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SECTION I - GENERAL

DEFINITIONS AND ABBREVIATIONS

Unless the context otherwise requires the following terms shall have the following meanings ascribed thereto in this Draft Prospectus. Reference to any statutes, regulations and policies shall include amendments thereto, from time to time.

All references to ñIssuerò, ñweò, and ñusò, ñourò a
Limited. In this Draft Prospectus, all references to
subsidiaries.

Company Related Terms

Term	Description
ñIssuerò, Companyò a Companyò	India Infoline Housing Finance Limited, a company incorporated under the Companies Act, 1956 and registered as a Housing Finance Company with the National Housing Bank, and having its Registered Office at 12A-10, 13th floor, Parinee Crescenzo, G Block, C-38 and 39, Bandra Kurla Complex, Bandra (East) ï 400 051.
Act / Companies Act	The Companies Act, 2013 read with rules framed by the Government of India from time to time
1956 Act/ Companies Act, 1956	The Companies Act, 1956, as amended from time to time
AOA / Articles / Articles of Association	Articles of Association of our Company
Board / Board of Directors	The Board of Directors of our Company and includes any Committee thereof
DIN	Director Identification Number
Equity Shares	Equity shares of face value of ` 10 each of our Company
IIFL Group	India Infoline Limited and its subsidiaries
Loan Assets	Assets under financing activities
Memorandum / MOA / Memorandum of Association	Memorandum of Association of our Company
Net Loan Assets	Assets under financing activities net of Provision for non-performing assets
NAV	Net Asset Value
NBFC	Non-Banking Financial Company as defined under Section 45-IA of the RBI Act, 1934
NPA	Non Performing Asset
Promoter	India Infoline Finance Limited
Promoterôs IIFL	India Infoline Limited
` / Rs./ INR / Rupees	Indian Rupees
Reformatted Financial Statements	The statement of reformatted audited assets and liabilities of our Company, and the related statement of reformatted statement of profit and loss of our Company and the related statement of reformatted cash flow of our Company as at and for the Financial Years ending March 31, 2013, 2012, 2011, 2010 and 2009 and and period ending September 30, 2013, extracted from the audited financial statements as at and for the Financial Years ended March 31, 2013, 2012, 2011, 2010 and 2009 and and period ending September 30, 2013 and the notes thereto, as examined by our Companyôs Statutory Auditors, Shar
Statutory Auditors / Auditors	Our statutory auditors being Sharp & Tannan Associates

Issue Related Terms

Term	Description
Allotment / Allotted	Unless the context otherwise requires, the allotment of the NCDs pursuant to the Issue to the Allottees

Term	Description
Allotment Advice	The communication sent to the Allottees conveying details of NCDs allotted to the Allottees in accordance with the Basis of Allotment.
Allottee	The successful Applicant to whom the NCDs are being / have been Allotted pursuant to the Issue
Applicant/ Investor	Any prospective applicant who makes an Application pursuant to the Prospectus and the Application Form. For more information on eligibility of the prospective applicant please refer to chapter "*Issue Procedure*" on page 141
Application	An application to subscribe to NCDs offered pursuant to the Issue by submission of a valid Application Form and payment of the Application Amount by any of the modes as prescribed under the Prospectus.
Application Amount	Shall mean the amount of money that is paid by the Applicant while making the Application in the Issue by way of a cheque or demand draft or the amount blocked in the ASBA Account
Application Form	The form used by an Applicant to apply for NCDs being issued through the Prospectus
Application Supported by Blocked Amount/ ASBA, ASBA Application	Shall mean the Application (whether physical or electronic) used by an investor to make an Application authorizing the SCSB to block the amount payable on Application in its specified bank account;
ASBA Account	An account maintained by an ASBA Applicant with a SCSB which will be blocked by such SCSB to the extent of the Application Amount in relation to the Application Form made in ASBA mode.
Bankers to the Issue / Escrow Collection Banks	The banks which are clearing members and registered with SEBI as Bankers to the Issue, with whom the Escrow Account will be opened as disclosed in the chapter "*General Information*" on page 1
Base Issue	Public Issue of NCDs by our Company aggregating upto ` 2,500 million
Basis of Allotment	The basis on which NCDs will be allotted to successful applicants under the Issue and which is described in "*Issue Procedure* – *Basis of Allotment*" on page
Business Days	All days excluding Saturdays, Sundays or a public holiday in India or at any other payment centre notified in terms of the Negotiable Instruments Act, 1881.
CARE	Credit Analysis and Research Limited
Co-Lead Managers	Co-Lead Managers shall mean Karvy Investor Services Limited, RR Investors Capital Services Private Limited and SMC Capitals Limited
CRISIL	CRISIL Limited
NCDs/ Bonds/ IIFL Home Bonds	Secured Redeemable Non-Convertible Debentures of face value of ` 1,000 each
Debt Listing Agreement	The listing agreement between our Company and the relevant stock exchange(s) in connection with the listing of debt securities of our Company
Deemed Date of Allotment	The date of issue of the Allotment Advice, or such date as may be determined by the Board or a duly constituted committee thereof, and notified to the Exchanges. All benefits relating to the NCDs including interest on the NCDs shall be available to the investors from the Deemed Date of Allotment. The actual Allotment of NCDs may take place on a date other than the Deemed Date of Allotment
Demographic Details	On the basis of name of the applic Depository Participant-Identification number and Beneficiary Account Number provided by the Applicants in the Application Form, the Registrar to the Issue will obtain from the Depository, demographic details of the investor such as address, PAN, bank account details for printing on refund orders or used for refunding through electronic mode, as applicable and occupation. These Demographic Details would be used for all correspondence with the Applicants including mailing of refund orders/ Allotment Advice and printing of bank particulars on refund/interest order and Demographic Details given by Applicant in the Application Form wouldn't
Depositories Act	The Depositories Act, 1996, as amended from time to time
Depository(ies)	National Securities Depository Limited (NSDL) and /or Central Depository Services (India) Limited (CDSL)
DP / Depository	A depository participant as defined under the Depositories Act

Term	Description
Participant	
Designated Stock Exchange/ DSE	National Stock Exchange of India Li
Designated Branches	Such branches of the SCSBs which shall collect the Application Forms used by the ASBA Applicants and a list of which is available at www.sebi.gov.in
Designated Date	The date on which the Escrow Collection Banks transfer the funds from the Escrow Account to the Public Issue Account or the amount blocked by the SCSBs is transferred from the ASBA Accounts specified by the ASBA Applicants to the Public Issue Account, as the case may be, following which the Board of Directors/or duly authorised Committee of Directors approves the Allotment of the NCDs
Draft Prospectus / Draft Offer Document	This draft prospectus dated November 22, 2013 filed with the Designated Stock Exchange and BSE for receiving public comments in accordance the regulation 6(2) of the SEBI Debt Regulations
Escrow Agreement	Agreement dated [ŏ], 2013 entered Escrow Collection Bank, Lead Managers and the Co-Lead Managers for collection of the Application Amount and for remitting refunds, if any, of the amounts collected, to the applicants (excluding the ASBA Applicants) on the terms and conditions contained thereof
Escrow Account	Accounts opened in connection with the Issue with the Escrow Collection Bank(s) and in whose favour the applicant will issue cheques or bank drafts in respect of the Application Amount while submitting the Application
Institutional Portion	Portion of Applications received from Category I of persons eligible to apply for the issue which includes Resident Public Financial Institutions, Statutory Corporations including State Industrial Development Corporations, Commercial Banks, Co-operative Banks and Regional Rural Banks, which are authorised to invest in the NCDs, Provident Funds of minimum corpus of ` 250 million , Pension Funds, Superannuation Funds and Gratuity Fund, which are authorised to invest in the NCDs, Venture Capital funds and / or Alternative Investment Funds registered with SEBI, Insurance Companies registered with the IRDA, National Investment Fund (set up by resolution no. F. No. 2/3/2005-DDII dated November 23, 2005 of the Government of India and published in the Gazette of India), Insurance funds set up and managed by the Indian army, navy or the air force of the Union of India or by the Department of Posts, India, Mutual Funds, registered with SEBI
Issue	Public Issue of NCDs by our Company aggregating upto ` 2,500 million with an option to retain over-subscription upto ` 2,500 million aggregating to a total of upto ` 5,000 million
Issue Opening Date	[ŏ], 2013
Issue Closing Date	[ŏ], 2013, or such earlier or lat Committee of the Board of Directors of our Company decide, as the case may be, and communicated to the prospective investors and the Stock Exchanges through notice of such early/ late closure given on such early date of closure through advertisement/s in a leading national daily newspaper
Lead Managers	Axis Capital Limited, India Infoline Limited, Trust Investment Advisors Private Limited and Edelweiss Financial Services Limited
Lead Brokers	Lead Brokers who have been appointed *vide* memorandum of understanding dated [ŏ], 2013
Market Lot	One NCD
Members of Syndicate	Members of Syndicate includes Lead Managers, Co-Lead Managers, Lead Brokers and Sub Brokers
NCD Holder/ Debenture Holder	Any debenture holder who holds the NCDs issued in this Issue and whose name appears in the register of debenture holders.
Non-Institutional Portion	Category II of persons eligible to apply for the Issue which includes Companies, Bodies Corporate and Societies registered under the applicable laws in India and authorised to invest in NCDs, Educational institutions and associations of persons and/or bodies established pursuant to or registered under any central or state statutory enactment; which are authorized to invest in the NCDs, Public/Private Charitable/Religious Trusts which are authorised to invest in the NCDs, Scientific and/or Industrial Research Organisations, which are authorised to invest in the

Term	Description
	NCDs, Partnership Firms in the name of the partners and Limited Liability partnerships formed and registered under the provisions of the Limited Liability Partnership Act, 2008 (No. 6 of 2009) and Resident Indian individuals and Hindu undivided families through the Karta applying who apply for NCDs aggregating to a value exceeding ` 1.00 million
Prospectus / Offer Document	The prospectus dated [ ], 2013 filed with the ROC in accordance with the SEBI Debt Regulations, containing inter alia the coupon rate for the NCDs and certain other information
Public Issue Account	Account opened with the Bankers to the Issue to receive monies from the Escrow Account and from the SCSBs on the Designated Date
Refund Account	The account opened with the Escrow Banks, from which refunds, if any, of the whole or part of the Application Amount (excluding the ASBA Applicant) shall be made
Registrar to the Issue/Registrar	Link Intime India Private Limited
Registrar Agreement	The agreement dated November 01, 2013 between our Company and the Registrar in connection with the Issue
SEBI Debt Regulations/ Debt Regulations/ SEBI Regulations	Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008, as amended from time to time.
SCSBs or Self Certified Syndicate Banks	The banks registered with SEBI under the Securities and Exchange Board of India (Bankers to an Issue) Regulations, 1994 offering services in relation to ASBA, including blocking of an ASBA Account, and a list of which is available on www.sebi.gov.in or at such other web-link as may be prescribed by SEBI from time to time. A list of the branches of the SCSBs where ASBA Applications submitted to the Lead Managers, Lead Brokers or the Trading Member(s) of the Stock Exchange, will be forwarded by such Lead Managers, Lead Brokers or the Trading Members of the Stock Exchange is available at www.sebi.gov.in or at such other web-link as may be prescribed by SEBI from time to time
Stock Exchange(s)	BSE Limited and National Stock Exchange of India Limited
Syndicate ASBA Application Locations	Application centres at Mumbai, Chennai, Kolkata, Delhi, Ahmedabad, Rajkot, Jaipur, Bengaluru, Hyderabad, Pune, Vadodara and Surat where the members of the Syndicate shall accept ASBA Applications.
Syndicate SCSB Branches	In relation to ASBA Applications submitted to a member of the Syndicate, such branches of the SCSBs at the Syndicate ASBA Application Locations named by the SCSBs to receive deposits of the Application Forms from the members of the Syndicate, and a list of which is available on http://www.sebi.gov.in/sebiweb/home/list/5/33/0/0/Recognised-Intermediaries or at such other website as may be prescribed by SEBI from time to time.
Trading member	Trading members registered with the stock exchanges who are not empanelled as Lead Brokers or sub brokers
Tripartite Agreement(s)	Agreements entered into between the Issuer, Registrar and each of the Depositories under the terms of which the Depositories have agreed to act as depositories for the securities issued by the Issuer
Trustees / Debenture Trustee	Trustees for the holders of the NCDs, in this case being IDBI Trusteeship Services Limited
Working Days	All days other than a Sunday or a public holiday in Mumbai on which commercial banks are open for business, except with reference to Issue Period, where working day shall mean all days, excluding Saturdays, Sundays and public holidays, which are working days for commercial banks in India

Business/Industry Related Terms

Term	Description
ALM	Asset Liability Management
ALCO	Asset ïLiability Committee
ATS	Average Ticket Size
Average Cost of Borrowing	Amount that is calculated by dividing the interest paid during the period by average of the monthly outstanding

Term	Description
CRAR	Capital-to-Risk-Weighted Assets Ratio
DSA	Direct Sales Agent
FIR	First Information Report
Gross Spread	Yield on the average minus the cost of funds
LC	Loan Company
Loan Book	Outstanding loans net of provisions made for NPAs
Prudential Norms	Prudential norms for income recognition, accounting standards, asset classification, provision for bad and doubtful assets, capital adequacy and concentration of credit/investment to be observed by the housing finance institutions under the Housing Finance Companies (National Housing Bank) Directions, 2010, as amended
Secured Loan Book	Secured loan given against hypothecation of asset

Conventional and General Terms or Abbreviations

Term	Description
AGM	Annual General Meeting
BSE	BSE Limited
CAGR	Compounded Annual Growth Rate
CDSL	Central Depository Services (India) Limited
DRR	Debenture Redemption Reserve
EGM	Extraordinary General Meeting
EPS	Earnings Per Share
FDI Policy	FDI in an Indian company is governed by the provisions of the FEMA read with the FEMA Regulations and the Foreign Direct Investment Policy
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time
FEMA Regulations	Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, as amended from time to time
FII/FIIs	Foreign Institutional Investor(s)
Financial Year / FY	Financial Year ending March 31
GDP	Gross Domestic Product
GoI	Government of India
G-Sec	Government Securities
HFC(s)	Housing Finance Company (ies)
HUF	Hindu Undivided Family
IFRS	International Financial Reporting Standards
IFSC	Indian Financial System Code
Indian GAAP	Generally Accepted Accounting Principles in India
IRDA	Insurance Regulatory and Development Authority
IT Act	The Income Tax Act, 1961, as amended from time to time
IT	Information Technology
KYC	Know Your Customer
LTV	Loan to value
MCA	Ministry of Corporate Affairs, Government of India
MICR	Magnetic Ink Character Recognition
MIS	Management Information System
NECS	National Electronic Clearing Services
NEFT	National Electronic Funds Transfer
NII(s)	Non-Institutional Investor(s)
NIM	Net Interest Margin
NHB	National Housing Bank
NHB Directions, 2010	The Housing Finance Companies (NHB) Directions, 2010, as amended from time to time
NRI	Non Resident Indian
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited
PAN	Permanent Account Number
RBI	The Reserve Bank of India
RBI Act	The Reserve Bank of India Act, 1934, as amended from time to time

Term	Description
RM	Relationship Manager
ROC	Registrar of Companies, Maharashtra, Mumbai
RTGS	Real Time Gross Settlement
SBI	State Bank of India
SCRA	Securities Contracts (Regulation) Act, 1956, as amended from time to time
SCRR	The Securities Contracts (Regulation) Rules, 1957, as amended from time to time
SEBI	The Securities and Exchange Board of India constituted under the Securities and Exchange Board of India Act, 1992
SEBI Act	The Securities and Exchange Board of India Act, 1992 as amended from time to time
TDS	Tax Deducted at Source
WDM	Wholesale Debt Market

Notwithstanding the foregoing:

1. In the chapter titled "***Summary of Main Provisions of the Articles of Association***" beginning on page 187, defined terms have the meaning given to such terms in that section.

2. In the chapter titled "***Financial Statements***" beginning on page 67, defined terms have the meaning given to such terms in that chapter.

3. In the paragraphs titled "***Disclaimer Clause of NSE***" and "***Disclaimer Clause of BSE***" beginning on page 173 in the chapter titled "***Other Regulatory and Statutory Disclosures***" beginning on page 173, defined terms shall have the meaning given to such terms in those paragraphs.

4. In the chapter titled "***Statement of Tax Benefits***" beginning on page 24, defined terms have the meaning given to such terms in that chapter.

5. In the chapter titled "***Key Regulations and Policies***" beginning on page 178, defined terms have the meaning given to such terms in that chapter.

In the chapter titled "***Our Business***" beginning on page 39, defined terms have the meaning given to such terms in that chapter.

PRESENTATION OF FINANCIAL, INDUSTRY AND OTHER INFORMATION

Certain Conventions

In this Draft Prospectus, unless otherwise specified or the context otherwise indicates or implies the terms, all references to ñIndia Infoline Housing Finance Limite
India Infoline Housing Finance Limited.

All references to ñIndiaò are to the Republic of India and it
ñGovernmentò or the ñState Governmentò are to the Gov

Financial Data

Our Company publishes its financial statements in Ru
accordance with Indian GAAP and the Companies Act, 1956.

The Reformatted Financial Statements are included in this Draft Prospectus alongwith the examination reports on the Reformatted Summary Financial Statements, as
Tannan Associates in the chapter titled ñ***Financial Statements***ò beginning at page 67.

In this Draft Prospectus, any discrepancies in any table, including ñ***Capital Structure***ò and ñ***Objects of the Issue***ò between the total and the sum of the amounts lis
rounded off to two decimal places.

There are significant differences between Indian GAAP, US GAAP and IFRS. We urge you to consult your own advisors regarding such differences and their impact on our financial data. Accordingly, the degree to which the Indian GAAP financial statements included in this Draft Prospectus will provide meaningful information is entirely dependent on the readerôs level of familiar
with Indian accounting practices on the financial disclosures presented in this Draft Prospectus should accordingly be limited.

Currency and units of Presentation

In this Draft Prospectus, all references to óRupeesô / óRs.ô, /t
of the Republic of India.

Except where stated otherwise in this Draft Prospectus, all figures have been expressed in
references to ómillion/Million/Mnô refer to one mill
óLakhs/Lacs/Lacô means óone hundred thousandsô and ó
means óone hundred croresô.

Industry and Market Data

Unless stated otherwise, industry and market data used throughout this Draft Prospectus has been obtained from industry publications. Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Accordingly no investment decision should be made on the basis of such information. Although our Company believes that industry data used in this Draft Prospectus is reliable, it has not been independently verified. Also, data from these sources may not be comparable. Similarly, internal reports, while believed by us to be reliable, have not been verified by any independent sources.

The extent to which the market and industry data used in this Draft Prospectus is meaningful depends on the readerôs familiarity with and understanding of the me

FORWARD LOOKING STATEMENTS

This Draft Prospectus contains certain statements that are not statements of historical fact and are in the nature of "forward-looking statements". Forward-looking statements generally can be identified by words or phrases such as "aim", "anticipate", "believe", "continue", "expect", "es "potential", "project", "will", "will continue", "wi words or phrases of similar import. All statements regarding our expected financial condition and results of operations and business plans and prospects are forward-looking statements. These forward-looking statements include statements as to our business strategy, revenue and profitability and other matters discussed in this Draft Prospectus that are not historical facts.

All forward-looking statements are subject to risks, uncertainties and assumptions about us that could cause actual results, performance or achievements to differ materially from those contemplated by the relevant statement.

Actual results may differ materially from those suggested by the forward looking statements due to risks or uncertainties associated with our expectations with respect to, but not limited to, regulatory changes pertaining to the our businesses and our ability to respond to them, our ability to successfully implement our strategies, our growth and expansion, technological changes, our exposure to market risks, general economic and political conditions in India and which have an impact on our business activities or investments, the monetary and fiscal policies of India, inflation, deflation, unanticipated turbulence in interest rates, equity prices or other rates or prices, the performance of the financial markets in India and globally, changes in domestic laws, regulations and taxes and changes in competition in our industry.

Important factors that could cause actual results to differ materially from our expectations include, but not limited to, the following:

- Any increase in the levels of non performing assets ("NPA whatsoever, would adversely affect our business and results of operations;
- Any volatility in interest rates which could cause our Gross Spreads to decline and consequently affect our profitability;
- Changes in the value of Rupee and other currency changes;
- Unanticipated turbulence in interest rates or other rates or prices; the performance of the financial and capital markets in India and globally;
- Changes in political conditions in India;
- The rate of growth of our Loan Assets;
- The outcome of any legal or regulatory proceedings we are or may become a party to;
- Changes in Indian and/or foreign laws and regulations, including tax, accounting, banking, securities, insurance and other regulations; changes in competition and the pricing environment in India; and regional or general changes in asset valuations;
- Any changes in connection with policies, statutory provisions, regulations and/or NHB directions in connection with HFCs, including laws that impact our lending rates and our ability to enforce our collateral;
- Emergence of new competitors;
- Performance of the Indian debt and equity markets;
- Occurrence of natural calamities or natural disasters affecting the areas in which our Company has operations;
- The performance of the financial markets in India and globally;
- Our ability to attract and retain qualified personnel; and
- Other factors discussed in this Draft Prospectus, including under "***Risk Factors***" or the c beginning on page X.

For further discussion of factors that could cause our actual results to differ from our expectations, please refer to the sections titled "***Risk Factors***", "***Industry***" and "***Our Business***" beginning on pa X, 28 and 39 respectively.
By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Forward looking statements speak only as on the date of this Draft Prospectus. The forward-looking statements contained in this Draft Prospectus are based on the beliefs of management, as well as the assumptions made by and information currently available to management. Although we believe that the

expectations reflected in such forward-looking statements are reasonable at this time, it cannot assure investors that such expectations will prove to be correct or will hold good at all times. Given these uncertainties, investors are cautioned not to place undue reliance on such forward-looking statements. If any of these risks and uncertainties materialise, or if any of our underlying assumptions prove to be incorrect, our actual results of operations or financial condition could differ materially from that described herein as anticipated, believed, estimated or expected. All subsequent forward-looking statements attributable to us are expressly qualified in their entirety by reference to these cautionary statements. Neither our Company or the Lead Managers or Co-Lead Managers, nor any of their respective affiliates has any obligation to, and do not intend to, update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. Our Company, Lead Managers and Co-Lead Managers will ensure that investors in India are informed of material developments until the time of the grant of listing and trading permission by the Stock Exchange(s).

SECTION II - RISK FACTORS

An investment in NCDs involves a certain degree of risk. You should carefully consider all the information contained in this Draft Prospectus, including the risks and uncertainties described below, before making an investment decision. The risk factors set forth below do not purport to be complete or comprehensive in terms of all the risk factors that may arise in connection with our business or any decision to purchase, own or dispose of the NCDs. The following risk factors are determined on the basis of their materiality. In determining the materiality of risk factors, we have considered risks which may not be material individually but may be material when considered collectively, which may have a qualitative impact though not quantitative, which may not be material at present but may have a material impact in the future. Additional risks, which are currently unknown or now deemed immaterial, if materialises, may in the future have a material adverse effect on our business, financial condition and results of operations. The market prices of the NCDs could decline due to such risks and you may lose all or part of your investment including interest thereon.

Unless specified or quantified in the relevant risk factors below, we are not in a position to quantify the financial or other implication of any of the risks described in this section. This Draft Prospectus also contains forward-looking statements that involve risks and uncertainties. Our results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including events described below and elsewhere in this Draft Prospectus. Unless otherwise stated, the financial information used in this section is derived from and should be read in conjunction with reformatted financial statements of our Company as of and for the Half Year ended September 30, 2013, the Financial Year ended March 31, 2013, March 31, 2012, March 31, 2011, March 31, 2010 and March 31, 2009, in each case prepared in accordance with Indian GAAP, including the annexure and notes thereto.

Internal Risk Factors

1. ***We are subject to certain legal proceedings and any adverse decision in such proceedings may have a material adverse effect on our business and results of operations.***

   We are subject to a number of legal proceedings. We incur a substantial cost in defending these proceedings before a court of law. Moreover, we are unable to assure you that we shall be successful in any or all of these actions. In the event we suffer any adverse order, our reputation may suffer and may have an adverse impact on our business and results of operations.

   For further details of the legal proceedings that we are subject to, please refer to the chapter titled "***Outstanding Litigations***".

2. ***We have been issued notices by the NHB and any adverse decision may affect our business.***

   NHB has issued us a showcause notice dated September 20, 2010 alleging contraventions of Paragraphs 24 and 26 of the HFC (NHB) Directions, 2010 and as to why IIHFL should continue to be regarded as a housing finance company. We have *vide* letter dated October 6, 2010 clarified the position and have furnished information as was requisitioned by NHB. There has been no further communication in this matter. In the event NHB takes an adverse decision, our business may be adversely affected.

   Further, NHB has also issued us a showcause notice dated July 16, 2013 and imposed a penalty of ₹ 5,000 for non reporting of opening of branches. We have *vide* our letter dated November 8, 2013 paid the above penalty.

   Further, we may receive similar notices in the future where our business may suffer if we donot have satisfactory responses to the said notices.

3. ***Any increase in the levels of non performing asse whatsoever, would adversely affect our business, results of operations and financial condition.***

   With the growth in our business, we expect an increase in our Loan Assets. Should the overall credit quality of our loan portfolio deteriorate, the current level of our provisions may not be adequate to cover further increases in the amount of our NPAs. Moreover, there also can be no assurance that there will be no further deterioration in our provisioning coverage as a percentage of Gross NPAs or otherwise, or that the percentage of NPAs that we will be able to recover will be similar to our past experience of recoveries of

NPAs. As of September 30, 2013, the gross value of NPAs on our books of accounts was ` 33.67 million which is 0.46 % of the value of our total Loan Book. While we believe that we have adequately provided for NPAs to cover known or expected losses which may arise in our asset portfolio, any increase in the level of final credit losses will adversely affect our business and future financial performance.

The NHB guidelines prescribe the provisioning required in respect of our outstanding loan portfolio. Should the overall credit quality of our loan portfolio deteriorate, the current level of our provisions may not be adequate to cover further increases in the amount of our NPAs. Our provisions for NPAs were ` 5.05 million as on September 30, 2013, which represented 15 % of gross NPAs.

We have expanded rapidly in the three years ended March 31, 2013 and intend to continue our efforts to originate new housing loans, which may result in higher NPAs in the future on account of new loans made or on account of non payment of instalments or equated monthly instalments.There can be no assurance that our provisions will be adequate to cover any further increase in the amount of NPAs or any deterioration in our NPAs on account of existing or new loans made. If we are required to increase our provisioning in the future due to increased loan losses, this may result in a reduction of our net worth, and adversely affect our capital adequacy ratio which may require us to raise further capital to maintain our capital adequacy ratio.

Further, provisioning norms may be revised by NHB and become more stringent. For instance, the NHB Directions, 2010 have been amended by notification no. NHB.HFC.DIR.3/CMD/2011 dated August 5, 2011 and further amended by NHB *vide* notification no. NHB.HFC.DIR.4/CMD/2012 dated January 19, 2012, and this has, amongst other things, increased provisioning norms for HFCs. For further details, please refer to the chapter ñ*Key Regulations and Policies* òon page 178.

Further, there can be no assurance that we will be able to recover any or all the outstanding amounts due under any of the defaulted loans and may not able to realise the expected value of the collateral. Any or a combination of some or all of these factors may have material adverse affect on our business, results of operations and financial condition.

4. ***The primary security for the loans disbursed by our Company is the underlying property. In the event of default, we may not be able to realize the expected value of the collateral on loans due to fluctuating real estate prices and/or enforce the security under the SARFAESI Act in time or at all and this may have a material adverse effect on our business, results of operations and financial condition.***

The primary security for the loans disbursed by our Company is the underlying property and the value of this security is largely dependent on housing market conditions prevalent at that time. The value of the collateral on the loans disbursed by our Company may decline due to adverse market conditions including an economic downturn or a downward movement in real estate prices. Failure to recover the expected value of collateral could expose our Company to losses and, in turn, result in a material adverse effect on our business, results of operations and financial condition.

Following the introduction of the SARFAESI Act and the subsequent extension of its application to Housing Finance Companies, we are allowed to foreclose o whose loan has been classified as nonperforming. Although the enactment of the SARFAESI Act has strengthened the rights of creditors by allowing expedited enforcement of security in an event of default, there is still no assurance that we will be able to realize the value of our security, in full or in part. The DRT has the power to issue a stay order prohibiting the lender from selling the assets of a defaulted borrower. As a result, there can be no assurance that any foreclosure proceedings would not be stayed by the DRT or any other relevant authority. In addition, delays on our part to take immediate action, delays in bankruptcy foreclosure proceedings, economic downturns, defects in security and fraudulent transfers by borrowers, may hinder our ability to realize the full value of security. In the event that a regulatory agency asserts jurisdiction over the enforcement proceedings, creditor actions can be further delayed. Therefore, there can be no assurance that we will be able to foreclose on collateral on a timely basis, or at all, and if we are able to foreclose on the collateral, that the value will be sufficient to cover the outstanding amounts owed to us which may result in a material adverse effect on our business, results of operations and financial condition.

5. ***We may be impacted by volatility in interest rates which could cause our Gross Spreads to decline and consequently affect our profitability.***

We are exposed to interest rate risks as a result of lending to customers at fixed/ floating interest rates and in amounts and for periods which may differ from our funding sources. While we seek to match our interest rate positions to minimise interest rate risk, we are unable to assure you that significant variation in interest rates will not have an effect on our results of operations. Moreover, volatility in interest rates is sensitive to factors which are beyond our control, including the monetary policies of the RBI, deregulation of the financial sector in India, domestic and international economic and political conditions, inflation and other such considerations. In a rising interest rate environment, if the yield on our interest-earning assets does not increase simultaneously with or to the same extent as our cost of funds, or, in a declining interest rate environment, if our cost of funds does not decline simultaneously or to the same extent as the yield on our interest-earning assets, our net interest income and net interest margin would be adversely impacted. There can be no assurance that we will be able to adequately manage our interest rate risk in the future and any significant increase in interest rates would adversely affect our business and results of operations.

6. ***We are subject to various regulatory and legal requirements. Also, future regulatory changes may have a material adverse effect on our business, results of operations and financial condition.***

The operations of a HFC in India are subject to various regulations framed by the Ministry of Corporate Affairs and the NHB, amongst others. We are also subject to the corporate, taxation and other laws in effect in India which require continued monitoring and compliance. These regulations apart from regulating the manner in which a company carries out its business and internal operation, prescribe, various periodical compliances including but not limited to filing of forms and declarations with the relevant registrar of companies, and the NHB. Pursuant to NHB regulations, HFCs are currently required to maintain a minimum Capital to Risk Weighted Assets Ratio (ñCR
collectively shall not be less than 12% of their aggregate risk weighted assets and their risk adjusted value of off-balance sheet items. *Please refer to the ñRisk - We are subject to NHB regulations in relation to minimum capital adequacy requirements and a decline in our CRAR will require us to raise fresh capital which may not be available on favourable terms or at all, which may affect our business, results of operations and financial conditionò.*

Furthermore, we are also subject to changes in Indian laws, regulations and accounting principles. There can be no assurance that the laws and regulations governing companies in India will not change in the future or that such changes or the interpretations or enforcement of existing and future laws and rules by governmental and regulatory authorities will not affect our business and future financial performance. In particular, decisions taken by regulators concerning economic policies or goals that are inconsistent with our interests, could adversely affect our results of operations.The introduction of additional government controls or newly implemented laws and regulations, depending on the nature and extent thereof and our ability to make corresponding adjustments, may result in a material adverse effect on our business, results of operations and financial condition and our future growth plans.

We cannot assure you that we will be able to adapt to new laws, regulations or policies that may come into effect from time to time with respect to the housing finance industry in general. Further, changes in tax laws may adversely affect demand for real estate and therefore, for housing finance in India. These laws and regulations and the way in which they are implemented and enforced may change from time to time and there can be no assurance that future legislative or regulatory changes will not have a material adverse effect on our business, financial condition and results of operations. Further we cannot assure you that our Company will continue to be in compliance with these requirements in a timely manner or at all.

7. ***We are subject to NHB regulations in relation to minimum capital adequacy requirements and a decline in our CRAR will require us to raise fresh capital which may not be available on favourable terms, or at all, which may affect our business, results of operations and financial condition.***

In India, pursuant to NHB Directions, 2010 including amendments made thereto, HFCs are currently required to maintain a minimum capital to risk weighted asset ratio consisting of Tier I and Tier II capital which collectively shall not be less than 12% of their aggregate risk weighted assets and their risk adjusted value of off-balance sheet items. According to the NHB Directions, 2010 including amendments made thereto, at no point can our total Tier II capital exceed 100% of the Tier I capital. For further details, please refer to ñ*Key Regulations and Policies*ò on page 178.

As at September 30, 2013, our capital to risk weighted asset ratio was 49.49 %, which exceeded
requirements. As our asset book grows our CRAR may decline and this may require us to raise fresh capital. There is no assurance that NHB will not increase the minimum capital adequacy requirements.

Should we be required to raise additional capital in the future in order to maintain our CRAR above the existing and future minimum required levels, we cannot guarantee that we will be able to obtain this capital on favourable terms, in a timely manner or at all.

Therefore, there is no guarantee that our Company will be able to access capital as and when required for growth. Further, if we fail to meet the capital adequacy requirements, NHB may take certain actions, including but not limited to restricting our lending activities, investment activities, and suspending certain of our activities and imposing restrictions on the payment of dividends. This could materially and adversely affect our business, results of operations and financial condition.

8. Certain housing loans offered by HFCs are eligible for fiscal incentives by the Government of India. If some or all of these incentives are reduced or withdrawn, this may result in a material adverse effect on our business, results of operations and financial condition.

Government of India has been providing certain fiscal incentives to the housing finance industry. Pursuant to Section 36(1)(viii) of the IT Act subject to fulfilment of conditions therein, the lower of (i) amount transferred to a special reserve account created for the purpose of the said section, (ii) 20% of the profits derived from the business activities as computed under section 28 of the IT Act but before claiming deduction under the said section, or (iii) 200% of the paid-up share capital and general reserve on the last day of the previous year minus the balance of the special reserve account on the first day of the previous year, is allowed as a deduction and is not subject to income tax. Transfer made to the aforesaid special reserve, in FY13, stood at ` 28 million, *i.e.* 20% of our PAT and our effective tax rate for FY13 was 28. 9%.

If some or all of these incentives cease to be available or reduced to HFCs, this may have an adverse effect on our business, financial condition and results of operations.

9. Our business requires substantial capital, and any disruption in funding sources would have a material adverse effect on our liquidity and financial condition.

Our liquidity and ongoing profitability are, in large part, dependent upon our timely access to, and the costs associated with, raising capital. Our funding requirements historically have been met from a combination of borrowings such as term loans and working capital limits from banks and selling of our loan portfolio to other lenders such as banks, and issuance of commercial paper, non-convertible debentures on private placement basis. Thus, our business depends and will continue to depend on our ability to access diversified low-cost funding sources.

Changes in laws of the country applicable to our Company can disrupt funding sources which would have a material adverse effect on our liquidity and financial condition.

10. Increasing competition in the Indian housing finance industry and our inability to effectively compete with other organisations operating in the housing finance industry may result in slower growth which may result in decline in our profitability which may have a material adverse effect on our business, results of operations and financial condition.

Our Company faces competition from other organisations operating in the housing finance industry in India, including without limitation to scheduled commercial banks and other HFCs. The sector has also seen a lot of interest from new entrants who have commenced their housing finance business in recent times. The seeming attractiveness of and growth opportunities in the housing finance industry have resulted in increased competition from other lenders in the housing finance market, including scheduled commercial banks and other HFCs. Our ability to compete effectively with such lenders will depend, to some extent, on our ability to raise low cost funding in the future and to lend at competitive rates to maintain our profitability. If we are unable to compete effectively with other participants in the housing finance industry, our business and future financial performance may be adversely affected.

Furthermore, as a result of increased competition in the housing finance industry in India, home loans are becoming increasingly standardised and terms such as waiver of prepayment penalty, floating rate interest options, lower processing fees and monthly rest periods are becoming increasingly common. There can be no assurance that our Company will be able to react effectively to these or other market developments or compete effectively with new and existing players in the increasingly competitive housing finance industry.

Increasing competition may also result in slower growth and/or a reduction in our NIM, and consequently may have an adverse effect on our business, results of operations and financial condition. Certain banks and HFCs, have in the past, introduced teaser rate home loan schemes, wherein the interest rates are fixed for a pre-determined period of time and relatively lower than prevailing market rates, with a view to attract new customers. Such teaser rate schemes introduced by our competitors may result in an increase in prepayment of loans and may have an adverse effect on our business, results of operations and financial condition.

11. ***Our business is particularly vulnerable to volatility and mismatch in interest rates, which could be inter-alia due to the monetary policies of the RBI, deregulation of the financial sector in India, domestic and international economic and political conditions. Any volatility in our rates of borrowing and lending may adversely affect our NIM which may in turn have a material adverse effect on our business, results of operations and financial condition.***

Our operations are particularly vulnerable to volatility and mismatch in interest rates. Interest rates have been highly volatile due to many factors some or all of which may be beyond our control, including the monetary policies of the RBI, deregulation of the financial sector in India, domestic and international economic and political conditions. Our NIM and profitability directly depend on the difference between the average interest rate at which we lend and the average interest rate at which we borrow. If interest rates decline, we may have to pass on the reduced interest rates to our borrowers even though we may not be able to get a reduction in the interest rates from some or all of our lenders, simultaneously or at all, thereby affecting our NIM. Further, if we do not pass on the reduced interest rates to our borrowers, it may result in some of the borrowers prepaying the loan to take advantage of the reduced interest rate environment, thereby impacting our growth and profitability. If interest rates rise, some or all of our lenders may increase the interest rates at which we borrow resulting in an increase in our effective cost of funds. We may or may not be able to pass on the increased interest rates to our borrowers simultaneously with the increase in our borrowing rates, or at all, thereby affecting our NIM. Further, an increase in interest rates may result in some of our borrowers prepaying their loans by arranging funds from other sources, thereby impacting our growth and profitability. Additionally, an increase in interest rates could reduce the overall demand for housing finance and impact the growth of our Company.

Our total borrowings outstanding as on October 31, 2013 and March 31, 2013 ` 2,640 million and ` 2,050 million respectively. Though we have maintained a NIM of 8.09 % and 8.21 % in the Half Year ended September 30, 2013 and the Financial year ended March 31, 2013 respectively, there can be no assurance that we will be able to adequately manage our interest rate risk in the future, and if we are unable to do so, this could have an adverse effect on our NIM which could in turn have a material adverse effect on our business, results of operations and financial condition.

12. ***We are dependent on IIFL, our Promoterôs Promoter, we enjoy in the industry and our brand name and any factor affecting the business and reputation of IIFL may have a concurrent adverse effect on our business and results of operations.***

As on date, IIFL directly holds 98.87% of our Promo receive our clients from IIFL and our Promoter and also significantly benefit from the goodwill that IIFL enjoys in the market. We believe that this goodwill ensures a steady inflow of business. In the event IIFL is unable to maintain the quality of its services or its goodwill deteriorates for any reason whatsoever, our business and results of operations may be adversely affected. Moreover, we have not entered into any formal arrangements for usage of the ñIIFLò brand name which is operate in a competitive environment, and we believe that our brand recognition is a significant competitive advantage to us. Any failure to retain our Company name may deprive us of the associated brand equity that we have developed which may have a material adverse affect on our business and result of operations.

13. ***Our trademark ñIIFL Home Loansò is not registered and our ability to defend our trade mark in infringement or passing off proceedings.***

We have not yet filed application for registering the below mentioned trademark under the Trade Marks Act, 1999.

Sr. No.	Trade Mark/ Logo
1.	

There can be no assurance that our trade mark application will be accepted and registered in future. Further, our application for the registration of trademark may be opposed by third parties, and we may have to incur significant cost and spend time in litigations in relation to these oppositions. In the event we are not able to obtain registration, we may not be able to avail the legal protection and legal remedies (in case of infringement) or prohibit unauthorized use of such mark by third parties by means of statutory protection, available as a proprietor of registered trademarks.

14. *We carry out our business operations through branch/regional offices of IIFL. Any dispute in relation to the lease of the premises would have an adverse effect on our business operations.*

We do not own the premises from where we carry out our business. Further, Our Company operates from premises which are rented or leased by IIFL at different locations. If any of the owners of these premises do not renew the agreements under which we occupy the premises or terminate the agreements in accordance with the agreement or renew such agreements on terms and conditions that are unfavorable to our Company, we may suffer a disruption in our operations which could have a material adverse effect on our business.

15. *If we are unable to manage our growth effectively, our business and financial results could be adversely affected.*

A principal component of our strategy is to continue to grow by expanding the size and geographical scope of our business. This growth strategy will place significant demands on our management, financial and other resources. It will require us to continuously develop and improve our operational, financial and internal controls. Continuous expansion increases the challenges involved in financial management, recruitment, training and retaining high quality human resources, preserving our culture, values and entrepreneurial environment, and developing and improving our internal administrative infrastructure. Failure to train our employees properly may result in an increase in employee attrition rates, require additional hiring, erode the quality of customer service, divert management resources, increase our exposure to high-risk credit and impose significant costs on us. If we grow our Loan Book too rapidly or fail to make proper assessments of credit risks associated with new borrowers, a higher percentage of our loans may become non-performing, which would have a negative impact on the quality of our assets and our financial condition. Any inability on our part to manage such growth could disrupt our business prospects, impact our financial condition and adversely affect our results of operations.

16. *Our growth will depend on our continued ability to access funds at competitive rates which are dependent on a number of factors including our ability to maintain our credit ratings. Our inability to secure the requisite financing and at competitive interest rates could have an adverse effect on our business, results of operations and financial condition.*

Our business depends and will continue to depend on our ability to access funding sources at competitive rates. Our ability to raise funds on acceptable and competitive terms is a function of various factors including, amongst others, our current and future results of operations and financial condition, our risk management policies, our credit rating, our brand equity and policy initiatives in India and developments in the international markets affecting the Indian economy.Our continued growth will depend, among other things, on our ability to avail requisite financing and at competitive interest rates. Our inability to secure the requisite financing and at competitive interest rates could have an adverse effect on our business, results of operations and financial condition.

The cost and availability of capital is, amongst other factors, also dependent on our rating. Our Company currently has the following ratings for various debt instruments and has not been downgraded or suspended.

Credit Rating Agency	Instrument	Date	Ratings	Rated Amount ` in Million
CRISIL	Short Term Debt	September 25, 2013	CRISIL A1+	2,000.00

Credit Rating Agency	Instrument	Date	Ratings	Rated Amount ` in Million
CRISIL	Long Term Bank Facilities	December 12, 2011	CRISIL AA- (Stable)	1,000.00
CRISIL	Long Term Debt-NCD	March 19, 2013	CRISIL AA- (Stable)	500.00
ICRA	Short Term Debt	June 20, 2013	[ICRA] A1+	550.00
ICRA	Long Term Bank Facilities	February 22, 2012	[ICRA] AA- (SO)	1,600.00
CRISIL	NonConvertible Debenture	November 14, 2013	CRISIL AA-/Stable	5,000.00
CARE	NonConvertible Debenture	November 8, 2013	CARE AA-	5,000.00
CARE	Long Term Bank Facilities	November 12, 2013	CARE AA (SO)	1,450.00

Ratings reflect a rating agencyôs opinion of finan and ability to meet obligations. Any downgrade or suspension of existing and/or future credit ratings would increase borrowing costs and constrain access to capital and debt markets and, as a result, would negatively affect the business and the results of operations and financial condition of our Company. In addition, downgrading or suspension of our existing credit ratings could increase the possibility of additional and more onerous terms and conditions (including restrictive covenants) being added to any new or existing financing arrangements, which could again affect the results of operations and financial condition of our Company.

Any inability to secure sufficient funding on favourable terms or at all could have a material adverse effect on our business, results of operations and financial condition.

17. ***Our funding is concentrated amongst a few lenders, particularly Axis Bank, and impairment of our relationship with any, or all, of such lenders or our inability to secure loans on favourable terms from such lenders in the future, may have a material adverse effect on our business, results of operations and financial condition.***

Our total long term borrowings (including current maturities of long term borrowings) outstanding as on October 31, 2013 from Axis Bank, amounted to ` 1,050 million constituting 39.77 % of our total loans outstanding as at that date.

We may have difficulty in obtaining funding on acceptable terms from these or other lenders and other sources which we have not accessed so far. Any impairment of our relationship with any, or all, of our lenders or our inability to secure loans on favourable terms from such lenders in future may have a material adverse effect on our business, results of operations and financial condition. For further details, please refer to the chapter ì*Financial Indebtedness* ò on page 115.

18. ***We may face asset-liability mismatches which could affect our liquidity and consequently may adversely affect our operations and profitability.***

We may face potential liquidity risks due to varying periods over which our assets and liabilities mature. As is typical for HFCs, a portion of our funding requirements is met through short-term funding sources such as bank loans, short term loans and commercial papers. Our inability to obtain additional credit facilities or renew our existing credit facilities, in a timely and cost-effective manner or at all, may lead to mismatches between our assets and liabilities, which in turn may adversely affect our operations and financial performance.

19. ***We are required to obtain and maintain certain licenses and approvals for our business and in the event we are unable to obtain and maintain such licenses and approvals in a timely manner or at all, our business, results of operations and financial condition may be adversely affected.***

We require certain licenses, approvals, permits and registrations in order to undertake our business activities. These include registration with the NHB. We are also required to maintain licenses under various state Shops and Establishment Acts for some of our offices. Failure by us to comply with the terms and conditions to which such permits or approvals are subject, and/or to renew, maintain or obtain the required permits or approvals may result in the interruption of our operations and may have a material adverse effect on our business, financial condition and results of operations.

20. ***If we are unable to adapt to technological changes in line with changes in market conditions and the requirements of our customers, this may result in a material adverse impact on our business, results of***

operations and financial condition.

Our success will depend in part on our ability to respond to technological advances in the business in which we operate, on a cost-effective and timely basis. The development and implementation of such technology solutions entails technical and business risks. There can be no assurance that we will be able to adapt or upgrade our existing technologies and successfully implement new technologies. If we are unable, for technical, legal, financial or other reasons, to adapt in a timely manner to changing market conditions, customer requirements or technological changes, it may adversely affect our business, results of operations and financial condition.

21. Any adverse event with respect to our central depository and/or electronic data processing department may have an adverse effect on our business, results of operation and financial condition.

The title deeds deposited by our borrowers are kept at a centralized operations unit maintained by us at Chennai. It is operated by the centalized operations team. We maintain all the title deeds in fire and burglary proof vaults. In case of any adverse event which affects the central depository and/or our electronic data processing department, including loss of documents, our loan monitoring ability, enforcement of security and business reputation may be impaired. A combination of some or all of these factors may result in a failure to realize the value of the security, which may in turn have a material adverse affect on our business, results of operations andfinancial condition.

22. We have entered into an assignment agreement with Dena Bank to sell certain loans from our outstanding loan portfolio. Our business, financial condition and results of operations could be adversely affected due to some of the restrictions imposed under such agreements or downgrade in the ratings of our securitized debt or if such assignment of loan is held to be unenforceable.

We have sold and assigned a group of similar loans from our outstanding loan portfolio to Dena Bank in return for an upfront fixed consideration. As of March 31, 2013 and September 30, 2013, our outstanding portfolio of assigned loans was ` 2,687.1 million and ` 2,103.8 million respectively, constituting 43.8% and 22.5% of our gross loan portfolio. Under the assignment agreement, we have provided credit enhancement through fixed deposits with banks. If the relevant bank does not realize the receivables due under such assigned loans, the relevant bank would have recourse to cash collateral and the underlying security. We are also liable to indemnify the relevant bank in the occurrence of an event of default stated under such assignment agreements. We make a general provision for all loans and specific provisions on our non-performing loans. Further any downgrade in the ratings of our securitized debt may lead to additional collaterals required to be provided. In the event the cash collateral underlying the security and general provisioning are inadequate, and the assigned loans are put back to us, this could have a material adverse effect on our operating results and financial condition.

Further, in January 2009, the High Court of Gujarat held that the provisions of the Banking Regulation Act, 1949 do not permit banks to assign debt due to them, including the assignment of debt between two banks. However, on appeal, the Supreme Court of India reversed the decision of the Gujarat High Court and held that a bank to bank transfer of debt is not barred by law. If, in the future, the assignment agreement entered into by us is held to be unenforceable by a court of law, we may be required to terminate the assignment agreement and may suffer losses.

23. We may have to comply with stricter regulations and guidelines issued by regulatory authorities in India. If we are unable to comply with any such regulatory requirements, our business and results of operations may be materially and adversely affected.

We are regulated principally by and have reporting obligations to the NHB. We are also subject to the corporate, taxation and other laws in effect in India. In recent years, existing rules and regulations have been modified, new rules and regulations have been enacted and reforms have been implemented which are intended to provide tighter control and more transparency. Moreover new regulations may be passed that restrict our ability to do business. For example, regulatory restrictions on securitisation may be extended to bilateral assignment transactions, resulting in loss of arbitrage options.

We cannot assure you that we will not be subject to any adverse regulatory action in the future. Further, these regulations are subject to frequent amendments and depend upon government policy. The costs of compliance may be high, which may affect our profitability. If we are unable to comply with any such regulatory requirements, our business and results of operations may be materially and adversely affected.

24. ***Unfavourable regulatory changes could have an adverse impact on HFCs business and profitability, including our Company.***

HFCs in India work under the regulations of the NHB. Any adverse changes in the regulatory framework are likely to have an adverse impact on the business and the financial performance of the HFCs including our Company. Some of the recent regulatory changes include, increase in the standard asset provisioning requirement, removal of pre-payment penalty for floating rate housing loans, change in eligibility and restriction on bank lending to HFCs under priority sector classification for banks, uniformity in the interest rate changed to new and old customers and restriction on Loan to value (LTV) ratio etc are expected to have an adverse impact on the business and financial performance of the HFCs.

25. ***We are subject to certain restrictive covenants in our loan documents, which may restrict our operations and ability to grow and may adversely affect our business.***

There are restrictive covenants in the agreements we have entered into with our lenders. These restrictive covenants require us to maintain certain financial ratios and seek the prior permission of these banks/financial institutions for various activities, including, amongst others, selling, leasing, transferring or otherwise disposing of any part of our business or revenues, effecting any scheme of amalgamation or reconstitution, implementing a new scheme of expansion, taking up an allied line of business or making any amendments to Memorandum and Articles of Association. Such restrictive covenants in our loan documents may restrict our operations or ability to expand and may adversely affect our business. For details of these restrictive covenants, please refer to the chapter “***Financial Indebtedness***” on page 115.

26. ***Our success depends in large part upon our management team and key personnel and our ability to attract, train and retain such persons. Our inability to attract and retain talented professionals, or the resignation or loss of key management personnel, may have an adverse impact on our business and future financial performance.***

Our ability to sustain our rate of growth depends significantly upon our ability to manage key issues such as selecting and retaining key managerial personnel, developing managerial experience to address emerging challenges and ensuring a high standard of client service. In order to be successful, we must attract, train, motivate and retain highly skilled employees, especially branch managers and product executives. If we cannot hire additional qualified personnel or retain them, our ability to expand our business will be impaired and our revenue could decline. We will need to recruit new employees, who will have to be trained and integrated into our operations. We will also have to train existing employees to adhere properly to internal controls and risk management procedures. Failure to train and motivate our employees properly may result in an increase in employee attrition rates, require additional hiring, erode the quality of customer service, divert management resources, increase our exposure to high-risk credit and impose significant costs on us. Hiring and retaining qualified and skilled managers are critical to our future, as our business model depends on our credit-appraisal and asset valuation mechanism, which are personnel-driven operations. Moreover, competition for experienced employees can be intense. Our inability to attract and retain talented professionals, or the resignation or loss of key management personnel, may have an adverse impact on our business and future financial performance.

27. ***We may not be able to successfully sustain our growth plans. In absence of sustained rate of growth our Company may face adverse impact on our business and future financial performance.***

In recent years, our growth has been fairly substantial. Our growth plan includes growing our secured lending and expanding our retails customer base. There can be no assurance that we will be able to sustain our growth plan successfully or that we will be able to expand further or diversify our product portfolio. If we grow our Loan Book too rapidly or fail to make proper assessments of credit risks associated with new borrowers, a higher percentage of our loans may become non-performing, which would have a negative impact on the quality of our assets and our financial condition.

We also face a number of operational risks in executing our growth strategy. We have experienced growth in our Mortgage Loans business as part of our growth strategy. Our rapid growth exposes us to a wide range of increased risks, including business and operational risks, such as the possibility of growth of NPAs, fraud risks and regulatory and legal risks.Our ability to sustain our rate of growth also significantly depends upon our ability to recruit trained and efficient personnel and retain key managerial personnel, maintain effective risk management policies, continuing to offer products which are relevant to our target base of clients, developing managerial experience to address emerging challenges and ensuring a high standard of client service. We will need to recruit new employees, who will have to be trained and integrated into our operations. We will also have to train existing employees to adhere properly to internal controls and risk management procedures. Failure to train our employees properly may result in an increase in employee attrition rates, erode the quality of customer service, divert management resources, increase our exposure to high-risk credit and impose significant costs on us.

28. Our insurance coverage may not adequately protect us against losses. Successful assertion of one or more large claims against us could adversely affect our business, financial condition and results of operations.

Being part of IIFL Group, our employees get covered under the group insurance policy availed by IIFL to cover the life of full time and permanent employees of IIFL Group. The insurance policy, however, may not provide adequate coverage in certain circumstances and are subject to certain deductibles, exclusions and limits on coverage. Further, we donot have insurance policies to cover any damage or loss suffered by us. A successful assertion of one or more large claims against us could adversely affect our business, financial condition and results of operations.

29. Any change in control of our Promoter or our Company may correspondingly adversely affect our operations and profitability.

As on September 30, 2013, our Promoter holds 100% of our paid up Equity Share capital. If our Promoter ceases to exercise direct control over our Company and/or there is change in direct control over our Promoter, as a result of any transfer of shares or otherwise, our business, profitability and results of operations could be adversely affected.

30. As a housing finance company we have exposure to Real Estate sector and any factor affecting this sector could adversely affect our business and result of operations.

Our lending products include Mortgage Loans, which includes Retail Mortgage Loans and Corporate Mortgage Loans. These loans are bifurcated into Housing Loans and Loans Against Property. As of September 30, 2013, we have extended loans and advances aggregating to ` 7,264.30 million. In the event the real estate sector is adversely affected due to any reason whatsoever, the value of our collaterals may diminish which may affect our business and results of operations in the event of a default in repayment by our clients.

31. Our inability to assess, monitor and manage risks inherent in our business could adversely affect our business.

We are exposed to a variety of risks, including competition risk, liquidity risk, interest rate risk, credit risk, operational risk and legal risk. Our hedging strategies and other risk management techniques may not be fully effective in mitigating our risks in all market environments or against all types of risk, including risks that are unidentified or unanticipated. Some methods of managing risks are based upon observed historical market behaviour. As a result, these methods may not predict future risk exposures, which could be greater than the historical measures indicated. Other risk management methods depend upon an evaluation of information regarding markets, customers or other matters. This information may not in all cases be accurate, complete, up-to-date or properly evaluated. Management of operational, legal or regulatory risk requires among other things, policies and procedures properly to record and verify a number of transactions and events. Although we have established these policies and procedures, they may not be fully effective.

Our future success will depend, in part, on our ability to respond to new technological advances and emerging banking and housing finance industry standards and practices on a cost-effective and timely manner. The development and implementation of such technology entails significant technical and business risks. There can be no assurance that we will be able to successfully implement new technologies or adapt its transaction processing systems to customer requirements or emerging market standards.

32. Our Company is exposed to many operational risks which could materially impact our business and results of operations.

Our Company is exposed to many types of operational risks. Operational risk can result from a variety of factors, including failure to obtain proper internal authorizations, improperly documented transactions, failure of operational and information security procedures, computer systems, software or equipment, fraud, inadequate training and employee errors. We attempt to mitigate operational risk by maintaining a comprehensive system of internal controls, establishing systems and procedures to monitor transactions, maintaining key back-up procedures, undertaking regular contingency planning and providing employees with continuous training. Any failure to mitigate such risks could adversely affect our business and results of operations.

33. Our Promoter holds 100% of the paid up equity share capital (directly and through its nominees) of our Company, which will enable them to influence the outcome of matters submitted to shareholders for approval.

As on September 30, 2013, our Promoter holds 100 % of the paid up equity share capital (directly and through its nominees) and has the ability to control our business including matters relating to any sale of all or substantially all of our assets, the timing and distribution of dividends and the election or termination of appointment of our officers and directors. This control could delay, defer or prevent a change in control of our Company, impede a merger, consolidation, takeover or other business combination involving our Company, or discourage a potential acquirer from making a tender offer or otherwise attempting to obtain control of our Company even if it is in our Company continues to exercise significant control over our Company, it may influence the material policies of our Company in a manner that could conflict with our interests. Our Promoter may have interests that are adverse to our interests and may take positions with which we do not agree.

34. Our results of operations could be adversely affected by any disputes with employees.

Currently, none of our employees are members of any labour union. While we believe that we maintain good relationships with our employees, there can be no assurance that we will not experience future disruptions to our operations due to disputes or other problems with our work force, which may adversely affect our business and results of operations.

35. High levels of customer defaults could adversely affect our business, financial condition and results of operations.

We are subject to customer default risks including default or delay in repayment of principal or interest on our loans. Customers may default on their obligations to us as a result of various factors including bankruptcy, lack of liquidity, lack of business and operational failure. If borrowers fail to repay loans in a timely manner or at all, our financial condition and results of operations will be adversely impacted.

36. Significant fraud, system failure or calamities could adversely impact our business and results of operations.

We seek to protect our computer systems and network infrastructure from physical break-ins as well as fraud and system failures. Computer break-ins and power and communication disruptions could affect the security of information stored in and transmitted through our computer systems and network infrastructure. We employ security systems, including firewalls and password encryption, designed to minimize the risk of security breaches. Although we intend to continue to implement security technology and establish operational procedures to prevent fraud, break-ins, damage and failures, there can be no assurance that these security measures will be adequate. A significant failure of security measures or operational procedures could have a material adverse affect on our business and our future financial performance. Although we take adequate measures to safeguard against system-related and other frauds, there can be no assurance that it would be able to prevent frauds.

We are exposed to many types of operational risks, including the risk of fraud or other misconduct by employees and unauthorized transactions by employees. Although we have been careful in recruiting all our employees, we have in the past been held liable for the fraudulent acts committed by our employees adversely impacting our business. Our reputation could be adversely affected by significant frauds or other misconduct by employees.

37. We depend on the accuracy and completeness of information provided by our potential borrowers. Our reliance on any misleading information given by potential borrowers may affect our judgement of credit worthiness of potential borrowers, and the value of and title to the collateral, which may affect our business, results of operations and financial condition.

In deciding whether to extend credit or enter into other transactions with potential borrowers, we rely on information furnished to us by potential borrowers, and analasys of the information by independent valuers and advocates. To further verify the information provided by potential borrowers, we conduct searches with CIBIL for creditworthiness and encumbrances on collateral. We also verify information with registrar and sub-registrar of assurances for encumbrances on collateral. We follow the KYC guidelines as prescribed by the NHB on the potential borrower, collect opinions from other financial institutions, verify the place of business or place of employment as applicable to the potential borrower and also verify the details with the caution list of NHB as circulated from time to time. Such information includes representations with respect to the accuracy and completeness of information relating to the financial condition of potential borrowers, and independent valuation reports and title reports with respect to the property secured. We have framed our policies to prevent frauds in accordance with the KYC guidelines issued by NHB dated October 11, 2010 mandating the policies of the HFC to have certain key elements, including *inter-alia* a customer acceptance policy, customer identification procedures, monitoring of transactions and risk management. Further our Company has a well established and streamlined credit appraisal process. We cannot assure you that information furnished to us by potential borrowers and analysis of the information by independent valuers or the independent searches conducted by us with CIBIL and NHB will be accurate, and our reliance on such information given by potential borrowers may affect our judgement of the credit worthiness of potential borrowers, and the value of and title to the collateral, which may affect our business, results of operations and financial condition.

38. Failure to comply with internal procedures and inaccurate appraisal of credit may adversely impact our business and results of operations.

We may be affected by failure of employees to comply with internal procedures and inaccurate appraisal of credit or financial worth of our clients. Inaccurate appraisal of credit may allow a loan sanction which may eventually result in a bad debt on our books of accounts. In the event we are unable to check the risks arising out of such lapses, our business and results of operations may be adversely affected.

39. We have entered into a number of related party transactions and may continue to enter into related party transactions, which may involve conflict of interest.

We have entered into a number of related party transactions, within the meaning of AS 18. Such transactions may give rise to current or potential conflicts of interest with respect to dealings between us and such related parties. Additionally, there can be no assurance that any dispute that may arise between us and related parties will be resolved in our favour. For further details, please refer to statement of related party transactions in ñ***Financial Statements - Significant Accounting Policies and Notes to Accounts on the Reformatted Financial Statements*** ò***beginning*** on page 89.

Risks pertaining to this Issue

40. We are required to create a debenture redemption reserve equivalent to 25% of the value of the NCD offered through this Issue and we may not have access to adequate funds to redeem the full quantum of the NCDs at the closure of the redemption period which may adversely affect your rights and profitability.

Section 117C of the Companies Act, 1956 states that any company that intends to issue debentures must create a debenture redemption reserve to which adequate amounts shall be credited out of the profits of the Company until the debentures are redeemed. The Ministry of Company Affairs, Government of India, through their notification dated February 11, 2013
(ñDRRò) of a value equivalent to 25% of the debent
The DRR is funded from a companyôs profits every year.
minimum 25% of the cumulative value of the NCDs on offer, we may not have adequate funds to redeem the NCDs at the close of the redemption period, which may adversely affect your rights and profitability.

41. Changes in interest rates may affect the price of our NCDs which frequently accompany inflation and/or

a growing economy, are likely to have a negative effect on the price of our NCDs.

All securities where a fixed rate of interest is offered, such as our NCDs, are subject to price risk. The price of such securities will vary inversely with changes in prevailing interest rates, i.e. when interest rates rise, prices of fixed income securities fall and when interest rates drop, the prices increase. The extent of fall or rise in the prices is a function of the existing coupon, days to maturity and the increase or decrease in the level of prevailing interest rates. Increased rates of interest, which frequently accompany inflation and/or a growing economy, are likely to have a negative effect on the price of our NCDs.

42. You may not be able to recover, on a timely basis or at all, the full value of the outstanding amounts and/or the interest accrued thereon in connection with the NCDs.

Our ability to pay interest accrued on the NCDs and/or the principal amount outstanding from time to time in connection therewith would be subject to various factors inter-alia including our financial condition, profitability and the general economic conditions in India and in the global financial markets. We cannot assure you that we would be able to repay the principal amount outstanding from time to time on the NCDs and/or the interest accrued thereon in a timely manner or at all.

43. Any downgrading in credit rating of our NCDs may affect the value of NCDs and thus our ability to raise further debts.

The NCDs proposed to be issued under this Issue have been rated "CARE AA-" by CARE for an amount of up to ` 5,000 million *vide* its letter dated November 8, 2013, "CRISIL AA-/Stable" by CRISIL for an amount of up to ` 5,000 million vide its letter dated November 14, 2013. The rating of NCDs by CARE indicates instruments with this rating are considered to have a high degree of safety regarding timely servicing of financial obligations. Such instruments carry very low credit risk. The rating of the NCDs by CRISIL indicates a high degree of safety regarding timely servicing of financial obligations. Such instruments carry very low credit risk. The modifier "-" (minus) reflects the comparative standing within the category. The ratings provided by CARE and/or CRISIL, may be suspended, withdrawn or revised at any time by the assigning rating agency and should be evaluated independently of any other rating. These ratings are not a recommendation to buy, sell or hold securities and investors should take their own decisions. Please refer to page 198 for the rationale for the above ratings.

44. Our Company may raise further borrowings and charge its assets after receipt of necessary consents from its existing lenders which may reduce the amounts recoverable by the NCD Holders upon our Company's bankruptcy, winding up or liquidation.

Our Company may, subject to receipt of all necessary consents from its existing lenders and the Debenture Trustee to the Issue, raise further borrowings and charge its assets. Our Company is free to decide the nature of security that may be provided for future borrowings. In such a scenario, the Debenture Holders will rank pari passu with other creditors and to that extent, may reduce the amounts recoverable by the NCD holders upon our Company's bankruptcy, winding up or liquidation.

Axis Bank has by way of its letter dated November 11, 2013 issued no-objection to this Issue. However, the NOC is valid for a period of 90 days i.e. upto February 11, 2014. In case the Issue doe aforementioned date, our Company may have to make a fresh application for NOC, which may delay the Issue. Similarly, IDBI Trustee has by way of its letter dated October 11, 2013 issued issued no-objection to this Issue. However, the NOC is subject to mainatainance of asset cover at all times on an ongoing basis at one time for all the NCD Issues. Incase, the asset cover cannot be maintained, may have to make a fresh application for NOC, which may delay the Issue.

45. You may be subject to Indian taxes arising on the sale of the NCDs.

Sales of NCDs by any holder may give rise to tax liability in India, as discussed in section entitled "***Statement of Tax Benefits***" on page 24.

46. There is no active market for the NCDs on the WDM segment of the stock exchanges. As a result the liquidity may fail to develop and market prices of the NCDs may accordingly be adversely affected.

There can be no assurance that an active market for the NCDs on the WDM segment of the exchanges will develop. If an active market for the NCDs fails to develop or be sustained, the liquidity and market prices of the NCDs may be adversely affected. The market price of the NCDs would depend on various factors inter alia including (i) the interest rate on similar securities available in the market and the general interest rate scenario in the country,(ii) the market for listed debt securities, (iii) general economic conditions, and, (iv) our financial performance, growth prospects and results of operations. The aforementioned factors may adversely affect the liquidity and market price of the NCDs, which may trade at a discount to the price at which you purchase the NCDs and/or be relatively illiquid.

External Risk Factors

47. We cannot predict the effect of the proposed notification of the Companies Act, 2013 on our business.

The Companies Act, 2013 (the "Companies Act") has been notified by the Gov 30, 2013 (the "Notification"). Under the Notification [illegible] Companies Act has come into effect and the remaining provisions of the Companies Act have and shall come into force on such dates as the Central Government has notified and shall notify. Section 1 of the Companies Act deals with the commencement and application of the Companies Act, and among others, sets out the types of companies to which the Companies Act applies. Further the Ministry of Corporate Affairs has by their notification dated September 12, 2013 notified 98 sections of the Companies Act, which have come into force from September 12, 2013.

The Companies Act is expected to replace the existing Companies Act, 1956. The Companies Act provides for, among other things, changes to the regulatory framework governing the issue of capital by companies, corporate governance, audit procedures, corporate social responsibility, the requirements for independent directors, director's liability, class action suit [illegible] companies. The Companies Act is expected to be complemented by a set of rules that shall set out the procedure for compliance with the substantive provisions of the Companies Act. In the absence of such rules, it is difficult to predict with any degree of certainty the impact, adverse or otherwise, of the Companies Act on the Issue, and on the business, prospects and results of operations of the Company. Further, as mentioned above, certain provisions of the Companies Act have already come into force and the rest shall follow in due course. In event some or all of the provisions of the Companies Act and the rules thereto are notified prior to the consummation of the Issue, we may have to undertake certain additional actions that we are not currently aware of (in the absence of the rules), which may result in delay of the Issue.

48. Our results of operations have been, and may continue to be, adversely affected by Indian and international financial market and economic conditions.

Our business is highly dependent on Indian and international markets and economic conditions. Such conditions in India include fluctuations in interest rates; changes in consumer spending; the level of consumer confidence; housing prices; corporate or other scandals that reduce confidence in the financial markets, among others. International markets and economic conditions include the liquidity of global financial markets, the level and volatility of debt and equity prices and interest rates, investor sentiment, inflation, the availability and cost of capital and credit, and the degree to which international economies are expanding or experiencing recessionary pressures. The independent and/or collective fluctuation of these conditions can directly and indirectly affect demand for our lending finance and other financial products, or increase the cost to provide such products. In addition, adverse economic conditions, such as declines in housing values, could lead to an increase in mortgage and other home loan delinquencies and higher write-offs, which can adversely affect our earnings.

Global financial markets were and continue to be extremely volatile and were materially and adversely affected by a significant lack of liquidity, decreased confidence in the financial sector, disruptions in the credit markets, reduced business activity, rising unemployment, declining home prices and erosion of consumer confidence. These factors have contributed to and may continue to adversely affect our business, financial condition and results of operations.

49. Financial difficulties and other problems in certain financial institutions in India could cause our business to suffer and adversely affect our results of operations.

We are exposed to the risks of the Indian financial system, which in turn may be affected by financial difficulties and other problems faced by certain Indian financial institutions. Certain Indian financial institutions have experienced difficulties during recent years. Some co-operative banks (which tend to operate in rural sector) have also faced serious financial and liquidity crises. There has been a trend towards consolidation with weaker banks, NBFCs and HFCs being merged with stronger entities. The problems faced by individual Indian financial institutions and any instability in or difficulties faced by the Indian financial system generally could create adverse market perception about Indian financial institutions, banks and NBFCs. This in turn could adversely affect our business, our future financial performance, our shareholdersô funds and the market price of our NCD

50. *Terrorist attacks, civil unrest and other acts of violence or war involving India and other countries could adversely affect the financial markets and our business*

Terrorist attacks and other acts of violence or war may negatively affect our business and may also adversely affect the worldwide financial markets. These acts may also result in a loss of business confidence. In addition, any deterioration in relations between India and its neighbouring countries might result in investor concern about stability in the region, which could adversely affect our business.

India has also witnessed civil disturbances in recent years and it is possible that future civil unrest as well as other adverse social, economic and political events in India could have a negative impact on us. Such incidents could also create a greater perception that investment in Indian companies involves a higher degree of risk and could have an adverse impact on our business and the market price of our NCDs.

51. *Natural calamities could have a negative impact on the Indian economy, particularly the agriculture sector, and cause our business to suffer*

India has experienced natural calamities such as earthquakes, a tsunami, floods and drought in the past few years. The extent and severity of these natural disasters determines their impact on the Indian economy. The erratic progress of the monsoon in 2012 affected sowing operations for certain crops. Further, prolonged spells of below normal rainfall or other natural calamities could have a negative impact on the Indian economy thereby, adversely affecting our business.

52. *Any downgrading of India's debt rating by an international rating agency could have a negative impact on our business.*

Any adverse revisions to Indiaôs credit ratings fo agencies may adversely impact our ability to raise additional financing, the interest rates and other commercial terms at which such additional financing is available. This could have a material adverse affect on our business and financial performance, our ability to raise financing for onward lending and the price of our NCDs.

53. *Instability of economic policies and the political situation in India could adversely affect the fortunes of the industry*

There is no assurance that the liberalization policies of the government will continue in the future. Protests against privatization could slow down the pace of liberalization and deregulation. The Government of India plays an important role by regulating the policies and regulations that govern the private sector. The current economic policies of the government may change at a later date. The pace of economic liberalization could change and specific laws and policies affecting the industry and other policies affecting investments in our Companyôs business could change as well. A signif deregulation policies could disrupt business and economic conditions in India and thereby affect our Companyôs business.

Unstable domestic as well as international political environment could impact the economic performance in the short term as well as the long term. The Government of India has pursued the economic liberalization policies including relaxing restrictions on the private sector over the past several years. The present Government has also announced polices and taken initiatives that support continued economic liberalization.

The Government has traditionally exercised and continues to exercise a significant influence over many aspects of the Indian economy. Our Companyôs busin rates, changes in Government policy, taxation, social and civil unrest but also by other political, economic or other developments in or affecting India.

54. Companies operating in India are subject to a variety of central and state government taxes and surcharges.

Tax and other levies imposed by the central and state governments in India that affect our tax liability include: (i) central and state taxes and other levies; (ii) income tax; (iii) value added tax; (iv) turnover tax; (v) service tax; (vi) stamp duty; and (vii) other special taxes and surcharges which are introduced on a temporary or permanent basis from time to time. Moreover, the central and state tax scheme in India is extensive and subject to change from time to time. For example, a new tax code is proposed to be introduced in the Indian Parliament.

The statutory corporate income tax in India, which includes a surcharge on the tax and an education cess on the tax and the surcharge, is currently 32.45 %. The central or state government may in the future increase the corporate income tax it imposes. Any such future increases or amendments may affect the overall tax efficiency of companies operating in India and may result in significant additional taxes becoming payable. Additional tax exposure could adversely affect our business and results of operations.

55. Financial instability in other countries could disrupt our business.

The Indian market and the Indian economy are influenced by economic and market conditions in other countries. Although economic conditions are differe
in one country can have adverse effects on the economy as a whole, in other countries, including India. A loss of investor confidence in the financial systems of other emerging markets may cause volatility in Indian financial markets and indirectly, in the Indian economy in general. Any worldwide financial instability could also have a negative impact on the Indian economy, including the movement of exchange rates and interest rates in India.

In the event that the current difficult conditions in the global credit markets continue or if the recovery is slower than expected or if there any significant financial disruption, this could have an adverse effect on our cost of funding, loan portfolio, business, prospects, results of operations and financial condition

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PROMINENT NOTES

1. This is a public issue of NCDs by our Company aggregating upto ` 2,500 million with an option to retain over-subscription upto ` 2,500 million, aggregating to a total of 5,000 million.

2. For details on the interests of our Company's Directors, please refer to the chapters "*Our Management*" and "*Capital Structure*" beginning on pages 153 and 18, respectively.

3. Our Company has entered into certain related party transactions, within the meaning of AS 18, as notified under the Companies (Accounting Standards) Rules, 2006 and disclosed in the chapter "*Financial Statements*" beginning on page 67.

4. Any clarification or information relating to the Issue shall be made available by the Lead Managers, Co-Lead Managers and our Company to the investors at large and no selective or additional information would be available for a section of investors in any manner whatsoever.

5. Investors may contact the Registrar to the Issue, Compliance Officer, Lead Managers and the Co-Lead Managers for any complaints pertaining to the Issue. In case of any specific queries on allotment/refund, Investor may contact Registrar to the Issue.

6. In the event of oversubscription to the Issue, allotment shall be made on the basis as set out in the chapter "*Issue Procedure*" – "*Basis of Allotment*" on page 159.

7. Our Equity Shares are currently unlisted.

8. All the earlier secured non-convertible debentures issued by our Company on private placement basis are listed on NSE.

9. Our Company has had no continegent liabilities as of March 31, 2013 and September 30, 2013.

10. For further information relating to certain significant legal proceedings that we are involved in, please refer to the chapter ì***Outstanding Litigation***ò on page 163.

SECTION III ïINTRODUCTION

GENERAL INFORMATION

India Infoline Housing Finance Limited

Our Company was originally incorporated on December 26, 2006 as a public limited company under the provisions of the Companies Act, 1956 as India Infoline Housing Finance Limited and received the certificate for commencement of business on August 16, 2007.

NHB Registration

Our Company has obtained a certificate of registration dated February 03, 2009 bearing registration no. 02.0070.09 issued from the National Housing Bank to commence/carry on the business of a housing finance institution without accepting public deposits subject to the conditions mentioned in the certificate.

Registered Office & Corporate Office:

2A-10, 13th floor, Parinee Crescenzo,
C-38 & 39, G-Block, Bandra Kurla Complex
Bandra (East), Mumbai - 400 051
Maharashtra, India

Tel.: +91 22 6788 1000
Fax: +91 22 6788 1010
Website: www.iihfl.com

Company Secretary and Compliance Officer:

Mr. Nirav Shah

12A-10, 13th Floor, Parinee Crescenzo
C-38 & 39, G-Block, Bandra Kurla Complex
Bandra (East), Mumbai - 400 051
Maharashtra, India

E-mail: nirav.s@indiainfoline.com
Tel.: +91 22 6788 1015
Fax: +91 22 6788 1010

Registrar of Companies, Maharashtra, Mumbai

100, Everest House
Marine Lines
Mumbai ï400 002
Maharashtra, India

Board of Directors

The following table sets out the details regarding the Board of Directors as on the date.

Name, Designation and DIN	Age (years)	Address
S. Sridhar **Designation:** Chairman and Independent Director **DIN:** 00004272	62	D-905, Ashok Towers, Dr. S S Rao Road, Parel, Mumbai ï400 012 Maharashtra, India.
Nirmal Jain	47	101-A, Ashoka Guruprasad CHS Limited, Hanuman Road,

Name, Designation and DIN	Age (years)	Address
Designation: Non-Executive Director **DIN**: 00010535		Vile Parle (East), Mumbai ï400 057, Maharashtra, India
R. Venkataraman **Designation**: Non-Executive Director **DIN**: 00011919	46	604, Glen Heights, Hiranandani Gardens, Powai, Andheri, Mumbai ï400 076, Maharashtra, India
Mukesh Kumar Singh **Designation**: Non-Executive Director **DIN**: 00011933	41	607, Orchid Tower, Lokhandwala Township, Akurli Road, Kandivali, Mumbai ï400 101, Maharashtra, India
R Mohan **Designation**: Non-Executive Director **DIN**: 00012070	48	A-204, Rajrudram, Gokuldham, Goregaon (East), Mumbai ï400 063, Maharashtra, India.
Kranti Sinha **Designation:** Independent Director **DIN:** 00001643	71	Flat No. 3, 2nd Floor, Jeevan Sangram CHSL,Plot No.24, Sector 2, Charkop, Kandivali (West), Mumbai ï400 067 Maharashtra, India.

For further details of Directors of our Company, please refer to chapter titled ì***Our Management***ò beginning o page 53.

Manager

Name and Designation	Age (years)	Address
B. K. Singh **Designation:** Manager and CEO	40	401 Arun Jangid Estate, near Vijay Park, Mira Road (E) Thane - 401 107, Maharashtra, India

Investors can contact our Compliance Officer and/or the Registrar to the Issue in case of any pre- Issue or post-Issue related problems such as non-receipt of Allotment Advice, demat credit, refund orders or interest on Application Money.

Lead Managers to the Issue

Axis Capital Limited

Axis House, Level 1
C-2 Wadia International Centre,
P.B. Marg, Worli,
Mumbai 400 025,
Maharashtra, India

Tel.: +91 22 4325 2525
Fax: +91 22 4325 3000
Email: iifhl.ncd@axiscap.in
Investor grievance email: complaints@axiscap.in
Website: www.axiscap.in
Contact Person: Simran Gadh
Compliance Officer: M. Natarajan
SEBI Regn. No.: INM000012029

India Infoline Limited**

8th Floor, IIFL Centre,
Kamala City, Senapati Bapat Marg,
Lower Parel (West),
Mumbai 400 013,
Maharashtra, India

Tel: +91 22 4646 4600
Fax: +91 22 2493 1073
Email: ifl.ncd@iiflcap.com
Investor Grievance ID: ig.ib@iiflcap.com
Website: www.iiflcap.com
Contact Person: Sachin Kapoor/ Pinak Bhattacharyya
Compliance Officer: Rajesh Ganu
SEBI Regn. No.: INM000010940

Trust Investment Advisors Private Limited

109/110, 1st Floor,Balrama,
Village Parigkhari, BKC, Bandra (East),
Mumbai 400 051,
Maharashtra, India

Tel. : +9122 40845060
Fax.: +9122 40845066
Email id : info@trustgroup.co.in
Investor Grievance mail:
customercare@trustgroup.co.in
Website: www.trustgroup.co.in
Contact Person: Anindya Sen
Compliance Officer: Balkrishna Shah
SEBI Regn. No.: INM000011120

Edelweiss Financial Services Limited

Edelweiss House, 14th Floor,
Off CST Road, Kalina,
Mumbai 400 098,
Maharashtra, India

Tel: +91 22 4086 3535
Fax +91 22 4086 3610
Email ID: iflncd2013@edelweissfin.com
Website: www.edelweissfin.com
Investor Grievance ID:
customerservice.mb@edelweissfin.com
Contact Person : Viral Shah/ Siddharth Kangle
Compliance Officer: B Renganathan
SEBI Regn. No.: INM0000010650

** India Infoline Limited (IIFL) is our Promoterôs promoter IIFL is deemed to be our associate as per Merchant Bankers Regulations. IIFL will sign the due diligence certificate and accordingly been disclosed as a Lead Manager. Further, in compliance with the provision to Regulation 21A(1) and explanation to Regulation 21A(1) of the Merchant Bankers Regulations, IIFL would be involved only in marketing of the Issue.*

Co-Lead Managers to the Issue

RR Investors Capital Services (P) Limited

47, M M Road,
Rani Jhansi Marg,
Jhandewalan,
New Delhi ï110 055

Tel: + 91 11 2363 6362/63
Fax: +91 11 2363 6746
Email: iiflncd2013@rrfcl.com
Investor Grievance Email: investors@rrfcl.com
Website: www.rrfinance.com/www.rrfcl.com
Contact Person: Anurag Awasthi
Compliance Officer: Ravi Kant Goyal
SEBI Regn. No.: INM000007508

Karvy Investor Services Limited

701, Hallmark Business Plaza,
Sant Dnyaneshwar Marg,
Off. Bandra Kurla Complex, Bandra (East),
Mumbai ï400 051, Maharashtra, India

Tel: + 91 22 6149 1500
Fax: +91 22 6149 1515
Email: iiflncd@karvy.com
Investor Grievance Email: cmg@karvy.com,
igmbd@karvy.com
Website: www.karvy.com
Contact Person : Sumit Singh/ Swapnil Mahajan
Compliance Officer: V. Madhusudhan Rao
SEBI Regn. No.: INM000008365

SMC Capitals Limited#

302-303, Enterprise Centre,
Near Orchid Hotel,
Nehru Road, Vile Parle (East),
Mumbai 400 099, Maharashtra, India

Tel: +91 22 6648 1818
Fax: +91 22 6648 1850
Email: iifl.ncd@smccapitals.com
Investor Grievance Email:
investor.grievance@smccapitals.com
Website: www. smccapitals.com
Contact Person : Sanjeev Barnwal
Compliance Officer: Sanjeev Barnwal
SEBI Regn. No.: INM000011427

 # The SEBI registration certificate as ñMerchant Bankersò for SMC Capitals Limit 13t An application dated September 25, 2013 for renewal of the said certificate of registration has been made to SEBI.

Debenture Trustee

IDBI Trusteeship Services Limited

Asian Building, Ground Floor,
17, R Kamani Marg,
Ballard Estate, Mumbai - 400 001
Maharashtra, India.

Tel: +91 22 4080 7001
Fax: + 91 22 6631 1776
Website: www.idbitrustee.com
Contact Person: Ajit Guruji
Email: ajit.guruji@idbitrustee.com
SEBI Registration No.: IND000000460

IDBI Trusteeship Services Limited has by its letter dated November 08, 2013 given its consent for its appointment as Debenture Trustee to the Issue and for its name to be included in this Draft Prospectus and in all the subsequent periodical communications to be sent to the holders of the NCDs issued pursuant to this Issue.

Registrar to the Issue:

Link Intime India Private Limited

C- 13 Pannalal Silk Mills Compound,
LBS Marg,
Bhandup (West),
Mumbai ï400 078,
Maharashtra, India.

Tel: +91 22 2596 7878;
Fax: +91 22 2596 0329
Email: iihfl.ncd@linkintime.co.in
Investor Grievance mail: iihfl.ncd@linkintime.co.in
Website: www.linkintime.co.in
Contact Person: Dinesh Yadav
Registration Number: INR000004058

Credit Rating Agencies:

CRISIL Limited

CRISIL House,
Central Avenue,
Hiranandani Business Park,
Powai, Mumbai ï400 076
Maharahstra, India

Tel: +91 22 3342 3000
Fax: +91 22 3342 3050
Email: creditratingdesk@crisil.com
Contact Person: Rajat Bahl
Website: www.crisil.com
SEBI Registration No: IN/CRA/001/1999

Credit Analysis and Research Limited

4th Floor, Godrej Coliseum,
Somaiya Hospital Road,
Off Eastern Express Highway,
Sion (E), Mumbai 400 022
Maharahstra, India

Tel: +91 22 6754 3416
Fax: +91 22 6754 3457
Email: vijay.agrawal@careratings.com
Contact Person: Vijay Agrawal
Website: www.careratings.com
SEBI Registration No: IN/CRA/004/1999

Legal Counsel to the Issue

Khaitan & Co

One Indiabulls Centre,

13th Floor, Tower 1,
841 Senapati Bapat Marg,
Elphinstone Road,
Mumbai ï400 013,
Maharashtra, India.

Tel: + 91 22 6636 5000
Fax: + 91 22 6636 5050

Statutory Auditors of our Company

Sharp & Tannan Associates

Chartered Accountants,
87, Nariman Bhawan,
8th Floor, 227, Nariman Point,
Mumbai ï400 021
Maharashtra, India

Tel: +91 22 6153 7500; 2202 2224/8857
Fax: +91 22 2202 3856
Email: mumbai.office@sharp-tannan.com
Contact Person: Tirtharaj Khot
Membership No: 37457
Firm Registration Number: 109983W

Chartered Accountant issuing Statement of Tax Benefit

Pritesh Mehta & Co

Chartered Accountants
511, Sai Chambers, Next to Syndicate Bank,
Near Railway Station, Santacruz (East),
Mumbai ï400 055,
Maharashtra, India

Tel: +91 22 2617 5159
Fax: +91 22 2617 5159
Contact Person: Pritesh Mehta
Membership No: 49593
Firm Registration Number: 115857W

Bankers to the Issue/ Escrow Collection Banks

[¶]

Lead Brokers

[¶]

Bankers to our Company

Axis Bank Ltd

Jeevan Prakash Building,
Sir PM Road, Fort,
Mumbai ï400 001,
Maharashtra, India

Tel: +91 22 4086 7371

Email: viraj.vaidya@axisbank.com,
nachiket.kalwit@axisbank.com
Contact Person: Nachiket kalwit/ Viraj Vaidya
Website: www.axisbank.com

Self Certified Syndicate Banks

The list of Designated Branches that have been notified by SEBI to act as SCSBs for the ASBA process is provided on the website of SEBI at www.sebi.gov.in. For details of the Designated Branches of the SCSBs which shall collect ASBA Application Forms, please refer to the above-mentioned link.

Impersonation

As a matter of abundant precaution, attention of the ... section 38(1) of the Companies Act, 2013 relating to punishment for fictitious Applications ...

Minimum Subscription

If our Company does not receive the minimum subscription of ` 1,875 million ... to the Issue Closing date, the entire subscription s... from the date of closure of the Issue. If there is d... Company becomes liable to refund the subscription amount, ... period, at rate prescribed under applicable law.

Credit Rating

CRISIL

The NCDs proposed to be issued under this Issue have been rated 'CRISIL AA/Stable' by CRISIL ... amount ` 5,000 million vide its letter dated November 14, 2013. T... indicates a high degree of safety regarding timely ... Such instruments carry very low credit risk.

CARE

The NCDs proposed to be issued under this Issue have been rated 'CARE AA' by CARE for an amou... ` 5,000 million vide its letter dated November 08, 2013. The rat... with this rating are considered to have a high deg... obligations. Such instruments carry very low credit r...

Consents

The written consents of Directors of our Company, Company Secretary and Compliance Officer, our Statutory Auditor, the Chartered Accountant issuing statement of tax benefit, the legal advisor, the Lead Managers, Co-Lead Managers, the Registrar to the Issue, Escrow Collection Bank(s), Refund Bank, Credit Rating Agencies, the Bankers to our Company, Auditor issuing the 'St... Trustee, and the Lead Brokers to act in their respective capacities, will be filed along with a copy of the Prospecus with the RoC as required under Section 56 and 60 of the Companies Act, 1956 and such consents have not been withdrawn up to the time of delivery with Stock Exchanges.

Utilisation of Issue proceeds

Boards of Directors of our Company certify that:

- all monies received out of the Issue shall be cred... bank account referred to in sub-section (3) of Section 40 of the Act;
- details of all monies utilised out of the Issue referred to above shall be disclosed ... statements indicating the purpose for which such m... along with details, if any, in relation to all such proceeds of the Issue that have not been utilized thereby also indicating investments, if any, of such unutilized proceeds of the Issue ;

- details of all unutilised monies out of the Issue, if a balance sheet indicating the form in which such unu
- the Issue proceed shall be kept in the escrow accounts opened in terms of the Prospectus and shall be available to the Company only upon execution of the documents for creation of security as stated in this Draft Prospectus and on receipt of the minimum subscription of 75% of the Base Issue; and
- the Issue proceeds shall not be utilized towards or acquisitio is part of the same group or who is under the same

Issue Programme

ISSUE OPENS ON [●]
ISSUE CLOSES ON [●]*

* *The subscription list for the Issue shall remain open for subscription upto 5 pm, with an option for early closure or extension by such period, upto a period of 30 days from the date of opening of the Issue, as may be decided at the discretion of the duly authorised committee of Directors of our Company subject to necessary approvals. In the event of such early closure of the Issue or extension of the Issue, our Company shall ensure that notice of such early closure or extension of the Issue is given as the case may be on or before such early date of closure or the initial Closing Date through advertisement/s in a leading national daily newspaper.*

Applications Forms for the Issue will be accepted only between 10 a.m. and 5.00 p.m. (Indian Standard Time) or such extended time as may be permitted by the Stock Exchanges, during the Issue Period as mentioned above on all days between Monday and Friday (both inclusive barring public holiday), (i) by the Lead Managers, Co-Lead Managers, Lead Brokers or the Trading Members of the Stock Exchange, as the case maybe, at the centers mentioned in Application Form through the non-ASBA mode or, (ii) in case of ASBA Applications, (a) directly by the Designated Branches of the SCSBs or (b) Lead Managers, Lead Brokers or the Trading Members of the Stock Exchange, as the case maybe. On the Issue Closing Date the Application Forms will be accepted only between 10 a.m. and 3.00 p.m. (Indian Standard Time) and uploaded until 5.00 p.m. or such extended time as may be permitted by the Stock Exchanges.

Due to limitation of time available for uploading the Applications on the Issue Closing Date, Applicants are advised to submit their Application Forms one day prior to the Issue Closing Date and, no later than 3.00 p.m (Indian Standard Time) on the Issue Closing Date. Applicants are cautioned that in the event a large number of Applications are received on the Issue Closing Date, there may be some Applications which are not uploaded due to lack of sufficient time to upload. Such Applications that cannot be uploaded will not be considered for allocation under the Issue. Application Forms will only be accepted on Working Days during the Issue Period. Neither our Company, nor the Lead Managers, Co-Lead Managers, Lead Brokers or Trading Members of the Stock Exchanges are liable for any failure in uploading the Applications due to failure in any software/ hardware systems or otherwise.

Please note that the Basis of Allotment under the Issue will be on a date priority basis. The Issue may close on such earlier date or extended date as may be decided at the discretion of the duly authorised committee of Directors of our Company subject to necessary approvals. In the event of such early closure or extension of the Issue, our Company shall ensure that notice of the same is provided to the prospective investors, on or before such early date of closure or the initial Closing Date, as the case may be, through advertisement/s in a leading national daily newspaper.

SUMMARY OF BUSINESS, STRENGTHS AND STRATEGIES

We are a wholly owned subsidiary of India Infoline Finance Limited. We received a Certificate of Registration (not valid for acceptance of pub **NHB**cò)d edpaotseidt sF) e bfrruoamr yt to carry on the business of a housing finance institution. We offer housing loans and Loans against Property.

Our lending products include Mortgage Loans, which includes Retail Mortgage Loans and Corporate Mortgage Loans. These loans are bifurcated into Housing Loans and Loans Against Property. Housing Loans includes finance for purchase of flats, construction of houses, extension and for improvement in the flats/homes and for acquiring plots of land (which are intended to be used for construction of houses). Loan Against Property is availed for, working capital requirements, for business use or acquisition of new property and for financing construction projects.

Our Promoter, India Infoline Finance Limited is a systemically important non-deposit taking NBFC focusing on Mortgage Loans, Commercial Vehicle Finance, Gold Loan, Capital Market Finance and Healthcare Finance. Our Promoter, India Infoline Finance Limited is a su financial services organization having presence across India. The global footprint of IIFL Group extends across geographies with offices in New York, London, Geneva, Hong Kong, Singapore, Dubai, Mauritius and Colombo. IIFL Groupôs services and pr, commodities and include currency broking, wealth advisory, credit & finance, insurance broking, asset management, financial products distribution & investment banking. The product/ services portfolio of IIFL caters to the diverse investment and strategic requirements of retail, institutional, corporate and affluent clients. We leverage extensively on the infrastructure, distribution network and insights of IIFL Group into market and customer needs. We also source our Mortgage Loans from our wide network of DSAs and other alternate channels (ie the staff and client base of IIFL Group).

Our income from operations and profit after tax (PAT) of the Company for the financial year ending March 31, 2013 stood at ` 451.97 million and ` 139.66 million, and for the half year ended September 30, 2013 stood at ` 390.24 million and ` 117.81 million respectively. The companyôs i CAGR of 95.6 % and 92.64 % respectively over the last three years from FY11 to FY13. The Loan Book of the company has witnessed a CAGR of 92.37 % over the last three years.

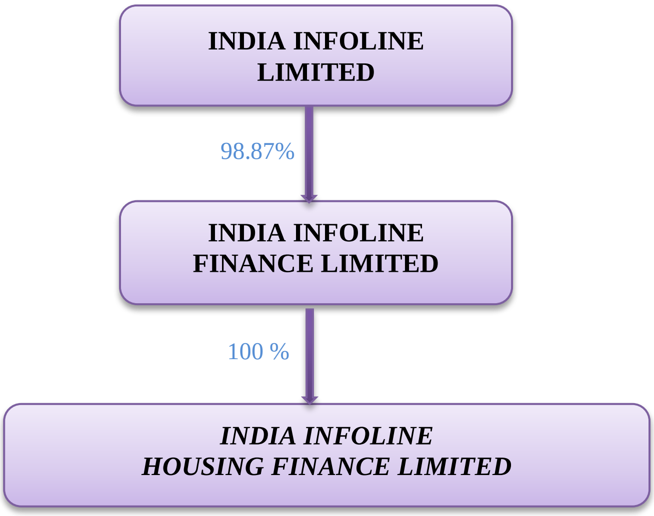
A summary of our key operational and financial parameters for the last three completed financial years, as specified below, are as follows:

(In `)

For Financial Entities	**As at September 30, 2013**	**FY13**	**FY12**	**FY11**
Networth	3,014,929,974	1,559,412,919	1,420,043,854	1,385,628,318
Total Debt	**2,640,000,000**	**2,050,000,000**	**1,200,000,000**	**1,600,000,000**
of which ï				
Non Current Maturities of Long Term Borrowing	637,500,000	650,000,000	800,000,000	1,200,000,000
Short Term Borrowings	1,240,000,000	1,000,000,000	-	-
Current Maturities of long Term Borrowings	762,500,000	400,000,000	400,000,000	400,000,000
Net Fixed Assets	-	-	-	-
Non Current Assets	7,130,083,728	3,359,569,636	2,527,743,746	2,930,346,358
Cash and Cash Equivalents	49,300,492	13,611,872	229,140,096	189,858,875
Current Investments	-	130,000,000	-	-
Current Assets	489,236,995	455,025,435	432,308,330	370,007,237
Current Liabilities	3,901,357,253	1,575,857,659	718,253,251	702,750,987
Assets Under Management	9,368,098,375	6,134,191,540	6,456,918,600	7,572,628,490
Off Balance Sheet Assets	-	-	-	-
Interest Income	310,476,052	398,637,634	403,306,656	218,371,262
Interest Expense	144,145,826	175,358,313	176,722,099	90,152,471
Provisioning & Write-offs	24,126,804	7,132,736	9,251,489	11,319,014
PAT	117,806,509	139,666,248	35,942,906	64,202,544
Gross NPA (%)	0.46%	0.26%	0.37%	0.32%
Net NPA (%)	0.39%	0.22%	0.32%	0.26%

For Financial Entities	As at September 30, 2013	FY13	FY12	FY11
Tier I Capital Adequacy Ratio (%)*	45.55%	37.08%	39.95%	34.94%
Tier II Capital Adequacy Ratio (%)*	3.94%	6.09%	6.91%	6.13%
** Capital adequacy ratio is reported for IIHFL*				
Gross Debt: Equity Ratio of the Company				
Before the issue of debt securities	0.88			
After the issue of debt securities **	2.53			
***The debt-equity ratio post the Issue is indicative and is on account of assumed inflow of ` 5,000.00 millions from the Issue as on September 30, 2013.*				

Our Corporate Structure



OUR STRENGTHS

Our Parentage

We believe we benefit extensively from our Promoter

Promoter IIFL, which is a diversified financial services company with a pan-India presence. IIFL is a well-established brand among retail, institutional and corporate investors in India. IIFL along with its subsidiaries offers a wide range of products and services including retail broking, institutional equities, commodities and currency broking, wealth advisory, credit & finance, insurance broking, asset management, financial products distribution & investment banking. IIFL offers advisory/ broking/ distribution services in certain overseas locations through its overseas subsidiaries. The IIFL brand is associated with trust, knowledge leadership and high quality services. We believe we have been able to leverage on our Promoter to grow our business, build relationships and also attract talent. We extensively leverage upon understanding of the market and customer needs.

We depend on IIFL and our Promoter for support, operations and common infrastructure.We believe we can further leverage upon the branch network of IIFL for expansion, new product launch & building scale.

Secured Loan Book and Strong Asset Quality

We provide only secured finance which ensures lower NPAs and lesser recovery related problems. The Mortgage Loans are secured with mortgage of residential property, land, commercial properties, which are either under construction or fully developed. As a policy, we lend up to 65% of value of property for Loan against Property and up to 90% for Home Loans. We believe this policy provides us a cushion against possible defaults. We believe that our robust credit approval mechanisms, credit control processes, audit and risk management processes and policies help us maintain the quality of our loan portfolio

We are adequately capitalized to fund our growth

We are subject to capital adequacy ratio (ñCARò) req to maintain a minimum of 12% as prescribed under the Prudential Norms of NHB based on our total capital to risk weighted assets. As part of our governance policy, we ordinarily maintain capital adequacy higher than statutorily prescribed CAR. As of September 30, 2013 and March 31, 2013 our capital adequacy ratio computed on the basis of applicable NHB requirement was 49.49% and 43.17% as compared to a minimum of capital adequacy requirement of 12% stipulated by NHB for FY13.

Set forth below is our capital adequacy ratio for the last five fiscal years.

Year	As at September 30, 2013	FY 2013	FY 2012	FY 2011	FY 2010	FY 2009
Capital Adequacy Ratio	49.49	43.17	46.86	41.07	140.36	Nil

Access to cost effective funding sources

Our fund requirements are currently predominantly sourced through term loans from banks, issue of redeemable non-convertible debentures on private placement basis and commercial paper. We believe that we have developed stable long term relationships with our lenders and have established a track record of timely servicing of our debts. We also place commercial paper and access inter-corporate deposits.

We believe that we have been able to achieve a relatively stable cost of funds despite the difficult conditions in the global and Indian economy and the resultant reduced liquidity and an increase in interest rates, primarily due to effective treasury management and innovative fund raising programs. We believe we are able to borrow from a range of sources at competitive rates.

Set forth below is our Average Cost of Borrowing for the last five fiscal years.

Year	Half year ending September 30, 2013	FY 2013	FY 2012	FY 2011	FY 2010	FY 2009
Average Cost of Borrowing	12.16%	12.41%	11.84%	10.77%	9.82%	10.48%

Well Defined Processes

We believe our well defined business processes ensure complete independence of function and segregation of responsibilities. Our robust credit approval and credit control processes, centralized operations unit, independent audit unit for checking compliance with the prescribed policies and approving all loans at transaction level and risk management processes and policies provide for multiple checks and verifications for both legal and technical parameters, including collateral valuation and title search, document verification and fraud and KYC check, personal meetings with clients and audit before disbursement of loans above a specific limit.

For our Mortgage Loans the credit department evaluates proposals focusing on both the borrower and the security on various legal and technical parameters like title reports from empanelled lawyers. We believe our procedures have ensured that the eventual write off due to non-recovery have remained less than 0.1% of Loan Book during the last three fiscals.

Access to Extensive Distribution and Branch Network

Our Mortgage Loans business is sourced through direct sales and regional offices of our Promoter. Additionally we have access to the pan India branch and distribution network of IIFL Group and we leverage the extensive distribution network of the IIFL Group for sourcing business. We also source our Mortgage Loans from our wide network of DSAs and other alternate channels (ie the staff and client base of IIFL Group). We propose to set up additional branches across India to further strengthen our geographic reach and customer service and distribution points.

We believe that access to such an extensive distribution network enables us to service and support our existing customers from proximate locations which gives our customers easy access to our services and enables us to reach new customers. We believe we can leverage on this existing branch network for further expansion, new product launch and building scale.

Experienced Management Team

The Board of Directors comprises of 6 directors with significant experience in the banking and finance sector. The members of our executive management team also have significant experience in the products and services offered by us. We believe that our senior management and talented and experienced executives are and would continue to be the principal drivers of our growth and success in all of our businesses. We believe that the extensive relevant experience and financial acumen of our management and executives provides us with a distinct competitive advantage. Our management organization structure is designed to support each product line by a dedicated team of executives with substantial experience in their particular business segment.

Technology, Analytics and Credit bureau usage

We believe that our robust loan management system, analytic ability and extensive usage of the credit bureau and other allied KYC procedures offers us a significant competitive advantage. Our systems have the capability of end to end customer data capture, computation of income, collateral data capture, and repayment management. Our loan approval is controlled by the loan application system. We believe our monthly analytics reports including through the-door and credit information tracking are efficient tools for ensuring risk management-controls & compliance.

Our systems are custom designed for our services and help us reduce people contact time and enhance our processes and operational excellence. Our systems fully integrate businesses in every aspect bringing together various departments in simple transitions and customer information updates. Technology gives us the ability to integrate cash flows in real time and allows us better informed decision making with instantaneous access to record and information.

OUR STRATEGIES

Our key strategy is to gradually grow retail focused mortgage assets, leveraging technology to achieve operational efficiency and to leverage extensive branch network of our parent, particularly in the unbanked and under-banked regions of the country. Key elements of our strategy are:

Retail Focus

Given the potential, our focus is to grow diversified retail mortgage assets. We will continue to focus primarily on residential mortgage assets and to maintain a conservative loan to value ratio across all loan products. We will focus on gaining size and scale in our existing product portfolio. We believe that lending for residential assets across various geographies will allow us to build a healthy loan book.

Operational Efficiency

Operational efficiency is the key to grow retail focused loan portfolio and will form the backbone of our product and service delivery. We intend to continuously improve our operating processes and customer turnaround time to get higher efficiency. As a result, we expect to deliver a superior customer experience. We also intend to further strengthen our risk management systems to maintain asset quality so that growth does not come at the cost of quality.

Technology driven

We will continue to bank on cutting edge technology solutions. We will continue to invest in our IT infrastructure as we believe technology and system driven processes will help us scale up the retail oriented loan assets. System driven risk management processes will help us in growth without comprising on the quality of assets. We expect that technology will help us reduce operating costs and reduce turnaround time. We will continue to rely on proprietary system for loan processing and booking. The in-house loan application system has been built utilizing the expertise of the business and technology teams. We will also source best in-class industry applications, including credit bureaus, if needed due to growing size of the organization.

Leveraging Groupôs Branch Network

A good distribution network is very important for retail lending business and we plan to continue to leverage IIFLôs branch network. IIFL has developed a vast distribution network across the country with a large customer base of over 2million across different product and service offerings. This facilitates customer acquisition, maintain high service standards and timely collections resulting in improved portfolio performance and profitability.

THE ISSUE

*The following is a summary of the Issue. This summary should be read in conjunction with, and is qualified in its entirety by, more detailed information in "**Terms of the Issue**" on page 137 of this Draft Prospectus.*

Common Terms of NCDs

Issuer	India Infoline Housing Finance Limited
Lead Managers	Axis Capital Limited, Trust Investment Advisors Private Limited, India Infoline Limited and Edelweiss Financial Services Limited
Co-Lead Managers	Karvy Investor Services Limited RR Investors Capital Services (P) Limited and SMC Capitals Limited
Debenture Trustee	IDBI Trusteeship Services Limited
Registrar to the Issue	Link Intime India Private Limited
Type and nature of Instrument	Secured Redeemable Non-Convertible Debentures
Face Value of NCDs(₹ / NCD)	₹ 1,000
Issue Price (₹ / NCD)	₹ 1,000
Minimum Application	₹ 10,000 (10 NCDs)
In Multiples of	One NCD after the minimum subscription
Seniority	Senior (the claims of the NCD Holders shall be superior to the claims of any unsecured creditors, subject to applicable statutory and/or regulatory requirements). The NCDs would constitute secured obligations of ours and shall rank *pari passu* inter se, present and future and subject to any obligations under applicable statutory and/or regulatory requirements, shall also, with regard to the amount invested, be secured by way of first *pari passu* charge on current assets, book debts, loans and advances, and recievables, both present and future, of our Company.
Mode of Issue	Public Issue
Issue	Public Issue by our Company of Secured Redeemable NCDs aggregating up to ₹ 2,500 million with an option to retain over-subscription up to ₹ 2,500 million aggregating to a total of up to ₹ 5,000 million.
Stock Exchange proposed for listing of the NCDs	BSE Limited ("**BSE**") and National Stock Exchange ("**NSE**")
Listing and timeline for Listing	The NCDs shall be listed within 12 Working Days of Issue Closure
Mode of Allotment and Trading	NCDs will be issued and traded in dematerialised form.
Trading Lot	One NCD
Depositories	NSDL and CDSL
Security	The principal amount of the NCDs to be issued in terms of this Draft Prospectus together with all interest due on the NCDs, as well as all costs, charges, all fees, remuneration of Debenture Trustee and expenses payable in respect thereof shall be secured by way of first *pari passu* charge on current assets, book debts, loans and advances, and receivables, both present and future, of our Company. Our Company has received NoC from existing lenders and security trustees to cede pari passu charge in favour of the Debeture Trustee for the purpose of this Issue.
Who can apply	**Category I** • Resident Public Financial Institutions, Statutory Corporations including State Industrial Development Corporations, Commercial Banks, • Co-operative Banks and Regional Rural Banks, which are authorised to invest in the NCDs; • Provident Funds of minimum corpus of ₹ 250 million , Pension Funds, Superannuation Funds and Gratuity Fund, which are authorised to invest in the NCDs; • Venture Capital funds and / or Alternative Investment Funds registered with

- SEBI;
- Insurance Companies registered with the IRDA;
- National Investment Fund (set up by resolution no. F. No. 2/3/2005-DDII dated November 23, 2005 of the Government of India and published in the Gazette of India);
- Insurance funds set up and managed by the Indian army, navy or the air force of the Union of India or by the Department of Posts, India
- Mutual Funds, registered with SEBI;

Category II

- Companies; bodies corporate and societies registered under the applicable laws in India and authorised to invest in the NCDs;
- Educational institutions and associations of persons and/or bodies established pursuant to or registered under any central or state statutory enactment; which are authorized to invest in the NCDs;
- Public/private charitable/religious trusts which are authorised to invest in the NCDs;
- Scientific and/or industrial research organisations, which are authorised to invest in the NCDs;
- Partnership firms in the name of the partners; and
- Limited liability partnerships formed and registered under the provisions of the Limited Liability Partnership Act, 2008 (No. 6 of 2009);
- Resident Indian individuals and Hindu undivided families through the Karta aggregating to a value exceeding ` 1.00 million;

Category III*

- Resident Indian individuals; and
- Hindu undivided families through the Karta;

** applications aggregating to a value not more than ` 1.00 million.*

Rating

Rating Agency	Instrument	Rating symbol	Date of credit rating Letter	Amount rated	Rating definition
CARE	Long term NCD	ó CARE-([Double A minus]	November 8, 2013	Upto `5,000 million	The rati by CARE instrume this ra consider a high d safety r timely s financ obligati instrume very low
CRISIL	Long term NCD	CRISIL AA-/Stable	November 14, 2013	Upto `5,000 million	The rati by CRIS indica instrume this ra consider a high d safety r timely s financ obligati instrume

	very low
Issue Size	Public Issue by our Company of Secured Redeemable NCDs aggregating up to ` 2,500 million with an option to retain over-subscription up to ` 2,500 million aggregating to a total of up to ` 5,000 million. Base Issue is for ` 2,500 million.
Pay-in date	3 (three) Business Days from the date of upload of application in the book building system of the Exchanges or the date of realisation of the cheques/demand drafts, whichever is later.
Application money	The entire Application Amount is payable on submitting the application.
Record Date	The record date for payment of interest in connection with the NCDs or repayment of principal in connection therewith shall be 7 days prior to the date on which interest is due and payable, and/or the date of redemption. Provided that trading in the NCDs shall remain suspended between the aforementioned Record Date in connection with redemption of NCDs and the date of redemption or as prescribed by the Stock Exchanges, as the case may be. In case Record Date falls on a day when stock exchanges are having a trading holiday, the immediate subsequent trading day will be deemed as the Record Date.
Issue Schedule*	The Issue shall open on [●], 2013 and close on [●], 2013 with an option to close earlier and/or extend up to a period as may be determined by a duly authorised committee of the Board.
Objects of the Issue	Please refer to "*Objects of the Issue*" on page 23.
Details of the utilisation of the proceeds of the Issue	Please refer to "*Objects of the Issue*" on page 23.
Coupon rate and redemption premium	Please refer to "*Issue Structure – Terms and Conditions in connection with the NCDs*" on page 118.
Working Days convention/Day count convention / Effect of holidays on payment	All days excluding, Sundays and a public holiday in Mumbai or at any other payment centre notified in terms of the Negotiable Instruments Act, 1881, except with reference to Issue Period where working days shall mean all days, excluding Saturdays, Sundays and public holidays in India or at any other payment centre notified in terms of the Negotiable Instruments Act, 1881. Interest shall be computed on a 365 days a year basis on the principal outstanding on the NCDs. However, if period from the Deemed Date Of Allotment / anniversary date of Allotment till one day prior to the next anniversary / redemption date includes February 29, interest shall be computed on 366 days a-year basis, on the principal outstanding on the NCDs. If the date of payment of coupon does not fall on a Working Day, then the succeeding Working Day will be considered as the effective date for such payment of interest or principal, (the "Effective Date"). Coupon will be paid on the Effective Date. For avoidance of doubt, in case of interest payment on Effective Date, interest for period between actual interest payment date and the Effective Date will be paid in normal course in next interest payment date cycle. Payment of interest will be subject to the deduction of tax as per Income Tax Act or any statutory modification or re-enactment thereof for the time being in force. In case the Maturity Date falls on a holiday, the payment will be made on the previous Working Day, without any interest for the period outstanding.
Issue Opening Date	[●], 2013
Issue Closing Date	[●], 2013
Default interest date	In the event of any default in fulfillment of obligations by our Company under the Debenture Trust Deed, the Default Interest Rate payable to the Applicant shall be as prescribed under the Debenture Trust Deed
Interest on Application Money	Please refer to "*Issue Structure-Interest on Application Money*" on page 122.
Deemed Date of Allotment	The date on which the Board or a duly authorized committee approves the Allotment of NCDs. All benefits relating to the NCDs including interest on NCDs shall be available to Investors from the Deemed Date of Allotment. The actual allotment of NCDs may take place on a date other than the Deemed Date of Allotment.
Transaction documents	Lead Managers MoU dated November 14, 2013 between our Company, the Lead

	Managers, Co-Lead Managers, the Registrar Agreement dated November 01, 2013 between our Company and the Registrar to the Issue, Debenture Trustee Agreement dated November 18, 2013 executed between our Company and the Debenture Trustee and the agreed form of the Debenture Trust Deed to be executed between our Company and the Debenture Trustee.
Conditions precedent and subsequent to the Issue	The conditions precedent and subsequent to disbursement will be finalised upon execution of the Debenture Trust Deed.
Events of default	Please refer to "***Issue Structure- Events of Default***" on page 122.
Cross Default	Please refer to "***Issue Structure- Events of Default***" on page 122.
Roles and responsibilities of the Debenture Trustee	Please refer to "***Issue Structure- Debenture Trustees for the NCD holders***" on page 119.
Settlement Mode	Please refer to "***Issue Structure- Payment on Redemption***" on page 132.
Governing law and jurisdiction	The Issue shall be governed in accordance with the laws of the Republic of India and shall be subject to the exclusive jurisdiction of the courts of Mumbai.

**The subscription list shall remain open at the commencement of banking hours and close at the close of banking hours for the period as indicated, with an option for early closure or extension by such period, as may be decided by the Board or the duly authorised committee of the Board constituted by resolution of the Board. In the event of such early closure of or extension subscription list of the Issue, our Company shall ensure that notice of such early closure or extension is given to the prospective investors through an advertisement in a leading daily national newspaper on or before such earlier date or extended date of closure. Applications Forms for the Issue will be accepted only from 10:00 a.m. till 5.00 p.m. (Indian Standard Time) or such extended time as may be permitted by the Stock Exchanges, on Working Days during the Issue Period. On the Issue Closing Date, Application Forms will be accepted only from 10:00 a.m. till 3.00 p.m. (Indian Standard Time) and uploaded until 5.00 p.m. (Indian Standard Time) or such extended time as may be permitted by the Stock Exchanges.*

The specific terms of each instrument are set out below

Details	
Tenure	60 Months
Frequency of Interest Payment	Monthly
Who can apply	**Category I** • Resident Public Financial Institutions, Statutory Corporations including State Industrial Development Corporations, Commercial Banks, • Co-operative Banks and Regional Rural Banks, which are authorised to invest in the NCDs; • Provident Funds of minimum corpus of ₹ 250 million , Pension Funds, Superannuation Funds and Gratuity Fund, which are authorised to invest in the NCDs; • Venture Capital funds and / or Alternative Investment Funds registered with SEBI; • Insurance Companies registered with the IRDA; • National Investment Fund (set up by resolution no. F. No. 2/3/2005-DDII dated November 23, 2005 of the Government of India and published in the Gazette of India); • Insurance funds set up and managed by the Indian army, navy or the air force of the Union of India or by the Department of Posts, India • Mutual Funds, registered with SEBI; **Category II** • Companies; bodies corporate and societies registered under the applicable laws in India and authorised to invest in the NCDs; • Educational institutions and associations of persons and/or bodies established pursuant to or registered under any central or state statutory enactment; which are authorized to invest in the NCDs; • Public/private charitable/religious trusts which are authorised to invest in the NCDs; • Scientific and/or industrial research organisations, which are

Details	
	authorised to invest in the NCDs; Á Partnership firms in the name of the partners; and Á Limited liability partnerships formed and registered under the provisions of the Limited Liability Partnership Act, 2008 (No. 6 of 2009); Á Resident Indian individuals and Hindu undivided families through the Karta aggregating to a value exceeding ` 1.00 million;  **Category III*** Á Resident Indian individuals; and Á Hindu undivided families through the Karta;  * *applications aggregating to a value not more than ` 1.00 million.*
Minimum Application	` 10,000 (10 NCDs)
In Multiples of	1 NCD after the minimum subscription
Face Value of NCDs(` / NCD)	` 1,000
Issue Price (` / NCD)	` 1,000
Mode of Interest Payment/Redemption	Through Various options available
Coupon (%) for NCD Holders in Category I and Category II	[ŏ]
Coupon (%) for NCD holders in the Category III	[ŏ]
Coupon Type	Fixed
Effective Yield (per annum)	[ŏ]
Redemption Date	60 months from the Deemed Date of Allotment
Redemption Amount (` /NCD)	Repayment of the face value plus any interest (at the applicable coupon rates) that may have accrued at the redemption date
Deemed Date of Allotment	The date of issue of the Allotment Advice, or such date as may be determined by the Board or a duly constituted committee thereof, and notified to the Exchanges. All benefits relating to the NCDs including interest on the NCDs shall be available to the investors from the Deemed Date of Allotment. The actual Allotment of NCDs may take place on a date other than the Deemed Date of Allotment.
Nature of Indebtedness	*Pari passu* with with other secured creditors

For details of category wise eligibility and allotment in the Issue, please refer to "*Issue Procedure – How to apply – Who can apply*" and "*Issue Procedure – Basis of allotment*", on pages 143 and 159, respectively.

CAPITAL STRUCTURE

Details of share capital

The share capital of our Company as at date of this Draft Prospectus is set forth below:

Share Capital	In `
Authorised Share Capital	
11,000,000 Equity Shares of ` 10 each	110,000,000
155,000,000 Preference Shares of ` 10 each	1,550,000,000
Total Authorised Share Capital	**1,660,000,000**
Issued, Subscribed and Paid-up share capital	
10,900,000 Equity Shares of ` 10 each	109,000,000
20,000,000 Non Convertible Redeemable Preference Shares of ` 10 each	200,000,000
135,000,000 Compulsory Convertible Redeemable Preference Shares of ` 10 each	1,350,000,000
Total Issued, Subscribed and Paid-up share capital	**1,659,000,000**

Changes in the authorised capital of our Company as on the date of this Draft Prospectus:

Date of Approval	Authorised Share Capital (in `)	Particulars
December 18, 2006	20,000,000	Authorised Share Capital of our Company on incorporation as mentioned in Clause V of the Memorandum of Association was ` 20 million divided into 2,000,000 Equity Shares of ` 10 each.
February 14, 2007	25,000,000	Authorised Share Capital was increased from ` 20,000,000 divided into 2,000,000 Equity Shares of ` 10 each to ` 25,000,000 divided into 2,500,000 Equity Shares of ` 10 each
September 29, 2009	275,000,000	Authorised Share Capital was increased from ` 25,000,000 divided into 2,500,000 Equity Shares of ` 10 each to ` 275,000,000 divided into 7,500,000 equity shares of ` 10 each and 20,000,000 Preference Shares of ` 10 each
October 12, 2010	310,000,000	Authorised Share Capital was increased from ` 275,000,000 divided into 7,500,000 Equity Shares of ` 10 each and 20,000,000 Preference Shares of ` 10 each to ` 310,000,000 divided into 11,000,000 Equity Shares of ` 10 each and 20,000,000 Preference Shares of ` 10 each.
September 23, 2013	1,660,000,000	Authorised Share Capital was increased from ` 310,000,000 divided into 11,000,000 Equity Shares of ` 10 each and 20,000,000 Preference Shares of ` 10 each to ` 1,660,000,000 divided into 11,000,000 Equity Shares of ` 10 each and 155,000,000 Preference Shares of ` 10 each.

Equity Share Capital History of our Company:

Date of Allotment	No. of Equity Shares	Face Value (in `)	Issue Price (in `)	Consideration (Cash, other than cash etc.)	Nature of Allotment	Cumulative No. of Equity Shares	Cumulative Equity Share Capital (in `)	Cumulative Equity Share Premium (in `)
December 18, 2006	2,000,000	10	10	Cash	Initial subscription to MoA*	2,000,000	20,000,000	-
July 24, 2007	500,000	10	10	Cash	Issue of Equity Shares on a Rights basis to India Infoline Limited in the ratio of one right Equity Share for every Equity Share held	2,500,000	25,000,000	-
September	5,000,000	10	60	Cash	Allotment to	7,500,000	75,000,000	250,000,000

Date of Allotment	No. of Equity Shares	Face Value (in `)	Issue Price (in `)	Consideration (Cash, other than cash etc.)	Nature of Allotment	Cumulative No. of Equity Shares	Cumulative Equity Share Capital (in `)	Cumulative Equity Share Premium (in `)
30, 2009					India Infoline Finance Limited *(previously known as India Infoline Investment Services Limited)*			
November 24, 2010	3,400,000	10	200	Cash	Issue of Equity Shares on a Rights basis to India Infoline Finance Limited *(previously known as India Infoline Investment Services Limited)* in the ratio of one right Equity Share for every two Equity Share held	10,900,000	109,000,000	896,000,000
Total						**10,900,000**	**109,000,000**	**896,000,000**

*****Initial allotment of 1999400 Equity Shares to India Infoline Limited, 100 Equity Shares to Chitan Modi, 100 Equity Shares to Harshad Apte, 100 Equity Shares to R Mohan, 100 Equity Shares to Anshu Agarwal, 100 Equity Shares to Nimish Mehta, 100 Equity Shares to Kapil Krishan by way of subscription to memorandum .*

Notes:

Preference Share Capital History of our Company:

a. 10 % Non Convertible Redeemable Preference shares

Date of Allotment	No. of Preference Shares	Face Value (in `)	Issue Price (in `)	Consideration (Cash, other than cash etc.)	Nature of Allotment	Cumulative No. of Preference Shares	Cumulative Preference Share Capital (in `)	Cumulative Preference Share Premium (in `)
September 30, 2009	20,000,000	10	15	Cash	Preferential Allotment	20,000,000	200,000,000	100,000,000

*****Preferential allotment of 20,000,000 10% Non Convertible Redeemable Preference Shares to India Infoline Finance Limited*

b. 6% Compulsorily Convertible Redeemable Preference Shares

Date of Allotment	No. of Preference Shares	Face Value (in `)	Issue Price (in `)	Consideration (Cash, other than cash etc.)	Nature of Allotment	Cumulative No. of Preference Shares	Cumulative Preference Share Capital (in `)	Cumulative Preference Share Premium (in `)
September 30, 2013*	135,000,000	10	10	Cash	Preferential Allotment*	135,000,000	1,350,000,000	-

****Preferential allotment of 135,000,000 6% Compulsorily Convertible Redeemable Preference Shares to India Infoline Limited***

Shareholding pattern of our Company as on Novmer 08, 2013:

Sr. No.	Name of the Shareholder	Total number of Equity Shares	Number of shares held in dematerialized form	Total shareholding as a % of total number of Equity Shares	Shares pledged or otherwise encumbered
1.	India Infoline Finance Limited	10,899,400	10,899,400	99.994	NIL
2.	Chintan Modi*	100	0	0.001	NIL
3.	Narendra Jain*	100	0	0.001	NIL
4.	R. Mohan*	100	0	0.001	NIL
5.	Pallab Mukherji*	100	0	0.001	NIL
6.	Dhruv Jain*	100	0	0.001	NIL
7.	Mukesh Kumar Singh*	100	0	0.001	NIL
	Total	**10,900,000**	**10,899,400**	**100.000**	

**Nominee of India Infoline Finance Limited*

List of top ten holders of Equity Shares of our Company as on November 08, 2013:

Sr. No.	Name of Shareholders	Address	Number of Equity Shares held	Amount per share	Percentage of total to Equity Shares
1.	India Infoline Finance Limited	12A-10, 13th Floor, Parinee Crescenzo, G Block C-38&39, Bandra Kurla Complex, Bandra (E)	10,899,400	10	99.994
2.	Chintan Modi*	12A-10, 13th Floor, Parinee Crescenzo, G Block C-38&39, Bandra Kurla Complex, Bandra (E)	100#	10	0.001
3.	Narendra Jain*	12A-10, 13th Floor, Parinee Crescenzo, G Block C-38&39, Bandra Kurla Complex, Bandra (E)	100#	10	0.001
4.	R. Mohan*	12A-10, 13th Floor, Parinee Crescenzo, G Block C-38&39, Bandra Kurla Complex, Bandra (E)	100#	10	0.001
5.	Pallab Mukherji*	12A-10, 13th Floor, Parinee Crescenzo, G Block C-38&39, Bandra Kurla Complex, Bandra (E)	100#	10	0.001
6.	Dhruv Jain*	12A-10, 13th Floor, Parinee Crescenzo, G Block C-38&39, Bandra Kurla Complex, Bandra (E)	100#	10	0.001
7.	Mukesh Kumar	12A-10, 13th Floor,	100#	10	0.001

Sr. No.	Name of Shareholders	Address	Number of Equity Shares held	Amount per share	Percentage of total to Equity Shares
	Singh*	Parinee Crescenzo, G Block C-38&39, Bandra Kurla Complex, Bandra (E)			
Total			**10,900,000**	**10**	**100**

**Nominee of India Infoline Finance Limited*
 # Not held in demat form

List of top ten holders of 10% Non Convertible Redeemable Preference Shares as on date of Draft Prospectus

Sr. No.	Name of Shareholders	Address	Number of Preference Shares held	Number of shares held in dematerialized form	Amount per share	Percentage
1.	India Infoline Finance Limited	12A-10, 13th Floor, Parinee Crescenzo, G Block C-38&39, Bandra Kurla Complex, Bandra (E)	20,000,000	Nil	10	100
Total			**20,000,000**	**Nil**	**10**	**100**

List of top ten holders of Compulsory Convertible Redeemable Preference Shares as on date of Draft Prospectus

Sr. No.	Name of Shareholders	Address	Number of Preference Shares held	Number of shares held in dematerialized form	Amount per share	Percentage
1.	India Infoline Limited	IIFL House, Sun Infotech Park, Road No. 16V, Plot No. B-23, MIDC, Thane Industrial Area, Wagle Estate, Thane ï400604	135,000,000	Nil	10	100
Total			**135,000,000**	**Nil**	**10**	**100**

List of top ten holders of debt instruments, as on November 15, 2013

Sr. No.	Name of Debenture holders	Number of Debenture held	ISIN	Amount	Face Value per NCD	%
1	UTI - Income Opportunites Fund	150	INE477L07016	150,000,000	1,000,000.00	100
2	IIFL Fixed Maturity Plan Series 6	100	INE477L07024	100,000,000	1,000,000.00	100
3	United India Insurance Company (Employees) Pension Fund	100	INE477L07032	100,000,000	1,000,000.00	100

Details of Promoter holding in our Company as on November 08, 2013

Sr. No.	Name of Share holders	Total Number of Equity	No of shares in demat form	Total sharholding	No of Shares	% of Shares

		Shares		as % of total no of equity shares	Pledged	pledged with respire to shares owned
1	India Infoline Finance Limited	10,899,400	10,899,400	99.994	Nil	Nil
2	Chintan Modi*	100	Nil	0.001	Nil	Nil
3	Narendra Jain*	100	Nil	0.001	Nil	Nil
4	R. Mohan*	100	Nil	0.001	Nil	Nil
5	Pallab Mukherji*	100	Nil	0.001	Nil	Nil
6	Dhruv Jain*	100	Nil	0.001	Nil	Nil
7	Mukesh Kumar Singh*	100	Nil	0.001	Nil	Nil
Total		10,900,000	-	100.000	Nil	NIL

Nominee of India Infoline Finance Limited

Debt - equity ratio:

The debt-equity ratio of our Company, prior to this Issue is based on a total outstanding consolidated debt of ` 2,640 million and shareholder funds amounting to ` 3,014.9 million as on September 30, 2013.

	As at September 30 , 2013	
Particulars	**Pre issue**	**Post issue***
Debt		
Long Term Loans	1,400.0	6,400.0
Short Term Loans	1,240.0	1,240.0
Total Debt	**2,640.0**	**7,640.0**
Shareholdersô funds		
Share Capital	1,659.0	1,659.0
Outstanding Stock option	-	-
Reserves	1,372.6	1,372.6
Less: Deferred tax asset	**16.7**	**16.7**
Total Shareholdersô fu	**3,014.9**	**3,014.9**
Long Term Debt to Equity Ratio(Number of times)	**0.46**	**2.12**
Debt to Equity Ratio (Number of times)	**0.88**	**2.53**

* *The debt-equity ratio post the Issue is indicative and is on account of assumed inflow of ` 5,000.00 millions from the Issue as on September 30, 2013.*
Post Debt = Debt (actuals as on date) + Current issue size
Post Debt equity ratio = Total Post debt (as above) / Net worth

For details on the total outstanding debt of our Company, please refer to the chapter titled ñ***Financial Indebtedness*** òbeginning on page 115.

Our Company has not made any acquisition or amalgamation in the last one year.

Our Company has not made any reorganization/ reconstruction in the last one year.

Our Company doesnot have any outstanding borrowings taken/ debt securities issued where taken / issued (i) for consideration other than cash, whether in whole or part, (ii) at a premium or discount, or (iii) in pursuance of an option

Employee Stock Option Scheme:

Our Company does not have any employee stock option scheme.

OBJECTS OF THE ISSUE

The funds raised through this Issue, after meeting the expendi the financing activities including lending and inve requirements, to repay our existing loans and our business operations including f working capital requirements.

The Main Objects clause of the Memorandum of Associ undertake the activities for which the funds are being raised through the present Issue and also the activities which our Company has been carrying on till date.

Interim Use of Proceeds

Our Management, in accordance with the policies form deploying the proceeds received from the Issue. Pending utiliza purposes described above, our Company intends to ter liquid instruments including money market mutual funds investment grade interest bearing securities as may accordance with the investment policies approved by t

Monitoring of Utilization of Funds

There is no requirement for appointment of a monitor shall monitor the utilization of the proceeds of the Fiscal 2014, our Company will disclose in our financ Issue under a separate head along with details, if a been utilized indicating investments, if any, of such un

Other Confirmation

In accordance with the Debt Regulations, our Company loans to or for acquisition of shares of any person who is part of the same gro under the same management of our Company.

The Issue proceeds shall not be utilized towards fu acquisition, including by way of a lease, of any property.

No part of the proceeds from this Issue will be pai Promoter, our Directors, Key Managerial Personnel, or companies promoted by our Promoter, except payments to be made by way of fees and commission to various IIFL Group companies that participate in the Issue as SEBI registered intermediaries.

STATEMENT OF TAX BENEFITS

Under the current tax laws, the following tax benefits *interalia*, will be available to the Debenture Holders as mentioned below. The tax benefits are given as per the prevailing tax laws and may vary from time to time in accordance with amendments to the law or enactments thereto. The Debenture Holder is advised to consider in his own case the tax implications in respect of subscription to and redemption of the NCDs after consulting his tax advisor as alternate views are possible.

We are not liable to the Debenture Holder in any manner for placing reliance upon the contents of this statement of tax benefits.

To the Debenture Holder

A. INCOME-TAX

I. *To the Resident Debenture Holder*

1. Interest on NCD received by Debenture Holders would be subject to tax at the normal rates of tax in accordance with and subject to the provisions of the I.T. Act. No income tax is deductible at source as per the provisions of section 193 of the I.T Act on interest on debentures in respect of the following:

    (a) In case the payment of interest on debentures to resident individual or HUF Debenture Holder by a company in which the public are substantially interested in the aggregate during the financial year does not exceed ` 5,000 provided the interest is paid by an account payee cheque;

    (b) When the Assessing Officer issues a certificate on an application by a Debenture Holder on satisfaction that the total income of the Debenture Holder justifies no/lower deduction of tax at source as per the provisions of Section 197(1) of the I.T. Act; and that certificate is filed with the Company before the prescribed date of closure of books for payment of debenture interest.

    (c) When the resident Debenture Holder with PAN (not being a company or a firm or a senior citizen) submits a declaration in the prescribed Form 15G verified in the prescribed manner to the effect that the tax on his estimated total income of the previous year in which such income is to be included in computing his total income will be nil as per the provisions of section 197A (1A) of the I.T. Act. However, under section 197A (1B) of the I.T. Act, Form 15G cannot be submitted nor considered for exemption from deduction from tax at source if the aggregate of income of the nature referred to in the said section, *viz*. dividend, interest, etc. as prescribed therein, credited or paid or likely to be credited or paid during the Previous year in which such income is to be included exceeds the maximum amount which is not chargeable to tax, as may be prescribed in each yearôs Finance Act. To illustrate,not as on A chargeable to tax in case of individuals (other than senior citizens and super senior citizens) and HUFs is ` 200,000; in case of resident senior citizens (who are 60 or more years of age but less than 80 years of age at any time during the financial year) is ` 250,000 and in case of resident super senior citizens (who are 80 or more years of age at any time during the financial year) is ` 500,000 for Previous Year 2013-14. Senior citizens who are 65 years or more of age at any time during the financial year, enjoy the special privilege to submit a self-declaration in the prescribed Form 15H for non deduction of tax at source in accordance with the provisions of section 197A (1C) of the I.T. Act even if the aggregate income credited or paid or likely to be credited or paid exceeds the maximum amount not chargeable to tax i.e. ` 250,000 for FY 2013-14 provided that the tax due on total income of the person is NIL. In all other situations, tax would be deducted at source as per prevailing provisions of the I.T. Act; Form No.15G with pan / 15H with pan / Certificate issued u/s 197(1) has to be filed with the Company before the prescribed date of closure of books for payment of debenture interest. Further, section 87A provides a rebate of 100 percent of income-tax or an amount of ` 2,000 whichever is less to a resident individual whose total income does not exceed ` 500,000.

    (d) On any securities issued by a company in a dematerialized form and is listed on recognized stock exchange in India. (w.e.f. June 1,2008).

2. Under section 2 (29A) of the I.T. Act, read with section 2 (42A) of the I.T. Act, a listed debenture is treated as a long term capital asset if the same is held for more than 12 months immediately preceding the date of its transfer. Under section 112 of the I.T. Act, capital gains arising on the transfer of long term capital assets being listed securities are subject to tax at the rate of 10% of capital gains calculated without indexation of the cost of acquisition. The capital gains will be computed by deducting expenditure incurred in connection with such transfer and cost of acquisition of the debenture from the sale consideration.

   In case of an individual or HUF, being a resident, where the total income as reduced by the long term capital gains is below the maximum amount not chargeable to tax, then the long term capital gains shall be reduced by the amount by which the total income as so reduced falls short of the maximum amount which is not chargeable to income-tax and the tax on the balance of such long-term capital gains shall be computed at the rate mentioned above.

   In addition to the aforesaid tax, a surcharge of 10% (if net income exceeds ` 10,000,000) of such tax liability, in the case of firms and a surcharge of 5% (if net income is in the range of ` 10,000,000 to ` 100,000,000) & 10% (if net income exceeds ` 100,000,000) of such tax liability, in case of domestic companies is also payable. A 2% education cess and 1% secondary and higher education cess on the total income tax (including surcharge) is payable by all categories of taxpayers

3. Short-term capital gains on the transfer of listed debentures, where debentures are held for a period of not more than 12 months would be taxed at the normal rates of tax in accordance with and subject to the provisions of the I.T. Act. The provisions related to maximum amount not chargeable to tax, surcharge and education cess described at para 2 above would also apply to such short-term capital gains.

4. In case the debentures are held as stock in trade, the income on transfer of debentures would be taxed as business income or loss in accordance with and subject to the provisions of the I.T. Act.

5. **HOWEVER IN CASE WHERE TAX HAS TO BE DEDUCTED AT SOURCE WHILE PAYING DEBENTURE INTEREST, THE COMPANY IS NOT REQUIRED TO DEDUCT SURCHARGE, EDUCATION CESS AND SECONDARY AND HIGHER EDUCATION CESS.**

II. *To the Non Resident Indians*

1. A non resident Indian has an option to be governed by Chapter XII-A of the I.T. Act, subject to the provisions contained therein which are given in brief as under:

   a) Under section 115E of the I.T. Act, interest income from debentures acquired or purchased with or subscribed to in convertible foreign exchange will be taxable at 20% (plus applicable surcharge, education cess and secondary & higher education cess), whereas, long term capital gains on transfer of such debentures will be taxable at 10% of such capital gains without indexation of cost of acquisition (plus applicable surcharge, education cess and secondary & higher education cess). Short-term capital gains will be taxable at the normal rates of tax in accordance with and subject to the provisions contained therein.

   b) Under section 115F of the I.T. Act, subject to the conditions and to the extent specified therein, long term capital gains arising to a non-resident Indian from transfer of debentures acquired or purchased with or subscribed to convertible foreign exchange will be exempt from capital gain tax if the net consideration is invested within six months after the date of transfer of the debentures in any specified asset or in any saving certificates referred to in clause (4B) of section 10 of the I.T. Act in accordance with and subject to the provisions contained therein.

   c) Under section 115G of the I.T. Act, it shall not be necessary for a non-resident Indian to file a return of income under section 139(1) of the I.T. Act, if his total income consists only of investment income as defined under section 115C and / or long term capital gains earned on transfer of such investment acquired out of convertible foreign exchange, and the tax has been deducted at source from such income under the provisions of Chapter XVII-B of the I.T. Act in accordance with and subject to the provisions contained therein.

d) Under section 115H of the I.T. Act, where a non-resident Indian becomes a resident in India in any subsequent year, he may furnish to the Assessing Officer a declaration in writing along with return of income under section 139 for the assessment year for which he is assessable, to the effect that the provisions of Chapter XII-A shall continue to apply to him in relation to the investment income (other than on shares in an Indian Company) derived from any foreign exchange assets in accordance with and subject to the provisions contained therein. On doing so, the provisions of Chapter XII-A shall continue to apply to him in relation to such income for that assessment year and for every subsequent assessment year until the transfer or conversion into money of such assets.

2. In accordance with and subject to the provisions of Section 115I of the I.T. Act, Non-Resident Indian may opt not to be governed by the provisions of Chapter XII-A of the I.T. Act. In that case, please refer to para A (2, 3 and 4) for the tax implications arising on transfer of debentures.

3. Under Section 195 of the I.T. Act, the company is required to deduct tax at source at the rate of 20% on investment income and at the rate of 10% on any long-term capital gains and as referred to in section 115E; at the normal rates for Short Term Capital Gains if the payee Debenture Holder is a Non Resident Indian. The provisions related to surcharge and education cess described above would also apply to such income/gains.

4. As per section 90(2) of the I.T. Act read with the circular no. 728 dated October 30, 1995 issued by the CBDT, in the case of a remittance to a country with which a Double Tax Avoidance Agreement (DTAA) is in force, the tax should be deducted at the rate provided in the Finance Act of the relevant year or at the rate provided in the DTAA, whichever is more beneficial to the assessee. However, submission of tax residency certificate, containing prescribed particulars is a mandatory condition for availing benefits under any DTAA. In terms of Chapter XA of the Income Tax Act general Anti Avoidance Rule may be invoked notwithstanding anything contained in the Act. By this Rule any arrangement entered into by an assessee may be declared to be impermissible avoidance arrangement as defined in that Chapter and the consequence would be interalia denial of tax benefit, applicable w.e.f 1-04-2016.

5. Alternatively, to ensure non deduction or lower deduction of tax at source, as the case may be, the Debenture Holder should furnish a certificate under section 197(1) or section 195 (3) of the I.T. Act, from the Assessing Officer before the prescribed date of closure of books for payment of debenture interest.

III. *To the FIIs*

In accordance with and subject to the provisions of section 115AD of the I.T. Act on transfer of debentures by FIIs, long term capital gains are taxable at 10% (plus applicable surcharge and education and secondary and higher education cess) and short-term capital gains are taxable at 30% (plus applicable surcharge and education and secondary and higher education cess). The cost indexation benefit will not be available. Further, benefit of provisions of the first proviso of section 48 of the I.T. Act will not apply. Income other than capital gains arising out of debentures is taxable at 20% in accordance with and subject to the provisions contained therein.

In addition to the aforesaid tax, in case of foreign corporate FIIs where the net income is in the range of ` 10,000,000 to ` 100,000,000 , a surcharge of 2 % of such tax liability and if the net income exceeds ` 100,000,000 a surcharge of 5% of such tax liability is also payable. A 2% education cess and 1% secondary and higher education cess on the total income tax (including surcharge) is payable by all categories of taxpayers.

The Finance Act, 2013 (by way of insertion of a new section 194LD in the I.T. Act) provides for lower rate of withholding tax at the rate of 5% on payment by way of interest paid by an Indian company to FIIs and Qualified Foreign Investor in respect of rupee denominated bond of an Indian company between June 1, 2013 and June 1, 2015 provided such rate does not exceed the rate as may be notified by the Government.

In accordance with and subject to the provisions of section 196D (2) of the I.T. Act, no deduction of tax at source is applicable in respect of capital gains arising on the transfer of debentures by FIIs.

The provisions at para II (4 and 5) above would also apply to FIIs.

IV. *To the Other Eligible Institutions*

All mutual funds registered under Securities and Exchange Board of India or set up by public sector banks or public financial institutions or authorised by the Reserve Bank of India be exempt from tax on all their income, including income from investment in debentures under the provisions of Section 10(23D) of the I.T. Act subject to and in accordance with the provisions contained therein.

B. WEALTH TAX

Wealth-tax is not levied on investment in debentures under section 2(ea) of the Wealth-tax Act, 1957.

C. GIFT TAX

Gift-tax is not levied on gift of debentures in the hands of the donor as well as the donee because the provisions of the Gift-tax Act, 1958 have ceased to apply in respect of gifts made on or after October 1, 1998. **HOWEVER, IF ANY INDIVIDUAL OR HUF, RECEIVES THESE DEBENTURES OF THE AGGREGATE VALUE OVER ` 50,000 FROM ANY PERSON OR PERSONS WITHOUT CONSIDERATION OR RECEIVES THESE DEBENTURES FOR A CONSIDERATION WHICH IS LESS THAN AGGREGATE FAIR MARKET VALUE OF THE DEBENTURES BY AN AMOUNT EXCEEDING FIFTY THOUSAND RUPEES, THERE WILL BE LIABILITY TO INCOME TAX TO THE EXTENT PROVIDED IN SECTION 56(2)(VII) OF THE INCOME TAX ACT 1961 TO SUCH RECEIVER. HOWEVER, THE DEBENTURES RECEIVED AS GIFTS FROM ANY RELATIVE AS DEFINED IN SECTION 56 (2)(VII) OF THE INCOME TAX ACT WILL NOT ATTRACT INCOME TAX LIABILITY IN THE HANDS OF THE RECEIVER.**

For Pritesh Mehta & Co
Chartered Accountants

Pritesh Mehta
(Proprietor)

Mumbai
15th November 2013

SECTION IV - ABOUT OUR COMPANY

INDUSTRY

Housing Industry in India

The growth of the Indian economy and the resultant rise in the per capita income are stepping up the pace of urbanisation. This, along with the increasing availability of finance, has resulted in a growth in demand for housing in the past few years. As per CRISIL estimates, the housing stock in India stands at around 148 million in Fiscal 2013, as compared to around 103 million in Fiscal 2003.

Further improvements in the macro-economic scenario, coupled with associated demographic changes in population such as changing age-mix, increasing nuclearisation of families, etc., are expected to give an added impetus to the growth of the housing industry in India.

Source: CRISIL Report, Retail Finance ïHousing, October 2013

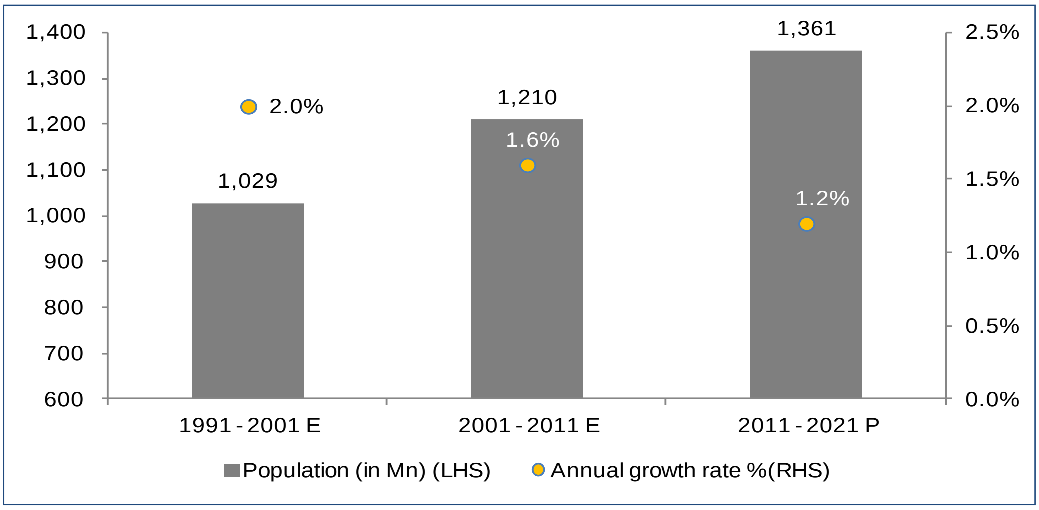
Key Demand Drivers

¶ **Population growth backed by favourable demographics**

India had an estimated population of more than 1.2 billion people, representing an estimated 250.6 million households in 2012 as compared to more than 1.0 billion people representing 197.2 million households in 2002. The growth in the number of households is a result of growth in population and changing income demographics, especially in urban areas. India's population grew at a slower CAGR of 1.6 per cent between 2001-2011 as compared to 2.0 per cent growth between 1991-2001. The population growth is expected to slow down further to 1.2 per cent in the current decade.

The increase in population has a direct bearing on the requirement for housing units and, through this, on floor space area requirements. The number of households is likely to rise with change in age-mix, growing number of nuclear families, continuous urbanisation and growing penetration of finance. Moreover, in the current scenario, population growth is occurring in younger age brackets. As per CRISIL Research estimates this translates into a tremendous increase in working population, thereby leading to greater demand for housing.

India - Population growth



E: Estimated; P: Projected

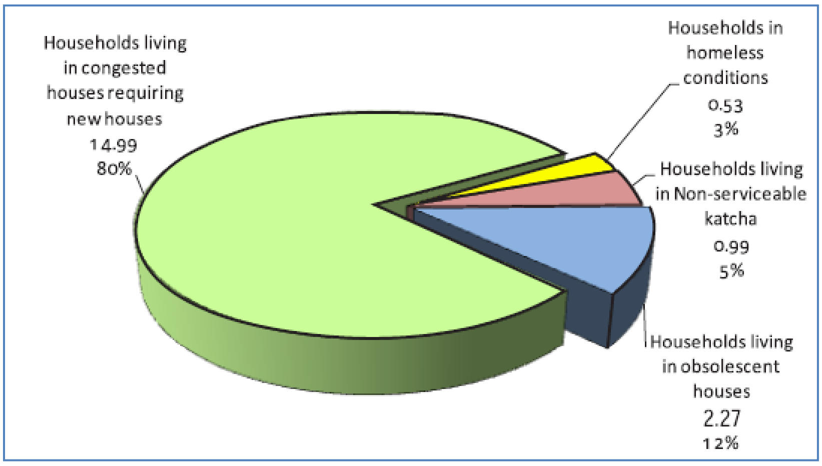
Note: Population figures for 2001, 2011 and 2021 in Mn.

Source: CRISIL Report, Retail Finance ïHousing, October 2013

¶ **Shortage of Housing Stock**

Despite strong growth in housing supply in recent years, India still faces a shortage of houses, especially in urban areas. As per the Report of the Technical Group on Urban Housing Shortage for the 12th Five Year Plan (ñ Ŧ1G2 ò), housing shortage is defined as the number o units or no dwelling unit to live in at the beginning of the 12th Five Year Plan. The housing shortage in urban India was estimated to stand at 18.78 million units, as of March 1, 2012, the break-up of which is shown below:

Urban Housing Shortage (In Mn, %)



As various government and private agencies build additional housing stock for reducing this shortfall, it will lead to additional demand for housing loans.

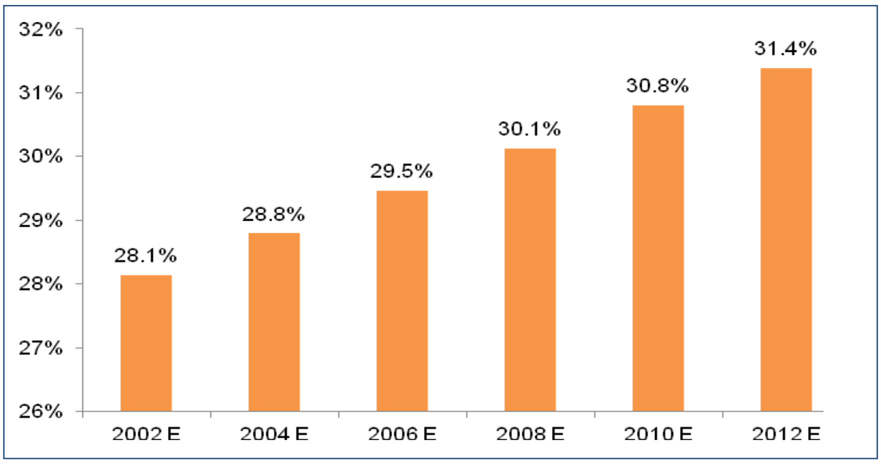
Source: Report of the Technical Group on Urban Housing Shortage for the 12th Five Year Plan
http://mhupa.gov.in/W_new/urban-housing-shortage.pdf

- **Increasing Urbanisation**

The share of urban population has been increasing steadily from 28.1 per cent in 2002 to 31.4 per cent in 2012. The urban population has grown at a much higher CAGR of 2.8% vis-à-vis the overall CAGR of 1.6% for the decade of 2001-2011.

Urbanisation is expected to accelerate with expected CAGR of 2-2.5% vis-à-vis the overall population CAGR of 1.3% between 2010 to 2015. This difference in growth rates implies that the gap between urban and rural population will narrow. Urbanisation has a twin impact on housing demand. On the one hand, it reduces the area per household, and on the other, there is an increasing need for more nuclear families, leading to the formation of more number of households.

Urban population as a percentage of total population



E: Estimated, data pertains to calender year

Source: CRISIL Report, Retail Finance ïHousing, October 2013

¶ **Increasing Nuclearisation**

Nuclearisation refers to the formation of nuclear families from joint families. Nuclearisation is primarily driven by employment-related migration. Nuclearisation like urbanisation has a twin impact. It reduces the area per household, but increases overall household formation, thereby increasing demand for housing units.

Source: CRISIL Report, Retail Finance ïHousing, October 2013

¶ **Income Growth - Rising affordability**

Income levels of the households has been increasing steadily over the years. The less than ` 0.5 mn income household category represented an estimated 56 per cent of the total population in 2011-12 as compared to 69 per cent in 2006-07. The ` 0.2-0.5 mn bracket, though approximately constituting 13.5 per cent of the total households in 2011-12, is increasing at a faster pace.

The ` 0.2-0.5 mn income households and greater than ` 0.5 mn income households in India are estimated to have posted a CAGR of 12 per cent and 8 per cent, respectively, from 2006-07 to 2011-12.
Rising incomes have resulted in increasing floor space requirements.

Source: CRISIL Report, Retail Finance ïHousing, October 2013

¶ **Higher Penetration of Housing Finance**

The increasing availability of housing finance with low interest rates in the past has been a key driver of growth in housing. This is driven by factors like good branch and agency network of lenders, increasing acceptability of loans by customers, etc. As per CRISIL estimates, finance penetration in urban areas stood at 41.2 per cent in Fiscal 2013, and is projected to increase to 41.5 per cent in Fiscal 2014, and to 47.0 per cent in Fiscal 2018.

In comparison, housing finance penetration in rural areas is estimated to have stood at only 8.3 per cent in Fiscal 2013 and is expected to increase to 9.4 per cent by Fiscal 2018. The lower penetration of housing finance in rural regions is primarily due to absence of adequate branches by lenders because of higher cost of operations, absence of large salaried class, and challenges in valuing collateral in rural areas. The finance penetration in rural areas is expected to remain low, unless private financiers shift focus to these markets and establish a good branch network.

Source: CRISIL Report, Retail Finance ïHousing, October 2013

¶ **Tax Benefits**

The government has been offering several tax concessions to spur housing demand, which have also been instrumental in driving growth in housing and housing finance sectors. The government has provided tax sops to both borrowers and lenders.

Some of the tax benefits provided by the Government include:

Tax benefits to individuals

Tax deduction is available for home loans under two sections of the Income Tax Act of India (excluding home loans from private sources such as friends, family, etc). The change in income tax slabs in the Union Budget 2012-13 lead to a significant reduction in tax liability for the salaried class. This in turn resulted in an increase in disposable income and has likely induced higher demand for housing finance.

i. *Interest paid on home loan:* As per Sec 24 (b) of the Income Tax Act, 1961, annual interest payments up to ` 0.15 mn on housing loans can be claimed as a deduction from taxable income. The Finance Minister in the Union Budget 2013-14, had allowed an additional deduction of ` 0.1 mn on interest paid towards home loan upto ` 2.5 mn availed in 2013-14 by first time home buyers (over and above the existing ` 0.15 mn deduction).This additional deduction can be claimed over a period of two years.

ii. *Principal repayment of home loan:* As per Sections 80 C read with section 80 CCE of the Income Tax Act, 1961 principal repayment up to ` 0.1 mn on home loan is allowed as a deduction from gross total income.

Tax benefits to corporate

i. Corporate borrowers do not get any special tax sops, as the interest paid on the loan is allowed as normal deduction for tax purposes. In addition, depreciation on house property is permitted as deduction for calculating taxable income.

Tax benefits given to lender of housing loans

i. Under Section 36 (1) (viii) of the Indian Income Tax Act 1961, with respect to any special reserve created and maintained by a financial corporation engaged in providing long-term finance for construction or purchase of houses in India for residential purposes, a maximum amount of 20 per cent of the profits derived from such business (computed under the head 'profits and gains of business or profession') and carried to such special reserve is tax deductible. This deduction is available only up to twice the total amount of the company's paid-up share capital and its general reserves.

Source: CRISIL Report, Retail Finance ïHousing, October 2013

Housing Finance Industry in India

¶ **Industry Composition**

Indiaôs housing finance industry mainly comprises ba a limited extent, smaller institutions such as community-based organisations, self-help groups, etc. The NHB operates as the principal agency for promoting, regulating and providing financial and other support to HFCs at local and regional levels, while banks and NBFCs are managed and regulated by the RBI. As of October 24, 2013, 57 companies have been granted certificates of registration by NHB to act as HFCs.

Source: http://www.nhb.org.in/Regulation/RegisteredCompanies.php and http://www.nhb.org.in/Regulation/NonValidCompanies.php, accessed on October 24, 2013

Historically, the housing finance industry was dominated by HFCs. However, towards the end of the 1990s, the scheduled commercial banks became very active in lending to the housing sector in the backdrop of lower interest rates, rising disposable incomes, stable property prices and fiscal incentives by the government.

While banks depend on their own equity and reserves and large deposit base for funding their housing loan portfolios, HFCs primarily depend on funding sources such as loans from banks and financial institutions, financing from NHB, borrowing through bonds and debentures, commercial paper, subordinate debt and fixed deposits from public, besides their own equity and reserves.

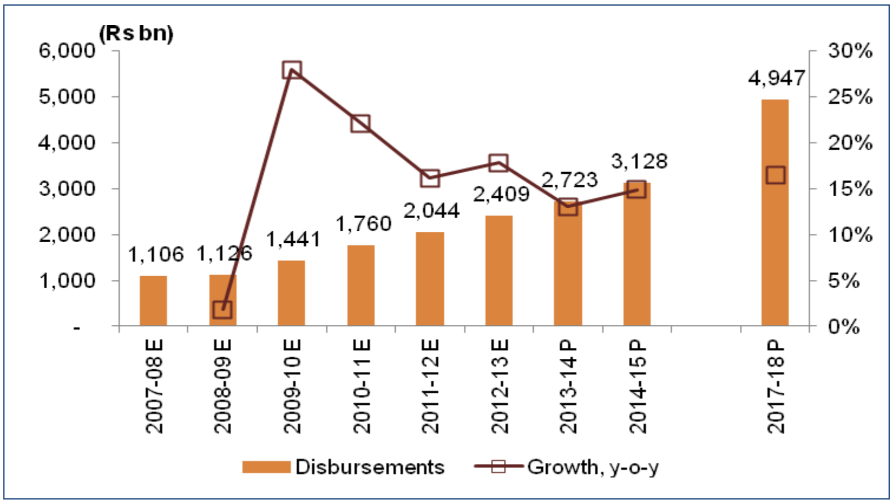
Increased competition in the housing finance industry has also led to the introduction of new mortgage products in the market, such as variable interest rate loans, loan for repairs and renovation, and customised products with features like ballooning EMI, depending on the need and eligibility of the borrowers concerned. In addition, some banks and HFCs also offer home equity loans (loans against the mortgage of existing property), which may be used for non-housing purposes.

¶ **Disbursements Growth**

As per CRISIL estimates, housing finance disbursements are estimated to have grown by around 18% in Fiscal 2013 to ` 2,409 billion (as compared with ` 2,044 billion in Fiscal 2012). High capital values in metros and tier-I cities and elevated interest rates will impact the affordability levels of home buyers in 2013-14 and 2014-15, despite expected property price correction in certain pockets. As a result, growth in disbursements is expected to decelerate to 12-14 per cent over the next 2 years.

Over the next 5 years, housing finance disbursements are projected to grow at a CAGR of 15-16 % to reach ` 4,947 billion by Fiscal 2018. Increase in transaction volumes, rise in property prices and higher loan to value (**LTV**ò) ratios are some of the key drivers behind the g
The year on year growth (historical & projected) in the outstanding housing loan portfolio in India is graphically represented in the chart below:

Disbursements vs y-o-y growth



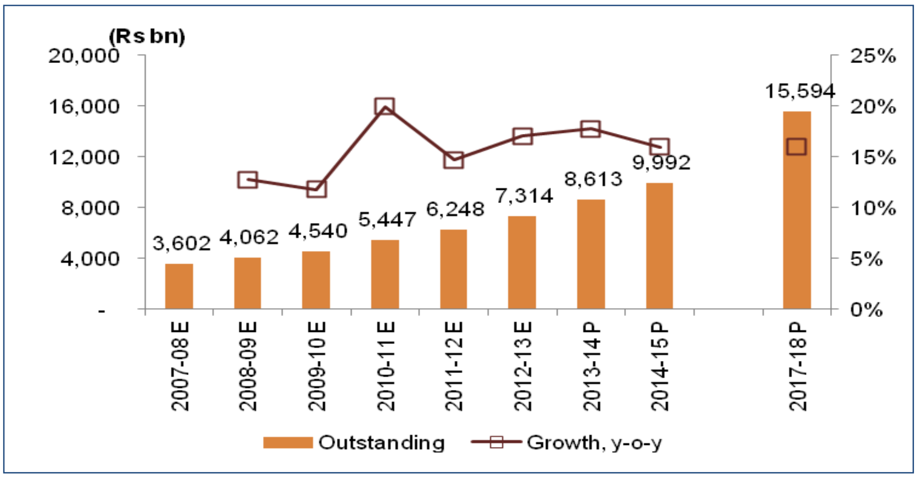
E: Estimated; P: Projected

Source: CRISIL Report, Retail Finance ïHousing, October 2013

¶ **Outstanding Loans Growth**

The quantum of outstanding loans is impacted by a combination of disbursements, repayments and pre-payments. As per CRISIL estimates, housing finance outstanding portfolio, i.e. the total loan book of a housing finance player, grew by around 17 % Y-o-Y in Fiscal 2013 (to ` 7,314 billion as compared with ` 6,248 billion in Fiscal 2012), due to a steady growth in disbursements and lower prepayments. The housing finance outstanding portfolio is expected to grow at a CAGR of 16% to reach ` 15,594 billion in Fiscal 2018. The chart below shows the historic and projected growth in the outstanding housing loan portfolio in India.

Growth in outstanding portfolio



E: Estimated; P: Projected

Source: CRISIL Report, Retail Finance ïHousing, October 2013

Key Drivers of Growth for Housing Finance