



EQUITAS HOLDINGS PRIVATE LIMITED

7th ANNUAL REPORT 2013 – 2014

CORPORATE INFORMATION

Board of Directors

1. **Rangachary N**
Chairman
2. **Arun Ramanathan**
Director
3. **Gary Ng Jit Meng**
Nominee Director
4. **Kuppuswamy P T**
Director
5. **Nanda Y C**
Director
6. **Paolo Brichetti**
Nominee Director
7. **Rajaraman P V**
Director
8. **Raman N**
Nominee Director
9. **Sharma V K**
Additional Director
10. **Srinivasan N**
Director
11. **Srinivasan Nagarajan**
Nominee Director
12. **Viswanatha Prasad Subbaraman**
Nominee Director
13. **Vasudevan P N**
Managing Director

Registered Office

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Nandanam, Chennai - 600 035
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Fax: +91 44 4299 5050
Email: corporate@equitas.in
Website: www.equitas.in

Statutory Auditors

Deloitte Haskins & Sells
8th Floor, ASV'N, Ramana Towers,
52, Venkatnarayana Road
T.Nagar, Chennai 600017
Tel: +91 44 6688 5000
Fax: +91 44 6688 5100

Banker

Axis Bank Limited
HDFC Bank Limited
ICICI Bank Limited
State Bank of India
The Hongkong and Shanghai Banking
Corporation Ltd

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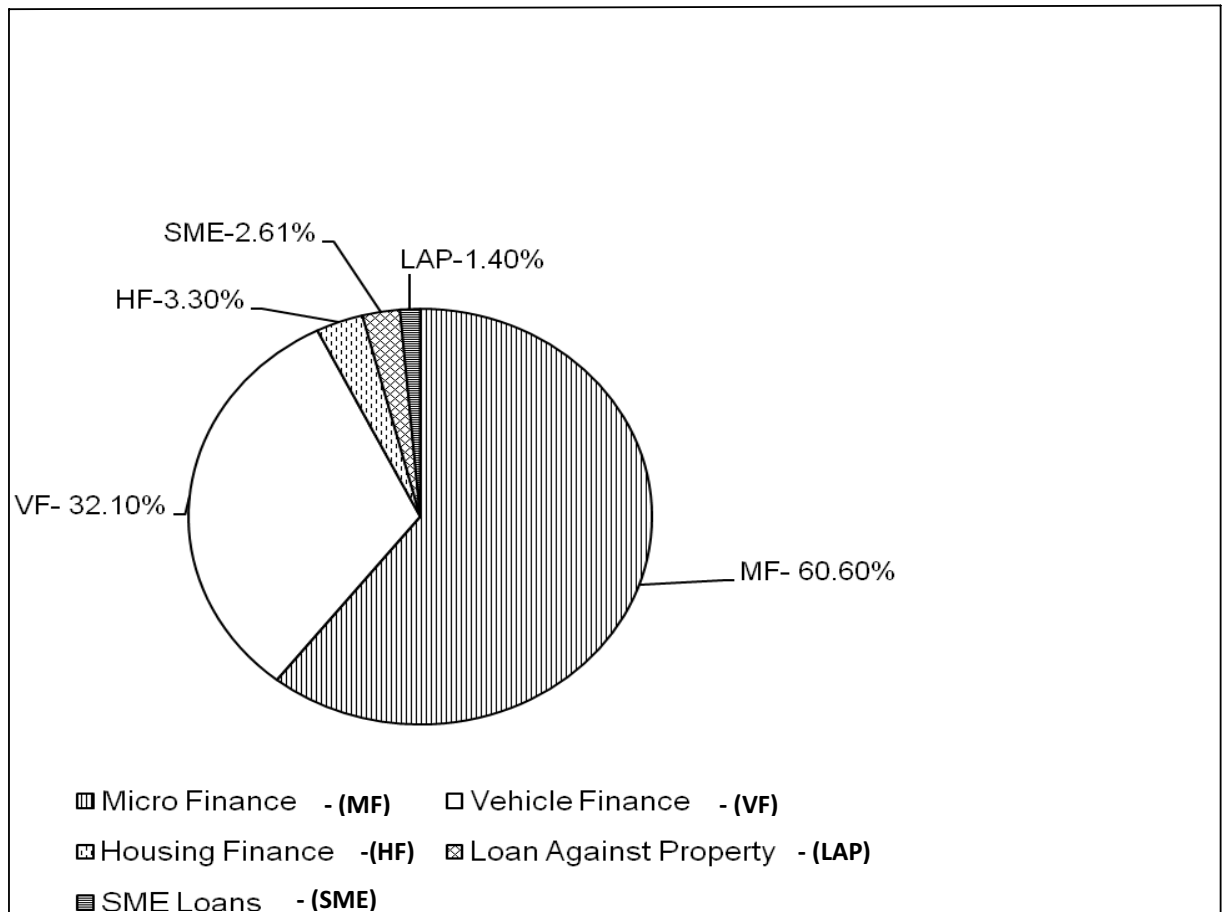
EQUITAS HOLDINGS PRIVATE LIMITED

Financials Highlights (Consolidated)

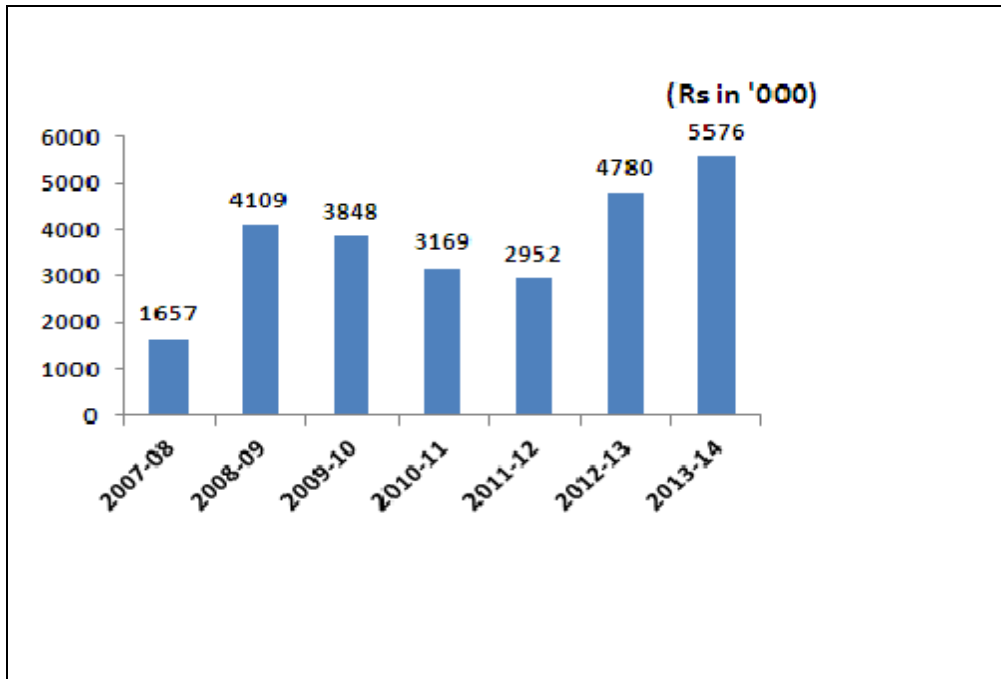
Rs in Crs

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Gross Income	0.75	34.97	124.10	238.15	200.78	283.17	483.52
Profit After Tax	(1.97)	2.21	22.87	30.44	(4.79)	32.69	74.16
Shareholders ' Funds	11.60	112.67	271.69	304.05	301.66	472.14	741.68
ShareCapital-Equity	10.90	32.26	42.46	44.43	44.43	57.76	72.62
Reserves and Surplus	0.70	80.41	229.22	259.62	257.23	414.38	669.06
Borrowings	6.75	183.69	431.80	591.87	563.79	1,274.37	1,849.16
Loans Outstanding (AUM)	16.74	288.01	605.28	793.85	823.85	1,484.11	2,480.26
Book Value per Share (Rs)	10.64	34.92	63.98	68.44	67.90	81.74	102.13
Earning per Share (Rs)	(4.44)	1.40	6.92	6.98	(1.08)	6.45	11.95

Loan Portfolio Breakup (Consolidated)



Assets per Employee (Consolidated)



Branch Network		
Operating Subsidiary	No of States	No of Branches
Equitas Micro Finance Private Ltd	7	318
Equitas Finance Private Ltd	9	52
Equitas Housing Finance Private Ltd	4	3

FROM THE CHAIRMAN'S DESK

Dear Members,

On behalf of the Board, I am proud to place in your hands, the performance of the 'Equitas' Group. The performance has been professional and committed, as we had promised from the beginning. As I sit to write this small note for you, my mind goes back to early July 2007 when the Founders, imbued by a desire to extend benefits to the low income people (the phrase Financial Inclusion was still to become a catch-phrase in those days), planned their activities and launched the Micro Finance unit. We stood committed then, as we continue to be today, to a regime of transparency and accountability, to professional competence which could be harnessed to public benefit and finally, to a system of delivery that would be quick and responsive. And the Fairness and Transparency plank of the Company is not an empty and cliché but has been demonstrated consistently through our various policies and resultant actions over and over again.

This ambitious desire to create the Best in Class and sustainable Institution guided us all through these years and are still guiding us in our activities as you will see from what follows.

Performance:

I am glad to inform you that we closed the year with a group portfolio of around Rs 2500 crore, (a growth of about 67% over previous year), of which around 40% consisted of secured loans. We have well left behind the Andhra Pradesh microfinance crisis of 2010 when we were a single-product company. We are now firmly in the path of transforming ourselves into a group of multi-product companies. The secured loans consist largely of used commercial vehicle (used CV) loans. During the year under review, we have also introduced a few new products such as micro SME and micro Housing Finance loans addressing the needs of low income segments and Mortgage Loans for the mass segment.

This transformation has been enabled by Equitas' growth model powered by the following key drivers:

- 1. Strong belief in shared values** – Equitas has invested in imbibing its corporate philosophy of fairness and transparency in every interaction with its diverse stakeholders. Across its business lines, Equitas deals with clients from the financially excluded segments, who do not have sufficient access to financial service providers. This places the clients in a vulnerable position compared to the service provider. To address this issue and ensure that Equitas does not take advantage of such situation, Equitas clearly demonstrates its philosophy of fairness and transparency at all stages to its borrowers. Many features, built into our product design and service delivery, even from early days, ensure that borrowers are always dealt with on an extremely clean and fair basis.

You would indeed feel proud to know that your Company's business conduct and product norms including key aspects like pricing, have become the basis for the regulatory framework introduced by RBI many years after Equitas set these standards.

On a scale of 1 to 8, CRISIL has assigned its 'CRISIL GVC Level 2' rating on Corporate Governance to Equitas. There are only six other corporate entities in India (viz., Bharti Airtel Limited, HDFC Bank Limited, Housing Development Finance Corporation Limited, Infosys Limited, Mahindra & Mahindra Limited and Hero Motocorp Limited) who are Level 1 rated, Equitas along with Indian Farmers Fertilizer Cooperative Ltd (IFFCO) has been rated at Level 2, the seventh best Corporate Governance rated Corporate in the country. We are proud that all our stakeholders and especially our vast clientele have enabled us to reach this level.

2. **Huge market demand** – The overarching theme across all our products is financial inclusion. By definition, the demand for financial services from the financially excluded segments is very large. The estimated total market demand for microfinance, micro-SME and micro-Home loans for the low income groups (popularly called the Missing Middle), SME loans for the mass market and affordable housing sector, on a rough estimate, is about Rs 35 lakh crore (Source: Planning Commission estimate on SME loans and Monitor Group estimate on affordable housing sector), which is more than half of the entire banking sector's loan outstanding as on date. Equitas' ability to deploy tailor-made models for each of the borrower segments will be key to ensuring sustainable services to these groups.
3. **Responsiveness to market conditions** – As a multi-product group, it is essential that Equitas stays tuned to the market conditions for each product and responds quickly to address business concerns. In FY 13-14, Equitas demonstrated this in several ways. It sensed a big vacuum for micro SME and micro Housing Finance loans and has introduced appropriate products. This opportunity has the potential to enable Equitas serve a large number of clients, improving financial inclusion while also growing a strong and healthy portfolio in the next few years. In used CV finance, Equitas overcame the negative market sentiments and maintained a good control on collections, even as it multiplied its portfolio size. Also, Equitas responded to the different needs of Housing Finance & Loan against Property customers and has created separate field units to address these requirements.
4. **Technology support** – Rapid scalability of its businesses has been enabled by its upfront investment in innovative technology solutions. Equitas revolutionized the microfinance process by establishing a centralized back-office and by introducing pre-printed stickers for handling repayments from customers. In a similar vein, Equitas has introduced mobile-based collections systems in its other products, which enable quick visibility and risk control on cash collections across the country. The current launch of a Tablet based front end information gathering at the field level is expected to take our efficiencies and controls to the next level.
5. **Commitment to Social Initiatives** – As all of you are aware, we have always stood committed to the economic and social development of the society around us. We have taken a number of initiatives in this regard, spread over the fields of education, medical relief, skill training etc. During the last seven years, Equitas has played a significant role in this area, as base statistics given below will demonstrate. Equitas took a voluntary decision of contributing 5% of its profits to Equitas Development Initiatives Trust right from inception, as against the statutory 2% requirement now prescribed. Within seven years of its existence, the Company operates five schools through its Trust, for children belonging to low-income households besides undertaking what is arguably the largest medical services programme by any Corporate in India.

Social Initiative*	FY 13-14	Cumulative
Health Camp	7,17,704	20,35,520
Skill Development	48,584	323,759
Food Security	60,407	105,222
Telemedicine	4,662	11,469
Health Helpline	1,758	16,813
Job Placements for unemployed youth	7,695	17,440

*Values mentioned represent number of beneficiaries for each initiative.

The journey ahead: Towards extending financial inclusion, RBI has recently issued preliminary bank licences to Bandhan and IDFC. RBI has also indicated that it may provide bank licenses 'on tap'. Equitas welcomes the introduction of new banks. However the introduction of a few banks may not be sufficient for achieving financial inclusion. We believe that well-governed and diversified NBFCs such as Equitas can play a pivotal role in improving financial inclusion. We will continue to watch this space of regulatory initiatives and determine which format of regulatory structure is best suited for Equitas to enable it to continue to effectively service its chosen client segments.

We hope to continue to position Equitas as a benchmark company in India on fairness and transparency and an efficient and responsive organization which will take us to greater pastures. In fulfilling this hope, I am confident of continuing support from my colleagues on the Boards of the Company and our Group Companies – who have demonstrably proved their commitment to the cause of the Group, their vast knowledge and experience in these areas and above all, to serve our basic philosophy in a very apt manner. To them and to all the employees of the Group who have practiced our philosophy in their daily life, I send my warmest thanks and regards. To all our brethren, I will like to pledge once again the commitment of the Equitas family to be a responsible, responsive and forward looking organization, built on sound ethical business principles.

I wish all of you a Great Year ahead.

God Bless You.

N Rangachary
Chairman