming an employer of choice in our sector, we act responsibly in the communities in which we work and focus on generating incremental returns every single year.

Reputation and responsibility

Over the years, it has been witnessed that the guidelines which determine the way we conduct our business have become increasingly rigorous. There are norms and standards that govern our sector which have been extensively implemented at Au Financiers as well. This compliance represents our inherent commitment to do everything by the book.



As a responsible citizen, we are also required to enrich the communities where we are present. Since inception, we have made consistent efforts towards the upliftment of local communities through education and the society at large by catalysing social and environmental change. As a corporate, we do not undertake any activity that has an adverse impact on society or the environment.

Standards and benchmarks

As a financial services group, we perceive that socially and ethically responsible operations are key towards business sustenance. Moreover, the sector that we work in involves financing and executing transactions or holding assets for individuals who harbour financial, regulatory and reputational risks for a corporate like us. This is because the bulk of customers that we cater to lack any kind of documentation to vindicate their financial worth. However, it is our express intention that we specifically reach this under-served section who have been denied these services.

