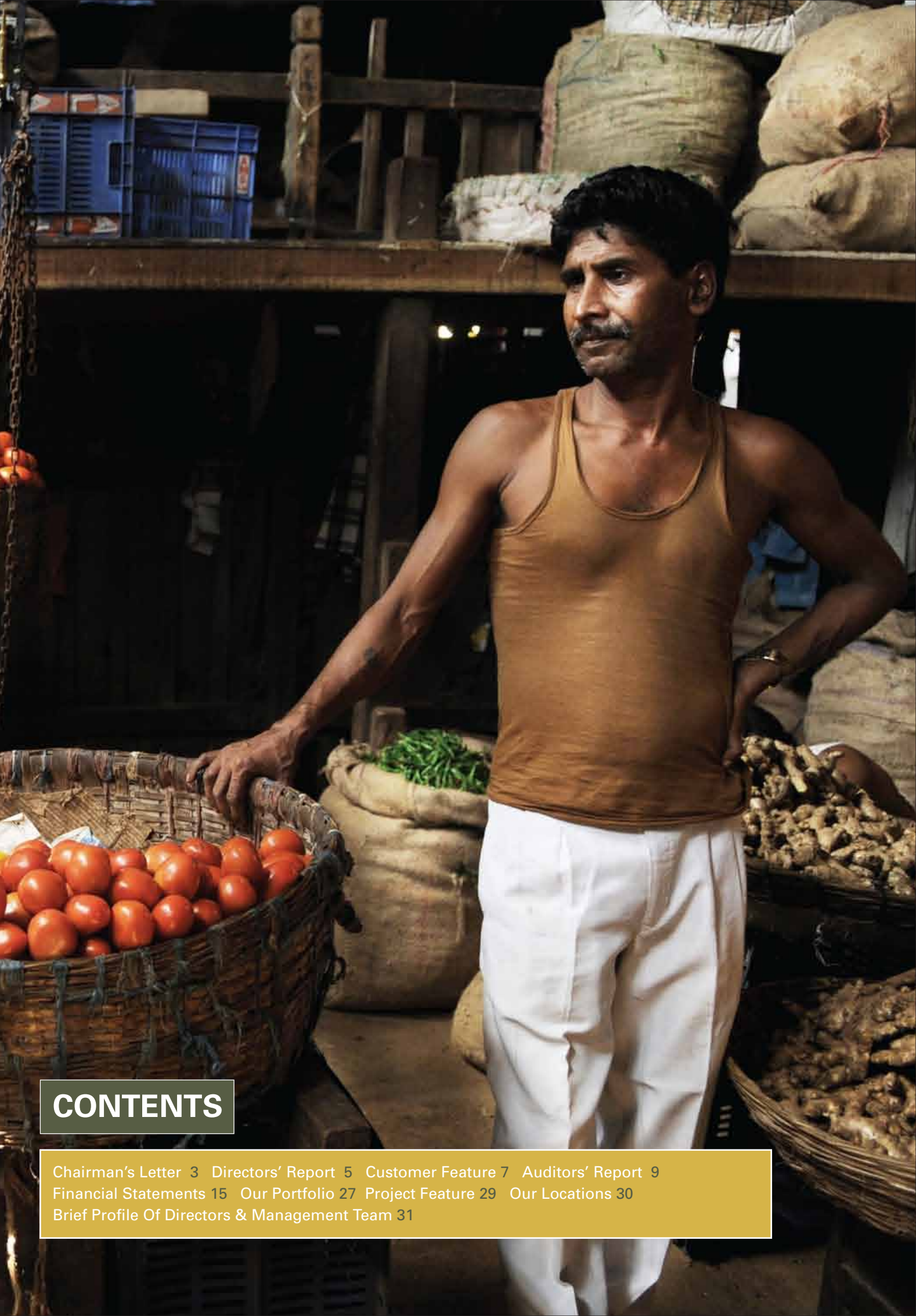






Cover Page: MHFC Customer, Chandrakant Kharvi
Above: Vegetable Vendors in Crawford Market, Mumbai



CONTENTS

Chairman's Letter 3 Directors' Report 5 Customer Feature 7 Auditors' Report 9
Financial Statements 15 Our Portfolio 27 Project Feature 29 Our Locations 30
Brief Profile Of Directors & Management Team 31

CHAIRMAN'S LETTER

The financial year ended March 2011 represents our first full year of operations, so this is a good time to look back and reflect on what we have accomplished so far, and to look forward with optimism on the year ahead.

We have much to be proud of. We have sanctioned over 700 loans, which while by itself is not such a huge number, is a creditable achievement for a start up. With these loans we have impacted the lives of close to 4,000 people, who now have a chance to significantly improve their living conditions, and have now become part of the "included" in the Incredible India story. More than anything else, our portfolio behaviour is testimony to our belief that mortgage finance to the un-served and underserved is sustainable and commercially viable.

We have to thank our team that works well together, is sensitive to the customer, and stays focused on the tasks at hand. Whether it is in processing more than a hundred loans a month, or in handling multiple disbursements in a single day, the processes and systems have been tried and tested. Our significant and continuing investments in systems will in the long run help us to reduce process costs and improve the quality of decision making.

Our investors have reasons to be pleased with the progress that we have made so far, and have acted on this and disbursed the second and final tranche of the equity commitment, in February 2011. We are making reasonable progress with other capital providers like banks and financial institutions. Our regulator, the National Housing Bank, has sanctioned refinance lines, and we are now poised to address our target segment from a position of confidence in terms of our financial capabilities.

On the projects side, we have built strong relationships and have reasons to be optimistic on project supply. We currently have 35 active projects in the outskirts of Mumbai, Pune, Ahmedabad and other Tier II cities like Indore, Nagpur, etc. The institutional reputation that we have built is now helping us to identify new projects across multiple locations. Our speed of processing disbursements has had a positive impact on the developers' community, which is leading to more project and customer referrals from their end.

Looking ahead, we believe that the key lies in flawless execution. We have to stay focused and stay sensitive to our customer base, which by definition is vulnerable. We have concerns about the increasing price levels for new property, which is fast putting it beyond the affordability of the customers that we are trying to serve. We should be constantly looking at ways to improve efficiencies in our origination, processing and delivery systems. We will continue to invest heavily in people and in systems to achieve this.

In conclusion, the Financial Year 2010-11 gives us reason for optimism, but not for complacency. We have to remain at the cutting edge in terms of the quality of people we hire and the technologies that we deploy. We have to keep an eagle eye on credit quality and operating costs. We have to expand our footprint to other parts of our country and look to build lasting relationships with credible builders in these new emerging centres.

I would like to place on record my thanks to the management team and all the other employees who have been part of the exciting journey thus far, our investors, the Indian Financial Inclusion Fund and the Michael and Susan Dell Foundation, for their continuing faith in our ability to execute our plans, the National Housing Bank for its support, and most of all our customers who have transformed our business from a proof of concept to a vibrant and viable business.

Madhusudhan Menon
Chairman

Mumbai
14 June, 2011



MHFC Customer Prabha Bhoir's former residence: BDD Chawl in Worli, Mumbai.

DIRECTORS' REPORT

The Members,
Micro Housing Finance Corporation Limited

The Board of Directors of your Company has pleasure in presenting the Annual Report together with the Audited Accounts and Auditors' Report for the 3rd financial year ended 31st March, 2011.

Performance

During the financial year under review, your Company incurred a Loss of ₹ 62.04 lakhs.

By the end of the year, the Company had sanctioned loans aggregating ₹ 28.51 crores to lower income, urban families who are generally excluded from the mainstream banking sector. The average individual loan amount is about ₹ 4 lakhs. There are no overdue loan accounts.

During the year, the Company raised its equity share capital from ₹ 14 crores to ₹ 36.8 crores (incl share premium). The Company has no borrowings.

Fixed Deposits

The Company has not accepted any deposit within the meaning of Section 58A of the Companies Act, 1956, since incorporation.

Particulars under Section 217 of the Companies Act, 1956

1. Particulars of Employees:

The Company does not have any employee whose particulars are required to be furnished under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

2. Conservation of Energy & Technical Absorption:

The Company is not a manufacturing Company, hence, the particulars relating to conservation of energy and technology absorption stipulated in the Companies (Disclosures of Particulars in the Report of Board of Directors) Rules, 1988 are not applicable.

3. Foreign Exchange:

During the year under review, there were no foreign exchange earnings or outgo.

Directors

In accordance with the provisions of the Articles of Association of the Company, Mr. Ashish Karamchandani, is liable to retire by rotation at the ensuing Annual General Meeting and, being eligible, offers himself for re-appointment.

The Board recommends the re-appointment of Mr. Ashish Karamchandani.

Auditors' Report

The Auditors' Report is unqualified. The notes to the Financial Statements, read with the Auditors' Report, are self-explanatory and hence, do not call for further clarifications under Section 217(3) of the Companies Act, 1956.

DIRECTORS' REPORT

Auditors

M/s Walker, Chandiook & Co., Chartered Accountants, the Statutory Auditors of the Company, retire at the ensuing Annual General Meeting and have offered themselves for re-appointment. M/s Walker, Chandiook & Co., have confirmed that their appointment, if made, would be within the prescribed limit under Section 224(1-B) of the Companies Act, 1956.

Directors' Responsibility Statement

In terms of Section 217(2AA) of the Companies Act, 1956, we, the Directors of Micro Housing Finance Corporation Limited, state in respect of Financial Year 2010-11 that:

- (i) in the preparation of the Annual Accounts for the financial year ended 31st March 2011, the applicable Accounting Standards have been followed along with proper explanation relating to material departures;
- (ii) the Directors have 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 and at the end of the financial year and of the loss of the Company for that period;
- (iii) the Directors have 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; and
- (iv) the Directors have prepared the annual accounts on a going concern basis.

Regulations

In terms of regulatory requirements, the Company complies with the Housing Finance Companies ("NHB") Directions, 2001 prescribed by the NHB. The Company has already issued comprehensive Know Your Customer ("KYC") Guidelines and Anti Money Laundering Standards, and adopted the Fair Practices Code framed by the NHB which seeks to promote good and fair practices in dealing with customers.

Acknowledgement

Your Directors would like to express their grateful appreciation for the assistance and co-operation received from various persons and the authorities, especially the National Housing Bank. Your Directors look forward to their continued support in future as well.

The Directors are also thankful to the stakeholders for continued support to the Company.

For and on behalf of the Board of Directors of
Micro Housing Finance Corporation Limited

Rajnish Dhall
Director

Nachiket Shelgikar
Director

Mumbai
14 June , 2011



CUSTOMER FEATURE

BADRI THAKUR

Badri Thakur moved to Mumbai in his early teenage years from Darbangha District in Bihar.

With only a primary school education, Badri managed to land a few odd jobs after arriving in the city, and moved from one employer to the next for several years.

Eventually, 7 years ago, Badri had accumulated enough capital to start his own business – a hair cutting salon.

Badri's salon, Popular Hair Cutting Saloon, is located in a busy commercial market in Mumbai called Cheera Bazaar.

Badri has fitted 4 chairs in his salon, and has 4 employees working for him. He offers a variety of services at Popular, like haircuts, shaves, massages and facials priced between ₹ 30 to ₹ 800. Badri earns approximately ₹ 11,000 a month from Popular, after accounting for all expenses.

Following his success with Popular Hair Cutting Saloon, Badri has been able to save enough over the years to open two additional salons, New Popular Hair Cutting Saloon in Dhobi Talao and Hari Om Cutting Saloon in Fanaswadi, Mumbai.

In total, Badri employs 14 workers, and earns a net income of approximately Rs. 30,000 per month.

Badri currently lives with his wife, Runadevi, and three children in a rented flat in Bhayender. Kiran (10 yrs) and Karan (7 yrs) both attend a private school close to their residence.

Previously, Badri lived with his family and his younger brother in a 150 sq ft room adjoining Popular Hair Cutting Saloon. Pressed for space with five members sharing one room, his brother frequently had to sleep in the salon quarters.

With three flourishing businesses and his children enrolled in school, Badri felt ready to fulfill his final dream of purchasing his own home.

Badri found this home in an affordable housing project called Rashmi Star City, located in Naigaon (E).

Despite not having any formal income documentation, MHFC recognized that Badri had both the willingness and the capacity to comfortably service his monthly repayments, and sanctioned him a loan.

Badri is therefore now the proud owner of a 1 BHK flat in Naigaon (E), which he has been able to purchase with the help of MHFC. The Thakurs will move into their new residence by the end of this year.

AUDITORS' REPORT

To,

The Members of Micro Housing Finance Corporation Limited

1. We have audited the attached Balance Sheet of **Micro Housing Finance Corporation Limited**, (the 'Company') as at 31 March 2011 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto (collectively referred as the "financial statements"). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003 (the 'Order') (as amended), issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956 (the 'Act'), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c. The financial statements dealt with by this report are in agreement with the books of account;
 - d. On the basis of written representations received from the directors as at March 31, 2011 and taken on record by the Board of Directors, we report that none of the directors is disqualified as at 31 March 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
 - e. In our opinion and to the best of our information and according to the explanations given to us, the financial statements dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Act and the Rules framed there under and give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, in the case of:
 - i) the Balance Sheet, of the state of affairs of the Company as at 31 March 2011; and
 - ii) the Profit and Loss Account, of the loss for the year ended on that date.
 - iii) the Cash Flow Statement, of the cash flows for the year ended on that date.

For **Walker, Chandio & Co.**
Chartered Accountants
Firm Registration No.: 001076N

per **Khushroo B. Panthaky**
Partner
Membership No. F-42423

Mumbai
14 June, 2011

ANNEXURE

Annexure to the auditors' report of even date to the members of Micro Housing Finance Corporation Limited on the financial statements for the year ended 31 March 2011

Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements of the Company and taking into consideration the information and explanations given to us and the books of account and other records examined by us in the normal course of audit, we report that:

- i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) The fixed assets have been physically verified by the management during the year and no material discrepancies were noticed on such verification. In our opinion, the frequency of verification of the fixed assets is reasonable having regard to the size of the Company and the nature of its assets.
- (c) In our opinion, a substantial part of fixed assets has not been disposed off during the year.
- ii) (a) The Company does not have any tangible inventory. Accordingly, the provisions of clause 4(ii) of the Order are not applicable.
- iii) (a) The Company had granted interest free loan to a firm covered in the register maintained under section 301 of the Act. The maximum amount involved during the year was ₹ 36,362,960 and the year-end balance of loan granted was ₹ 36,362,960.
- (b) The above interest free loan, as represented by the Company, is repayable on demand. In our opinion, the other terms and conditions for such loan are not prima facie prejudicial to the interest of the Company.
- (c) In respect of the above interest free loan, the repayment of the principal amount is as stipulated.
- (d) There is no overdue amount of loans granted to companies, firms or other parties listed in the register maintained under section 301 of the Act.
- (e) The Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Act. Accordingly, the provisions of clauses 4(iii)(f) and 4(iii)(g) of the Order are not applicable.
- iv) Owing to the nature of its business, the Company does not maintain any physical inventories or sells any goods. Accordingly, clause 4(iv) of the Order with respect to purchase of inventories and sale of goods is not applicable. In our opinion, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of fixed assets and for the sale of services. During the course of our audit, no major weakness has been noticed in the aforesaid internal control system.
- v) (a) We are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Act have been entered in the register maintained under that section.

ANNEXURE

- vi) In our opinion, the Company has not accepted any deposits from the public within the meaning of sections 58A and 58AA of the Act and the Companies (Acceptance of Deposits) Rules, 1975. Accordingly, the provisions of clause 4(vi) of the Order are not applicable.
- vii) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- viii) To the best of our knowledge and belief, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 in respect of the business carried out by the Company. Accordingly, the provisions of clause 4(viii) of the Order are not applicable.
- ix) (a) In our opinion, the Company is regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues, as applicable, with the appropriate authorities. Further, in our opinion, no undisputed amounts payable in respect thereof were outstanding at the year end for a period of more than six months from the date they become payable.

(b) In our opinion, there are no amounts in respect of sales tax, income tax, customs duty, wealth tax, service tax, excise duty and cess, as applicable, that have not been deposited with the appropriate authorities on account of any dispute.
- x) The Company has been registered for a period of less than five years. Accordingly, the provisions of clause 4(x) of the Order are not applicable.
- xi) The Company has no dues payable to a financial institution or a bank or debenture holders during the year. Accordingly, the provisions of clause 4(xi) of the Order are not applicable.
- xii) In our opinion, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, the provisions of clause 4(xii) of the Order are not applicable.
- xiii) The Company is not a chit fund or a nidhi/mutual benefit fund/society. Accordingly, the provisions of clause 4(xiii) of the Order are not applicable.
- xiv) The Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable.
- xv) In our opinion, the Company has not given any guarantees for loans taken by others from banks or financial institutions. Accordingly, the provisions of clause 4(xv) of the Order are not applicable.
- xvi) The Company did not have any term loans outstanding during the year. Accordingly, the provisions of clause 4(xvi) of the Order are not applicable to the Company.
- xvii) The Company did not have any outstanding borrowings during the year. Accordingly, the provisions of clause 4(xvii) of the Order are not applicable.

ANNEXURE

- xviii) The Company has made preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Act. In our opinion the price at which shares have been issued is not prejudicial to the interest of the Company.
- xix) The Company has neither issued nor had any outstanding debentures during the year. Accordingly, the provisions of clause 4(xix) of the Order are not applicable.
- xx) The Company has not raised any money by public issue during the year. Accordingly, the provisions of clause 4(xx) of the Order are not applicable.
- xxi) In our opinion, no fraud on or by the Company has been noticed or reported during the period covered by our audit.

For **Walker, Chandok & Co**
Chartered Accountants
Firm Registration No.: 001076N

Per **Khushroo B. Panthaky**
Partner
Membership No. F-42423

Mumbai
14 June, 2011



Jalinder Mhoprekar
Spice Vendor in Crawford Market, Mumbai



Prabha Bhoir
Textile Trader in Lower Parel, Mumbai



Rahul Singh
Auto-Service Garage Owner in Boisar, Thane



Bharat Sharma
Garment Manufacturer in Meghdoot Nagar, Indore



Laxman Thorat
Vegetable Vendor in Crawford Market, Mumbai



Kailesh Naikwade
Ladies Tailor in Sadashiv Peth, Pune



Chandrakant Kharvi
Welder in Bhayender, Mumbai

BALANCE SHEET

	Schedule	As at March 31, 2011	As at March 31, 2010
		(₹)	(₹)
SOURCES OF FUNDS			
Shareholders' Funds			
Capital	1	23,04,29,590	11,66,66,630
Reserves and Surplus	2	13,73,33,315	2,33,33,315
		36,77,62,905	13,99,99,945
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	3	10,41,321	3,25,204
Less: Accumulated Depreciation		2,79,508	61,693
Net Block		7,61,813	2,63,511
Housing Loans	4	10,52,31,417	81,14,214
Deferred Tax Asset (Refer Note IV (5) of Schedule 13)		2,232	--
Current Assets, Loans and Advances			
Cash and Bank Balances	5	21,59,48,155	12,16,78,578
Other Current Assets	6	28,20,233	34,13,501
Loans and Advances	7	3,81,44,377	10,38,050
		25,69,12,765	12,61,30,129
Less : Current Liabilities and Provisions			
Liabilities		86,29,493	30,22,302
Provisions		12,34,149	--
		98,63,642	30,22,302
Net Current Assets		24,70,49,123	12,31,07,827
Profit and Loss Account		1,47,18,320	85,14,393
		36,77,62,905	13,99,99,945

Significant accounting policies and notes to the financial statements 13

The schedules referred to above form an integral part of the financial statements

As per our report of even date

For **Walker, Chandio & Co**
Chartered Accountants

Khushroo B. Panthaky
Partner

Mumbai
14 June, 2011

For and on behalf of the Board of Directors

Rajnish Dhall
Director

Nachiket Shelgikar
Director

Avani Shah
Company Secretary

Mumbai
14 June, 2011

PROFIT & LOSS ACCOUNT

	Schedule	For the year ended March 31, 2011	For the year ended March 31, 2010
INCOME		(₹)	(₹)
Income from Operations	9	77,15,854	6,46,885
Other Income	10	56,28,593	46,03,515
		1,33,44,447	52,50,400
EXPENDITURE			
Employee Remuneration and Benefits	11	95,16,598	43,18,334
Other Operating Expenses	12	97,90,068	84,67,422
Financial Charges		26,125	--
Depreciation		2,17,815	61,693
		1,95,50,606	1,28,47,449
Profit / (Loss) before Taxation		(62,06,159)	(75,97,049)
Provision for Taxation			
- Current Tax		--	--
- Deferred Tax Credit		2,232	--
Profit / (Loss) after Tax		(62,03,927)	(75,97,049)
Balance Brought Forward from Previous Year		(85,14,393)	(9,17,344)
Balance Carried to Balance Sheet		(1,47,18,320)	(85,14,393)
Loss per share (Refer Note IV (4) of Schedule 13)			
Basic and Diluted loss per share		(0.51)	(1.17)

Significant accounting policies and notes to the financial statements 13

The schedules referred to above form an integral part of the financial statements

As per our report of even date

For **Walker, Chandio & Co**
Chartered Accountants

Khushroo B. Panthaky
Partner

Mumbai
14 June, 2011

For and on behalf of the Board of Directors

Rajnish Dhall
Director

Nachiket Shelgikar
Director

Avani Shah
Company Secretary

Mumbai
14 June, 2011

CASH FLOW STATEMENT

	For the year ended March 31, 2011	For the year ended March 31, 2010
	(₹)	(₹)
A. Cash flows from operating activities		
Profit / (Loss) before taxation	(62,06,159)	(75,97,049)
Adjustment for:		
Depreciation	2,17,815	61,693
Interest expense	26,125	-
Provision for Contingency	10,52,314	-
Miscellaneous Expenditure written off	-	3,89,098
Interest from Fixed Deposits	(55,78,922)	(46,03,515)
Operating profit / (loss) before working capital changes	(1,04,88,827)	(1,17,49,773)
Adjustment for:		
Decrease / (Increase) in Housing Loans	(9,71,17,203)	(81,14,214)
Decrease / (Increase) in loans and advances and other current assets	(3,87,20,774)	(8,25,602)
(Decrease) / Increase in current liabilities	(19,18,934)	19,10,405
(Decrease) / Increase in provisions	1,81,835	-
Cash generated from / (used in) operations	(14,80,63,903)	(1,87,79,184)
Direct taxes (paid) / refunded	-	-
Net cash from / (used in) operating activities	(14,80,63,903)	(1,87,79,184)
B. Cash flows from investing activities		
Purchase of fixed assets (including capital work in progress)	(7,16,117)	(3,25,204)
Interest received on fixed deposits	77,86,637	24,37,496
Net cash generated from / (used in) investment activities	70,70,520	21,12,292
C. Cash flows from financing activities		
Proceeds from issue of equity shares	11,37,62,960	9,46,66,630
Proceeds from securities premium on issue of equity shares	11,40,00,000	2,33,33,315
Proceeds from / (Repayment of) borrowings (net)	75,26,125	(4,67,000)
Interest paid	(26,125)	-
Net cash generated from / (used in) financing activities	23,52,62,960	11,75,32,945
Net increase / (decrease) in cash and cash equivalents	9,42,69,577	10,08,66,053
Cash and cash equivalents - opening balance	12,16,78,578	2,08,12,525
Cash and cash equivalents - closing balance	21,59,48,155	12,16,78,578
Cash and cash equivalents comprise of:		
Cash on hand	20,701	3,010
Balances with Scheduled Banks in:		
- Current Accounts	9,27,454	27,16,787
- Deposit Accounts	21,50,00,000	11,89,58,781
Cash and Bank Balances as per Schedule 5 to the financial statements	21,59,48,155	12,16,78,578

Notes:

- 1) The above cash flow statement has been prepared under the indirect method set out in Accounting Standard 3, 'Cash Flow Statements' prescribed under the Companies (Accounting Standards) Rules, 2006.
- 2) Figures in brackets indicate cash outgo.
- 3) Movement in Housing Loan is classified as cash flow from operating activities.
- 4) Previous year figures have been regrouped / reclassified, wherever necessary to correspond with those of the current year.

As per our report of even date

For and on behalf of the Board of Directors

For **Walker, Chandik & Co**
Chartered Accountants

Rajnish Dhall
Director

Nachiket Shelgikar
Director

Khushroo B. Panthaky
Partner

Avani Shah
Company Secretary

Mumbai
14 June, 2011

Mumbai
14 June, 2011

SCHEDULES

Schedule 1 : Share Capital	As at March 31, 2011	As at March 31, 2010
	(₹)	(₹)
Authorised		
25,000,000 (Previous year 25,000,000) Equity Shares of ₹ 10 each	25,00,00,000	25,00,00,000
	25,00,00,000	25,00,00,000
Issued, Subscribed and Paid up		
23,042,959 (Previous year 11,666,663) Equity Shares of ₹ 10 each fully paid	23,04,29,590	11,66,66,630
	23,04,29,590	11,66,66,630

Schedule 2 : Reserves and Surplus	As at March 31, 2011	As at March 31, 2010
	(₹)	(₹)
Securities Premium		
Balance at the beginning of the year	2,33,33,315	-
Add: Amount received during the year	11,40,00,000	2,33,33,315
	13,73,33,315	2,33,33,315

Schedule 3 : Fixed Assets (₹)										
Assets	Gross Block (At Cost)				Depreciation				Net Block	
	As at 31.03.2010	Additions	Deductions	As at 31.03.2011	As at 31.03.2010	During the Year	Deductions	As at 31.03.2011	As at 31.03.2011	As at 31.03.2010
Computers	2,81,085	5,02,175	-	7,83,260	57,558	1,83,992	-	2,41,550	5,41,710	2,23,527
Furniture and Fixtures	37,126	1,96,052	-	2,33,178	3,935	31,541	-	35,476	1,97,702	33,191
Office Equipment	6,993	17,890	-	24,883	200	2,282	-	2,482	22,401	6,793
Total	3,25,204	7,16,117	-	10,41,321	61,693	2,17,815	-	2,79,508	7,61,813	2,63,511
Previous Year	-	3,25,204	-	3,25,204	-	61,693	-	61,693	2,63,511	-

Schedule 4 : Housing Loans	As at March 31, 2011	As at March 31, 2010
	(₹)	(₹)
Standard Loans		
	10,52,31,417	81,14,214
	10,52,31,417	81,14,214

SCHEDULES

Schedule 5 : Cash and Bank Balance	As at March 31, 2011	As at March 31, 2010
	(₹)	(₹)
Cash on hand	20,701	3,010
Balances with Scheduled Banks in:		
- Current accounts	9,27,454	27,16,787
- Deposit accounts	21,50,00,000	11,89,58,781
	21,59,48,155	12,16,78,578

Schedule 6 : Other Current Assets	As at March 31, 2011	As at March 31, 2010
	(₹)	(₹)
Installments Receivable But Not Due	15,33,976	89,201
Interest Accrued on Fixed Deposits	11,16,585	33,24,300
Prepaid Expenses	1,69,672	-
	28,20,233	34,13,501

Schedule 7 : Loans and Advances	As at March 31, 2011	As at March 31, 2010
	(₹)	(₹)
Loan to MHFC Employee Trust (Refer Note IV (6) of Schedule 13)	3,63,62,960	-
Advances Recoverable in Cash or Kind or for Value to be Received	17,81,417	10,38,050
	3,81,44,377	10,38,050

Schedule 8 : Current Liabilities And Provisions	As at March 31, 2011	As at March 31, 2010
	(₹)	(₹)
Liabilities		
Accounts Payable (Refer Note IV (10) of Schedule 13)	7,73,227	26,79,665
Bank Overdraft	75,26,125	-
Other Liabilities	3,30,141	3,42,637
	86,29,493	30,22,302
Provisions		
Provision for Contingency (Refer Note IV (7) of Schedule 13)	10,52,314	-
Provision for Gratuity (Refer Note IV (2) of Schedule 13)	1,81,835	-
	12,34,149	-
	98,63,642	30,22,302

SCHEDULES

Schedule 9 : Income from Operation	For the year ended March 31, 2011	For the year ended March 31, 2010
	(₹)	(₹)
Fee income	24,04,182	2,98,615
Interest on Housing Loans	53,11,672	3,48,270
	77,15,854	6,46,885

Schedule 10 : Other Income	For the year ended March 31, 2011	For the year ended March 31, 2010
	(₹)	(₹)
Interest from Fixed Deposits	55,78,922	46,03,515
Income towards delayed Payment Charges	14,650	-
Interest on Income Tax Refund	31,671	-
Miscellaneous Income	3,350	-
	56,28,593	46,03,515

Schedule 11: Employee Remuneration and Benefits	For the year ended March 31, 2011	For the year ended March 31, 2010
	(₹)	(₹)
Salaries	93,61,273	42,97,217
Staff welfare	1,55,325	21,117
	95,16,598	43,18,334

Schedule 12 : Operating Expenses	For the year ended March 31, 2011	For the year ended March 31, 2010
	(₹)	(₹)
Advertisement and Marketing Expenses	2,70,221	33,027
Audit Fees (Refer Note IV (1) of Schedule 13)	3,00,000	3,00,000
Insurance	58,994	-
Communication	2,39,069	73,799
Electricity Charges	2,09,325	70,268
Franking Charges	2,53,655	28,777
Miscellaneous Expenses written off	-	3,89,098
Professional, Legal and Consultancy Fees	43,30,413	44,26,423
Printing and Stationery	3,65,492	1,92,036
Provision for Contingency (Refer Note IV (7) of Schedule 13)	10,52,314	-
Repairs and Maintenance	4,30,138	1,65,080
Rent	7,15,000	5,20,000
ROC Filing Fee and Stamp Duty	1,30,140	14,08,510
Travelling, Conveyance and Boarding Expenses	12,82,696	7,27,343
Miscellaneous Expenses	1,52,611	1,33,061
	97,90,068	84,67,422

SCHEDULES

Schedule 13: Significant accounting policies and notes to the financial statements

I. Background

Micro Housing Finance Corporation Limited ("MHFC") was incorporated on May 16, 2008 with the objective to provide housing finance for lower income households in the unorganised sector in urban India.

II. a. Basis of preparation of financial statements

The financial statements which have been prepared under historical cost convention on the accrual basis of accounting, are in accordance with the applicable requirements of the Companies Act, 1956 (the 'Act') and comply in all material aspects with the Accounting Standards prescribed by the Central Government, in accordance with the Companies (Accounting Standards) Rules, 2006, to the extent applicable. The accounting policies have been consistently applied by the Company.

b. Use of estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities as at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Key estimates include estimate of useful life of assets, provision for expenses, retirement benefits, provision on standard assets and income taxes. Actual results could differ from those estimates. Any revision to accounting estimates will be recognised prospectively in the current and future periods.

III. Significant Accounting Policies

a. Fixed assets and depreciation:

Fixed assets are stated at cost of acquisition less accumulated depreciation. Cost includes inward freight, duties, taxes and incidental expenses related to acquisition and installation of the assets upto the point the asset is ready for its intended use.

Depreciation is provided under the Written- Down Value method on pro- rata basis, at the rates and in the manner prescribed under Schedule XIV of the Companies Act, 1956, which also represent the useful lives of the fixed assets.

Individual assets costing up to ₹ 5,000 are fully depreciated in the year of purchase.

b. Impairment of assets:

The carrying amounts of assets are reviewed at each Balance Sheet date so as to determine indication of impairment if any, based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its estimated recoverable amount. The recoverable amount is greater of the asset's net selling price and value in use. In assessing the value in use, the estimated future cash flows are discounted to the present value using the weighted average cost of capital. After impairment, depreciation is provided on revised carrying amount of the assets over its remaining useful life. Previously recognized impairment loss is further increased or reversed depending on changes. However the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging depreciation if there was no impairment.

c. Revenue recognition:

Repayment of housing loans is generally by way of Equated Monthly Installments (EMIs) comprising principal and interest. EMIs commence once the entire loan is disbursed. Pending commencement of EMIs, pre-EMI interest is payable every month. Interest on loans is computed on a monthly rest basis.

Income from interest is accounted on time proportion basis taking into account the amount outstanding and the applicable rate of interest.

Fee income is recognised on the basis of actual receipt.

SCHEDULES

d. Taxation:

Current taxation

Provision for current tax is recognized based on the estimated tax liability computed after taking credit for allowances and exemptions in accordance with the Income Tax Act, 1961.

Deferred taxation

Deferred tax assets and liabilities are recognised for the future tax consequences attributable to timing differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using the enacted tax rates or tax rates that are substantively enacted at the balance sheet dates. The effect on deferred tax assets and liabilities of a change in tax rates is recognised in the period that includes the enactment date. Where there is unabsorbed depreciation or carry forward losses, deferred tax assets are recognised only if there is virtual certainty of realisation of such assets supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised in future. Other deferred tax assets are recognised only to the extent there is reasonable certainty of realisation in the future. Such assets are reviewed at each balance sheet date to reassess realisation.

e. Housing Loans

Housing loans represents outstanding amount of housing loans disbursed directly to borrowers.

f. Retirement benefits:

Defined contribution plan

Provident fund:

Contributions to Provident Fund, a defined contribution scheme, are made to the Regional Provident Fund Authority at prescribed rates and are expensed when due.

Defined benefit plan

Gratuity:

Gratuity is a post employment benefit and is in the nature of a defined benefit plan. The liability recognized in the balance sheet in respect of gratuity is the present value of the defined benefit/ obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The defined benefit/ obligation are calculated at or near the balance sheet date by an independent actuary using the projected unit credit method.

Actuarial gains and losses arising from past experience and changes in actuarial assumptions are charged or credited to the Profit and Loss Account in the year to which such gains or losses relate.

g. Provisions and contingent liabilities:

Provision is recognized when the Company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on management estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates.

Contingent Liabilities are disclosed in respect of possible obligations that arise from past events, whose existence would be confirmed by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company.

SCHEDULES

IV. Notes to the financial statements

1. Auditors' remuneration (excluding service tax)

Particulars	Year ended March 31, 2011	Year ended March 31, 2010
	₹	₹
Statutory Audit	200,000	200,000
Other regulatory services	100,000	100,000
Total	300,000	300,000

2. Employee benefits

Gratuity:

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets compensated for gratuity on departure at 15 days salary (last drawn salary) for each completed year of service.

The principal actuarial assumptions used in determining gratuity for the Company's plans are shown below:

	As at March 31, 2011	As at March 31, 2010
Discount Rate	8.25%	8.00%
Salary escalation rate	7.00%	7.00%
Employee attrition rate	1% at each age	1% at each age

3. Related party disclosures

Particulars of related party transactions (as certified and confirmed by the management):

Particulars	Year ended March 31, 2011	Year ended March 31, 2010
	₹	₹
I. Key Managerial Personnel		
1. Mr Madhusudhan Menon, Director		
2. Mr Rajnish Dhall, Director		
3. Mr Nachiket Shelgikar, Director		
Note: No salary / allowances were paid to the above key managerial persons for the years ended March 31, 2011 and March 31, 2010.		
II. Other transactions		
a. Repayment of unsecured interest free loan by the directors to the Company	-	467,000
b. Allotment of shares to directors	254,000	48,333,330
c. Loan to MHFC Employees Trust in which directors of the Company are trustees	36,362,960	-

SCHEDULES

4. Loss per share

Particulars	Year ended March 31, 2011	Year ended March 31, 2010
Net Loss for equity share holders (₹)	6,203,927	7,597,049
Weighted average number of equity shares outstanding during the year (Basic and Diluted)	12,118,616	6,505,387
Basic and Diluted loss per share (Equity share of ₹10 each)	(0.51)	(1.17)

5. Deferred Taxation

The components of deferred tax assets and liabilities arising on account of timing differences between taxable income and book income are as follows:

Particulars	As at March 31, 2011	As at March 31, 2010
	(₹)	(₹)
Deferred tax liability		
Depreciation	53,955	-
Total (A)	53,955	-
Deferred tax assets		
Gratuity	56,187	-
Total (B)	56,187	-
Net deferred tax asset (B-A)	2,232	-

6. Pursuant to Board Resolutions passed in meetings dated 15 June, 2010 & 17 January, 2011, the Company provided interest free loans aggregating ₹ 36,362,960 to the MHFC Employees Trust to enable its employees to subscribe to equity shares of the Company. These shares will eventually be allotted to present and future employees of MHFC at par value. As and when allotted, the trust will use the subscription proceeds to repay the loan to the Company.

7. The Company has provided ₹1,052,314 towards provision for contingency at the rate of 1% of total housing loans outstanding as at March 31, 2011.

8. Loan to Value Ratios (LTV)

Particulars	Year ended March 31, 2011	Year ended March 31, 2010
	%	%
Average LTV at sanction	73	67
Average LTV at current market prices as estimated by management	61	67

SCHEDULES

9. Additional disclosures

Particulars	Year ended March 31, 2011	
	a. Capital to Risk Assets Ratio (CRAR)	167.09%
b. Exposure to real estate sector, both direct and indirect (₹)	105,231,417	
c. Maturity pattern of assets and liabilities	Average Amount ₹	Average Tenor (yrs)
Assets		
Weighted average tenor of housing loans		
- Sanctioned	395,234	12.37
- Outstanding	301,196	12.15
Liabilities	-	-

10. There are no Micro, Small and Medium Enterprises, to whom the Company owes dues, which are outstanding for more than 45 days as at March 31, 2011. This information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company and has been relied upon by the statutory auditors of the Company.
11. Figures for the previous year have been regrouped and rearranged and recasted wherever considered necessary to confirm to current year's presentation.

Signatures to Schedules 1 to 13

For and on behalf of the Board of Directors

Rajnish Dhall
Director

Nachiket Shelgikar
Director

Mumbai
14 June, 2011

BALANCE SHEET ABSTRACT

Balance Sheet Abstract and Company's General Business Profile

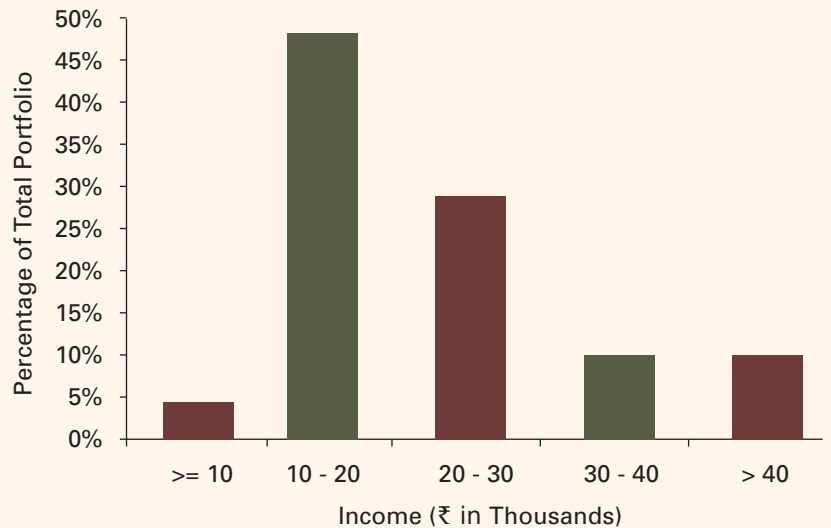
I. REGISTRATION DETAILS			
Registration Number	1,82,274	State Code	11
Balance Sheet Date	31.03.2011		
II. CAPITAL RAISED DURING THE YEAR (₹ IN THOUSANDS)			
Public Issue	NIL	Right Issue	NIL
Bonus Issue	NIL	Private Placement	1,13,763
III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (₹ IN THOUSANDS)			
Total Liabilities	3,67,763	Total Assets	3,67,763
SOURCES OF FUNDS			
Paid-up Capital	2,30,430	Reserves & Surplus	1,37,333
Secured Loans	NIL	Unsecured Loans	NIL
APPLICATION OF FUNDS			
Net Fixed Assets	762	Housing Loans	1,05,231
Net Current Assets	2,47,049	Investments	NIL
Accumulated Losses	14,718	Misc. Expenditure	NIL
IV. PERFORMANCE OF COMPANY (₹ IN THOUSANDS)			
Turnover	13,344	Total Expenditure	19,551
Profit / Loss Before Tax (+ Profit, - Loss)	-6,206	Profit / Loss After Tax (+ Profit, - Loss)	-6,204
Loss Per Share In ₹	0.51	Dividend Rate %	NIL
V. GENERIC NAMES OF PRINCIPAL PRODUCTS / SERVICES OF COMPANY (AS PER MONETARY TERMS)			
Items Code No. (ITC Code)	NIL	Product Description	Housing Finance

OUR PORTFOLIO

ESTIMATED MONTHLY HOUSEHOLD INCOME

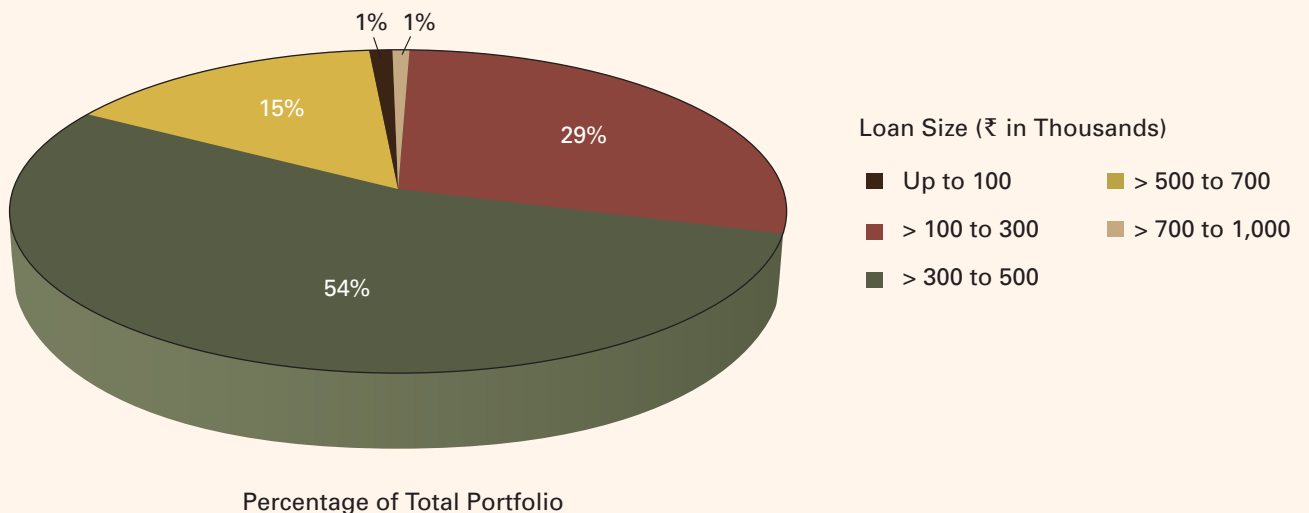
MHFC customers primarily work in the unorganized sector, either as salaried employees within the informal sector (e.g. drivers, domestic help, casual labourers), or as self employed microentrepreneurs running their own businesses (e.g. vegetable vendors, auto-rickshaw drivers, tailors).

Approximately 50 % of our customers earn cumulative household incomes of between ₹ 10,000 to ₹ 20,000 per month - enough to comfortably service EMLs of up to ₹ 6,000 to ₹ 8,000.



LOAN SIZE

With flat costs ranging from ₹ 2,50,000 to ₹ 10,00,000, the weighted average ticket size of our portfolio is ₹ 4,00,000. The average Loan to Value (LTV) ratio is estimated to be 73%, with an average loan tenor of 11 years.





MHFC Customer Ibrahim Shaikh in his auto-servicing garage in Colaba, Mumbai

PROJECT FEATURE

DREAMS NIVARA, Urli Kanchan, Pune

Dreams Nivara is a low-cost housing project launched by the Dreams Group in Urli Kanchan, a fast growing suburb of Pune. Spread over 27 acres, the project offers 1,700 budget apartments from ₹ 3.75 lakhs onwards and includes various amenities such as landscaped gardens, a gymnasium and club house, and a meditation hall.

Apart from residences, the project also includes over 85 commercial spaces, including a shopping centre to service its resident's needs. Equal emphasis has been placed on developing on-site social and community spaces, such as a multi-purpose community hall, children's play areas and a party lawn.



“ We were able to buy an affordable flat within our budget at Dreams Nivara. We currently live in a slum - I wouldn't have been able to take a loan from any other bank, but MHFC helped me out by giving me a loan, and fulfilling our dream. I'm very grateful to the Dreams Group and MHFC.

”
- MHFC Customer, Dhyaneshwar Tukaram Mane

DREAMS NIVARA : FLAT DETAILS

Flat Type	Flat Size	Approx Flat Price*
1 RK	200 - 240 sq ft	Rs 3.75 - 4.50 lakhs
1 BHK	280 - 291 sq ft	Rs 5.25 - 5.45 lakhs
2 BHK	360 - 430 sq ft	Rs 6.75 - 8.00 lakhs

* not including stamp duty and other charges



OUR LOCATIONS

MHFC works in Tier I and Tier II cities in urban India.



BRIEF PROFILE OF DIRECTORS & MANAGEMENT

Madhusudhan Menon (Chairman)

Madhu is a Chartered Accountant with over 23 years of banking experience, initially with the Reserve Bank of India and then with American Express Bank ("AEB"). Since leaving AEB in 2002 as Senior Director, responsible for Commercial Banking and Capital Market activities in India, he has been an advisor to various business groups in India as a wealth management and capital market specialist. He has a keen interest in using commercially viable business models to stimulate and sustain social change.

Rajnish Dhall (Managing Director)

Rajnish completed his P.G.D.M from the IIM (Ahmedabad), after which he worked with American Express Bank in a variety of roles for 15 years, the last 10 of which were overseas based. He left the Bank as a Senior Director in 2006 and returned to Mumbai to work in the social sector (advising Aangan, an NGO which works in state run children homes and as a member of the Justice Dhanuka court appointed committee to look into the infrastructure of Mumbai municipal schools).

Nachiket Shelgikar (Director - Sales and Marketing)

Nachiket completed his B.S. from the Carnegie Mellon University, after which he worked with Deutsche Bank in M&A for a year in London. He left the Bank in August 2008, and returned to Mumbai to work as a social entrepreneur.

Ramesh Ogale (Director - Projects)

Ramesh has more than 25 years of experience in the Real Estate sector. He promoted his own construction company for building and marketing housing for low and middle income buyers in the coastal Maharashtra region. Prior to that, he was working with Makers Development Services, where he worked on various turnkey township projects. As a result he is well exposed to construction practices, and project management. He has also interacted with various housing finance companies throughout his career.

Jayesh Shah (Director - Credit and Operations)

Jayesh joined HDFC, India's leading housing finance company, as a management trainee in June 1987 and over his 22 year career with the firm, he worked across all major departments. In addition, he was on specific local assignments including the development of an online loan processing system and on international assignments (with the ADB and SMF) in Sri Lanka and Indonesia. He also was a regular faculty at the HDFC training centre, where his area of specialization was Credit Risk Management and Loan Process Improvisation. Further, he worked on pilot HDFC social development projects on microfinancing, housing and social infrastructure with agencies like BAIF, KfW, Baroda Citizen's Council and United Way of Vadodara.

Siddhartha Padgaonkar (General Manager - Operations)

Siddhartha has worked as a Management Consultant in US for the past six years, specializing in the process optimization and projects management. His clients include Freddie Mac, Fannie Mae and Federal Emergency Management Agency where he focussed on disaster management, low income housing and infrastructure restoration. Sid holds a Master's degree in Systems Engineering from the George Washington University and is a certified Projects Management Professional.

Vilasini Subramaniam (General Manager - Credit)

Vilasini is a Chartered Accountant with over 7 years of banking experience, mostly with Citibank where she worked for 6 years, primarily in the Mortgage division where she was responsible for managing credit risk for loans originated by branches in South India. Prior to joining MHFC, she worked in microfinance for over a year with Janalakshmi Financial Services, where she helped in developing processes around Individual Loan products. She also worked closely with Janaadhar Housing (a sister concern of Janalakshmi focussing on affordable housing) assisting in organising a market survey for ascertaining the demand for affordable housing, and in drafting the housing product & related processes.

BRIEF PROFILE OF DIRECTORS & MANAGEMENT

In addition, MHFC is assisted on the Board by:

Ashish Karamchandani

Ashish led The Monitor Group's consulting business in India for 7 years, after which he has been in charge of its social change initiative that is "using market based solutions to create social change". One of the specific initiatives is on low income housing. He has led an in-depth World Bank study for the National Housing Bank that has confirmed the customer demand and buying power and developed innovative solutions to meet this demand using the current market. He and his team are currently in the process of facilitating a number of pilots that will help "make" this market. In terms of educational qualifications, he has a B.Tech from IIT, Bombay, an M.S. from Berkeley and a PhD. from Stanford University.

Mona Kachhwaha

Mona Kachhwaha is the Director - Investments of Caspian Advisors which manages the India Financial Inclusion Fund. She joined Caspian in Aug 2007 after a long stint with Citibank India, where she worked between 1994 and 2007. In a career spanning 13 years with the Global Consumer Banking Division of Citibank India, she worked in a range of functions including Operations, Sales, Product Development, Credit Risk Management and Business Management, and across many product groups. From 2002-05 she was the head of Credit Administration and Credit Policy functions for the Mortgage Business for Citi, and from 2005 she set up and managed the Bank's Microfinance Business until 2007. Mona Kachhwaha graduated in Mathematics from Delhi University (1992) and holds a Post Graduation Diploma in Business Management from XLRI, Jamshedpur (1994).

Geeta Goel

Geeta Goel manages the Michael & Susan Dell Foundation's (MSDF) microfinance initiative in India, which includes a portfolio of over 10 microfinance (and related) institutions. Prior to joining the Foundation, she spent over 12 years with the Corporate Finance Group of PricewaterhouseCoopers in India, advising large Indian and multi-national clients on joint ventures, mergers & acquisitions, business plans and valuations. Geeta has also advised clients in capital structuring and raising private equity. She is an alumni of IIM (Ahmedabad) and Lady Shri Ram College (Delhi).

Micro Housing Finance Corporation Limited (“MHFC”)

#3, Victoria Building, 1st Floor
S.A. Brelvi Road
Fort, Mumbai 400 001
India

Tel: +91 22 2266 0130

Email: contact@mhfcindia.com

Website: www.mhfcindia.com

Auditors:

M/s Walker, Chandiok & Co
Engineering Centre, 6th Floor
9 Mathew Road
Opera House, Mumbai 400 004

Tel: + 91 22 6626 2600

Photography:

Unnati Agarwal
Hashim Badani
Gautam Singh for Civil Society Magazine





MHFC Customer Neetu Chauhan with her family in her newly purchased flat in Virar