

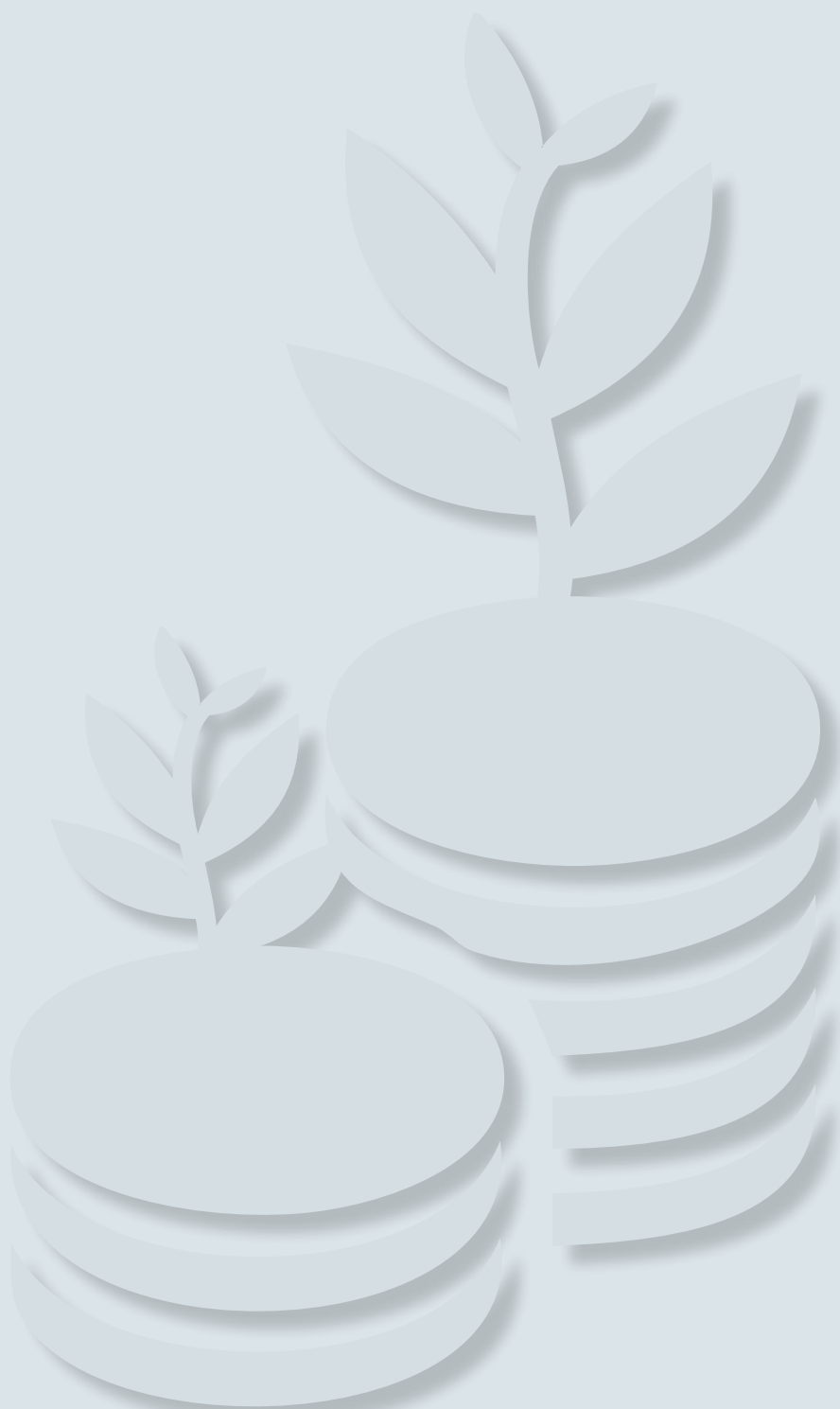


ANNAPURNA MICROFINANCE PVT LTD
annual report 2015



financing livelihood

annual report 2015
ANNAPURNA MICROFINANCE PVT LTD





Helping our client empower themselves , Shantilata Pradhan from Khurda Branch operating her own handloom.

Contents

Operational Highlights	5
Message from MD	7
Operational Footprints	9
Business Correspondence	23
Our Products	25
Credit Department	33
Risk Management	37
Information Technology and MIS	41
Human Resource Management	43
Internal Audit	47
Social Performance Management (SPM)	51
Report On Corporate Governance	63
Directors Report	73
Independent Auditor's Report	101

Board of Directors



Mr. Gobinda Chandra Pattnaik
Managing Director

Mr. Pattanaik has more than two decades of experience in implementing various developmental and micro enterprise activities. He is also known for his innovative approaches for women empowerment. He dreamed this institution and guided the process of setting an institution for the women and a sustainable livelihood for them. He played a key role in setting up various community institutions, is an advisor to various Dist. administrations and is a member in various committee formed by State Govt.



Mr. Dibyajyoti Pattnaik
Director

Mr. Pattanaik holds a management certificate from Boulder Institute of Management, USA in Micro Finance. Besides, he has been trained by Micro save, Crisil, Accion International in different aspects of micro finance and micro enterprise management. He currently holds post of CFO at AMPL. He played a key role in transformation of Mission Annapurna of People's Forum to AMPL.



Mr. Aditya Bhandari
Nominee Director

Mr. Aditya Bhandari joined the Board of Directors of Annapurna Microfinance Private Limited in July 2012 representing Rural Impulse Fund II (managed by Incofin Investment Management, Belgium). Aditya holds Board-level positions in other leading financial services NBFCs in India. He manages Incofin's investment portfolio in South Asia where he is in charge of analysing and negotiating the private equity transactions of Incofin's pool of funds. He has over seven years of experience in private equity, venture capital, investment banking and corporate finance. His professional repertoire includes working with Aavishkaar Venture Capital, Goldman Sachs and Standard Chartered Bank. He holds an Associate degree from the Institute of Chartered Accountants of India and Bachelors in Commerce from the University of Madras. He also has attended an executive programme on private equity education organized by the Indian School of Business.



Mr. Sean Nossel
Fellow of Society of Actuaries UK
Director

Mr. Nossel has 20 years of immense experience in the field of Insurance, Investment Banking, Structure Finance, Private Equity and Financial Markets. He has worked with JP Morgan Investment Bank, US as an Executive Director prior to his assignments with global corporates like ABN AMRO Securities and Liberty Life. He is currently with Resolution Group heading the US acquisitions.



Mr. K.K. Tiwary
Director

Mr. Tiwary is a senior Chartered Accountant and has the expertise in various fields of audit, taxation, Project consultancy, Micro Finance, NBFC takeovers and financing activities. He has an exclusive expertise over development, control, audit and monitoring the Financial organization for his MFI Clients.



Mr. P.K. Saha
Nominee Director

Mr. Pradip Kumar Saha is the ex-Chief General Manager of SIDBI, Lucknow. He holds a degree in Science and has been in the banking industry for many years. Currently he heads SIDBI Foundation for Microcredit and Promotional & Development Department.



Ms. Laetitia Counye
Investment Director

Ms. Laetitia has 15 years of experience in the field of Investment Banking, Private Equity and Financial Markets. She has worked with Bureau Van Ransbeeck, Incofin Investment Management, Partners at Venture Securities and Liberty Life. She is currently working as Senior Investment Officer in Belgian Investment Company for Developing countries.

Operational Highlights



Operational Highlights

2012

- Started off with 30 branches across 17 districts
- Client outreach: 34,024, Number of borrowers/credit officers: 187
- Gross Loan Portfolio (n lakhs) : INR 2,378.55, Cumulative disbursement of (in lakhs): INR 2,777.00
- Personnel engaged: 212

2013

- Registered as NBFC-MFI with RBI
- Operations expanded to 38 branches across 18 districts
- Client outreach: 117,677, Number of borrowers/credit officers: 464
- Gross Loan Portfolio (in lakhs): INR 9,200.52, Cumulative disbursement of (in lakhs): INR 10,523.45
- Personnel engaged: 315

2014

- 54 branches across 26 districts
- Client base: 201,014, Number of borrowers/credit officers: 549
- Gross Loan Portfolio (in lakhs): INR 17,039, Cumulative disbursement of (in lakhs): INR 17,921.49
- Personnel engaged: 429

2015

- With addition of 62 branches across 63 districts, total number of branches stands at 116
- Client outreach: 402835, Number of borrowers/credit officers: 642
- Gross Loan Portfolio (in lakhs) : INR 39,822.18, Cumulative disbursement of (in lakhs): INR 45,066.21
- Personnel engaged: 912



Message from MD

Dear Stakeholders,

On behalf of the Board, I take pleasure in presenting to you the annual performance report of Annapurna Microfinance Pvt. Ltd. This has been a year of growth and geographical expansion for the Company. Looking back seven years ago, we started our journey with a very small team and covered three districts. It is great to see that we have reached out to six states now with a team of 900 people benefiting to 400,000 women of rural India in a short span of time. Though it looks like a quite good achievement, but it's the right time to concentrate on a more process driven and systematic approach to attain sustained growth in the long run. In view of the growth in outreach, the Company has focused on cost effective process implementation across the operational area, while keeping in mind its Social Objectives and adhering to the Client Protection Principles. Social performance management is the key for our success and this year too we have given utmost importance to responsible lending. At Annapurna we believe that this is the way for doing sustainable business with our clients. In the following pages, the readers can find an elaborate description of our Social, Financial and Operational performance.

The Company has diversified its sources of funding, and has raised funds from Government. banks, private banks and NBFCs.

The Company has always believed in its employees as the greatest strength, and continues to invest in them. The team has a growth rate of 100%, and is expected to continue the same trend for the next three years.

The Company has renewed its focus on the impact on environment by offering green products to its clients, like solar light systems. It has also reinforced its credit policies regarding the environmental impact of our lending.

But in this column, I would like to share with all our stakeholders my vision for this Company. The reason of our existence, growth and outreach is attributed to our vision. As it is said. "Nobody can help everyone, but everyone can help someone". Most of us have the tendency to wait for someone to prompt us to do good things. As mother Teresa rightly said, "Do not wait for leaders; do it alone, person to person"; in other words make a difference to someone's life. There is tremendous satisfaction in making others happy. Let us give the society the best. Be a candle, be a hope, be the strength, be an inspiration, be there when it calls for and make a difference in others life. With this vision, we started Mission Annapurna, which gradually transformed into Annapurna Microfinance Pvt. Ltd. (AMPL). We still strongly believe in our vision - a result of which we are here today.



I would like to remind all the Stakeholders and team members that we live in a country where crores of people are still below the poverty line and some of them are not even able to afford their day meals. Poor are still un-bankable and yet crores of unemployed lack the skill to earn their livelihood. Good sanitation, purified water and a liveable house are day dreams for many of the rural households. The sole mission of this Company is to have an impact on all these issues. The Company has systematically planned for providing products and services to address these issues. In the coming year, The Company has planned for pilot and launch of specialized products for Agriculture Financing, and Micro Enterprise Financing.

At this juncture I recall a beautiful story from my childhood, about The Star Thrower, by Loren Eiseley. A young girl was walking along a beach upon which thousands of starfishes had been washed up. Whenever she came across a starfish, she would pick it up, and throw it back into the ocean. A man who was passing by noticed her engaged. The person asked the girl, "What are you doing my dear?" The girl looked back and replied that the sun was up and tide was going out. So the starfishes lying on the sand would possibly die. The man laughed and said, "My dear, have not you seen the countless starfishes are lying on the beach. How can you make an impact on their lives with your little fingers?" The girl bowed down once again, picked up a starfish, threw it to the sea and said, "I don't know about the others but it makes a difference for that one".



We may not be able to touch the lives of too many people in the coming year, but at the same time we will ensure to have a qualitative impact on the lives of our clients/beneficiaries for whom we work. It may not make much sense to many professionals who read this with a business perspective in mind, but I want to clarify that we had never set up this company for achieving high business profile with rich balance sheet. Instead, we want a mutual growth of our people, for whom we work, and for those we work with. My sincere appeal to team Annapurna, and the budding managers in the leadership development program of the Company, is that they should not forget the people who stood with us in our journey, be it our clients, investors, donors, bankers, partners and even the ex-employees. I expect us to continue our work with our feet on the ground and aiming to touch the sky.

I conclude with my best wishes to the readers of this Report and request you to go through this Report to know better about the performance of the Company and its achievements, including the financial statements of the year 2015. Any suggestions to improve ourselves are welcome and your kind feedback in this regard through our official e-mail is highly solicited.

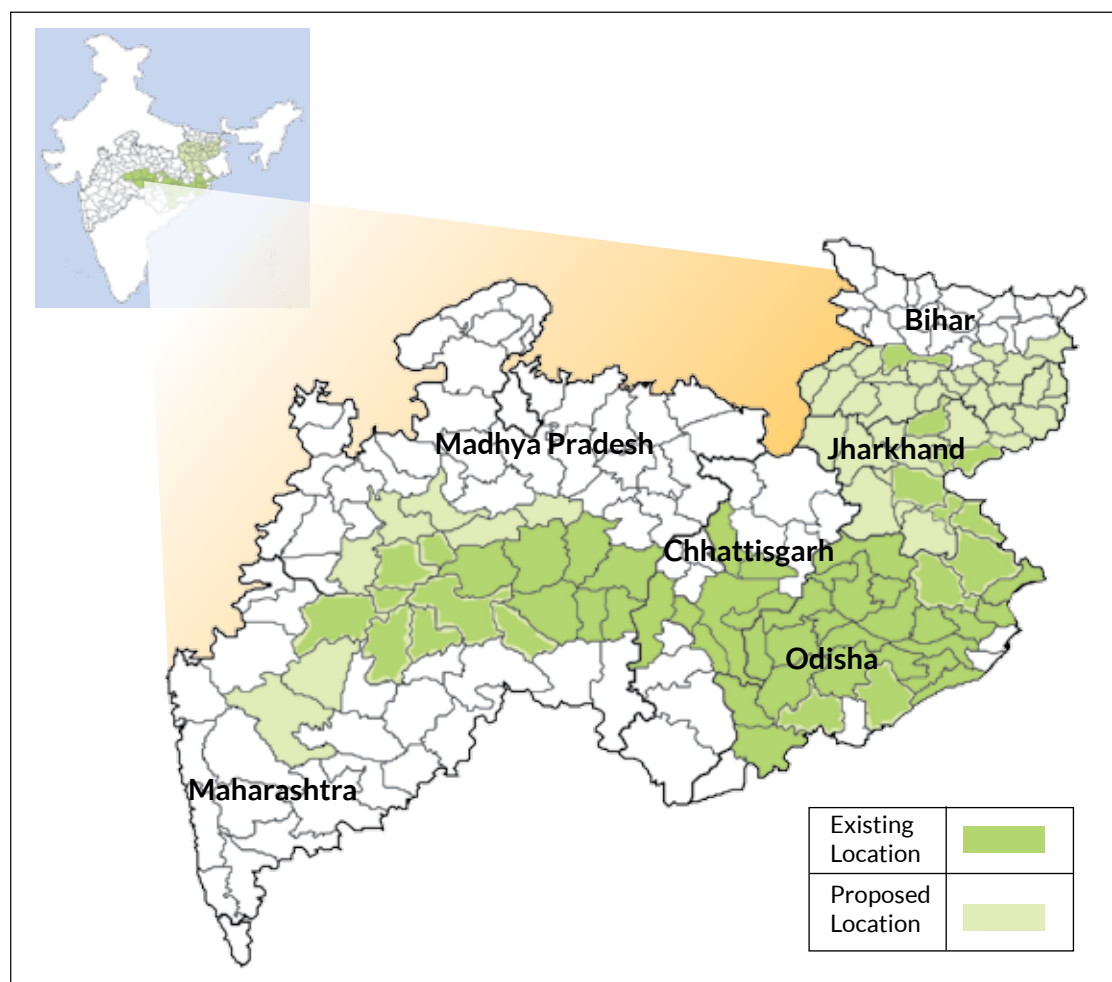
With Warm Regards,
Jai Hind
Gobinda Pattanaik
CEO cum MD

Operational Footprints



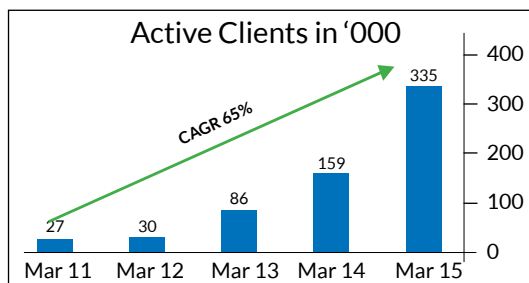
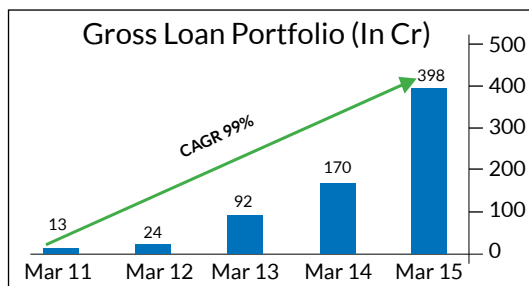
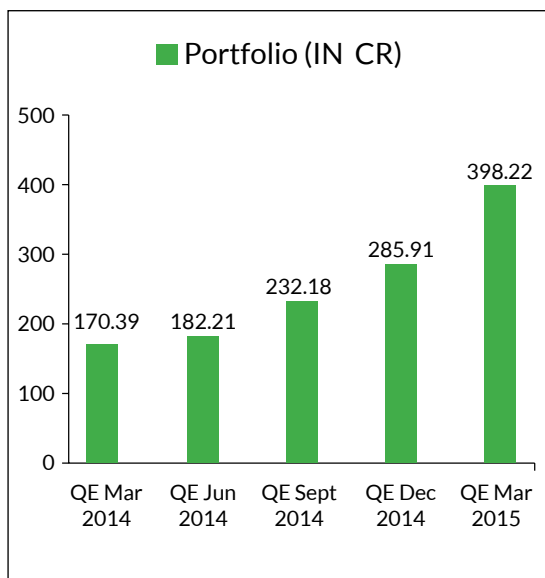
Operational Performance

Operational Footprints



Growth in Portfolio and Active Clients

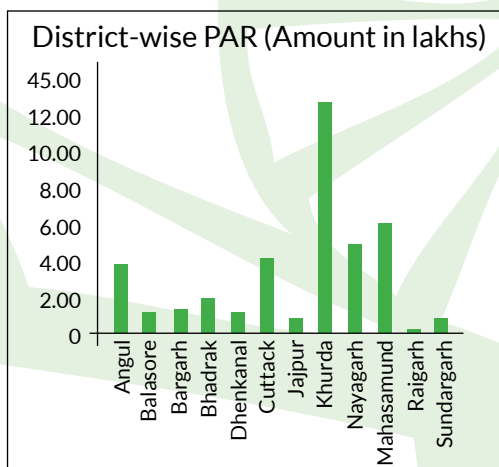
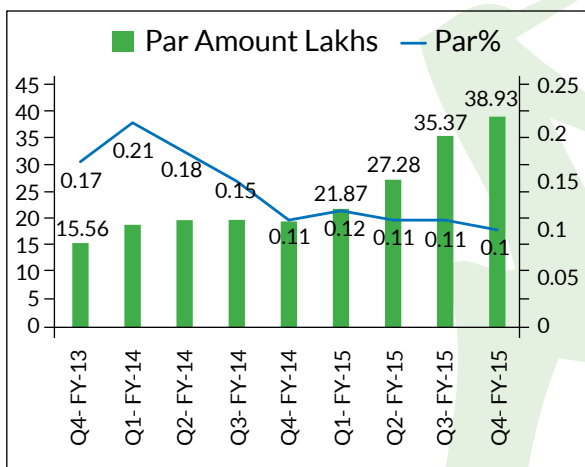
The Financial Year 2014-15 has been a good year for the Company on most parameters. The Company has expanded its outreach by increasing the penetration of existing branches and by opening new branches in four new states to achieve its objective of Financial Inclusion. They are Maharashtra, Madhya Pradesh, Jharkhand and Bihar. The Company registered a remarkable CAGR of 99% in terms of Gross Loan Portfolio from Rs.13Cr in FY 11 to Rs.398Cr in FY 15. The Company was able to disburse around Rs.450 Cr through its 116 branches in FY 15 as against Rs.179.00 Cr through 54 branches in FY 14, showing an improvement of 151% in disbursement. Spreading the growth over last six years, the compounded annual growth rate is 65% for the active clients. It shows the company's enhanced maturity in handling the operations, and corresponds to a deeper market penetration in given areas of operations. We are hopeful of achieving even better results in the coming financial year.



Delinquency Management

As can be observed from the table below, the Company has declined its PAR further, as compared to previous years. The Company is quite focused on its processes and control and has very good portfolio quality. Despite a high rise in loan portfolio, PAR performance of the Company remained at near perfect level.

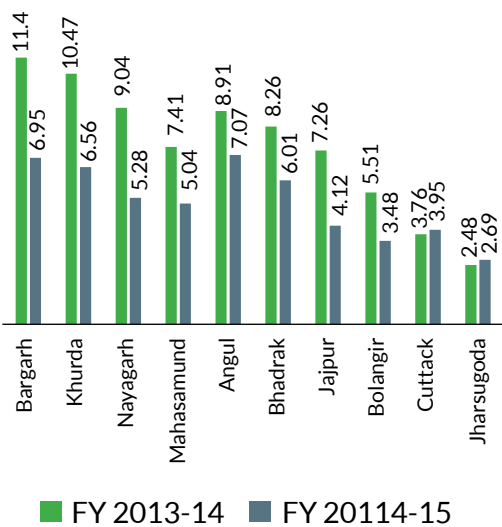
In spite of a significant increase in its portfolio, AMPL is maintaining an excellent portfolio quality. PAR>30 was reduced from 0.17% in FY 13 to 0.09% in FY 15. The Company has been maintaining a repayment rate of almost 99% which is at par with the industry standard. Looking at the district wise exposure, the PAR seems to be evenly spread except for Khurda, the oldest branch bearing the highest delinquency burden, i.e., Rs.12.59 lakhs on a portfolio of Rs. 277.72 lacs in Odisha. As a prudent measure, AMPL had maintained a loan loss provision of 1% on its loan assets.



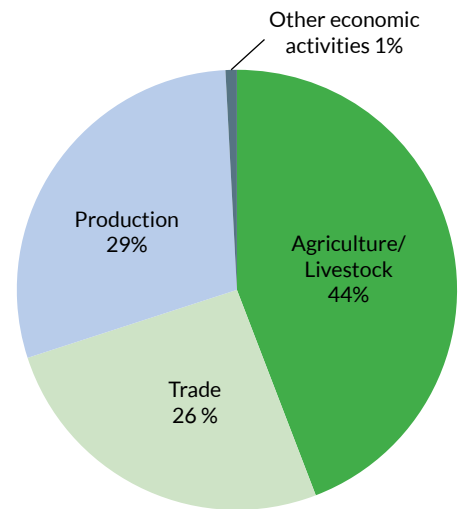
Exposure Details

The Company opened 62 new branches in the FY 14-15. This helped the Company to improve its branch-wise concentration of portfolio. The Company is planning to keep the exposure below 10% across its branches. None of the branches of the Company have more than 7.5% of their portfolio. The Company plans to expand into deeper regions of Bihar which will further lower down the risk of high geographical concentration.

Top 10 District-wise Exposure %

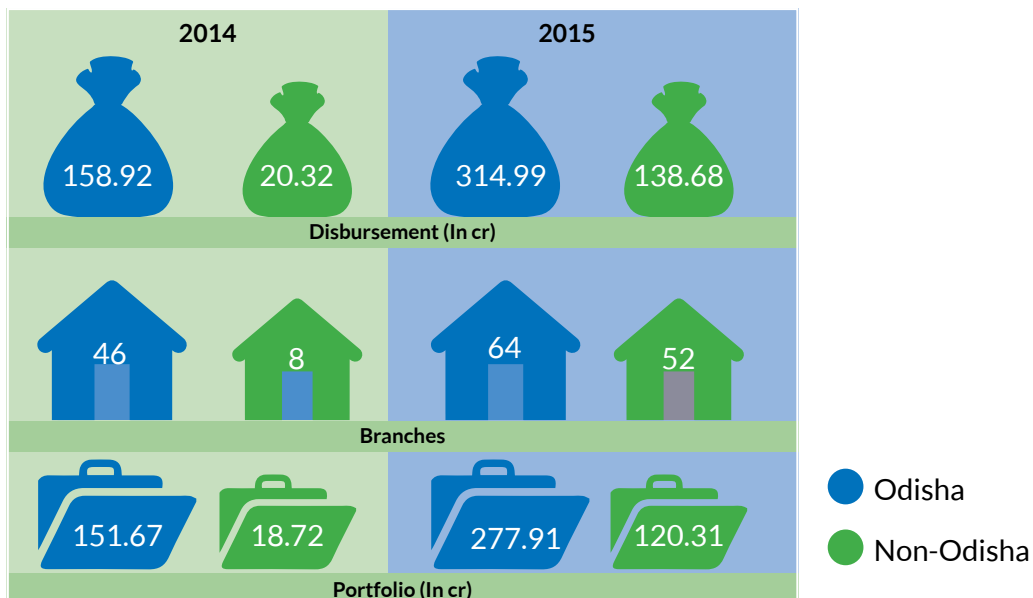


GLP by Economic Activity



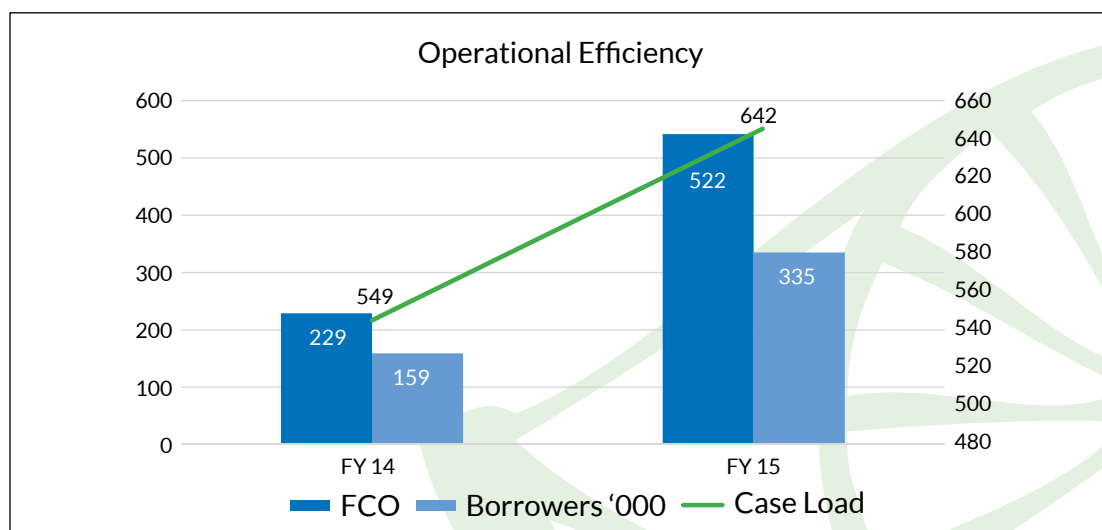
Annappurna: Performance at a Glance

Odisha vis-à-vis other states



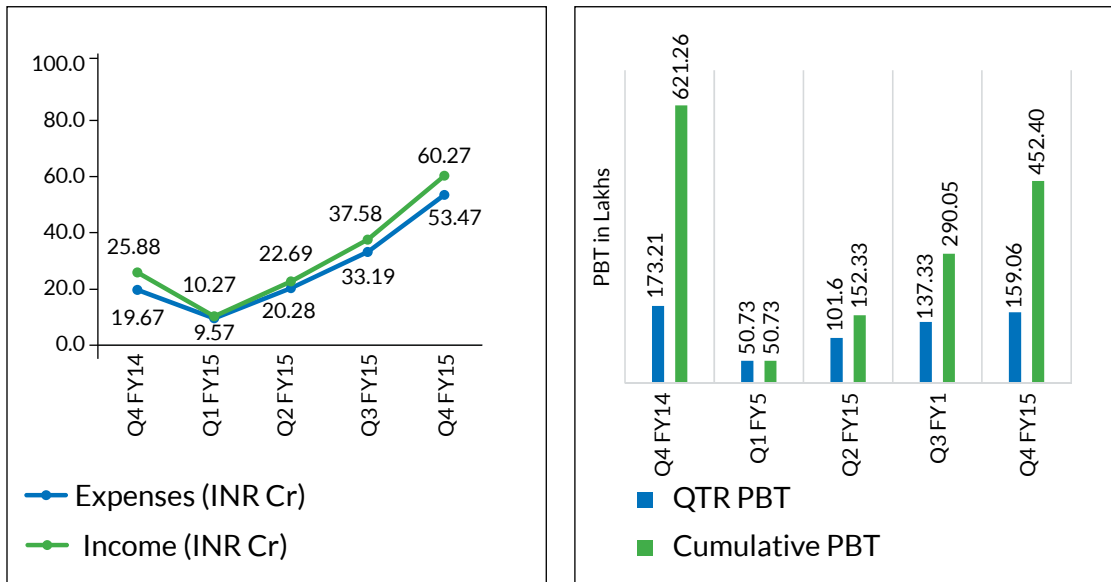
Indicators	As on 31.03.15	YoY % change	As on 31.03.15	YoY % change	As on 31.03.15	YoY % change
	Industry		Odisha		AMPL	
Branches	10553	8%	575	11%	116	115%
Employees	80097	20%	3866	24%	912	113%
Clients (in '000)	30500	29%	1673	14%	335	111%
GLP (in Cr)	40138	61%	1930	76%	398.22	134%
Loan Disbursed (in Cr)	3.34	37%	2752	184%	450.67	152%

As an ambitious financial year, the Company showed tremendous growth in terms of operational outreach. 61 new branches were opened in the year and there was an increase of 111% in the client base. As the Company expanded its operations, many employees joined the mission of the Company to serve the underserved. The Company almost doubled its employee strength to 912 as on March 15 as compared to previous year.



Business Efficiency

Profitability

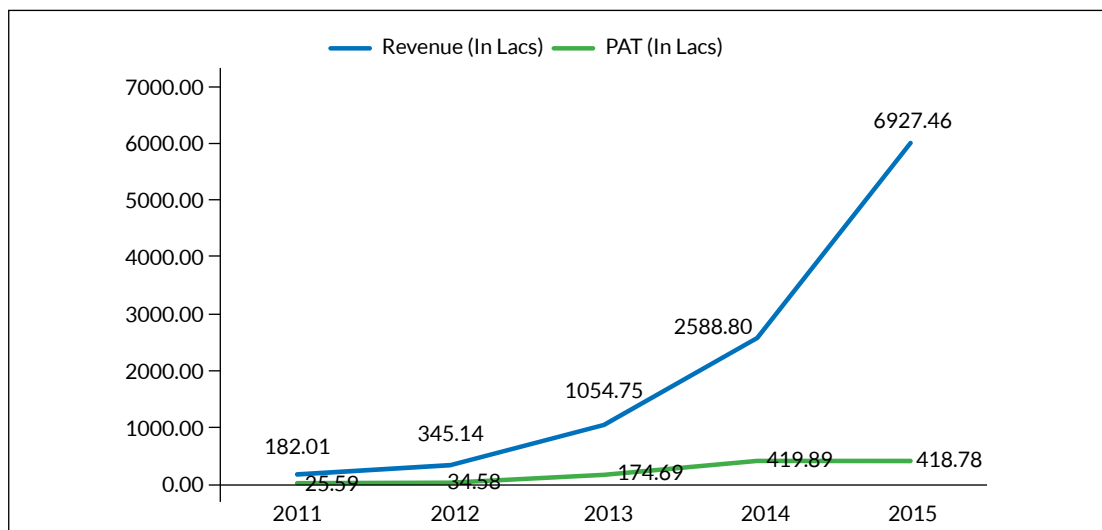


The growth in asset size and member base also got reflected in the income as a positive enabler whereas the expenses also took an upward turn in a proportionate manner. The income grew by 132.88% and the expenses grew by 182% over the last financial year which shows a significant growth in our operations. The income of the Company has attained a quarterly average growth of 46.65% whereas the growth for expenses is 46.33% as the Company expanded to four new states in the financial year to fuel its growth.

The margin between the income and expenses kept widening over the year as a result of scalability of operations. PBT stood at Rs. 565.54 lakhs (including MSOP Provision of Rs. 113.14 lakhs) in FY 15. The decrease in profitability is due to the changes in accounting treatments along with addition of some non-cash expenditures (MSOP) in the profit and loss account.

Apart from the above mentioned expenditure, the Company has also invested largely in expanding its operations. The Company expanded to four new states of Bihar, Jharkhand, and Maharashtra and MP during the FY 15 with an increase of its employee base to 912 in FY 15 from 429 in FY 14.

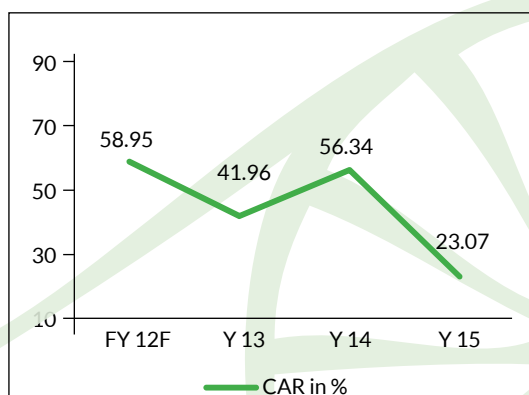
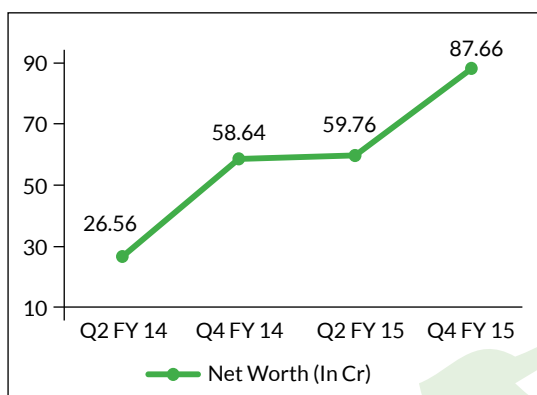
Thus with huge expenditure made towards fueling the expansion plan and changes in accounting treatment, the Company has registered a low PAT. With the scalability of operations and increased yield from newly opened branches, bottom line of the Company is expected to improve in the current year.



The Company increased its income by 133% annually over the previous year. The total income stood at Rs. 6027.46 lakhs in FY 15. As the Company expanded its outreach across four new states during the year, the total expenses grew by 182% annually. A brief explanation has been mentioned for the same above.

Fund Management

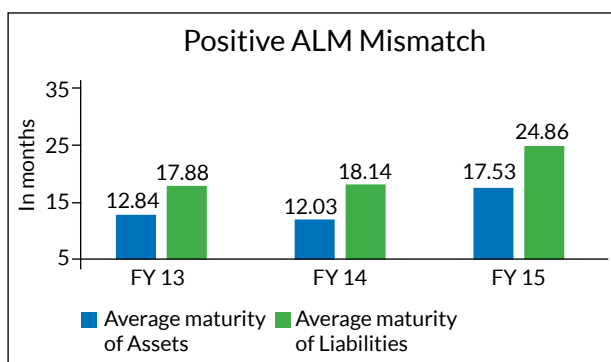
Growth in Net Worth and CRAR



The net worth of the Company registered a growth of about 50% over the previous financial year. With the infusion of capital of Rs. 25 Cr from SIDBI Venture Capital Ltd. (Samridhi Fund), the closing figure for Net Worth reached Rs.87.66 Cr in FY 15 from Rs. 58.64 Cr at the end of FY 14. The paid-up capital witnessed a growth of 51.22% whereas reserve and surplus grew by more than 134% which shows the efficient utilization of funds. The Company had started leveraging its equity to raise debt for powering its operations due to which CRAR experienced a dip in FY 15. It is well above the minimum required RBI rate of 15%.The CRAR % shows that the Company is in a better position to leverage its equity to raise funds.



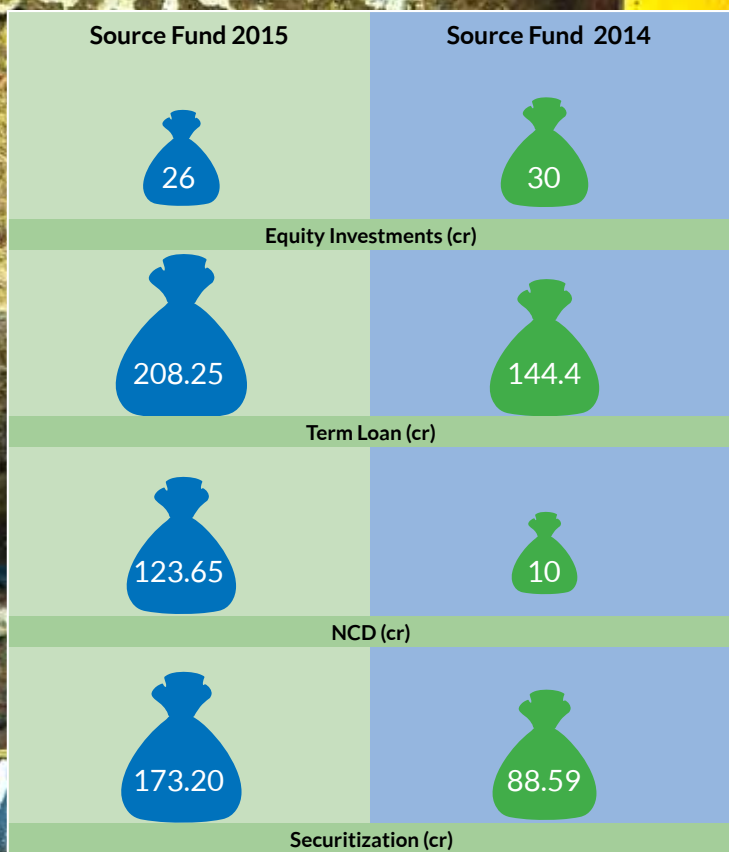
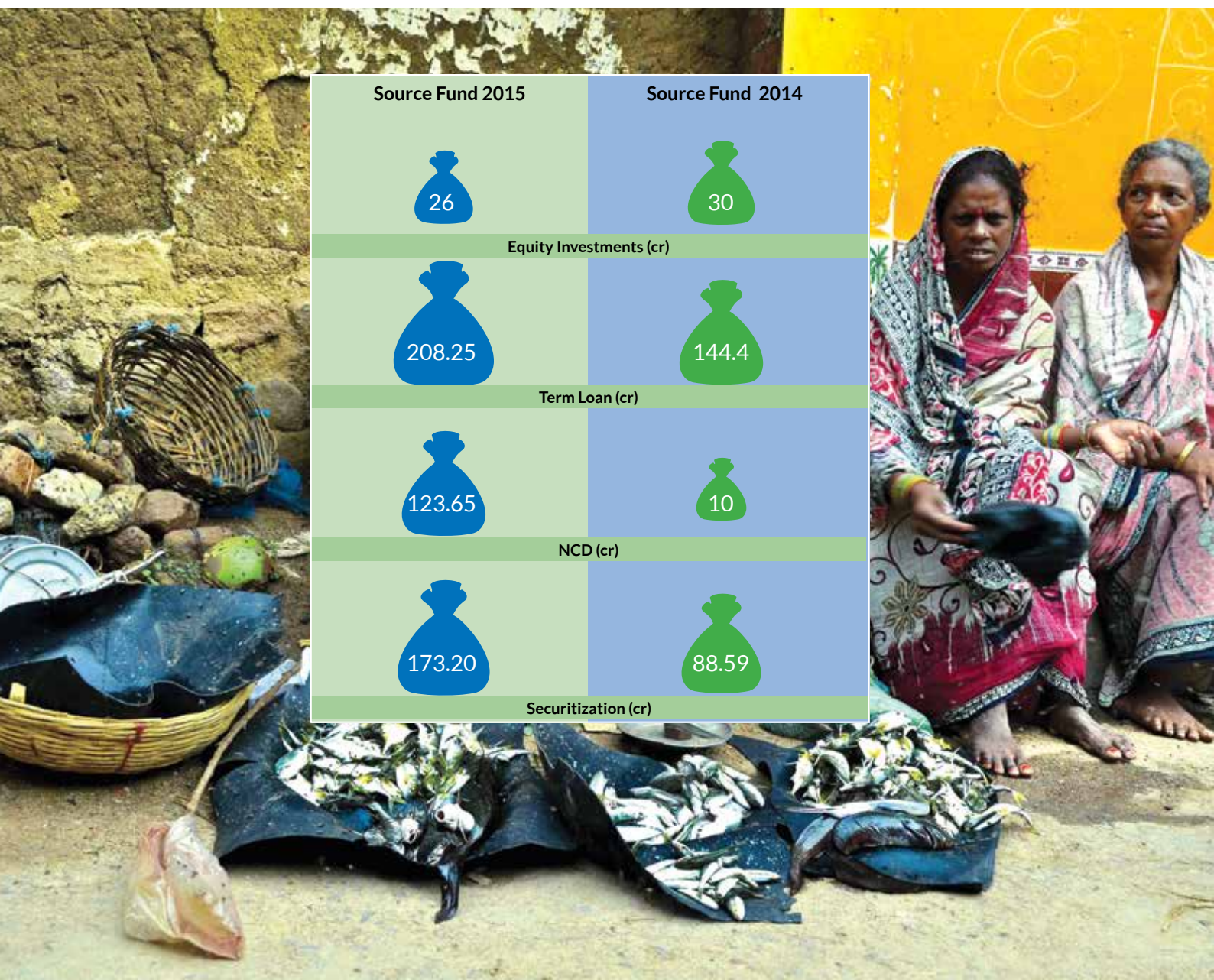
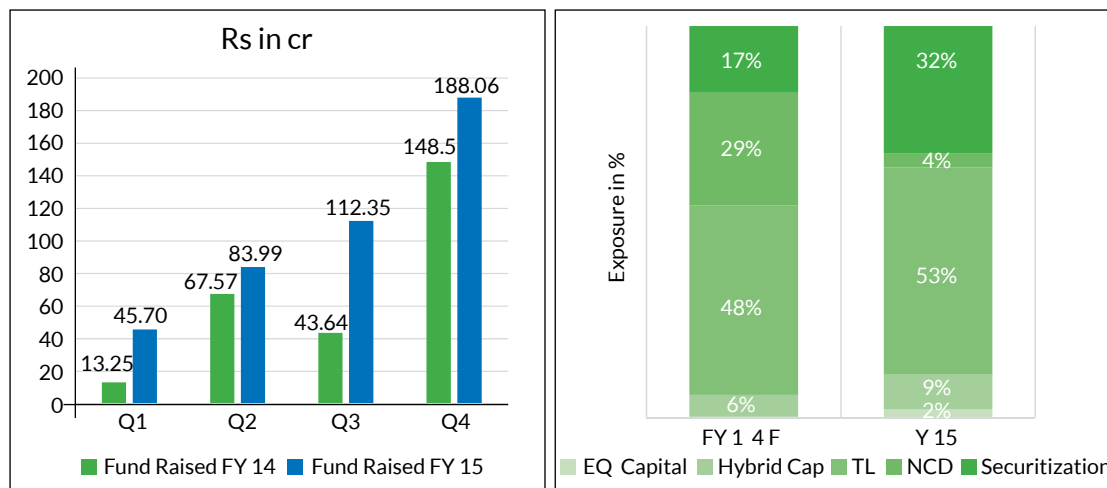
Asset Liability Mismatch (ALM)



The ALM situation of the Company has improved from the previous year with longer maturity period of both assets and liability. This year, the Company raised mainly long term funds. A significant chunk of its funding came from NCDs amounting to Rs.123.65 Cr funding 33 % of the total funding of FY 15. The advantage

of this long term funding was passed on to the borrowers and hence the maturity pattern of assets also enhanced.

Quarter on Quarter Fund raised vis-à-vis Previous Year's Performance



Last year the Company saw no dearth in availability of funds and the Company was able to mobilize Rs. 405.10 Cr through various channels registering a growth of 67% in quantum of funds raised. The Company borrowed a total of Rs. 208.25 Cr from various PSB's, Private Sector Banks and FI's. The Company raised Rs. 173.20 Cr through the securitization route.

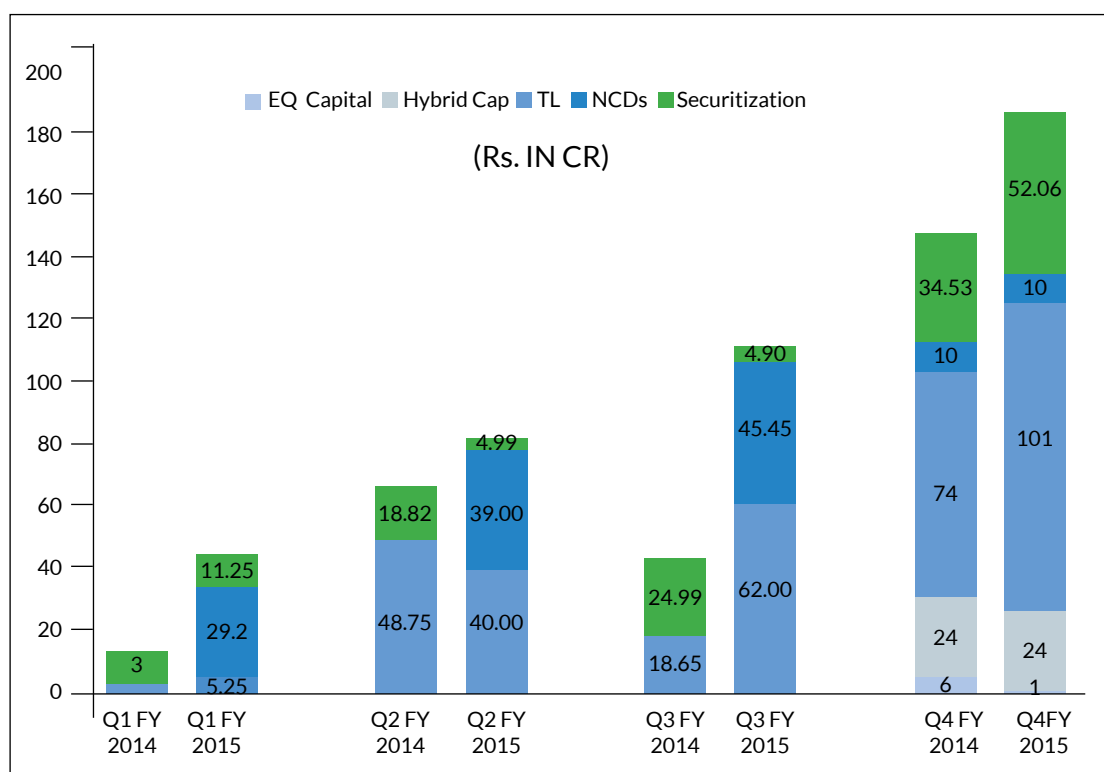
The increase in funding from public banks like SBI, Bank of Baroda, Bharatiya Mahila Bank, Canara Bank, OBC and SIDBI is a healthy sign as these funds have a longer tenure and pose a lower cost burden.

The Company successfully added Bank of Baroda, State Bank of India, Caspian, Axis Bank, Bhartiya Mahila Bank and Yes Bank under its funding partner. The Company expects a healthy funding relationship with them to fulfill the financial inclusion mission. IDBI bank is our biggest lender among banks and IFMR Capital is the largest lender to the Company among the FI's.

During FY15 AMPL scaled up its funding need with six new non-convertible debentures which included the following- Hinduja Leyland Finance, Symbiotic, Blue Orchard and Triodos Investment. The Company raised 124 Cr through NCD route which accounted for 33% of its funding need.



Sources of Finance FY 14 VS FY15



To reduce the dependence on one source of funding, the Company started making initiatives to raise funds from different channels. It successfully closed six NCD transactions at the end of FY 15 worth Rs. 124 Cr. AMPL raised Rs. 25 Cr in a series C round of funding from Samridhi Fund which is managed by SIDBI Venture Capital Ltd., a wholly owned subsidiary of SIDBI and an existing investor in the firm.



Cost of Borrowing

Cost of funding was gradually reduced over the quarters as more and more affordable funding started pouring in. AMPL exploited various means of finance towards the end of the financial year which brought down the overall cost of funding.



Business Performance

Financial Performance

	2014(A)	2015(A)
Liabilities (in lakhs)		
Equity Capital	1864.48	2619.51
General Reserve & Surplus	1599.48	3746.74
CCD	2400.00	2400.00
Net Worth	5863.96	8766.25
Loan Loss Reserve	98.19	327.56
Term Loan	21391.03	36729.90
Other Liabilities	1807.85	2508.32
Sub Debt	-	-
Total	29131.42	48332.03
Assets (In Lacs)		
Net Fixed Assets	85.99	213.50
Microcredit Loans Extended	17039.24	32756.48
Current Assets	8863.36	11672.66
Investments/FD	3142.83	3689.39
Total	29131.42	48332.03

Operational Performance

Particulars	2014(A)	2015(A)
No. of Borrowers	1,58,684	3,35,449
No. of Districts	26	63
No. of Villages	5214	10209
No. of Branches	54	116
Disbursement (in Cr)	179.21	450.67
Gross Loan Portfolio (in Cr)	170.39	398.22
Equity Infusion (During the year) (in Cr)	30.00	25.00
Cash Accrual (in Cr)	4.19	3.05



20

AMPL is projecting to grow its Assets under Management even further. To achieve this ambitious target the Company needs to streamline its financial and operational functions in order to make sure that funds are raised and utilized efficiently throughout the year. The Company plans to reach different categories of funders and sources which will ensure longer tenure and low cost funding.

Capital Gearing

The debt equity ratio at the end of FY 15 stood at 4.16 which indicated the infusion of more equity in order to expand into newer geographies and products. With the sector recovering from the AP crisis, the investor sentiment is getting positive towards microfinance institutions which enabled the Company to successfully raise equity amounting to Rs. 25 Cr. This equity provided the required leverage to disburse and generate portfolio amounting to Rs. 398.22 Cr. The Company will utilize the funds to further strengthen its operations across the eastern-central region of the country.

Credit Rating & Grading of Annapurna

Rating- ICRA has upgraded the rating from BBB- to BBB on May 25 2015. ICRA's MFI grading is a current opinion on the ability of a MFI to conduct its operations in a scalable and sustainable manner. The outlook on the long term rating has been revised from positive to stable.

Grading- CARE ratings assigned a grading of 'MFI 2' to AMPL on September 11 2014. The grading was assigned on an 8 point scale with 'MFI 1' being the highest and 'MFI 5' being the lowest.

Debt Listing Details

Company Registration Details	U52234OR1986PTC015931
Debt Securities Listing (non-convertible debentures)	F Group Debt listed with Bombay Stock Exchange (BSE Limited)
Debenture Trustee	GDA Trusteeship Limited
Depository	NSDL & CDSL
Rating Agency	ICRA Limited & CARE
Registrars and Transfer Agents for Equity Shares and NCD	Sharepro Services (India) Private Limited
Advisory Group	IFMR Capital Finance Private Limited





Shri Kapilnath SHG (Sujata Rout)

Someone has rightly said, “*Luck is when preparation and opportunity meet.*” This statement is rightly justified when we meet Sujata Rout living in the JhintiSasan village in Khurda district of Odisha. Sujata Rout aged 55 lives with her husband and two children.

She is a very industrious woman who prepares toys for children and sells them in the nearby market. Her husband is a laborer who spends all his day working on other fields as they do not have their own piece of land.

Life was really difficult, during those days when they hardly managed to meet both ends, remembers Sujata. But when her final preparation met the opportunity provided by Annapurna Microfinance, her days changed. She availed the opportunity by forming Shri Kapilnath SHG by taking a loan in the first cycle from Balipatna branch. She invested it judiciously to expand her small business and succeeded. Then she took a loan of Rs 20,000 in the second cycle and increased her market reach significantly. Now she not only stands as a client of Annapurna along with other SHG members but as a vibrant example of someone who has the power to change their own luck, their own fate.

Business Correspondence



Business Correspondence

Significance

With the objective of ensuring greater financial inclusion and increasing the client outreach by offering a bouquet of products to increase customer engagement and enhance customer loyalty, Annapurna has decided to serve as Business Correspondent. Banks bring trust and robustness whereas Annapurna brings low cost access to financial services, by using the various technology platforms and other customer centric products to unbanked population. With products such as savings, remittances, and pension being offered to both existing and new customer bases, by using client relationships and business infrastructure, it has become more cost effective thus bridging the gap between formal financial services and unbanked rural marginalized people, which has resulted in increase in customer value and satisfaction. Annapurna is projecting to expand its BC operation by collaborating with nationalized and leading development banks for contributing towards the betterment of poor.

Objectives

- Providing branch less banking available at the door step to masses at the base of the pyramid.
- Reaching scale and offering an array of financial and non-financial products to achieve sustainability.
- Maintaining unique selling proposition through convenience and accessibility.

Business Position

Particulars	IDBI	DCB
Total Branches	4	7
No. of District Cover	3	5
No. of Villages	73	132
Total SHG Disbursed	206	421
Active Clients	1,688	4,631
Loan Disbursement (INR)	27394000	71063000
Average Loan Size per SHG	1,82,568	2,23,650
Average Loan Size per client	15,534.5	19,425.8
Total Staff	13	37
Portfolio O/S as 31st MAR (INR)	27,242,130	69,757,788
Average Portfolio per FCO	62,68,167	32,46,793
Average Portfolio per Branch (INR)	94,02,250	1,34,51,000



Our Products





Our Products

With a mission to deliver a wide range of innovative products to serve the needs of the clients, the Company is constantly working towards developing new products, as well as tweaking the existing products as per the consumer preferences. Annapurna still has a majority of its lending in the SHG model. Apart from that, efforts are being made to provide more targeted services to its clients.

The Company has been working on various products in the past years and is ready to launch different new products this year. Annapurna Microfinance, since the last two years is in a growth and expansion stage and registering growth of 20% every quarter (average). With this growth and presence of other big players in the market, the rural market has started to become saturated, because access of financial assistance has started to evolve for rural people. In short, the financial needs of people are changing with time.

Annapurna is currently working with several organisations such as Water.org, FINISH, V-Shesh, Eureka Forbes, Onergy, etc. for marketing, technical assistance product disbursement and other related services.

Annapurna also conducts several field level activities for client's skill enhancement such as mason training, awareness campaign such as health and hygiene related, business development related etc. The activities are done as per demand, time, location and preference. The Company keeps on evaluating new possibilities with priority of business and societal development.

Micro-Credit (Group Lending)

Particulars	Agricultural Crops	Agri-equipment financing	Agri Allied	Micro Enterprise	Handicraft and Handloom
Activities included	Cultivation of different crops like paddy, sugarcane, mushroom	Bullock and Bullock cart, threshers, tractor, power tiller, Paddy reaper, water pumpset	Dairy farming, poultry, goat farming, piggery, fishery, etc.	For small business including farm and non-farm enterprises	Weaving cotton sarees, bamboo products, coir production, brass work, etc.
1st Cycle	8000 - 15000	8000 - 14000	8000 - 15000	8000 - 15000	8000 - 12000
2nd Cycle	15000 - 40000	15000 - 40000	15000 - 40000	15000 - 50000	13000 - 40000
Tenure	12-36 Months	12-36 Months	12-36 Months	12-36 Months	12-36 Months
Rate of Interest	24-26% Reducing	24-26% Reducing	24-26% Reducing	24-26% Reducing	24-26% Reducing
Processing fees	1% on loan amount	1% on loan amount	1% on loan amount	1% on loan amount	1% on loan amount
Insurance	Rs. 5.50 in every Rs.1000 of loan for 1 year (as per insurance co.)	Rs. 5.50 in every Rs.1000 of loan for 1 year (as per insurance co.)	Rs. 5.50 in every Rs.1000 of loan for 1 year (as per insurance co.)	Rs. 5.50 in every Rs.1000 of loan for 1 year (as per insurance co.)	Rs. 5.50 in every Rs.1000 of loan for 1 year (as per insurance co.)
Frequency	Fortnightly/ Monthly (as per borrowers' choice)	Fortnightly/ Monthly (as per borrowers' choice)	Fortnightly/ Monthly (as per borrowers' choice)	Fortnightly/ Monthly (as per borrowers' choice)	Fortnightly/ Monthly (as per borrowers' choice)



SWASTH (Safe Water and Sanitation to Households)

Product	SWASTH (Safe Water and Sanitation to Households) Loan
Description	Loan for building and developing water and safe sanitation facilities (which includes- individual hand bore well, individual water connection from Public Water System, new toilet and renovation of toilet).
Purpose	To meet the cost of infrastructure of the safe water and sanitation measures.
Target Clients	The individuals who don't have safe water and sanitation facilities and are willing to build or develop these facilities. The individual should be a member of an SHG of Annapurna/People's Forum.

Single Pit – Rs. 10000 to 15000
 Double Pit – Rs. 15000 to 20000
 Septic Tank – Rs. 20000 to 25000
 Rate of Interest: 22% Reducing
 Tenure - 18 to 24 Months



Construction of Toilets

Loan Size:Rs. 5000 to 15000
 Rate of Interest: 22% reducing
 Tenure - 12 to 18 Months





Access to safe water Water Purifier

Loan Size: Rs. 2000 to 15000
Rate of Interest : 22% reducing
Tenure - 12 to 18 months

Loan Size: Rs. 10000 to 15000
Rate of Interest: 22% reducing
Tenure - 18 to 24 months



Annapurna Student Education Loan

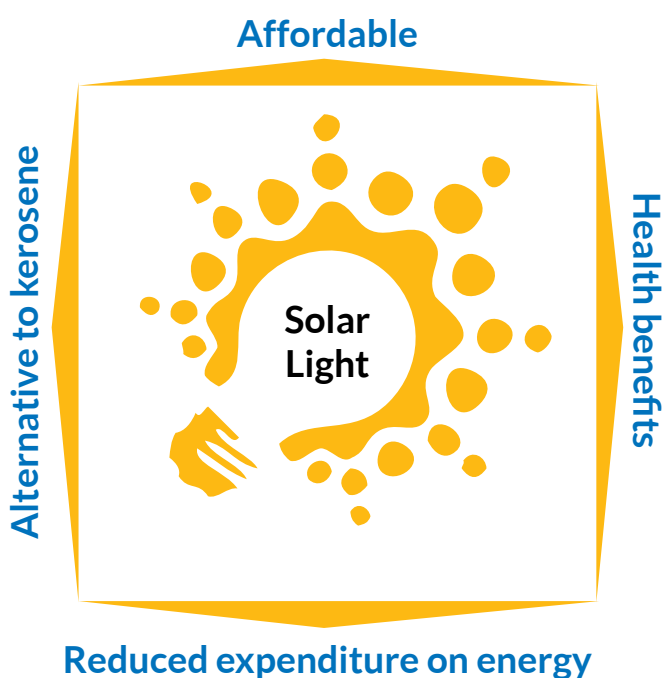
The product aims at providing financial services to the students who aspire to have a secured career in future by pursuing a professional course. **Annapurna Student Education Loan** promises to meet the financial needs for short term job oriented courses like MSW, Pharmacy, Nursing, Vocational, Banking and many other courses.

Features of Annapurna Students Education Loan

Criteria	Specifications
Loan size	Up to Rs.1,00,000
Loan term	12-36 months
Interest rate	18% reducing
Grace period	1 month, maximum 6 months
Courses	Lasting from 6 months to 2 years
Loan disbursement	Through DD/Cheque
Loan repayment	Monthly

Solar Home Lighting Systems

With the vision to eliminate gloom and ensure progress not only financially but also in each and every aspect of the daily lifestyle of people, Annapurna launched its Solar Lighting Product. Illuminating homes along with lives as studying, cooking and other day to day activities was made easier through solar light. The product in its initial phases was launched in the town of Phulbani in Kandhamal district.



Product specifications are as follows:

Purpose	Specification
Interest	18%
Processing Fee	1%
Insurance	Rs. 5.5 per thousand per year
Loan Size	Up to 80% of the product cost

Apart from the larger home lighting systems, Annapurna is planning to come up with low cost small solar lamps and torches, to serve the needs of very low income clients, and the need for small portable lights in rural households.



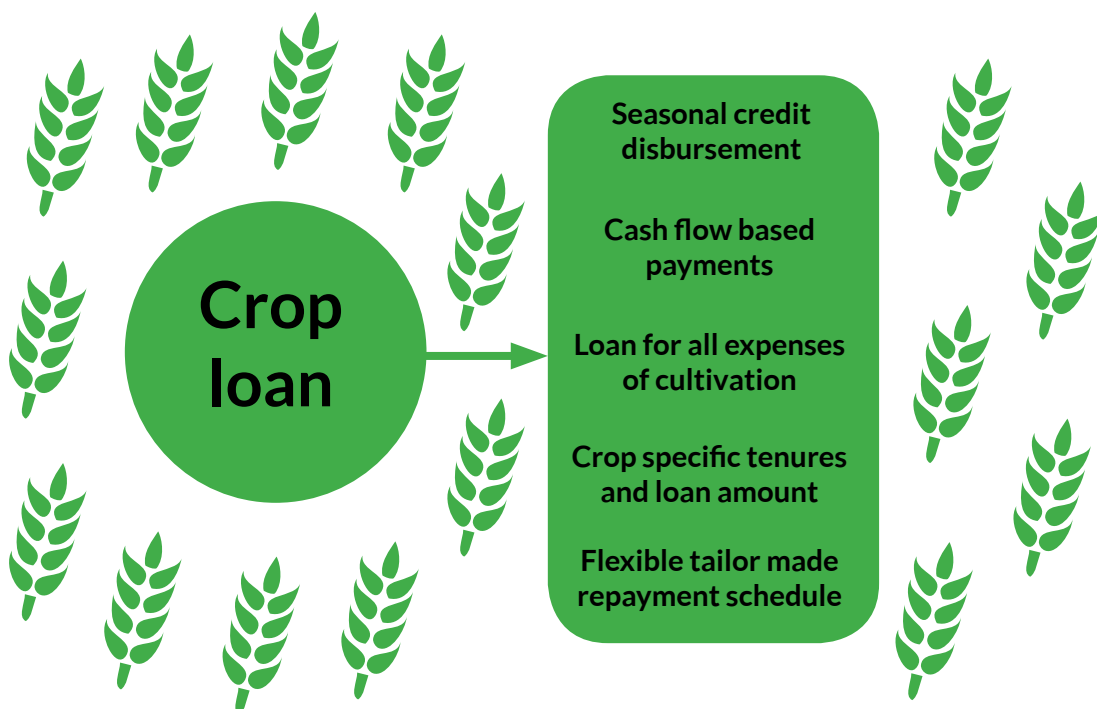
Upcoming Products

Crop Loans

An agriculture cash flow based product, this will specifically cater to the needs of farmers. The cash flow of agriculture practitioners is seasonal, rather than weekly or monthly. To serve these people in the rural areas, Annapurna has decided to come a with crop loan. Funded by Hivos, Annapurna has started with the development of this product with the help of Enclude solutions and is set to be launched in July 2015.

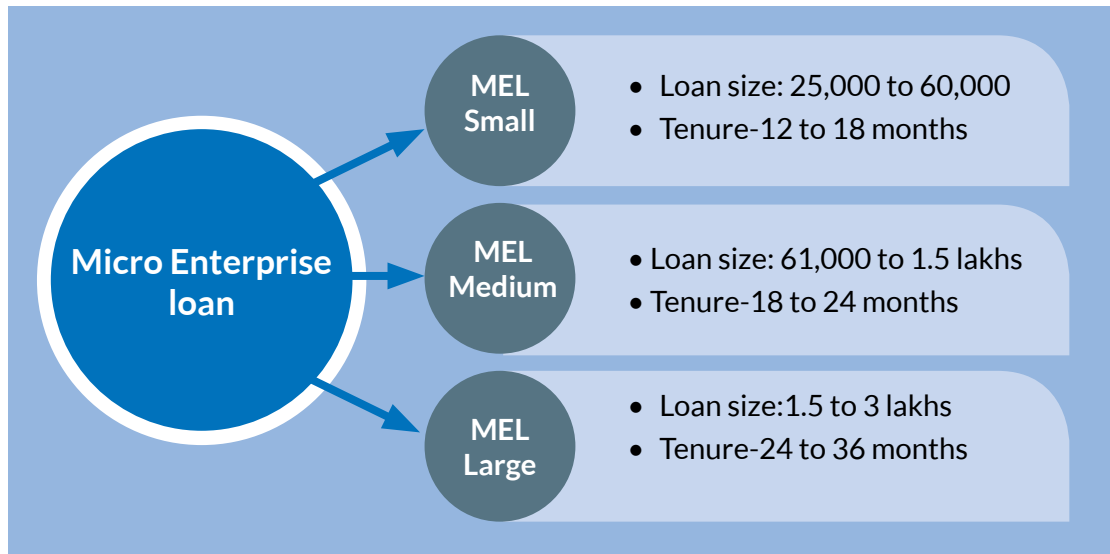


31



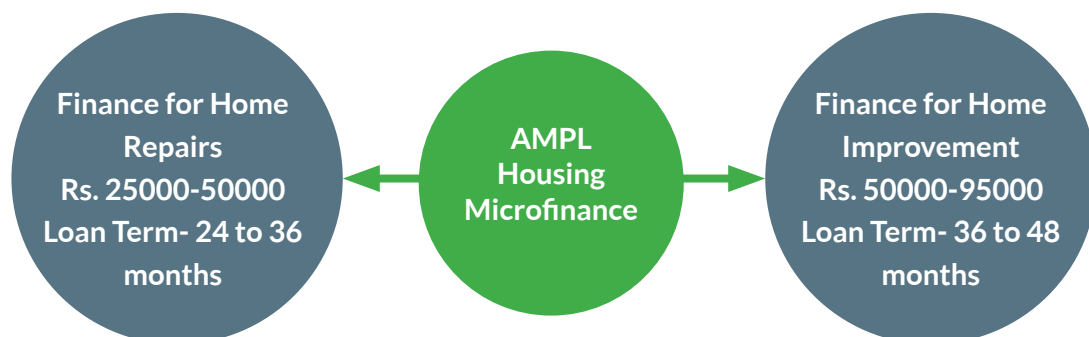
Micro Enterprise loan

Small businesses and enterprises, mostly unregistered and in rural India, suffer from a great deal of indebtedness and are subject to exploitation in the credit market through high interest rates and lack of convenient access to credit. Annapurna, by providing Micro Enterprise Loan will expand its product range as the clients who have reached the maximum limit of SHG (Self Help Group) Loan or people looking for start-up business will be able to avail this loan, individually or in a group.



Home Improvement Loan

Housing is one of the basic requirements for human survival. The objective of this loan is to help repair/up gradation of housing units of existing member's households by providing them with credit. It could be utilized for renovation of existing houses or upgrading a *kuccha* house to a *pukka* one, for improvement of their kitchen i.e. installing new improved kitchen equipment, modern cooking base, which is fuel efficient, smoke free, healthy for clean environment and more convenient to use.



Credit Department



Credit Department

Significance

Credit department in AMPL is uniquely placed and is responsible for taking all sorts of credit related decisions. The department has proper systems and mechanisms in place to monitor and control evident risk prone events in the portfolio of the Company. While lending in the SHG model, there are several internal and external policies and guidelines in place to avoid any delinquency in the portfolio of the Company.

A vast team of young and experienced appraisal officers visit clients' residences and cross verify all the details and analyze their repayment patterns.

As the organization is working in a dynamic environment, we at Annapurna are constantly engaged in monitoring and revising our lending policy as per the norms of external regulators.

While working on SHG lending model, we at Annapurna are governed by the guidelines of NABARD, MFIN and RBI.

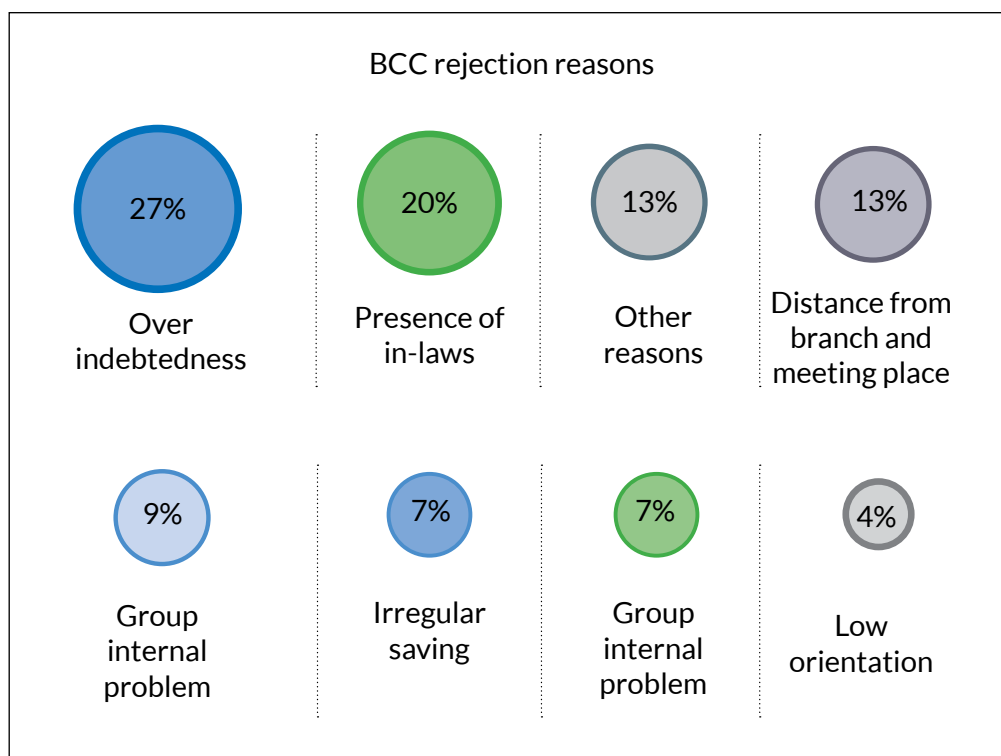
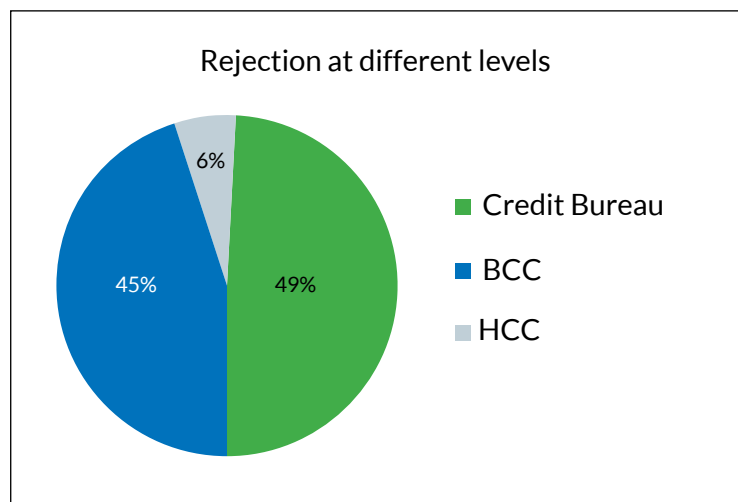
Strategic Interventions

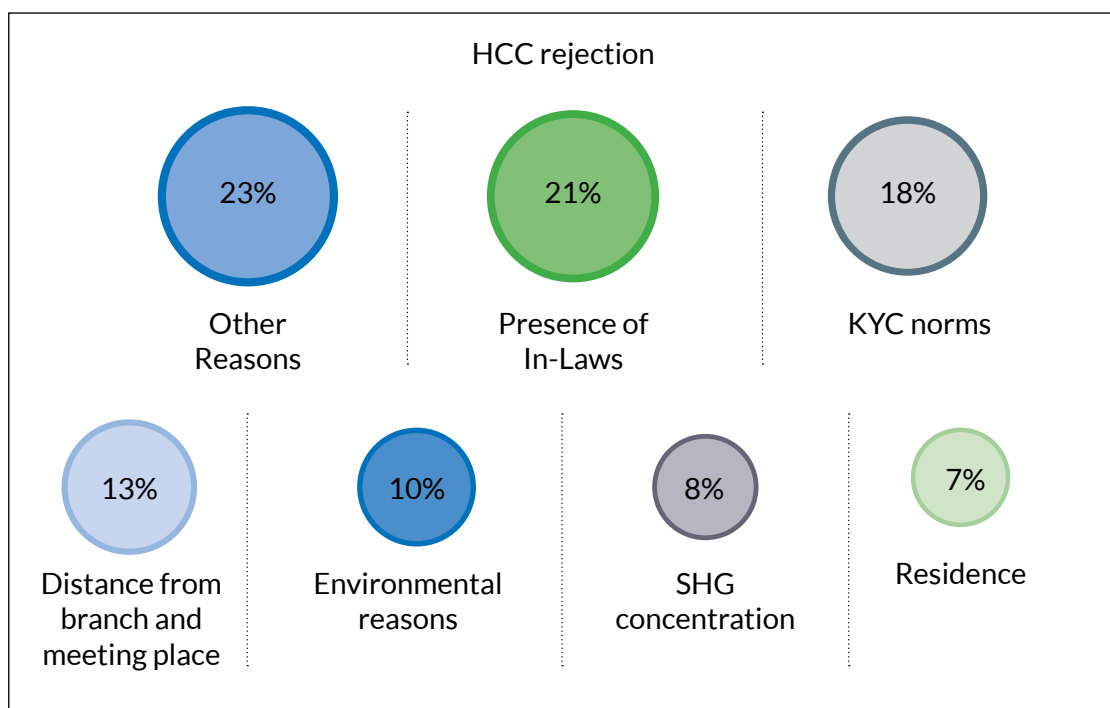
During the year, the department has adopted various strategic changes in its process to smoothen the appraisal process at various levels.

Introduction of Android Project for the purpose of appraisal	Formation of regional appraisal team	Team expansion across various geographies	Reinforcement of environmental policy for sustainable and responsible lending
The Company has successfully launched the appraisal process through Android phone on pilot basis in states like Odisha and Bihar, and subsequently planning to expand it across different geographies	This year we have also formed regional appraisal team, to smoothen and improve the quality in the appraisal process	This year we have successfully recruited people from states like MP & Maharashtra to cater appraisal process in different zones	This year, few of AMPL loan proposals have been rejected as per norms of IFC exclusion list. Any livelihood activity prone to any environmental risk or hazard have been rejected both at BCC and HCC level



The whole appraisal process has three check points i.e. Credit Bureau Check, BCC (Branch Level Credit Committee) and HCC (Head-office Credit Committee). All loan proposals are sanctioned finally at Head-office level. Most of the loan proposals are rejected at Branch level, primarily due to multiple lending, over-indebtedness and presence of in-laws from same family.





As the Company is a rural focused MFI, so apart from multi-loan and over-indebtedness, many groups are rejected due to loan concentration at household level and group distance from branch.

At HCC level, loan proposals are rejected primarily due to other reasons like irregular savings, incomplete process, etc. Besides this, many loan proposals are rejected due to wrong or incomplete KYC compliance as guided by MFIN. Some loan proposals are rejected at HCC level due to violation of IFC exclusion list.

Risk Management



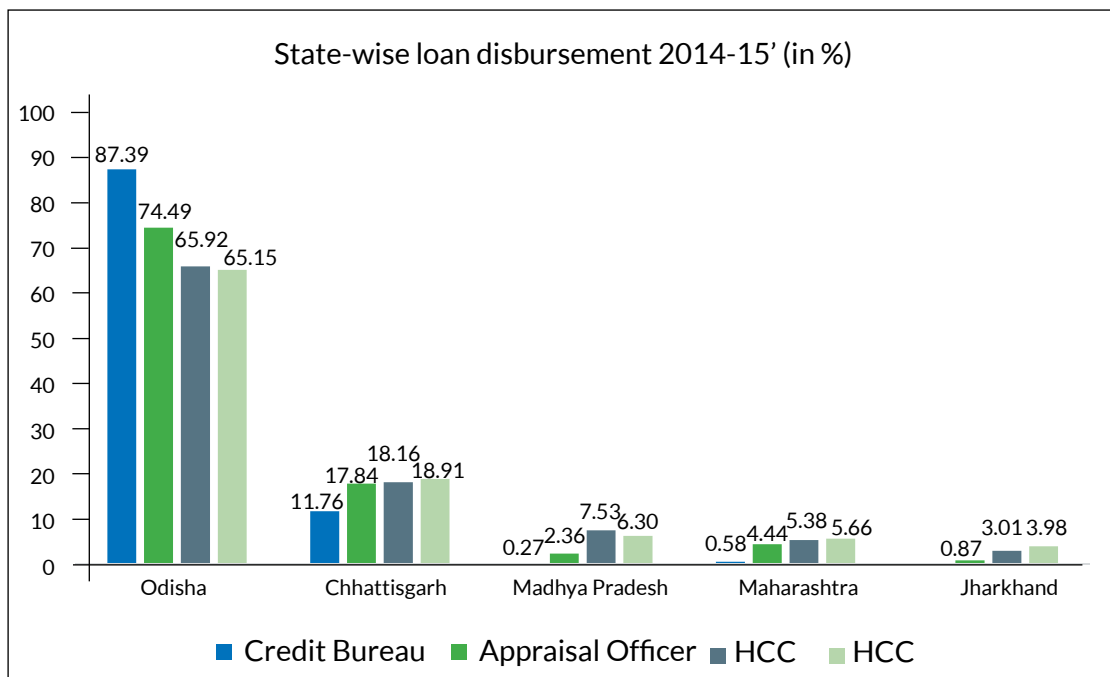
Risk Management

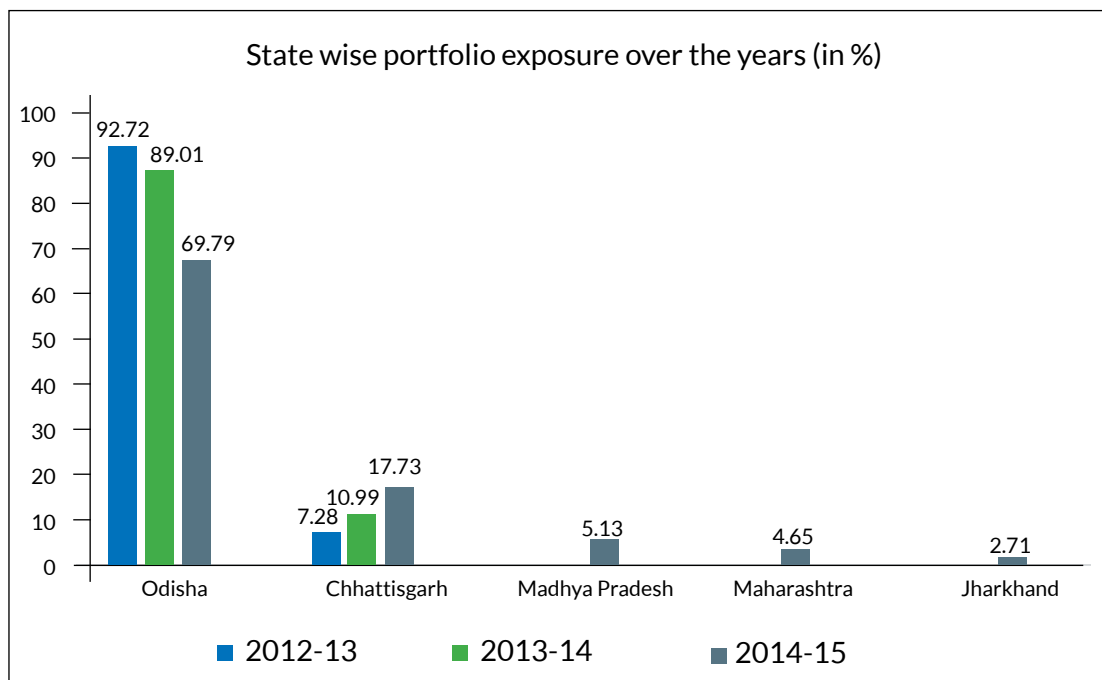
The Company has been undertaking a proactive approach to procedural, legal and regulatory compliance related to its products and processes, and has accepted best practices in risk management as an integral part of all policies and procedures that guide its activities. The risk management guidelines stipulate systematic identification, assessment, measurement and monitoring of the risk events, in the areas of – Strategic, Credit, Operational, Finance, Social performance and External Risks.

The Company has been keen in providing regular training to its middle and senior management team for inculcating a healthy risk management culture in all departments. A Risk Management Committee was created as a platform for discussion towards formulating risk control strategies for the identified risk in all departments, and for monitoring the status. The board level Audit Committee has been overseeing the progress in this regard and the Company is now planning to have a separate board level Risk Committee to address those issues, considering the importance of risk management.

Geographic Concentration Risk

The Company has committed to limit its GLP exposure in a single state below 40% of its total GLP within the next two years and has succeeded in reducing its GLP presence in Odisha state from 90% to 70% in the last financial year. The entry into new states and control measures in new branch openings and loan disbursement has helped in reducing the geographic concentration risk.





Client Retention

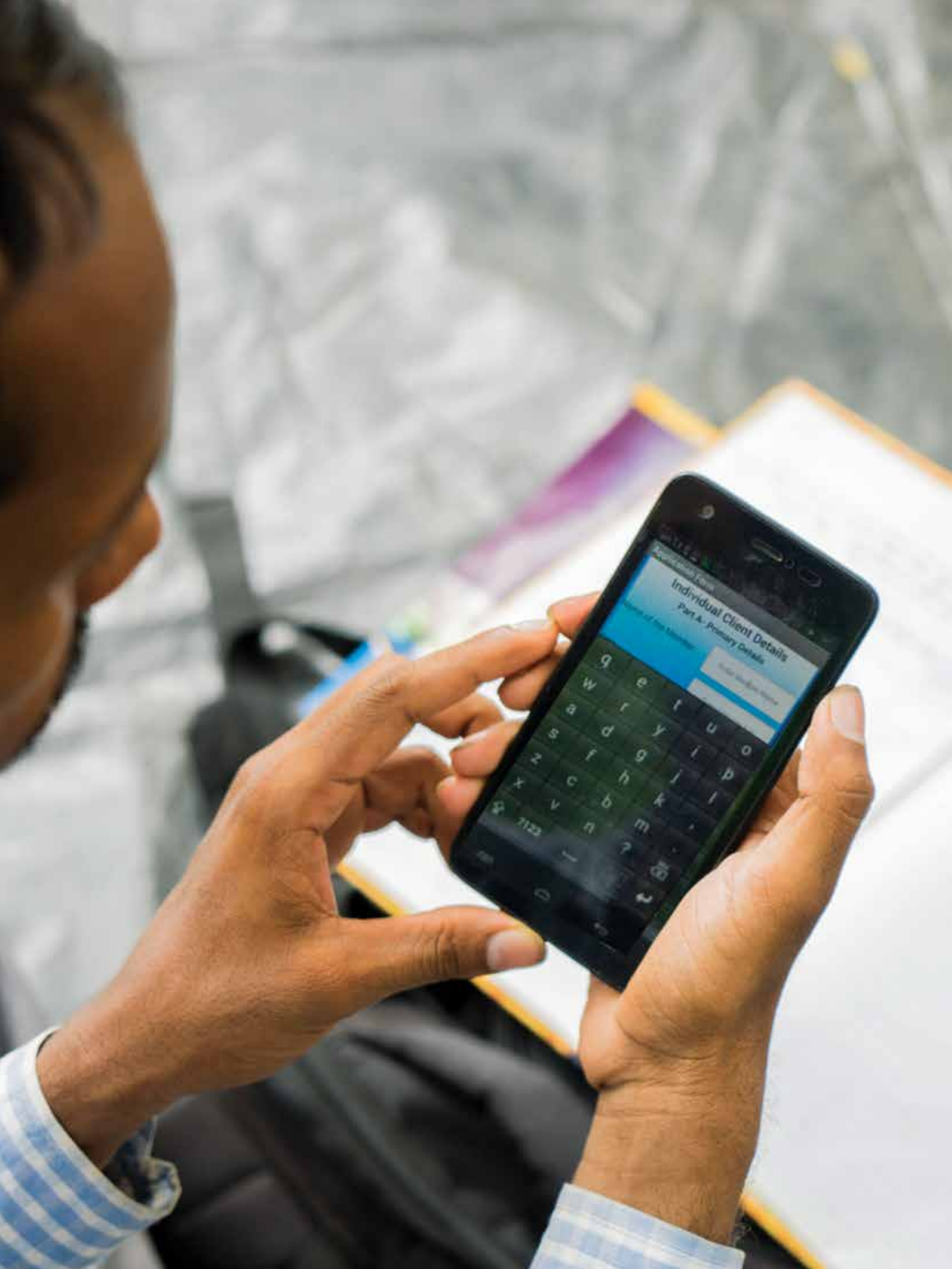
The Company believes in maintaining long term sustainable relationship with its clients. The Company relates client drop out to dissatisfaction with goods and services offered with respect to the market standards, so attrition rate is considered as the reflection of its relationship with the clients.

Backed by customer friendly policies and strong social performance management the Company has achieved a healthy client retention rate of 92.53% in the financial year.

IFC Risk Management Project

AMPL has come to an agreement with *International Financial Corporation* for taking the risk management practice to an advanced level to deal with the evolving risk scenarios in the MFI industry. The program will enable the Company in using sophisticated tools and techniques to robustly monitor and control its risks.





Information Technology and MIS



Information Technology and MIS

In order to continuously improve its efficiency, Annapurna keeps upgrading itself in the realms of technology. The desktop version of the software FIMO has been successfully upgraded across all branches by its online version e-FIMO, enabling the field staff to access the software from even the most remote locations. e-FIMO has provided the MIS team with better monitoring and control options and also has rectified many drawbacks of its earlier version that enhanced the efficiency of decision making and overall processes.

AMPL completed the successful pilot phase of the Android application and was able to implement it across 15 of its branches in the states of Odisha, Maharashtra and Bihar. With the pilot now successful, AMPL aims to cover at least 80% of its entire portfolio by the end of next year so as to provide complete automation of the process.

How it Works?

The process allows Field Credit Officers to fill in the application form through the Smartphone app, which AMPL has co-developed with JAYAM solutions. This data filled can be directly uploaded to AMPL's MIS software, i.e. e-FIMO. The subsequent processes including the Branch Manager Rating and Appraisal also take place through the Android application, thereby reducing the amount of time taken between loan application and disbursement. Under ideal circumstances, with the Android app, AMPL can disburse a loan within seven days.

Challenges

There were quite a few challenges that AMPL faced while implementing the Android app. One of them was working with limitations on electricity and Internet connection. AMPL made sure that the Wi-Fi connection was provided at branches where the Android app was implemented while providing GPRS connection to staff where the same could not be allotted. Since there was a huge possibility of weak Internet connectivity in some areas, the Android app was designed in a way so as to be able to store data in an off-line mode. This gave the Field Officers the flexibility to store data in the absence of Internet connection and upload it as soon as the same was available.

Another challenge that AMPL faced was the lack of familiarity with tech devices for Field Officers and some Branch Managers. Although it took some time getting used to, after a methodical hand-holding process incorporated with constant training and demos, the Field Officers and Branch Managers were finally able to get a hang of the process and the handheld devices.

AMPL aims to implement various other technological interventions in the future. With the vision to use Smartphones officially as a part of the Company's overall strategy, AMPL hopes to provide faster and more effective connectivity to all the employees.



Human Resource Management



Human Resource Management

Annapurna has always recognized the ability of its field staff as the key towards the organization's success. As projected, during FY15, Annapurna continued to show tremendous growth, giving the management greater motivation to provide ample opportunity for enhancing the potential and investing in the growth and development of its people. In accordance with the geographical expansion of the organization, streamlining processes across states while maintaining transparency were the key focus areas for FY 14-15.

The Company has a manpower strength of 912 employees working across the Corporate Office, Regional Offices and Branch Offices. With a growth rate of 100%, the Company continues its efforts in manpower addition while ensuring the quality of the same. The Company is dedicatedly working to support its vision through talent acquisition with a targeted growth rate of 100% for the next financial year.

The Company has sourced talent for various management and leadership positions, adding to the team like-minded and enthusiastic individuals from various development oriented institutes like IIFM, XISS, IRM, EDII, KIIT and XIMJ. The Company has also participated in various job fairs and has conducted recruitments across states for expansion of the team in different areas. The goal is to provide best candidates for business needs, ensuring placing people in the right position at the right time. The Company also recognizes the need to capture further analytics surrounding the recruitment efforts to enable it to understand its workforce needs, and the effectiveness of the recruitment strategies.

Working for a microfinance organization requires the field staff to devote a lot of time in remote areas. This also means that field employees have to work at unusual hours and travel constantly from one place to another in a single state or even across states. Therefore being away from the family for extended durations is part and parcel of the job. With that in mind, Annapurna strives to make its employees feel at home as a part of the employee welfare program. Further Annapurna reaches out to the family of such employees catering to their financial needs and taking care of their basic amenities, if required.

Apart from this, Annapurna has different staff welfare schemes, under which the staff can take education loans to pursue higher studies, or Annapurna facilitates low interest bank loans for personal purposes to its staff. Annapurna also sends its staff for different technical courses and trainings to upgrade their skills and for their overall development.



An equal emphasis has been laid on developing leadership among existing middle level management, so that they can successfully implement and drive the expansion and growth of the Company on different levels, and assist in change management as per the Company's future strategy.

Training and Development

Annapurna values its employees as the most important stakeholders of the organization, and hence is committed to train and develop all employees to enhance individual as well as organizational productivity. Accordingly, training and development initiatives in AMPL are driven from strategic plans and designed to work towards meeting the overall goals.



Annapurna has also implemented the Sexual Harassment Policy at Workplace, and has a dedicated women's grievance cell. The Company has conducted training and awareness programmes for all employees to ensure that Annapurna is a safe place to work for women. Apart from that, trainings on inclusion of Persons with Disability and sign language were conducted in collaboration with the Social Performance Team.

Planning for the Year Ahead



Internal Audit



Internal Audit

Introduction

The Internal Audit Department is headed by senior management personnel reporting directly to the Audit Committee of the Board, Managing Director and Chief Executive Officer. Every quarter a summarized report of the issues and findings emerging in different branches is submitted before the Board.

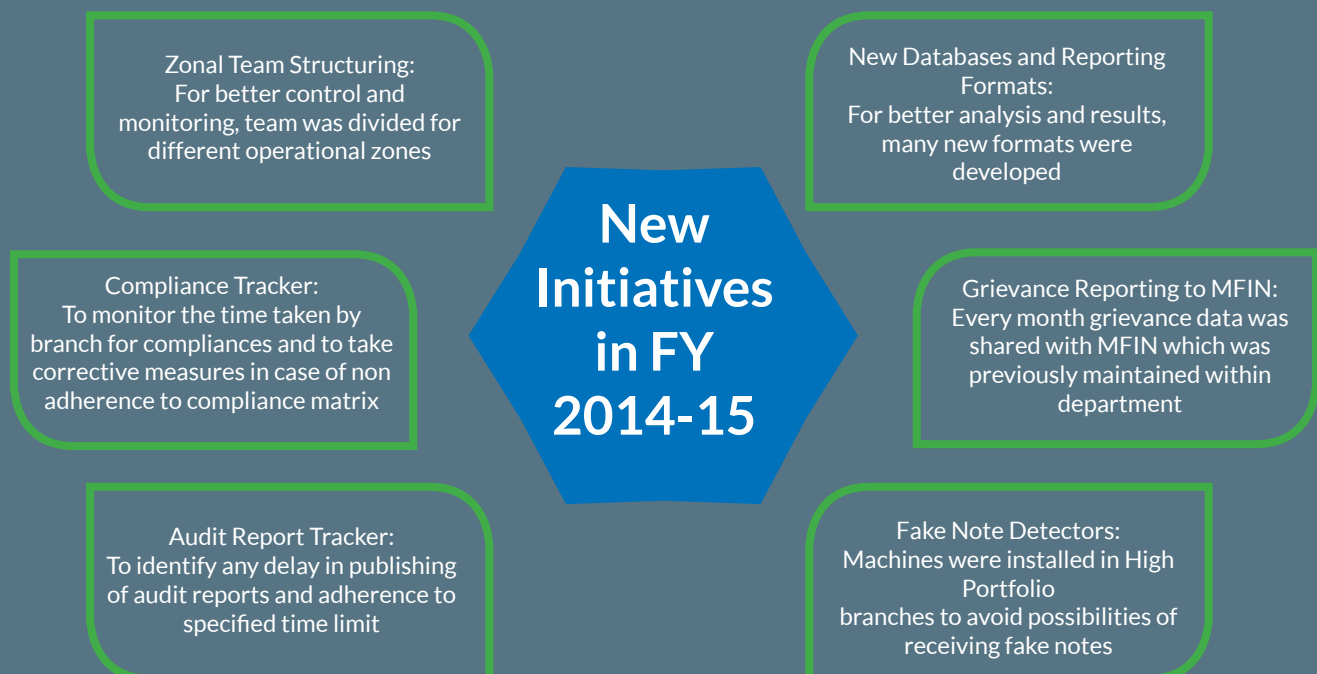
Branch audit is done at all the branches of Annapurna throughout the year while balance confirmation takes place at the end of each financial year in which all the disbursed groups of a branch are physically visited and audited. But from this year the Company has decided to visit 30-40% of the total disbursed on sampling basis. Also loan utilization checks are conducted that indicate how the disbursed money is being put to use by the clients. This entire process strengthens the branch operations, resolves mistakes, meets compliance and addresses the gap of information between customer and the organization.

New Initiatives Taken in this FY 2014-15

In congruence to the rapid expansion of the Company, the Audit department has taken necessary steps to match and strengthen the functioning of the department.



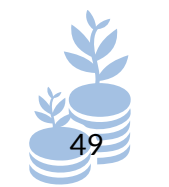
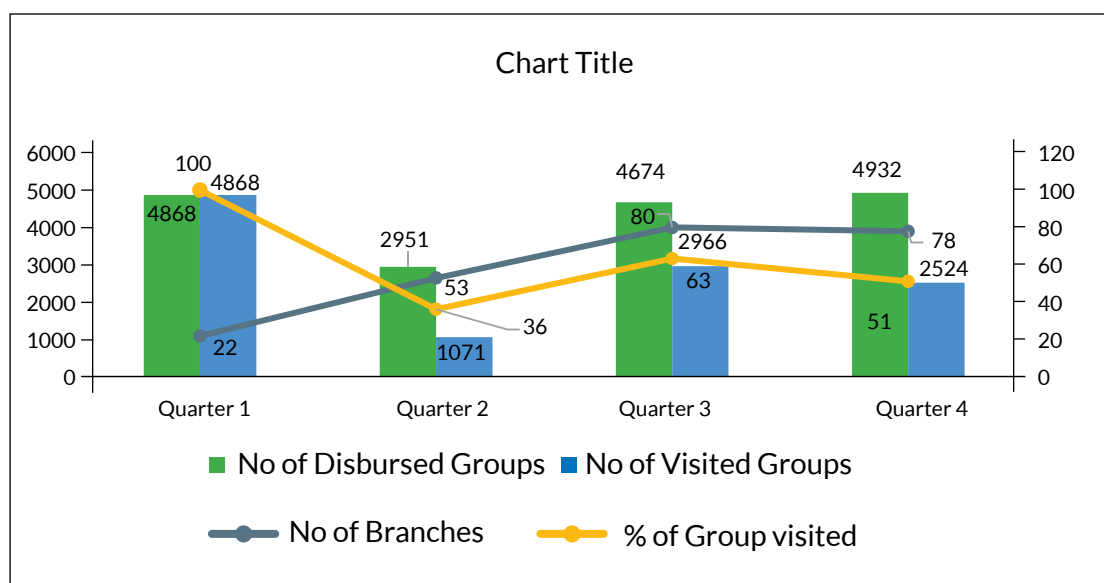
48



Way Forward

- Company is developing a new Audit tool which will be based on checklist selection, minimizing the manual data entry for better results and publishing comprehensive reports in a better manner.
- Company is planning to induct Audit findings of a branch and its compliance level as a component in the Incentive Structure of a branch.
- Audit department will be forming a separate team which will be doing the surprise checks in branches and also on auditors. All the visits would be a one-day surprise visit to check the major compliances and review the work of auditors.

Snapshot of Branch Coverage throughout the Year:



Note: * Quarter 1 shows higher number of groups because of Balance Confirmation whereas in subsequent quarters only branch audit data is represented.

* Quarter 4 displays data with a negative trend because in March, audit was not done hence representing only 2 months audit data.





Pratima Sahoo

Pratima Sahoo, 35 lives in village Naupara district Khurda with her spouse Rakesh Sahoo and three children. She is involved in the handloom business from the past two years and apart from that she lends a helping hand to her spouse who is engaged in farming. Within a short span of time Pratima has gained a balance over her family life and work life. She stood against all odds and was successful in her drive towards overcoming poverty.

Few years back Pratima and her family went through a financial crunch as natural calamity took a toll on their prime source of income. Rakesh couldn't pay off the money that he had borrowed from the local money lender and as a result certain part of his mortgage assets were taken off. She felt as if every door of opportunity was closed for her.

But during her struggling phase her life took a rapid stride with the help of Annapurna Microfinance, which provided her financial assistance to uplift financially and socially. At first she took a loan of Rs. 15000 in group and with the seed investment she purchased a handloom machine worth Rs. 12000. The remaining amount was kept as security money to meet any unforeseen situation. Her business started flourishing, and gradually she started repaying the debts. The monthly working capital incurred for her business is Rs. 1500 whereas the returns from it is three fold i.e. Rs. 4500.

Meanwhile she also contributed a significant portion of returns for purchase of agricultural inputs, as it would provide a big leap to Rakesh. Pratima is confident that with festivities around the door she would be able to earn better returns. She says "AMPL played the role of a catalyst in her life." Now they have a decent standard of living and the dream of providing her children with quality based education will sooner be realized. Pratima says, "AMPL has helped not only financially helped her but also helped her in recognizing her potentiality."

Social Performance Management (SPM)



Social Performance Management (SPM)

Social performance has always been part of AMPL's DNA, but SPM has helped the Company to define its goal and targets more clearly, which has enabled the Company to measure, monitor and evaluate its progress towards these goals more effectively. From the very beginning, the Company was looking for some standard to measure its success in reaching the poorest of the poor women. The Company decided to implement Social Performance Management in accordance with Universal Standards of Social Performance Task Force in the year 2012 when it endorsed Smart Campaign.

In its continued endeavor to work more focused in the area, an SPM Committee was formed at the Board level with immediate setup of a dedicated SPM department at the Head Office. The Company underwent Social Performance Assessment (SPA) conducted by Klus Consultancy and developed an action plan for SPM. Further, the Company adopted Client Protection Principles and underwent Smart Campaign Assessment in the year 2013. The Company formally adopted Code of Conduct of MFIN and Fair Practice Code of RBI. The Company has a well-developed Grievance Redressal Mechanism for its clients. The Company also values its human resource and prioritizes staff welfare, in terms of offering ESIC, PF, Gratuity and Salary Revision.

The Company believes that all players in the sector must really embrace SPM. It provides the framework for how the Company treats its employees and projects itself before the community. In the FY 14-15, the Company has made several initiatives in its process as mentioned in the following page.



Social Performance

Client

Some of the projects undertaken by Annapurna for credit plus activities are as follows:

Credit Plus Activities	No. of Beneficiaries	Brief Description
Livelihood Promotion	100	Candle making training in Dhenkanal district of Odisha
Training/Initiatives	75	Workshop on client rights
Preventive Healthcare Initiatives	300	Health awareness camps on prevention of water borne diseases and observation of World AIDS day
Water & Sanitation Initiatives	11,072	900 health awareness drive was organised in various district of Odisha
Capacity Building Initiatives	98	3 nos. of 3 Days mason training was organized for construction of toilets
Financial Literacy Initiatives	14000	Financial literacy was organised across 5 states, i.e. Odisha, Jharkhand, Maharashtra, M.P., and Chhattisgarh
General Education	20480	Trainings for maintaining SHG register, savings leadership training and awareness related to women issues
Relief Work		To support the disaster affected families in Angul and Cuttack Districts, Odisha

Poverty Profile of Annapurna's Clients:

To measure the outreach, Annapurna has started using Progress out of Poverty Index (PPI) tool. The Company uses the PPI to determine the poverty levels of clients or beneficiaries. Annapurna has started use of this tool in its branches, with the training and implementation done in the month of April 2014, and is available integrated with the Android in all the branches.

The result of PPI data collected for 277037 clients from April 2014 to March 2015 shows that 87% of AMPL clients live below \$2 at Purchasing Power Parity (PPP) (Figure 1). It also shows that 79% of the clients are from the backward community (Figure2).



Table 1: PPI Outreach

PPI Outreach	
Number of States	5
Number of Districts	56
Number of Branches	112
Clients Covered under PPI	277037
Women Clients	100%

Figure 1: Poverty Profile of Clients at \$2PPP

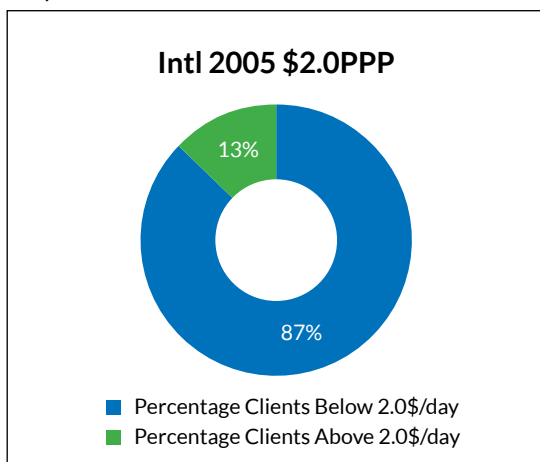
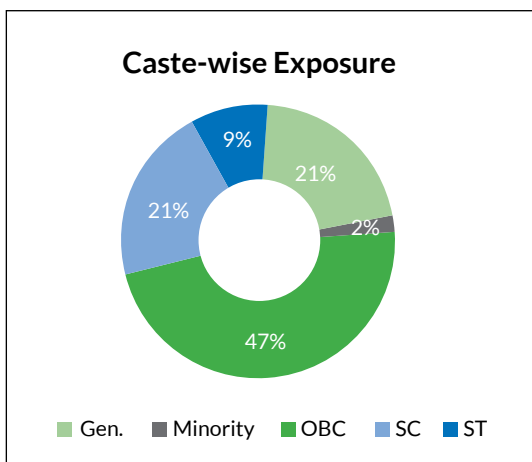
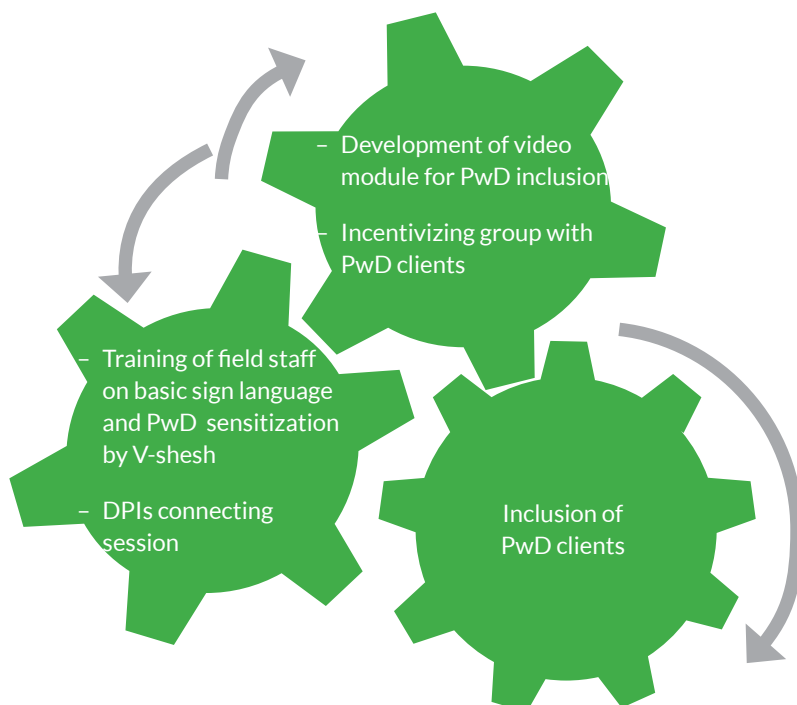


Figure 2: Caste Composition



Exclusive Programme for Person with Disability (PwD) Inclusion:



Initiative	Details	Outcome
Training on Basic Sign Language towards Inclusion of PwD by V-Shesh	V-shesh, which is the Knowledge partner in the intervention, had conducted various trainings on basic sign language for field staff regarding PwD inclusion.	V-shesh has also helped AMPL in recruitment of PwDs as employees. A set of questions have been introduced to identify clients with disabilities.
Video Module for PwD Inclusion	The video explains the SHG formation, group lending, loan terms and processes of Annapurna. This video communicates by three mediums, i.e. audio, video and sign language.	The video has helped in communicating with hearing impaired and visually impaired clients, in addition to our regular clients. To watch the video, please visit https://vimeo.com/120350105
Incentivising Group with PwD Clients	Annapurna has introduced 1% subsidy in interest rate as a poverty reduction initiative for Self Help Group (SHG) having PwD as a member.	This initiative has encouraged employees in the field to motivate SHG members for the inclusion of PwD.
Workshop on PwD Sensitization and Disabled Peoples Institution Connecting Session	<p>The workshop was supported by Accion and V-shesh.</p> <p>The objectives of the workshop were to generate awareness among Field Officers and other staff regarding identification of PwD and how microfinance can contribute in financial inclusion of PwD.</p>	Staff from branches and head office participated in the workshop. In the DPLs connecting session representatives from All Odisha Orthopedically Handicapped Welfare Association; Odisha Association for Blind; Odisha Association for Deaf; and Maa Mangala Yuva Parisad, Delanga participated.





Client Satisfaction Survey 2015

The Company conducted the Annual Client Satisfaction Survey in Odisha and Chhattisgarh. The findings of the study related to the opinion of the respondents and their views about the various attributes of Annapurna. Some of the attributes were highly preferred while in case of others, the respondents desired some changes i.e. to add other features to the attributes, according to their needs and convenience. The monthly repayment schedule which was preferred by the entire population of the respondents was the attribute that helped AMPL to attract customers, as against weekly repayment schedule of majority MFIs in India. Other than the repayment schedule, almost 93% of the respondents were highly satisfied with the staff behavior and expressed more satisfaction on staff behavior and approach. However, few respondents expressed dissatisfaction over the unfriendly behavior of staff in certain circumstances which was very meager in contrast to 98% of them fully satisfied.

Employees

Initiatives	Objectives
Observation of World AIDS Day	To create awareness among employees on HIV transmission, prevention and basic facts
Celebration of Festivals	To create home like ambience at work place
Photography Contest for Employees	To showcase the verve of the women of SHG members by capturing their lives, activities, family etc.
5 Member Women Empowerment Committee at Head Office	To improve individual consciousness towards gender sensitivity, promote culture of respect, ensure that the organisation's workplace is inclusive and empower women to protect and care for themselves
Two-days Training Session on Finance for Non-finance Managers	To help managers understand organisation's financial profile and to increase their active participation in any discussion
Reuse, Reduce, Recycle	To make the office eco-friendly and as an initiative towards Green Environment, employees to sign a resolution to reduce paper usage and carbon footprint



Responsible Lending

Appropriate Product Design & Delivery: As an innovative organisation, endeavours are made to enlarge the product basket to suit the client's requirement. Towards this, it has made changes in loan basket and has launched Solar Home Lighting Systems in December 2014, to meet the need for alternate home lighting systems, and prevent indoor air pollution.

Avoidance of Over Indebtedness: To prevent over indebtedness, Annapurna captures the family's outstanding loans during the house visit by Credit Officer and Branch Manager. Annapurna has been sharing its data with the credit bureaus. It processes loan applications based on the Credit Bureau Report. A dedicated team of appraisal officers conduct rating of the group before disbursement. Loan utilisation check is mandatorily done by the Branch Manager and Audit Officer.

Responsible Pricing

- a. **Transparent Pricing:** Loan terms and conditions including fees are explained verbally during the group formation, nurturing, disbursement, monthly financial literacy training and centre meetings. All these are an integral part of induction training, supervision and regular audit of branch. Interest rate is communicated as a reducing rate. All charges and details of repayment (principle + interest) are printed on the loan pass book for each client.
- b. **Fair Pricing:** Annapurna follows the guideline of RBI for pricing and does not charge penalty for pre-payment.

Transparency:

- i) Annapurna communicates clear, sufficient and timely information in vernacular languages so that the clients are able to understand and take informed decisions.
- ii) The product details, the terms and conditions of loan are communicated at the time of group formation, disbursement, financial literacy training and collection meeting. These are also printed on client's passbooks.
- iii) Insurance rules are clearly communicated.
- iv) Client consent is taken for sharing data with credit bureau or for publishing case study or photographs in website.
- v) Receipt is given for all kind of transactions.

Grievance Redressal Mechanism: Toll free number, 1800345606, is printed on the passbook and is communicated very clearly to all members during nurturing, disbursement, internal auditor's visit, appraisal and financial literacy training. An exclusive board of the toll free number is displayed in each branch. Complaint box is available in each branch where the clients are able to give their suggestions or feedback.



Internal Audit Head is the Grievance Redressal Officer whose number is printed on loan pass book of each client. The GRO escalates the grievances to the concerned department and senior management, if unresolved from his side.

In the FY 14-15, total 96 grievances/queries were received and the average turnaround time was 2-5 days.

Fair and Respectful Treatment of Clients: There is a lot of emphasis on staff behaviour in training. Employees are trained to have a respectable and professional relationship with the clients and to treat the clients fairly and respectfully, without any discrimination. Code of Conduct is shared with each staff during induction and refresher training. The same is displayed in the Head Office and Branch Office in vernacular language.

Appropriate Collection Practice: Annapurna puts lot of emphasis on appropriate collection practice. Fair Practice Code in vernacular language is displayed in each branch and the same is reiterated during induction and refresher training. There is no use of agents, collection and disbursement happen only at centre meetings and there is no collection after sunset and senior officials handle cases where there is problem in repayment.

Privacy of Client Data: Annapurna does not share client information with a third party except to the Credit Bureau without the consent of the borrowers.

Apart from these standard parameters, the organisation conducts COCA and other trainings as mentioned below:

Code of Conduct Assessment:

AMPL underwent Code of Conduct Assessment in the year 2015 conducted by Access Assist where the score had drastically improved from 3.06 in 2013 to 3.44 in 2015 as per the draft report shared.

In FY 2015, Annapurna has achieved a composite CoCAT score of 3.34 with an overall grade of “A”, indicating that the organisation is growing and doing well in most of the components. Within its ambit, the top management and board have been thriving constantly to motivate and encourage staff to adhere to the Code of Conduct in their respective activities. More thrust has been given for client education, staff induction and grievance redressal mechanism. Introduction of PPI tool, product diversification and strengthening of Risk Departments have been some of the key achievements of the organisation in the last couple of years.



Training on Responsible Lending/Fair Business Practices by Nimbus Consultancy:

Annapurna in collaboration with Nimbus Consultancy and SMSL, Cuttack has organised various staff literacy programmes on responsible lending and fair business practices under SIDBI-PSIG initiative.

Refresher Training:

Annapurna has organised regular refresher training for field staff from time to time. In FY 14-15, refresher trainings on Client Protection Principles, Code of Conduct and Fair Practice Code have been organised for resourceful field staff who further shared their knowledge across various levels of field operation.

Way Forward

Social Rating and Client Protection Certification:

To get an external and independent validation of the implementation of the Universal Standards of Social Performance Management at AMPL and get certified on Smart Campaign Client Protection Principles.

Awards in the year 2014-15

Awarded The NCEPD Mphasis Universal Design Awards 2014:

Annapurna was awarded under Category C- Companies/Organisation towards working group for disability inclusive microfinance comprising Accion Technical services Private Limited (Accion) as Leader, Annapurna, Equitas and ESAF as MFI partners and V-shesh as Knowledge partner.

Rising to Dignity Award 2015:

On the occasion of Anti Leprosy Day 2015, Baba Raghunath SHG of Khurda district received the “Rising to Dignity Award 2015” of Sasakawa India Leprosy Foundation (SILF). The group was presented with a trophy and a cash prize of Rs.100, 000. SILF Livelihood program award recipient was selected on the basis of the performance of livelihood initiative in the past four years. This SHG runs its own coir rope production unit. The unit produces 50 kg of coir rope per day with a handsome profit being shared among members of the group.





Naba Bhoi

Naba is a 52-year-old lady from the village Kantasahi of Khurda district and is the featured borrower of MaaLaxmi SHG. She is married and lives with her three children and husband, who is engaged in vegetable cultivation. The earnings of her husband were not sufficient to meet the household expenses, so Naba took the concrete step to start certain kind of income generating business in order to support her family.

Naba being an independent woman is engaged in betel leaf cultivation from last five years. Betel vine has been under cultivation in India for centuries. In fact, no Hindu religious ceremony is complete without *pan* (betel leaves). It is also offered after lunch and dinner and also during other social get togethers. Betel leaves are beneficial to the throat and remove acidity. These leaves help in digestion and tend to remove the bad smell of the mouth. The juice of betel leaves is used as an adjunct to pills administered in the Ayurvedic medicines. In short, betel leaf is one of the grandmother's remedies, prescribed as traditional medicine, by experienced, older members of the family.

Naba has requested for a loan amount of Rs. 22,000 to repair her house and purchase fertilizers, manure and insecticides that will increase her crop's productivity and add up her income and she will be able to have a decent amount of savings that she will use in getting her daughter married in a well settled and reputed house and gift a motor cycle to her son in law.

Report On Corporate Governance



Report On Corporate Governance

Company's Philosophy on Code of Governance

Annapurna firmly believes in and has consistently endeavored to practice good corporate governance. The Company believes that governance principles of the highest standard will enhance its reputation as a growing microfinance institution. It follows a sound governance process, consisting of a combination of best business practices, resulting in enhanced shareholders value and enabling the Company to fulfil its obligations to customers, employees, financiers and to the society in general. The Company further believes that such practices are founded upon the core values of transparency, empowerment, accountability, independent monitoring and environment consciousness. The Company makes its best endeavor to uphold and nurture these core values across all aspects of its operations.

Board Strength & Representation Composition and Category

As per the current policy, the Board consists of an appropriate mix of Executive and Non-executive Directors to maintain the independence of the Board. The Board consists of:

- Two Executive Directors
- Five Non-executive Directors

The composition of Board of Directors is as under:

Name of the Director	Category
Mr. Gobinda Chandra Pattanaik	Managing Director cum Chairman
Mr. Dibyajyoti Pattanaik	Executive Director cum CFO
Mr. Krishna Kumar Tiwary	Independent Director
Mr. Sean Leslie Nossel	Independent Director
Mr. Aditya Bhandari	Nominee Director
Mr. Pradip Kumar Saha	Nominee Director
Mrs. Laetitia Counye	Nominee Director





Notes:

1. None of the Directors of the Company are members in more than 10 Committees nor have acted as Chairperson of more than five Committees across all companies in which they are Directors.
2. None of the Directors hold Directorship in more than 15 companies.
3. None of the Directors has any business relationship with the Company.
4. None of the Directors has received any loans and advances from the Company during the year.

Change in Board

During the year under review, Mrs. Laetitia Counye was appointed as Nominee Director of the Company with effect from 8th October, 2014, representing BIO and accordingly the Company is complying with the requirement of Section 149 (1) of the Companies Act, 2013. Apart from this, there have been no other changes and the Board is duly constituted.



Conduct of Board Procedure

The day-to-day business is conducted by the Executives and the business heads of the Company under the direction of the designated CEO and the supervision of the Board, led by the Chairman. The Board holds a minimum of four meetings every year with due intervals to review and discuss the performance of the Company, its future plans, strategies and other pertinent issues relating to the Company.

The Board performs the following specific functions in addition to overseeing the business and the management:

- Review, monitor and approve major financial and business strategies and corporate actions;
- Assess critical risks facing the Company – review options for their mitigation;
- Provide counsel on the selection, evaluation, development and compensation of senior management;

- Ensure that processes are in place for maintaining the integrity of:
 - a. The Company
 - b. The financial statements
 - c. Compliance with law

Information Supplied to the Board

The Company provides the Board with complete access to all the relevant information. On a regular basis, this information is kept as a part of the agenda papers presented to the Board for meetings well in advance.

- Policy level changes, decisions for review and new policy formulation.
- Annual operating plans for the year, along with the budgets and relevant updates.
- Quarterly results of the Company's business.
- Capital budgets and any updates thereof.
- Minutes of the Meetings of the Audit Committee and other Committees of the Board.
- Information on recruitment and remuneration of senior officers just below the level of Board, including the appointment or removal of Chief Financial Officer and Company Secretary.
- Show-cause, demand, prosecution notices and penalty notices which are materially important.
- Fatal or serious accidents, dangerous occurrences, etc.
- Any material default in financial obligations to and by the Company.
- Non-compliance of any regulatory, statutory nature or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer, etc.



The Board periodically reviews the compliance reports of all laws applicable to the Company as well as steps taken by the Company to rectify instances of non-compliances, if any.

Committees of The Board

Audit Committee

The Audit Committee consists of the following members of the Board:

Mr. Krishna Kumar Tiwary	- Chairman
Mr. Aditya Bhandari	- Member
Mr. Sean Leslie Nossel	- Member

The Committee meets in each quarter to review the audited/un-audited financial statements, oversight of the Company's financial reporting process, reviewing of quarterly financial statements, reviewing the adequacy of internal audit function, reviewing the performance of statutory and internal auditors and adequacy of internal control systems.

This Committee is mandated to put a framework of financial accountability, control and corporate governance, which is commensurate with the size of organization and to ensure that the stipulated policy and process is followed in true letter and spirit. The role of this Committee is to advise the Board and Accounting Officer on these matters, as well as to ensure compliance to relevant covenants. This Committee provides direction to the audit function and monitors the quality of concurrent, internal and statutory audit and monitors any other audits that have been commissioned either by the Company itself, or by other stakeholders (lenders, shareholders, regulators, government etc.) from time to time.



CSR Committee

Till March 31st, 2015, the CSR Committee (the Committee) comprised four (4) Members including one (1) Independent Director:

1. Mr. Dibyajyoti Pattanaik
2. Mr. Gobinda Chandra Pattanaik
3. Mr. Sean Leslie Nossel
4. Mr. Pradeep Kumar Saha

The CSR Committee is solely responsible for the formulation, implementation and monitoring of CSR activities in compliance with CSR objectives and policy of the Company. It reports to the Board, at least on an annual basis, the status of the CSR projects/activities undertaken by the Company along with the impact created by such projects/activities. The Committee is responsible for CSR Policy implementation and monitoring thereof, in true letter and spirit and to comply with the CSR objectives. The Committee ensures steady progress and proper utilization of CSR amount and periodic field visits by the persons deputed by the Company.

Nomination & Remuneration Committee

The Company formed a Nomination and Remuneration Committee in June 2014. It was decided that the Committee shall meet once in a year.

The following is the scope of work for the Committee:

- To identify persons who are qualified to become Directors and who may be appointed in senior management in accordance with the criteria laid down, recommend to the Board their appointment and removal and carry out evaluation of every Director's performance.
- To formulate the criteria for determining qualifications, positive attributes and independence of a Director and recommend to the Board a policy relating to the remuneration for the Directors, key managerial personnel and other employees.
- To ensure that the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate Directors of the quality required to run the Company successfully.
- To ensure relationship of remuneration to performance is clear and meets appropriate performance benchmarks.
- To ensure remuneration to Directors, key managerial personnel and senior management involves a balance between fixed and incentive pay, reflecting short and long-term performance objectives appropriate to the working of the Company and its goals.



The following members of the Board have been nominated as members of the Committee:

1. Mr. Krishna Kumar Tiwary
2. Mr. Sean Leslie Nossel
3. Mr. Pradip Kumar Saha
4. Mr. Gobinda Chandra Pattanaik

Management Discussion and Analysis

The recent RBI circular dated April 08, 2015 on NBFC-MFI and the change in regulations, gave a new perspective for growth to the Microfinance sector. In addition to that, the priority sector lending guidelines of RBI again reenergized the growth of the sector. RBI, in order to broaden its scope and outreach, extended the total indebtedness limit of borrower to Rs. 100,000, and the eligibility to be defined as qualifying asset of loan disbursed by an NBFC-MFI to a borrower with a rural household annual income not exceeding Rs. 1,00,000 or urban and semi-urban household income not exceeding Rs. 1,60,000. Also, now, only 50% of the total loans given by an NBFC MFI should be for income generation, as compared to 70% previously. The aforementioned changes in the regulations have opened up a lot of opportunities for the MFI's. This change calls for a revised approach to serve our customers, with a diverse range of products that are now possible, to serve the needs of our different clients. The increase in the total indebtedness would also allow to serve the needs of micro enterprises and small businesses. This change also calls for a need of products to serve any other needs of the clients apart from income generation.



The Company is working in the poorest districts of the country and is expanding its operations in alignment to its social mission. Moving towards a clear goal, the Company's performance is appreciable and it has succeeded to diversify its operations in to new states and reduce its exposure in Odisha. The Company took initiatives to diversify its operation in the states of Maharashtra, Madhya Pradesh, Chhattisgarh and Jharkhand. On June 24, 2014 RBI reviewed the existing guidelines on the appointment of Business Correspondents (BCs), and permitted banks to engage Non-deposit taking Non-Banking Financial Companies (NBFC-NDs) as BCs, subject to certain conditions. The Company also started its BC operations in Odisha and Chhattisgarh, and will be expanding it to different districts.

The Company has accepted best practices in risk management as an integral part of all policies and procedures that guide its activities. The risk management guidelines stipulate systematic identification, assessment, measurement and monitoring of the risk events, in the areas of – Strategic, Credit, Operational, Finance, Social performance and External Risks.

Management discussion and analysis: continued

A Risk Management Committee was created as a platform for discussion towards formulating risk control strategies for the identified risk in all departments, and for monitoring the status.

The Company has come to an agreement with International Financial Corporation for taking the risk management practice to an advanced level to deal with the evolving risk scenarios in the MFI industry.

The Company has committed to limit its GLP exposure in a single state below 40% of its total GLP within the next two years and has succeeded in reducing its GLP presence in Odisha state from 90% to 70% in the last financial year.

The presence of a separate credit department for loan appraisal, thereby differentiating the loan origination and loan underwriting source along with strong policies and continuous staff training, has helped the Company in maintaining a low portfolio at risk.

Backed by customer friendly policies and strong social performance management the Company has achieved a healthy client retention rate of 93.9% in the financial year. The Company is on the verge of acquiring GIS based operations monitoring system for identification of client base, proper implementation of new products and delinquency trend analysis. The system will help in effective management of its human resource and operation.

The Company has extensively used Information Technology across all departments, and adopted to Android based mobile application for the entire process from the client from boarding till disbursement. This has reduced the turnaround time for the loan application processing by live integration with information systems, while greatly reducing the cost of paper in operations. The Company has worked with third party vendors for the development and application of this technology.



The Human Resource department has been decentralised from this year onwards. Keeping in mind the increased HR requirements after entering different states, each zone now has its own HR manager, responsible for the requirements of that zone.

In keeping with the continuous requirement of training for staff due to continuous recruitment drives, introduction of new products, implementation of better client protection measures, and reinforcement of Code of Conduct and Grievance Redressal Mechanism, a dedicated department for Training has been formed. This team will be in charge of all the training needs across the organisation.

The Company is continuously working with new products, and is coming up with Crop Loan and Micro Enterprise Loan to serve the needs of the rural population. The recent changes in the regulations would fit in well with these products, as far as the loan size and utilisation is concerned. The Company has also started providing its clients with loan for solar home lighting systems, to meet the needs of people in energy deprived areas. In the coming year, the Company plans to come up with many more products as per the needs of its clients.

The Company's Board comprises of experienced investors with socially aligned goals, industry experts and management professionals. The Company believes that it has a strong senior management team to lead it. The senior management team has members who have significant experience in the microfinance and financial services industry. The team is continuously working towards expansion in new areas, increasing the outreach in existing areas and identifying and offering products and services that meet the needs of its members, while maintaining effective risk management and competitive margins. We are dedicatedly working towards developing strong mid-level management personnel having in-depth industry knowledge and expertise.



A photograph of a woman with a long black braid, wearing a yellow shirt and a green shawl, holding a baby. The baby has a black bindi on their forehead and is wearing a white and grey striped shirt. The background is blurred, showing green foliage.

Internal Control Systems and their Adequacy

The Company has a proper and adequate system of internal controls to ensure that all assets are safeguarded and protected against loss from misuse or disposition and that transactions are authorized, recorded and reported correctly.

The internal control is supplemented by an extensive program of internal audits, review by management and documented policies, guidelines and procedures. The internal control is designed to ensure that the financial and other records are reliable for preparing financial statements and other data, and for maintaining accountability of assets.

For and on behalf of the Board
Sd/-
Gobinda Chandra Pattanaik
Managing Director

Date: 26/05/2015
Place: Bhubaneswar

Directors Report



To,

The Members,

Your Directors have pleasure in presenting their Annual Report on the business and operations of the Company and the accounts for the Financial Year ended March 31, 2015.

Year highlights on regulatory and market position of Microfinance & Annapurna.

- a) RBI/2013-14/482DNBS (PD) CC.No.369/03.10.038/2013-14, February 7, 2014- 'Non-Banking Financial Company-Micro Finance Institutions' (NBFC-MFIs) – Directions – Modifications in "Pricing of Credit"

It has been decided by RBI that the interest rates charged by an NBFC-MFI to its borrowers will be the lower of the following:

- The cost of funds plus margin as indicated in the company circular DNBS. (PD)CC.No.300/03.10.38/2012-13 dated August 3, 2012 read with circular DNBS(PD) CC.No.327/03.10.038/2012-13 dated May 31, 2013; or
- The average base rate of the five largest commercial banks by assets multiplied by 2.75.

During the quarter under review, your Company's interest rate was always lower than the average base rate of the five largest commercial banks by assets multiplied by 2.75 and it charged its interest rate based on the cost of funds plus margin. (Margin of 10 %)

- b) Circulars on raising money through private placement of Non-Convertible Debentures (NCDs) by NBFCs- DNBS (PD)CC.No.330/03.10.001/2012-13 dated June 27, 2013 , DNBS (PD)CC.No.349/03.10.001/2013-14 dated July 02, 2013 and RBI /2014-15 /475 DNBR (PD) CC No.021/03.10.001/2014-15, February 20, 2015.

Under the purview of the above circular, your Company has identified a second source of funding in addition to the traditional sources available in the market. Both Reserve Bank of India and the Companies Act, 2013 creates a comfortable environment for the exploration of this option.

- c) In addition to the above, Reserve Bank of India has issued various circulars and notification on Corporate Governance, KYC and prevention of money laundering, Fair Practice Code, appointment of designated Directors, Principal Officer etc. to strengthen the NBFC operation in the country. Your Company is in compliance with all these guidelines as prescribed and applicable to it.



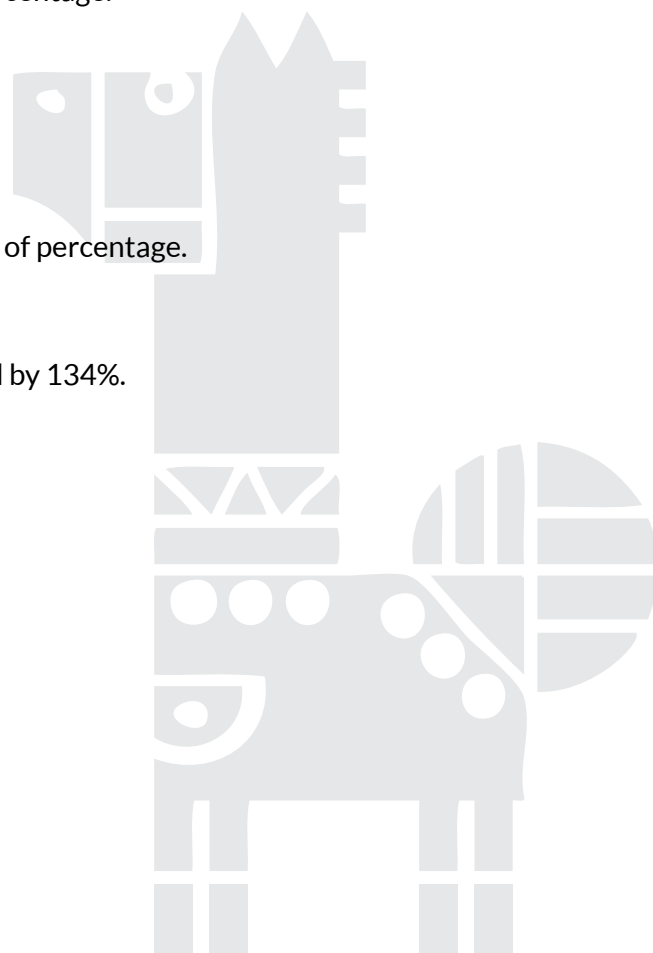
Financial Summary or Highlights/Performance of the Company

The financial performance for FY14-15 is summarized in the following table:

Amount in Cr (Rs.)

Year Ended March, 31	2014	2015
Total Revenue	25.89	60.27
Less: Total Expenditure	19.68	55.75
Profit (Loss) before Tax	6.21	4.52
Profit (Loss) after Tax	4.19	3.05
Surplus Brought Forward	1.86	4.92
Amount Available for Appropriation	6.05	7.97
Appropriation has been made as under :		
Transfer to Statutory Reserve	0.84	0.61
Surplus Carried to Balance Sheet	4.92	7.09
Earnings per Share (EPS)	3.02	1.40
Diluted EPS	1.91	1.35

- Movement of revenue from last year also in percentage growth.
Revenue increased by 34.38 crores and 133% in percentage.
- Movement net profit in amount and percentage.
Net Profit declined by 1.14 crores and it is -27%.
- Growth of net worth in amount and percentage.
Net worth increased by 29 crores and 49% in terms of percentage.
- Movement of reserve and surplus.
Reserves and surplus increased by 21.47 crores and by 134%.



Operational performance for FY14-15 is summarized in the following table:

Year ended March 31	2013-14	2014-15	Percentage change
Number of branches	54	116	115%
Number of members (in lakhs)	2.01	4.02	100%
Number of employees	420	912	113%
Amount disbursed (Rs. in CrI)	179.21	450.67	151%
Portfolio outstanding (Rs. in CrI)	170.39	398.22	134%



1. Dividend

Your Directors feel that it is prudent to plough back the profits for future growth of the Company and do not recommend any dividend for the year ended 31st March, 2015 for the equity shares. Further as per the Company's common shareholders agreement dated 21st November, 2012, your Directors recommend a dividend at the rate of 9% per annum on the preference share held by SIDBI for the year ended 31st March, 2015.

2. Reserves

As per the statutory requirement under Section 45-IC of the Reserve Bank of India Act, 1934 an amount equivalent 20 % of the profit after tax which is Rs. 60,68,196 has been transferred to Special Reserve as required.

3. Brief description of the Company's working during the year/ State of Company's affair

During the year under review, your Company has made progress in its business operation as projected. Now your Company is having a wide operational presence in five states of India i.e. Odisha, Chhattisgarh, Madhya Pradesh, Maharashtra and Jharkhand. Taking forward its social mission, the Company is now able to increase its outreach to wider operational areas for its services. The main focus area is still towards rural penetration and to cater the unbanked population.



Operational decentralization and strengthening to operations internal control was the prime motto for the year.

Apart from this, the Company was also working on different loan products, and plans to come up with specialized products for agriculture and micro enterprises.

4. Change in the nature of business, if any

Since its operation started, the Company's only focus has been on lending to SHG finance and there is no change in the nature of business.

5. Material changes and commitments, if any, affecting the financial position of the Company which have occurred between the end of the financial year of the company to which the financial statements relate and the date of the report

There have been no such material changes that occurred subsequent to the close of the financial year of the Company and the date of this report to which the balance sheet relates like settlement of tax liabilities, operation of patent rights, depression in market value of investments, institution of cases by or against the company, sale or purchase of capital assets or destruction of any assets etc.

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

There have been no significant and material orders passed by the Regulators or Courts or Tribunals which would impact the going concern status and the Company's future operations.

7. Details in respect of adequacy of internal financial controls with reference to the financial statements.

In pursuant to the Section 134(5)(e) of the Companies Act, 2013, the Board has properly laid down its internal financial controls and ensures that the controls are not only adequate but are also operating effectively.

It also ensures the adoption of all policies and procedures for orderly and efficient conduct of its business, including adherence to the Company's policy, the safeguarding of its assets, prevention and detection of fraud and error, the accuracy and completeness of the accounting records and the timely preparation of reliable financial information.

As per Section 177 of the Companies Act, 2013, the Audit Committee of the Company regularly evaluates the internal financial control and risk management system in the Company.

The Company has a separate Risk Committee, consisting of all Non-executive Directors, to oversee the risk management system in the Company.

8. Details of Subsidiary/Joint Ventures/Associate Companies

The Company does not have any subsidiary/joint venture/associate Company during the period review.

9. Deposits

The Company has not received or accepted any deposit and maintained its non-acceptance of public Deposit NBFC status. The financials do not contain any figures that come under the classification of deposits as specified under Chapter V of the Companies Act, 2013.

The Company has issued unsecured Debentures of Rs. 24,00,00,000 in the form of Compulsory Convertible Debenture (CCD) which is mandatorily convertible by June, 2015, and the CCD is exempted and does not fall under deposits.

There is no such unpaid or unclaimed amount as at the end of the year and the Company has not defaulted in payment of interest during the year.



10. Statutory Auditors

The Statutory Auditors of your Company, M/s. S. R. Batliboi & Co, Chartered Accountants, Kolkata, hold office until the conclusion of the ensuing Annual General Meeting. As per the provisions of the Companies Act, 2013, M/s. S. R. Batliboi & Co are eligible to be appointed for a maximum of further period of four years. Certificate from the Auditors has been received to the effect that they are eligible to act as Auditors of the Company under Section 141 of the Companies Act, 2013. The Audit Committee and Board recommends the appointment of M/s. S. R. Batliboi & Co, as Auditors of the Company from the conclusion of the ensuing AGM until the conclusion of the next AGM.

11. Auditors' Report

The observations of the Auditors in their report are self-explanatory and therefore, in the opinion of the Directors, do not call for further comments.

12. Share Capital

A) Issue of equity shares with differential rights

During the financial year, the Company did not issue any equity shares with differential rights.

B) Issue of sweat equity shares

The Company did not issue any sweat equity shares in the financial year under review.

C) Issue of employee stock options

The Company did not issue any employee stock options in the financial year under review.

D) Issue of Common equity Shares

The Company has issued 2,39,923 nos. of ordinary equity shares of face value of Rs. 10 each at a premium of Rs. 31.68 per shares to SIDBI Trustee Company Limited, a subsidiary of Small Industries Development Bank of India. The issue was made through private placement mode.

E) Issue of Compulsory Convertible Debenture

The Company has issued 24,00,000 nos. of Compulsory Convertible Debenture of face value of Rs.100 each at par to SIDBI Trustee Company Limited, a Subsidiary of Small Industries Development Bank of India. The issue was made through private placement mode.

D) Provision of money by Company for purchase of its own shares by employees or by trustees for the benefit of employees

The Company did not make any provision of monies for the purchase of, or subscription for, shares in the Company or its holding company, if the purchase of, or the subscription



for, the shares by trustees is for the shares to be held by or for the benefit of the employees of the Company, So the provision as provided in Rule 16 (4) of Companies (Share Capital and Debentures) Rules, 2014 is not applicable to the Company.

13. Extract of the annual return

An extract of the annual return in Form No. MGT – 9 is annexed herein as **Annexure-1** which form part of this Board's report.

14. Conservation of energy, technology absorption and foreign exchange earnings and outgo

The particulars as required under the provisions of Section 134 of the Companies Act, 2013 in respect of conservation of energy and technology absorption, your Company's operations involve low energy consumption. Wherever possible, energy conservation measures have already been implemented and there are no major areas where further energy conservation measures can be taken.

Foreign Exchange Earnings

Foreign exchange earnings and outgo	Amount in INR
Foreign Exchange earning Inflow	Nil
Foreign Exchange earning Outflow	Nil

15. Corporate Governance

The report on corporate governance separately forms part of this report.

16. Corporate Social Responsibility (CSR)

The disclosures as per Rule 9 of Companies (Corporate Social Responsibility Policy) Rules, 2014 is annexed herein as **Annexure-2**.

17. Information Technology

Your Company is extensively using Information Technology in its operations to monitor and control different activities. Activities like loan processing, Accounts, HR and MIS are technologically driven and obtained from third party providers.



18. Directors

A) Changes in Directors and Key Managerial Personnel

- Mrs. Laetitia Counye was appointed as Nominee Director of the Company with effect from 8th October, 2014, representing BIO
- Mr. Dibyajyoti Pattanaik was appointed as Chief Financial Officer of the Company with effect from 1st March, 2015

B) Declaration by an Independent Director(s) and re-appointment, if any

A declaration by all Independent Director(s) that they meet the criteria of independence as provided in sub-section (6) of Section 149 of the Companies Act, 2013 is enclosed herein as **Annexure-3**.

C) Formal Annual Evaluation

On 6th August, 2014, a Nomination and Remuneration Committee was formed as a sub-committee of the Board. The Board further set a scope of work for the Committee, in which it authorized and laid down the criteria for evaluation of performance of Independent Directors and the Board. It was also decided to carry out the exercise on a yearly basis in the second quarter of each financial year.

19. Number of meetings of the Board of Directors

During the period under review the Board met requisite number of times with due intervals, in compliance with Section 173 of the Companies Act, 2013.

20. Audit Committee

To comply with the requirement of the New Companies Act, 2013 the composition of Audit Committee was re-constituted as follows:

Sl No	Name of Director	Designation
1	Mr. Krishna Kumar Tiwary	Chairman
2	Mr. Aditya Bhandari	Director
3	Mr. Sean Leslie Nossel	Director

There have been no such instances where the Board had not accepted any recommendation of the Audit Committee.



21. Details of establishment of vigil mechanism for directors and employees

The Company's Audit Committee had already adopted a Whistle Blower policy prior to the New Companies Act, to oversee and manage the Directors and employee related concerns and the Vigil Mechanism was duly incorporated in the policy.

22. Nomination and Remuneration Committee

The Company has formed a Nomination and Remuneration Committee on 6th August, 2014 under the membership of the following Directors:

1	Mr. Pradip Kumar Saha	Member
2	Mr. Gobinda Chandra Pattanaik	Member
3	Mr. Sean Leslie Nossel	Member
4	Mr. Krishna Kumar Tiwary	Member

23. Particulars of loans, guarantees or investments under Section 186

The Company is a Non-Banking Financial Companies classified as NBFC-MFI and the principle business of the Company is to provide loan. Hence, Section 186 will not applicable to your Company.

24. Particulars of contracts or arrangements with related parties

During the year under review, the Company did not enter into any transactions that cover under related party as specified in sub-section (1) of Section 188 of the Companies Act, 2013.

25. Managerial Remuneration

Details of the managerial remuneration as required pursuant to Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is given in Annexure I.

26. Secretarial Audit Report

A Secretarial Audit Report given by M/s Gopinath Nayak & Associates, a Company Secretary in practice shall be annexed with the Report.

Explanations or comments on qualification, reservation or adverse remark or disclaimer made by the Company Secretary in practice in the secretarial Audit Report.



SI No	Comments	Response
1	The Company has listed its debt instruments with BSE Limited and is accordingly called a listed company but the CIN No. depicts it as an unlisted company which needs to be rectified.	In actual 'listed company' means a company whose shares were listed in a recognised stock exchange. However, an unlisted company is permitted to list its debt instruments on a recognised stock exchange, but it is not in the true sense of the term a 'listed company' as a company becomes a listed company only after offering its securities to the public by prospectus or otherwise. Through listing of debt instruments it cannot get the status of a full-fledged listed company. Thus, a public offer is an essential requirement for getting securities listed on stock exchanges.
2	FEMA compounding on delay in allotment of shares & submission of FC-GPR	Inadvertently due to the fractional mismatch in the valuation & calculation of shares, the non-compliance was occurred & now it was compounded with the appropriate authority.
3	Disclosure of interest in the subsequent Board Meeting	Though the first Board Meeting was conducted at very short notice and in the very beginning of the financial year the disclosure from Directors could not be noted in that meeting and recorded in the subsequent meeting.



27. Corporate Governance Certificate

The Company's Equity shares are not listed in any stock exchanges and only Non-Convertible Debenture issued by the Company are listed in Bombay Stock Exchange. Hence Clause 49 of the listing agreement is not applicable to your Company.

28. Risk management

The Company has accepted best practices in risk management as an integral part of all policies and procedures that guide its activities. The risk management guidelines stipulate systematic identification, assessment, measurement and monitoring of the risk events, in the areas of – Strategic, Credit, Operational, Finance, Social performance and External Risks.

A Risk Management Committee was created as a platform for discussion towards formulating risk control strategies for the identified risk in all departments, and for monitoring the status.

29. Directors' Responsibility Statement

As per the clause (c) of sub-section (3) of Section 134 of the Companies Act, 2013, the Board of Directors hereby state 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 profit and 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; and had laid down internal financial controls to be followed by the Company, and that such internal financial controls are adequate and were operating effectively.
- e) 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.



30. Acknowledgements

Your Directors would like to express their appreciation for the assistance and cooperation received from the Financial Institutions, banks, Government authorities, customers, vendors, Auditors and members during the year under review. Your Directors also wish to place on record their deep sense of appreciation for the committed services by the Company's executives, staff and workers.

For and on behalf of the Board of Directors

For and on behalf of the Board of Directors

Managing Director

Director

Place: Bhubaneswar

Date: 26th May, 2015

Annexure-1

FORM NO. MGT 9 EXTRACT OF ANNUAL RETURN

As on financial year ended on 31.03.2015

Pursuant to Section 92 (3) of the Companies Act, 2013 and rule 12(1) of the Company (Management & Administration) Rules, 2014.

I. REGISTRATION & OTHER DETAILS:

1.	CIN	U52234OR1986PTC015931
2.	Registration Date	30/04/1986
3.	Name of the Company	Annapurna Microfinance Private Limited
4.	Category/Sub-category of the Company	Company Limited by Shares Indian Non-Government Company Non Deposit Taking- Non-Banking Financial Company- Micro Finance Institution
5.	Address of the Registered office & contact details	HIG-97, Dharma Vihar, Khandagiri, Bhubaneswar-751030, Odisha Mobile No-8280336010, Mail Id- subrat@ampl.net.in
6.	Whether listed company	Listed Company- Debt Instrument listed in Bombay Stock Exchange
7.	Name, Address & contact details of the Registrar & Transfer Agent, if any	Sharepro Services India Private Limited 13 AB Samhita Warehousing Complex, 2nd Floor, Sakinaka Telephone Exchange Lane, Off Andheri-Kurla Road, Sakinaka, Andheri (E) – 400 072 Mumbai.



II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

(All the business activities contributing 10 % or more of the total turnover of the company shall be stated)

S. No.	Name and Description of main products/services	NIC Code of the Product/service	% to total turnover of the company
1	On Lending to SHG Groups	801	100

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATES COMPANY

SN	Name and Address of the Company	CIN/GLN	Holding/ Subsidiary/ Associates	% of Share held	Applicable Section
The Company does not have any holding/subsidiary or Associate Company					

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

i. Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year [As on 31-March-2014]			No. of Shares held at the end of the year [As on 31-March-2015]			% Change during the year
	Physical	Total	% of Total Shares	Physical	Total	% of Total Shares	
A. Promoters							
(1) Indian							
a) Individual/HUF	63,58,931	63,58,931	38.2	63,58,931	63,58,931	26.28	11.92
b) Central Govt	Nil	Nil	Nil	Nil	Nil	Nil	Nil
c) State Govt(s)	Nil	Nil	Nil	Nil	Nil	Nil	Nil
d) Bodies Corp.	Nil	Nil	Nil	Nil	Nil	Nil	Nil
e) Banks / FI	Nil	Nil	Nil	Nil	Nil	Nil	Nil
f) Any other	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Sub Total of (A) (1)	63,58,931	63,58,931	38.2	63,58,931	63,58,931	26.28	11.92
(2) Foreign							
a) NRIs- Individuals	Nil	Nil	Nil	Nil	Nil	Nil	Nil
b) Other- Individuals	Nil	Nil	Nil	Nil	Nil	Nil	Nil



c) Bodies Corp.	Nil	Nil	Nil	Nil	Nil	Nil	Nil
d) Banks/FI	Nil	Nil	Nil	Nil	Nil	Nil	Nil
e) Any Other	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Sub Total of (A) (2)	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Total shareholding of Promoter (A)	63,58,931	63,58,931	38.2	63,58,931	63,58,931	26.28	11.92
(A) (1) +(A) (2)							
B. Public Shareholding							
1. Institutions							
a) Mutual Funds	Nil	Nil	Nil	Nil	Nil	Nil	Nil
b) Banks/FI	10,00,000	10,00,000	6.01	10,00,000	10,00,000	6.01	Nil
c) Central Govt	Nil	Nil	Nil	Nil	Nil	Nil	Nil
d) State Govt(s)	Nil	Nil	Nil	Nil	Nil	Nil	Nil
e) Venture Capital Funds	Nil	Nil	Nil	2,39,923	2,39,923	Nil	0.99
f) Insurance Companies	Nil	Nil	Nil	Nil	Nil	Nil	Nil
g) FIIs							
h) Foreign Venture Capital Funds	Nil	Nil	Nil	Nil	Nil	Nil	Nil
i) Others (specify)	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Sub-total (B)(1):-	10,00,000	10,00,000	6.01	12,39,923	12,39,923	5.12	
2. Non-Institutions							
a) Bodies Corp.	Nil	Nil	Nil	Nil	Nil	Nil	Nil
i) Indian	Nil	Nil	Nil	Nil	Nil	Nil	Nil
ii) Overseas	Nil	Nil	Nil	Nil	Nil	Nil	Nil
b) Individuals	Nil	Nil	Nil	Nil	Nil	Nil	Nil
i) Individual shareholders holding nominal share capital up to Rs. 1 lakh	Nil	Nil	Nil	Nil	Nil	Nil	Nil





ii) Individual shareholders holding nominal share capital in excess of Rs. 1 lakh	Nil	Nil	Nil	Nil	Nil	Nil	Nil
c) Others (specify)	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Non Resident Indians	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Overseas Corporate Bodies	92,85,833	92,85,833	55.79	165,96,220	165,96,220	56.44	
Foreign Nationals	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Clearing Members	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Trusts	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Foreign Bodies - D R	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Sub-total (B) (2):-	92,85,833	92,85,833	55.79	165,96,220	165,96,220	56.44	
Total Public Shareholding (B)=(B) (1)+ (B)(2)	102,85,833	102,85,833		178,36,143	178,36,143		
C. Shares held by Custodian for GDRs & ADRs	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Grand Total (A+B+C)	166,44,764	166,44,764	100	241,95,074	241,95,074	100	

B) Shareholding of Promoter-

Sl No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding 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	Gobinda Chandra Pattanaik	62,92,731	37.81	0	62,92,731	26.01	0	0
2	Dibyajyoti Pattanaik	66,200	0.40	0	66,200	0.27	0	0
	Total	63,58,931	38.20		63,58,931	26.28	0	0

C) Change in Promoters' Shareholding (please specify, if there is no change)

SN	Particulars	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of company	No. of shares	% of total shares of the company
1.	At the beginning of the year	63,58,931	38.20	63,58,931	26.28
2.	Date wise Increase/Decrease in Promoters Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment /transfer/ bonus/sweat equity etc.):	Nil		Nil	
3.	At the end of the year	63,58,931	38.20	63,58,931	26.28

D) Shareholding Pattern of top ten Shareholders:

(Other than Directors, Promoters and Holders of GDRs and ADRs):

SN	For Each of the Top 10 Shareholders	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
	At the beginning of the year				
1	RIF East 2	73,50,099	44.16	8568497	35.41
2	Belgian Investment Company	19,35,734	11.63	8027723	33.18
3	Small Industries Development Bank of India	10,00,000	6.01	10,00,000	4.13
4	SIDBI Trustee Company Limited	0	0	239923	0.99
	Date wise Increase/Decrease in Promoters Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/ sweat equity etc.):				
	At the end of the year				



E) Shareholding of Directors and Key Managerial Personnel:

SN	Shareholding of each Directors and each Key Managerial Personnel	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
	At the beginning of the year				
1.	Gobinda Chandra Pattanaik, Managing Director cum CEO	62,92,731	37.81	62,92,731	26.01
2.	Dibyajyoti Pattanaik, Director cum CFO	66,200	0.40	66,200	0.27
	Date wise Increase/Decrease in Promoters Shareholding 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 Rs. In Lakhs)

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal amount	14,170.92	-	-	14,170.92
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	33.29	-	-	33.29
Total (i+ii+iii)	14,204.22	-	-	14,204.22
Change in Indebtedness during the financial year				
* Addition	33,190.00	-	-	33,190.00
* Reduction	10,631.02	-	-	10,631.02
Net Change	22,558.97	-	-	22,558.97
Indebtedness at the end of the financial year				
i) Principal amount	36,729.90	-	-	36,729.90
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	578.39	-	-	578.39
Total (i+ii+iii)	37,308.29	-	-	37,308.29

VI. Remuneration of Directors and Key Managerial Personnel-

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

SN.	Particulars of Remuneration	Name of MD/WTD/ Manager			Total Amount
		Gobinda Chandra Pattanaik	Dibyajyoti Pattanaik	Subrata Pradhan	
1	Gross salary				
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	16,65,000	12,21,000	4,34,844	28,86,000
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	0	0	0	0
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	0	0	0	0
2	Stock Option	0	0	0	0
3	Sweat Equity	0	0	0	0
4	Commission - as % of profit - others, specify...	0	0	0	0
5	Others, please specify	0	0	0	0
	Total (A)	16,65,000	12,21,000	4,34,844	28,86,000
	Ceiling as per the Act				

B. Remuneration to other Directors

SN.	Particulars of Remuneration	Name of Directors				Total Amount
1	Independent Directors	Krishna Kumar Tiwary	Sean Leslie Nossel			
	Fee for attending Board Committee Meetings	Nil	Nil			0
	Commission	Nil	Nil			0
	Others, please specify	Nil	Nil			0
	Total (1)	0	0			0
2	Other Non-Executive Directors	Pradip Kumar Saha	Aditya Bhandari	Laetitia Counye		
	Fee for attending Board Committee Meetings	Nil	Nil	Nil		0
	Commission	Nil	Nil	Nil		0
	Others, please specify	Nil	Nil	Nil		0
	Total (2)	0	0	0		0
	Total (B)=(1+2)	0	0	0		0
	Total Managerial Remuneration	0	0	0		0
	Overall Ceiling as per the Act					



C. Remuneration to key Managerial Personnel other than MD/MANAGER/WTD

SN	Particulars of Remuneration	Key Managerial Personnel			
		CEO	CFO	CS	Total
1	Gross salary				
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	16,65,000	12,21,000	4,34,844	28,86,000
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	0	0	0	0
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	0	0	0	0
2	Stock Option	0	0	0	0
3	Sweat Equity	0	0	0	0
4	Commission	0	0	0	0
	- as % of profit	0	0	0	0
	others, specify...	0	0	0	0
5	Others, please specify	0	0	0	0
	Total	16,65,000	12,21,000	4,34,844	28,86,000

VII. Penalties/Punishment/Compounding of Offences:

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment/ Compounding fees imposed	Authority [RD / NCLT/ COURT]	Appeal made, if any (give Details)
A. COMPANY- No such incident occurred during the period under review					
Penalty					
Punishment					
Compounding					
B. DIRECTORS- No such incident occurred during the period under review					
Penalty					
Punishment					
Compounding					
C. OTHER OFFICERS IN DEFAULT- No such incident occurred during the period under review					
Penalty					
Punishment					
Compounding					

Annexure-2

Corporate Social Responsibility (CSR)

1. A brief outline of the Company's CSR policy, including overview of projects or programmes proposed to be undertaken and a reference to the [web-link](#) to the CSR policy and projects or programmes.

CSR Policy

The policy covers background, objectives, CSR activities, CSR Committee, process of undertaking CSR activities, CSR amount and spending thereon, information dissemination and management commitment.

Objective & CSR Activities: To lay down guidelines to make CSR a key business process for sustainable development of the society and environment in which it operates.

The Policy specifies the projects and programmes that can be undertaken. It covers the activities enumerated in Schedule VII of the Companies Act, 2013 as mentioned below:

- Promotion of education, awareness campaigns, child welfare & rehabilitation of differently-abled, gender equality, empowering women and employment enhancing vocational skills,
- Community development, health care, sanitation, reducing child mortality and improving maternal health, combating human immunodeficiency virus, acquired immune deficiency syndrome, malaria and other diseases; and eradicating extreme hunger and poverty,
- Ensuring environmental sustainability & setting up social business projects,
- Contribution to Prime Minister's National Relief Fund or other fund set up by the Government for socio-economic development, relief & welfare; and
- Other matters with main objective of betterment of society as prescribed.

However, the members of the CSR Committee of the Company are authorized to consider other CSR activities that are not falling under the above areas.

CSR Committee: The CSR Committee of the Board consists of four Directors, out of which one is Independent Director.

Process for undertaking CSR activities/projects: Formulating & recommending a letter of contribution for undertaking CSR activities through CSR Committee along with project plan submitted therewith. The disbursement of the contribution amount by the Company to the partnering NGOs.

CSR Amount & Spending Thereon: A separate fund is maintained for the sole purpose for spending on CSR and SPM activities and allocation of funds from the profits of the Company to the said fund.



Information Dissemination: The CSR report shall be presented to the Board of the Company, at least on an annual basis. The Company shall also upload the Policy on its website www.ampl.net.in. Further, a detailed status report on the CSR activities carried out by the Company would be disclosed every year as part of the Directors' Report in the Annual Report.

2. The Composition of the CSR Committee.

Name	Designation
Mr. Gobinda Chandra Pattanaik	Chairman (Managing Director)
Mr. Dibyajyoti Pattanaik	Member (Executive Director)
Mr. Sean Leslie Nossel	Member (Independent Director)
Mr. Pradip Kumar Saha	Member (Nominee Director)

3. Your Company has an average net profit of rupees less than 5 crore hence it does not fall under the category defined in the law to mandatorily spend 2% of its average net profit in CSR Activities. Still your Company has formed the CSR Committee in the year 2012 and provisioned 2% of its profit every financial year in separate fund to be used for CSR activities.

Since, the amount in CSR fund was too less to spend in any project the amount remained unutilized. Also, no meeting of CSR Committee was held before 2014 to discuss on the projects to be undertaken in next financial year.

4. A responsibility statement of the CSR Committee that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the Company.

The CSR Committee is solely responsible for the formulation, implementation and monitoring of CSR activities in compliance with CSR objectives and policy of the Company.

Sd/-
(Chairman CSR Committee)



Annexure- 3

Secretarial Audit Report

To
The Members,
Annapurna Microfinance Private Limited
Khandagiri, Bhubaneswar- 751030.

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Annapurna Microfinance 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 my 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 ended on 31.03.2015, 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 period ended on 31.03.2015, 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. 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;
- V. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 (**'SEBI Act'**) to the extent applicable to the Company :-
 - a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;
 - c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;



- d) 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;
- e) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; and
- f) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998;
- g) The requirements under the Debt Listing Agreements entered into with BSE Limited.
- h) The Memorandum and Articles of Association.

VI. RBI Act, 1934 and Rules & Guidelines made there under.

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

The Listing Agreements entered into by the Company with the BSE Limited for its debt instruments. During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, Listing Agreements etc mentioned above subject to the following observations:

- i. The Company has listed its debt instruments with BSE Limited and accordingly called as a listed company but the CIN No. depicts it as an unlisted company which need to be rectified.
- ii. Minutes of Board, Committees of Boards, Annual General Meeting and Extra Ordinary General Meeting have been drafted in due time and signed.
- iii. As explained by the Company, there was a non-compliance under section 15 of the Foreign Exchange Management Act, 1999 regarding delay in allotment of shares and reporting thereof & filing of FCGPR with RBI. The Company have been compounded with the appropriate authority for the contravention.
- iv. Registration certificate under the Odisha Shops and Commercial Establishment Act, 1956 was produced by the Company & it was explained that the certificates are at the branch offices and registrations of some branches are under process.
- v. The Directors of the company have disclosed their interest in the Board Meeting held on 21st May, 2014 instead of 4th April, 2014 as prescribed under Section 184(1) of the Act.
- vi. As per explanation given by the Management the company is not required to open Debenture redemption reserve as prescribed under Section 71 (4) of the Act as it has been exempted by Rule 18 (7) of the Share Capital & Debenture Rules 1914 for private placement of debentures by NBFC.



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 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 decision is carried through while the dissenting members' views are captured and recorded as part of 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, the company has issued shares on preferential basis through private placement as detailed herein below;

SL No.	Date of Issue	Amount of offer	Offer Period	Name of Allottees	Date of Filing of Return of Allotment.
1	27 th Mar, 2015	1,00,00,000	27 th Mar, 2015 to 30 th April, 2015	SIDBI Trustee Company Limited	31 st Mar, 2015

We further report that during the audit period, the company has issued debentures through private placement as detailed herein below;

SL No.	Date of Issue	Amount of offer (In INR)	Offer Period	Name of Allottees	Date of Filing of Return of Allotment.
1	24 th June, 2014	29,20,00,000	24 th Jun, 2014 to 27 th Jun, 2015	AAV Sarl	2 nd Aug, 2014
2	30 th Jul, 2014	15,00,00,000	30 th Jul, 2014 to 31 st July, 2014	The Ratnakar Bank Limited	20 th Aug, 2014





3	30 th Sept, 2014	24,00,00,000	8 th Oct, 2014	MIFA-SA, SACIV	14 th Oct, 2014
4	21 st No, 2014	15,00,00,000	21 st No, 2014 to 27 th Nov, 2014	MEF-SA, SACIV	12 th Dec, 2014
5	29 th Nov, 2014	15,00,00,000	29 th Nov, 2014 to 2 nd Dec, 2014	Hinduja Leyland Finance Ltd	12 th Dec, 2014
6	3 rd Dec, 2014	15,45,00,000	3 rd Dec, 2014 to 4 th Dec, 2014	Stichting Hivos-Triodos Funds	19 th Dec, 2014
7	22 nd Jan, 2015	10,00,00,000	22 nd Jan, 2015 to 23 rd Jan, 2015	Mahindra & Mahindra Financial Service	2 nd Feb, 2015
8	27 th Mar, 2015	24,00,00,000	27 th Mar, 2015 to 30 th April, 2015	SIDBI Trustee Company Limited	31 st Mar, 2015

The Company has an overall Borrowing Limit of Rupees Five Hundred Fifty Crores as approved by the Shareholders in their meeting on 18th November, 2014 and out of which the company has borrowed Rupees 367.48 Crores till date on different dates and specifically during the year under review the total borrowing made by the company was Rs. 350.08 Crores.

During the period of Audit, the company has filed all statutory returns with Income Tax Authority, ROC, RBI, Service Tax, Authorities under Labour Law, SEBI and Stock Exchange. A detailed finding of the returns has been provided to Management in Annexure to this Report.

Place: Bhubaneswar

Date: 26.05.2015

Sd/-

CS Gopinath Nayak

For Gopinath Nayak & Associates

FCS No: 6251

CP No: 6558

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 arm's length transactions under third proviso thereto.

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

The Company did not entered into any contract or arrangement or transaction with any related parties.

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

No such material contracts or arrangement or transaction has occurred, during the period under review.





Hulas Malik

Hulas is a 50-year-old farmer and is the featured borrower of Saibaba SHG from the village Gaonpada of Puri district. She is married and has two children. Her husband owns a grocery shop. Hulas grows mushrooms. She has 10 years of experience in this field and mushroom farming is now her main source of income. Her husband is also helping her to promote the business. Through her concerned business, she earns a monthly income of Rs. 4,000. Her opinion is that, from this small income, it is very difficult to maintain her family. After that, to get sufficient surplus to reinvest in the business is practically impossible. So she formed a group for strengthening social relations and to avail a loan for the expansion of her business. Since mushrooms can be grown on nearly any type of agricultural and forestal residue, they are an ideal crop for rural areas with large amounts of cultivated hectare and residue from field crops. By taking into consideration the drought problem in certain regions, mushroom production could help soil and water conservation too.

She has requested for a loan amount of Rs. 15,000 to purchase straws and other inputs like fertilizers, manure and hire a laborer who will help her in this mushroom cultivation business. This step will enable her to get higher productivity which will help improve her quality of life and that of her family, by providing the opportunity to get ahead. In addition, Hulas would like a future where her business grows every day and she will be thankful to Kiva for what it does to foster business and personal growth.

Independent Auditor's Report



Independent Auditor's Report

To the Members of Annapurna Microfinance Private Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Annapurna Microfinance Private Limited ("the Company"), which comprise the balance sheet as at March 31, 2015, the statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statement

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 of these financial statement that give a true and fair view of the financial position, financial performance and cash flow of the company in accordance with the accounting principles generally accepted in India including the Accounting Standard specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provision of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgements and estimates that are responsible and prudent; and the design; implementation and maintenance of adequate internal financial control that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the 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 financial statements based on our audit. We have taken into account the provisions of the Act, the Accounting and Auditing standards and matters which are required to include in the audit report under the provisions of the Act and Rules made there under. We conducted our audit in accordance with the Standards



on Auditing, issued by the Institute of Chartered Accountant of India, as 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 financial statement is free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risk of material misstatement of the financial statement whether due to fraud or error. In making those risk assessments, the auditor consider internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the effectiveness of such control. An audit also includes evaluating the appropriateness of 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 financial statements. We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Opinion

In our opinion and the best of our information and according to the explanations given to us, the 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 at March 31, 2015, its profit, 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, 2015 ("the order") issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, we give in the Annexure 1 a statement on the matters specified in paragraphs 3 and 4 of the Order.



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 appear from our examination of those books;
 - c) The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act read with Rule 7 of Companies (Accounts) Rules, 2014;
 - e) On the basis of written representations received from the directors as on March 31, 2015, and taken on record by the Board of Directors, none of the Directors is disqualified as on March 31, 2015, from being appointed as a director in terms of Section 164(2) of the Act;
 - f) 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, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Company does not have any pending litigations which would impact its financial position;
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
 - iii. There were no amounts which were required to be transferred to the Investors Education and Protection Fund by the Company.

For S.R.Batliboi & Co. LLP

Chartered Accountants

ICAI Firm Registration Number: 301003E

Per Bhaswar Sarkar

Partner

Membership Number: 55596

Place of Signature: Kolkata

Date: June 4, 2015



Annexure referred to in our independent auditor report of even date

Re: Annapurna Microfinance Private Limited ('the Company')

- i.
 - a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - b) Fixed assets were physically verified by the management during the year in accordance with planned program of verifying all the fixed assets over a period of three years, which in our opinion, is reasonable having regard to the size of the Company and nature of its business. No material discrepancies were noticed on such verification.
- ii. The Company's business does not involve inventories accordingly; the requirements under paragraph 4(ii) of the order are 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 the companies, firms or other parties covered in the register maintain under section 189 of the Companies Act, 2013. Accordingly the provisions of clause 3 (iii) (a) and (b) of the Order are not applicable to the Company and hence not commented upon.
- iv. In our opinion and according to the information and explanations given to us, there is an adequate internal control system of the Company in respect of these areas. The Company's business does not involve purchase of inventory and sale of goods.
- v. The company has not accepted any deposits from the public.
- vi. To the best of our knowledge and as explained, the Central Government has not specified of cost records under clause 148(1) of the Companies Act 2013, for the services rendered by the Company.
- vii.
 - a) Undisputed statutory dues including provident fund, employees state insurance, income- tax, service tax and other material statutory dues have generally been regularly deposited with the appropriate authorities though there have been delays in a few cases.
 - b) According to the information and explanations given to us, no undisputed accounts payable in respect of provident fund, employee's state insurance, income tax, service tax, and other material statutory dues were outstanding, at the year-end, for a period of more than six months from the date they became payable.



- c) According to the information and explanations given to us, there are no dues of income tax and service tax which have not been deposited on account of any dispute.

In respect of sub clauses (Vii) (a) to (vii) (c) above, the Company did not have any dues towards wealth tax, sales tax, custom duty, value added tax, excise duty and cess, during the year.

- d) There were no amounts which were required to be transferred to Investor Education and Protection Fund by the Company in accordance with the relevant provisions of the Companies Act, 1956 (1 of 1956) and rules made there under.

viii. The company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding in the financial year.

ix. Based on our audit procedures and as per the information and explanations given by the management, we are of opinion that the Company has not defaulted in repayment of dues to a financial institutions, banks or debenture holders.

x. According to the information and explanations given to us, the Company has not given guarantee for loans taken by others from bank or financial institutions.

xi. Based on information and explanations given to us by the management, term loan were applied for the purpose for which the loans were obtained, though idle/surplus funds have been gainfully invested in fixed deposits/ money market mutual funds till disbursement.

xii. Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the year.

For S.R.Batliboi & Co. LLP

Chartered Accountants

ICAI Firm Registration Number: 301003E

Per Bhaswar Sarkar

Partner

Membership Number: 55596

Place of Signature: Kolkata

Date: June 4, 2015





Annapurna Microfinance Private Limited Balance Sheet as at March 31, 2015			
	Notes	March 31, 2015 (Rs.)	March 31, 2014 (Rs.)
I. Equity and liabilities			
Shareholders' funds			
Share capital	3	2619,50,740	1864,47,640
Reserves and surplus	4	3746,74,584	1599,47,619
		6366,25,324	3463,95,259
Non-current liabilities			
Long-term borrowings	5	22071,42,651	8091,07,515
Deferred tax liabilities (net)	10	20,46,474	-
Other long-term liabilities	7	28,26,678	1000,00,000
Long term provisions	6	100,39,217	24,30,318
		22220,55,020	9115,37,833
Current liabilities			
Other current liabilities	7	19516,48,273	9337,86,673
Short-term provisions	6	228,75,178	94,55,843
		19745,23,451	9432,42,516
Total		48332,03,795	22011,75,608
II. Assets			
Non-current assets			
Fixed assets			
- Tangible assets	8	213,50,179	85,98,632
Deferred tax assets (net)	10	-	27,00,298
Long term loans and advances	11	10595,76,343	3201,64,057
Other non-current assets	12	2122,36,392	896,67,683
		12931,62,914	4211,30,670
Current assets			
Current investments	9	36,00,000	12,00,000
Cash and Bank Balances	13	11022,28,645	9814,17,410
Short-term loans and advances	11	23533,26,622	7649,78,592
Other current assets	12	808,85,614	324,48,936
		35400,40,881	17800,44,938
Total		48332,03,795	22011,75,608

Summary of significant accounting policies 2.1

The accompanying notes are an integral part of the financial statements.

As per our report of even date

For S.R.Batliboi & Co. LLP

Firm Registration No.301003E

Chartered Accountants

per Bhaswar Sarkar

Partner

Membership No.: 55596

**For and on behalf of the Board of
Directors of Annapurna Microfinance
Private Limited**

**Gobinda Chandra
Pattanaik**

Managing Director

**Dibyajyoti
Pattanaik**

Director

Subrat Pradhan

Company Secretary

Place: Kolkata

Date: June 04, 2015

Place: Bhubaneswar

Date: June 04, 2015



Annappurna Microfinance Private Limited

Statement of Profit and Loss for the Year ended March 31, 2015

	Notes	Year ended March 31, 2015 (Rs.)	Year ended March 31, 2014 (Rs.)
I. Income			
Revenue from operations	14	5454,60,038	2284,02,775
Other income	15	572,86,295	304,77,708
Total Income		6027,46,333	2588,80,483
II. Expenses			
Employee benefit expenses	16	1395,23,641	373,09,185
Depreciation expense	8	90,30,467	14,91,289
Finance Costs	17	3337,93,297	1292,32,408
Provision for standard and non performing assets	19	230,95,255	43,78,437
Other expenses	18	494,61,093	243,42,902
Total Expenses		5549,03,753	1967,54,221
Profit before prior period expenses		478,42,580	621,26,262
Less: Prior Period Expenses (Net of Income)	20	26,02,252	-
Profit before Tax		452,40,328	621,26,262
Tax expense			
- Current tax (after adjusting reversal of earlier years Rs 4,824,413 /-) (P.Y. Nil)		99,29,269	213,79,913
- Deferred tax (after charge of Rs 39,39,908 /- related to earlier years) (P.Y. Nil)		47,46,772	(12,42,738)
Total Tax Expenses		146,76,041	201,37,175
Profit for the year		305,64,287	419,89,087
Earning per equity share (EPS)- Annualized	23		
Basic (Rs.)		1.40	3.16
Diluted (Rs.)		1.35	2.96
Nominal value of share (Rs.)		10.00	10.00



Summary of significant accounting policies 2.1

The accompanying notes are an integral part of the financial statements.

As per our report of even date

For S.R.Batliboi & Co. LLP

Firm Registration No.301003E
Chartered Accountants

**For and on behalf of the Board of
Directors of Annapurna Microfinance
Private Limited**

per Bhaswar Sarkar

Partner

Membership No.: 55596

Gobinda Chandra

Pattanaik

Managing Director

Dibyajyoti

Pattanaik

Director

Subrat Pradhan

Company Secretary

Place: Kolkata

Date: June 04, 2015

Place: Bhubaneswar

Date: June 04, 2015





Annapurna Microfinance Private Limited		
Cash Flow Statement for the year ended March 31, 2015		
Particulars	March 31, 2015 (Rs.)	March 31, 2014 (Rs.)
A. Cash flow from operating activities		
Profit before tax	452,40,328	621,26,262
Adjustment to reconcile profit before tax to net cash flows		
Depreciation expense	90,30,467	14,91,289
Provision for standard and non performing assets	230,95,255	43,78,437
Finance Costs	3337,93,297	1292,32,408
Management stock option compensation	134,82,983	-
Operating profit before working capital changes	4246,42,330	1972,28,396
Movements in working capital:		
Increase in other current and non-current assets	(513,85,427)	(186,02,966)
Increase in loans and advances	(23232,96,716)	(5448,92,337)
Increase in other long term liabilities, current liabilities and provisions	1058,04,499	1513,33,544
Cash generated from operations	(18442,35,314)	(2149,33,363)
Direct taxes paid	(200,16,858)	(238,17,847)
Net cash used operating activities (A)	(18642,52,172)	(2387,51,210)
B. Cash flow from investing activities		
Purchase of fixed assets	(217,82,014)	(79,64,978)
Purchase of current investments (net)	(24,00,000)	(12,00,000)
Increase in fixed deposits (net)	(1178,70,873)	(335,22,629)
Net cash used in investing activities (B)	(1420,52,887)	(426,87,607)
C. Cash flow from financing activities		
Proceeds from issuance of equity share capital	100,00,000	600,00,062
Proceeds from long-term borrowings	52009,48,606	13940,00,000
Proceeds from issue of compulsory convertible debentures	2400,00,000	2400,00,000
Proceeds from issue of Non-Convertible Debentures	-	1000,00,000
Repayment of long-term borrowings	(30431,51,298)	(7551,91,462)
Interest and finance charges	(2792,82,978)	(1292,32,409)
Dividend paid on preference shares	(18,00,000)	(1,33,151)
Tax on preference dividend paid	(3,05,910)	(22,629)



Net cash from financing activities (C)	21264,08,420	9094,20,411
Net increase in cash and cash equivalents (A+B+C)	1201,03,361	6279,81,594
Cash and cash equivalents at the beginning of the year	8311,07,529	2031,25,935
Cash and cash equivalents at the end of the year	9512,10,890	8311,07,529
Components of cash and cash equivalents :		
Balances with banks:		
-on current accounts	9376,87,271	7338,08,272
-deposit with original maturity of less than three months	100,00,000	7,18,096
Cash on hand	35,23,619	965,81,161
Total cash and cash equivalents (Note 13)	9512,10,890	8311,07,529
* Represents cash and bank balances as indicated in Note No.13 and excludes Rs.355,339,110 (Previous Year : Rs.232,754,060) being Fixed Deposits with restricted use or with original maturity of more than three months.		
Summary of significant accounting policies	2.1	
The accompanying notes are an integral part of the financial statements.		
As per our report of even date		
For S.R.Batliboi & Co. LLP Firm Registration No.301003E Chartered Accountants	For and on behalf of the Board of Directors of Annapurna Microfinance Private Limited	
per Bhaswar Sarkar Partner Membership No.: 55596	Gobinda Chandra Pattanaik Managing Director Subrat Pradhan Company Secretary	Dibyajyoti Pattanaik Director
Place: Kolkata Date: June 04, 2015	Place: Bhubaneswar Date: June 04, 2015	



financing livelihood

Annapurna Microfinance Pvt. Ltd.

Corporate office: Plot number 1215/1401,
Khandagiri Bari, in front of Jaydev Vatika,
Bhubaneswar-751030, Odisha