



M Power Micro Finance Pvt. Ltd.

"Nurture Dreams Transform Lives"

Regd.Off: D/401, Harsh Building No 26, Tilaknagar,Chembur,Mumbai-400 089, Maharashtra, India

**Annual Report
FY[2009-2010]**



"Saurin's Dream Foundation Ltd."

M Power Micro Finance Pvt. Ltd.

Directors Report

[FY 2010]



"Nurture Dreams Transform Lives"

M Power Micro Finance Pvt. Ltd.

Directors' Report.

Dear Shareholder,

Your Directors have immense pleasure in presenting the First Annual Report for the year ended 31st March 2010.

Financial Performance.

Rs Laacs		
1	Authorized Capital	700.00
2	Issued and Paid up Capital	252.00
3	Share application Money recd	10.00
4	Preoperative expenses	30.37
5	Fixed Assets	0.93
6	Cash and Bank Balances.	226.81

*Since the company had not commenced business only the key figures are provided.

Management Discussion and Analysis.

Your company had applied to RBI for License to operate as a Non-deposit taking Non-Banking Financial Institution in the month of January 2010 and within a span of 3 months the regulator had conferred the Certificate of Registration (COR).

As per plans we have commenced business operations in the city of Vadodara in Gujarat State. The nature of the business is such that the Company requires adequate networking and distribution. This needs to be a continuous process to ensure regular flow of business and based on the same; the Company has opened 4 branches in Vadodara district, 3 in urban centers and 1 in rural Vadodara. The branches are adequately staffed supported by efficient Infrastructure and Technology. The branch connectivity both physical as well as technological is adequate considering the nuances of the business both from control point of view as well efficient functioning. The plans to increase penetration to the underserved markets are on and we plan to raise the Branch network to 13 branches before Sept 2010 while focusing in the districts of Vadodara , Kheda and Ahmedabad.

Staffing & Human Resource challenges

Although attracting quality Man power was a challenge which your Company had already envisaged, we have overcome the same to a certain extent by the following initiatives. Senior Area resources have been placed and based on word of mouth and reference, feet on street recruitment has now become more efficient and quicker. The Company has also set up a training center within the city of Vadodara which facilitates quality training to the staff on board. Apart from this the Company has finalized a tie-up with NIS Sparta, an ADAG company, focused on

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training and HR development for sourcing rural profiles which incidentally form a major chunk of staff. To motivate the staff the Company has decided to facilitate proper accommodation to rural staff that is far away from their homes. This also helps in proper controls as well as continuous sourcing of business. Apart from this the Company has put in place Medical and Accident insurance to its staff which would help in retention in an industry fraught with high man-power turnover.

Competition and Market Opportunity.

While the state of Gujarat does not have a home grown MFI, all major pan India MFIs are present. This gives an indication about the immense potential of Gujarat as a micro finance market. As per the recent Planning commission report, the State of Gujarat has a BPL population of 29.08% which is more or less equal to that of high MFI served states like AP, Tamil Nadu and Karnataka. Hence the market opportunity which may unfold in the state of Gujarat is considered to be very high. However the outreach of most of the players seems to be limited given the size of the market as well as understanding the local culture. The promoters of your company have adequate experience of having worked in Gujarat for various financial service products and this experience would hold in good stead. Further, the entrepreneurial nature of the Gujarati would also help in better business dynamics.

Business strategy

Your Company would follow the pure Grameen model of Microfinance lending with JLG (Joint Liability Group) agreements from the members. The outreach presence so planned would be a Mix of both Urban and Rural in equal measure. The Company has launched 3 products, Khushhali—New Business Loans, Samruddhi—Business Expansion Loans and Hariyali—Rural Loans to serve different customer profiles as well as de-risk the portfolio on a consistent basis. The ticket size of each of the loan products have been fixed at Rs.8000/-, Rs.12000/- and Rs.16000/- respectively. The Company follows the simple formula of 46 weekly installments for each of the loans. It would not be out of place to state that the Rural Product Hariyali has been accepted well by the customers, while attracting positive views from proposed lenders. Taking cue from initial experience your Company would be pre-dominantly focused in the Western India belt, while continuing to evaluate strategies to diversify to other states at appropriate times. This would be both opportunistic as well as de-risking in nature.

The Company has also tied-up with Kotak Mahindra Old Mutual Life Insurance Co., Ltd for Credit Life Insurance for all the members as well as their spouses or guarantors. This facilitates risk cover to the customer at the time of eventualities. Further, the Company plans to tie-up for Health and Accident Insurance for its members as a cross sell product.



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Technology

Technology support is key to the success of any retail business and Microfinance is not different. A tried and tested technology, robust in application and controls is the need for any MFI in order to have better operational efficiency. Your company has tied up with Paripoorna Software Solutions Pvt Ltd a Chennai based Software service company for technology support. Paripoorna is a group company of a Large MFI based in Tamil Nadu. The BEACON software, which is working on the Microsoft Dot Net operating system, has been servicing more than 8 lac members efficiently. This software has an integrated accounting solution, thereby making it easier for the operations staff to account data efficiently. Your company has also put in place a HR system to enable seamless management of the staff and their aspirations. The Payroll, incentive structure, and performance management can be done from the system. This HR software is also integrated to the LOS to help processing of incentives in line with performance through the system.

Process Support

Efficient and flexible processes are the need of the hour for any financial services company to succeed. Your Company has identified "Intellectash", a long standing consultancy firm engaged in process support for start-up MFIs. This has helped the company to quickly place the processes and kick-start business in an efficient manner.

Appointment of Additional Director.

As you are aware the company was promoted with Mr. K.M.Vishwanathan and Mr. K.V.Balaji as initial Directors. To broad base the board and to improve the management bandwidth, Mr. Ramakrishnan Venkateswaran has been inducted in to the Board effective 13th May 2010. Mr. Ramakrishnan V brings in rich experience of 25 years in varied industry and financial services businesses. Mr. Ramakrishnan V would function as the CFO of the company and take care of Financial Management, Accounting, Back office and Risk and Credit function for the company.

Statutory Compliances and Risk Management

Your Company is in compliance of all statues, laws and rules wherever applicable. Initiatives in this area need to be a continuous process and your Company has identified transparency and quality maintenance as very important areas of success. Your Company would take initiatives to create a robust risk management environment and as an initial pilot, we have undertaken the SMS alert project for control on collection mechanism. This allows the management to be abreast of collection of weekly installments from groups on real time basis in the form of SMS alerts. This also allows the back-office to reconcile bank accounts on a day to day basis thereby exercising efficient controls.

Your Company has also implemented Cash Transit Insurance as well as Fidelity Insurance to cover various risks in cash handling which is very high in the Microfinance business.



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Your Company has also formulated Internal Audit parameters which are stringent in nature to augment controls at each point of delivery. Your Company has also adapted the Fair Practices Code, in line with the RBI guidelines to impart transparent and exemplary customer service.

Auditors.

Ramanujam Bhoovarahan Chartered accountants had been appointed as auditors for the year 2009 -2010. The company places appreciation of the work done by the auditors during the incorporation of the company and thereafter.

Banker's to the Company

Your Company is banking with HDFC Bank Ltd and Kotak Mahindra Bank Ltd, with options to Bank with Nationalized Banks to suit its operations in the rural markets.

K M Vishwanathan, Director & CEO

Ramakrishnan Venkateswaran, Director & CFO

K V Balaji, Director & COO



AUDITOR'S REPORT TO THE MEMBERS OF M POWER MICRO FINANCE P LTD

1. We have audited the attached Balance Sheet of M POWER MICRO FINANCE P LTD as at 31st March 2010, and Cash Flow Statement of the Company for the year ended on that date ,annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the accounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003(" The order"), as amended, issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure I , a Statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure I referred to in paragraph 3 above , we report that:
 - a) We have obtained all the information and explanations , which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - b) In our opinion ,proper books of account as required by the law have been kept by the Company so far as appears from our examination of those books;





- c) The Balance Sheet and Cash Flow Statement dealt with by this report are in agreement with books of account;
- d) In our opinion, the Balance Sheet and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 to the extent applicable;
- e) On the basis of written representations received from the directors, as on 31st March 2010, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2010 from being appointed as a director in terms of clause (g) of sub-section 274 of the Companies Act, 1956;
- f) In our opinion and to the best of our information and according to the explanation given to us, the said accounts give information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with accounting principles generally accepted in India;
- I) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2010, and
- II) In the case of Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

For RAMANUJAM and BOOVARAHAN
Chartered Accountants
Firm registration No: 029455


SHEKHAR VISHWANATHAN

Partner

Membership No: 053073

Place : Chennai

Date: 08/09/2010





ANNEXURE I TO THE AUDITOR'S REPORT

Annexure referred to in paragraph 3 of our report of even date to the members of M Power Micro Finance (P) Limited ("the Company") for the year ended 31st March 2010. We report that:

i.a) The Company has Maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified in a phased manner over a period of one year. In our opinion, the periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noted on such verification.

c) The Company has not disposed any Fixed assets during the year, and therefore, do not affect the going concern assumption.

ii. The Company is a Non Banking Finance Company ("NBFC") , engaged in the business of providing loans. Accordingly, it does not hold any physical inventories. Hence, paragraph 4(ii) of the Order is not applicable.

iii. The Company has neither granted nor taken any loans ,secured or unsecured , to or from companies , firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.

iv. In our opinion and according to the information and explanation given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to the purchase of fixed assets and with regard to the services rendered by the Company. The activities of the Company do not involve purchase of inventory and sale of goods. We have not observed any major weakness in the internal control system during the course of our audit.

v. In our opinion , and according to the information and explanation given to us , there are no contracts and arrangements the particulars of which need to be entered into register maintained under section 301 of the Companies Act, 1956.





- vii. In our opinion, The Company has an internal audit system commensurate with the size and nature of its business.
- viii. The Central Government has not prescribed the maintenance of cost records under clause (d) of sub-section(1) of section 209 of the Companies Act, 1956 for any of the services rendered by the Company.
- ix. a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has been generally regular undisputed statutory dues including Provident Fund, Employees' State Insurance, Income-Tax, Service tax and other material statutory dues with the appropriate authorities during the year. As explained to us, the company did not have any dues on account of Wealth tax, Investor Education and Protection Fund, Sales-Tax, Customs duty, Excise duty and Cess.
- b) Further, there were no dues on account of Cess under Section 441A of the Act, since the date from which the aforesaid section comes into force has not yet been notified by the Central Government.
- c) According to the information and explanation given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State insurance, Income-Tax, Service Tax, and other material statutory dues were in arrears as at 31st march 2010 for a period of more than six months from the date they became payable.
- d) As explained to us, the Company did not have any dues on account of Wealth tax, investor education and Protection Fund, sales tax and Cess which have not been deposited with appropriate authorities on account of any dispute.
- x. The Company does not have any accumulated losses at the end of the financial year. However, it has incurred cash losses in the financial year. No cash losses were incurred in the immediate preceding financial year.
- xi. In our opinion and according to the information and explanation given to us, the Company has not defaulted in repayment of dues to its bankers or to any financial institutions.





- xii. The Company has not granted any loans and advances on basis of security by way of pledge of shares, debentures and other securities.
- xiii. In our opinion, and according to the information and explanation given to us , the Company is not a chit fund or a nidhi/mutual benefit fund/society.
- xiv. According to the information and explanation given to us , the Company is not dealing or trading in shares ,debentures and other investments.
- xv. According to the information and explanation given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- xvi. In our opinion and according to the information given to us , the term loans taken by the Company have been applied for the purpose for which they were raised.
- xvii. According to the information and explanation given to us and on an overall examination of the balance sheet of the Company , we are of the opinion that the funds raised on short-term basis have not been used for long-term investment.
- xviii. the company has not made any preferential allotment of shares to companies , firms and parties covered in the register maintained under section 301 of the Companies Act , 1956.
- xix. The Company did not have any outstanding debentures during the year.
- xx. The Company has not raised any money by way of public issue.
- xxi. According to the information and explanation given to us , no fraud on or by the Company has been noticed or reported during the course of our audit.

For RAMANUJAM and BOOVARAHAN
Chartered Accountants
Firm registration No: 0029455


SHEKHAR VISHWANATHAN
Partner
Membership No: 053073
Place: Chennai
Date: 08/09/2010





M Power Micro Finance Pvt.Ltd.

Overview

The company was incorporated on 19th November 2009 and received its approval to commence business on 13th of April 2010 from Reserve Bank of India. Hence only Balance Sheet is prepared for the previous financial year.

The Company is engaged in the business of micro finance lending activities , following group lending methodology and providing small value unsecured group loans to lower income group of below poverty line (BPL) in urban and rural areas . The tenure of these loans is generally spread over a period of 46 weeks.

