

SOME SIMPLE TRUTHS ON HOW WE TRANSFORMED 2014-15 INTO OUR **BEST** YEAR

Indian economic slowdown	>	>	19% revenue growth
Subdued consumer sentiment	>	>	24% growth in customer base
Staggered purchases	>	>	26% growth in disbursements
Slowdown in reforms	>	>	Net performing assets below 1%
Decline in industry profitability	>	>	PAT growth higher than revenue growth
'Consolidation' was the buzzword	>	>	52% PAT growth



Au FINANCIERS (INDIA) LIMITED

Registered Office: 19-A, Dhuleshwar Garden,
Ajmer Road, Jaipur - 302001, Rajasthan

Corporate Office: D-313, 3rd Floor, Kanakia Zillion
Junction of CST Road and L.B.S. Marg, Kurla (West)
Mumbai - 400070, Maharashtra

Website: www.aufin.in | Email: info@aufin.in

CIN: U36911RJ1996PLC011381



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.

Contents

Corporate identity	02
Milestone	04
Business and strategy	06
Review by the management	28
Promoting financial inclusion	32
Group structure	36
Strengths	38
Business model	40
Future strategy	44
Business segment	46
Business drivers	52
Business enablers	58
Corporate social responsibility	64
Business presence	66
Directors profile	68
Senior management	72
Directors' Report and Annexures	80
Standalone financial section	131
Consolidated financial section	171
Notice of Annual General Meeting	208

The Indian economy grew 7.3% in 2014-15.

The Indian retail financing sector grew by 8.4%.

Au FINANCIERS grew its revenues by 19% and its profit after tax by 52%.

What was a challenging year for most was the best year for us.

Au FINANCIERS.

One of the fastest-growing NBFCs in India.

Aiming to become a high-quality, customer-centric and service-driven financing company.

Addressing the financial needs of people at the bottom of the country's economic pyramid.

Bringing an unreached, unserved and unbanked customer segment to the country's financial ecosystem.

Who we are

Au FINANCIERS (INDIA) LIMITED (Au FINANCIERS), promoted by a first-generation entrepreneur, Mr. Sanjay Agarwal and incorporated in 1996, is a non-deposit taking NBFC. The Company is categorised as an asset finance company and registered with the Reserve Bank of India.

The Company offers Vehicle Finance, MSME, SME & Structured Finance as well as housing loans to customers through its wholly-owned subsidiary, Au HOUSING FINANCE LIMITED, and insurance broking services through its associate concern Au INSURANCE BROKING SERVICES PRIVATE LIMITED; another associate concern M POWER MICRO FINANCE PRIVATE LIMITED, a Gujarat-based NBFC, is engaged in offering micro-finance loans to the customers at the base of the pyramid.

Where we are

Au FINANCIERS is headquartered in Jaipur (Rajasthan) and caters to customers through 231 branches across Rajasthan, Maharashtra, Gujarat, Punjab, Madhya Pradesh, Goa, Chhattisgarh, Delhi-NCR, Haryana and Himachal Pradesh. During the financial year under review, the Company expanded its existing branch network in Madhya Pradesh, Chhattisgarh, Gujarat and Delhi NCR – Haryana, increasing its branch network from 220 branches in 2013-14 to 231 branches.

What we offer

Au FINANCIERS is a premier vehicle and MSME financing player in Northern, Western and Central India. The Company offers a number of products and services including various kinds of vehicles (multi-utility, small, light and heavy), cars, construction equipments, tractors, MSMEs, SMEs and housing loans (through its wholly-owned subsidiary, Au HOUSING FINANCE LIMITED).

Our principles

Au FINANCIERS follows four principles, which reflect the way it works and realises goals.

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

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.

■ **Entrepreneurial:** We stand by the entrepreneurial aspirations of the average Indian. We inspire individuals, firms, and companies to achieve their dreams.

■ **Personalised:** 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.

■ **Just:** We are just and honest in our thoughts and feelings, and we treat everyone with fairness and equality.

■ **Reliable:** We honour the spirit and intent of

our commitments and promises, demonstrating consistency of our actions with our words. We stand by our clients in their hour of need to create a formidable bond of trust.

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

■ **Empowering:** We empower individuals to dream, create and attain success through teamwork.

■ **Open-minded:** We constantly encourage individuals to provide open feedback about our processes, products and services to inculcate best practices within the organisation.



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 unreached 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.



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 (HNWIs) 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, diversifying business 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 through a risk-sharing model. This was an inflection point for the Company, enabling it to scale operations sustainably in Rajasthan.



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 enterprises.



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 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 and ₹33 crore from Warburg Pincus and IFC respectively, who reassessed their confidence in future prospects of 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.



2014

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

■ The Company strategically invested in M POWER MICRO FINANCE PRIVATE LIMITED, acquiring 38.53% stake in the Gujarat-based NBFC engaged in micro-finance.

■ Au FINANCIERS was featured in *Forbes* India placing it in the elite company of Indian corporates who have done well 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.

■ The Au Group crossed the ₹100 crore net profit in FY 2013-14.

■ Ourea Holdings Limited and Kedaara Capital Alternate Investment acquired 9.98% stake in the Company through secondary sale transaction from existing investors.

■ Commenced business in the states of Haryana and Himachal Pradesh.

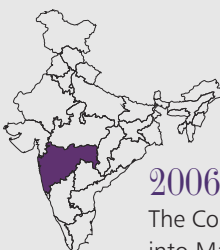


2015

■ Au FINANCIERS was assigned a long-term rating of IND A+ / STABLE by India Ratings and its long-term credit rating was upgraded by CARE (CARE A+ from CARE A in 2013-14), outlook was revised by CRISIL (CRISIL A/Positive from CRISIL A/Stable in 2013-14). Further, India Ratings assigned a short-term rating of IND A1+ and CRISIL too upgraded its short-term rating to CRISIL A1+ from CRISIL A1, the highest short-term rating.

■ The Company was selected among the five entries in the 'Financial Services' category at the VC Circle Awards, 2015.

■ Mr. Sanjay Agarwal, Managing Director, was one of the finalists chosen for the 16th Ernst & Young Entrepreneur of the Year Award, 2014.



2006

The Company ventured into Maharashtra (base 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.



2013

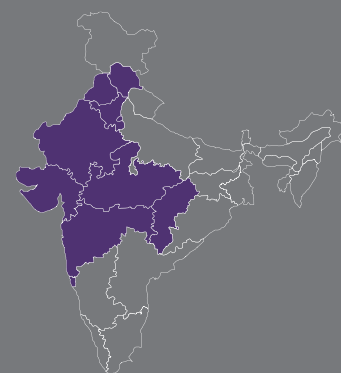
■ The Company achieved a milestone by fortifying fund raising relationships with banks, financial institutions and foreign institutional investors –from one in 2007 to more than 50.

■ The Company received a five-year commitment for unsecured NCDs from FMO, CDC and Guarant Co. worth ₹220 crore.

■ ChrysCapital, a leading private equity fund, acquired a 10.01% stake in the Company.

Inception to present...

Au FINANCIERS OFFERS PRODUCTS LIKE VEHICLE FINANCING, MICRO, SMALL, MEDIUM ENTERPRISE LOANS, HOUSING LOANS AND INSURANCE BROKING SERVICES



Contiguous state-led operations strategy in Rajasthan, Maharashtra, Gujarat, Madhya Pradesh, Punjab, Chhattisgarh, Delhi NCR, Haryana, Himachal Pradesh and Goa covering over 1 lakh villages

45%
of branches located in rural and semi-urban areas and over
50%
in un-banked districts

Over 85% of loan book classified as priority sector lending (PSL)

99%
OF CUSTOMERS ARE WITH LOANS OF A TICKET SIZE LESS THAN ₹25 LAKHS

68%
of all our vehicle finance customers were first-time buyers

Asset under Management of ₹5,567.71 crore

Strategic investment by institutional investors, vindicating business strength

Credit rating of A+ for its long term borrowings



50+ lenders' support and confidence



When you are rowing into the current, you need to stretch every fibre and every muscle every inch of the way.

We financed more customers (a 24% increase).

We increased assets under management (a 25% increase).

We maintained disbursement yields at retrospective levels despite a demanding business environment.

We increased disbursements (a 26% increase).

We widened our spread (net interest margin) by close to 100 bps.

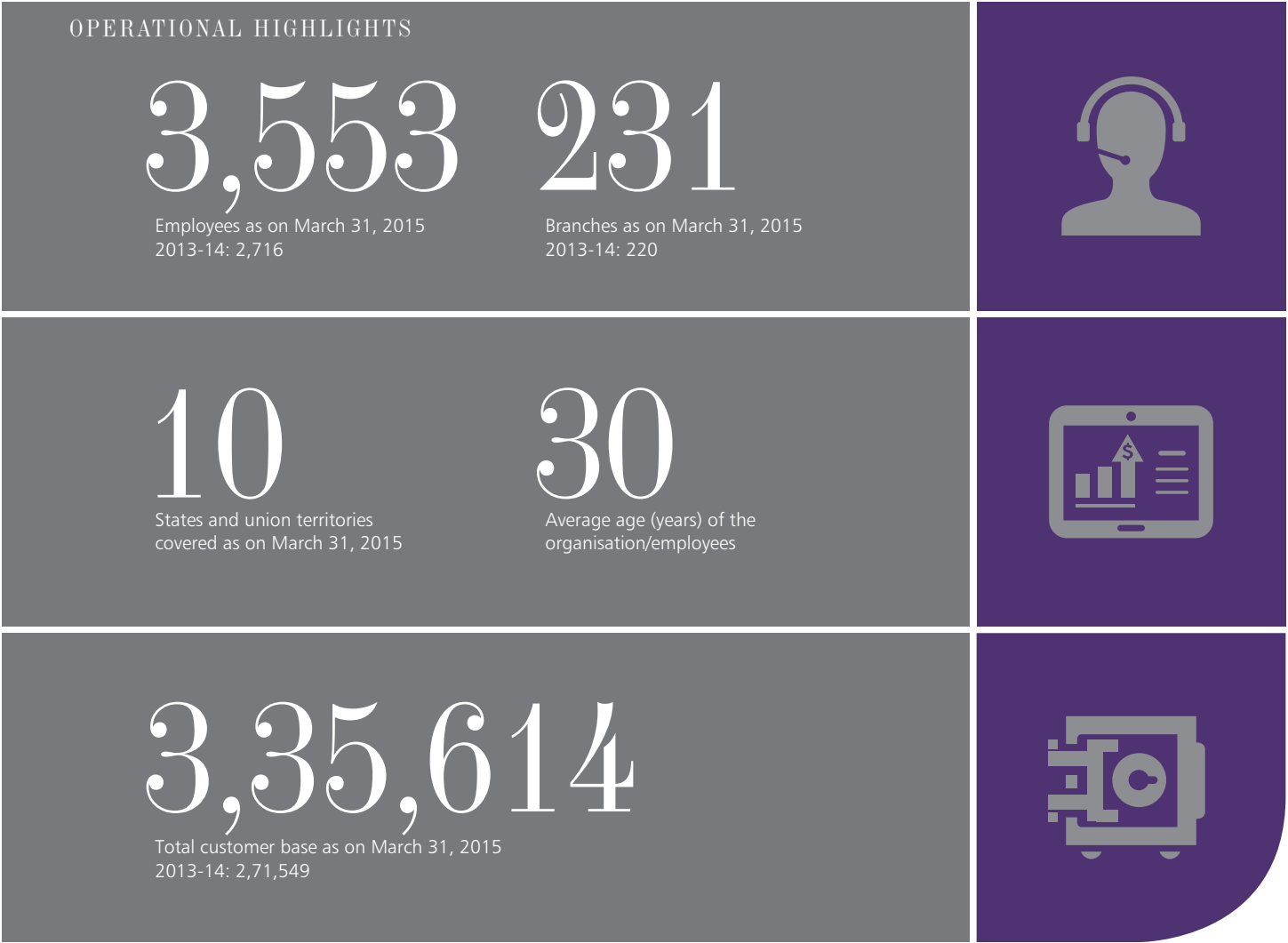
We strengthened our collection efficiency to 98.24%.

We maintained our capital adequacy ratio at 18.54%, higher than statutory requirements.

In a challenging year, merely
more to the same customers

trying to sell
doesn't make sense.

One needs to find more customers instead.



Diverse products *and regions*

Disbursements by product

Disbursements by products	2013-14 (%)	2014-15 (%)
Multi-utility vehicles	22	19
Small commercial vehicles	16	13
Heavy commercial vehicles	3	2
Light commercial vehicles	4	3
Three-wheelers	5	4
Cars	13	11
MSMEs	19	22
SME & Structured Finance (SSF)	18	26
Total	100	100

AUM by region

State	2013-14 (in ₹ crore)	2014-15 (in ₹ crore)
Rajasthan	2,414.58	3,288.31
Maharashtra	893.16	796.73
Gujarat	661.24	743.15
Madhya Pradesh	203.56	313.60
Delhi-NCR and Haryana	78.59	193.54
Punjab	142.93	176.62
Chhattisgarh	33.50	41.66
Goa	21.45	14.10
Total	4,449.01	5,567.71

Disbursements by region

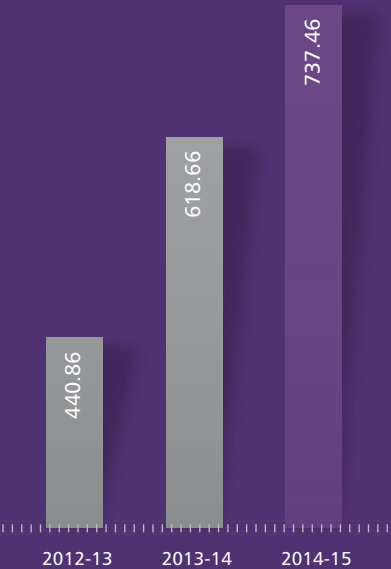
State	2013-14 (in ₹ crore)	2014-15 (in ₹ crore)
Rajasthan	1,653.83	2,175.85
Gujarat	352.55	381.09
Maharashtra	347.21	335.64
Madhya Pradesh	143.31	204.15
Delhi-NCR and Haryana	78.68	153.04
Punjab	81.52	97.69
Chhattisgarh	21.31	27.02
Goa	6.63	3.02
Total	2,685.04	3,377.50

AUM by product

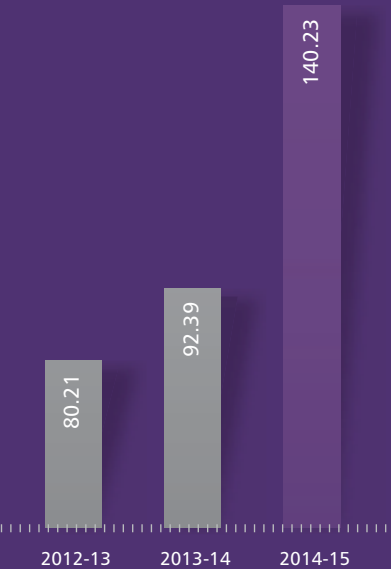
Asset under management by products	2013-14 (in ₹ crore)	2014-15 (in ₹ crore)
Multi-utility vehicles	1,023.10	1,123.46
Small commercial vehicles	739.85	793.55
Heavy commercial vehicles	288.96	172.41
Light commercial vehicles	213.53	184.68
Three-wheelers	225.51	214.20
Cars	624.34	657.99
Vehicle loans	3,115.29	3,146.29
MSMEs	899.58	1,375.58
SME & and Structured Finance (SSF)	434.14	1,045.84
Total	4,449.01	5,567.71

Our growth story in numbers

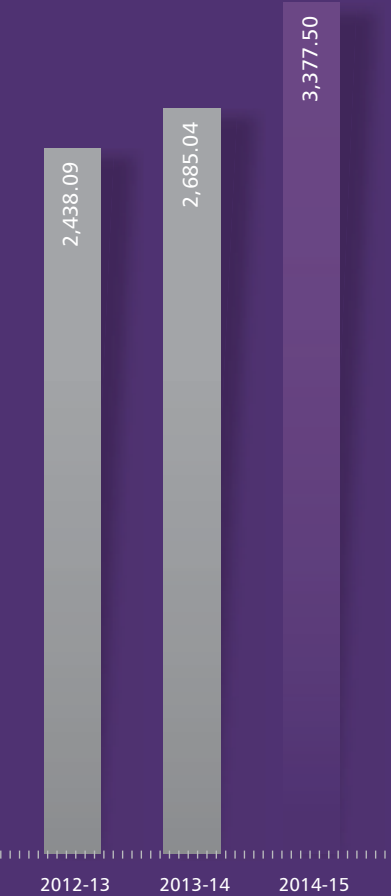
Revenues
₹ crore



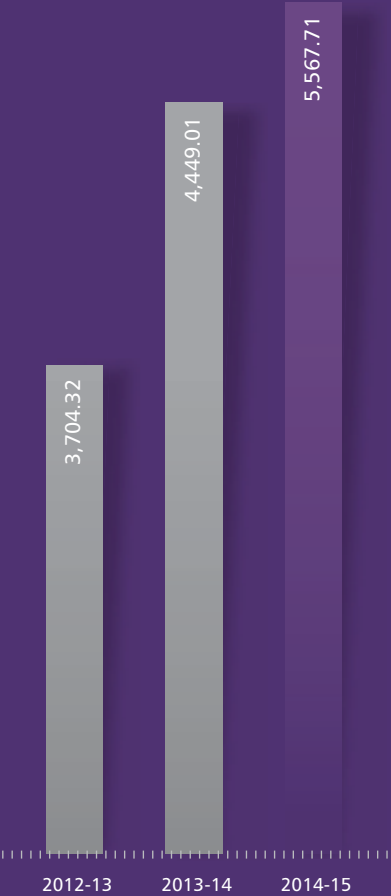
Profit after Tax (PAT)
₹ crore



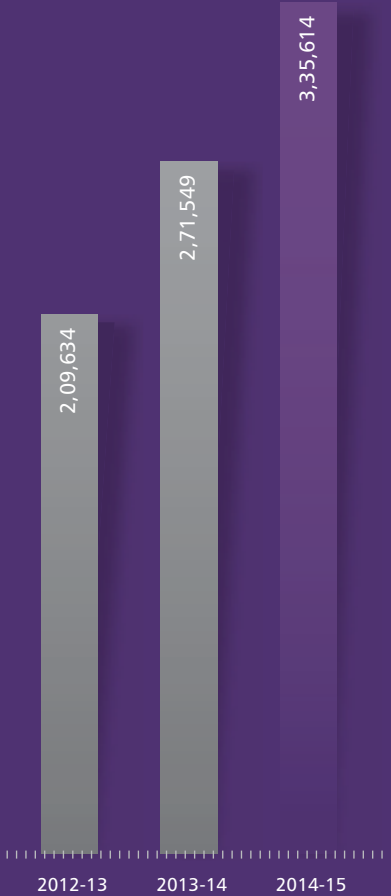
Disbursements
₹ crore



Assets under management
₹ crore



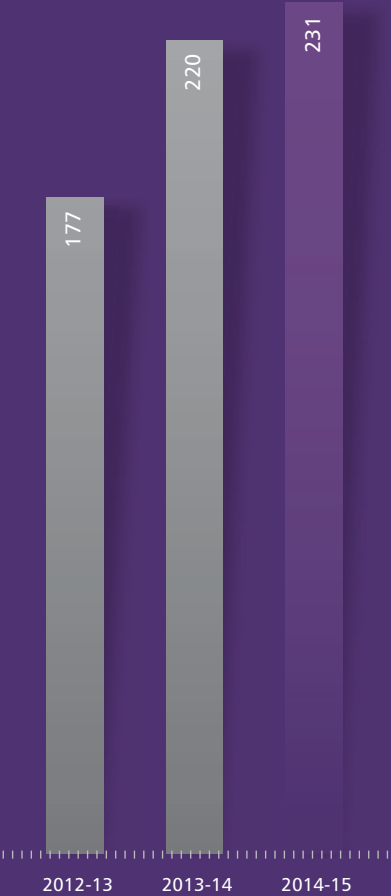
Customer base



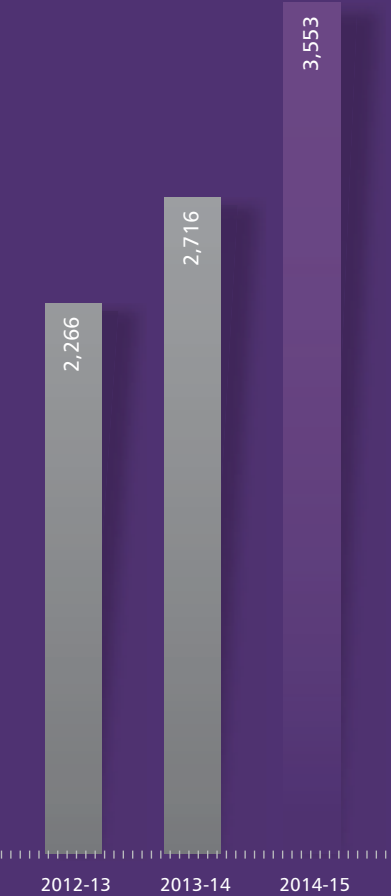
Capital adequacy ratio
%



Branch network



Employees



When the chips are down, it is no use looking anywhere and everywhere for answers.

It is the time to look within.



With 231 branches across 10 states, we reach more than 335,614 customers.

This is what we aspire to become

The most preferred NBFC addressing the unique financial needs of the people at the bottom of the pyramid.

This is how we intend to do it

Providing the best and trustworthy financial services to cater to the under-served and unreached population to help them achieve their entrepreneurial goals.

This is what we promise our stakeholders

The Company's effort is always in creating value for its shareholders and ensuring that the services it provides to the needs of all the customers.

These are the avenues of our growth

Relationships

Build trusted relationships with customers and thereby contribute to the Company's growth and future

Growth

Help propel growth in the under-served rural and semi-urban segments by promoting consumer credit, agriculture lending and corporate lending to small and micro enterprises

Support

With over ₹5,567.71 crore of assets under management, we lend small and medium enterprises, finance commercial vehicles and offer home loans through our wholly owned subsidiary.

Network

With 231 branches across 10 states, we reach more than 335,614 customers.

These are the ethics that define us

Being courageous

We take measured risks and stand up for what is right.

Being responsive

We disburse the loan speedily and respond to customer queries.

Being creative

We innovate and adapt, continuously improving the way we work.

Being trustworthy

We are reliable, open and honest.

These are who we are committed to

Colleagues

A great place to work, enabling individuals to grow and teams to win.

Society

A force for good, promoting sustainable economic and social development.

Investors

A distinctive investment, delivering consistently superior performance via disciplined growth.

Regulators

A responsible partner with exemplary governance and ethics.