

**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 Statements**

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with accounting principles generally accepted in India, including the Accounting Standards 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 provisions 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 judgments and estimates that are reasonable 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 be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants 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 statements are free from material misstatement.



An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 controls. 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 have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

### **Opinion**

In our opinion and to 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 as 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 appears 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;



# **S.R. BATLIBOI & Co. LLP**

Chartered Accountants

- (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 the 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 Investor Education and Protection Fund by the Company.

For **S.R. Batliboi & Co. LLP**

Chartered Accountants

ICAI Firm Registration Number: 301003E



**per Bhaskar 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 programme 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 companies, firms or other parties covered in the register maintained 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 commensurate with the size of the Company and the nature of its business, for the purchase of fixed assets and for the sale of services. During the course of our audit, we have not observed any major weakness or continuing failure to correct any major weakness in the 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 the maintenance 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 amounts payable in respect of provident fund, employees' 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.



# **S.R. BATLIBOI & Co. LLP**

Chartered Accountants

- (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 the 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 thereunder.

- (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 financial year.

- (ix) Based on our audit procedures and as per the information and explanations given by the management, we are of the 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 any guarantee for loans taken by others from bank or financial institutions.

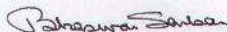
- (xi) Based on information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained, though idle/surplus funds have been gainfully invested in fixed deposits/money market mutual funds till disbursement.

- (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	March 31, 2014
		(Rs.)	(Rs.)
<b>I. Equity and liabilities</b>			
<b>Shareholders' funds</b>			
Share capital	3	261,950,740	186,447,640
Reserves and surplus	4	374,674,584	159,947,619
		636,625,324	346,395,259
<b>Non-current liabilities</b>			
Long-term borrowings	5	2,207,142,651	809,107,515
Deferred tax liabilities (net)	10	2,046,474	-
Other long-term liabilities	7	2,826,678	100,000,000
Long term provisions	6	10,039,217	2,430,318
		2,222,055,020	911,537,833
<b>Current liabilities</b>			
Other current liabilities	7	1,951,648,273	933,786,673
Short-term provisions	6	22,875,178	9,455,843
		1,974,523,451	943,242,516
<b>Total</b>		<b>4,833,203,795</b>	<b>2,201,175,608</b>
<b>II. Assets</b>			
<b>Non-current assets</b>			
Fixed assets			
-Tangible assets	8	21,350,179	8,598,632
Deferred tax assets (net)	10	-	2,700,298
Long term loans and advances	11	1,059,576,343	320,164,057
Other non-current assets	12	212,236,392	89,667,683
		1,293,162,914	421,130,670
<b>Current assets</b>			
Current investments	9	3,600,000	1,200,000
Cash and Bank Balances	13	1,102,228,645	981,417,410
Short-term loans and advances	11	2,353,326,622	764,978,592
Other current assets	12	80,885,614	32,448,936
		3,540,040,881	1,780,044,938
<b>Total</b>		<b>4,833,203,795</b>	<b>2,201,175,608</b>

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.Batlilol & 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





**Annapurna 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.)
<b>I. Income</b>			
Revenue from operations	14	545,460,038	228,402,775
Other income	15	57,286,295	30,477,708
<b>Total Income</b>		<b>602,746,333</b>	<b>258,880,483</b>
<b>II. Expenses</b>			
Employee benefit expenses	16	139,523,641	37,309,185
Depreciation expense	8	9,030,467	1,491,289
Finance Costs	17	393,793,297	129,232,408
Provision for standard and non performing assets	19	23,095,255	4,378,437
Other expenses	18	49,461,093	24,342,902
<b>Total Expenses</b>		<b>554,903,753</b>	<b>196,754,221</b>
<b>Profit before prior period expenses</b>		<b>47,842,580</b>	<b>62,126,262</b>
Less: Prior Period Expenses (Net of income)	20	2,602,252	-
<b>Profit before Tax</b>		<b>45,240,328</b>	<b>62,126,262</b>
<b>Tax expense</b>			
- Current tax (after adjusting reversal of earlier years Rs 4,824,413 /- ) (P.Y. Nil)		9,929,269	21,379,913
- Deferred tax (after charge of Rs 39,39,908 /- related to earlier years ) (P.Y. Nil)		4,746,772	(1,242,738)
<b>Total Tax Expenses</b>		<b>14,676,041</b>	<b>20,137,175</b>
<b>Profit for the year</b>		<b>30,564,287</b>	<b>41,989,087</b>
<b>Earning per equity share (EPS)- Annualised</b>	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.Battiboi & Co. LLP  
 Firm Registration No.301003E  
 Chartered Accountants

*Bhaswar Sarkar*  
 per Bhaswar Sarkar  
 Partner  
 Membership No.: 55596



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

*Gobinda Chandra Pattanaik*  
 Gobinda Chandra Pattanaik Dibyajyoti Pattanaik  
 Managing Director Director

*Subrat Pradhan*  
 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.)
<b>A. Cash flow from operating activities</b>		
Profit before tax	45,240,328	62,176,262
Adjustment to reconcile profit before tax to net cash flows:		
Depreciation expense	9,030,467	1,491,289
Provision for standard and non performing assets	23,095,235	4,378,437
Finance Costs	333,793,297	129,232,408
Management stock option compensation	13,482,983	
<b>Operating profit before working capital changes</b>	<b>424,642,330</b>	<b>197,228,396</b>
Movements in working capital:		
Increase in other current and non-current assets	(51,385,427)	(18,602,966)
Increase in loans and advances	(2,323,296,716)	(544,892,337)
Increase in other long term liabilities, current liabilities and provisions	105,804,499	151,333,544
Cash generated from operations	(1,844,235,314)	(214,933,363)
Direct taxes paid	(20,016,858)	(23,817,847)
<b>Net cash used operating activities (A)</b>	<b>(1,864,252,172)</b>	<b>(238,751,210)</b>
<b>B. Cash flow from investing activities</b>		
Purchase of fixed assets	(21,782,014)	(7,964,978)
Purchase of current investments (net)	(2,400,000)	(1,200,000)
Increase in fixed deposits (net)	(117,870,873)	(33,522,629)
<b>Net cash used in investing activities (B)</b>	<b>(142,052,887)</b>	<b>(42,687,607)</b>
<b>C. Cash flow from financing activities</b>		
Proceeds from issuance of equity share capital	10,000,000	60,000,262
Proceeds from long-term borrowings	5,200,948,606	1,394,000,000
Proceeds from issue of compulsory convertible debentures	240,000,000	240,000,000
Proceeds from issue of Non-Convertible Debentures	-	100,000,000
Repayment of long-term borrowings	(3,043,151,238)	(753,191,462)
Interest and finance charges	(279,282,978)	(129,232,409)
Dividend paid on preference shares	(1,800,000)	(133,151)
Tax on preference dividend paid	(305,910)	(22,629)
<b>Net cash from financing activities (C)</b>	<b>2,126,408,420</b>	<b>909,420,411</b>
<b>Net increase in cash and cash equivalents (A+B+C)</b>	<b>120,103,361</b>	<b>627,981,594</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>631,107,529</b>	<b>203,125,935</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>951,210,890</b>	<b>831,107,529</b>
<b>Components of cash and cash equivalents :</b>		
Balances with banks:		
-on current accounts	937,687,271	733,808,272
-deposit with original maturity of less than three months	10,000,000	718,096
Cash on hand	3,523,619	96,581,161
<b>Total cash and cash equivalents (Note 13)</b>	<b>951,210,890</b>	<b>831,107,529</b>

\* 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

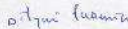
For S.R.Batilbhai & Co. LLP  
 Firm Registration No.301003E  
 Chartered Accountants

  
 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



**Annapurna Microfinance Private Limited**  
**Notes to the Financial Statements for the year ended March 31, 2015**

**1. Corporate information**

Annapurna Microfinance Private Limited ('the Company') is a private company incorporated in India. The Company was registered as a non-deposit accepting Non-Banking Financial Company ('NBFC-ND') with the Reserve Bank of India ('RBI') and has got classified as a Non-Banking Financial Company - Micro Finance Institution ('NBFC-MFI') with effect from October 22, 2013.

The Company is engaged primarily in providing micro finance services to women in rural areas of India, who are enrolled as members and organized as Self Help Groups ('SHG').

**2. Basis of preparation**

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP). The Company has prepared these financial statements to comply in all material respects with the Accounting Standards notified under Section 133 of the Companies Act, 2013 ("the Act"), read with paragraph 7 of the Companies (Accounts) Rules, 2014 and the provisions of the RBI as applicable to a NBFC-MFI and NBFC-ND.

The financial statements have been prepared under the historical cost convention on an accrual basis except interest on Non-Performing Loans which is accounted for on realisation basis. The accounting policies applied by the Company are consistent with those applied in the previous year, unless specified otherwise.

**2.1. Summary of significant accounting policies**

**a. Use of estimates**

The preparation of financial statements in conformity with the generally accepted accounting principles in India (GAAP) requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

**b. Revenue recognition**

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

- i. Interest income on portfolio loans is recognised in the Statement of Profit and Loss on a time proportion basis taking into account the amount outstanding and the rates applicable, except in the case of non-performing assets ("NPA's") where it is recognised, upon realisation, as per the relevant prudential norms prescribed by RBI. Any such income recognised before the asset became non-performing and remaining unrealised has been reversed.



**Annapurna Microfinance Private Limited**  
**Notes to the Financial Statements for the year ended March 31, 2015**

- ii. The Company enters into arrangements for sale of loans through securitisation. The profit/premium arising on securitisation of loans is amortized over the tenure of the securitised deal in proportion to the outstanding amount as per the Revised Guidelines on transfer of assets through securitisation and direct assignment of cash flows issued by RBI.
- iii. Interest income on deposits with banks is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.
- iv. Processing fees are recognised as income upfront when it becomes due.
- v. All other income is recognized on an accrual basis.

**c. Fixed assets**

All fixed assets are stated at historical cost less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any directly attributable cost of bringing the asset to its working condition for the intended use.

**d. Depreciation on fixed assets**

Depreciation on tangible fixed assets is provided on written down value method as per the life prescribed under Schedule II of the Companies Act, 2013 which is in accordance with management estimates of the useful life of the underlying assets.

The additional depreciation charge during the year on account of implementation of Schedule II of the Companies Act, 2013 as against the erstwhile method prescribed under Schedule XIV of the Companies Act, 1956 is Rs. 34,44,087/-.

**e. Impairment**

The carrying amounts of assets are reviewed at each balance sheet date to determine if there is any indication of impairment based on internal/external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount which is the greater of the asset's net selling price and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rate that reflects current market assessment of the time value of money and risks specific to the asset.

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



**Annapurna Microfinance Private Limited**  
**Notes to the Financial Statements for the year ended March 31, 2015**

**f. Investments**

Investments which are readily realizable and intended to be held for not more than one year from the date on which such investments are made, are classified as current investments. All other investments are classified as long-term investments.

Current investments are carried in the financial statement at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of the investments.

**g. Borrowing costs**

Interest on borrowings costs are recognised on time proportion basis taking into account the amount outstanding and the rate applicable on the borrowings.

Ancillary fees incurred for arrangement of borrowings from banks and financial institutions are amortized over the tenure of respective loan and those incurred in connection with securitization transaction are amortized over the tenure of the securitization deal.

**h. Foreign currency transactions**

All transactions in foreign currency are recognized at the exchange rate prevailing on the date of the transaction. Foreign currency monetary items are reported using the exchange rate prevailing at the close of the financial year. Exchange differences arising on the settlement of monetary items or on the restatement of Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise.

**i. Retirement and other employee benefits**

Retirement benefit in the form of provident fund is a defined contribution scheme. The Company has no obligation, other than the contribution payable under the scheme. The Company recognizes contribution payable to the provident fund scheme as expenditure, when an employee renders the related service. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognised as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognised as an asset.

Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each period. Actuarial gains/losses are immediately taken to the Statement of Profit and Loss and are not deferred.

Short term compensated absences are provided for based on estimates.





**Annapurna Microfinance Private Limited**  
**Notes to the Financial Statements for the year ended March 31, 2015**

**j. Income taxes**

Tax expense comprises current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961.

Deferred income taxes reflect the impact of timing differences between taxable income and accounting income originating during the current year and reversal of timing differences for the earlier years. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted at the reporting date.

Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. If the Company has carried forward unabsorbed depreciation or tax losses, all deferred tax assets are recognised only if there is a virtual certainty supported by convincing evidence that sufficient taxable income will be available in future against which such deferred tax assets can be realised. At each reporting date, the company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realised. The carrying amount of deferred tax assets are reviewed at each reporting date. The Company writes-down the carrying amount of deferred tax assets to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax assets can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available.

**k. Earnings per share**

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

**l. Provisions & Contingent Liabilities:**

A provision is recognised when the company has a present obligation as a result of past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on the best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

A disclosure for a contingent liability is also made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources.



**Annapurna Microfinance Private Limited**  
**Notes to the Financial Statements for the year ended March 31, 2015**

**m. Cash and cash equivalents**

Cash and cash equivalents for the purpose of cash flow statement comprise cash in hand and cash at bank and unrestricted short-term investments with an original maturity of three months or less.

**n. Share based payments**

In accordance with the Guidance Note on Accounting for Employee Share-based Payments, the cost of equity-settled transactions is measured using the intrinsic value method and recognized, together with a corresponding increase in the "Stock options outstanding account" in reserves. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the company's best estimate of the number of equity instruments that will ultimately vest. Expense recognized in the Statement of Profit and Loss for the year represents the movement in cumulative expense recognized at the beginning and end of that year and is recognized in employee benefits expense.

**o. Classification of loan portfolio**

Loans are classified as follows:

Asset Classification	Period
Standard Assets	Current Loan and overdue upto 90 days
Non-Performing Assets	Overdue from 91 days and more

"Overdue" refers to interest and / or installment remaining unpaid from the day it became receivable.

The above classification is in compliance with Non-Banking Financial Company-Micro Finance Institutions (NBFC-MFIs) Directions, December 02, 2011, as amended from time to time.

**p. Provisioning on loan portfolio**

Loans provisions are made as per provisioning norms stipulated in Non-Banking Financial Company Micro Finance Institutions (Reserve Bank) Directions, 2011 as amended from time to time. The Management treats a loan overdue as soon as a scheduled installment is failed.

As per the Non-Banking Financial Company - Micro Finance Institutions (Reserve Bank) Directions, 2011 the aggregate loan provision to be maintained by NBFC-MFIs at any point of time shall not be less than the higher of a) 1% of the outstanding loan portfolio or b) 50% of the aggregate loan installments which are overdue for more than 90 days and less than 180 days and 100% of the aggregate loan installments which are overdue for 180 days or more.

Provision for losses arising under securitisation is on the basis of incurred losses (shortfall in collection), subject to the maximum guarantee given in respect of securitisation arrangements.

All overdue loans where the tenure of the loan is completed and in the opinion of the management any amount is not recoverable are written off.

**q. Lease**

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



**Annapurna Microfinance Private Limited**  
**Notes to the Financial Statements as at and for the year ended March 31, 2015**

	March 31, 2015 (Rs.)	March 31, 2014 (Rs.)
<b>Share capital</b>		
<b>Authorized Shares</b>		
33,000,000 (March 31, 2014: 33,000,000) equity shares of Rs.10/- each	330,000,000	330,000,000
2,000,000 (March 31, 2014: 2,000,000) preference shares of Rs.10/- each	20,000,000	20,000,000
<b>Issued, subscribed and fully paid-up shares</b>		
2,41,95,074 (March 31, 2014: 1,65,44,764) equity shares of Rs.10/- each	241,950,740	165,447,640
2,000,000 (March 31, 2014: 2,000,000) 9% Optionally Convertible Preference Shares (OCPS) of Rs.10/- each	20,000,000	20,000,000
<b>Total issued, subscribed and fully paid-up share capital</b>	<b>261,950,740</b>	<b>185,447,640</b>

Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

	March 31, 2015	March 31, 2014
<b>Equity Shares</b>	<b>Number</b>	<b>Number</b>
Outstanding at the beginning of the year	16,544,764	10,977,345
Issued during the year	2,550,310	5,203,418
<b>Shares outstanding at the end of the year</b>	<b>24,195,074</b>	<b>16,544,764</b>

	March 31, 2015	March 31, 2014
<b>9% Optionally Convertible Preference Shares</b>	<b>Number</b>	<b>Number</b>
Outstanding at the beginning of the year	2,000,000	2,000,000
Issued during the year	-	-
<b>Shares outstanding at the end of the year</b>	<b>2,000,000</b>	<b>2,000,000</b>

**A. Terms/rights attached to equity shares**

The Company has only one class of equity shares having par value of Rs 10 per share. Each holder of equity shares is entitled to one vote per share for matters other than "Investor Reserved Matters".

The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

In the event of liquidation of the company, the investors at their sole discretion have the option to receive an amount equal to 100% of each investor's aggregate investment amount after distribution of all creditors and preferential amounts. Thereafter, the promoters (and promoter shareholders) other than the investor shall receive pro-rata distribution of all their entire subscription amounts in proportion to their shareholding in the Company. Remaining surplus, if any shall be distributed to all equity shareholders on a pro-rata basis.

**B. Terms of Conversion/redemption of OCPS**

OCPS of face value Rs.10/- has been issued to Small Industries Development Bank carrying a coupon rate of 9%. The interest is to be paid within 3 months from the close of the financial year. OCPS are convertible either full or in parts at the option of the holder based on book value of the company's equity shares as per last audited financial statements. The conversion option may be exercised by the holder more than once till full redemption.

In case conversion option is not exercised by the holder, then OCPS will be redeemed as follows:

1. 50 % of outstanding OCPS at the end of 4 years from date of first disbursement (Date - 04th March, 2013);
2. Remaining outstanding OCPS at the end of 5 years, commencing from the date of first disbursement.

**C. Details of shareholders holding more than 5% shares in the Company**

Name of Shareholder	March 31, 2015		March 31, 2014	
	No. of Shares held	% of Holding in the class	No. of Shares held	% of Holding in the class
<b>Equity Shares of Rs. 10 each fully paid</b>				
Godwin Charu A. Pillai * *	5,729,711	26.01%	5,292,131	32.51%
SIF East 2 (Investor)* *	8,750,292	38.41%	7,700,294	48.16%
Belgium Investment Company for Developing Countries (BV - SA (Investor))* *	8,027,732	33.18%	1,995,734	11.63%
Small Industries Development Bank of India *	1,000,000	4.13%	1,000,000	6.01%
<b>Total</b>	<b>23,888,951</b>	<b>98.73%</b>	<b>16,528,564</b>	<b>99.61%</b>
<b>Optionally Convertible Preference Shares of Rs. 10 each fully paid</b>				
Small Industries Development Bank of India	2,000,000	100.00%	2,000,000	100.00%
<b>Total</b>	<b>2,000,000</b>	<b>100.00%</b>	<b>2,000,000</b>	<b>100.00%</b>

\* The classification is based on the records maintained by the company and relied upon by the auditors.

As per records of the Company, including its register of shareholders/members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownership of shares.

**D. Shares reserved for issue under options**

For details of shares reserved for issue under the management stock option (MSOP) plan of the company, please refer note 25.





**Annapurna Microfinance Private Limited**  
**Notes to the Financial Statements as at and for the year ended March 31, 2015**

4	Reserves and surplus	March 31, 2015	March 31, 2014
		(Rs.)	(Rs.)
A.	Securities premium account		
	Balance as per last financial statements	97,141,732	29,215,800
	Add: Addition during the year	174,496,891	67,925,882
	Less: Share issue expenses	(1,100,000)	-
	Closing Balance	270,538,623	97,141,732
B.	Management stock options outstanding		
	Gross management stock compensation for options granted in earlier years (refer Note 25)	2,168,070	-
	Add: Gross compensation for options awarded during the year	15,240,684	-
	Less: Deferred management stock compensation	(3,934,577)	-
	Closing Balance	12,482,287	-
C.	Statutory reserve (*)		
	Balance as per last financial statements	13,579,112	5,381,295
	Add: Amount transferred from surplus balance in the Statement of Profit & Loss during the year	5,112,857	5,397,817
	Closing Balance	19,691,969	13,579,112
D.	Surplus in the Statement of Profit and Loss		
	Balance as per last financial statements	49,226,775	16,341,197
	Profit for the year	30,264,287	41,585,087
	Less: Appropriations		
	Corporate Social Responsibility	611,285	839,752
	Transferred to Statutory Reserve	8,117,257	8,397,817
	Proposed Preference Dividend	1,800,000	1,800,000
	Tax on Preference Dividend	305,910	305,910
	Total Appropriations	8,834,452	11,343,569
	Net surplus in the Statement of profit and loss	70,656,610	45,220,775
	Total	374,674,584	199,947,619

5	Long-term borrowings	Non Current Portion		Current Portion	
		March 31, 2015	March 31, 2014	March 31, 2015	March 31, 2014
		(Rs.)	(Rs.)	(Rs.)	(Rs.)
A.	Debentures (Privately placed)				
	Secured				
	- from banks: Redeemable Non-Convertible Debentures of Rs. 10,00,000/- each	69,999,500	-	69,000,300	-
	- from Financial Institutions: Redeemable Non-Convertible Debentures of Rs. 10,00,000/- each	836,500,000	-	-	-
	- from Non banking finance companies (NBFC): Redeemable Non-Convertible Debentures of Rs. 10,00,000/- each	95,833,434	-	175,000,000	-
	Unsecured				
	- Compulsory Convertible Debentures (CCD)	24,00,00,000**	24,00,00,000*	-	-
B.	Term loans				
	Secured				
	- from banks	257,425,720	391,064,370	682,441,273	374,759,321
C.	Vehicle loans				
	Secured				
	- from banks	1,149,405	426,199	750,425	146,857
	Total	2,207,142,651	899,107,515	1,707,747,491	847,885,319
	Above amount includes				
	Secured	1,967,142,651	569,107,515	1,707,747,491	847,885,319
	Unsecured	240,000,000	240,000,000	-	-
	Amount disclosed under the head "other current liabilities" (Refer Note 7)	-	-	(1,707,747,491)	(847,885,319)
	Total	2,207,142,651	899,107,515	-	-

\* Converted into Equity Shares during the year

\*\* Issued to SIDBI Trustee Company Limited (Semitrill Fund) carrying coupon rate of 9%. The CCD would be converted into Equity Shares latest by 30th June, 2015.

Vehicle loans are secured against hypothecation of vehicle purchase against such loans and are repayable in equated monthly instalments carrying interest rate ranging from 10.75% - 11.50% p.a.



5A Long-term borrowings (Contd.)

Terms of repayment of Debentures & Term Loans as on March 31, 2015

(Amount in Rs.)

Original maturity of loan	Due within 1 year	Due between 1 to 3 years	Due between 3 to 5 years	Interest Rate	Total
	No. of Installments	No. of Installments	No. of Installments		
<b>Non-Convertible Debentures</b>					
From Financial Institutions:					
Above 3 Yrs.	-	-	3	13.75% - 14.75%	836,500,000
<b>BI monthly repayment schedule **</b>					
From Bank:	5	5	-	-	168,999,860
1-3 Yrs.					
Monthly repayment schedule					
From NBFC:	3	20	-	13.25 - 14.69%	270,833,434
1-3 Yrs.					
Term Loans					
Monthly repayment schedule					
From Bank:	151	77	7	12.70% - 14.25%	943,070,705
1-3 Yrs.	47	48	28		297,601,001
Above 3 Yrs.					
From NBFC:					
1-3 Yrs.	180	35	12	12.00% - 16.75%	740,785,084
Quarterly repayment schedule					
From Bank:	25	17	3	12.75% - 14.00%	399,198,286
1-3 Yrs.					
From NBFC:	6	4	-	15.00%	75,002,000
1-3 Yrs.					
<b>Grand Total</b>		<b>924,188,032</b>	<b>313,325,545</b>		<b>3,672,990,311</b>

The above non-convertible debentures are secured by way of exclusive charge or all renewable from underlying portfolio loans.

\* includes outstanding debenture of Rs. 1,24,000,000 having the option to exercise either of the following redemption option date :

0 25% (Rs. 73,000,000) of the outstanding principal amount by November 13, 2017; 95.99% (Rs. 218,978,000) by May 13, 2018 and the remaining balance (Rs. 21,990) by May 13, 2019.

0 25% (Rs. 73,000,000) of the outstanding principal amount by November 13, 2018 and the remaining balance (Rs. 219,000,000) by May 13, 2019.

\* includes outstanding debenture of Rs. 390,000,000 having portfolio option after 24 months i.e. October 9, 2014

\*\* The Company can redeem the debentures in installments or in full before the due date by paying a premium of 2% of the outstanding principal amount of the debenture, subject to prior written consent of the debenture trustee.

The term loans are secured by hypothecation of portfolio loans covered by hypothecation loan agreement and margin money deposits.

Term loans amounting to Rs. 125,693,323/- are also guaranteed by promoters/directors of the company.



58 Long-term borrowings (Contd.)

Terms of repayment of Terms Loans as on March 31, 2014

(Amount in Rs.)

Original maturity of loan	Due within 1 year	Due between 1 to 2 years	Due between 2 to 3 years	Due between 3 to 5 years	Interest Rate	Total
	No. of Installments	Amount (in Rupees)	No. of Installments	Amount (in Rupees)	No. of Installments	Amount (in Rupees)
<b>Secured</b>						
<b>Term Loans</b>						
<b>Monthly repayment schedule</b>						
<b>From Banks:</b>						
1-3 Yrs.	101	192,777,181	51	111,326,302	16	43,240,208
Above 3 Yrs.	21	39,125,000	24	48,500,000	27	57,875,000
<b>From NBFCs:</b>						
1-3 Yrs.	165	423,079,111	37	147,926,281	1	4,166,066
<b>Quarterly repayment schedule</b>						
<b>From Banks:</b>						
1-3 Yrs.	12	142,857,140	7	82,142,860	-	-
<b>From NBFCs:</b>						
1-3 Yrs.	8	50,000,000	4	25,000,000	-	-
<b>Grand Total</b>		<b>847,839,432</b>		<b>414,897,443</b>		<b>95,906,874</b>
						<b>57,875,000</b>
						<b>225,000,000</b>
						<b>75,002,000</b>
						<b>1,416,517,749</b>

The term loans are secured by hypothecation of portfolio loans covered by hypothecation loan agreement and margin money deposits.  
Term Loans amounting to Rs. 564,351,571/- are also guaranteed by promoter directors of the company to the extent of their networth.





**Annapurma Microfinance Private Limited**  
**Notes to the Financial Statements as at and for the year ended March 31, 2015**

6 Provisions	Non Current Portion		Current Portion	
	March 31, 2015 (Rs.)	March 31, 2014 (Rs.)	March 31, 2015 (Rs.)	March 31, 2014 (Rs.)
A. Provision for Portfolio loans				
On standard assets	7,252,350	824,045	22,717,254	7,385,821
On non performing assets	2,786,857	1,606,273	-	-
	<b>10,039,217</b>	<b>2,430,318</b>	<b>22,717,254</b>	<b>7,385,821</b>
B. Others				
Provision for taxation	-	-	-	2,067,022
Provision for securitized and managed portfolio	-	-	127,914	-
	-	-	<b>127,914</b>	<b>2,067,022</b>
<b>Total</b>	<b>10,039,217</b>	<b>2,430,318</b>	<b>22,845,168</b>	<b>9,452,843</b>

7 Other liabilities	Non Current Portion		Current Portion	
	March 31, 2015 (Rs.)	March 31, 2014 (Rs.)	March 31, 2015 (Rs.)	March 31, 2014 (Rs.)
Current maturities of long-term borrowings (Refer Note 5)	-	-	1,707,747,491	947,095,319
Interest accrued but not due on borrowings	-	-	57,820,492	5,320,170
Cash credit on loan transfer transactions pending recognition	2,826,678	-	37,757,442	50,054,959
Payable for portfolio loan securitized	-	-	85,774,807	7,061,785
Payable on Corporate Sates	-	-	1,805,366	1,197,080
Salary Payable	-	-	4,035,678	5,201,593
Dividend on preference shares	-	-	1,801,000	1,801,000
Dividend distribution tax payable	-	-	305,910	305,710
Statutory dues Payable	-	-	5,065,324	1,785,636
Insurance Premium Payable	-	-	11,351,137	5,160,468
Application Money for Non-Convertible Debentures*	-	100,000,000	-	-
Other payables	-	-	-	1,050,319
Advance from Banks (Pending Disbursement) (Refer Note 34)	-	-	11,960,115	-
<b>Total</b>	<b>2,826,678</b>	<b>100,000,000</b>	<b>1,951,648,273</b>	<b>933,786,673</b>

\* Added during the year

9 Investment	Current Portion	
	March 31, 2015 (Rs.)	March 31, 2014 (Rs.)
<b>Non-trade Investment (Unquoted)</b>		
Unquoted Mutual Funds (Valued at lower of cost and fair value, unless stated otherwise)		
1,97,190,973 units (March 31, 2014 : 68,575,693 units) of Canara Robo-Service Plus Fund - Regular Dividend, at fair value of Rs.10 (March 31, 2014 :10)	3,600,000	1,200,000
<b>Total</b>	<b>3,600,000</b>	<b>1,200,000</b>

10 Deferred Tax Assets / (Liabilities) (Net)	March 31, 2015 (Rs.)	March 31, 2014 (Rs.)
<b>Deferred Tax Assets</b>		
Provision for standard and non performing assets	10,679,075	8,337,525
<b>Deferred Tax (Liabilities) / Assets</b>		
Fixed assets: Impact of difference between tax depreciation and depreciation charged for the financial reporting	523,160	(637,227)
Unamortised processing fees	(13,248,709)	-
	(12,725,549)	(637,227)
<b>Net Deferred Tax (Liabilities)/ Assets</b>	<b>(2,046,474)</b>	<b>2,700,298</b>



**Annapurna Microfinance Private Limited**

Notes to the Financial Statements as at and for the year ended March 31, 2015

**8. FIXED ASSETS  
TANGIBLE ASSETS**

(Amount in Rs.)

Cost or Valuation	Furniture & Fixtures	Computers	Office Equipments	Vehicles	Total
<b>At 31st March 2013</b>	<b>182,462</b>	<b>907,190</b>	<b>36,565</b>	<b>1,471,000</b>	<b>2,597,217</b>
Additions	3,138,079	2,427,600	2,399,299	-	7,964,978
Disposals	-	-	-	-	-
<b>At 31st March 2014</b>	<b>3,320,541</b>	<b>3,334,790</b>	<b>2,435,864</b>	<b>1,471,000</b>	<b>10,562,195</b>
Additions	6,553,080	8,234,292	4,544,569	2,450,073	21,782,014
Disposals	-	-	-	-	-
<b>At 31st March 2015</b>	<b>9,873,621</b>	<b>11,569,082</b>	<b>6,980,433</b>	<b>3,921,073</b>	<b>32,344,209</b>
<b>Depreciation</b>					
<b>At 31st March 2013</b>	<b>42,943</b>	<b>170,228</b>	<b>3,469</b>	<b>255,634</b>	<b>472,274</b>
Charge for the year	279,130	786,230	112,133	313,796	1,491,289
Disposals	-	-	-	-	-
<b>At 31st March 2014</b>	<b>322,073</b>	<b>956,458</b>	<b>115,602</b>	<b>569,430</b>	<b>1,963,563</b>
Charge for the year	1,778,834	4,238,826	2,302,440	710,367	9,030,467
Disposals	-	-	-	-	-
<b>At 31st March 2015</b>	<b>2,100,907</b>	<b>5,195,284</b>	<b>2,418,042</b>	<b>1,279,797</b>	<b>10,994,030</b>
<b>Net Block</b>					
<b>At 31st March 2014</b>	<b>2,998,468</b>	<b>2,378,332</b>	<b>2,320,262</b>	<b>901,570</b>	<b>8,598,632</b>
<b>At 31st March 2015</b>	<b>7,772,714</b>	<b>6,373,798</b>	<b>4,562,391</b>	<b>2,641,276</b>	<b>21,350,179</b>



**Annapurma Microfinance Private Limited**  
**Notes to the Financial Statements as at and for the year ended March 31, 2015**

11 Loans and advances (Unsecured, considered good unless stated otherwise)	Non-Current Portion		Current Portion	
	March 31, 2015	March 31, 2014	March 31, 2015	March 31, 2014
	(Rs.)	(Rs.)	(Rs.)	(Rs.)
<b>A. Portfolio loans</b>				
Considered good	1,607,559,151	241,420,548	2,271,706,384	746,785,867
Considered doubtful	3,322,498	1,606,273	-	-
	<b>1,610,881,649</b>	<b>243,026,821</b>	<b>2,271,706,384</b>	<b>746,785,867</b>
<b>B. Advances recoverable in cash or kind</b>	-	-	4,377,634	8,391,817
	-	-	<b>4,377,634</b>	<b>8,391,817</b>
<b>C. Security Deposit</b>	1,250,000	-	2,248,000	832,900
	<b>1,250,000</b>	-	<b>2,248,000</b>	<b>832,900</b>
<b>D. Others</b>				
Unremitted processing fees	22,404,654	2,753,052	20,223,758	5,040,357
Loan to staff	-	-	90,390	328,826
Current Credit recoverable	-	-	-	622,513
Debits with public financial institutions (marked as loan towards loan/ loans availed)	32,000,000	74,376,544	40,699,670	2,075,312
Advance Income Tax (Net of provision for tax Rs. 9,979,765)	-	-	8,060,567	-
	<b>54,404,654</b>	<b>77,132,236</b>	<b>79,974,404</b>	<b>8,968,008</b>
<b>Total</b>	<b>1,659,576,343</b>	<b>320,164,057</b>	<b>2,352,326,622</b>	<b>764,978,592</b>

12 Other assets Unsecured, considered good unless stated otherwise	Non-Current Portion		Current Portion	
	March 31, 2015	March 31, 2014	March 31, 2015	March 31, 2014
	(Rs.)	(Rs.)	(Rs.)	(Rs.)
Non-current loan balances (Refer Note 13)	204,321,355	84,701,395	-	-
	<b>204,321,355</b>	<b>84,701,395</b>	-	-
<b>Others</b>				
Interest accrued but not due on portfolio loans	-	-	52,742,045	19,892,084
Interest accrued but not due on deposits placed with banks and financial institutions	7,915,037	4,956,268	10,968,813	11,476,554
Insurance claim recoverable *	-	-	2,274,175	1,175,888
	<b>7,915,037</b>	<b>4,956,268</b>	<b>80,885,033</b>	<b>32,448,526</b>
<b>Total</b>	<b>212,236,392</b>	<b>89,657,663</b>	<b>80,885,033</b>	<b>32,448,526</b>

\*represents claim lodged / to be lodged with Insurance Company. As per arrangement with Insurance Company, the outstanding amount recoverable on death of members or non-members, would be claimed from the Insurance Company.

13 Cash and Bank Balances	Non-Current Portion		Current Portion	
	March 31, 2015	March 31, 2014	March 31, 2015	March 31, 2014
	(Rs.)	(Rs.)	(Rs.)	(Rs.)
<b>Cash and cash equivalents</b>				
Balance with banks	-	-	937,687,271	733,808,272
on current accounts	-	-	10,906,000	738,096
deposits with original maturity of less than three months	-	-	2,322,618	10,521,151
Cash on hand	-	-	<b>951,219,889</b>	<b>821,167,529</b>
<b>Other Bank Balances</b>				
Deposits with original maturity for more than 3 months but less than 12 months	-	-	-	2,257,216
Deposits with original maturity for more than 12 months	204,321,355	84,701,395	151,017,755	148,952,565
	<b>204,321,355</b>	<b>84,701,395</b>	<b>151,017,755</b>	<b>150,209,881</b>
Amount disclosed under non-current assets (Refer note 12)	(204,321,310)	(84,701,395)	-	-
<b>Total</b>	-	-	<b>1,102,226,644</b>	<b>981,417,410</b>

Includes deposit certificates of Rs. 315,594,288/- (Previous year: Rs. 234,585,830/-) marked as loan towards term loans availed from banks and financial institutions and towards cash collateral placed in connection with portfolio loan assignments.





**Annapurna Microfinance Private Limited**  
**Notes to the Financial Statements as at and for the year ended March 31, 2015**

14 Revenue from operations	Year ended March, 31, 2015	Year ended March, 31, 2014
	(Rs.)	(Rs.)
Interest income on portfolio loans	443,077,905	174,730,730
Loan on processing fees	44,088,740	17,030,940
Loan on securitisation premium amortised	58,203,392	35,741,135
<b>Total</b>	<b>545,460,038</b>	<b>328,460,775</b>

15 Other income	Year ended March, 31, 2015	Year ended March, 31, 2014
	(Rs.)	(Rs.)
Interest income on fixed deposits with banks and others	40,715,319	25,529,429
Profit on sale of current investments	10,288,264	-
Miscellaneous income	6,853,682	4,948,249
<b>Total</b>	<b>57,856,295</b>	<b>30,477,708</b>

16 Employee benefit expenses	Year ended March, 31, 2015	Year ended March, 31, 2014
	(Rs.)	(Rs.)
Salaries and bonus	116,724,466	34,777,201
Contributions to provident fund and others	8,136,757	1,838,861
Management stock option compensation (Refer Note 15)	1,374,507	-
Gratuity expenses (Refer Note 24)	787,081	813,144
Staff Welfare Expenses	2,561,250	79,989
<b>Total</b>	<b>129,523,641</b>	<b>37,399,185</b>

17 Finance Costs	Year ended March, 31, 2015	Year ended March, 31, 2014
	(Rs.)	(Rs.)
Interest Expense	309,380,103	115,220,479
Other borrowing costs	24,413,184	14,061,929
<b>Total</b>	<b>333,793,297</b>	<b>129,232,408</b>

18 Other expenses	Year ended March, 31, 2015	Year ended March, 31, 2014
	(Rs.)	(Rs.)
Rent	10,861,322	4,537,623
Rates and taxes	1,254,095	1,742,586
Repairs & maintenance	-	-
Office maintenance	1,370,021	226,208
Office Expenses	4,756,025	1,542,535
Director sitting fees	110,000	60,000
Travelling and conveyance	4,420,687	1,485,776
Communication expenses	5,109,055	3,121,532
Printing & stationery	811,305	400,548
Legal and professional fees	31,198,734	8,687,633
Payment to auditors (refer details below)	2,315,000	450,000
Advertisement	851,043	-
Training & meeting expenses	1,297,487	940,358
Electricity charges	1,102,442	432,712
Miscellaneous expenses	3,730,657	424,699
<b>Total</b>	<b>49,461,093</b>	<b>24,342,902</b>

Payment to auditors	Year ended March, 31, 2015	Year ended March, 31, 2014
	(Rs.)	(Rs.)
As auditor:		
Audit fee	1,300,000	450,000
Unaudited review	600,000	-
In other capacity:		
Other Services (certification fees)	200,000	-
Reimbursement of expenses (including service tax)	115,000	-
<b>Total</b>	<b>2,215,000</b>	<b>450,000</b>



**Annapurna Microfinance Private Limited**  
**Notes to the Financial Statements as at and for the year ended March 31, 2015**

19 Provision for standard and non performing assets	Year ended March, 31, 2015	Year ended March, 31, 2014
	(Rs.)	(Rs.)
Contingent provision against standard assets	21,556,748	2,747,690
Provision for non performing assets	1,180,503	1,510,747
Provision and loss on securitized / managed portfolio	157,314	-
	<b>23,095,255</b>	<b>4,378,437</b>

20 Prior Period Expenses (Net of Income)	Year ended March, 31, 2015
	(Rs.)
i) Legal and Professional Fees (Refer note (i) below)	2,729,180
ii) Management Stock Option Compensation (Refer note (i) below)	2,168,876
iii) Interest Income on Portfolio Loan excess recognised in prior years (Refer note (iv) below)	9,495,189
	<b>14,193,625</b>
Less : Ancillary borrowing costs recognised in excess in earlier year (Refer note (ii) below)	<b>11,590,373</b>
	<b>2,603,252</b>

**Notes:**

- Legal & professional expenses and management stock option compensation expenses of Rs. 2,129,382/- and Rs. 2,168,876/- respectively relates to earlier years.
- During the year, the company has amortised processing fees paid on outstanding borrowings over the original tenure of the loans as against the erstwhile practice of fully charging off such expenses up-front to comply with Accounting Standard - 15 "Borrowing Costs". As a result of this, the profit for the year ended March, 2015 is higher by Rs. 22,515,625/- . Consequently, loss aggregating to Rs. 11,591,373/- charged up-front in prior years have been reversed and such reversal has been included under prior period items.
- During the year, the Company has reversed interest income of Rs. 9,895,369/- being income erroneously recognised in prior years in respect of securitized loan contracts.



## 21 Details of Securitised Portfolio and Income arising out of the same

During the year, the Company has sold loans through securitisation. The information regarding the securitisation activity as an originator is shown below:

Particulars	Year ended March 31, 2015	Year ended March 31, 2014
	(Rs.)	(Rs.)
Total book value of the loans securitised during the year (A)	698,819,148	817,937,409
Sale consideration received for the loans securitised during the year (B)	512,131,617	886,168,832
Gain on Securitisation (B - A)	213,312,469	68,231,423
Income from asset securitisation recognised in the Statement of profit and loss	58,293,392	35,745,135
Portfolio loan securitised and outstanding	609,589,057	722,009,086
<b>Credit enhancements provided and outstanding:</b>		
Cash collateral	93,292,017	118,915,830
The Company has transferred all the rights and obligations relating to above securitised loan assets to various banks.		

## 22 Segment Reporting

The Company operates in a single reportable segment i.e. financing, which has similar risks and returns for the purpose of Accounting Standard-17 on 'Segment Reporting' specified under section 133 of the Companies Act, 2013 read with Rule 2 of the Companies (Accounting Standard) Rules, 2008 (as amended). The Company operates in a single geographical segment i.e. India. Hence, no additional disclosures are required under Accounting Standard-17.

## 23 Earnings per share (EPS)

Particulars	March 31, 2015	March 31, 2014
Net Profit after tax (Rs.)	30,564,287	41,089,087
Less: Dividend on 9% Optionally Convertible Preference Shares and tax thereon (Rs.)	2,105,910	2,105,910
Net Profit for calculation of Basic/ Diluted EPS (Rs.)	28,458,377	39,883,177
Weighted average number of equity shares in calculating basic EPS	20,310,629	12,640,010
Effect of dilution:		
Expected Shares to be granted under MSOP	817,198	817,198
Weighted average number of equity shares in calculating diluted EPS	21,127,827	13,457,208
Earnings Per Share:		
Basic (Rs.)	1.40	3.16
Diluted (Rs.)	1.35	2.96

The impact of conversion of preference shares is anti dilutive in nature, hence not considered for calculation of diluted EPS.





#### 24 Gratuity

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service is eligible for gratuity on departure and it is computed at 15 days salary (last drawn salary) for each completed year of service. The scheme is funded with an insurance company in the form of qualifying insurance policy. The following tables summarize the components of net benefit expense recognised in the statement of profit and loss and the funded status and amounts recognised in the balance sheet for the gratuity plans.

Particulars	March 31, 2015
<b>Assumptions:</b>	
Discount rate	8.00%
Salary Escalation	7.00%
Expected Rate of Return on Assets	8.00%
Expected Average Remaining Working Life of Employees (Years)	10.08
Withdrawal Rate	Varying between 8% per annum to 1% per annum depending on duration and age of employees
<b>Table Showing changes in present value of Defined Benefit obligation:</b>	
Present value of defined benefit obligations as at beginning of the year	(85)
Interest cost	664,270
Current service cost	96,220
Benefit Paid	870,720
Actuarial gain on obligations	(157,253)
Present value of defined benefit obligations as at end of the year	1,473,957
<b>Table showing fair value of plan assets:</b>	
Fair value of plan assets at beginning of the year	513,144
Expected return on plan assets	105,241
Contributions	1,096,220
Benefits Paid	-
Actuarial loss on plan assets	(82,635)
Fair value of plan assets at end of the year	1,731,970
<b>Actuarial (Gain)/Loss recognised:</b>	
Actuarial gain on obligations	(157,253)
Actuarial loss on Plan assets	82,635
Actuarial gain recognised in the year	(74,618)
<b>The amounts to be recognised in the Balance Sheet:</b>	
Present value of obligations at the end of the year	1,473,957
Fair value of plan assets at the end of the year	1,731,970
Net asset recognised in balance sheet	258,013
<b>Expenses Recognised in statement of Profit and Loss:</b>	
Current Service Cost	870,720
Interest Cost	96,220
Expected return on Plan assets	105,241
Net Actuarial gain recognised in the year	(74,618)
Expenses recognised in statement of profit and loss	787,681
Actual return on plan assets	27,666

Amounts for the current and previous year are as follows:

Particulars	March 31, 2015 (Rs.)	March 31, 2014 (Rs.)
Defined Benefit Obligations	1,473,957	664,270
Plan Assets	1,731,970	613,144
Surplus/(Deficit) at	258,013	(51,126)
Experience adjustments on plan liabilities (Gain)/Loss	-	-
Experience adjustments on plan assets (Gain)/Loss	(82,635)	-

The Major categories of Plan Assets as a percentage of the fair value of Total Plan Asset are as follows:  
Insurance Managed Fund 100%

Amount incurred as expense for defined contribution to Provident Fund and others is Rs. 8,136,737/- (Previous Year: Rs. 1,838,061/-)

The estimates of future salary increases considered in actuarial valuation, takes account of inflation, seniority and other relevant factors, such as supply and demand in the employment market.

The Company expects to contribute Rs.9,31,903/- (March 31, 2014: (Rs.6,13,444/-)) to gratuity fund in 2015-16.

The overall expected rate of return on assets is determined based on market prices prevailing on that date, applicable to the year over which the obligation is to be settled.

The Company has started recording gratuity liability based on actuarial valuation from the financial year 2014-15 onwards, hence figures for previous years are not furnished.



## 25 Management Stock Option Plan (MSOP)

The company provides share-based payment schemes to its key management personnel. The plan is in operation as on March 31, 2015 are MSOP - Series A and MSOP - Series B.

Particulars	MSOP - Series A	MSOP - Series B (i)	MSOP - Series B (ii)
Date of Grant	June 29, 2012	March 19, 2014	March 19, 2014
Date of Board Approval	June 29, 2012	March 19, 2014	March 19, 2014
Date of Shareholder's Approval	June 29, 2012	March 19, 2014	March 19, 2014
Number of Options extended to exercise within the vesting period	164020	410419	509954
Exercise Price per Share (Rs.)	2.5	5	5
Method of Settlement	Equity	Equity	Equity
Vesting Period	March 31, 2013	March 31, 2015	March 31, 2016
Exercise Period	Immediate after vesting period subject to shareholders' approval	Immediate after vesting period subject to shareholders' approval	Immediate after vesting period subject to shareholders' approval
Vesting Conditions	Performance milestones as set out in shareholder agreement dated June 29, 2012	Performance milestones as set out in shareholder agreement dated March 19, 2014	Performance milestones as set out in shareholder agreement dated March 19, 2014

The details of the plans have been summarized below:

### MSOP - Series A

Particulars	March 31, 2015		March 31, 2014	
	No. of Options	Exercise Price (Rs.)	No. of Options	Exercise Price (Rs.)
Outstanding at the beginning of the year	164,050.00	2.50	164,090.00	2.50
Granted During the year	-	-	-	-
Forfeited During the year	-	-	-	-
Rescued During the year	-	-	-	-
Expired During the year	-	-	-	-
Outstanding at the end of the year	164,050.00	2.50	164,050.00	2.50
Exercisable at the end of the year	164,050.00	2.50	164,050.00	2.50
Weighted Average Remaining Contractual Life in Years	-	-	-	-

### MSOP - Series B

Particulars	March 31, 2015		March 31, 2014	
	No. of Options	Exercise Price (Rs.)	No. of Options	Exercise Price (Rs.)
Outstanding at the beginning of the year	-	-	-	-
Granted During the year	873,850.00	5.00	873,850.00	5.00
Forfeited During the year	-	-	-	-
Rescued During the year	-	-	-	-
Expired During the year	-	-	-	-
Outstanding at the end of the year	873,850.00	5.00	873,850.00	5.00
Exercisable at the end of the year	873,850.00	5.00	873,850.00	5.00
Weighted Average Remaining Contractual Life in Years	1.02	-	1.55	-

Effect of share-based payment plans on the statement of profit and loss and on the financial position:

Particulars	Year ended March 31, 2015 *
	(Rs.)
Stock option expenditure for Key Management Person	10,688,751
Stock option expenditure for Employees	3,154,232
Total compensation cost pertaining to equity-settled employee share based payments	13,842,983

\* not accounted during earlier years. Out of above expenses Rs. 2,158,876/- is related to earlier years and charged as prior period expenses. Refer Note 25.

Particulars	March 31, 2015
	(Rs.)
Stock option outstanding (gross)	17,427,350
Deferred compensation cost outstanding	5,924,577
Stock options outstanding (net)	13,482,983

Note:-

1) The issue of shares will be in accordance with the provisions of the Companies Act, 2013.

2) In view of cost of above options being recognised under intrinsic value method, fair valuation of the option in accordance with the guidance note issued by the Institute of Chartered Accountants of India has not been considered necessary. Management believes that the impact of fair value is not expected to be material.



Loan portfolio and provision for standard and non-performing assets as at March 31, 2015:

Asset classification	Portfolio loans outstanding (Gross)		Provision for standard and non-performing assets		Portfolio loans outstanding (Net)	
	March 31, 2015	March 31, 2014	March 31, 2014	Provision Made during the year	March 31, 2015	March 31, 2014
Standard assets	3,272,325,575	988,211,415	8,212,866	21,756,748	3,242,351,961	979,998,549
Non-Performing assets	3,322,498	1,606,273	1,606,273	1,606,273	533,631	-
<b>Total</b>	<b>3,275,648,073</b>	<b>989,817,688</b>	<b>9,819,139</b>	<b>22,937,342</b>	<b>3,242,891,592</b>	<b>979,998,549</b>

Loan portfolio and provision for standard and non-performing assets as at March 31, 2014:

Asset classification	Portfolio loans outstanding (Gross)		Provision for standard and non-performing assets		Portfolio loans outstanding (Net)	
	March 31, 2014	March 31, 2013	March 31, 2013	Provision Made during the year	March 31, 2014	March 31, 2013
Standard assets	988,211,415	542,514,302	3,084,779	4,328,067	979,998,549	538,629,521
Non-Performing assets	1,005,273	1,555,923	1,555,923	50,350	-	-
<b>Total</b>	<b>989,817,688</b>	<b>544,070,225</b>	<b>5,440,702</b>	<b>4,378,437</b>	<b>979,998,549</b>	<b>538,629,521</b>





## 27 Related party disclosure

### i) Names of related parties and related party relationship

Key Management Personnel	
Name	Designation
Mr. Gajendra Chandra Pathak	Managing Director & CEO
Mr. Gajendra Pathak	Director and CFO
Mr. Subodh Pathak	Company Secretary

### ii) Nature of transactions

Particulars	31-Mar-15		31-Mar-14	
	(Rs.) Transaction Value	(Rs.) Balance Outstanding	(Rs.) Transaction Value	(Rs.) Balance Outstanding
(i) Key Management Personnel				
Mr. Gajendra Chandra Pathak*	2,194,170	-	1,682,300	-
Mr. Gajendra Pathak*	1,645,170	-	1,218,300	-
Mr. Subodh Pathak*	505,474	-	447,800	-
<b>Total</b>	<b>4,344,814</b>	<b>-</b>	<b>3,328,600</b>	<b>-</b>

Notes:

\*As the future facility for security has been provided for the company as a whole, this amount pertaining to Key Management Personnel are separately not ascertainable, and therefore not included above.

Refer note no. 5 A & 5 B re: regards term loans personally guaranteed by promoter directors of the Company.

Refer note no. 25 re: regards Management Stock option plan.

## 28 Leases

### Operating lease: Company as lessee

The company has operating leases for office premises that are renewable on a periodic basis and are cancellable by giving a notice period ranging from one month to three months. There is no escalation clause in the lease agreements. There are no restrictions imposed by lease arrangements. There are no subleases and contingent rents.

The amount of rent expenses included in the Statement of Profit and Loss towards operating leases aggregate to Rs 10,964,325/ (Rs. 4,637,632/).

## 29 Robbery at Roinda Branch

Miscellaneous expenses include Rs. 1,499,000 being amount written off as loss of cash due to robbery in a branch. Management has carried out internal investigation in this regard and filed an "First Information Report" with the local police authorities against unknown persons. The investigation is still in progress.

## 30 Expenditure in foreign currency (on accrual basis)

Description	Year ended March 31, 2015 (Rs.)	Year ended March 31, 2014 (Rs.)
Travelling Expenses	925,800	-

## 31 Additional disclosures required by Reserve Bank of India<sup>1</sup>

### i) Capital to Risk-Assets ratio (CRAR)

Particulars	31-Mar-15	31-Mar-14
CRAR (%)	23.07	26.34
CRAR - Tier I capital (%)	25.15	30.84
CRAR - Tier II capital (%)	7.54	25.52
Amount of subordinated debt raised as Tier-II capital	-	-
Amount raised by issue of Perpetual Debt Instruments	-	-

### ii) Exposure to real estate sector

The Company has no exposures to Real Estate Sector directly or indirectly.

\* Though not mandatory as per Circular no. RO2/2014-15/099, DRR (FC) CC No 002/03.10.00/2014-15 dated November 10, 2014, however, the information has been furnished as recommended in the aforesaid circular.



**Annapurna Microfinance Private Limited**  
Notes to the Financial Statements for the year ended March 31, 2015

**III) Maturity Pattern of certain items of assets & liabilities**

( Amount in Rs. )

Particulars	1 day to 30/31 days (one month)	Over 1 month to 2 months	Over 2 months to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
<b>Liabilities</b>									
Borrowings*	121,978,413 (84,033,997)	156,545,133 (84,033,999)	137,038,608 (88,795,408)	472,574,326 (220,028,728)	819,621,011 (371,093,187)	1,674,100,980 (520,607,819)	293,041,671 (48,499,696)	-	3,674,890,142 (1,417,092,834)
<b>Total</b>	121,978,413 (84,033,997)	156,545,133 (84,033,999)	137,038,608 (88,795,408)	472,574,326 (220,028,728)	819,621,011 (371,093,187)	1,674,100,980 (520,607,819)	293,041,671 (48,499,696)	-	3,674,890,142 (1,417,092,834)
<b>Assets</b>									
Advances (Portfolio Loan)	193,559,868 (60,749,636)	212,179,087 (63,889,625)	211,698,492 (64,803,535)	602,800,866 (191,238,255)	1,054,488,071 (356,304,816)	1,003,921,689 (243,031,621)	-	-	3,275,648,073 (999,817,688)
Investments	-	-	-	-	-	-	-	-	3,600,000 (1,200,000)
<b>Total</b>	193,559,868 (60,749,636)	212,179,087 (63,889,625)	211,698,492 (64,803,535)	602,800,866 (191,238,255)	1,054,488,071 (356,304,816)	1,003,921,689 (243,031,621)	-	-	3,279,248,073 (991,017,688)

\* does not include Compulsory Convertible Debentures



**Annapurna Microfinance Private Limited**
**Notes to the Financial Statements for the year ended March 31, 2015**

32 The followings figures are being reported based on certificate issued by the auditors of the SPV, as required by the revised guidelines on transfer of assets through securitisation and direct assignment of cashflows

( Amount in Lacs )

Particulars	March 31, 2015 (Rs.)	March 31, 2014 (Rs.)
1 No of SPVs sponsored by the NBFC for securitisation transactions	15	18
2 Total amount of securitised assets as per books of the SPVs sponsored by the NBFC as on the balance sheet date	6,804.33	7,220.10
3 Total amount of exposures retained by the NBFC to comply with MRR as on the balance sheet date		
a) Off-balance sheet exposures		
• First loss	932.93	1,189.55
• Others	-	-
b) On-balance sheet exposures		
• First loss	-	-
• Others	-	-
4 Amount of exposures to securitisation transactions other than MRR		
a) Off-balance sheet exposures		
i) Exposure to own securitisations		
• First loss	-	-
• Others	-	-
ii) Exposure to third party securitisations		
• First loss	-	-
• Others	-	-
b) On-balance sheet exposures		
i) Exposure to own securitisations		
• First loss	-	-
• Others	-	-
ii) Exposure to third party securitisations		
• First loss	-	-
• Others	-	-

33 Information on Net Interest Margin

Particulars	Year ended March 31, 2015 (Rs.)	Year ended March 31, 2014 (Rs.)
a) Average Interest charged by the Company on advances (%)	23.02	25.77
b) Average Interest cost of borrowings of the Company (%)	14.84	15.19
c) Margin Cap (a-b) (%)	8.18	10.58





**Annapurna Microfinance Private Limited**  
**Notes to the Financial Statements for the year ended March 31, 2015**

**34.** During the year, the Company has entered into agreement with Banks for providing certain business correspondence services as defined by RBI.

The detail of activities undertaken pursuant is as follows :

Particulars	March 31, 2015 *
	(Rs.)
Amount received from banks for disbursement of loan	131,729,991
Loan disbursed during the year	98,457,000
Amount refunded during the year	1,312,876
Amount yet to be disbursed	31,960,115
Service Fee Income recognised during the year	650,212
<b>Credit enhancements provided and outstanding:</b>	
Cash collateral	17,000,000

\* No such agreement executed during the previous year.

**35.** Provision on loan portfolio aggregates Rs. 327,56,481/- ( Rs. 98,19,139/-), being 1% of the outstanding loan installments as per the accounting policy stated in Note 2.1 (p). The Company has not written off any loan amount during the year.

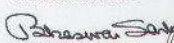
**36. Disclosure of Micro and Small Enterprises**

The Company has initiated the process of identification of suppliers registered under the Micro, Small and Medium Enterprise Development Act, 2006 (the 'MSMED') by obtaining confirmation from all the suppliers. Based on the information currently available with the Company no amount is payable to the Micro, Small and Medium Enterprises as per the MSMED Act, 2006 as at March 31, 2015.

**37. Prior year figures**

The figures of previous year were audited by firm of Chartered Accountants other than S.R. Batliboi & Co. LLP. Previous year figures have been regrouped/reclassified, where necessary, to confirm to this year's classification.

**For S.R.Batliboi & Co. LLP**  
 Firm Registration No.  
 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:  
 Date: June 04, 2015

