



# 9<sup>th</sup> Annual Report 2015 - 2016



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**EQUITAS HOLDINGS LIMITED**

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VEHICLE FINANCE



MICRO FINANCE



HOUSING FINANCE



CORPORATE SOCIAL  
RESPONSIBILITY

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**CORPORATE INFORMATION**

**Board of Directors**

| <b>Name</b>               | <b>Designation</b>                |
|---------------------------|-----------------------------------|
| Rangachary N              | Chairman and Independent Director |
| Arun Ramanathan           | Independent Director              |
| Jayshree Ashwinkumar Vyas | Independent Director              |
| Kuppuswamy P T            | Independent Director              |
| Nanda Y C                 | Independent Director              |
| Rajaraman P V             | Independent Director              |
| Sharma V K                | Independent Director              |
| Srinivasan N              | Independent Director              |
| Vasudevan P N             | Managing Director                 |

**Key Managerial Personnel**

|                  |  |
|------------------|--|
| S.Bhaskar        | Chief Financial Officer                |
| Jayashree S Iyer | Company Secretary & Compliance Officer |

**Registered Office**

410A, 4<sup>th</sup> Floor, Spencer Plaza,  
Phase II, No.769, Mount Road,  
Anna Salai, Chennai - 600 002.  
Tel: +91 44 4299 5000  
Fax: +91 44 4299 5050  
Email: corporate@equitas.in  
Website: www.equitas.in  
CIN: U65100TN2007PLC064069

**Statutory Auditors**

Deloitte Haskins & Sells,  
ASVN Ramana Towers,  
52, Venkatnarayana Road,  
T.Nagar, Chennai 600017.  
Tel: +91 44 6688 5000  
Fax: +91 44 6688 5100

**Bankers**

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

## FROM THE CHAIRMAN'S DESK

**Dear Shareholders,**

**A hearty welcome to the new shareholders who have joined the Equitas Family recently.** It is my desire and wish that this association of ours, will strengthen our hands in our effort to build a community that brings equal opportunities to all through financial inclusion and lead us to glorious heights.

We are fortunate and humbled by the response received for the Initial Public Offering (IPO) of the shares of Equitas Holdings Limited. Our Rs. 2,175 Cr IPO was oversubscribed 17.2 times.

The support given to the IPO road shows was very heart warming and I would like to thank all our investors for showing confidence and belief in the Governance Standards and Management Capabilities of the Equitas team, our philosophy of fairness and transparency and in our commitment to social initiatives to promote economic and social well-being of the society around us.

### **A new chapter in Indian Banking!**

In our 6<sup>th</sup> Annual Report 2012-13, we had mentioned “NBFC-MFIs present a very good medium to reach banking services, especially the liability services to the masses”. We had voiced our desire that NBFC-MFIs should be permitted to be Business Correspondents (BCs) to Banks, so that the NBFC-MFIs could also provide savings and deposits services to the low income households, bridging a vital need of such households. We are overwhelmed by the events of the past one year, with Reserve Bank of India (RBI) announcing guidelines for licensing new type of banks viz. Small Finance Banks (SFB). The Company had applied to RBI for such a licence and it was a matter of great satisfaction for us that we were one amongst the 10 companies to receive the “in-principle” licence for commencing the services of SFB within a period of 18 months from the date of grant of licence.

### **Conditions for applying for the final SFB license:**

RBI had, amongst other conditions, laid down the condition that Equitas Holdings Limited should not have foreign holding beyond 49% to be eligible for applying for the final license. The Company had 93% foreign holdings. The IPO which was done recently and which was a pure domestic issue, has enabled us to reduce the foreign holdings below 49%. The Company has since applied to RBI for the final license for SFB. There are various other incidental approvals which are also required and we look forward to receiving licence at the earliest for commencing the banking operations.

### **Mission & Vision of the Organisation:**

We continue to remain committed to and carrying out our:

- Mission: 'Empowering through Financial Inclusion'
- Vision: 'To Serve 5% of Indian Households by 2025'

while following our core value: 'Fairness and Transparency' in our dealings with all our stakeholders.

We currently serve about 1% of the Indian households. With the conversion to a bank and a critical expansion in our product and service offerings with the inclusion of savings, deposits, remittance and third party products such as pension and insurance, we expect to provide a more comprehensive service to the low income households as we steadily progress towards our vision.

**The proposed Small Finance Bank will focus on the following four key strategies going forward:-**

- a) Continue to offer our existing range of credit products such as Micro Finance, Small Enterprise loans, Business Banking loans for tiny to small commercial establishments, commercial vehicle finance and affordable housing finance. Besides these, we would be looking to offer a few cross sell products such as loan against gold, etc.
- b) Leverage our existing network of branches and customer base to build a community banking channel. Business Correspondents (BCs) appointed under each Branch, would be able to provide easy, convenient and comfortable access to clients for doing even small value banking transactions. By appointing BCs from the same community, we expect that the diffidence which such clients experience in mainstream banking would cease, enabling them to save for planned future expenses, even if it is in tiny amounts at frequent intervals.
- c) Offer multiple channels to clients to access their accounts with the Bank including digital channels such as net banking and mobile banking, offer third party products and services such as insurance, pension and 3-in-1 accounts to enhance the value to clients.
- d) Improve operational efficiency and risk management through technology-enabled operating procedures which would help in reducing cost to our borrowers over time.

**Existing Operations:**

As we focus on putting the framework in place for the transition to banking, our existing operations should continue to proceed as planned.

**Micro Finance:**

Thanks to a tight regulatory framework laid down by RBI for NBFC-MFIs and services provided by Credit Bureaus, client protection in micro finance has improved significantly over the years. There has been a strong growth in the MFI industry over the last 2-3 years, enabling the industry to bridge a part of the unserved demand gap. However, as in any form of lending, more so in an unsecured form of lending like Micro Finance, high growth does lead to concerns about prudent ground level practices of the MFIs. The Associations, MFIN and Sa-dhan have come out with a Joint Code of Conduct for the MFIs to improve various credit and governance aspects of micro finance lending. It is hoped that the MFIs would adhere to such codes in letter and spirit and create an environment where the credit needs of the low income households are met in a sustainable manner.

**Used Commercial Vehicle finance and Small Enterprise loans:**

These products were introduced between 2011 and 2012. Both the products address a substantially underserved segment of the society. In used CV finance, we help drivers turn into owners. Out of about 76,550 clients funded by us from inception till March 2016, about 80% are first time finance seekers from a financial institution. Similarly in the Small Enterprise loans, we provide very small loans in the range of about Rs.1.5 lakhs to people operating tiny enterprises. Out of about 63,800 clients funded by us from inception till March 2016, nearly most of them have borrowed for the first time in their lives from a formal financial institution.

These products have helped us grow the market and meet unserved credit needs of low income households who aspire to improve their lives through their own enterprises and mainstreaming them for the first time.

**Affordable Housing Finance:**

This addresses the long term housing loan needs for both micro and small houses which cost between Rs. 1 to 10 lakhs. Long loan tenor in the range of 7 to 15 years makes the instalments affordable to the borrowers, helping them to use their future savings to buy property at current prices. There are not many projects in the country which are creating housing stock at these values. Traditionally these people have a piece of land which may be mostly inherited and desire to build a small house or replace a kutcha one with a pucca one. The demand for such housing loans is very large as per various Government surveys. However, there is a need for obtaining a building plan approval from the local Government in most of the States which costs both time and money. Further in many States, the local Acts do not entitle a person to apply for such approvals if the plot size is about 1,000 sq ft. This affects almost all the low income households from obtaining the much needed long term loan for building houses. We may be able to serve these needs as and when regulatory changes take place, enabling such people to build small houses on such size of plots.

**Social Initiatives:**

Our social initiatives, carried out through Equitas Development Initiatives Trust (EDIT) and Equitas DhanyaKosha India (a Section 8 not-for-profit company), continue to impact the society positively. Our medical program has reached a scale, probably not matched by any other corporate in the country with over 75,000 people benefiting monthly and about 4 million people benefiting cumulatively. Imparting small cottage skill training has reached over 400,000 people while our job placement initiatives have placed about 60,000 unemployed youth in jobs. Our Pavement Dweller Rehabilitation Program has successfully taken about 730 families from pavements and lodged them in houses and with the skill training imparted, many have become self-sustainable. Our food security program has created about 700 grocery entrepreneurs over the last year.

We run 7 schools under the name of Equitas Gurukul in various parts of Tamilnadu with over 4,000 children studying. Focussed efforts are being put in by the committed teachers and principals to impart holistic English medium education to children from low income households.

The next phase of growth, we believe, will take us closer to our goal of building an organisation that sets international benchmarks of excellence and delivers long term value to our stakeholders and to the society we operate in.

I take this opportunity to thank my colleagues on the Board, on the Boards of our subsidiaries and the Trustees of our Trust for their guidance and valuable contribution and look forward to their continued support, as we want to take on our next avatar in the financial landscape of India.

God bless you all.

N Rangachary

Chairman

Place: Chennai

Date: 6<sup>th</sup> May, 2016

## DIRECTORS' REPORT

Your Directors have pleasure in presenting the Ninth Annual Report together with the Audited Accounts of the Company for the Year ended 31<sup>st</sup> March 2016 (FY 2015-16).

### 1. Overview

The Company is a non-systemically important Core Investment Company (CIC-non-SI) and has been exempted from registration under Section 45 IA of Reserve Bank of India Act, 1934. The Company has not accepted any public deposits during the FY 2015-16 and there has been no change in the business of the Company during the said period.

During the year, the Company has obtained an “In-Principle” approval of the Reserve Bank of India to set up a Small Finance Bank (SFB) and as per the terms and conditions of the “in-principle” approval, the promoting NBFC viz., the Company is required to be registered with RBI as Core Investment Company (CIC). Accordingly, the Company is in the process of filing an application with RBI for registering itself as a CIC.

The Company was converted into a public limited company and the name of the Company was changed to Equitas Holdings Limited. The RoC issued a fresh certificate of incorporation consequent to change of name on 18<sup>th</sup> June, 2015. The equity shares of the Company have been listed on the BSE Limited and National Stock Exchange of India Limited on 21<sup>st</sup> April, 2016 and consequently the Company has become a listed entity with effect from that date.

### 2. Financial Results - Standalone

(Rs in lakh)

|                               | For the Year Ended<br>31 <sup>st</sup> March, 2016 | For the Year Ended<br>31 <sup>st</sup> March, 2015 |
|-------------------------------|--|--|
| Gross income                  | 819.72   | 891.80   |
| Less: Total Expenditure       | 435.66   | 510.47   |
| Profit before taxation        | 384.06   | 381.33   |
| Provision for taxation        | 172.43   | 215.79   |
| Profit after taxation         | 211.63   | 165. 54  |
| Transfer to Statutory Reserve | 42.40  | 33.11  |
| Transfer to General Reserve   | Nil  | Nil  |

### 3. Dividend

The Directors do not recommend any dividend for the year.



#### 4. Operational highlights

The Company is a CIC - non - SI and has the following four wholly owned operating subsidiaries:

| Sl. No. | Name of the Subsidiary                      | Activities   |
|---------|---|--|
| 1.      | Equitas Micro Finance Limited (EMFL)        | Providing micro loans to people from the Economically Weaker Section (EWS)/Low Income Group (LIG)  |
| 2.      | Equitas Finance Limited (EFL)               | Used Commercial Vehicle Finance, principally for first time vehicle buyers<br>Micro & Small Enterprise loans   |
| 3.      | Equitas Housing Finance Limited (EHFL)      | Micro Housing loans for people typically from EWS/LIG segments<br>Affordable Housing loans   |
| 4.      | Equitas Technologies Private Limited (ETPL) | Providing a technology platform for freight, logistics, carriers and related services which matches demand and supply and where various vendors and customers can be brought together for fulfillment of sales and services between them |

The details of operations are in the annexed Management Discussion and Analysis Report.

#### 5. Management Discussion and Analysis

The Management Discussion and Analysis Report, highlighting the important aspects of the business of the Company and its Subsidiaries is given in this Report as Annexure-I.

#### 6. Subsidiaries

(Rs in lakh)

| Sl. No. | Particulars   | 1           | 2          | 3           | 4           |
|---------|---|-------------|------------|-------------|-------------|
| 1.      | Name of the subsidiary  | <b>EMFL</b> | <b>EFL</b> | <b>EHFL</b> | <b>ETPL</b> |
| 2.      | Reporting period for the subsidiary concerned, if different from the holding Company's reporting period                     | N.A.        | N.A.       | N.A.        | N.A.        |
| 3.      | Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries | N.A.        | N.A.       | N.A.        | N.A.        |
| 4.      | Paid up share capital   | 19,875.00   | 42,300.00  | 4,000.00    | 1,500.00    |
| 5.      | Reserves & surplus  | 26,160.21   | 28,791.89  | 135.28      | (244.99)    |
| 6.      | Total assets  | 356,553.68  | 253,776.06 | 27,218.21   | 1,344.41    |
| 7.      | Total liabilities   | 356,553.68  | 253,776.06 | 27,218.21   | 1,344.41    |
| 8.      | Investment in shares  | 20.00       | 0.00       | 0.00        | 0.00        |
| 9.      | Turnover  | 60,642.52   | 47,607.81  | 3,656.20    | 27.71       |
| 10.     | Profit before taxation  | 12,481.86   | 13,082.46  | 308.53      | (244.99)    |
| 11.     | Provision for taxation  | 4,446.35    | 4,570.44   | 108.53      | 0           |
| 12.     | Profit after taxation   | 8,035.51    | 8,512.02   | 200.00      | (244.99)    |
| 13.     | Proposed dividend   | -           | -          | -           | -           |
| 14.     | % of shareholding   | 100%        | 100%       | 100%        | 100%        |

Equitas Technologies Private Limited, a new subsidiary company was incorporated on 27<sup>th</sup> October, 2015. On an application made to the RoC, Equitas B2B Trading Private Limited, a subsidiary Company, was struck off from the Register of Companies vide Order dated 13<sup>th</sup> May, 2015.

## 7.1 Consolidated Financial Results

(Rs in lakh)

|                               | For the Year Ended<br>31 <sup>st</sup> March, 2016 | For the Year Ended<br>31 <sup>st</sup> March, 2015 |
|-------------------------------|--|--|
| Gross income                  | 111,487.42   | 75,592.58  |
| Less: Total Expenditure       | 85,475.46  | 59,236.96  |
| Profit before taxation        | 26,011.96  | 16,355.62  |
| Provision for taxation        | 9,297.78   | 5,659.83   |
| Profit after taxation         | 16,714.18  | 10,659.65*   |
| Transfer to Statutory Reserve | 3,410.00   | 2,134.29   |
| Transfer to General Reserve   | Nil  | Nil  |

\* Net of loss from discontinuing operations amounting to Rs.36.14 lakh

In accordance with the Companies Act, 2013, the audited consolidated financial statements are provided in the Annual Report.

## 7.2 SFB License Application

During the previous year, RBI invited applications for setting up of Small Finance Banks (SFB) and Payment Banks. The Company made an application to RBI for a license to promote a Small Finance Bank (SFB). The RBI granted “in-principle” approval to the Company to set up a SFB under Section 22 of the Banking Regulation Act, 1949, subject to certain conditions through a letter dated 7<sup>th</sup> October, 2015 (the “**SFB In-Principle Approval**”). The SFB In-Principle Approval is valid for a period of 18 months from 7<sup>th</sup> October, 2015 i.e. until 6<sup>th</sup> April, 2017 to enable the applicants to comply with the SFB Guidelines, fulfill the conditions in the SFB In-Principle Approval and any other conditions as may be stipulated by the RBI.

At the time of making application to RBI for SFB license, the Company had proposed to merge the operations of EMFL, EFL and EHFL into a single wholly owned subsidiary, which will operate as a Small Finance Bank.

Accordingly, these subsidiary companies have filed Company Petition with Hon'ble High Court of Judicature at Madras, for merging EMFL and EHFL with EFL. The petition was taken up for final hearing on 28<sup>th</sup> April, 2016. The High Court orders are awaited.

The Company is in the process of fulfilling various other conditions stipulated in the SFB In-Principle approval and expects the merged subsidiary company to start the banking operations during FY 2016-17.

## 8. Material changes after the Balance Sheet Date (31<sup>st</sup> March 2016)

Following are the material changes after the Balance Sheet Date of 31<sup>st</sup> March, 2016:

- The Initial Public Issue of 197,880,429 equity shares of the Company at the issue price of Rs.110/- consisting of 65,454,545 fresh issue of equity shares and 132,425,884 equity shares under offer for sale was made and the same was fully subscribed. Consequently, the paid up share capital of the Company stands increased by Rs. 65,45,45,450/-
- The shares of the Company have been listed in BSE and NSE on 21<sup>st</sup> April, 2016.
- Out of the IPO proceeds of Rs.720 crore, an amount of Rs.616 crore was invested in equity capital of subsidiaries in April 2016, in line with the Prospectus.