



*"Nurture Dreams Transform Lives"*

# **M POWER MICRO FINANCE PRIVATE LIMITED**

**CIN : U65999MH2009PTC197149**

**9<sup>th</sup>**

**ANNUAL REPORT  
2017-2018**

### Board of Directors

1	Mr. K.M. Vishwanathan	Managing Director & CEO
2	Mr. K.V. Balaji	Whole Time Director
3	*Mr. Deepak Jain	Nominee Director
4	Mr. Ramanathan Annamalai	Independent Director
5	Mrs. Vanaja Shankar	Independent Director
6	#Mr. Rajesh Nuwal	Nominee Director
7	@Mr. Desh Raj Dogra	Independent Director

\* Mr. Deepak Jain resigned with effect from 19.07.2017

# Mr. Rajesh Nuwal was appointed with effect from 17.06.2017

@ Mr. Desh Raj Dogra was appointed with effect from 17.06.2017

### Statutory Auditors

M/s. G.M. Kapadia & Co, Chartered Accountants, Mumbai (Firm Registration No. 104767W)

### Secretarial Auditors

M/s. Pradeep Purwar & Associates, Company Secretaries, Thane

### Registered Office

B-212, Plot No. 231, Arjun Centre, Govandi Station Road, Govandi, Mumbai – 400 088, Maharashtra

### Regional Office

3<sup>rd</sup> Floor, Amin Chambers, 85- B, Sampatrao Colony, Alkapuri, Vadodara – 390007, Gujarat

### Key Managerial Personnel

1	Mr. K.M. Vishwanathan	CEO
2	*Mr. Ankit Kumar Bathwal	CFO
3	@Mr. Shrikant Sapre	CFO
4	Ms. Vibhuti Harsh	CS

\* Mr. Ankit Kumar Bathwal resigned with effect from 31.10.2017

@ Mr. Shrikant Sapre was appointed with effect from 29.01.2018

**Registrar And Share Transfer Agent**

NSDL Database Management Limited (CIN U72400MH2004PLC147094)

Mr. Nilesh Bhandare

4th Floor, Trade World A Wing, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai – 400 013 Tel: 022 4914 2591 Fax: 022 49142503

Email: [nileshb@nsdl.co.in](mailto:nileshb@nsdl.co.in) Website: [www.nsdl.co.in](http://www.nsdl.co.in) | [www.ndml-nsdl.co.in](http://www.ndml-nsdl.co.in)

**Debenture Trustees**

Catalyst Trusteeship Limited

(Erstwhile GDA Trusteeship Limited)

83 – 87, 8th Floor , ‘Mittal Tower’, ‘B’ Wing, Nariman Point, Mumbai – 400021

Office : 022-49220536; Fax: 022-49220505; Website: [www.catalysttrustee.com](http://www.catalysttrustee.com)

<b>Bankers/ Financial Institutions of the Company</b>	
1	AU Small Finance Bank Limited
2	Axis Bank Limited
3	Bank of Maharashtra
4	Canara Bank
5	Capital First Limited
6	Caspian Impact Investments Pvt Ltd
7	DCB Bank
8	Dena Bank Limited
9	Dhanlaxmi Bank Limited
10	HDFC Bank Limited
11	Hinduja Leyland Finance Limited
12	Kotak Bank Limited
13	L&T Finance Limited
14	Maanaveeya Development & Finance Private Limited
15	Mahindra & Mahindra Financial Services Limited
16	Mannappuram Finance Limited
17	MAS Financial Services Limited
18	Muthoot Capital Services Limited
19	Northern Arc Capital Limited
20	RBL Bank Limited
21	Reliance Commercial Finance Limited
22	South Indian Bank Limited
23	State Bank of India
24	Union Bank of India
25	Yes Bank Limited

<b>Our Investors</b>	
1.	AU Small Finance Bank Limited
2.	IndiaNivesh Capitals Limited

<b>9<sup>th</sup> Annual General Meeting</b>
<b>Date: 14.08.2018</b>
<b>Day: Tuesday</b>
<b>Time: 10.30 A.M.</b>
<b>Place: B-212, Plot No. 231, Arjun Centre, Govandi Station Road, Govandi, Mumbai – 400 088, Maharashtra</b>

## **Board of Directors**



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



**K.V. Balaji**  
**Whole Time Director**



**Ramanathan Annamalai**  
**Independent Director**



**Desh Raj Dogra**  
**Independent Director**



**Rajesh Nuwal**  
**Nominee Director**



**Vanaja Shankar**  
**Independent Director**

## **Core Management Team**

### **Business - Zonal Heads**

#### **Mr. Ankit Tak (Gujarat & Rajasthan)**

Mr. Ankit Tak is a post graduate in rural management from FMS –IRM. He has a total experience of three years in Infosys and Sahayata Microfinance. He specializes in conflict management and is responsible for business in Gujarat region.

#### **Mr. Shivaji Bade (Maharashtra)**

Mr. Shivaji Bade a Post-Graduate in Agri. Business Management from Mumbai University. He has more than 8 years of rich experience in Financial Inclusion space, having worked in leading MFIs

### **Operations**

#### **Mr. P. V. Rajesh, Head-Operations & IT**

Mr. P. V. Rajesh is a commerce graduate having more than 19 years of experience in financial services industry in the areas of Accounts & back office Operations. His expertise lies in strong and detailed understanding in the area of back office operation, process & procedures.

#### **Mr. Ravi Singh - Operations In-Charge (Gujarat & Rajasthan)**

Mr. Ravi Singh is a post graduate in Business Administration having two years of experience with I Process (Arm of ICICI Bank) & has handled back office operation for auto loan division and is a stickler for process and runs ground level operations for Gujarat & Rajasthan.

### **Accounts & Finance**

#### **Mr. Shrikant Sapre - CFO**

Mr. Shrikant Sapre, Chartered Accountant(CA) having more than 25 years of experience in the Financial services. He has worked with top financial Institutes such as HDFC Bank, Chola mandalam and ICICI Bank. His area of expertise is credit risk, credit underwriting for SME and policy formulation. He also possesses experience of handling customer service.

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## Managing Director's Speech

Dear Shareholders,

I am pleased to welcome you to the 9th Annual General Meeting of your Company. We have completed 9 years of the valuable service by serving to the marginalised and needy section of the society. I would like to thank you all for the confidence reposed by you and the support extended to the Company. It is your confidence and support that enables us to grow and perform year after year. While the progress we have made in the Business is encouraging, navigating through 2017 has not been without challenges posed by the external environment.

The Financial Statements for the year ended 31st March, 2018 along with the Directors' Report and Auditors' Report have already been circulated to you. With your permission, I would like to take them as read.

During the year 2017-18 the base of total no. of members serviced till 31<sup>st</sup> March, 2018 increased to 1,79,044 as on 31<sup>st</sup> March, 2018 from 1,39,620 as on 31<sup>st</sup> March, 2017. The total gross loan portfolio of the Company as on 31<sup>st</sup> March, 2018 stood at Rs. 192.60 Crores as against Rs. 116.84 Crores as on 31<sup>st</sup> March, 2017.

During the period under review the total income of your Company increased by Rs. 3.05 Crores from Rs. 30.28 Crores in 2016-17 to Rs. 33.33 Crores. The Company has opened 8 new branches aggregating to 42 branches. The total expenditure of the Company has increased to Rs. 16.41 Crores including 10.07 provisioning and write offs during the year under review.

The last 5 years performance is appended herein below:

Particulars	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18
<b>No of Customers</b>	20,745	48,524	75,400	86,460	97,719
<b>No of Branches</b>	11	21	22	34	42
<b>AUM (Rs. Lakhs)</b>	2,502.72	6,386.96	12,143.06	11,684.75	19,260.41
<b>Asset On Book (Rs. Lakhs)</b>	2,469.77	5,905.90	8,748.82	10,248.57	16,585.06
<b>No of Employees</b>	90	184	215	339	421
<b>Net Worth (Rs. Lakhs)</b>	972.93	1029.5	1363.65	2389.44	2588.38
<b>PAT (Rs. Lakhs)</b>	16.67	116.76	251.24	273.02	(782.93)
<b>ROA</b>	1.06%	2.98%	2.63%	2.33%	(5.93)%
<b>ROE</b>	1.68%	10.50%	20.29%	18.30%	(31.46)

Your Company has recorded a robust growth in disbursement/business in the preceding years, however the demonetization in the November, 2016 has left profitability affected on a large scale. Due to higher provisioning during the year under review the Company has incurred a loss of Rs. 7.83 Crores as against the Profit of Rs. 2.73 Crores in the previous year.

In coming year, the Company would continue to deepen its geographical reach in the States of Rajasthan, Gujarat and Maharashtra to cover more districts in these states with a view to add large number of households in its portfolio. In the coming year your Company plans to open more additional 35 Branches 22 in Rajasthan, 8 in Gujarat and 5 in Maharashtra. The Company targets to cross 400 crore booksize.

Going ahead, we shall strive to deliver our services efficiently and competitively by employing cutting edge technology. The Company shall move from legacy archival system to one of the robust relevant software for Micro Finance Industry. The Company has put in place appropriate recruitment and skill development training programmes and development of Company's workforce through internal training team and external exposures has been the core aspect of HR policy. The M Power believes that employees are its vital asset to ensure that credit are extended to the clients in a manner that is transparent, efficient and appropriate to the needs of the clients.

I would like to take this opportunity to thank the Company's stakeholders, especially our valued customers, employees, Central and State Governments, Regulatory Authorities, investors, bankers and financial institutions for their continued faith and trust.

I thank all my colleagues on the Board for helping me in creating good governance culture across the organization and fulfilling the responsibilities of Board.

I would like to place on record the sincerity, hard work, commitment and dedication of the entire M Power team.

I seek your continued support in making the Company more sustainable and resilient to external challenges.

Sincerely

**Sd/-**  
**K.M. Vishwanathan**

## DIRECTORS REPORT

To,  
The Members,  
M Power Micro Finance Private Limited,

Your Directors have immense pleasure in presenting the 9<sup>th</sup> (Ninth) Annual Report on the business and operations of your Company together with audited annual accounts for the financial year ended on 31<sup>st</sup> March, 2018.

### 1. Financial Performance and Operations:

The summarized financial results of the company are given here under.

(Rs. in Crores)

Particulars	2017-18	2016-17
Total Income	33.33	30.28
Total Expense	42.78	26.38
Profit/(Loss )Before Tax & Depreciation	(8.99)	4.16
Depreciation	0.46	0.26
<b>Profit / (Loss )Before Tax</b>	<b>(9.45)</b>	<b>3.90</b>
Tax Expense (Deferred Tax Asset)	1.62	1.17
<b>Profit / (Loss) After Tax</b>	<b>(7.83)</b>	<b>2.73</b>
Transfer to Statutory Reserve	Nil	0.55

During the period under review the total income of your Company has increased by Rs. 3.05 crores from Rs. 30.28 in 2016-17 as against Rs. 33.33 in 2017-18. The Company during the year has opened 8 new branches aggregating to 42 branches. Due to demonetisation the Company had to provide 10.07 crores, provisioning for doubtful assets and additional operational expenses for opening new branches therefore the total expenditure has increased by Rs. 16.41 Crores.

During the year the Company has incurred a loss of Rs. 7.83 crores.

### 2. Change in the nature of business:

Your Company continues to operate in micro finance business and during the year under review there was no change in nature of business.

### 3. Dividend:

Your Directors vide their Board meeting held on 10.05.2018 recommended dividend to the Preference Shareholder at the coupon rate of 12% per annum for 5,00,000 Preference shares.

### 4. Change in Directors / Key Managerial Personnel:

During the year under review the following changes in the Directors/ Key Managerial Personnel as mentioned herein below:

- Reappointment of Mr. Ramanathan Annamalai as an Non Executive Independent Director with effect from 01.04.2017

- There was a change of designation of Mr. K.M. Vishwanathan to Managing Director with effect from 26.05.2017 and Mr. Ankit Kumar Bathwal, was appointed as CFO with effect from 26.05.2017;

- Appointment of Mr. Rajesh Nuwal as Nominee Director of IndiaNivesh Capitals Limited and Mr. Desh Raj Dogra as Non Executive Independent Director with effect from 17.06.2017

- Resignation of Mr. Deepak Jain, Nominee of AU Small Finance Bank Limited with effect from 19.07.2017;

-Resignation of Mr. Ankit Kumar Bathwal as CFO with effect from 31.10.2017 and

-Appointment of Mr. Shrikant Sapre as CFO with effect from 29.01.2018.

Based on the confirmations received, none of the Directors are disqualified for appointment under Section 164 of the Companies Act, 2013.

## 5. Deposits:

The Company is a Non Banking Financial Company without accepting deposits from the public, has not accepted any deposits under section 73 of the Companies Act, 2013 and the Companies (Acceptance of Deposits) Rules, 2014 during the year ended 31<sup>st</sup> March, 2018.

## 6. Details of significant and material orders passed by regulators or courts or tribunals impacting the going concern status and operations in future:

There were no material orders passed by regulators or courts or tribunals impacting the going concern status and operations of the organization.

## 7. Sources of Fund:

During the year under review, the Company has in aggregate total debt funding of Rs. 168.06 Crores.

The breakup of the debt structure of the Company is mentioned in the table appended herein below:

SN	Name of the Bank/ Financial Institution	Amount (Rs. in Crores)
1	Nationalised Banks	20.55
2	Private Sector Banks	20.56
3	NBFCs	111.94
4	NCDs	3.75
5	Unsecured Debt	11.24
6	Short Term Loan	0.00

During the year under review your Company has issued 1000 Compulsory Convertible Debentures at the rate of Rs. 1,00,000/- each aggregating to Rs. 10,00,00,000/-. The aforesaid Compulsory Convertible Debentures were converted into Equity shares of Rs. 10/- at Rs. 23.87/- vide the Extra Ordinary General Meeting of its members held on 28.03.2018; allotting 41,89,359 Equity Shares to IndiaNivesh Capitals Limited.

Pursuant to the Share Subscription Agreement between the Company and IndiaNivesh Capitals Limited your Company has allotted 17,00,000 Convertible Warrants to Promoters viz. Mr. K.M. Vishwanathan and Mr. K.V. Balaji in the proportion of 12,75,000 and 4,25,000 at Rs. 23.87/- per share aggregating to Rs. 4,05,79,000/- convertible within a period of 5 years from the close of the Agreement, entirely payable at the time of conversion.

## Rating:

The details of the ratings assigned to the NCDs/ Bank Loan of the Company by the ICRA/CARE are given herein below:

Series / Tranche/ Facilities	Latest Credit Rating	Amount (Rs. in Crores)
CBO XV 2015	[ICRA] A- (SO)	15.00
Long Term Bank Facilities	CARE BBB-; Stable	50.00
Long Term Instrument (Subordinated Term Loans)	CARE BBB-; Stable	5.00

## 8. Share Capital:

During the year under review your Company has issued, allotted 1000 Compulsory Convertible Debentures of Rs. 1,00,000/- each aggregating to Rs. 10.00 crores on Private Placement basis.

Upon subsequent conversion of Compulsory Convertible Debentures, your Company on 30.03.2018 has allotted 41,89,359 Equity Shares of Rs. 10/- each at a premium of Rs. 13.87/- per share aggregating to Rs. 10,00,00,000/- to IndiaNivesh Capitals Limited.

The Company has not allotted any equity shares with differential rights nor granted stock options nor issued sweat equity during the financial year ended on 31<sup>st</sup> March, 2018.

During the year under review the Company has issued and allotted 17,00,000 Compulsory Convertible Warrants to the Promoters namely Mr. K.M. Vishwanathan and Mr. K.V. Balaji in the proportion of 12,75,000 and 4,25,000 respectively at Rs. 23.87/- per share payable entirely upon conversion of these warrants.

The Company does not have a Scheme of ESOP and accordingly, disclosure under Section 67(3) of the Companies Act, 2013 in respect of voting rights not exercised directly by the employees in respect of shares to which the scheme relates is not required to be made.

## 9. Compliance with RBI Guidelines:

The Reserve Bank of India (RBI) has granted certificate vide registration No. N-13.01963 dated 13.04.2010, to commence the business of a Non Banking Financial Institution without accepting deposits. Your Company is NBFC - Non Systemically Important - Non Deposit taking Company.

Your Company has complied with the applicable regulations of the Reserve Bank of India. As per Non Banking Finance companies RBI Directions, 1998, the Directors hereby report that the company did not accept any public deposits during the year and did not have any public deposits outstanding at the end of the year.

## 10. Capital Adequacy:

The Company is well capitalized and has a Capital Adequacy Ratio of 16.40 % as on 31<sup>st</sup> March 2018. The minimum capital adequacy requirement stipulated for the company by RBI is 15%.

## 11. Particulars of Employees:

Details of remuneration as required under Rule 5.1 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, is provided as under:

(i) Ratio of remuneration of each director to the median employees remuneration for FY 2018

Name of the Director	Designation	Ratio of Remuneration to the median remuneration employees
Mr. K.M. Vishwanathan	Managing Director & CEO	20 times
Mr. K.V. Balaji	Whole Time Director	17.24 times
Mr. Desh Raj Dogra	Independent Director	Nil
Mr. Rajesh Nuwal	Nominee Director	Nil
Mr. A. Ramanathan	Independent Director	Nil
Mrs. Vanaja Shankar	Independent Director	Nil

(ii) Percentage increase in remuneration of each director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year:

During the year there was no increase in the remuneration of Directors, Chief Financial Officer, Chief Executive Officer or Company Secretary.

Name of the Director	Designation	Increase in Remuneration (%)
Mr. K.M. Vishwanathan	Managing Director & CEO	Nil
Mr. K.V. Balaji	Whole Time Director	Nil
Mr. Desh Raj Dogra	Independent Director	NA
Mr. Rajesh Nuwal	Nominee Director	NA
Mr. A. Ramanathan	Independent Director	NA
Mrs. Vanaja Shankar	Independent Director	NA
*Mr. Ankit Kumar Bathwal	CFO	Nil
@Mr. Shrikant Sapre	CFO	NA
Ms. Vibhuti Harsh	Company Secretary	Nil

\* Ankit Kumar Bathwal resigned wef 31.10.2017

@ Shrikant Sapre appointed wef 29.01.2018

(iii) The percentage increase in the median remuneration of employees in the financial year:  
The percentile increase in the median remuneration of employees in the FY is 1.5 times

(iv) The number of permanent employees on the rolls of company:  
The Company had 421 permanent employees on the rolls of the Company.

(v) Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration:

The average percentile increase made in the salaries of employees other than managerial personnel in the last financial year was 2.5% and in comparison with the percentile increase in the managerial remuneration is by 1%. There was exceptional case for the increase in managerial remuneration.

(vi) Affirmation that the remuneration is as per the remuneration policy of the company:

The average increase in the remuneration of both, managerial and non managerial personnel was determined based on the overall performance of the Company. Further, the criteria for the remuneration of the non managerial personnel was determined based on the internal evaluation of Key Result areas (KRA) and the recommendations by the Nomination and Remuneration Committee, while the remuneration of the managerial personnel is based on the remuneration policy as recommended by the Nomination and Remuneration Committee and approved by the Board.

There was no exceptional circumstances which warranted an increase in managerial remuneration which was not justified by the overall performance of the Company.

There is no employee of the company covered under Sub-rule 2 of Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

## 12. Extract of Annual Return:

The details forming part of the extract of the annual return in Form MGT-9 is enclosed in Annexure "I".

## 13. Number of Board Meetings:

The Board of Directors met 7 (Seven) times during the financial year 2017-18. The intervening gap between any two meetings was within the period prescribed by the Companies Act 2013. The details of Board Meeting held are given below:

Sr. No	Date of Board Meeting	Strength of Board	No. of Directors present
1	26.05.2017	5	5
2	19.07.2017	6	5
3	14.09.2017	6	6
4	4.10.2017	6	6
5	8.11.2017	6	6
6	29.01.2017	6	6
7	15.03.2017	6	6

#### 14. Committees of the Board:

The following are the committees of the Board:

##### (a) Audit Committee:

The Audit Committee of the Company is constituted in line with the provisions of Section 177 of the Companies Act, 2013 on 31.03.2015.

The composition of the Audit Committee and the details of meetings attended by its members, are given below:

Sr. No.	Name of Committee Member	No. of Meetings During 2017-18	
		Held	Attended
1	Mr. A. Ramanathan	3	3
2	Mr. K. M. Vishwanathan	3	3
3	Ms. Vanaja Shankar	3	3
4	*Mr. Deepak Jain as Invitee	1	1

\* Mr. Deepak Jain resigned as Director with effect from 18.07.2017

The Audit Committee met for 3 (Three) times on 26.05.2017, 8.11.2017 and 29.01.2018.

The Board has accepted all the recommendations of the Audit Committee during the year under review.

##### (b) Nomination & Remuneration Committee:

The Nomination and Remuneration Committee (NRC) of the Company is constituted in line with the provisions of Section 178 of the Companies Act, 2013.

The NRC recommends the appointment of the Directors or Key Managerial Personnel to the Board. The NRC identifies the persons who are qualified to become Directors on the Board and evaluates criteria such as academic qualifications, previous experience, track record and integrity of the persons identified before recommending their appointment to the Board.

The composition of the remuneration is reasonable and sufficient to attract, retain and motivate individuals to achieve their targets. Remuneration to the individuals involves the balance between fixed and incentive pay reflecting short term targets, collection and disbursement objectives appropriate to the working of the Company.

The composition of Nomination and Remuneration Committee and the details of meetings attended by its members are given below:

Sr. No	Name of Committee Member	No. of Meetings During 2017-18	
		Held	Attended
1	Ms. Vanaja Shankar	2	2
2	Mr. K. M. Vishwanathan	2	2
3	*Mr. Deepak Jain	1	1
4	Mr. A. Ramanathan	2	2
5	@ Mr. Desh Raj Dogra	1	1

\* Mr. Deepak Jain resigned as Nominee Director with effect from 18.07.2017

@ Mr. Desh Raj Dogra was appointed as a member in place of Mr. Jain with effect from 29.01.2018



The NRC Committee met for 2 (Two) times on 26.05.2017 and 29.01.2018.

**(c) Executive Committee:**

Your Company is in Lending Business and financing being a regular & ongoing requirement for the company, the Board has constituted Executive Committee on 10.01.2014 comprising of Mr. K. M. Vishwanathan, Managing Director& CEO and Mr. K. V. Balaji, the Whole Time Director & COO as its members. The Executive Committee is chaired by Mr. K M Vishwanathan.

During the year under review, the Committee met 17 times on 24.04.2017, 27.05.2017, 28.06.2017, 05.07.2017, 27.07.2017, 31.08.2017, 18.09.2017, 21.09.2017, 09.11.2017, 30.11.2017, 26.12.2017, 19.01.2018, 30.01.2018, 22.02.2018, 17.03.2018, 19.03.2018, 28.03.2018.

There was full attendance in all the meetings of the Executive Committee.

**15. Directors' responsibility statements:**

Pursuant to section 134(5) of the Companies Act, 2013 the Directors confirm that:

- (a) In the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (b) The directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the Loss of the Company for that period;
- (c) The directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (d) The directors had prepared the annual accounts on a going concern basis;
- (e) The directors had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively and
- (f) The directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

**16. Declaration given by independent directors:**

The Company has received necessary declaration from each Independent Director under section 149 (7) of the Companies Act, 2013 that the Independent Directors of the Company meet with the criteria of their Independence laid down in Section 149(6).

**17. Particulars of investments, loans and guarantees under Section 186:**

The Company has not made any loan or has given any guarantee or any security provided or any investment made by a Company which is covered under Section 186 of the Companies Act, 2013.

**18. Related party transaction:**

Particulars of Contracts or arrangements with related parties as required under the Companies Act, 2013 are furnished in "Annexure- II" of the Board's Report in prescribed Form AOC-2.

**19. Conservation of Energy, Research & Development, Technology Absorption and foreign exchange earnings & outgoing:**

As required under Section 134(3)(m) of the Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) Rules, 2014, the Company has taken necessary step in minimizing the usage of energy to the extent possible.



The technology absorption is not applicable to the Company since the company is in the financial services sector.

**Foreign exchange earnings and out-go:**

There were no foreign exchange earnings and out-go during the year 2017 - 18.

**20. Board Evaluation:**

Pursuant to the provisions of the Companies Act 2013, the Board has evaluated by way of circulating a questionnaire for an annual performance evaluation of its own performance, the directors individually as well as the evaluation of the Audit Committee, Nomination and Remuneration Committee and Executive Committee. The performance of the Board is evaluated by each individual director as well as collectively by Board on the annual basis towards the end of financial year. The Board performance is evaluated on the basis of number of Board and Committee meeting attended by individual director, participation of director in the affairs of the company, duties performed by each director during the year. In a separate meeting of independent Directors, performance of Non-independent Directors, performance of the Board as a whole and performance of the Chairman was evaluated, taking into account the views of Executive Directors and Non-executive Directors. The Board expresses its overall satisfaction on the performance of the Individual Directors, Board as a whole and of its Committees.

**21. Internal Control Systems and their Adequacy:**

Your Company has an effective internal control system, which is constantly assessed and strengthened with new/revised standard operating procedures.

Internal Audit plays a key role by providing assurance to the Board of Directors and value addition to the business operations.

**22. Transfer of Amounts to Investor Education and Protection Fund:**

The dividend amount was duly paid to the Preference Shareholder and therefore there are no amounts due and outstanding to be credited to Investor Education and Protection Fund as at 31<sup>st</sup> March, 2018.

**23. Auditors:**

**(a) Statutory Auditors:**

At the 6<sup>th</sup> Annual General Meeting held on 6<sup>th</sup> June, 2015, the Company has appointed M/s G. M. Kapadia & Co., Chartered Accountants, Mumbai, bearing ICAI Firm Registration No104767W, as statutory auditors of the Company to hold office till the conclusion of the 11<sup>th</sup> Annual General Meeting for the year ending 31<sup>st</sup> March, 2020, to be held in the year 2020. As per provisions of Section 139(1) of the Act, their appointment for the above tenure is subject to ratification by members at every AGM. In view of this, ratification of appointment of M/s. G. M. Kapadia & Co., as Statutory Auditors from the conclusion of the ensuing AGM till the conclusion of the next AGM is recommended to the members of the Company at their ensuing AGM. The Company has received consent cum eligibility letter from M/s. G. M. Kapadia & Co., Chartered Accountants, to act as the statutory auditor of the Company and certificate to the effect that their appointment, if made, would be within the prescribed limits under Section 141(3)(g) of the Companies Act, 2013 and that they are not disqualified for appointment.

The Auditor's Report to the shareholders for the year under review does not contain any qualification and accordingly does not require any comments of the Board.

Also no frauds were reported by the Auditors in their Report on the Financial Statements of the Company under Section 143(12) of the Companies Act, 2013.

**(b) Secretarial Auditors:**

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company had appointed M/s. Pradeep Purwar & Associates, Practicing Company Secretaries to undertake the Secretarial

Audit of the Company for the financial year ended 31<sup>st</sup> March 2018. The Report of the Secretarial Audit is annexed herewith marked as Annexure - III to this report.

Your Company is taking necessary corrective steps for submission of regulatory compliances on the Listing Portal of BSE Limited. The Company will ensure strict compliance with the Secretarial Standards 1 on Board Meeting and Secretarial Standards 2 on General Meetings going forth.

**24. Vigil Mechanism Policy, Policy on Preservation of Documents:**

As per the provisions of Section 177(9) of the Companies Act, 2013 the Company is required to establish a Vigil Mechanism for Directors and employees to report genuine concerns. The Company has formulated a Vigil Mechanism Policy to adopt high integrity and professional approach. The Policy has been placed on the website of the Company.

The Policy can be found on the Company's website, weblink is <http://mpowermicro.com/>

The Vigil Mechanism is reviewed by the Audit Committee of the Company and provides safeguard to the victimization of employees.

As per SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company has framed Policy on Preservation of Documents, which is available on website of the Company.

**25. Code of Conduct:**

The Company has fully implemented the Reserve Bank of India's Fair Practice Code and also adopted MFIN's Code of Conduct to impart transparent and exemplary customer service.

**26. Insurance:**

The Company has implemented Cash Transit Insurance as well as Fidelity Insurance to cover various risks in cash handling which is very high in Microfinance business. The Company has also obtained Mediclaim cover for its employees.

**27. Obligation of Company under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013:**

The Company has zero tolerance for sexual harassment at the workplace and has established a Committee on Prevention, Prohibition and Redressal of Sexual Harassment at the Workplace, in line with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the Rules made there under. The Policy aims to provide protection to employees at the workplace and prevent and redress complaints of sexual harassment and for matters connected or incidental thereto, with the objective of providing a safe working environment, where employees feel secure.

The Company has not received any complaint of sexual harassment during the financial year 2017-18.

**28. Transfer to Reserves:**

During the year under review, since the Company has incurred losses no sum has been transferred to the Reserve Fund as per 45-IC of the Reserve Bank of India Act, 1934.

**29. Revision of Financial Statements:**

There was no revision of Financial Statements during the year under review.

**30. Details of Subsidiaries, Joint Ventures or Associate Companies:**

During the year under review, the Company did not have any Subsidiary, Joint Venture or Associate Company and there were no companies which became or ceased to be the Company's Subsidiary, Joint Venture or Associate Company; accordingly, reporting on the highlights of performance of Subsidiaries, Associates and Joint Venture companies and their contribution to the overall performance of the Company during the period under report, is not required to be made.

However upon allotment of shares subsequent to the conversion of the Compulsory Convertible Debentures as on 30.03.2018 your Company has become Subsidiary of IndiaNivesh Capitals Limited.

**31. Material Changes and commitments affecting financial position of the Company which have occurred between the end of the Financial Year and the date of report:**

There have been no material changes and commitments affecting the financial position of the Company which occurred between the end of the Financial Year 2017-18 and the date of this Report.

**32. Risk Management:**

The Company has laid down Risk Management Policy defining risk profiles being, Operational, Financial, Credit, External and Institutional risks. Risk Management Policy acts as the growth enabler for the Company by identifying risks, evaluating and taking effective measure to control and mitigate these risks.

**33. Internal Financial Control related to Financial Statements:**

The Company has in place adequate financial controls. The same is subject to timely review by the Audit Committee for its effectiveness. During the year under review, no material fallouts were noted.

**Acknowledgments:**

The Directors wish to thanks the customers, bankers, shareholders and other service agencies for their support. The directors especially thank our employees for their substantial contribution to the company during the period under review.

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

<b>Sd/-</b>	<b>Sd/-</b>
<b>K. M. Vishwanathan</b>	<b>K. V. Balaji</b>
<b>Managing Director &amp; CEO</b>	<b>Whole-time Director</b>
<b>DIN: 02778043</b>	<b>DIN: 02776220</b>

**Place: Mumbai**  
**Date: 10.05.2018**

## **Annexure - I**

**Form No. MGT-9**

### **EXTRACT OF ANNUAL RETURN**

**As on the Financial Year ended on 31<sup>st</sup> March, 2018**

[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

#### **I. REGISTRATION AND OTHER DETAILS:**

CIN	U65999MH2009PTC197149
Registration Date	19 <sup>th</sup> November, 2009
Name of the Company	M POWER MICRO FINANCE PRIVATE LIMITED
Category	Company limited by shares
Sub-Category of the Company	NBFC – Micro Finance Company – Non-Government Company
Address of the Registered office and contact details	B-212, Arjun Centre, Plot No. 231, Govandi Station Road, Govandi, Mumbai – 400088  Website: www.mpowermicro.com; Email: contact@mpowermicro.com
Whether listed company	Yes - Debenture Listed Company
Name, Address and Contact details of Registrar and Transfer Agent	NSDL Database Management Ltd. 4 <sup>th</sup> Floor, Trade World, A Wing, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai – 400 013  Contact details: 022 4914 2700

#### **II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY:**

Sl. No.	Name & Description of Main Services	NIC Code of the Product / Service	% to total turnover of the company
1.	Micro Finance	65999	100%

#### **III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES :**

SN	Name and address of the company	CIN/GLN	Holding/ subsidiary / associate	% of shares held	Applicable section
1	IndiaNivesh Capitals Limited	L51909MH1983PLC267005	Holding	57.18	2 (46)

#### IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

##### i.) Category-wise Shareholding:

Particulars	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change During year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A. Promoters</b>									
<b>(1) Indian</b>									
a) Individual/ HUF	-	36,80,000	36,80,000	24.48%	-	36,80,000	36,80,000	19.14%	-5.34%
b) Central Govt	-	-	-	-	-	-	-	-	-
c) State Govt(s)	-	-	-	-	-	-	-	-	-
d) Bodies Corp	-	-	-	-	-	-	-	-	-
e) Banks / FI	-	-	-	-	-	-	-	-	-
f) Any Others	-	-	-	-	-	-	-	-	-
<b>Sub-total (A)(1)</b>	-	36,80,000	36,80,000	24.48%	-	36,80,000	36,80,000	19.14%	-5.34%
<b>(2) Foreign</b>	-	-	-	-	-	-	-	-	-
a) NRIs – Individuals	-	-	-	-	-	-	-	-	-
b) Other – Individuals	-	-	-	-	-	-	-	-	-
c) Bodies Corp.	-	-	-	-	-	-	-	-	-
d) Banks / FI	-	-	-	-	-	-	-	-	-
e) Any Other	-	-	-	-	-	-	-	-	-
<b>Sub-total (A)(2)</b>	-	-	-	-	-	-	-	-	-
<b>Total shareholding of Promoter (A) = (A)(1)+(A)(2)</b>	-	36,80,000	36,80,000	24.48%	-	36,80,000	36,80,000	19.14%	-5.34%
<b>A. Public Shareholding</b>	-	-	-	-	-	-	-	-	-
<b>1. Institutions</b>	-	-	-	-	-	-	-	-	-
a) Mutual Funds	-	-	-	-	-	-	-	-	-
b) Banks / FI	-	44,02,687	44,02,687	29.29%	78,51,487	41,89,359	1,20,40,846	62.64%	33.35%
c) Central Govt	-	-	-	-	-	-	-	-	-
d) State Govt(s)	-	-	-	-	-	-	-	-	-
e) Venture Capital Funds	-	-	-	-	-	-	-	-	-
f) Insurance Companies	-	-	-	-	-	-	-	-	-
g) FIIs	-	-	-	-	-	-	-	-	-
h) Foreign Venture Capital funds Others (specify)	-	-	-	-	-	-	-	-	-
<b>Sub-total (B)(1)</b>	-	44,02,687	44,02,687	29.29%	78,51,487	41,89,359	1,20,40,846	62.64%	33.35%
<b>2. Non Institutions</b>	-	-	-	-	-	-	-	-	-
a) Bodies Corp.	-	-	-	-	-	-	-	-	-
b) Individuals	-	-	-	-	-	-	-	-	-
i) Individual shareholders holding nominal share capital	-	7,20,000	7,20,000	4.79%	2,00,000	5,20,000	7,20,000	3.75%	-1.04%
ii) Individual shareholders holding nominal share capital in excess of Rs 1 lakh	-	62,28,800	62,28,800	41.44%	13,50,000	14,30,000	27,80,000	14.46%	-26.98%
c) Others (specify)	-	-	-	-	-	-	-	-	-
i) Non-Resident (Non-Rep)	-	-	-	-	-	-	-	-	-
ii) Non-Resident (Rep)	-	-	-	-	-	-	-	-	-
iii) Trust	-	-	-	-	-	-	-	-	-
iv) OCB	-	-	-	-	-	-	-	-	-
<b>Sub-total (B)(2)</b>	-	69,48,800	69,48,800	46.23%	15,50,000	19,50,000	35,00,000	18.21%	-28.02%
<b>Total Public Shareholding (B)=(B)(1)+ (B)(2)</b>	-	1,13,51,487	1,13,51,487	75.52	94,01,487	61,39,359	1,55,40,846	80.85%	5.33
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>	-	-	-	-	-	-	-	-	-
<b>Grand Total (A+B+C)</b>	-	1,50,31,487	1,50,31,487	100%	94,01,487	98,19,359	1,92,20,846	100.00	-

## ii.) Shareholding of Promoters:

S N	Shareholder's Name	Shareholding at the beginning of the year			Share holding at the end of the year			% change in share holding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	
1.	Mr. K. M. Vishwanathan	29,30,000	19.49	-	29,30,000	15.24	-	-4.25%
2.	Mr. K. V. Balaji	7,50,000	4.99	-	7,50,000	3.90	-	-1.09%
<b>Total</b>		<b>3,680,000</b>	<b>24.48</b>	<b>-</b>	<b>3,680,000</b>	<b>19.14</b>	<b>-</b>	<b>-</b>

## iii.) Change in Promoters' Shareholding:

There was no change in the shareholding of Promoters during the year under review.

Sl. No.	Particulars	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	<b>Mr. K.M. Vishwanathan</b>				
	At the Beginning of the Year	29,30,000	19.49%	29,30,000	19.49%
	Date wise Increase / Decrease in Promoters Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer /bonus/ Sweat equity etc):	Nil	Nil	Nil	Nil
	At the End of the Year	29,30,000	15.24%	29,30,000	15.24%
2.	<b>K.V. Balaji</b>				
	At the Beginning of the Year	7,50,000	4.99%	7,50,000	4.99%
	Date wise Increase / Decrease in Promoters Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer /bonus/ Sweat equity etc):	Nil	Nil	Nil	Nil
	At the End of the year	7,50,000	3.90%	7,50,000	3.90%

**iv.) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):**

Sl. No.	Name of Shareholders	Shareholding at the beginning of the year		Shareholding at the end of the year	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
1	Mrs. Suman Sultania				
	At the beginning of the Year	22,98,800	15.29%	0	0
	Date wise Increase/ Decrease in Shareholding during the year specifying the reasons for increase/ decrease	14.09.2017 Decrease by Transfer of 22,98,800	15.29%	-	-
	At the End of the year	0	0	0	0
2	Mrs. Sunita Agarwal				
	At the beginning of the Year	11,50,000	7.65%	0	0
	Date wise Increase/ Decrease in Shareholding during the year specifying the reasons for increase/ decrease	14.09.2017 Decrease by Transfer of 11,50,000	7.65%	-	-
	At the End of the year	0	0	0	0
3	IndiaNivesh Capitals Limited				
	At the beginning of the Year	33,51,487	22.30%	-	-
	Date wise Increase/ Decrease in Shareholding during the year specifying the reasons for increase/ decrease	Nil	Nil	14.09.2017 Increase by Transfer 22,98,800 14.09.2017 Increase by Transfer 11,50,000 30.03.2018 Increase Allotment 41,89,359	15.29% 7.65% 21.80%
	At the End of the year	-	-	1,09,89,646	57.18%
4	AU Small Finance Bank Limited (Formerly AU Financiers (India) Limited)				
	At the beginning of the Year	10,51,200	6.99%	-	-
	Date wise Increase/ Decrease in Shareholding during the year specifying the reasons for increase/ decrease	-	-	-	-
	At the End of the year	-	-	10,51,200	5.47%
5	Sudhir Rameshbhai Kolte				
	At the beginning of the Year	3,30,000	2.20%	-	-
	Date wise Increase/ Decrease in Shareholding during the year specifying the reasons for increase/ decrease	-	-	-	-
	At the End of the year	-	-	3,30,000	1.72%

6	Uma Maheshwari Sunil Chettiar				
	At the beginning of the Year	3,00,000	2.00%	-	-
	Date wise Increase/ Decrease in Shareholding during the year specifying the reasons for increase/ decrease	-	-	-	-
	At the End of the year	-	-	3,00,000	1.56%
7	P. Swethambira				
	At the beginning of the Year	3,00,000	2.00%	-	-
	Date wise Increase/ Decrease in Shareholding during the year specifying the reasons for increase/ decrease	-	-	-	-
	At the End of the year	-	-	3,00,000	1.56%
8	D. Sathya Moorthi				
	At the beginning of the Year	3,00,000	2.00%	-	-
	Date wise Increase/ Decrease in Shareholding during the year specifying the reasons for increase/ decrease	-	-	-	-
	At the End of the year	-	-	3,00,000	1.56%
9	Manish Tiwari				
	At the beginning of the Year	2,50,000	1.66%	-	-
	Date wise Increase/ Decrease in Shareholding during the year specifying the reasons for increase/ decrease	-	-	-	-
	At the End of the year	-	-	2,50,000	1.30%
10	R. Rajagopalan				
	At the beginning of the Year	2,50,000	1.66%	-	-
	Date wise Increase/ Decrease in Shareholding during the year specifying the reasons for increase/ decrease	-	-	-	-
	At the End of the year	-	-	2,50,000	1.30%
11	Ajit Kumar				
	At the beginning of the Year	2,50,000	1.66%	-	-
	Date wise Increase/ Decrease in Shareholding during the year specifying the reasons for increase/ decrease	-	-	-	-
	At the End of the year	-	-	2,50,000	1.30%
12	V. C. Kumanan				
	At the beginning of the Year	2,50,000	1.66%	-	-
	Date wise Increase/ Decrease in Shareholding during the year specifying the reasons for increase/ decrease	-	-	-	-
	At the End of the year	-	-	2,50,000	1.30%



**v.) Shareholding of Directors and Key Managerial Personnel:**

For Each of the Directors and KMP	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
	No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
<b>1. Mr. K. M. Vishwanathan (Managing Director &amp; CEO)</b>				
At the beginning of the year	29,30,000	19.49%	29,30,000	19.49%
Date wise Increase / Decrease in Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc):	Nil			
At the End of the year	29,30,000	19.49%	29,30,000	15.24%
<b>2. Mr. K.V. Balaji (Whole Time Director)</b>				
At the beginning of the year	7,50,000	4.99%	7,50,000	3.90%
Date wise Increase / Decrease in Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc):	Nil			
At the End of the year	7,50,000	4.99%	7,50,000	3.90%
<b>3. Mr. Rajesh Nuwal (Nominee Director of IndiaNivesh Capitals Limited)</b>				
At the beginning of the year	-	-	-	-
Date wise Increase / Decrease in Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc):	-	-	-	-
At the End of the year	-	-	-	-
<b>4. Desh Raj Dogra (Independent Director)</b>				
At the beginning of the year	-	-	-	-
Date wise Increase / Decrease in Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc):	-	-	-	-
At the End of the year	-	-	-	-
<b>5. Ramanathan Annamalai (Independent Director)</b>				
At the beginning of the year	-	-	-	-
Date wise Increase / Decrease in Share holding	-	-	-	-

during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc):				
At the End of the year	-	-	-	-
<b>6. Vanaja Shankar (Independent Director)</b>				
At the beginning of the year	-	-	-	-
Date wise Increase / Decrease in Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc):	-	-	-	-
At the End of the year	-	-	-	-
<b>7.Vibhuti Harsh (Company Secretary)</b>				
At the beginning of the year	-	-	-	-
Date wise Increase / Decrease in Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc):	-	-	-	-
At the End of the year	-	-	-	-
<b>8.Mr. Shrikant Sapre (CFO)</b>				
At the beginning of the year	-	-	-	-
Date wise Increase / Decrease in Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc):	-	-	-	-
At the End of the year	-	-	-	-

## V. INDEBTEDNESS:

Indebtedness of the Company including interest outstanding/accrued but not due for payment  
Amount in INR

Indebtedness of the financial year	*Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
At the beginning	945,370,602	79,166,665	-	1,024,537,267
i) Principal Amount				
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	4,812,068	-	-	4,812,068
<b>Total (i+ii+iii)</b>	<b>950,182,670</b>	<b>79,166,665</b>	<b>-</b>	<b>1,029,349,335</b>
Change in Indebtedness during the financial year				
Addition	1,595,000,000	50,000,000	-	1,645,000,000
Reduction	972,188,920	16,666,668	-	988,855,588
<b>Net Change</b>	<b>622,811,080</b>	<b>33,333,332</b>	<b>-</b>	<b>656,144,412</b>
At the end				
i) Principal Amount	1,568,181,682	112,499,997	-	1,680,681,679
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	5,932,403	-	-	5,932,403
<b>Total (i+ii+iii)</b>	<b>1,574,114,085</b>	<b>112,499,997</b>	<b>-</b>	<b>1,686,614,082</b>

\* Includes Non convertible debentures

## VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL.

### A.) Remuneration to Managing Director, Whole-time Directors and/or Manager:

(Amount in INR)

SN	Particulars of Remuneration	Name of Directors		Total
		Mr. K. M. Vishwanathan (Managing Director)	Mr. K. V. Balaji (Whole-time Director)	
1.	Gross salary	36,00,000	30,00,000	66,00,000
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961			
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	-	-	-
	(c) Profits in lieu of salary under section 17(3) Income tax Act, 1961	-	-	-
2.	Stock Option	-	-	-
3.	Sweat Equity	-	-	-
4.	Commission - as % of profit – - Others, specify	-	-	-
5.	Others, please specify- <i>Bonus</i>	-	-	-
6.	<b>Total (A)</b>	<b>36,00,000</b>	<b>30,00,000</b>	<b>66,00,000</b>
7.	Ceiling as per the Act	No ceiling as the Company is Pvt. Ltd. Company		

**B.) Remuneration to other directors**

**Amount in INR**

SN	Particulars of Remuneration	Name of Directors				Total
		Mr. A. Ramanathan	Ms. Vanaja Shankar	Mr. Desh Raj Dogra	Mr. Rajesh Nuwal	
<b>1</b>	Independent Directors - Fee for attending Board and committee meetings - Commission - Others, please specify	37,500	52,500	45,000	-	1,35,000
	<b>Total (1)</b>	<b>37,500</b>	<b>52,500</b>	<b>45,000</b>	<b>-</b>	<b>1,35,000</b>
<b>2</b>	Other Non-Executive Directors - Fee for attending board / committee meetings - Commission - Others, please specify	-	-	-	-	-
	<b>Total (2)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>Total (B)=(1+2)</b>	<b>37,500</b>	<b>52,500</b>	<b>45,000</b>	<b>-</b>	<b>1,35,000</b>
	<b>Total Managerial Remuneration</b>	<b>37,500</b>	<b>52,500</b>	<b>45,000</b>	<b>-</b>	<b>1,35,000</b>
	<b>Overall Ceiling as per the Act</b>	<b>As per the Companies Act, 2013</b>				

**C.) Remuneration to Key Managerial Personnel other than MD/Manager/WTD:**

**Amount in INR**

Sl. No	Particulars of Remuneration	Name of KMP			Total
		*Mr. Ankit Kumar Bathwal (CFO)	**Mr. Shrikant Sapre (CFO)	Ms. Vibhuti Harsh (CS)	
1.	Gross salary	6,11,500	5,06,394	7,76,533	18,94,427
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961				
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	-	-	-	-
	(c) Profits in lieu of salary under section 17(3) Income tax Act, 1961	-	-	-	-
2.	Stock Option	-	-	-	-
3.	Sweat Equity	-	-	-	-
4.	Commission - as % of profit – - others, specify	-	-	-	-
5.	Others, please specify- <i>Bonus</i>				
	<b>Total</b>	<b>6,11,500</b>	<b>5,06,394</b>	<b>7,76,533</b>	<b>18,94,427</b>
<b>Ceiling As per Act</b>		<b>Not Applicable</b>			

\* Mr. Ankit Kumar Bathwal resigned w.e.f. 31.10.2017

\*\* Mr. Shrikant Sapre was appointed w.e.f. 29.01.2018

**VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES: NA**

Type	Section of the Companies Act	Brief Description	Details of Penalty/ Punishment/Compounding Fess imposed	Authority [RD/NCLT/ COURT]	Appeal made, if any (give Details)
<b>A. COMPANY</b>					
Penalty					
Punishment					
Compounding					
<b>B. DIRECTORS</b>					
Penalty					
Punishment					
Compounding					
<b>C. OTHER OFFICERS IN DEFAULT</b>					
Penalty					
Punishment					
Compounding					

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

Place: Mumbai  
Date: 10.05.2018

Sd/-  
**K. M. Vishwanathan**  
Managing Director & CEO  
DIN: 02778043

Sd/-  
**K. V. Balaji**  
Whole-time Director  
DIN: 02776220

**Annexure-II**  
**Form No. AOC-2**  
**[Pursuant to Clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014]**

Form for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arms length transactions under third proviso thereto.

**1. Details of contracts or arrangements or transactions not at arm's length basis**

- (a) Name(s) of the related party and nature of relationship: **N.A**
- (b) Nature of contracts/arrangements/transactions: **N.A**
- (c) Duration of the contracts / arrangements/transactions: **N.A**
- (d) Salient terms of the contracts or arrangements or transactions including the value, if any **N.A**
- (e) Justification for entering into such contracts or arrangements or transactions **N.A**
- (f) Date of approval by the Board: **N.A**
- (g) Amount paid as advances, if any: **N.A**
- (h) Date on which the special resolution was passed in general meeting as required under first proviso to Section 188: **N.A**

**2. Details of material contracts or arrangement or transactions at arm's length basis**

(a) Name(s) of the related party and nature of relationship	Mr. K. M. Viswanathan (Managing Director & CEO and Shareholder)
(b) Nature of contracts / arrangements / transactions	Leave & License Agreement is executed between the Company and Mr. K.M. Vishwanathan
(c) Duration of the contracts / arrangements / transactions	2 years effective from 1.05.2016
(d) Salient terms of the contracts or arrangements or transactions including the value	Rent (PM) Rs. 17,500/- Rent escalation of 10% every year
(e) Date(s) of approval by the Board / Committee	23.05.2016
(f) Amount paid as advances	Interest Free Security deposit Rs. 50,000/-

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

**Place: Mumbai**  
**Date: 10.05.2018**

**Sd/-**  
**K. M. Vishwanathan**  
**Managing Director & CEO**  
**DIN: 02778043**

**Sd/**  
**K. V. Balaji**  
**Whole-time Director**  
**DIN: 02776220**

## **MANAGEMENT DISCUSSION AND ANALYSIS REPORT:**

The growth of the micro finance industry has been very encouraging. The micro Finance industry has received a jolt post demonetisation, the pace of the growth in the industry has again picked up. The micro finance industry has total loan portfolio (i.e. loan amount outstanding) of Rs. 1,36,633 crore, representing a growth of 27% over FY 16-17. The Loan amount of Rs. 59,629 Cr was disbursed in the year representing an increase of 49% as compared to FY 2016-17.

### **Overview:**

During the year under review the Company has incurred a loss of Rs. 7.82 Crores. The Company plans to have deeper presence in the state of Gujarat, Rajasthan and Maharashtra. The Company intends to open additional 35 branches. The current employee strength of the Company is 421.

During the year under review the Company has 97,719 active women clients under its Joint Liability Group (JLG) model as against 86,460 in the year 2016-17. The increase in active members is 13.5%. The Company during the year under review has made cumulative disbursement of Rs. 187.49 Crores as compared to Rs. 92.80 Crores of FY 2016-17. The Company's average client per center has come down to 9 in FY 2017-18 from 10 in FY 2016-17 due to higher competition .

### **Overall industry outlook**

The Microfinance industry has withstood the demonetization and shown resilience in the last financial year. Some industry wise numbers are reproduced as per below.

<b>Particulars</b>	<b>FY 18</b>	<b>FY 17</b>
Disbursements (Rs. Cr)	59629	39,986
Gross Loan Portfolio (Rs. Cr)	48,094	32,039
No. of clients	2.53	2.02
No. of employees	82,004	65,839
No. of branches	10,077	8,032

**Source: MFIN Micrometer, 2018**

### **Regulatory Framework:**

The RBI vide its notification DNBR. CC.D. No. 047/03.10.119/2015-16 modified certain regulations related to operations. Key guidelines and modifications are herein below:

The Company satisfies these conditions and was re-classified as a Non-Banking Financial Company - Micro Finance Institution ("NBFC-MFI") on November 18, 2013. As a result, the Company is required to comply with the NBFC-MFI Directions. These Directions include guidelines on qualifying assets criteria, asset classification and provisioning, pricing of credit, capital adequacy and fair practices.

NBFC- MFIs	Qualifying assets to constitute not less than 85% of its total assets(excluding cash and bank balances) At least 50% of loans for income generation Activities
<b>Qualifying Asset criteria</b>	
Annual Income of borrowers household	Rural Rs. 1,00,000 Non Rural Rs. 1,60,000
Ticket size	1 <sup>st</sup> cycle – Rs. 60,000/- Subsequent cycle – Rs. 1,00,000/-
Indebtedness	Rs. 1,00,000/-
Tenure	If Loan amount >Rs. 30,000, then >= 24 months
Collateral	Without collateral
Repayment frequency	Weekly, Fortnightly and monthly
Interest Rate	A. Margin cap – 10% above cost of borrowings B. Avg. base rate of top 5 commercial banks X 2.75 Lower of A and B
Processing Fee	<= 1% of the loan amount
Insurance Premium	Actual cost of insurance can be recovered from borrower and spouse No change Administrative charges can be recovered as per the Insurance Regulatory and Development Authority
Security Deposit	No security deposit/ margin to be taken
Capital Adequacy	15%
Margin Cap	10% for MFIs with loan portfolio > Rs.100 crore

The Company has been consistently complying with all the regulations.

#### **MFI as Business Correspondent:**

The Reserve Bank of India permitted Non Deposit taking NBFCs to act as business correspondents for banks with effect from June, 2014. The Company has an arrangement to act as a business correspondent with a private sector Bank/ Financial institution and has managed loan portfolio of Rs. 4.90 crore as on 31<sup>st</sup> March, 2018.

#### **Fund Raising**

The Company has timely debt servicing quality contributed to the greater extent to have a comfortable debt raising capacity, to support the business needs in time bound manner.

The Company significantly diversified in its borrowings portfolio with subordinated debt of Rs. 10 crore and securitization & assignment transactions worth Rs. 21.86 crore. During the year under review the Company had issued 1000 Compulsory Convertible Debentures of of Rs. 1,00,000 each aggregating to Rs. 10.00 crores and the same were converted into Equity Shares of Rs. 10/- at Rs. 23.87/-. This helped the Company to diversify its funding avenues further and reduce dependence on limited channels of funding. During the FY 2017-18 the M POWER raised Rs. 34crore from banks, Rs. 120.50 Crore from financial institutions and alternative sources, and our borrowings outstanding as on 31<sup>st</sup> March, 2017 stood at Rs. 167.89Crore.



**Network Expansion**

With total 42 branches including in the 3 (Three) states viz. Gujarat, Maharashtra and Rajasthan the Company is currently focusing on expansion in the western part of the Country becoming geographically diversified MFI, with a presence in 20 districts.

The Company currently has partnership with Banks/FIs, for the purpose of origination of agriculture and dairy focused loans under BC model which is value addition to the Company in further servicing its existing customers as well as to create new customer base.

The Company working to design new products suitable to its existing members and catering to the needy members in the semi urban area which shall be rolled out in the coming year.

**Demonetisation and its impact on industry as well as M Power:**

Demonetisation has clearly put breaks to the dream run enjoyed by MFIs, currency shortage, disruption in day to day business and political interference impacted collections, however gradually the business has picked up again.

During the initial period of demonetization in November there were shortage of currency and has lead to impairment and repayment delays to an extent of 4%. This gradually increased to alone 15% by February – March, 2017.

Though the currency shortage has been overcome, the impact is left on the small borrowers and disturbance it created in the credit discipline has done a significant damage to the industry as well as our Company.

Among the states we operate, Maharashtra still state remains as a highly affected state with collection efficiency falling to as low as 60%. Gujarat and Rajasthan portfolios have suffered less impairment compared to Maharashtra and are in better position as compared that of the last year.

**Long Term Impact:**

The credit culture has been spoiled in these states. The JLG mechanism has been affected which affects the operations as well as cost of operations of the Company.

The Company has availed the deferment allowed by RBI for provisioning on impairment assets. The impairment of portfolio has affected the profitability of this business.

The tremors of demonetization in the MFI sector were of very high magnitude having huge impact on the business. The Company though faced a tough time however has accepted the challenge and is marching to overcome by adopting following measures.

The Company has made a huge investment in technology and has distributed TAB to its employees on the field to adopt the paperless model and increase their productivity.

The Company has adopted cashless disbursement of funds and has deployed additional man power for smooth collection in highly affected areas.

## **2. Opportunities And Threats:**

The Microfinance industry continues to be one of the sectors in India that has huge potential for sustainable growth, based on industry report.

The financial inclusion schemes introduced by the Government complement the existing MFI outreach. The accounts opened through PMJDY can help the MFI industry to implement the cashless disbursements directly to the customer bank accounts and this in turn can help the Company to reduce the related operating costs.

## **3. RISKS AND CONCERNS:**

Risk is an integral part of the Company's business, and sound risk management is critical to the success of the organization. As a financial intermediary, the Company is exposed to risks that are particular to its lending and the environment within which it operates. The Company has identified and implemented comprehensive policies and procedures to assess, monitor and manage risk throughout the Company. The Company has an elaborate process for risk management. This rests on the three pillars of Business risk assessment, operational control assessment and policy compliance processes.

The Company identifies the following as key risks:

- **Event/ Political Risk**

The Company recognizes political risk as one of the major risks facing the industry and believes that political risk and political intervention can be mitigated through trust building and closely working with the community in which we operate. However our branch expansion process takes full cognizance of this factor while opening any new branch and a thorough geographical combing is done on political risk before final approval for branch expansion is given.

- **Concentration Risk**

The Company aims to avoid unbalanced concentration in both its loan portfolio and borrowings. In the coming year the Company may penetrate in the Rajasthan, Gujarat and then Maharashtra. We will continue to strive to balance out such concentration on a continuous basis.

- **Operation Risk**

The main business of the Company is to provide security free loans to rural and semi urban areas this has high operational risk attached to the business. High staff turnover and cash handling risk remain critical influencing factors in this industry, however Company has disciplinary committee to resolve the issues with respect to the cash handling and other related risks.

## **4. INTERNAL AUDIT, INTERNAL CONTROLS AND RISK MANAGEMENT:**

M POWER adheres to audit process which encompasses, process adherence, compliance & monitoring .

The M POWER in its audit process has three-level Audit trail (i) Branch audit - surprise audit at branch (ii) Pre-disbursement Audit – audit process from client identification to disbursement that ensures that only credit worthy clients are included and serviced and (iii) Post disbursement Audit - gives emphasis on loan utilisation checks and field & branch related processes / documentations are checked. M Power has a separate department for internal audit with the Head of Internal Audit reporting directly to the CEO.

In addition to regular internal audit with a quarterly reporting schedule, your company is subject to the annual statutory audit, secretarial audit, tax audit which monitors its degree of compliance and risk mitigation.

## 5. INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY:

The Audit Committee of the Board oversees the internal Audit function of the Company. The Audit Committee reviews the adequacy and effectiveness of the Company's internal control system.

## 6. OPERATIONAL AND FINANCIAL HIGHLIGHTS:

During the year under review the Company has incurred a loss of Rs. 7.82 Crores and has provided and written off Rs.10.07 Crores

### Operational Performance:

Highlights	2017-18	2016-17
No. of branches	42	34
No. of districts	20	17
No. of employees	421	339
No. of members (in' 000)	97.71	86.46
Disbursement for the year (in Crores)	187.49	92.80
Gross loan portfolio (in Crores)	192.60	116.85

\* including BC Portfolio of Rs. 4.90 crores for TATA Capital DCB

### Financial Highlights:

(Rs. In Crores)

Financial Highlights	2017-18	2016-17
Total revenue	33.33	30.28
Profit after tax	-7.83	2.73
Total assets	208.44	135.26
Return on assets	-5.93%	2.33%
Return on equity	-31.46%	18.30%

## 7. HUMAN RESOURCES:

The Company does not hesitate in recognizing the co-existence of the Company and its Human Capital. The Company has been perceived as the best place to work by its employees. Aligning employees' efforts with the Company's mission and vision has been given great importance in order to provide best services to the clients. Employee attrition is a recognized issue in the industry of financial inclusion business. The company has taken measures to contain and reduce attrition. The measures are performance incentives, reward and recognition schemes etc, which will bring down the attrition rate in the days to come.

The Company has 421 employees and ensures providing them time to time comprehensive training and capacity development programs and mandatory field exposure across various functions, as well as strengthened controls on recruitments through candidate profiling, house verification and background checks. The hardwork and efforts put in by the employees are recognised and rewarded. Employee welfare activities such as birthday and festival celebrations, milestone gatherings, employee meets, Offsite etc. have impacted positively on employee satisfaction and led to greater cohesion in the team.

The Company has been hiring talent from rural management colleges, Management Institutes and train them to create a talent pool for future leadership positions. The Heads of the Sales team and Operations team regularly organizes get together with branch managers and field level staff with specific focus on operational management, enabling regular communication with field employees for feedback and grievance redressal.

**Cautionary Statement:**

Statements in the Management Discussion and Analysis Report describing the Company's objectives, projections, estimates and expectations are "forward-looking statements". Forward-looking statements require the Company to make assumptions and are subject to inherent risks and uncertainties. Readers are cautioned not to place undue reliance on forward looking statements as actual results could differ substantially or materially from those expressed or implied. Important factors that could make a difference to the Company's operations include economic conditions affecting demand / supply and pricing conditions, level of competition, changes in government regulations, policies, tax laws and other incidental factors.

**Annexure - III**  
**Form No. MR-3**  
**SECRETARIAL AUDIT REPORT**  
For the Financial Year ended 31<sup>st</sup> March, 2018

*[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule No. 9 of the Companies  
(Appointment and Remuneration of Managerial Personnel) Rules, 2014]*

To,  
The Members,  
**M Power Micro Finance Private Limited**

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **M Power Micro Finance Private Limited** (hereinafter called the Company). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on 31<sup>st</sup> March, 2018 generally complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31<sup>st</sup> March, 2018 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
  - (a) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), Regulations, 2015;
  - (b) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
  - (c) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
- (v) Non-Banking Financial Company – Micro Finance Institutions (NBFC-MFIs) – Directions.

We have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India; and

- (ii) The Listing Agreement entered into by the Company with BSE Limited.

Provisions of the following Act, Regulations and Guidelines were not applicable to the Company under the financial year under report:-

- (a) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- (b) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
- (c) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
- (d) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
- (e) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999;
- (f) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; and
- (g) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998;

During the period under review the Company has generally complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards etc. as mentioned above, to the extent applicable, except:

- i. During the period under review, the Company faced technical challenges with respect to submission of intimations through the Listing portal of BSE Limited, which were subsequently intimated to BSE Limited through email, due to which the dates of submission of few intimations were beyond the prescribed time limit; and
- ii. Compliance of Secretarial Standards-1 on Board Meetings and Secretarial Standards-2 on General Meetings not strictly made by the Company in certain instances.

**We further report that** the Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice was generally given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Majority decisions were carried through while there were no dissenting views of members and accordingly there was no requirement of recording the same in the minutes.

**We further report that** there are adequate systems and processes in the Company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

**We further report that during the audit period:**

- (i) the Board of Directors at their meeting held on 26<sup>th</sup> May, 2017, approved increase in the borrowing limits from INR 250 Crores to INR 300 Crores pursuant to provisions of Section 180(1)(c) of the Companies Act, 2013;
- (ii) the Board of Directors at their meeting held on 26<sup>th</sup> May, 2017, approved creation of charge/mortgage on all or any of the assets of the Company to secure loans of amount not exceeding INR 300 Crores;
- (iii) the shareholders at their Annual General Meeting held on 17<sup>th</sup> June, 2017, declared final dividend on Preference Shares at the rate of 12% per annum.
- (iv) the shareholders at their Annual General Meeting held on 17<sup>th</sup> June, 2017, approved adoption of restated Articles of Association reflecting provisions of Shareholders Agreement dated 29<sup>th</sup> March, 2017 entered into amongst the Company, its Promoters and IndiaNivesh Capitals Limited;
- (v) the CBO VIII Series Non-Convertible Debentures were completely redeemed on 23<sup>rd</sup> June, 2017;
- (vi) the CBO X Series Non-Convertible Debentures were completely redeemed on 28<sup>th</sup> August, 2017;
- (vii) the shareholders at their Extra-Ordinary General Meeting held on 22<sup>nd</sup> September, 2017, approved issue of 1,000 Compulsorily Convertible Debentures (CCDs) on Private Placement basis to IndiaNivesh Capitals Limited;
- (viii) the Board of Directors at their meeting held on 4<sup>th</sup> October, 2017, approved allotment of 1,000 CCDs of INR 1 Lakh each to IndiaNivesh Capitals Limited;
- (ix) the shareholders at their Extra-Ordinary General Meeting held on 28<sup>th</sup> February, 2018, approved issue of 17 Lakh Convertible Warrants on Preferential basis of Face Value of INR 10/- each at a price of INR 23.87 per Equity Share.
- (x) the Board of Directors by passing of a resolution by circulation on 30<sup>th</sup> March, 2018, approved allotment of 17 Lakh Convertible Warrants to Mr. K. M. Vishwanathan and Mr. K.V. Balaji.

**For Pradeep Purwar & Associates  
Company Secretaries**

**Sd/-  
Pradeep Kumar Purwar  
Proprietor  
FCS No. 5769  
C. P. No. 5918**

**Place:** Thane  
**Date :** 10<sup>th</sup> May, 2018

## **INDEPENDENT AUDITOR'S REPORT**

### **To The Members of M Power Micro Finance Private Limited**

#### **Report on the Standalone Financial Statements**

We have audited the accompanying standalone financial statements of M POWER MICRO FINANCE PRIVATE LIMITED (the Company) which comprise the Balance Sheet as at March 31, 2018, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information (the standalone financial statements).

#### **Management's Responsibility for the Standalone Financial Statements**

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 (the Act) with respect to the preparation and presentation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with rules made thereunder and the relevant provisions of the Act.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on these standalone financial statements based on our audit.

While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the rules made thereunder.

We conducted our audit of the standalone financial statements Company in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the standalone financial statements are free from material misstatement.



An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the standalone financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standalone financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the standalone financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the standalone financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

### **Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2018, its loss and its cash flows for the year ended on that date.

### **Report on Other Legal and Regulatory Requirements**

1. As required by the Companies (Auditor's Report) Order, 2016 (the Order), issued by the Central Government of India in terms of Section 143(11) of the Act, we give in the "Annexure I", a statement on the matters specified in paragraph 3 and 4 of the said Order, to the extent applicable.
2. As required by Section 143(3) of the Act, we report that:
  - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - (b) In our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
  - (c) The Balance Sheet and the Statement of Profit and Loss and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;
  - (d) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with rules made thereunder and the relevant provisions of the Act;
  - (e) On the basis of the written representations received from the Directors as on March 31, 2018 and taken on record by the Board of Directors, none of the Directors are disqualified as on March 31, 2018 from being appointed as a director in terms of Section 164(2) of the Act;

- (f) With respect to the adequacy of the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, we give our separate Report in "Annexure II"; and
- (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:
- i. As informed to us, there are no pending litigations against the Company and hence, the question of having impact of the same on the financial position of the Company does not arise;
  - ii. The Company did not have any material foreseeable losses on long-term contracts including derivative contracts; and
  - iii. There has been no amounts which are required to be transferred to the Investor Education and Protection Fund by the Company.

**For G. M. Kapadia & Co.**  
Chartered Accountants  
Firm Registration No. 104767W

Mumbai  
Dated: May 10, 2018

**Sd/-**  
**Atul Shah**  
Partner  
Membership No. 039569

**ANNEXURE I - referred to in Paragraph (1) under "Report on Other Legal and Regulatory Requirements" of our report on even date, to the members of the Company on the standalone financial statements for the year ended March 31, 2018**

- i. In respect of its **Property, Plant and Equipment**:
  - a) The Company has generally maintained proper records showing full particulars including quantitative details and situation of property, plant and equipment;
  - b) According to the information and explanations given to us, all the property, plant and equipment of the Company were physically verified by the management in a phased periodical manner, which in our opinion is reasonable, having regard to the size of the Company and nature of its assets. No material discrepancies were noticed on such physical verification;
  - c) The Company does not hold any immovable property. Accordingly, clause 3(i)(c) of the Order regarding title deeds of immovable properties is not applicable to the Company.
- ii. The Company is a Non-Banking Finance Company and accordingly, it does not hold any inventory. Accordingly, clause 3(ii) of the Order regarding verification of such inventory is not applicable to the Company.
- iii. According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, limited liability partnerships or other parties covered in the register maintained under Section 189 of the Act. Accordingly, clauses 3(iii)(a) to (c) of the Order regarding terms and conditions of such loans and repayment of such loans etc. are not applicable to the Company.
- iv. According to the information and explanations given to us, the Company has not granted any loan, made investment or provided guarantee or security to the parties covered under Section 185 and 186 of the Act. Accordingly, clause 3(iv) of the Order is not applicable to the Company.
- v. In our opinion and according to the information and explanation given to us, the Company has not accepted deposits from the public and therefore, the provisions of section 73 to 76 or any other relevant provisions of the Act and rules framed thereunder are not applicable to the Company.
- vi. The maintenance of cost records has not been specified by the Central Government under Section 148(1) of the Act, in respect of the activities carried on by the Company.
- vii. In respect of **statutory dues**:
  - a) Based on the records produced before us, the Company is generally regular in depositing with appropriate authorities applicable undisputed statutory dues such as Provident Fund, Employees' State Insurance, Sales Tax, Income Tax, Professional Tax, Service Tax, Goods and Service Tax, Value Added Tax, cess and other applicable statutory dues with appropriate authorities. There are no arrears as at March 31, 2018 which were due for more than six months from the date they became payable.

- b) Based on the records produced before us and books of accounts maintained by the Company, there are no disputed dues of income tax, sales tax, service tax, duty of customs, duty of excise or value added tax, goods and service tax on account of any dispute.
- viii. The Company has not defaulted in repayment of loans or borrowing to any financial institutions, banks or debenture holders.
- ix. The Company has not raised any money by way of Initial Public Offer or further Public Offer (including debt instruments). On the basis of the documents submitted to the bankers and the other relevant records perused by us, we state that the term loans taken during the year have been applied for the purpose for which the loans were obtained.
- x. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India and according to the information and explanations given to us, no instances of fraud by the Company or on the Company by its officers and employees have been noticed or reported during the year.
- xi. The provisions of Section 197 of the Act are not applicable to private limited companies. Accordingly, clause 3(xi) of the Order regarding payment of managerial remuneration in compliance of this Section is not applicable.
- xii. The Company is not a Nidhi Company. Accordingly, clause 3(xii) of the Order is not applicable.
- xiii. In respect of transactions with related parties, the Company has complied with provisions of sections 177 and 188 of the Act where applicable. Necessary disclosures relating to related party transactions have been made in the standalone financial statements as required by the applicable accounting standard.
- xiv. Based on the information and explanations given to us and the records maintained by the Company, during the year, the Company has made private placement of compulsory convertible debentures. The Company has complied with the requirements of Section 42 of the Act and the funds raised have been utilized for the purpose for which the funds were raised.
- xv. The Company has not entered into any non-cash transaction with directors. We have been informed that no such transactions have been entered into with persons connected with directors. Accordingly, para 3(xv) of the Order is not applicable to the Company.
- xvi. The Company is registered under Section 45-IA of the Reserve Bank of India Act, 1934.

**For G. M. Kapadia & Co.**  
Chartered Accountants  
Firm Registration No. 104767W

**Sd/-**  
**Atul Shah**  
Partner  
Membership No. 039569

Mumbai  
Dated: May 10, 2018

**ANNEXURE II - referred to in Paragraph 2(f) under "Report on Other Legal and Regulatory Requirements" of our Independent Auditor's report of even date, to the members of M Power Micro Finance Private Limited (the Company) on the Standalone Financial Statements for the year ended March 31, 2018**

**Report on the Internal Financial Controls under Section 143(3)(i) of the Companies Act, 2013 (the Act)**

We have audited the internal financial controls with reference to financial statements of the Company as of March 31, 2018 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

**Management's Responsibility for Internal Financial Controls**

The Company's Board of Directors is responsible for establishing and maintaining internal financial controls based on the internal control with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the Guidance Note) issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

**Auditors' Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing specified under Section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of internal financial controls with reference to financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls with reference to financial statements.

### **Meaning of Internal Financial Controls with reference to financial statements**

A Company's internal financial controls with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial controls with reference to financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

### **Inherent Limitations of Internal Financial Controls with reference to financial statements**

Because of the inherent limitations of internal financial controls with reference to financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to financial statements to future periods are subject to the risk that the internal financial controls with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### **Opinion**

In our opinion, the Company has, in all material respects, an adequate internal financial controls with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at March 31, 2018, based on the internal control with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

**For G. M. Kapadia & Co.**  
Chartered Accountants  
Firm Registration No. 104767 W

**Sd/-**  
**Atul Shah**  
Partner

Mumbai  
Dated: May 10, 2018

Membership No: 039569

**M Power Micro Finance Private Limited**  
**CIN No. U65999MH2009PTC197149**  
**Balance Sheet as at 31 March 2018**



Particulars	Note No.	As at 31 March 2018		As at 31 March 2017	
<b>EQUITY AND LIABILITIES</b>					
<b>Shareholders' funds</b>					
Share Capital	2	197,208,460		160,314,870	
Reserve and Surplus	3	66,629,449	263,837,909	88,629,307	248,944,177
<b>Non-Current Liabilities</b>					
Long Term Borrowings	4	738,342,764		392,203,564	
Long Term Provisions	5	5,670,656	744,013,420	3,669,557	395,873,121
<b>Current liabilities</b>					
Trade payables	6				
(a)Outstanding dues of micro enterprise and small enterprises					
(b)Outstanding dues of creditors other than micro enterprise and small enterprises		3,545,814		5,917,290	
Other Current Liabilities	7	983,920,786		672,701,915	
Short Term Provisions	8	89,174,235	1,076,640,835	29,153,139	707,772,344
<b>TOTAL</b>			2,084,492,164		1,352,589,642
<b>ASSETS</b>					
<b>Non-current assets</b>					
Fixed Assets	9				
Property, Plant & Equipment		4,155,579		5,616,346	
Intangible Assets		5,437,649		3,479,124	
Loan Portfolio	10	571,324,100		243,003,180	
Non-current investment	11	20,500,000		20,500,000	
Other Non Current Assets	12	88,044,143		40,820,307	
Defferred Tax Asset (Net)	13	17,427,421	706,888,892	1,211,012	314,629,969
<b>Current assets</b>					
Loan Portfolio	14	1,087,182,143		781,853,898	
Cash and Bank Balance	15	185,995,791		146,077,958	
Short Term Loans and Advances	16	17,980,929		15,639,717	
Other Current Assets	17	86,444,409	1,377,603,272	94,388,100	1,037,959,673
<b>TOTAL</b>			2,084,492,164		1,352,589,642
Summary of significant accounting policies	1				

Notes to accounts forming integral part of financial statement

In terms of our report attached.

**For G M Kapadia & Co**

Chartered Accountants

Firm Registration No: 104767W

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

**Sd/-**

**Atul Shah**

Partner

Membership No: 39569

**Sd/-**

**K M Vishwanthan**

Managing Director & CEO

DIN: 02778043

**Sd/-**

**Shrikant Sapre**

CFO

**Sd/-**

**K V Balaji**

Director & COO

DIN: 02776220

**Sd/-**

**Vibhuti Harsh**

Company Secretary

Mem.No. A29106

**Place : Mumbai**

**Date : 10th May,2018**

**M Power Micro Finance Private Limited**

**CIN No. U65999MH2009PTC197149**

**Statement of Profit & Loss for the year ended 31 March 2018**



Particulars	Note No.	For the year ended 31 March 2018	For the year ended 31 March 2017
<b>REVENUE</b>			
Revenue From Operations	18	320,756,452	292,500,529
Other Income	19	12,553,101	10,333,435
<b>Total Revenue ( I )</b>		<b>333,309,553</b>	<b>302,833,964</b>
<b>EXPENSES</b>			
Employee Benefit Expense	20	111,424,927	77,185,116
Finance Expense	21	178,245,105	153,726,083
Other Administrative Expenses	22	32,804,818	22,608,246
Depreciation and amortisation expense	9	4,620,330	2,602,767
Provision and Write off	23	100,723,791	7,663,511
<b>Total Expense ( II )</b>		<b>427,818,971</b>	<b>263,785,723</b>
<b>Profit before prior period items and tax ( III ) = ( I ) - ( II )</b>		<b>(94,509,418)</b>	<b>39,048,241</b>
Prior period item		-	-
<b>Profit before tax ( IV )</b>		<b>(94,509,418)</b>	<b>39,048,241</b>
<b>Tax expense: ( V )</b>			
Current tax		-	14,102,038
Deferred tax (asset) / liability	13	(16,216,409)	677,880
Adjustment of tax relating to prior years		-	(3,033,749)
<b>Total tax expense</b>		<b>(16,216,409)</b>	<b>11,746,169</b>
<b>Profit after tax from continuing operations ( VI ) = ( IV ) - ( V )</b>		<b>(78,293,009)</b>	<b>27,302,071</b>
Basic Earnings Per Share of Rs. 10 each (In Rupees)		(5.28)	2.16
Diluted Earnings Per Share of Rs. 10 each (In Rupees)		(4.65)	2.16
Summary of significant accounting policies	1		

Notes to accounts forming integral part of financial statement

In terms of our report attached.

**For G M Kapadia & Co**

Chartered Accountants

Firm Registration No: 104767W

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

**Sd/-**

**Atul Shah**

Partner

Membership No: 39569

**Sd/-**

**K M Vishwanthan**

Managing Director & CEO

DIN: 02778043

**Sd/-**

**K V Balaji**

Director & COO

DIN: 02776220

**Sd/-**

**Shirkant Sapre**

CFO

**Sd/-**

**Vibhuti Harsh**


Company Secretary

Mem.No. A29106

**Place : Mumbai**

**Date : 10th May,2018**



M Power Micro Finance Private Limited			
CIN No. U65999MH2009PTC197149			
Cash Flow Statement			
Particulars	For the year ended 31 March,2018		For the year ended 31 March,2017
Cash flow from operating activities			
Net Profit / (Loss) before extraordinary items and tax		(94,509,418)	39,048,241
Adjustments for:			
Interest on Deposit	(668,474)		(513,526)
Gain on Mutual Fund	-		-
Dividend Income	(195,480)		(1,061,961)
Profit on sale of Property Plant & Equipment	(3,181)		-
Depreciation and amortisation	4,620,330		2,602,767
Provision on portfolio	60,021,096		6,302,285
Provision on gratuity	1,690,184		1,346,939
Provision on compensated absences	416,925		180,474
Interest paid	160,944,047		153,726,083
Taxes paid	(2,421,755)	224,403,692	(15,348,250)
Operating Cashflow before change in working capital changes		129,894,275	147,234,812
(Increase) / decrease in Loan Portfolio	(633,649,165)		186,283,052
(Increase) / decrease in Short Term Loan and Advances	80,543		(149,975,574)
(Increase) / decrease in Current Assets	7,943,691		4,241,179
(Increase) / decrease in Non Current Assets	(47,223,837)		(44,125,824)
(Increase) / decrease in Other Bank Balances	(6,134,381)		8,554,676
Increase / (decrease) in Current Liabilities	2,644,116		11,139,746
Increase / (decrease) in Short Term Provisions	-		3,677,271
Increase / (decrease) in Long Term Provisions	(106,010)		-
Increase / (decrease) in Trade Payables	(2,371,476)	(678,816,518)	(222,441)
Cash (used ) from Operation		(548,922,243)	5,044,853
Net cash flow from / (used in) operating activities (A)		(548,922,243)	(161,666,113)
Cash flow from investing activities			
Capital expenditure on fixed assets, intangible assets including capital advances		(5,120,907)	24,616,939
Sale of Property Plant & Equipment		6,000	24,616,939
Investment in units of Mutual Fund		(127,500,000)	(9,208,589)
Redemption of units of Mutual Fund		127,500,000	-
Interest received		668,474	(455,500,000)
Dividend Income		195,480	435,000,000
Net cash flow from / (used in) investing activities (B)		(4,250,953)	513,526
C. Cash flow from financing activities			1,061,961
Interest paid		(162,374,504)	(28,133,102)
Dividend paid		(1,123,780)	(152,745,865)
Share Issue Expenses		(689,480)	(2,073,455)
Proceeds from Issue of Equity Shares		-	(2,649,550)
Proceeds from Issue of Compulsory Convertible Debentures		100,000,000	80,000,000
Proceeds from Issue of Non Convertible Debentures		-	-
Proceeds from Redemption of Redeemable Preference Shares		(5,000,000)	150,000,000
Proceeds from Redemption of Non Convertible Debentures		(103,125,050)	-
Proceeds from Long Term Borrowings		1,760,791,075	(136,666,690)
Repayment of Long Term Borrowings		(1,001,521,613)	1,174,270,943
Net cash flow from / (used in) financing activities (C)		586,956,649	(1,091,597,445)
Net increase (decrease) in Cash & Cash equivalents (A)+(B)+( C)		33,783,452	18,537,938
Cash and cash equivalents at the beginning of the year		139,383,788	15,021,775
Cash and cash equivalents at the end of the year		173,167,240	124,362,013
* Comprises:			139,383,788
(a) Cash on hand		273,870	1,082,119
(b) Cheques, drafts on hand			
(c) Balances with banks			
(i) In current accounts		87,893,370	138,301,669
(ii) In EEFC accounts			
(iii) In deposit accounts with original maturity of less than 3 months		85,000,000	-
(iv) In earmarked accounts (refer note no.12)		-	-
(d) Others (specify nature)		-	-
(e) Current investments considered as part of Cash and cash equivalents		-	-
		173,167,240	139,383,788
In terms of our report attached.			
For G M Kapadia & Co		For and on behalf of the Board of Directors	
Chartered Accountants			
Firm Registration No: 104767W			
Sd/-	Sd/-	Sd/-	
Atul Shah	K M Vishwanthan	K V Balaji	
Partner	Managing Director & CEO	Director & COO	
Membership No: 39569	DIN: 02778043	DIN: 02776220	
	Sd/-	Sd/-	
	Shirkant Sapre	Vibhuti Harsh	
	CFO	Company Secretary	
Place : Mumbai		Mem.No. A29106	
Date : 10th May,2018			

## **Company Overview**

M Power Micro Finance Private Limited ('the Company') was incorporated on 19 November 2009 under the Companies Act, 1956. The Company is registered effective in April, 2010 as a Non-Banking Financial (Non – Deposit Accepting or Holding) Company under section 45-IA of the Reserve Bank of India Act, 1934 having Registration No. N-13.01963.

The company is engaged in micro finance lending activities, providing financial services to poor women in India under Joint Liability Groups ('JLGs') Model.

## **1. SIGNIFICANT ACCOUNTING POLICIES**

### **a) Basis of Preparation of Financial Statements**

The financial statements have been prepared and presented under the historical cost convention on the accrual basis except interest on loans classified as non-performing assets, which is accounted for on realization basis of accounting with the Generally Accepted Accounting Principles (GAAP) in India. GAAP comprises mandatory Accounting Standards ("AS") as prescribed under section 133 of the Companies Act, 2013 ('Act') read together with Rule 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016 dated 30<sup>th</sup> March, 2016 along with the provisions of the Act (to the extent notified) and the Reserve Bank of India ("RBI") Guidelines to the extent applicable to a Non Deposit taking Non Banking Finance Company ("NBFC") and Non-Banking Financial Company – Micro Finance Institution (NBFC – MFI). The Financial Statements are presented in Indian Rupees rounded off to the nearest rupee. The accounting policies have been consistently applied by the Company except where a newly issued Accounting Standard is initially adopted or a revision to an existing Accounting Standards requires a change in accounting policy here to in use.

### **b) Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent liabilities on the date of the financial statements. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognized prospectively in current and future periods.

### **c) Current-Non Current classification**

All assets and liabilities are classified into current and non-current.

#### **Assets**

An asset is classified as current when it satisfies any of the following criteria:

- i) It is expected to be realized in, or is intended for sale or consumption in, the company's normal operating cycle;
- ii) It is held primarily for the purpose of being traded; or
- iii) It is expected to be realized within 12 months after the reporting date.

Current Assets include the current portion of non-current financial assets. All other assets are classified as non-current.

## **Liabilities**

A liability is classified as current when it satisfies any of the following criteria:

- i) It is expected to be settled in the company's normal operating cycle;
- ii) It is held primarily for the purpose of being traded;
- iii) It is due to be settled within 12 months after the reporting date; or
- iv) The company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Current Liabilities include the current portion of non-current financial liabilities. All Other Liabilities are classified as non-current.

## **Operating cycle**

The Company has ascertained its operating cycle as 12 months.

## **d) Revenue Recognition**

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

- i) Interest income on loan portfolio is recognized in the Statement of Profit and Loss on accrual basis taking into account amount outstanding and rate applicable except in the case of non-performing assets ("NPA'S") where it is recognized, upon realization, as per the prudential norms of RBI.  
Interest accrued on receivables is recognized after taking into account the relaxation period of additional 90 days given by RBI for dues between 1<sup>st</sup> Nov to 31<sup>st</sup> Dec, 2016 in accordance with RBI Circular – RBI/2016-17/143 DBR.No.BP.BC.37/21.04.048/2016-17 dt 21<sup>st</sup> Nov, 2016 & RBI/2016-17/198 DBR.No.BP.BC.49/21.04.048/2016-17 dated 28<sup>th</sup> Dec, 2016
- ii) Gain on securitization of assets is recognized on the difference between the book value of the securitized assets and consideration received on the assets derecognized from books. The same is amortized over the life of securitized loan portfolio and losses, if any, are recognized immediately in accordance with the guidelines laid down by Reserve Bank of India (RBI) on securitization.
- iii) Loan Processing fee received upfront are considered to be accrued at the time of entering in to binding agreement upon its receipt and are recognized accordingly.
- iv) Income from Business Correspondence activity is recognized on accrual basis as per the terms of arrangement entered into with the client. Revenue from Business Correspondence activities to the extent of services rendered but yet to be billed are treated as unbilled revenue and are disclosed under other current assets.
- v) Service fee on assignment is recognized on accrual basis as per the terms of agreement entered in to with the assignee.
- vi) Commission income on insurance correspondence is recognized on accrual basis as per the terms of agreement entered.
- vii) Interest on term deposits has been accrued on the time proportionate basis, using the underlying interest rate.
- viii) Dividend income is accounted when the right to receive the dividend is established.
- ix) Gains on Investment in Units of mutual funds (Debt) are recognized on accrual basis.

**e) Classification of loan portfolio and provisioning policy**

Loan portfolio is classified and provision is made in accordance with the Non- Banking Financial company- Micro Finance Institutions (NBFC-MFIs) Directions issued by RBI as mentioned below:

**Asset Classification Norms**

- i) Standard Assets means the asset in respect of which, no default in repayment of principal or payment of interest is perceived and which does not disclose any problem nor carry more than normal risk attached to the business.
- ii) Non-performing asset means asset for which, interest / principal payment has remained overdue for a period of 90 days or more except for dues between 1<sup>st</sup> Nov 2016 to 31<sup>st</sup> Dec, 2016 for which relaxation of additional 90 days has been given by RBI in accordance with RBI Circular – RBI/2016-17/143 DBR.No.BP.BC.37/21.04.048/2016-17 dt 21<sup>st</sup> Nov, 2016 & RBI/2016-17/198 DBR.No.BP.BC.49/21.04.048/2016-17 dt 28<sup>th</sup> Dec, 2016.

**Provisioning norms**

The aggregate loan provision of the Company is not less than higher of:

1% of the outstanding loan portfolio.

- i) 50% of the aggregate loan installments which are overdue for more than 90 days and less than 180 days and 100% of the aggregate loan installments which are overdue for 180 days or more.

**f) Write off of loan portfolio**

The Company has policy to write off those loans which are overdue for more than 365 days or closure date of loan, whichever is later.

**g) Property Plant & Equipment**

- i) The Property Plant & Equipment are stated at cost of acquisition, less accumulated depreciation. The cost of Property Plant & Equipment comprise its purchase price (net of capital grants), taxes, duties, freight (net of rebate and discounts) and any other cost directly attributable for bringing the asset to their working condition and location for its intended use.
- ii) Property Plant & Equipment retired from active use and held for disposal are stated at the lower of their net book value and net realizable value and are disclosed separately.
- iii) Losses arising from the retirement of, and gains and losses arising from disposal of Property Plant & Equipment which are carried at cost are recognized in the Statement of Profit & Loss.

**h) Depreciation on Property Plant & Equipment**

Depreciable amount for assets is the cost of an asset or other amount substituted for cost, less its estimated residual value.

Depreciation on Property Plant & Equipment has been provided under written down value method as per the useful life prescribed in Schedule II to the Companies Act, 2013. Depreciation is calculated on pro rata basis from the date on which the asset is ready for use or till the date the asset is sold or disposed.

Asset costing Rs.5000/- or less are depreciated at the rate of 100% in the year of purchase.

**i) Intangible asset**

Intangible assets are recorded at cost of acquisition less amortization. Intangible assets that are acquired by the Company are measured initially at cost. Intangible assets are amortized over their estimated useful lives from the date they are available for use based on the expected pattern of consumption of economic benefits of the asset. Computer Software is amortized over their estimated useful life (3-5 years) on a straight-line basis.

**j) Impairment of assets**

The Company assesses at each Balance Sheet date whether there is any indication that any assets forming part of its cash generating units may be impaired. If any such indication exists, the Company estimates the recoverable amount of asset.

If such recoverable amount of the asset or the recoverable amount of cash generating unit to which asset belongs to is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the Statement of Profit & loss. If at the Balance Sheet date, there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the reassessed recoverable amount subject to a maximum of depreciated historical cost.

**k) Borrowing costs**

Borrowing cost includes interest and other cost including, amortization of ancillary borrowing costs. Interest on borrowing is expensed in the period to which they relate. Ancillary costs (Processing fees, Stamp duty etc.) incurred in connection with the terms of borrowing are amortized over the tenure of borrowing on straight line method.

**l) Investment**

Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long term investments.

Long term investments are carried at cost less any other-than-temporary diminution in value. Current investments are valued at lower of cost and fair value determined on individual investment basis.

Carrying value of Investments are measured at weighted average cost basis.

Gains and losses arising from disposal of Investment are recognized in the Statement of Profit and Loss in the period in which the disposal occurs. Gain and loss on the disposal of investment are the difference between the net disposal proceeds of investment and carrying amount of asset.

**m) Employee benefits**

**Defined Contribution Plan**

The Company makes specified monthly contribution towards employee provident fund to Government administered provident fund scheme, which is a defined contribution scheme. The Company's contribution is recognized as an expense in the Statement of Profit and Loss during the period in which the employee renders the related service

**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.

**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. Actuarial gains and losses arising during the year are immediately recognized in the Statement of Profit and Loss.

**Other Short-term benefits**

Expense in respect of other short term benefits is recognized on the basis of the amount paid or payable for the period during which services are rendered by employees.

**n) Leases**

Leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Lease rentals in respect of assets taken on 'operating lease' are charged to the Statement of Profit and Loss on a straight line basis over the lease term.

**o) Earnings per Share**

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

**p) Cash Flow Statement**

Cash flows are reported using the indirect method, whereby net profit / (loss) before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, investing and financing activities of the Company are segregated.

**q) Income Tax**

Income tax expense comprises current tax and deferred tax.

**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 charge or benefit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or benefit and the corresponding deferred tax liabilities or assets are recognized using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognized only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognized only if there is a virtual certainty of realization of such assets. Deferred tax assets are reviewed at each balance sheet date and written-down or written-up to reflect the amount that is reasonably/virtually certain to be realized.

**Minimum alternate tax (MAT)** paid in a year is charged to the Statement of Profit and Loss as current tax. The Company recognizes MAT credit available as an asset only to the extent that there is convincing evidence that the company will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. In the year in which the company recognizes MAT credit as an asset in accordance with the Guidance Note on Accounting for Credit available in respect of Minimum Alternative Tax under the Income-tax Act, 1961, the said asset is created by way of credit to the statement of profit and loss and shown as "MAT Credit Entitlement." The Company reviews the "MAT credit entitlement" asset at each reporting date and writes down the asset to the extent the Company does not have convincing evidence that it will pay normal tax during the specified period.

**r) Provision and contingent liabilities**

The Company creates a provision when there is a present obligation as a result of an obligating event that requires an outflow of resources and a reliable estimate can be made of the amount for the obligation. The provisions are recognized at the best estimate of the expenditure required to settle the present obligation at the balance sheet date. The provisions are measured on an undiscounted basis.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation that the likelihood of outflow of resources is remote, no provision or disclosure is made.

**s) General**

Any other accounting policy not specifically referred to are consistent with Generally Accepted Accounting Principles (GAAP) in India.

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Notes to the Financial Statements for the year ended 31 March, 2018

## 2. SHARE CAPITAL

Particulars	As at 31 March, 2018		As at 31 March, 2017	
	Number of shares	Amount	Number of shares	Amount
<b>Authorized</b>				
Equity shares of Rs.10 each with voting rights	20,000,000	200,000,000	20,000,000	200,000,000
Preference Shares of Rs.10 each with voting rights	3,000,000	30,000,000	3,000,000	30,000,000
	<b>23,000,000</b>	<b>230,000,000</b>	<b>23,000,000</b>	<b>230,000,000</b>
<b>Issued, Subscribed and paid-up</b>				
<b>Equity shares</b>				
Equity Shares of Rs. 10 each with voting rights	19,220,846	192,208,460	15,031,487	150,314,870
<b>Issued, Subscribed and paid-up Preference shares</b>				
12% Cumulative Non-Participative Non-Convertible Redeemable Preference Shares of Rs.10 each	500,000	5,000,000	1,000,000	10,000,000
<b>Total</b>	<b>19,720,846</b>	<b>197,208,460</b>	<b>16,031,487</b>	<b>160,314,870</b>

### 2.1 Reconciliation of the number of equity shares and amount outstanding at the beginning and at the end of the reporting period:

Particulars	Opening Balance	Fresh issue	Bought Back	Closing Balance
<b>Year ended 31 March, 2018</b>				
- Number of shares	15,031,487	**4,189,359	-	19,220,846
- Amount (Rs.)	150,314,870	41,893,590	-	192,208,460
<b>Year ended 31 March, 2017</b>				
- Number of shares	11,680,000	3,351,487	-	15,031,487
- Amount (Rs.)	116,800,000	33,514,870	-	150,314,870

\*\* 1000, 0% Compulsory Convertible Debentures were issued at Rs. 1,00,000 during the year and the same were converted into 4,189,359/- Equity Shares of Rs. 10/- each at an issue price of Rs. 23.87/- on 30.03.2018.



**2.2 Reconciliation of the number of Preference shares and amount outstanding at the beginning and at the end of the reporting period:**

<i>Particulars</i>	<i>Opening Balance</i>	<i>Fresh issue</i> <i>(Private Placement)</i>	<i>Redemption</i>	<i>Closing Balance</i>
<b>Year ended 31 March, 2018</b>				
- Number of shares	1,000,000	-	500,000	500,000
- Amount (Rs.)	10,000,000	-	5,000,000	5,000,000
<b>Year ended 31 March, 2017</b>				
- Number of shares	1,000,000	-	-	1,000,000
- Amount (Rs.)	10,000,000	-	-	10,000,000

**2.3 Rights, preferences and restrictions attached to Shares:**
**(i) Equity Shares**

The Company has single class equity shares having a par value of Rs. 10/- per equity share. Accordingly, all equity shares rank equally with regard to dividends and share in the Company's residual assets. The equity shares are entitled to receive dividend as declared from time to time subject to payment of dividend to preference shareholders. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive the residual assets of the Company, remaining after distribution of all preferential amounts in proportion to the number of equity shares held.

Each holder of equity shares is entitled to one vote per share, except India Nivesh Capitals Ltd's voting power which is restricted to 49% of equity share capital and holding in excess of 49% of equity share capital is not entitled to voting power.

**(ii) 12% Cumulative Non-Participative Non-Convertible Redeemable Preference Shares (Preference Shares)**

The Preference Shares were issued at par on 24<sup>th</sup> October 2015 to "Resident Individual Investor", on private placement basis. The Preference Shares carry a cumulative dividend rate of 12% p.a. The Preference Shares have a preferential right of dividend over equity shareholders. As per the terms of issue, 50% of the preference shares were redeemable at par on the expiry of second year from date of allotment and hence the Company has redeemed 50% shares on 24<sup>th</sup> October, 2017. The remaining 50% preference shares are redeemable at par on the expiry of third year from date of allotment i.e. on 24<sup>th</sup> October, 2018.

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**Notes to the Financial Statements for the year ended 31 March, 2018**

**2.4 The details of shareholder holding more than 5% equity shares are set below:**

<b>Name of Shareholder</b>	<b>As at 31 March, 2018</b>		<b>As at 31 March, 2017</b>	
	<b>Number of shares</b>	<b>% of holding</b>	<b>Number of shares</b>	<b>% of holding</b>
K M Vishwanathan	2,930,000	15.24%	2,930,000	19.49%
Mrs. Suman Sultania	-	-	2,298,800	15.29%
Mrs. Sunita Agarwal	-	-	1,150,000	7.65%
India Nivesh Capitals Limited	1,09,89,646	57.18%	3,351,487	22.30%
AU Small Finance Bank (erstwhile AU Financiers (India) Limited)	1,051,200	5.47%	1,051,200	6.99%
<b>Total</b>	<b>1,49,70,846</b>	<b>77.89%</b>	<b>10,781,487</b>	<b>71.72%</b>

**2.5 The details of shareholder holding more than 5% preference shares are set below:**

<b>Name of Shareholder</b>	<b>As at 31 March, 2018</b>		<b>As at 31 March, 2017</b>	
	<b>Number of shares</b>	<b>% of holding</b>	<b>Number of shares</b>	<b>% of holding</b>
Kamlesh Gandhi	500,000	100%	1,000,000	100%
<b>Total</b>	<b>500,000</b>	<b>100%</b>	<b>1,000,000</b>	<b>100%</b>

**3. RESERVES & SURPLUS:**

<b>Particulars</b>	<b>As at 31 March, 2018</b>	<b>As at 31 March, 2017</b>
<b>Statutory reserve (created under Section 45-IC of RBI Act, 1934)</b>		
Opening Balance	13,156,403	7,695,989
Add: Transfer during the year *	-	5,460,414
Less: Amount utilized	-	-
<b>Closing balance (A)</b>	<b>13,156,403</b>	<b>3,156,403</b>
<b>Surplus / (Deficit) in Statement of Profit and Loss</b>		
Opening balance	31,637,324	11,869,122
Add: Profit / (Loss) for the year	(78,293,009)	27,302,071
Less: Amount transferred to statutory reserve	-	5,460,414
Less: Dividend of Preference Shares	933,698	1,722,740
Less: Dividend Distribution Tax on Preference Shares	190,082	350,715
<b>Closing balance (B)</b>	<b>(47,779,465)</b>	<b>31,637,324</b>
<b>Share Premium</b>		
At the commencement of the year	43,835,580	-
Add: on Allotment of shares @13.87/- for 4189359/- ( Previous year @13.87/- per share for 33,51,487/-)	5,810,6410	46,485,130
Less: Securities Issue Expense	689,480	2,649,550
<b>Closing balance ( C )</b>	<b>101,252,510</b>	<b>43,835,580</b>
<b>Total (A+B+C)</b>	<b>66,629,949</b>	<b>88,629,307</b>

\* 20% of the profit after tax in accordance with the provision of section 45 IC of the Reserve Bank of India Act, 1934.

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Notes to the Financial Statements for the year ended 31 March, 2018

#### 4. LONG TERM BORROWINGS:

<i>Particulars</i>	<i>As at 31 March, 2018</i>	<i>As at 31 March, 2017</i>
<b>Debentures</b>		
<b>Secured</b>		
• NIL(Previous Year: 150) 12.10% Redeemable Non Convertible Debentures of Rs.10,00,000 each	-	37,500,000
<b>Term loans</b>		
<b>Secured</b>		
From banks	135,641,068	190,740,164
From financial institutions	501,633,141	100,013,339
<b>Unsecured</b>		
From financial institutions	100,000,000	62,499,997
<b>Vehicle loan</b>		
<b>Secured</b>		
From banks	1,068,556	1,450,064
<b>Total</b>	<b>738,342,764</b>	<b>392,203,564</b>

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Notes to the Financial Statements for the year ended 31 March, 2018

Repayment Note 4.1 Terms of borrowings								
Funder	Availment Date	Amount Outstanding		Amount Outstanding		Repayment Terms		
		2017-18		2016-17		Interest Rate	Repayment Terms	No. Of Installments Outstanding as at 31, March 2018
		Current Maturity	Long Term maturity	Current Maturity	Long Term maturity			
Redeemable Non-Convertible Debentures (‘NCD’)								
12.10% Redeemable Non-Convertible Debentures	10-Oct-16	3,75,00,001	-	7,50,00,000	3,75,00,000	12.10%	Monthly	6
13.10% Redeemable Non-Convertible Debentures	26-Aug-15	-	-	1,56,25,050	-	13.10%	Monthly	-
13.50% Redeemable Non-Convertible Debentures	24-Jun-15	-	-	1,25,00,000	-	13.50%	Monthly	-
Secured Term Loan from Banks								
SBI Bank	27-Feb-17 & 27-Mar-17	7,27,20,000	5,45,60,000	7,27,20,000	12,72,80,000	11.30%	Monthly	21
Bank of Maharashtra	30-Jun-16	62,50,000	-	1,25,00,000	62,50,000	13.40%	Quarterly	2
Dena Bank	31-Mar-16	20,83,341	-	2,49,99,996	20,83,341	13.00%	Monthly	1
IDBI Bank	14-Mar-16	-	-	1,57,14,280	-	13.75%	Monthly	-
South Indian Bank	20-Feb-17	1,50,00,000	12,50,000	1,37,49,583	1,62,50,000	12.40%	Monthly	13
Yes Bank	02-Sep-16	1,30,43,478	-	2,60,86,956	1,30,43,479	12.60%	Monthly	6
HDFC Bank Ltd	08-Feb-16	-	-	1,66,66,670	-	13.00%	Monthly	-
	08-Aug-16	-	-	3,66,66,668	-	13.00%	Monthly	-
Kotak Bank Ltd	30-Nov-15	-	-	1,81,81,818	-	13.85%	Monthly	-
	16-Aug-16	1,25,00,000	-	3,00,00,000	1,25,00,000	12.90%	Monthly	5
The Ratnakar Bank Limited	03-Mar-16	-	-	3,50,00,000	-	13.75%	Quarterly	-
Development Credit Bank Limited	30-May-15	-	-	27,27,280	-	13.85%	Monthly	-
	30-Nov-15	-	-	1,09,09,096	-	13.35%	Monthly	-
	30-Sep-16	1,33,33,344	-	1,99,99,992	1,33,33,344	13.10%	Monthly	8
Union Bank of India	31-Jul-17	1,81,81,812	2,27,27,282	-	-	11.40%	Monthly	27
AU Small Finance Bank Ltd	10-Jul-17	5,00,00,004	1,66,66,660	-	-	13.00%	Monthly	16
	30-Aug-17	2,50,00,008	1,24,99,989	-	-	13.00%	Monthly	18
Canara Bank	31-Jul-17	2,10,00,000	71,03,799	-	-	11.75%	Monthly	16
Dhanlaxmi Bank	28-Nov-17	2,49,99,996	2,08,33,338	-	-	11.00%	Monthly	22

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Notes to the Financial Statements for the year ended 31 March, 2018

Repayment Note 4.1 Terms of borrowings								
Funder	Availment Date	Amount Outstanding		Amount Outstanding		Repayment Terms		
		2017-18		2016-17		Interest Rate	Repayment Terms	No. Of Installments Outstanding as at 31, March 2018
		Current Maturity	Long Term maturity	Current Maturity	Long Term maturity			
Un Secured Term Loan from financial institutions								
Capital First Ltd	25-Jan-16	-	5,00,00,000	-	5,00,00,000	16.00%	Bullet	1
Caspian Impact Investments Pvt Ltd	18-Dec-15	1,24,99,997	-	1,66,66,668	1,24,99,997	17.00%	Quarterly	3
MAS Financial Services Limited	28-Mar-18	-	5,00,00,000	-	-	17.00%	Bullet	1
Secured Term Loan from financial institutions								
Capital First Ltd	22-Feb-16	2,00,00,000	-	2,00,00,000	2,00,00,000	14.00%	Quarterly	4
Capital First Ltd	18-Sep-17	4,00,00,000	6,00,00,000	-	-	14.00%	Quarterly	10
Family Credit Ltd	01-Feb-16	-	-	1,38,88,886	-	14.00%	Monthly	-
Reliance Commercial Finance Ltd	28-Apr-17 & 05-May-17	-	-	4,71,67,621	-	14.75%	Monthly	-
	15-Dec-17	3,85,11,545	3,26,83,259	-	-	14.25%	Monthly	21
Northern Arc Capital Ltd. (Formerly IFMR Capital Finance Pvt Ltd)	10-Apr-15	-	-	48,84,408	-	15.95%	Monthly	-
	29-May-15	-	-	48,46,954	-	15.95%	Monthly	-
	16-Nov-15	-	-	1,84,15,931	-	15.60%	Monthly	-
	19-Jan-18	4,75,07,550	4,51,46,314	-	-	14.50%	Monthly	22
	23-Feb-18	4,68,99,924	4,93,87,405	-	-	14.50%	Monthly	23
MAS Financial Services Limited	09-Apr-15	-	-	10,41,662	-	15.75%	Monthly	-
	20-Apr-15	-	-	10,41,659	-	15.75%	Monthly	-
	29-Sep-16	1,25,00,008	-	2,49,99,996	1,25,00,008	14.90%	Monthly	6
	30-Jun-17	5,00,00,004	1,24,99,993			14.50%	Monthly	15
	31-Aug-17	2,49,99,996	1,04,16,673			14.50%	Monthly	17
	19-Sep-17	3,75,00,000	1,87,50,000			14.50%	Monthly	18
	01-Dec-17	2,49,99,996	1,87,50,005			14.50%	Monthly	21
	01-Dec-17	2,49,99,996	1,87,50,005			14.50%	Monthly	21

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Notes to the Financial Statements for the year ended 31 March, 2018

<b>Repayment Note 4.1 Terms of borrowings</b>								
<b>Funder</b>	<b>Availment Date</b>	<b>Amount Outstanding 2017-18</b>		<b>Amount Outstanding 2016-17</b>		<b>Repayment Terms</b>		
		<b>Current Maturity</b>	<b>Long Term maturity</b>	<b>Current Maturity</b>	<b>Long Term maturity</b>	<b>Interest Rate</b>	<b>Repayment Terms</b>	<b>No. Of Installments Outstanding as at 31, March 2018</b>
	29-Jan-18	2,49,99,996	2,50,00,004			14.30%	Monthly	24
	29-Jan-18	2,49,99,996	2,50,00,004			14.30%	Monthly	24
	20-Mar-18	3,75,00,000	3,75,00,000			14.30%	Monthly	24
Manappuram Finance Limited	14-Jul-16	1,66,66,668	41,66,663	1,66,66,668	2,08,33,331	14.00%	Quarterly	5
Maanaveeya Development & Finance Pvt Ltd	13-Jan-17 & 15-Mar-17	2,33,20,000	2,33,60,000	2,33,20,000	4,66,80,000	15.50%	Quarterly	8
Hinduja Layland Finance Ltd	22-Sep-17	4,98,42,246	2,75,46,076	-	-	13.50%	Monthly	18
	28-Dec-17	2,41,10,276	2,03,28,922	-	-	13.50%	Monthly	21
Mahindra & Mahindra Financial Services Ltd	27-Mar-18	2,34,85,520	2,65,14,480			12.19%	Monthly	24
Muthoot Capital Services Ltd.	31-Jan-18	2,49,99,996	4,58,33,338			14.00%	Monthly	34
<b>Vehicle Loan</b>								
HDFC Bank Ltd	20-Jun-16	2,38,183	3,11,948	2,15,186	5,48,420	10.20%	Monthly	26
KBL Bank Ltd	18-Mar-16	1,45,034	7,56,608	1,30,675	9,01,644	10.50%	Monthly	60
<b>Total</b>		<b>94,23,38,915</b>	<b>73,83,42,764</b>	<b>63,23,33,703</b>	<b>39,22,03,564</b>			
<p>(a) The Secured, Redeemable, Non-Convertible Debentures are secured by hypothecation of specified Receivables under Financing Activities and guarantee provided by RCL and IFMR in favour of Debenture Trustee as per the terms of agreement.</p> <p>(b) The above Non-Convertible Debentures are listed on BSE Limited (Bombay Stock Exchange). Further, the Company has entered into an agreement with Catalyst Trusteeship Limited (Erstwhile GDA Trusteeship Limited) to act as Debentures Trustees for the Debentures.</p> <p>(c) The Company has not defaulted in the repayment of dues to Debenture holders.</p> <p>(d) All term loans are secured against exclusive charge on the standard assets portfolio receivables pertaining to micro credit loans and cash collateral as per respective agreements.</p> <p>(e) Vehicle loan is secured by hypothecation of vehicle financed by bank.</p> <p>(g) Interest rate on the above Redeemable non-convertible debentures, term loan and vehicle loan are as follows.</p>								

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Notes to the Financial Statements for the year ended 31 March, 2018

#### 5. LONG TERM PROVISIONS:

<i>Particulars</i>	<i>As at</i> <i>31 March, 2018</i>	<i>As at</i> <i>31 March, 2017</i>
<b>Provision for employee benefits</b> (refer note no. 27)		
Provision for Gratuity	4,227,714	2,643,540
Provision for compensated absences	1,442,942	1,026,017
<b>Total</b>	<b>5,670,656</b>	<b>3,669,557</b>

#### 6. TRADE PAYABLES:

<i>Particulars</i>	<i>As at</i> <i>31 March, 2018</i>	<i>As at</i> <i>31 March, 2017</i>
Outstanding dues of micro enterprise and small enterprises	-	-
Outstanding dues of creditors other than micro enterprise and small enterprises	3,545,814	5,917,290
<b>Total</b>	<b>3,545,814</b>	<b>5,917,290</b>

#### 7. OTHER CURRENT LIABILITIES:

<i>Particulars</i>	<i>As at</i> <i>31 March, 2018</i>	<i>As at</i> <i>31 March, 2017</i>
<b>Current Maturities of long term borrowings</b> (refer note no. 4.1)		
<b>Debentures</b>		
<b>Secured</b>		
• 150( Previous Year : 150) 12.10% Redeemable Non Convertible Debentures of Rs.10,00,000 each	37,500,001	75,000,000
• NIL ( Previous Year : 75) 13.10% Redeemable Non Convertible Debentures of Rs.10,00,000 each	-	15,625,050
• NIL ( Previous Year : 100) 13.50% Redeemable Non Convertible Debentures of Rs. 10,00,000 each.	-	12,500,000



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<b>Term loans</b>		
<b>Secured</b>		
From banks	274,111,983	335,922,339
From financial institutions	617,843,717	176,273,785
<b>Unsecured</b>		
From financial institutions	12,499,997	16,666,668
<b>Vehicle loan</b>		
<b>Secured</b>		
From banks	383,217	345,861
	<b>942,338,915</b>	<b>632,333,703</b>
Payable on assigned/securitised portfolio	14,837,828	23,236,450
Payable towards BC Arrangement	24,284	1,038
Unamortized income on securitised portfolio	-	3,056,863
Interest accrued but not due on borrowings	5,932,403	3,381,611
Interest accrued and due on borrowings	-	1,430,457
Statutory liabilities	3,992,215	3,434,713
Staff Payable	7,459,135	2,406,369
Other Current Liabilities	9,336,007	3,420,711
<b>Total</b>	<b>983,920,786</b>	<b>672,701,915</b>

#### 8. SHORT-TERM PROVISIONS:

<b>Particulars</b>	<b>As at</b>	<b>As at</b>
	<b>31 March, 2018</b>	<b>31 March, 2017</b>
Provision on loan portfolio (refer note no.25)	70,098,795	10,248,571
Provision on securitised loan portfolio	4,973,402	4,802,530
Provision for tax	14,102,038	14,102,038
<b>Total</b>	<b>89,174,235</b>	<b>29,153,139</b>

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Notes to the Financial Statements for the year ended 31 March, 2018

## 9. Fixed Assets

Description	Gross block			Accumulated depreciation and impairment				Net block		
	As at 1 April, 2017	Additions	Deletion	As at 31 March, 2018	As at 1 April, 2017	Depreciation / amortization expense for the year	Deletion	As at 31 March, 2018	As at 31 March, 2018	As at 31 March, 2018
<b>Property Plant &amp; Equipment</b>										
Computer & Peripherals	6,165,583	1,267,845	-	7,433,428	3,376,883	2,170,649		5,547,532	1,885,896	2,788,700
Furniture and Fixtures (10 yrs)	1,020,251	-	-	1,020,251	676,216	95,993		772,209	248,042	344,035
Furniture and Fixtures (5 yrs)	541,838	317,010	-	858,848	95,251	258,273		353,524	505,324	446,587
Vehicles	3,572,935	-	-	3,572,935	1,761,548	587,798		2,349,346	1,223,589	1,811,387
Office Equipment	434,941	213,515	(27,080)	621,376	209,304	143,605	(24,261)	328,648	292,728	225,637
<b>Total</b>	<b>11,735,548</b>	<b>1,798,370</b>	<b>(27,080)</b>	<b>13,506,838</b>	<b>6,119,202</b>	<b>3,256,318</b>	<b>(24,261)</b>	<b>9,351,259</b>	<b>4,155,579</b>	<b>5,616,346</b>
<b>Previous year</b>	<b>5,847,672</b>	<b>5,887,876</b>	<b>-</b>	<b>11,735,548</b>	<b>3,631,399</b>	<b>2,487,803</b>	<b>-</b>	<b>6,119,202</b>	<b>5,616,346</b>	<b>2,216,273</b>
<b>Intangible assets</b>										
Computer Software	3,772,913	3,343,537	(21,000)	7,095,450	293,789	1,364,012	-	1,657,801	5,437,649	3479,124
<b>Total</b>	<b>3,772,913</b>	<b>3,343,537</b>	<b>(21,000)</b>	<b>7,095,450</b>	<b>293,789</b>	<b>1,364,012</b>	<b>-</b>	<b>1,657,801</b>	<b>5,437,649</b>	<b>3479,124</b>
<b>Previous year</b>	<b>452,200</b>	<b>3,320,713</b>	<b>-</b>	<b>3,772,913</b>	<b>178,825</b>	<b>114,964</b>	<b>-</b>	<b>293,789</b>	<b>3,479,124</b>	<b>273,375</b>

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Notes to the Financial Statements for the year ended 31 March, 2018

#### 10. NON CURRENT PORTFOLIO:

<b>Particulars</b>	<b>As at</b>	
	<b>31 March, 2018</b>	<b>31 March, 2017</b>
Receivable under financing activity (refer note no.14)	571,324,100	243,003,180
<b>Total</b>	<b>571,324,100</b>	<b>243,003,180</b>

#### 11. NON CURRENT INVESTMENT:

<b>Particulars</b>	<b>As at</b>		<b>As at</b>	
	<b>31 March, 2018</b>		<b>31 March, 2017</b>	
	Quantity	Amount	Quantity	Amount
<b>Investment in units of Mutual Fund-Quoted, Fully paid up</b>				
SBI Dual Advantage Fund - Series XIX - Regular - Growth	50,000	500,000	50,000	500,000
<b>Investment in units of Mutual Fund-Unquoted, Fully paid up</b>				
SBI Corporate Bond Fund - Regular Plan - Growth	768,743	20,000,000	768,743	20,000,000
<b>Total</b>	<b>818,743</b>	<b>20,500,000</b>	<b>818,743</b>	<b>20,500,000</b>
Aggregate amount of Quoted investments at Book value (Market value:Rs.537,645/- (PY: Rs.503,655/-)		<b>500,000</b>		<b>500,000</b>
Aggregate amount of Unquoted investments at Book value		<b>20,000,000</b>		<b>20,000,000</b>
Aggregate provision for diminution in value of investments		-		-

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**12. OTHER NON CURRENT ASSETS:**

<i>Particulars</i>	<i>As at</i> <i>31 March, 2018</i>	<i>As at</i> <i>31 March, 2017</i>
<b>(Unsecured, considered good)</b>		
Security deposits towards borrowings*(with maturity of more than 12 months)		
- with banks	51,586,829	33,668,501
- with financial institutions	26,250,000	-
Interest accrued but not due on security deposit		
- with banks	1,595,388	1,336,505
- with financial institutions	486,184	-
Unamortized borrowing cost	8,125,743	5,815,301
<b>Total</b>	<b>88,044,143</b>	<b>40,820,307</b>

\* Represents deposits maintained as cash collateral against term loans availed and securitized loan portfolio.

**13. DEFERRED TAX, NET INCLUDED IN THE BALANCE SHEET**

<i>Particulars</i>	<i>As at</i> <i>31 March, 2018</i>	<i>As at</i> <i>31 March, 2017</i>
<b>Deferred tax asset</b>		
- Dis-allowance u/s 43B	661,406	410,721
- Provisions on receivables	19,844,775	1,341,512
-Others: Income on Securitization	-	1,010,691
<b>Total(A)</b>	<b>20,506,181</b>	<b>2,762,924</b>
<b>Deferred tax liability</b>		
-Depreciation on property plant & equipment	283,304	(61,739)
- Others: Income on Securitization	1,010,691	-
-Others: Borrowing Cost	1,784,767	(1,490,173)
<b>Total (B)</b>	<b>3,078,761</b>	<b>(1,551,912)</b>
<b>Deferred tax asset/liability, Net (A-B)</b>	<b>17,427,421</b>	<b>1,211,012</b>

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Notes to the Financial Statements for the year ended 31 March, 2018

#### 14. CURRENT LOAN PORTFOLIO:

<i>Particulars</i>	<i>As at</i> <i>31 March, 2018</i>	<i>As at</i> <i>31 March, 2017</i>
<b>Unsecured</b>		
Gross Micro finance loan portfolio	1,877,059,521	1,128,668,135
Less: Assigned/Securitized portfolio	218,553,279	103,811,057
<b>Total (A)</b>	<b>1,658,506,242</b>	<b>1,024,857,078</b>
<b>of the above loan portfolio:</b>		
Non current portion of loan portfolio	<b>571,324,100</b>	<b>243,003,180</b>
Current portion of loan portfolio	<b>1,087,182,143</b>	<b>781,853,898</b>
<b>of the above loan portfolio:</b>		
Loan portfolio (considered good)*	1,580,176,322	1,022,315,388
Loan portfolio (considered doubtful) **	78,329,920	2,541,690
<b>Current portion of loan portfolio</b>	<b>1,087,182,143</b>	<b>781,853,898</b>

\* Represents standard assets in accordance with Company's asset classification Policy.( Note No.1 (e) (i))

\* Represents non-performing or substandard assets in accordance with Company's asset classification Policy.  
(Note No.1 (e) (ii))

#### 15. CASH AND CASH BANK BALANCE:

<i>Particulars</i>	<i>As at</i> <i>31 March, 2018</i>	<i>As at</i> <i>31 March, 2017</i>
<b>Cash and cash equivalents</b>		
Cash on hand	273,870	1,082,119
<b>Balance with Banks</b>		
- In Current Accounts	87,893,370	138,301,669
- In Deposit Accounts- Free of Lien	85,000,000	
- In Deposit Accounts- with less than 3 months maturity(Refer note (b))	1,041,930	-
	<b>174,209,170</b>	<b>139,383,788</b>
<b>Other bank balance</b>		
-In Deposit Accounts –with maturity more than 3 months but less than 12 months (refer note (b))	11,786,621	6,694,170
<b>Total</b>	<b>185,995,791</b>	<b>146,077,958</b>

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<b>Notes :</b>		
a) Of the above, the balance that meet the definition of cash & cash equivalent is as per AS 3 Cash Flow Statement	173,167,240	139,383,788
b) Deposits under Lien :		
• Cash collateral for securitization/Assignment	-	-
• Cash collateral for TL obtained from Banks and Financial institution	1,282,8551	6,694,170
<b>Total</b>	<b>185,995,791</b>	<b>146,077,958</b>

**16. SHORT TERM LOANS & ADVANCES:**

<b>Particulars</b>	<b>As at 31 March, 2018</b>	<b>As at 31 March, 2017</b>
<b>(Unsecured, considered good)</b>		
Advance tax	14,000,000	13,000,000
Advances recoverable in cash or kind or for value to be received	136,874	163,050
Service tax receivable	-	54,367
Balances with government authorities -TDS Receivable	2,498,349	1,076,594
MAT Credit	1,345,706	1,345,706
<b>Total</b>	<b>17,980,929</b>	<b>15,639,717</b>

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**17. OTHER CURRENT ASSETS:**

<i>Particulars</i>	<i>As at 31 March, 2018</i>	<i>As at 31 March, 2017</i>
<b>Security deposits towards borrowings( with maturity of more than 12 months)</b>		
with banks	39,037,537	52,551,447
with financial institutions as security deposit	-	2,150,559
Interest accrued but not due		
with banks	4,134,476	4,301,192
with financial institutions as security deposit	-	403,143
Interest accrued but not due		
on loan portfolio -MFI	21,902,206	21,079,007
on fixed deposits (short term investment)	34,552	-
Unbilled Revenue	2,424,536	-
Unamortised borrowing cost	12,307,115	8,471,539
Rent and other deposits	4,079,042	3,133,842
Prepaid expense	659,214	1,540,859
Others	1,865,731	618,512
Advance for capital goods	-	138,000
<b>Total</b>	<b>86,444,409</b>	<b>94,388,100</b>

**18. REVENUE FROM OPERATIONS:**

<i><b>Particulars</b></i>	<i><b>For the year ended 31 March, 2018</b></i>	<i><b>For the year ended 31 March, 2017</b></i>
Interest Income on loan portfolio	290,196,951	276,657,054
Processing Fee on loan portfolio	18,425,042	8,826,707
Gain on Securitisation	3,056,863	4,802,530
Service fee on assignment	9,077,596	2,214,238
<b>Total</b>	<b>320,756,452</b>	<b>292,500,529</b>

**19. OTHER INCOME:**

<i><b>Particulars</b></i>	<i><b>For the year ended 31 March, 2018</b></i>	<i><b>For the year ended 31 March, 2017</b></i>
Interest on deposit with banks	668,474	513,526
Interest on security deposit	8,528,439	7,980,249
Dividend Income on Mutual Fund	195,480	1,061,961
Rebate Income	-	320,000
Recovery against loans written off	155,422	4,969
Profit on sale of property plant & equipment	3,181	-
Interest on IT Refund	-	51,521
Other income	3,002,105	401,209
<b>Total</b>	<b>12,553,101</b>	<b>10,333,435</b>



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## 20. EMPLOYEE BENEFIT EXPENSE:

<i>Particulars</i>	<i>For the year ended 31 March, 2018</i>	<i>For the year ended 31 March, 2017</i>
Salaries and wages and bonus (* Refer Note Below)	101,160,203	69,786,593
Contributions to provident and other funds	6,854,866	4,727,542
Compensated Leave Absences	416,925	180,474
Gratuity	1,690,184	1,346,939
Staff Training	19,773	13,902
Recruitment	594,281	601,929
Staff welfare	80,923	62,830
Insurance	607,772	464,907
<b>Total</b>	<b>111,424,927</b>	<b>77,185,116</b>

Note: Includes Directors Remuneration Rs. 6,600,000/- F.Y. 2017-18 and F.Y. 2016-17.

## 21. FINANCE EXPENSE:

<i>Particulars</i>	<i>For the year ended 31 March, 2018</i>	<i>For the year ended 31 March, 2017</i>
Interest payment to banks and financial institutions	151,224,335	119,094,464
Interest on Debentures	9,719,712	16,874,110
Processing fees and other borrowing cost	15,361,781	14,949,706
Bank charges	1,939,277	2,807,802
<b>Total</b>	<b>178,245,105</b>	<b>153,726,083</b>

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**22. OTHER ADMINISTRATIVE EXPENSES:**

<i><b>Particulars</b></i>	<i><b>For the year ended 31 March, 2018</b></i>	<i><b>For the year ended 31 March, 2017</b></i>
Advertisement	144,691	53,976
Brokerage charges	24,000	58,000
Communication expense	2,778,853	1,813,329
Contract fees	240,000	224,645
Director sitting fees	135,000	60,000
Electricity charges	1,057,769	879,825
Insurance	366,996	351,649
Legal and professional fees	6,984,815	2,554,884
Membership fees	415,051	320,480
Office expenses	1,407,973	1,124,437
Payments to Auditors	437,500	575,000
Postage & courier expenses	1,234,142	869,454
Printing and stationery	2,196,594	1,595,898
Rates and taxes	2,154,892	223,893
Rent	8,725,732	6,767,583
Repairs and maintenance	462,816	500,836
ROC charges	47,425	770,400
Software & license expenses	1,727,858	1,358,493
Stamp duty on Authorized Share Capital	-	200,000
Travelling and conveyance	2,262,711	2,305,465
<b>Total</b>	<b>32,804,818</b>	<b>22,608,246</b>

**23. PROVISION AND WRITE OFF:**

<i><b>Particulars</b></i>	<i><b>For the year ended 31 March, 2018</b></i>	<i><b>For the year ended 31 March, 2017</b></i>
Provision on standard portfolio	59,850,224	1,499,755
Provision on securitised loan portfolio	170,872	4,802,530
Receivables written off	40,702,695	1,361,225
<b>Total</b>	<b>100,723,791</b>	<b>7,663,511</b>

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#### **24. ASSIGNMENT /SECURITIZATION OF LOAN PORTFOLIO :**

**Information of assignment /securitisation transactions with the financial institution as follows,**

<b>Particulars</b>	<b>For the year ended 31 March, 2018</b>	<b>For the year ended 31 March, 2017</b>
Total Number of Loan assets assigned/securitized	12,428	6,096
Total book value of Loan assets assigned/ securitized	211,837,765	90,425,484
Sale consideration received for the assigned/ securitized assets	211,837,765	98,284,877
Income recognized in the statement of profit and loss	3,056,863	4,802,530

#### **Note:**

1. During the current year company has done direct assignment of loan portfolio of Rs.74,474,329/- (previous year: NIL) under guidelines issued by Reserve Bank of India dated August 21,2012 without any credit enhancement as prescribed in the guidelines.
2. During the current year company has done securitization of loan portfolio of Rs. 137,363,436 /- (previous year: 90,425,484/-) under guidelines issued by Reserve Bank of India dated August 21, 2012 without any credit enhancement as prescribed in the guidelines.
3. Following disclosure is made in accordance with RBI circular no DBOD.NO.BP.BC.60/21.04.048/2005-06 dated 01 February 2006.

As required in terms of circular RBI//2012-13/170 DNBS. PD. No. 301/3.10.01/2012-13 dated 21 August 2012 for the securitization transactions entered on or after 21 August 2012:

<b>Sr. No</b>	<b>Particulars</b>	<b>Number/Amount 31 March, 2018</b>	<b>31 March, 2017</b>
1	Number of SPVs sponsored by the company for securitization/bilateral transactions	2	1
2	Total amount of securitized assets as per books of the SPVs/assignees sponsored by the company.	161,032,262	56,760,623
3	Total amount of exposures retained by the NBFC to comply with MRR as on date of balance sheet.	-	-
	a) Off balance sheet exposure		-
	*First loss	10,683,900	4,973,402
	*Others	-	-

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	b) On balance sheet exposure	-	-
	*First loss	-	-
	*Others	-	-
4	Amount of exposures to securitisation transactions other than MRR	-	-
	a) Off balance sheet exposure	-	-
	*First loss	-	-
	*Others	-	-
	b) On balance sheet exposure	-	-
	*First loss	-	-
	*Others	-	-
	i. Exposure to own securitization	-	-
	*First loss	-	-
	*Others	-	-
	ii) Exposure to third party securitization	-	-
	*First loss	-	-
	*Others	-	-

**25. PROVISION FOR OUTSTANDING LOAN PORTFOLIO:**

The provision for outstanding loan portfolio as at 31 March 2018 has been calculated higher of 1) @ 1% on the total loan portfolio outstanding as at the balance sheet date or 2) 50% of aggregate loan installments which are overdue for more than 90 days but less than 180 days and 100% of the aggregate loan installments which are overdue for 180 days or more.

<b>Particulars</b>	<b>As at 31 March, 2018</b>	<b>As at 31 March, 2017</b>
<b>Standard Portfolio (A)</b>	<b>1,580,375,202</b>	<b>1,022,315,387</b>
<b>Non Performing assets</b>		
Loan portfolio which are overdue for more than 90 days and less than 180 days	7,937,260	482,411
Loan portfolio which are overdue for 180 days or more	70,392,660	2,059,279
<b>Total (B)</b>	<b>78,329,920</b>	<b>2,541,690</b>
<b>Total Loan Portfolio (A)+(B)</b>	<b>1,658,705,122</b>	<b>1,024,857,077</b>
<b>Provision on Loan Portfolio</b>		
1% on total loan portfolio (C)	16,587,051	10,248,571
<b>Aggregate of the following</b>		
a) 50% of the aggregate loan installments which are overdue for more than 90 days and less than 180 days	2,618,368	149,158
b) 100% of the aggregate loan installments which are overdue for 180 days or more.	67,480,427	1,733,557
<b>Total (D)</b>	<b>70,098,795</b>	<b>1,882,715</b>
<b>Higher of (C) or (D)</b>	<b>70,098,795</b>	<b>10,248,571</b>
<b>Opening Provision</b>	<b>10,248,571</b>	<b>8,748,816</b>
<b>Additional/reversal, net</b>	<b>59,850,224</b>	<b>1,499,755</b>
<b>Closing provision</b>	<b>70,098,795</b>	<b>10,248,571</b>

**26. EARNINGS PER SHARE**

<b>Particulars</b>	<b>For the year ended 31 March, 2018</b>	<b>For the year ended 31 March, 2017</b>
Net Profit/(Loss) attributable to equity shareholders*	(79,416,789)	Rs. 25,228,616
Weighted Average Number of Equity shares in calculating basic EPS	15,054,422	11,698,364
Weighted Average Number of Equity shares in calculating diluted EPS **	17,085,995	11,698,364
Earnings per Share (EPS) Basic – Rs.	<b>(5.28)</b>	<b>2.16</b>
Earnings per Share (EPS) Diluted – Rs.	<b>(4.65)</b>	<b>2.16</b>
Face Value of Shares – Rs.	<b>10</b>	<b>10</b>

\*Net Profit/(Loss) has been shown after excluding dividend of Rs. 1,123,870/- (Previous Year: Rs. 2,073,455/-) on preference shares.

\*\* Effect of dilution is due to conversion of Compulsory Convertible Debentures.

**27. EMPLOYEE BENEFIT EXPENSE**
**(a) Defined Contribution Plan**
**Provident and Other Fund**

The Company makes provident fund and other fund contributions to a defined contribution retirement benefit plans for qualifying employees. Under the scheme, the Company is required to contribute a specified percentage of the payroll costs to the provident fund commissioner to fund the benefit.

The Company recognized Rs.6, 854,866/- (Previous year Rs. 4,727,542/-) for provident and other fund contributions in the statement of profit & loss. The contributions payable to these plans by the Company are at rates specified in the rules of the scheme.

**(b) Defined Benefit Plan**
**Gratuity (Unfunded) Amount Recognition**

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service is eligible for gratuity on cessation of employment and is computed at 15 days salary (last salary drawn) for each completed year of service.

The following tables set out the status of the gratuity plan as required under AS 15 (Revised)

**Amount recognized in Balance sheet**

<i>Particulars</i>	<i>As at</i> <i>31 March, 2018</i>	<i>As at</i> <i>31 March, 2017</i>
Present value of obligation as at the beginning of the year	2,643,540	1,519,042
Current Service Cost	1,401,748	607,393
Interest Cost	189,627	112,344
Actuarial (Gain)/Loss recognized during the year	98,809	627,202
Benefits Paid	(106,010)	(222,441)
Past Service Cost	-	-
<b>Net (Liability)</b>	<b>4,227,714</b>	<b>2,643,540</b>

**Expenses recognized in Statement of Profit & Loss**

<i>Particulars</i>	<i>For the year ended</i> <i>31 March, 2018</i>	<i>For the year ended</i> <i>31 March, 2017</i>
Current Service Cost	1,401,748	607,393
Interest Cost	189,627	112,344
Net Actuarial (Gain)/Loss recognized during the year	98,809	627,202
Past Service Cost	-	-
Amount included in employee benefit expenses	1,690,184	1,346,939

**Movement in the liability recognized in the balance sheet**

<i>Particulars</i>	<i>As at</i> <i>31 March, 2018</i>	<i>As at</i> <i>31 March, 2017</i>
Opening net liability	2,643,540	1,519,042
Expenses as above	1,690,184	1,346,939
Benefits paid directly	(106,010)	(222,441)
Contribution paid in to the fund	-	-
Closing net liability	4,227,714	2,643,540

**Principal actuarial assumption**

<b>Particulars</b>	<b>As at</b>	<b>As at</b>
	<b>31 March, 2018</b>	<b>31 March, 2017</b>
i. Discount Rate (p.a)	7.73%	7.32%
ii. Salary escalation rate (p.a)	9.00%	9.00%

Gratuity Liability for the current year has been estimated based on actuarial valuation under defined benefit plan. An amount of Rs. 1,690,184 /- (Previous year: Rs. 1,346,939/-) has been recognized in the statement of profit and loss during the current year.

**Discount rate:** - The discount rate is based on the prevailing market yield of Indian Government securities as at the balance sheet date for the estimated term of obligations.

**Salary escalation rate:** The estimate for the future salary increments considered taking in to account the inflation, seniority, promotional and other relevant factors.

**(b) Other Benefit**

The Company has provided for compensatory leaves which can be availed and not en-cashed as per policy of the Company as present value obligation of the benefit at related current service cost measured using the Projected Unit Credit Method on the basis of an actuarial valuation. The Company has accordingly provided Rs. 416,925/-(previous year Rs. 180,474/-) in the books of accounts for the year.

**28. Segment reporting**

The Company operates in a single reportable segment i.e offering micro finance loans to under-served poor households living in rural and urban areas. Accordingly, there is no reportable segment to be disclosed as required by accounting standard 17 'Segment Reporting'.

**29. Operating Leases**

Lease payments made under cancellable operating lease amounting to Rs.87,25,732 /- (previous year Rs. 6,767,583/-) disclosed as rent and the same have been recognized as an expense in the Statement of Profit & Loss.

**30. Contingent Liability**

The Company is contingently liable to banks financial institutions with respect to assignment /securitization of trade receivables to the extent of cash collateral deposits / guarantees amounting to Rs.10,683,900/- (previous year 4,973,402/-).



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### **31. Related party disclosure**

Related party disclosure as required under the accounting standard (AS)-18 on "Related Party Disclosure"

#### **a. Name of related parties and description of relationship**

<b>Description of relationship</b>	<b>Name of Related party</b>
Key management personnel – Directors	Mr. K M Vishwanathan Mr. K V Balaji
Entities having significant influence	AU Small Finance Bank (erstwhile AU Financiers (India) Limited) upto the date 8 <sup>th</sup> September, 2016 India Nivesh Capitals Limited upto 29 <sup>th</sup> March, 2018.
Entities having control over the company	India Nivesh Capitals Limited w.e.f 30 <sup>th</sup> March, 2018.

#### **b. Details of Transactions with Related Parties during the year**

<b>Sr. No</b>	<b>Particulars</b>	<b>As at 31 March, 2018</b>	<b>As at 31 March, 2017</b>
<b>1</b>	<b>Managerial Remuneration</b>		
	Mr. K M Vishwanathan	3,600,000	3,600,000
	Mr. K V Balaji	3,000,000	3,000,000
<b>2</b>	<b>Equity Shares</b>		
	India Nivesh Capitals Limited	-	80,000,000
<b>3</b>	<b>Compulsory Convertible Debentures</b>		
	India Nivesh Capitals Limited	100,000,000	-
<b>4</b>	<b>Unsecured Loan received including interest credited</b>		
	AU Small Finance Bank (erstwhile AU Financiers (India) Limited)		
	Loan Availed	-	252,500,000
	Interest Credited	-	1,459,856
<b>5</b>	<b>Unsecured Loan including interest repaid</b>		
	AU Small Finance Bank (erstwhile AU Financiers (India) Limited)		
	Loan repaid	-	202,500,000
	Interest Paid	-	1,459,856

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<b>6</b>	<b>Assignment of Receivables</b>		
	AU Small Finance Bank (erstwhile AU Financiers (India) Limited)		
	Amount received	-	-
	Interest paid	-	10,887,241
	Amount repaid	-	70,078,278
<b>7</b>	<b>Rent paid</b>		
	Mr. K M Vishwanathan	229,250	210,000
<b>8</b>	<b>Bonus Paid</b>		
	Mr. K M Vishwanathan	-	425,000
	Mr. K V Balaji	-	425,000

**c. Outstanding Balance :**

<b>Sr. No</b>	<b>Particulars</b>	<b>As at 31 March, 2018</b>	<b>As at 31 March, 2017</b>
1	Unsecured Loan (AU Small Finance Bank (erstwhile AU Financiers (India) Limited)	-	50,000,000
2	Assignment of Receivables (AU Small Finance Bank (erstwhile AU Financiers (India) Limited)	-	112,102,719

**32. PROFESSIONAL FEE IN NOTE 22 INCLUDES AUDITORS REMUNERATION AS FOLLOWS**

<b>Particulars</b>	<b>As at 31 March, 2018</b>	<b>As at 31 March, 2017</b>
Audit Fees	350,000	316,250
Limited review fees	75,000	86,250
Certification fees	35,075	-
Tax Audit Fee	87,500	172,500
Consultancy Fees	-	264,500
Others	42,263	14,084
<b>Total</b>	<b>589,838</b>	<b>853,584</b>

**33. As required in terms of paragraph 10 of Non-banking Financial (Non deposit Accepting or Holding) Companies prudential Norms (Reserve Bank) Directions 2007.**
**(i) Capital Adequacy Ratio**

<b>Particulars</b>	<b>As at</b>	<b>As at</b>
	<b>31 March, 2018</b>	<b>31 March, 2017</b>
Tier I Capital (net worth)	212,052,116	215,939,641
Tier II Capital	77,171,349	52,761,870
<b>Total Capital</b>	<b>289,223,465</b>	<b>268,701,511</b>
Total Risk Weighted Assets	1,763,733,078	1,161,989,379
CRAR as a Percentage of Total Risk Weighted Assets (%)	<b>16.40%</b>	<b>23.12%</b>

**(ii) Exposure to Real Estate Sector, both Direct & Indirect**

The Company does not have any direct or indirect exposure to the real estate sector as at 31<sup>st</sup> March 2018 (Previous Year: Nil).

**34. Margin**

In pricing of credit (the loan portfolio), the interest rates charged by the Company is lower of the cost of fund plus margin cap of 10% / 12% or the average base rate of five largest commercial banks by assets multiplied by 2.75, as per RBI Master Circular-Introduction of New Category of NBFCs- 'Non Banking Financial Company- Micro finance Institution (NBFC-MFIS)- Directions RBI/2013-14/482 DNBS.(PD) CC. No 369/03.10.38/2013-14 dated 7<sup>th</sup> February 2014. The Average Interest Rate on Borrowing and charged on loans during the F.Y.17-18 is as under,

- Average cost of borrowings computed on average quarterly balance of outstanding borrowings and average monthly balance of outstanding borrowings, in accordance with Accounting Standard 16 – Borrowing Costs, for the year 2017-18 is 15.55% and 15.10% respectively.
- Average interest charged calculated on average quarterly balance of outstanding portfolio and average monthly balance of outstanding portfolio for the year 2017-18 is 25.15% and 24.18% respectively.

**35. Qualifying Asset:**

The Company has maintained the qualifying asset percentage as at 31 March 2018, as specified in the RBI Master Circular-Introduction of New Category of NBFCs – 'Non -Banking Financial Company- Micro finance Institution (NBFC-MFIS)- Directions RBI/2013-14/49 DNBS.(PD) CC. No 347/03.10.38/2013-14 dated 1<sup>st</sup> July 2013.

**36. Disclosures required under Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006:**

Based on and to the extent of information received by the Company from the suppliers during the year regarding their status under the Micro Small and Medium Enterprises Development Act, 2006 (MSMED Act), the relevant particulars for the years ended 31 March 2018 and 31 March 2017 are furnished below:

Particulars	As at	As at
	31 March, 2018	31 March, 2017
Principal amount remaining unpaid to any supplier as at the end of the accounting year	-	-
Interest due thereon remaining unpaid to any supplier as at the end of the accounting year	-	-
The amount of interest paid along with the amounts of the payment made to the supplier beyond the appointed day	-	-
The amount of interest due and payable for the year	-	-
The amount of interest accrued and remaining unpaid at the end of the accounting year	-	-
The amount of further interest due and payable even in the succeeding year, until such date when the interest dues as above are actually paid.	-	-

**Note:**

Dues to Micro and Small Enterprises have been determined to the extent such parties have been identified on the basis of information collected by the Management. This has been relied upon by the auditors.

**37. Disclosure Pursuant to Reserve Bank of India Notification DNBR.008/CGM (CDS) - 2015 Dated 27th March, 2015.**

Sl. No.	Particulars	As at 31 March, 2018 Amount outstanding	As at 31 March, 2017 Amount outstanding
<b>Liabilities Side :</b>			
<b>(1)</b>	<b>Loans and Advances availed by the NBFC inclusive of interest accrued thereon but not paid:</b>		
<b>a.</b>	<b>Debenture</b>		
	- Secured	37,500,001	140,625,050
	- Unsecured	-	-
	(other than falling within the meaning of public deposits)		
<b>b.</b>	<b>Deferred Credits</b>	-	-
<b>c.</b>	<b>Term loans</b>	1,643,181,678	883,912,217
<b>d.</b>	<b>Inter Corporate Loans and borrowings</b>	-	-
<b>e.</b>	<b>Commercial Paper</b>	-	-
<b>f.</b>	<b>Other Loans</b>	-	-
<b>Assets Side :</b>			
<b>(2)</b>	<b>Break-up of Loans and Advances including bills receivables [other than those included in (4) below]</b>		
<b>a.</b>	<b>Secured</b>	-	-
<b>b.</b>	<b>Unsecured</b>	1,588,407,447	1,014,608,506
	(Note: represents the Loan Portfolio less provision)		
<b>(3)</b>	<b>Break up of Leased Assets and stock on hire and other assets counting towards AFC activities</b>		
<b>(i)</b>	<b>Lease assets including lease rentals under sundry debtors :</b>		
	a) Financial lease	-	-

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	b) Operating lease	-	-
(ii)	<b>Stock on Hire Including Hire Charges under sundry Debtors:</b>		
	a) Assets on hire	-	-
	b) Repossessed Assets	-	-
(iii)	<b>Other loans counting towards AFC activities</b>		
	a) Loans where assets have been repossessed	-	-
	b) Loans other than (a) above	-	-
(4)	<b>Break-up of Investments :</b>		
	<b>Current Investments :</b>		
1.	<b>Quoted:</b>		
(i)	Shares		
	(a) Equity	-	-
	(b) Preference	-	-
(ii)	Debentures and Bonds	-	-
(iii)	Units of mutual funds	-	-
(iv)	Government Securities	-	-
(v)	Others (please specify)	-	-
2.	<b>Unquoted:</b>		
(i)	Shares		
	(a) Equity	-	-
	(b) Preference	-	-
(ii)	Debentures and Bonds	-	-
(iii)	Units of mutual funds	-	-
(iv)	Government Securities	-	-
(v)	Others (please specify)	-	-

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**Notes to the Financial Statements for the year ended 31 March, 2018**

**Long Term investments:**

**1. Quoted:**

(i) Shares		
(a) Equity	-	-
(b) Preference	-	-
(ii) Debentures and Bonds	-	-
(iii) Units of mutual funds	500,000	500,000
(iv) Government Securities	-	-
(v) Others (please specify)	-	-

**2. Unquoted:**

(i) Shares		
a) Equity	-	-
(b) Preference	-	-
(ii) Debentures and Bonds	-	-
(iii) Units of mutual funds	20,000,000	20,000,000
(iv) Government Securities	-	-
(v) Others (please specify)	-	-

**(5) Borrower Group-wise Classification of Assets financed as in (2) and (3) above**

Category	Amount net of provisions			
	As at 31 March, 2018		As at 31 March, 2017	
	Secured	Unsecured	Secured	Unsecured
1. Related Parties				
a) Subsidiaries	-	-	-	-
b) Companies in the same group	-	-	-	-
c) Other related parties	-	-	-	-
2. Other than Related parties	-	1,588,407,447	-	1,014,608,506
<b>Total</b>				

**M Power Micro Finance Private Limited**

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**Notes to the Financial Statements for the year ended 31 March, 2018**

<b>(6) Investor group-wise Classification of Assets financed as in (2) and (3) above</b>			
	<b>Category</b>	<b>Market-value/ Break up or fair value or NAV</b>	<b>Book Value (Net of Provisions)</b>
1.	Related Parties		
	a) Subsidiaries	-	-
	b) Companies in the same group	-	-
	c) Other related parties	-	-
2.	Other than Related parties	-	-
	<b>Total</b>	-	-

<b>(7)</b>	<b>Other Information</b>	<b>As at 31 March, 2018</b>	<b>As at 31 March, 2017</b>
<b>(i)</b>	Gross Non Performing Assets	<b>78,329,920</b>	<b>2,541,690</b>
(a)	Related parties	-	-
(b)	Other than related parties	<b>78,329,920</b>	2,541,690
<b>(ii)</b>	Net Non-Performing Assets	<b>8,231,125</b>	<b>658,975</b>
(a)	Related parties	-	-
(b)	Other than related parties	<b>8,231,125</b>	658,975



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**Notes to the Financial Statements for the year ended 31 March, 2018**

### **38. Previous Year Figures**

Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year's classification/disclosure.

**In terms of our report attached.**

**For G. M. Kapadia & Co**

Chartered Accountants

Firm Registration No: 104767W

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

**M Power Micro Finance Private Limited**

**Sd/-**

**Atul Shah**

**Partner**

**Membership No: 039569**

**Sd/-**

**K M Vishwanathan**

**Managing Director & CEO**

**DIN:02778043**

**Sd/-**

**K V Balaji**

**Director & COO**

**DIN:02776220**

**Sd/-**

**Shrikant Sapre**

**CFO**

**Sd/-**

**Vibhuti Harsh**

**Company Secretary**

**M.No: A29106**

**Place: Mumbai**

**Date: 10<sup>th</sup> May,2018**

