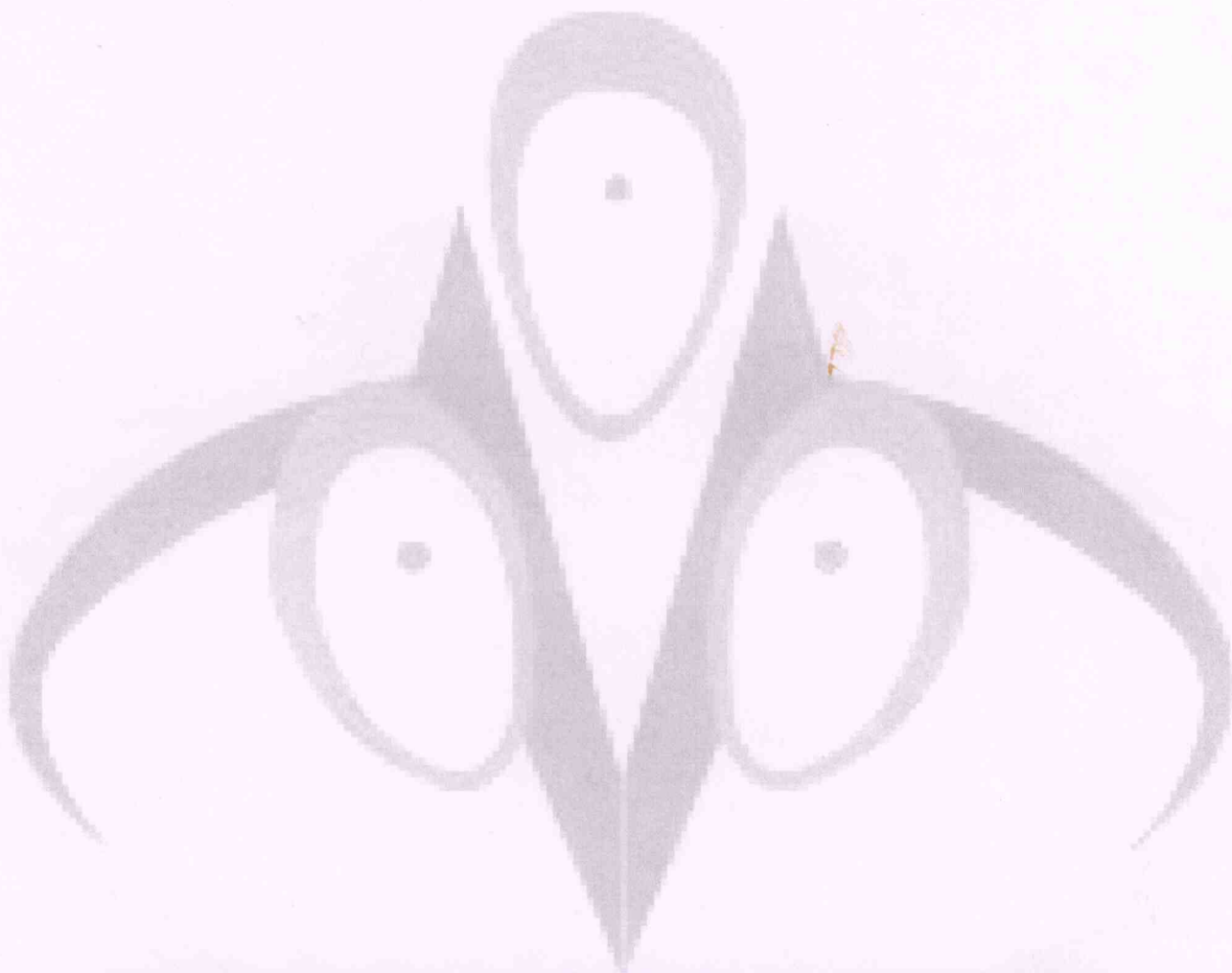




MPower Microfinance Pvt. Ltd.



# *Annual Report*

## *2010-11*

## DIRECTORS' REPORT

To,  
Dearest Shareholders,

Your Directors have immense pleasure in presenting the Annual Report together with audited statement of accounts of the Company for the year ended on 31<sup>st</sup> March, 2011.

### 1. Financial results

	(Rs. In lakhs)
	For the period from 13th April 2010 to 31st March 2011
Total Income	96.74
Loss before Depreciation for the year	100.44
Depreciation	3.60
Provision for Bad Debts	3.85
Loss before tax	107.89
Provision for taxation	0.40
Net loss after tax	108.29
Loss Carried forward to Balance Sheet	108.29

### 2. Dividend

In View of losses no dividend is recommended by the Board.

### 3. Director

Mr. Ramakrishnan Venkateswaran has resigned from the Board of the Company with effect from 3<sup>rd</sup> September, 2011. The board has accepted the resignation and places on record the appreciation of his contribution to the company

### 4. Deposits

The Company has not accepted any deposits from the Public.

### 5. Insurance

The Company has adequately insured the Company's Properties.

### 6. Directors' responsibility statements

Pursuant to section 217(2AA) of the Companies Act, 1956 the Directors confirm that:

- (i) in the preparation of Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- (ii) appropriate accounting policies have been selected and applied consistently, and have made judgments and estimates that are reasonable and prudent so as

to give a true and fair view of the state of affairs of the company for the said period.

- (iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting frauds and other irregularities.
- (iv) the annual accounts have been prepared on a going concern basis.

#### **7. Conservation of energy**

Your Company, being not a manufacturing company has not consumed energy of any significant level and accordingly no measures were required to take or taken for energy conservation and no additional investment was required to be made or made for reduction of energy consumption.

#### **8. Technology absorption**

The technology support is the key to success of any retail business and Micro finance is not different. A tried and tested technology, robust in application and controls is the need for the MFI in order to have better operational efficiency. Your Company has tied up with Paripoorna Software Solutions Private Limited, Chennai based software service Company for technology support. The software vendor 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 enables 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.

#### **9. Foreign exchange**

The Company has not earned any foreign exchange and not incurred any expenditure in foreign currency during the year under review.

#### **10. Personnel**

The Company has no employees covered under Section 217 (2AA) of the Companies Act, 1956 read with the Companies (Particulars of

#### **11. Auditors**

The retiring Auditors of the Company, M/s. Ramanujam and Bhoovarahan Chartered Accountants, have signified their willingness to be reappointed as Auditors of the Company. Their reappointment is recommended to the members of the Company.

## **12. Bankers to the Company**

Your Company is banking with HDFC Bank Ltd., Kotak Mahindra Bank Ltd and Bank of Baroda.

## **13. Management Discussion and Analysis**

The company had applied for a NBFC application with RBI and the same was granted by RBI in April 2010. Subsequent to the Permission by RBI the company commenced Micro finance business in the state of Gujarat as planned by the Management. Your Company now has 10 branches in the state of Gujarat catering to the Microfinance business. Based on the strategy to cover both Urban and rural markets the branch distribution is done equally between Urban and Rural. The company has been able to source a customer base of 5400 beneficiaries belonging to the below poverty line segment. The Performance of the company during the year under review was impacted by the industry wide crisis which affected the industry from October 2010. The impasse created by the crisis affected the entire industry. Your company could not raise adequate capital and debt so as to achieve the targeted business plans owing to the crisis.

However with the recommendations of Malegam Committee report by RBI and subsequent Policy circulars announced by RBI , it is envisaged that credit flow in to the MFI industry is likely to flow in slowly thereby bringing some relief to the players in the industry. The Management team strongly believes that once the Credit flow to the industry resumes the capital flows in to the MFI industry would as well begin. This would slowly improve the overall tight liquidity position the company as well as the industry is facing with.

## **14. Staffing and human resource challenges**

Attracting quality manpower is very crucial to financial intermediation business and for Micro Finance intermediation it is all the more crucial owing to the transaction and business model which this industry follows. Given the above challenge the company had recruited a senior HR manager from the industry. This to a large extent helped the company in identifying and recruiting quality manpower required for the branches and Head office. Your company has also taken the initiative of setting up of a Training infrastructure in Baroda for the Centre and Branch managers who join the company. This has adequately ensured that the staff are well trained in Process and policies of the company and facilitates quality business sourcing and management.

## **15. 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 immense potential of Gujarat as micro finance market. As per recent report of Planning commission, the Gujarat State has a BPL population estimated 30.00% which is more or less equal to that of high MFI served states like Andhra Pradesh, Tamil Nadu and Karnataka. Therefore the market opportunity which may unfold in the State of Gujarat is considered to be very high. The Management team has the adequate experience of having worked in Gujarat for various financial service products and this experience would hold the company in good stead. Further given the excellent Credit culture of Gujarat, the quality and safety of the loan portfolio is of competitive advantage to the company.

## **16. Business strategy:**

The Company would follow the pure Grameen model of Micro finance 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 three products catering to both the urban and Rural households. Taking cue from initial experience your Company would be pre – dominantly focused in the western India belt, while continuing to evaluate opportunities to diversify to other states at an appropriate time. This would help to reduce the concentration risk as well as en cash on new opportunities.

The Company has also tied up with Kotak Mahindra Old Mutual Life Insurance Company 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.

During the year under review the Management team did consider diversifying in to business of lending to Small and Micro business enterprises. However with the RBI policy Direction having been announced in May 2011 where in on lending to NBFCs were curtailed especially the PSL business, your company felt that it would be inappropriate to enter the SME segment at this time. Hence the Management team decided to continue with the MFI business operations.

Given the sense of easing of liquidity conditions in MFI segment, your company would quickly raise to the occasion and improve its capital and debt position so as to position the company in to a strong regional MFI player.

Your Company is currently in discussions with some of the Private equity Investors and the Management team is confident of attracting equity investments which would give the much needed push to business volumes.

## **17. Process support**

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

## **18. Statutory compliances and risk management**

Your Company is in Compliance of all statues, laws and rules wherever applicable. Initiatives in this area needs to be a continuous process and your Company has identified transparency and quality as important deliverables for all the stake holders. Your Company has taken 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.

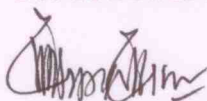
Your Company has also implemented Cash Transit Insurance as well as Fidelity Insurance to cover various risks in cash handling which is very high in Microfinance business.

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 adopted the Fair Practices Code, in the line with the RBI Guidelines to impart transparent and exemplary customer service.

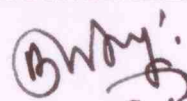
**19. Compliance Certificate**

Compliance Certificate as required by Proviso to Sub-Section (1) of Section 383A of the Companies Act, 1956 from a Secretary in whole-time practice is attached herewith.

**By order of the Board of Directors  
For M Power Micro Finance Private Limited**



**K.M.Vishwanathan  
Director & CEO**



**K V Balaji  
Director & COO**

**Place: Mumbai  
Date: 6thSept 2011**



**Pradeep Purwar & Associates**  
Company Secretaries

**COMPLIANCE CERTIFICATE**

**Name of the Company** : M Power Micro Finance Private Limited  
**CIN** : U65999MH2009PTC197149  
**Authorised Capital** : Rs. 7,00,00,000/-  
**Paid – up Capital** : Rs. 5,00,00,000/-

To,  
The Members  
M Power Micro Finance Private Limited  
D401, Harsh Ayodhya CHS, No.26,  
Tilak Nagar, Chembur,  
Mumbai – 400 089.

We have examined the registers, records, books and papers of M Power Micro Finance Private Limited (hereinafter referred to as "the Company") as required to be maintained under the Companies Act, 1956 (hereinafter referred to as "the Act") and the rules made thereunder and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on 31st March, 2011. In our opinion and to the best of our information and according to the examinations carried out by us and explanations furnished to us by the Company, its officers and agents, we certify that in respect of the aforesaid financial year:

1. The Company has kept and maintained all Registers as stated in Annexure 'A' to this Certificate, as per the provisions and the rules made thereunder and all entries therein have been duly recorded.
2. The Company has duly filed the Forms and Returns as stated in Annexure 'B' to this Certificate, with the Registrar of Companies.
3. The Company being private limited company has the minimum prescribed paid-up capital and its maximum number of members during the said financial year was 35 (Thirty Five) excluding its present and past employees and the Company during the year under scrutiny:
  - (i) has not invited public to subscribe for its shares or debentures; and
  - (ii) has not invited or accepted any deposits from persons other than its members, directors or their relatives.
4. The Board of Directors duly met 12 (Twelve) times on 13<sup>th</sup> May, 2010, 1<sup>st</sup> June, 2010, 22<sup>nd</sup> June, 2010, 13<sup>th</sup> July, 2010, 8<sup>th</sup> September, 2010, 21<sup>st</sup> September, 2010,

G-504, Virai, Kanchanpushpa Complex, Ghodbunder Road,  
Opp Suraj Water Park, Thane (West) - 400 601, Maharashtra, India.  
Telefax : 91-22-2597 3004 • M : 098209 54978 • E-mail : pradeep.purwar@csppa.in





11<sup>th</sup> October, 2010, 22<sup>nd</sup> October, 2010, 9<sup>th</sup> December, 2010, 10<sup>th</sup> December, 2010, 17<sup>th</sup> December, 2010 and 30<sup>th</sup> March, 2011 in respect of which meetings proper notices were given and proceedings were properly recorded and signed in the Minutes Book maintained for the purpose.

5. The Company was not required to close its Register of Members during the financial year under review.
6. The Annual General Meeting for the financial year ended on 31<sup>st</sup> March, 2010 was held on 30<sup>th</sup> December, 2010 after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in Minutes Book maintained for the purpose.
7. No Extra-ordinary General Meeting was held during the year under review.
8. The Company, being a private Company, the provisions of Section 295 of the Act is not applicable.
9. The Company has not entered into any contracts falling within the purview of Section 297 of the Act.
10. The Company was not required to make any entries in the register maintained under Section 301 of the Act.
11. The provisions of Section 314 of the Act are not attracted and therefore, no approvals were required to be taken.
12. The Company has not issued any duplicate share certificates during the financial year.
13.
  - (i) The Company has delivered all the certificates on allotment of securities and on lodgment thereof for transfer/transmission/split or any other purpose in accordance with the provisions of the Act.
  - (ii) The Company was not required to deposit any amount in a separate Bank Account as no dividend was declared during the financial year under review.
  - (iii) The Company was not required to post warrants to any member of the Company as no dividend was declared during the financial year under review and consequently, there was no unclaimed/unpaid dividend which was required to be transferred to Unpaid Dividend Account of the Company.
  - (iv) There was no amount on account of unpaid dividend account, application money due for refund, matured deposits, matured debentures





and the interest accrued thereon which was required to be transferred to Investor Education and Protection Fund.

- (v) The Company has duly complied with the requirements of section 217 of the Act.
14. The Board of Directors of the Company is duly constituted.
15. The Company, being a private Company, provisions of Section 269 of the Act are not applicable.
16. The Company has not appointed any sole-selling agent during the year under review.
17. The Company was not required to obtain any approval of the Central Government, Company Law Board, Regional Director, Registrar or such other authorities as may be prescribed under the various provisions of the Act during the financial year under scrutiny.
18. The directors have disclosed their interest in other firms/companies to the Board of Directors pursuant to the provisions of the Act and the rules made thereunder.
19. The Company has issued 24,80,000 Equity Shares of Rs.10/- during the year under review and has complied with provision of the Act.
20. The Company has not bought back any shares during the financial year under review.
21. No redeemable preference shares issued by the Company were required to be redeemed during the year.
22. There were no transactions necessitating the Company to keep in abeyance rights to dividend, rights shares and bonus shares pending registration of transfer of shares.
23. The Company has not invited / accepted any deposits falling within the purview of Section 58A of the Act.
24. The Company, being a private Company, the borrowings made during the year do not attract the provisions of Section 293 (1) (d) of the Act.
25. The Company being a private company, provisions of Section 372A of the Act are not applicable.





**COMPLIANCE CERTIFICATE**

**Annexure – 'A'**

**Name of the Company** : M Power Micro Finance Private Limited  
**CIN** : U65999MH2009PTC197149  
**Authorised Capital** : Rs. 7,00,00,000/-  
**Paid – up Capital** : Rs. 5,00,00,000/-

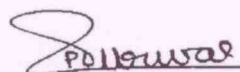
**Registers maintained by the Company**

**Statutory Registers**

Sr. No.	Description	Registers maintained under
1.	Register of Members	Section 150 of the Act
2.	Minutes Book (Board / General Meeting)	Section 193 of the Act
3.	Register of Contracts	Section 301 of the Act
4.	Register of Directors, Manager, Secretary etc.	Section 303 of the Act
5.	Register of Directors' Shareholding	Section 307 of the Act



For Pradeep Purwar & Associates  
Company Secretaries



**Pradeep Kumar Purwar**  
Proprietor  
C. P. No. 5918

Place : Thane  
Date : 15<sup>th</sup> June, 2011



26. The Company has not altered the provisions of the Memorandum of Association with respect to situation of the Company's registered office from one state to another during the year under scrutiny.
27. The Company has not altered the provisions of the Memorandum of Association with respect to the objects of the Company during the year under scrutiny.
28. The Company has not altered the provisions of the Memorandum of Association with respect to name of the Company during the year under scrutiny.
29. The Company has not altered the provisions of the Memorandum of Association with respect to share capital of the company during the year under scrutiny.
30. The Company has not altered its Articles of Association during the year under scrutiny.
31. There was no prosecution initiated against or show cause notices received by the Company during the year under review for alleged offences under the Act and consequently, no fine / penalty or any other punishment has been imposed on the Company.
32. The Company has not received any money as security from its employees during the year under certification.
33. The Company has deposited both employee's and employer's contribution to Provident Fund with prescribed authorities pursuant to provisions of Section 418 of the Act.



Place : Thane  
Date : 15<sup>th</sup> June, 2011

For Pradeep Purwar & Associates  
Company Secretaries

Pradeep Kumar Purwar  
Proprietor  
C. P. No. 5918



COMPLIANCE CERTIFICATE

Annexure – 'B'

Name of the Company : M Power Micro Finance Private Limited

CIN : U65999MH2009PTC197149

Authorised Capital : Rs. 7,00,00,000/-

Paid – up Capital : Rs. 5,00,00,000/-

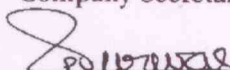
Forms and Returns filed by the Company with the Registrar of Companies during  
financial year ending on 31<sup>st</sup> March, 2011

Sr. No	Form No./ Return	Filed under Section	Description	Date of filing	Whether filed within the prescribed time limit Yes / No	If delay in filing, whether requisite additional fee paid Yes / No
1.	Form No. 32	303	Appointment of Director	26.05.2010	Yes	N.A.
2.	Form No. 2	75(1)	Allotment of Shares	27.10.2010	Yes	N.A.
3.	Form No. 66 Compliance Certificate	383A	Compliance Certificate for the Financial Year 2009-2010	21.03.2011	No	Yes
4.	Form No. 23AC and ACA	220	Annual Report for the Financial Year 2009-2010	21.03.2011	No	Yes
5.	Form No. 20B	159	Annual Return for the Financial Year 2009-2010	21.03.2011	No	Yes



Place : Thane  
Date : 15<sup>th</sup> June, 2011

For Pradeep Purwar & Associates  
Company Secretaries

  
Pradeep Kumar Purwar  
Proprietor  
C. P. No. 5918



### AUDITORS REPORT TO THE SHAREHOLDERS

We have audited the Balance Sheet of **M/s. M Power Micro Finance Private Limited** as at 31 March 2011 and the Profit and Loss Account of the said company for the period from 13<sup>th</sup> April 2010 to 31<sup>st</sup> March 2011, both annexed hereto. 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.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Companies (Audit Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956 is not applicable to this company.

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 Companies Act, 1956 have been kept by the Company so far, as appears from our examination of such books.
- c) The Balance Sheet and Profit and Loss Account referred to in this report are in agreement with the books of account.
- d) In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in Sub-section (3c) of Section 211 of the Companies Act, 1956.
- e) On the basis of written representations received from the directors, as on 31 March 2011 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March 2011 from being appointed as a Director in terms of clause (g) of sub section (1) of Section 274 of the Companies Act 1956.
- f) In our opinion and to the best of our knowledge and according to the explanations given to us, the said Balance Sheet and Profit and Loss Account together with the Accounting policies and the Notes forming part of the Accounts, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view:
  - i) in the case of Balance Sheet, of the State of Affairs of the Company as at 31 March 2011 and;
  - ii) in the case of Profit and Loss Account, of the Loss of the Company for the period from 13<sup>th</sup> April 2010 to 31<sup>st</sup> March 2011.

For RAMANUJAM AND BOOVARAHAN  
FRN: 02945S  
Chartered Accountants

*V. Shekhar*  
**SHEKHAR VISHWANATHAN**  
Partner  
M.No. 053073



Place : Chennai  
Date : 15<sup>th</sup> June 2011

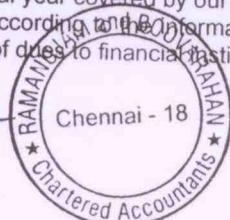


**Annexure to the Auditors' Report**

**[Referred to in paragraph 3 of the Auditors' Report of even date to the members of M Power Micro Private Limited on the financial statements for the year ended March 31, 2011]**

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) The Company has a programme of physical verification of fixed assets. In our opinion, the frequency of verification is reasonable having regard to the size of the Company and the nature of its assets. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
- (c) In our opinion, there were no fixed assets disposed off during the year. Therefore, the provisions of clause 4(ii)(c) of the Order are not applicable to the Company.
- (ii) (a) The inventories have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- (b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) In our opinion and according to the information and explanations given to us, the Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material and have been properly dealt with in the books of account.
- (iii) (a) As informed, the Company has not granted any loans, secured or unsecured to Companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, sub-clause (b), (c) and (d) of clause 4(iii) of the Order are not applicable.
- (b) According to the information and explanations given to us, the Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, sub-clause (f) and (g) of clause 4(iii) of the Order are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to purchases of inventory and fixed assets and with regard to the sale of goods and services. Further, the basis of our examination and according to the information and explanations given to us, we have neither come across nor have we been informed of any instance of major weaknesses in the aforesaid internal control systems.
- (v) (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that Section.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts and arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 have been made at the prices which are reasonable having regard to the prevailing market prices at the relevant time except in case of some transactions where alternate source of supply did not exist and therefore, no comparison of prices was possible.
- (vi) In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public and hence the provisions of Sections 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 do not apply to the company.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size of the Company and nature of its business.
- (viii) Rules made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 do not apply to the company.
- (ix) (a) According to the records of the Company, Provident Fund, Income-tax, Sales-tax and other material statutory dues applicable to it have been generally regularly deposited during the year with the appropriate authorities. However the company has applied for ESI registration which is still under process with the department and the amounts deducted from the employees and the company's contribution is shown as a liability in the accounts. According to the information and explanations given to us, no undisputed amounts payable in respect of above were in arrears, as at March 31, 2011 for a period of more than six months from the date on which they became payable except as stated above.
- (b) There are no disputed statutory payments to be made by the company on account of Income-tax and other dues on account of dispute.
- (x) The Company has an accumulated loss at the end of the financial year and has incurred cash losses during the financial year covered by our audit.
- (xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to financial institution, banks or debenture holders.

*V. Chandra*





**RAMANUJAM and BOOVARAHAN**  
Chartered Accountants

4/56, Kalpataru, Flat 1A, K.B. Dasan Road, Alwarpet,  
Chennai - 600 018. Phone : 65467964, 24354606 Telefax : 24354650  
E-mail : ramanujam\_boovarahan@yahoo.com, randbcas@eth.net

- (xii) Based on our examination of the records and the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund/ society. Therefore, the provisions of clause 4(xiii) of the Order are not applicable to the Company.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable to the Company.
- (xv) In our opinion and according to the information and explanations given to us, the Company has not given any guarantees for loans taken by others from banks or financial institutions.
- (xvi) In our opinion and according to the information and explanations given to us, no term loans were acquired during the reporting period by the Company.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) According to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956.
- (xix) The Company has not issued any secured debentures. Therefore the provisions of clause 4(xix) of the Order are not applicable to the Company.
- (xx) The Company has not raised any money by way of public issue during the year. Therefore, the provisions of clause 4(xx) of the Order are not applicable to the Company.
- (xxi) According to the information and explanations 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**

**FRN: 02945S**

**Chartered Accountants**

*V. Shekhar*  
**SHEKHAR VISHWANATHAN**  
Partner  
M.No. 053073



Place : Chennai  
Date : 15<sup>th</sup> June 2011.

**M POWER MICRO FINANCE PRIVATE LIMITED**  
**BALANCE SHEET AS ON 31.03.2011**

SOURCES OF FUNDS	SCHE DULE	As on 31.03.2011		As on 31.03.2010
		AMOUNT IN RS.	AMOUNT IN RS.	AMOUNT IN RS.
<b>Shareholders Funds</b>				
Share Capital	1		5,00,00,000.00	2,62,00,000.00
Secured Loans	2		4,38,333.09	-
Unsecured Loans	3		1,14,27,168.87	-
<b>TOTAL</b>			<b>6,18,65,501.96</b>	<b>2,62,00,000.00</b>
<b>APPLICATION OF FUNDS</b>				
Fixed Assets at Cost	8	19,53,527.00		
Less :Provision for Depreciation		3,59,611.28	15,93,915.72	93,438.00
<b>Current Assets Loans and Advances</b>				
Loans And Advances	4	3,88,61,084.66		5,47,846.56
Cash And Bank Balances	5	1,40,25,259.05	5,28,86,343.71	2,26,80,996.09
Less:				2,32,28,842.65
<b>Current Liabilities and Provisions</b>				
Sundry Creditors	6	43,14,076.10		
Provisions	7	15,59,559.00	58,73,635.10	1,59,907.40
<b>Net Current Assets</b>			4,70,12,708.61	2,30,68,935.25
<b>Profit and Loss Account</b>			1,08,28,776.48	-
Miscellaneous expenditure			24,30,101.15	30,37,626.75
<b>TOTAL</b>			<b>6,18,65,501.96</b>	<b>2,62,00,000.00</b>
<b>Significant Accounting Policies</b>	14			
<b>Notes to accounts</b>	15			

The Schedules referred to above form and integral part of the Balance Sheet

As per Our report of even date attached  
for RAMANUJAM and BOOVARAHAN  
Chartered Accountants  
Registration number 029455

For and on behalf of the **Board of Directors**

*V. Shekhar*  
SHEKHAR VISHWANATHAN  
Partner  
Membership No 053073  
Place : Chennai  
Date : 15<sup>TH</sup> June 2011.



*[Signature]*  
Director

*[Signature]*  
Director

**M POWER MICRO FINANCE PRIVATE LIMITED**  
**PROFIT & LOSS ACCOUNT for the Period from 13th April 2010 to 31st March 2011**

INCOME	Schedule	Amount in Rs.	For the period from 13th April 2010 to 31st March 2011 Amount in Rs.
Income from operations	9		92,41,303.55
Other Income	10		4,33,141.95
<b>Total</b>			<b>96,74,445.50</b>
<b>EXPENDITURE</b>			
Administration Expenses	11		53,74,539.03
Personnel Expenses	12		1,34,32,376.60
Financial Expenses	13		9,11,753.07
Depreciation	8		3,59,611.28
<b>Total</b>			<b>2,00,78,279.98</b>
Provisions for Bad Debts			3,85,082.00
<b>Loss Before Taxation</b>			<b>-1,07,88,916.48</b>
<b>Provision For Taxation</b>			
- Income Tax Paid for AY 2010-11			39,860.00
- Current Taxation			-
- Deferred Tax			-
<b>Loss After Tax</b>			<b>-1,08,28,776.48</b>
<b>Loss carried over to Balance Sheet</b>			<b>-1,08,28,776.48</b>

Significant Accounting Policies

14

Notes to accounts

15

The Schedules referred to above form and integral part of the Profit and Loss Account

Note: This is the first year of operations and hence previous year figures have not been given

As per Our report of even date attached

For and on behalf of the **Board of Directors**

for RAMANUJAM and BOOVARAHAN

Chartered Accountants

Registration number 0029443

Chennai - 18

SHEKHAR VISHWANATHAN  
Partner

Membership No 053073

Place : Chennai

Date : 15<sup>th</sup> June 2011.



Director Director

**M POWER MICRO FINANCE PRIVATE LIMITED**  
**SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH 2011**

**SCHEDULE 1**

**SHARE CAPITAL**

Authorised Share Capital 70,00,000 equity shares of Rs 10 Each	5,00,00,000.00
	<u>7,00,00,000.00</u>
Issued , Subscribed and Paid up 50,00,000 equity shares of Rs 10 Each	<u>5,00,00,000.00</u>

**SCHEDULE 2**

**Secured Loans**

- Car Loans	4,38,333.09
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**SCHEDULE 3**

**Unsecured Loans**

- Term Loans	1,14,27,168.87
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**SCHEDULE 4**

**Loans And Advances ( Unsecured considered Good)**

-* Receivable under Funding Activity	3,51,36,344.55	
-Assets Under Management	33,58,674.00	
Total	<u>3,84,95,018.55</u>	
Less: Standard Provisioning	3,84,950.00	
Less: Specific Provision on delinquent account	<u>132.00</u>	
Net Portfolio		3,81,09,936.55

(\*Note a sum of Rs 1500/ is receivable on account of the death of a member which is covered by an insurance policy)

**Advance Recoverable in Cash or in kind or for value to be received**

Advances to staff	3,500.00	
Unmatured Discounting charges on assigned receivables	2,22,061.00	
Receivable for TDS	94,962.00	
Accrued interest	36,500.81	
Insurance Kotak Life	7,350.00	
Prepaid Expenses	1,986.30	
Deposits	3,44,000.00	
TDS on Interest	<u>40,788.00</u>	
Total		7,51,148.11
<b>TOTAL</b>		<u>3,88,61,084.66</u>

**M POWER MICRO FINANCE PRIVATE LIMITED**  
**SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH 2011**

**SCHEDULE 5**

Cash In Hand	23,972.00	
<b>Cash with Scheduled Banks</b>		
- on Current Accounts		
HDFC Bank A/c No. 14	45,70,157.03	
HDFC Bank A/c No. 27	59,649.69	
Bank of Baroda	14,08,468.50	
Kotak Bank -Thane	98,816.40	
Kotak Bank -Baroda	10,27,257.40	
- on Deposit Accounts	68,36,938.03	
<b>Total</b>		<b>1,40,25,259.05</b>

**SCHEDULE 6**

**Current Liabilities**

Sundry Creditors		
- Dues to Micro Enterprises & Small Enterprises ( Refer Note 6 of Schedule 15)		
- MAS Financial Services	42,89,600.00	
-Others	24,476.10	
<b>Total</b>		<b>43,14,076.10</b>

**SCHEDULE 7**

**Provisions**

Provision for Gratuity	1,92,845.00	
Provision for Compensated Absences	7,32,650.00	
Provision for Expenses	6,34,064.00	
<b>Total</b>		<b>15,59,559.00</b>

**M Power Micro Finance Private Limited**

Schedules forming part of Profit and Loss Account for the period from 13th April 2010 to 31st March 2011

**SCHEDULE ~ 9****Income from operations**

Interest Income from loans disbursed	69,68,335.29	
Administrative income from loans disbursed	1,14,079.00	
Processing fees received from loans disbursed	15,85,767.00	
Insurance premium received from loans disbursed	5,70,116.00	
Loan Foreclosure charges	3,006.26	
<b>Total</b>		<b>92,41,303.55</b>

**SCHEDULE ~ 10****Other Income**

Sale of Scrap	1,200.00	
FD Interest	4,31,941.95	
<b>Total</b>		<b>4,33,141.95</b>

**SCHEDULE ~ 11****Administration Expenses**

Auditors Remuneration		
- Statutory Audit	27,575.00	
- Tax Audit		
- Service Tax		
Advertisement	32,403.00	
Brokerage Charges	15,165.00	
Consultancy Charges	6,74,341.10	
Car Expenses	38,010.00	
Electricity Expense	91,610.00	
Guest House Expenses	45,452.00	
Interest on TDS	249.00	
Interest on Service Tax	195.00	
Internet Charges	58,043.36	
Office Expenses	4,29,357.67	
Printing & Stationery	2,50,593.00	
Professional Tax late payment charges	66.00	
Rent	9,22,494.00	
Telephone Charges	2,11,545.00	
Travelling & Conveyance	10,17,769.00	
Software Licence Expenses	1,27,997.70	
Insurance -Kotak Life	5,70,116.00	
Insurance -United India (Cash Transit)	24,707.00	
Insurance -United India (Fidelity)	50,686.00	
Insurance -United India (Mediclinam)	28,638.00	
Vehicle Insurance	2,620.00	
Legal Expenses	82,900.00	
Postage & Courier Expenses	29,356.00	
Repairs & Maintenance	35,125.00	
Preliminary expenses written off	6,07,525.20	
<b>Total</b>		<b>53,74,539.03</b>

**M Power Micro Finance Private Limited**

Schedules forming part of Profit and Loss Account for the period from 13th April 2010  
to 31st March 2011

**SCHEDULE ~ 12****Personnel Expenses**

Salaries and Wages	1,18,73,146.60	
Company's Contribution to PF	2,27,346.00	
ESI_ Company Contribution	1,30,495.00	
Compensated Leave Absences	7,32,650.00	
Gratuity	1,92,845.00	
PF Admin charges	20,112.00	
Staff Welfare	78,739.00	
Staff Training Expenses	1,77,043.00	
<b>Total</b>		1,34,32,376.60

**SCHEDULE ~ 13****Financial Expenses**

Bank Charges	45,881.11	
Discounting charges on receivables assigned	1,82,083.00	
Interest on Term Loan	5,27,391.87	
Interest on Car Loan	7,461.09	
Kotak term loan processing fees	41,363.00	
MAS term loan processing fees	63,623.00	
Service charges on loans	25,000.00	
Stamp Duty charges on Kotak Loan	12,700.00	
Stamp Duty charges on MAS Financial Loan	6,250.00	
<b>Total</b>		9,11,753.07

## M Power Micro Finance Pvt. Ltd.

## SCHEDULE 8

## FIXED ASSETS SCHEDULE

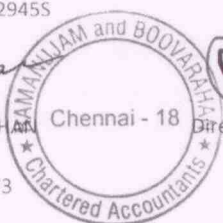
F.Y. 2010-11

Particulars	Gross Block					Depreciation			Net Block			
	Opening	Additions		Deletions	Closing	Rate	Opening	Current	Closing	Opening	Additions	Closing
		Before Sept	After Sept									
Furniture and Fixures	40,728.00	2,41,777.00	1,42,539.00	-	4,25,044.00	18.10%	-	42,731	42,730.68	40,728.00	3,41,585.32	3,82,313.32
Office Equipments	-	45,350.00	5,520.00	-	50,870.00	13.91%	-	5,194.23	5,194.23	-	45,675.77	45,675.77
Computer	52,710.00	5,83,467.00	2,26,881.00	-	8,63,058.00	40.00%	-	2,52,381.23	2,52,381.23	52,710.00	5,57,966.77	6,10,676.77
Two Wheeler	-	43,000.00	-	-	43,000.00	25.89%	-	10,204.98	10,204.98	-	32,795.03	32,795.03
Car	-	-	5,71,555.00	-	5,71,555.00	25.89%	-	49,100.17	49,100.17	-	5,22,454.83	5,22,454.83
Total	93,438.00	9,13,594.00	9,46,495.00	-	19,53,527.00		-	3,59,611.28	3,59,611.28	93,438.00	15,00,477.72	15,93,915.72

M Power Micro Finance Private Limited	
Cash Flow Statement for the Period Ended 31st March 2011	
	For the period Ended 31st March 2011 Amount in Rs.
<b>I. Cash Flows From Operating Activities</b>	
(Loss) before Taxation	(1,08,28,776)
Adjustment for:	
Depreciation / Amortisation	3,59,611
Interest on Deposits	(4,31,942)
Preliminary expenses	6,07,525
Taxes Paid	39,860
Provision for Bad debts	3,84,950
<b>Operating Loss Before Working Capital Changes</b>	(98,68,772)
Increase in Other Current Assets	(3,86,98,188)
Increase in Current Liabilities and Provisions	57,13,728
Taxes Paid	(3,29,84,460)
	(39,860)
<b>Net Cash Used in Operating Activities - (A)</b>	(4,28,93,092)
<b>II. Cash Flows from Investing Activities</b>	
Purchase of Fixed Assets	(18,60,089)
Interest Received on Bank Deposits	4,31,942
<b>Net Cash Used in Investing Activities - (B)</b>	(14,28,147)
<b>III. Cash Flows From Financing Activities</b>	
Proceeds from Fresh Issue of Equity Share Capital	2,38,00,000
Proceeds from Loans ( Secured and Unsecured)	1,18,65,502
<b>Net Cash From Financing Activities - (C)</b>	3,56,65,502
<b>Net Increase in Cash &amp; Cash Equivalents - (A+B+C)</b>	(86,55,737)
Add:	
Cash & Cash Equivalents at Beginning of Year	2,26,80,996
	1,40,25,259
Cash & Cash Equivalents at End of Year	1,40,25,259

As per Our report of even date attached For and on behalf of the Board of Directors  
for RAMANUJAM and BOOVARAHAN  
Chartered Accountants  
Registration number 029455

SHEKHAR VISHWANATHAN  
Partner  
Membership No 053073  
Place : Vadodara  
Date :



*[Signature]*  
Director

*[Signature]*  
Director

**M Power Micro Finance Private Limited**

**Schedules Forming Part of the Accounts for the Period from 1<sup>st</sup> April 2010 to 31 March 2011**

**Schedule 14- Significant Accounting Policies**

**1. Basis of Preparation of Financial Statements**

The financial statements are prepared under the historical cost convention in accordance with the generally accepted accounting principles in India, Accounting Standards notified by the Government of India / issued by the Institute of Chartered Accountants of India (ICAI), as applicable and relevant provisions of the Companies Act, 1956.

The Company is Small and Medium Sized Company (SMC) as defined in the General Instructions in respect of Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006. Accordingly, the Company has complied with the Accounting Standards as applicable to a Small and Medium Sized Company.

**2. Use of Estimates**

The preparation of the financial statements requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses during the reporting period like provisioning for debtors, useful lives of fixed assets, Etc. Management believes that the estimates used in the preparation of the financial Statements are prudent and reasonable. Future results may vary from these estimates.

**3. Revenue Recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

- i. Revenue from Micro finance operations are recognized on accrual basis from the time the loans are given for the financial year on the terms and conditions provided in the loan documentation. In case of a delinquency arising out of the death of a member the company has taken insurance policies on all members and the recovery is made from the claim amount. However the interest from the time of the death of the member till the recovery of the claim amount is waived off.
- ii. Interest income on deposits is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.
- iii. All other income is recognized on an accrual basis, when there is no uncertainty in the ultimate realization / collection.

**4. Inventories:**

**Not Applicable**

**M Power Micro Finance Private Limited**

**Schedules Forming Part of the Accounts for the Period from 1<sup>st</sup> April 2010 to 31 March 2011**

**Schedule 14 – Significant Accounting Policies (Contd)**

**5. Fixed Assets and Depreciation**

Fixed assets are stated at cost less accumulated depreciation. Cost includes taxes, duties, freight and incidental expenses related to the acquisition and installation of the asset.

Depreciation on fixed assets is provided pro-rata on the basis of the written down value method, over the period of use of these assets, at the annual depreciation rates and in the manner stipulated in Schedule XIV to the Companies Act, 1956 or based on the depreciation rates. As per the estimated useful lives of the assets determined by the management, whichever is higher as follows ;

<b>Fixed Assets</b>	<b>Percent</b>
Motor Cycles and car	25.89
Office Equipments	13.91
Computers	40.00
Furniture and Fittings	18.10

Improvements to leasehold premises are depreciated over the primary lease period or 3 years, whichever is lower.

**6. Impairment**

The carrying amounts of assets are reviewed at each balance sheet dates if there is any indication of impairment based on internal / external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

After impairment, depreciation (where applicable) is provided on the revised carrying amount of the asset over its remaining useful life.

**7. Finance Expenses.**

Expenditure incurred for raising borrowed funds including ancillary costs incurred in connection with the arrangement of borrowings, which is not eligible for capitalization, is fully charged to the profit and loss account on incurrence.

**M Power Micro Finance Private Limited**

**Schedules Forming Part of the Accounts for the period from 1<sup>st</sup> April 2010 to 31 March 2011**

**Schedule 14-Significant Accounting Policies (Contd.)**

**8 Foreign Currency Transactions**

- i. Transactions in foreign currency are accounted at the exchange rate prevailing on the date of the transaction.
- ii. Foreign currency monetary items as at the balance sheet date are restated at the closing Exchange rates. Exchange rate differences arising on actual payments/ realizations and Period-end restatements are recognized as income or expense in the profit and loss account.

**9. Retirement and Other Employee Benefits**

**i) Defined Contribution Plan**

Provident Fund; Contributions to the employees provident fund scheme maintained by the Central Government are accounted for on an accrual basis.

Also Refer Note 16 of Schedule 15.

**ii) Defined Benefit Plan.**

Gratuity; The Company estimates its liability towards employees gratuity based on an Actuarial valuation done by an independent actuary using the projected unit Credit Method done at the end of each accounting period. Actuarial gains / losses are immediately recognized in the profit and loss account in the period in which they occur. Obligation under the defined benefit plans is measured at the present value of estimated future cash flows using a discounted rate that is determined by reference to the prevailing market yields at the balance sheet date on Indian Government bonds where the currency and term of the Indian Government bonds are consistent with the Currency and estimated term of the defined benefit obligation.

**iii) Compensated Absences**

The liability for long term compensated absences carried forward on the balance sheet date is provided for based on an Actuarial valuation done by an independent actuary using the projected unit credit method done at the end of each accounting period. Short term compensated absences is recognized based on the eligible leave at credit on the balance sheet date and the estimated cost is based on the terms of the employment contract.

**10. Leases**

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term are classified as operating leases. Operating lease payments are recognized as an expense in the profit and loss account on a straight-line basis over the lease term.

**M Power Micro Finance Private Limited**

**Schedules Forming Part of the Accounts for the period from 1<sup>st</sup> April 2010 to 31 March 2011**

**Schedule 14-Significant Accounting Policies (Contd.)**

**11. Income Taxes**

Current tax is the amount of tax payable on the taxable income for the year and is determined in accordance with the provisions of the Income Tax Act, 1961.

Deferred tax is recognized, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

Deferred tax assets in respect of unabsorbed depreciation and carry forward losses are recognized if there is virtual certainty that there will be sufficient future taxable income available to realize such assets. Other deferred tax assets are recognized if there is reasonable certainty that there will be sufficient future taxable income available to realize such assets.

**12. Provisions, Contingent Liabilities and Contingent Assets**

Provisions are recognized only when the Company has present or legal obligations, as a result of past events for which it is probable that an outflow of economic benefit will be required to settle the transactions and when a reliable estimate of the amount of obligation can be made. Contingent liability is disclosed for ( i ) Possible obligations which will be confirmed only by future events not wholly within the control of the Company or ( ii ) Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made. Contingent assets are not recognized in the financial statements since this may result in the recognition of income that may never be realized.

**13. Preliminary Expenses.**

Preliminary expenses are written off over a period of five years from the commencement of business.

**M Power Micro Finance Private Limited**

**Schedules Forming Part of the Accounts for the Period from 1<sup>st</sup> April 2010 to 31 March 2011**

**Schedule 15 – Notes to Accounts**

**1. Nature of Operations**

M Power Micro Finance Private Limited was incorporated as a Private Limited Company under the Companies Act, 1956 on 19<sup>th</sup> November 2009. The Company is primarily engaged in business of Micro Finance.

**2. Commitments and Contingencies**

Estimated amount of contracts remaining to be executed on capital account and not provided for as at 31 March 2011 - Rs. Nil

**3. Loans**

**a. Secured Loan**

HDFC Bank Limited ~ Rs 4,38,333.09

**b. Unsecured Loan**

1. Kotak Mahindra Bank Limited	Rs. 23,99,391.87
2. Ananya Finance for Inclusive Growth (P) Limited	Rs. 90,27,777.00

**4. Going Concern Assumption**

The Financial Statements have been prepared on the basis that the Company is a going concern. Since, this is the first year of operations and the business is yet to stabilize, the Management is confident that the operations of the Company would improve. Taking into account the projected growth in revenues and hence, the management believes that the Company will be in a position to pay its liabilities as they fall due for a period of twelve months from the balance sheet date.

**5. Quantitative Details of Traded Goods –**

**Not Applicable**

**6. Micro Enterprises and Small Enterprises**

As at 31 March 2011, in the absence of necessary information relating to suppliers registered as Micro, Small and Medium Enterprises under the Micro, Small and Medium Enterprises Development, Act 2006, the Company was not able to identify such suppliers and disclose the information as required under the said Act relating to them.

**7. Expenditure in Foreign Currency - Rs. Nil**

**8. Earnings in Foreign Currency – Rs. Nil**

**M Power Micro Finance Private Limited**

**Schedules Forming Part of the Accounts for the Period from 1st April 2010 to 31 March 2011.**

**Schedule 15-Significant Accounting Policies (Contd.)**

**11. Related Party Disclosures**

Names of Related and Nature of Relationship (With respect to parties with whom the Company had transactions during the year)

Particulars	For the Period from 1 <sup>st</sup> April 2010 to 31 <sup>st</sup> March 2011
NIL	

**Note:**

Related Party relationships are as identified by the Management and relied upon by the Auditors.

**Transactions with Related Parties**

Transaction	Related Party	(Amount in Rs.) For the Period from 1 <sup>st</sup> April 2010 to 31 <sup>st</sup> March 2011
NIL		

**Balance at Year End:**

Transaction	Related Party	Amount in Rs.) For the Period from 1 <sup>st</sup> April 2010 to 31 <sup>st</sup> March 2011
NIL		

**12. Segment Information**

The Company is primarily incorporated for engaging in the business of Micro Finance. All the activities of the Company revolve around the main business. Further, the company does not have any separate reportable segments as per AS-17 "Segmental reporting".

**13. Operating Lease**

The Company has operating lease agreements primarily for office premises. The lease term period is about 11 months. An amount of Rs.9,22,494 /- was debited to the profit and loss account towards lease rentals and other charges for the current period.

**M Power Micro Finance Private Limited**

**Schedule 15-Significant Accounting Policies (Contd.)**

**Schedules Forming Part of the Accounts for the Period from 1<sup>st</sup> April 2010 to 31 March 2011**

**9. Compensated Absences**

The Key Assumptions used in the actuarial valuation of the provision for long term compensated absences as provided by an Independent Actuary are as given below;

Particulars	For the Period from 1 <sup>st</sup> April 2010 to 31 March 2011
Discount Rate ( Percentage Per Annum)	8%
Future Salary Increase ( Percentage Per Annum)	6%
Mortality Rate	LIC -94-96 rates
Attrition Rate ( Percentage Per Annum)	5%

**10. Gratuity**

The Company does not have a funded gratuity scheme for its employees as at 31 March 2011. Gratuity provision has been made based on the actuarial valuation done as at the period end. The Key Assumptions used in the actuarial valuation as provided by an Independent Actuary is as follows;

Particulars	For the Period from 1 <sup>st</sup> April 2010 to 31 March 2011
Discount Rate ( Percentage Per Annum)	8%
Future Salary Increase ( Percentage Per Annum)	6%
Mortality Rate	LIC -94-96 rates
Attrition Rate ( Percentage Per Annum)	5%

**Notes:**

- 1 The estimate of future salary increase takes into account inflation, seniority, promotion and other relevant factors.
2. Discount rate is based on the prevailing market yields of Indian Government Bonds as at the balance sheet date for the estimated term of the obligation.

**M Power Micro Finance Private Limited**

**Schedules Forming Part of the Accounts for the Period from 1st April 2010 to 31 March 2011.**

**Schedule 15-Significant Accounting Policies (Contd.)**

**14. Earnings per Share**

Particulars	
Loss after Tax- Rs.	-10828776
Weighted Average Number of Equity shares Used in computing Earnings Per Share	5000000
Earnings per Share (EPS) Basic – Rs.	-2.17
Face Value of Shares – Rs.	10.00

**15. Deferred Tax**

The Company has a deferred tax asset primarily on account of business losses and unabsorbed tax depreciation which has not been recognized on grounds of prudence. Consequently, there is no deferred tax asset / liability as at 31 March 2011.

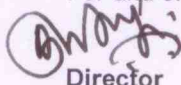
**16. Employee State Insurance**

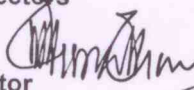
The Company is registered under the ESI Scheme, 1948.

**17. Previous Year Figures**

The period 1st April 2010 to 31 March 2011 is the first year of commercial operations for the Company. Hence, there are no previous year's figures for the Profit and Loss Account.

For and on behalf of the **Board of Directors**

  
Director

  
Director