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ANNAPURNA
FINANCE
GROWING TOGETHER



Annapurna Finance

Annual Report 2017-18

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Annapurna Finance











Annual Report 2017-18



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Board of Directors

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Mr. Gobinda Chandra Pattanaik **Managing Director**

Mr. Pattanaik has in-depth understanding of microfinance and has more than two decades of experience in implementing various developmental and micro enterprise activities. He is well known in the development sector for his thoughtful and innovative approaches. He long dreamt about setting up of this institution to be a pioneer in the field of women empowerment by creating sustainable livelihood avenues for them. He has also played key role in setting up various community based institutions; is an advisor to various district administrations.

Mr. Dibyajyoti Pattanaik **Director**

Mr. Pattanaik has over 14 years of experience in microfinance, micro-enterprise development and development sector consulting. He has worked with public and development sector institutions in various roles before joining People's Forum as Program Head & CFO in 2007. He played a crucial role in the transformation of Mission Annapurna to Annapurna Finance Pvt Ltd., which now operates as an NBFC-MFI across 14 states of India. He is a Post Graduate in Management from EDII, Ahmedabad with specialization in microfinance and microenterprise management.

Mr. K. K. Tiwary **Independent Director**

Mr. Tiwary is a Senior Chartered Accountant and has the expertise in various fields of audit, taxation, project consultancy, microfinance NBFC takeovers and financing activities. He has rich experience in development, control, audit and monitoring of microfinance activities.

Mr. Sean Leslie Nossel **Independent Director**

Mr. Sean Nossel has been an Independent Director of Annapurna Finance since 2012. Mr Nossel has over 25 years of experience in insurance, investment banking and private equity in the USA and emerging markets. He currently leads pricing, risk analysis and structuring of mergers and acquisitions at Resolution Group, one of the leaders in consolidation of the insurance sector. Prior to this he was an Executive Director at JP Morgan and worked in investment banking, structured finance and equity research where he was a top rated equity analyst.

Mr. Ashok Ranjan Samal **Independent Director**

Mr. Samal has rich experience of more than 31 years in development banking with diverse and long association with microfinance sector. He has served as General Manager at SIDBI's Head Office Lucknow looking after SIDBI Foundation for Microcredit (SFMC). He has extensive experience of dealing with NBFC-MFI by virtue of his long association with SFMC for more than 12 years as Deputy General Manager and General Manager. Mr. Samal is a Certified Associate of Indian Institute of Bankers (CAIIB) and Post Graduate in English from Utkal University.

Ms. Milena Loayza **Nominee Director, BIO**

Ms. Milena Loayza is Head of the Financial Sector department at BIO. She has been part of BIO's team since 2012, and is responsible for making equity and debt investments in financial institutions throughout the emerging markets in which BIO operates. Before joining BIO she developed extensive knowledge of the banking sector working as a corporate banker managing a portfolio of middle sized enterprises and corporates at HSBC Bank. She also worked as an investment banker at BCP Bank in Peru.

Mr. Sarath Naru

Alternate Director, BV

Mr. Sarath Naru has been the Managing Director of APIDC Venture Capital Ltd. since 1995. Mr. Naru is the Founder and Managing Partner of Ventureast Fund Advisors India Limited. At Ventureast he has helped create one of the few realized track records in India, and has successfully pioneered investments in new sectors and investing approaches that other Fund Managers have found difficult. He has directly invested, or has overseen investments in more than 60 early-to-growth stage companies across technology, life-sciences, health care etc.

Mr. R. V. Dilip Kumar

Nominee Director, SVCL

Mr. R. V. Dilip Kumar has been with SIDBI Venture Capital Limited (SVCL) since its inception in 1999 and was part of the core team which had set up SIDBI Ventures, SIDBI Trustee Company and NFSIT. He represents SVCL on the Boards of some portfolio companies, where he has played an active role in building up systems and processes. Before joining SVCL, he was with SIDBI for nearly eight years with experience in credit appraisal, accounts and audit functions. He is a Post Graduate in Commerce and Economics, AICWA, CS (Inter), PGDBA and CAIIB.

Mr. Timir Haran Rashmi Samad

Nominee Director, SIDBI

Mr. Samad has an association of more than 25 years while working with SIDBI in various capacities at its Branch, Regional & Head Office. His association with SIDBI has given him a primacy in the microfinance industry. He currently serves as Deputy General Manager at the Bhubaneswar BO of SIDBI. Mr. Samad holds a Bachelors in Science (Geology).

Mr. Florian Grohs

Nominee Director, Oikocredit

Mr. Grohs has more than 20 years of experience in the development sector, having spent the last 15 years focused on rural finance and financial inclusion. Most of that time he worked for Oikocredit where he has held different positions including Director of Credit where he was responsible for the institution's portfolio of approximately 900 Mn and managing 33 offices worldwide. He has also held several board positions in investee companies in Eastern Europe, as well as in Maanaveeya, Indian subsidiary of Oikocredit.

Ms. Christina Stefanie Juhasz

Nominee Director, WWB

Ms. Christina Juhasz is the Chief Investment Officer of Women's World Banking Asset Management. She has worked for the organization since 2007, managing the Capital Partners Fund, directing equity investment into Women's World Banking's network members and other women-focused microfinance institutions, in order to provide responsible growth capital and demonstrate the business case for investing in women. Prior to joining the organization, she worked for the Deutsche Bank, Merrill Lynch, and the U.S. Army.

Mr. Satish Chavva

Nominee Director, Oman India Joint Investment Fund

Mr. Chavva has over 18 years of experience including 12 years in private equity. Prior to joining OIJIF, he was an Investment Director at TRG (The Rohatyn Group) and earlier with CVCI (Citi Venture Capital International) working at their London and Mumbai offices. In that role, Mr. Chavva has been actively involved through the various stages of investment cycle – originating and evaluating opportunities, monitoring and exiting the investment. He served on the boards of YOU Broadband, Sansera Engineering and SkyVision. Prior to working in private equity, he worked as an Investment Banker with Citigroup in London. He has also worked with IBM in London and Trilogy in Austin (Texas). Mr Chavva has an MBA from INSEAD, MS from University of Texas at Austin and B.Tech from Indian Institute of Technology, Bombay.

Message

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from Chairman cum-Managing Director

"The world is not a dream, but a reality, of which we are the chief part, and in which we must be up and doing something. Come out into the world about you, be it either wide or limited. Sympathize, not in thought only, but in action, with all about you. Make yourself known and felt for something that would be loved and missed, in twenty thousand little ways, if you were to die; then your life will be a happy one, believe me."

With these lines of Charles Dickens, I would like to evoke the thoughts in the minds of the readers. A thought of bringing some difference in the society we live in. Let life use us as a channel and an instrument for change. Make it our personal goal to make a difference in the areas we are concerned about and people we are connected with.

In Annapurna, our sole intention is to keep helping people and encourage them to expand their consciousness and to inspire people in reaching out for their dreams. We assist people in making their dreams come true.

Neither did we think of becoming the best, nor did we ever want to become the first. Rather we always focused ourselves to do something different. The only aim we had in our mind was to bring a difference to the lives of the people i.e. people we work for. The journey may extend as we wish to create an impact in every life residing in various hamlets of rural India, with the work we do, may be directly or indirectly and promise to never stop before we achieve it.



This year we are planning to introduce a health credit card exclusively for our clients. We are all aware of the fact that the rural population is the most vulnerable to illness and poor hygiene where many times they have to toil away for getting proper treatment. This health card shall enable them to have access to free medical care spontaneously. Also, very soon we are coming up with a short-term soft loan to provide for the beneficiaries' remedial education. Due to lack of awareness and accessibility, the rural youth remains deprived of the knowledge and learning sessions they should get. So in order to bridge the gap, we thought of coming up with this product.

In addition to this, we are coming up with a revolutionary concept in the society. The concept of menstruation is still taboo in various parts of India where we now aim to remove the stigma from the minds of the people. We in Odisha, celebrate womanhood with our traditional festival and in the same country, women cannot even talk about it in public. I believe that to create real positive change in this world we need to first change ourselves. Keeping this in mind, we have thought of supplying low-cost sanitary napkins to our clients. Since most of our client base comprises of women members, it would be a major breakthrough to introduce such a product. This not only will abate the embarrassment amongst the rural women but also will sensitize their family members as well.

Heights where Annapurna has reached and stands today, is possible only and only due to the hard work of my team. I never let go off the opportunity I get, to thank and show my gratitude to them. No doubt as we have a fantastic mind matching team. Thanks to my team. It is always difficult to find out time, funds and advice in any field be it a personal or professional career. However, luckily we got fabulous persons in our board of advisors, the broad-minded true friends for extending their wholehearted support. Without them, it would not have been possible in our pint to overcome the hard times we faced. Thank you is a very small word in front of the immense contribution of our beloved bankers, investors, independent directors, all board members and the support team working at field level. I recognize their remarkable contribution.

The happy and content faces of our clients have always inspired us to reach out for more and bring change into new lives. We aim to bring difference at all levels, be it personal, social or environmental, ultimately anything that improves our state of mind as this will help to make the world a better place. Until we meet next, I believe every reader of this edition will put some effort in making difference to the world, the society and the environment we live in.

Gobinda Chandra Pattanaik
Chairman-cum-Managing Director

Abbreviations

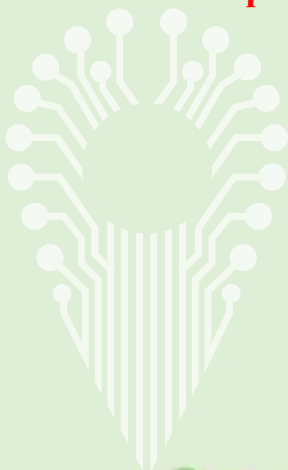
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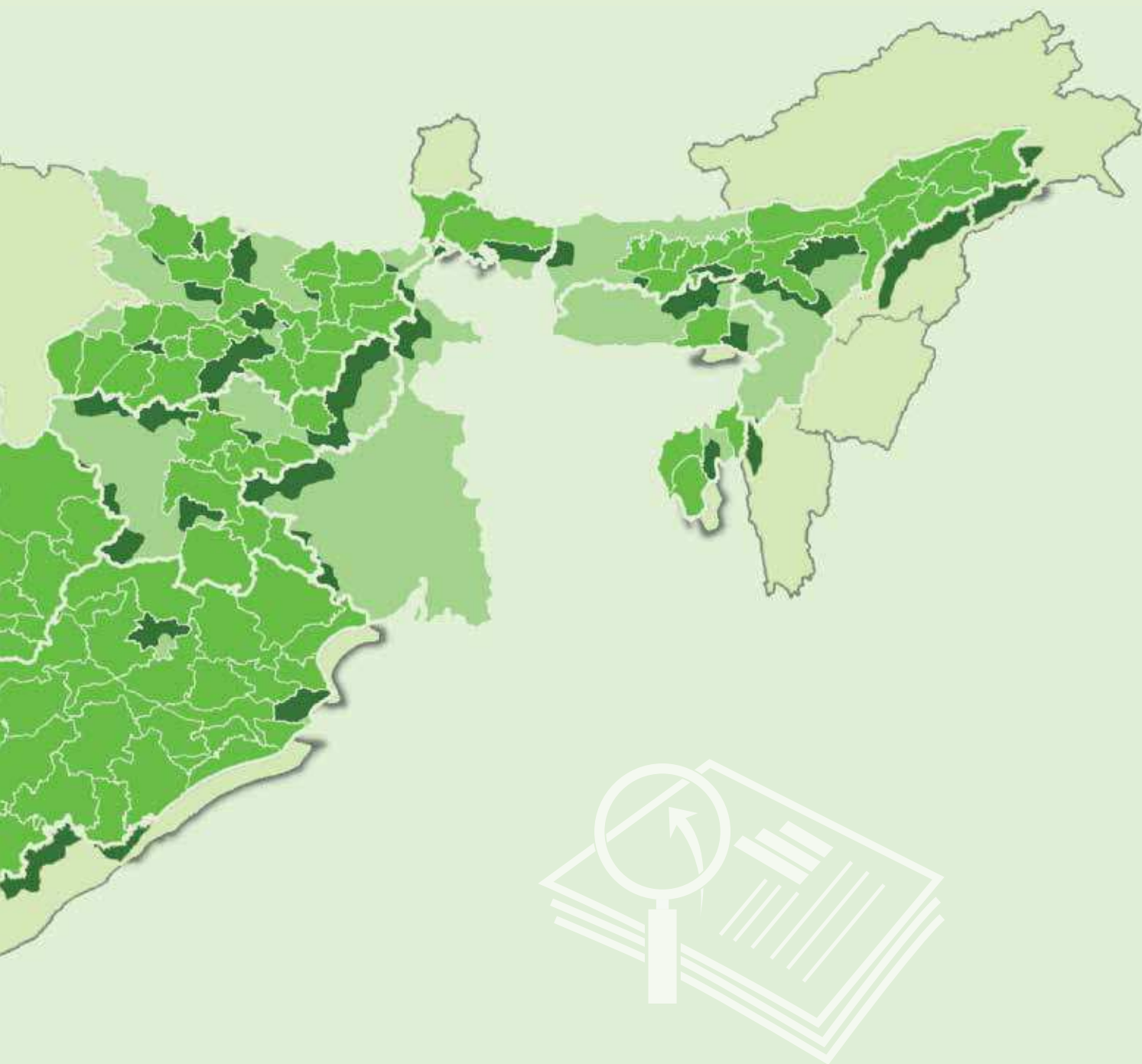
AATO	AIDS Awareness Trust of Odisha
AFPL	Annapurna Finance Private Limited
AGM	Annual General Meeting
ALM	Asset Liability Mismatch
AMPL	Annapurna Microfinance Private Limited
AO	Appraisal Officer
APK	Android Package
AUM	Assets under Management
BC	Business Correspondent
BI	Business Intelligence
BIO	Belgian Investment Company for Developing Countries (BIO)
BOD	Board of Directors
Bps	Basis Point
CAGR	Compound Annual Growth Rate
CB	Credit Bureau
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CRAR	Capital to Risk Assets Ratio
CSR	Corporate Social Responsibility
CWC	Child Welfare Committee
DCPU	District Child Protection Unit
DE Ratio	Debt Equity Ratio
EMI	Equated Monthly Instalment
EWS	Economically Weaker Sections
FI	Financial Institution
FII	Foreign Institutional Investor
FY	Financial Year
FY18	Financial Year 2017-18
GIS	Geographical Information System
GLP	Gross Loan Portfolio
GRT	Group Recognition Test
GST	Goods and Services Tax
GTI	Group Term Insurance
HIL	Home Improvement Loan
HO	Head Office
HR	Human Resources

ICRA	Information and Credit Rating Agency
INR	Indian rupees
JJ	Juvenile Justice
JLG	Joint Liability Group
KMS	Knowledge Management System
KYC	Know Your Customer
LIG	Low Income Group
LPF	Loan Processing Fees
LTV	Loan to Value
MDP	Mentorship Development Program
MEDA	Mennonite Economic Development Associates of Canada
MEL	Micro Enterprise Loan
MFI	Microfinance Institutions
MIG	Middle Income Group
MSME	Micro, Small and Medium Enterprises
NBFC	Non-Banking Financial Company
NCD	Non Convertible Debentures
OIIJIF	Oman India Joint Investment Fund
PAR	Portfolio at Risk
PAT	Profit after Tax
POS	Point of sales
PPP	Purchasing Power Parity
RBI	Reserve Bank of India
RCSA	Risk Control Self-Assessment
RM	Risk Management
RMC	Risk Management Committee
RoA	Return on Assets
RoI	Rate of Interest
SAA	Special Adoption Agency
SEBI	Securities and Exchange Board of India
SHG	Self-Help Group
SIDBI	Small Industries Development Bank of India
SPM	Social Performance Management
SVCL	SIDBI Venture Capital Limited
SWASTH	Safe water and Sanitation to Households
T&C	Terms and Conditions
TAT	Turn Around Time
WTD	Whole Time Director
WWB	Women's World Banking
YLDP	Young Leader Development Program
YoY	Year on Year

Operational Footprint

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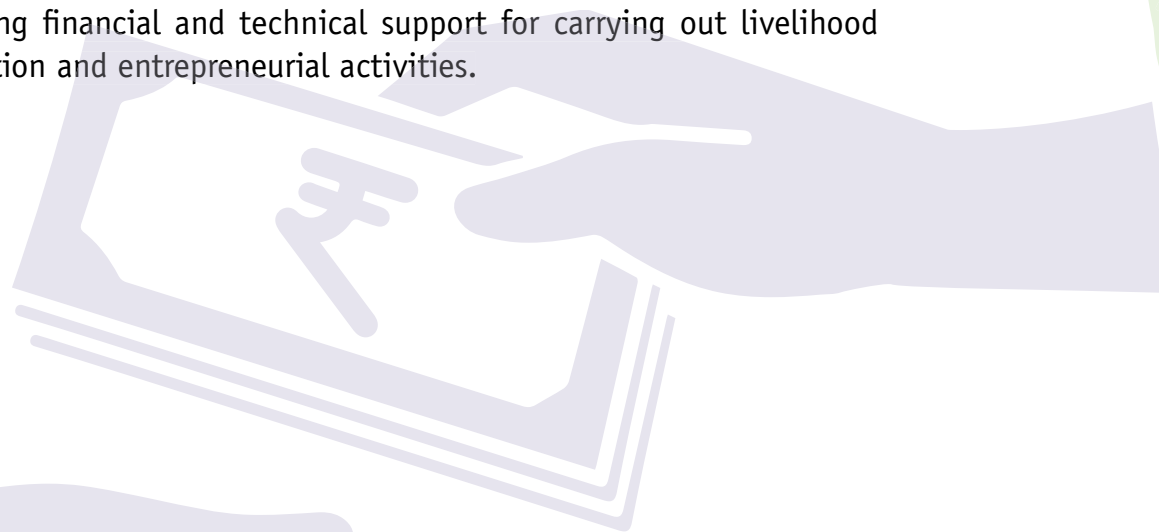


About Us

With a vision to serve the needs of the people at the bottom of the pyramid, Mr. Gobinda Chandra Pattanaik started a charitable non government organization named People's Forum with a mandate to empower the most secluded and less privileged communities of the society, and create impact through socio-economic upliftment.

With the broader vision to serve the larger sect of unprivileged population and reduce dependence on external grants, Annapurna Microfinance was carved out, based on the model of providing smaller size loans suiting the client's needs for various income generation activities. The organization over the years has evolved to serve more diverse needs of the people who do not have access to formal credit from financial institutions.

The Company has now positioned itself to provide a gamut of product offerings which are inclined to serve the socio-economic needs by providing financial and technical support for carrying out livelihood generation and entrepreneurial activities.



Client base
11.99 lakh

Employee base
3507

Operational states
14

Operational
expansion
**Punjab, Haryana,
West Bengal and
Gujarat**

Branch network
374

Equity Infusion
Bamboo Capital Partners - INR **32.36 Cr**
Belgian Investment Company - INR **14.25 Cr**
Oikocredit - INR **14.35 Cr**

Name changed from Annapurna Microfinance
to Annapurna Finance in January 2018

MicroFinanza rating
sA for good social performance management

Journey

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2007

Started operations
under Mission
Annapurna

2010

Name
changed to
AMPL

2009

GLP crossed INR 25 Cr
Acquired NBFC (Gwalior
Fin & Leasing Co)

2012

Incofin Investment Mgmt.
became investor

2015

SVCL invested INR 25 Cr equity
AUM crossed INR 500 Cr and become Systematically Important MFI
AATO invested INR 3 Cr & AUM crossed INR 550 Cr
AMPL crossed INR 5 lacs clients
Education, Dairy and MEL loan started

2016

ICRA assigned rating for INR 700 Cr (enhanced from 500 Cr)
[ICRA BBB]

Portfolio crossed INR 1200 Cr and crossed 1 million clients mark
Bamboo Financials, BIO and Oikocredit invested 32.36 Cr, 14.25
Cr, 14.35 Cr respectively as equity

MicroFinanza assigned sA rating for good social
performance management

Consumer Durables, E-rickshaw, Solar loan started

2017

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2013

Got NBFC-MFI license
SIDBI became investor

2014

BIO and Incofin invested INR 30 Cr
SWASTH loan started

DCB Bank and Oikocredit invested 10 Cr and 35 Cr respectively as equity

WWB invested 50 Cr as equity

Annapurna got certified by the Smart Campaign and Scotch Order of Merit Certificate

GLP crossed 1000 Cr

Cashless disbursement started

Expanded operations in 10 states

HIL, JLG micro-credit, SAMARTH loan started

2018

Name changed to Annapurna Finance Limited

The bank facility ratings improved to BBB+

OIJIF invested 155 Cr as primary equity

Finance and Operations

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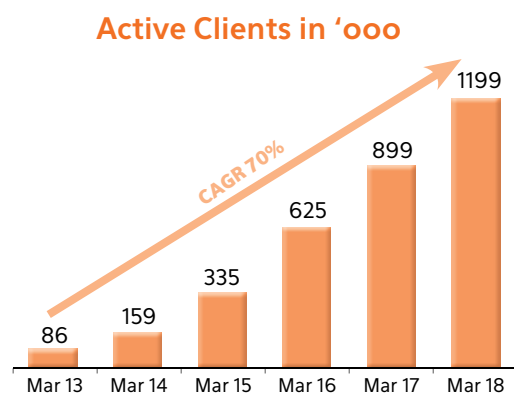
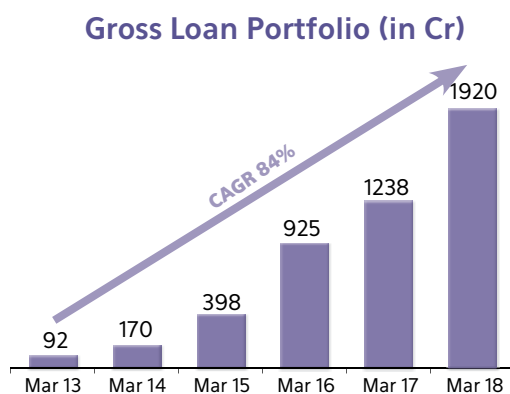
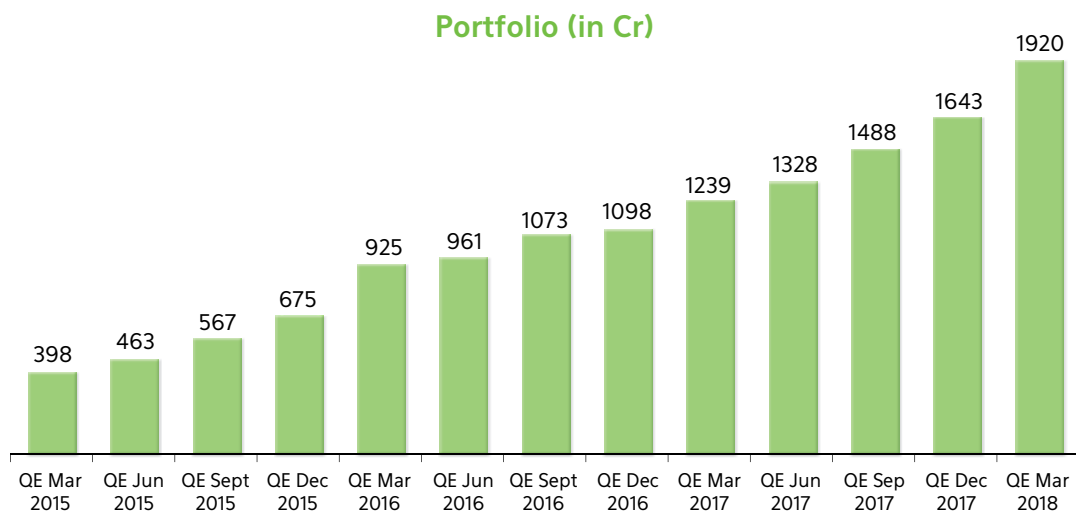
Growth comes only through
continuous efforts

This year brought an effective change

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in the outreach as well as increase in the impact of Annapurna's services in various servicing states of the country. The company made its presence felt in terms of client outreach and a significant portfolio growth. The Company registered a Compound Annual Growth Rate (CAGR) of 84% in terms of Gross Loan Portfolio from INR 92 Cr in FY13 to INR 1920 Cr in FY18. The Company was able to disburse around INR 2094 Cr through its 374 branches in FY18 as against INR 1147 Cr through 246 branches in FY17, showing an increase of 83% in disbursement. Company has been able to reach out from 8,99,743 borrowers in 2017 to 11,98,504 customers in 2018, increasing its active client base at a CAGR of 70% from FY13.

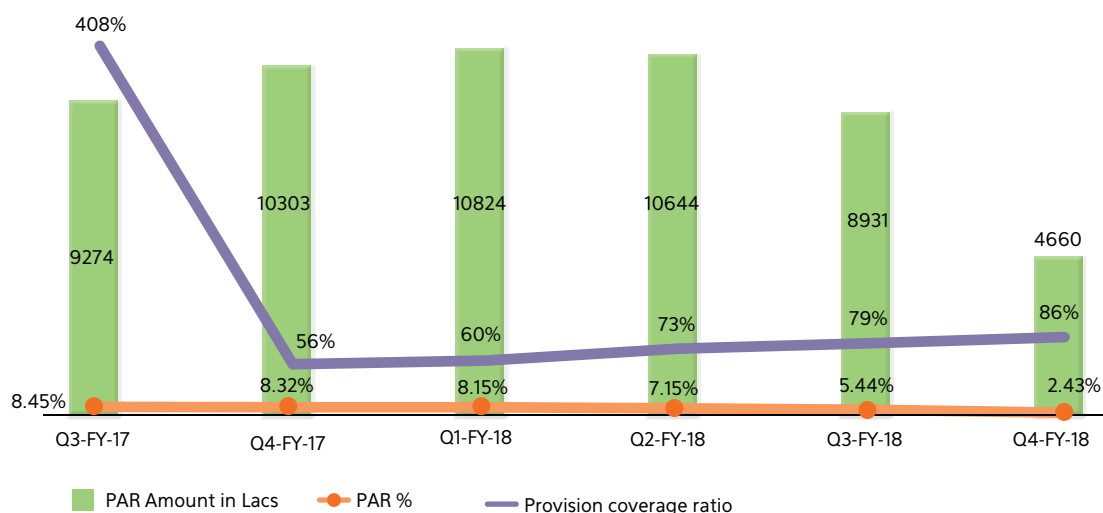
Growth in Portfolio and Active Clients



Delinquency Management

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The Company is focused on process implementation and control mechanisms. The entire microfinance sector has been hit by demonetization. The Company created adequate provision to cover loan losses. PAR>30 day of NBFC-MFI Industry stood at 4.44% as on March 2018 whereas for Annapurna Finance, it was 2.20%.



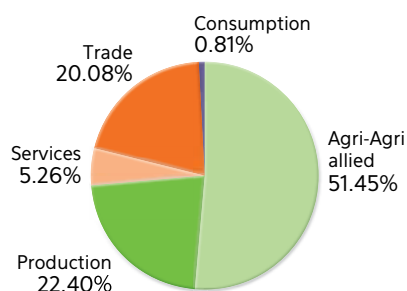
Exposure Details

Annapurna opened 128 new branches in FY18 in different underserved areas across 14 states, Annapurna exhibited steady performance despite facing the crucial time during demonetization. The Company has taken concurrent measures to keep the portfolio of a branch not more than 2% of the total portfolio. The Company devised a constructive mandate to expand its portfolio to mostly untapped areas of the country. Thus, the geographical concentration of risk will gradually be distributed among the servicing areas.

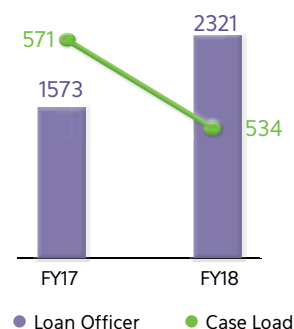
Annapurna: Performance at a Glance

It was a good run during the year for Annapurna from various perspectives, as it took the Company closer to its vision of serving more and more deserving micro-entrepreneurs in the underserved rural areas of India. The borrower base also touched new heights. The Company is effectively recruiting loan officers to keep a check on case load with focus on increasing efficiency. The lower case load is due to the rural geographies we are operating in.

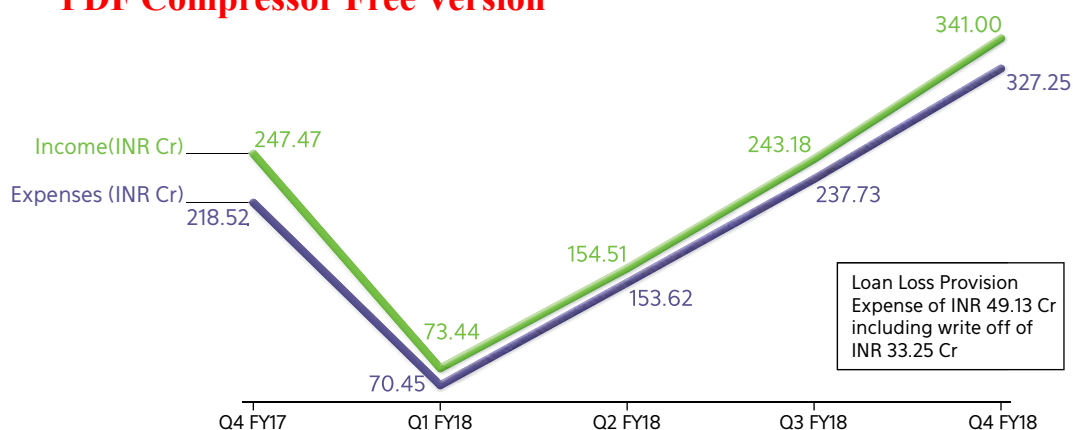
Portfolio Outstanding by Economic Activity



Operational Efficiency

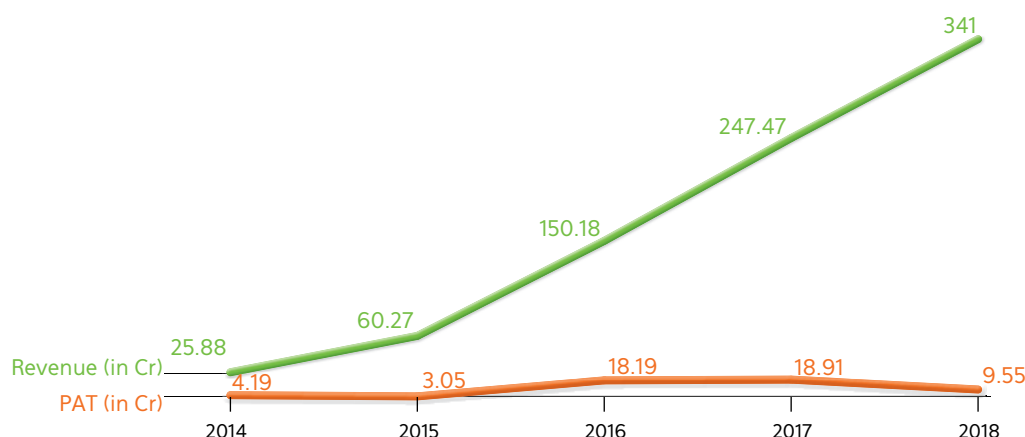


Profitability



The Company has shown steady performance in FY18 with the income rising from INR 247.47 Cr to INR 341 Cr. Similarly, the expenses grew from INR 218.52 Cr in FY17 to INR 327.25 Cr in FY18. The increase in expenses was mainly due to the higher provisioning on the delinquent portfolio. The income and expenses of the Company increased by 38% & 50% respectively.

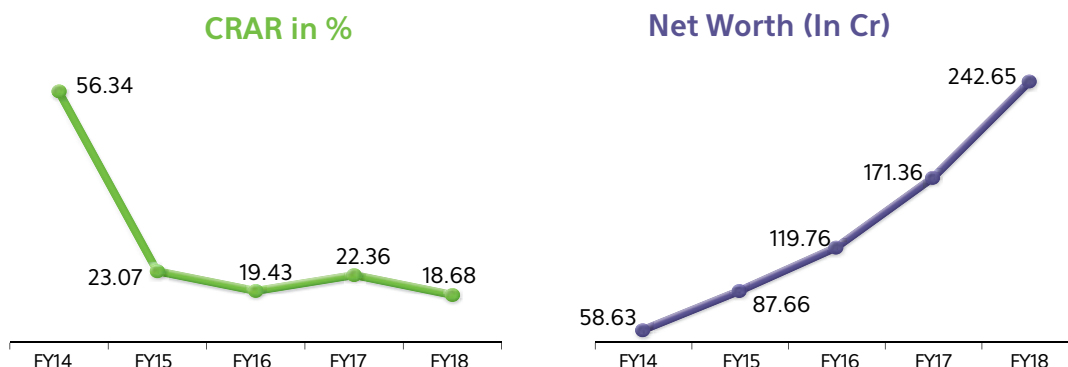
Revenue vis-a-vis PAT



With the expansion of Annapurna's operational footprints, the Company's microfinance operations have grown. This has helped the Company in increasing its revenue by 38% in FY18. The PAT, however, was impacted by the increase in provisioning expenses. The Company has made a write-off including own and managed of INR 33.25 Cr.

Growth in Net Worth and CRAR

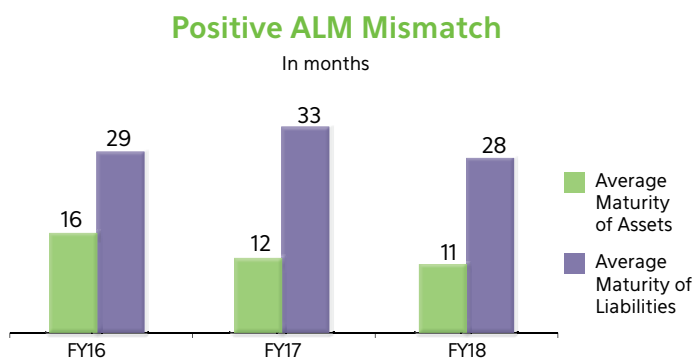
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The capital adequacy ratio has been steady at 18.68% which is well ahead of the RBI benchmark of 15% from NBFC-MFI, but the Company always looks to operate at 20% and above.

The net worth of the Company grew by 42% over the previous financial year. In FY18, Bamboo Financial, RIF East II and Oikocredit infused INR 32.36 Cr, INR 14.25 Cr and INR 14.35 Cr respectively in the Company. The Net Worth reached to INR 242.65 Cr in FY18 from INR 171.37 Cr at the end of FY17.

Asset Liability Mismatch (ALM)



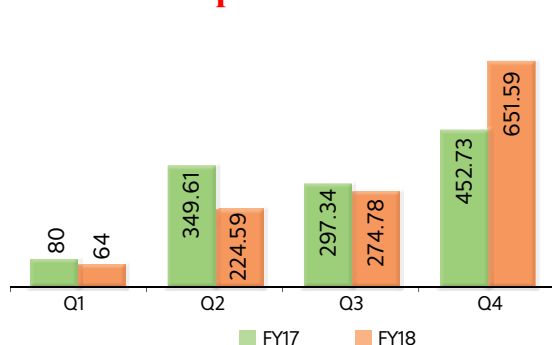
The average maturity of liabilities was pegged at 28 months and an average maturity of assets was at 11 months resulting in a positive mismatch of 17 months in FY18.

Quarter on Quarter Fund raised vis-à-vis Previous Year's Performance (Sanctioned Amount)

The Company has diversified its funding sources over the years, that helped it to mobilize INR 1275.92 Cr. The Company raised a total of INR 795.50 Cr from public sector banks, private sector banks and other FIs in the form of term loans. The Company also raised NCD and subordinate debt amounting to INR 32.50 Cr and INR 40 Cr respectively. Funding from securitization has increased by 27% amounting to INR 346.96 Cr in FY18.

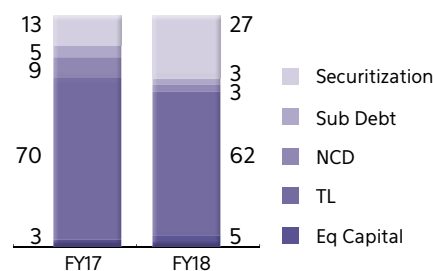
The Company today enjoys the support of large lender base spread across public sector banks, private sector banks, FIIs, FIs and NBFC space. The lender base today stands at 49.

Fund Raised



Fund Raised

(Exposure in %)



Financial Performance

	2017	2018
Liabilities (in Cr)		
Equity Capital	40.35	46.02
General Reserve & Surplus	131.02	196.63
Net Worth	171.37	242.65
Loan Loss Reserve	10.18	28.43
Long-term Loans	1208.95	1547.24
Other Liabilities	41.63	66.31
Sub Debt	99.00	139.00
Total	1531.13	2023.63
Assets (in Cr)		
Net Fixed Assets	4.85	6.55
Microcredit Loans Extended	1018.28	1564.88
Current Assets	306.97	302.34
Investments/FD	201.03	149.86
Total	1531.13	2023.63

Annapurna successfully raised INR 28.60 Cr of equity from their existing investors namely BIO and Oikocredit in FY18 while another INR 32.36 Cr was raised from a new investor namely Bamboo Capital. The long-term loans increased from INR 1209 Cr in FY17 to INR 1547 Cr in FY18. The Company also raised INR 40 Cr of subordinate debt in FY18.

With disbursement of INR 2094.77 Cr in FY18, GLP increased by 55% with an increase in on-book portfolio from 1018.28 Cr in FY17 to 1564.88 Cr in FY18.

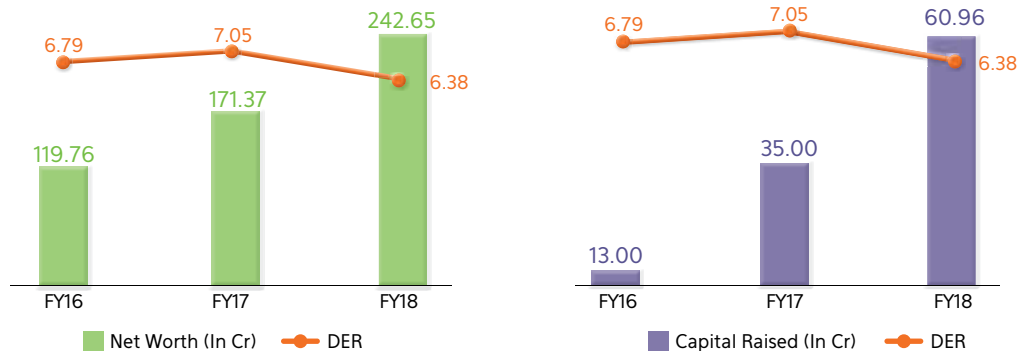
Operational Performance

Particulars	2017	2018
No. of Borrowers	8,99,743	11,98,504
No. of Districts	129	174
No. of Villages	27,251	32,187
No. of Branches	246	374
Disbursement (in Cr)	1147.33	2094.77
Gross Loan Portfolio (in Cr)	1238.63	1920.4
Equity Infusion (During the year) (in Cr)	35	60.96
PAT (in Cr)	18.91	9.55



The Company reached out to 32,187 underserved villages in 174 districts and provided microloans to 11,98,504 borrowers through its 374 branches. Post demonetization the Company has successfully attempted to disburse the loan amount in cashless mode. In FY18 the Company disbursed INR 2094 Cr out of which nearly 46% of the disbursement was done through cashless mode.

With the increase in its outreach, the GLP increased from INR 1238.63 Cr to INR 1920.40 Cr in FY18. The decline in PAT was registered due to the increase in provisioning on delinquent loans.



Capital Gearing

Debt Equity Ratio has shown further improvement, as DER as of FY17 stood at 7.05 vis-à-vis 6.38 in FY18. The Company is planning to operate at a DER in the range of 5-6. During the period, debt increased by 29% whereas net worth during the period increased by 42%, from INR 171 Cr to INR 242 Cr, thus, showcasing the Company's ability to raise equity at regular interval. The Company is planning to raise further fresh equity of INR 300 Cr in FY19. In June 18, the Company raised further equity of INR 155 Cr from Oman India Joint Investment fund.

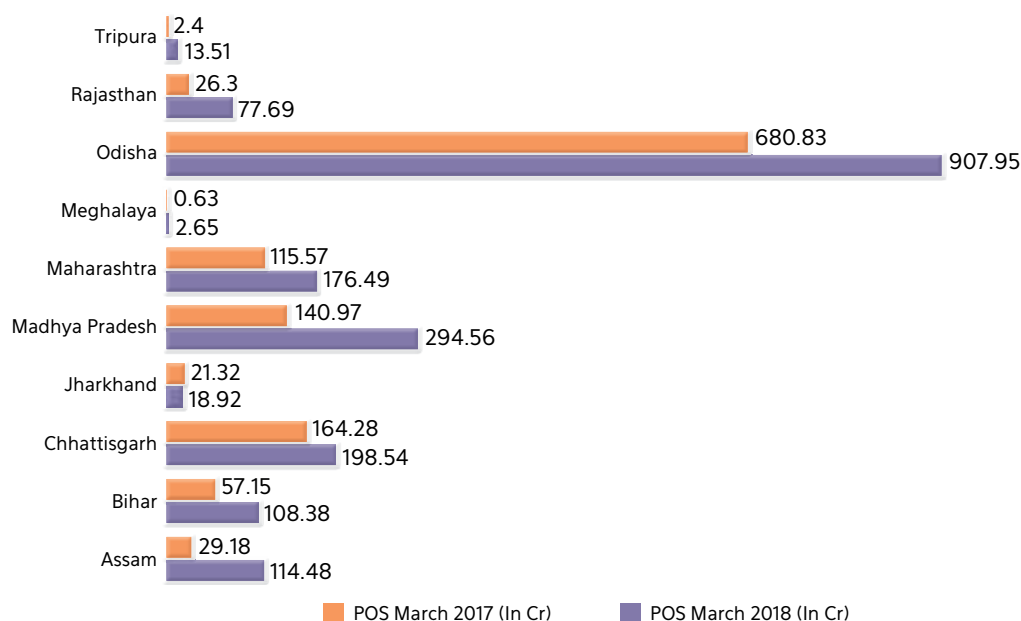
Credit Rating & Grading of Annapurna

Rating- ICRA has reaffirmed the long-term rating [ICRA] BBB (Positive) as on August 22, 2017. ICRA's MFI rating factors in AFPL's demonstrated ability to scale up operations. It has also factored in the Company's experienced management team, good investor profile, good financial flexibility arising from an increased number of lenders, adequate liquidity and healthy profitability. The outlook on the long-term rating is positive. The Company had been assigned BBB+ both from CARE and ICRA as of now.

Grading- CRISIL has assigned a grading of 'mFR2' to AFPL as on 4th December 2017. The grading is one notch below the highest grade. Grading has been assigned on an 8-pointer scale. It has been assigned on Annapurna's ability to manage its microfinance operations in a scalable and sustainable manner.

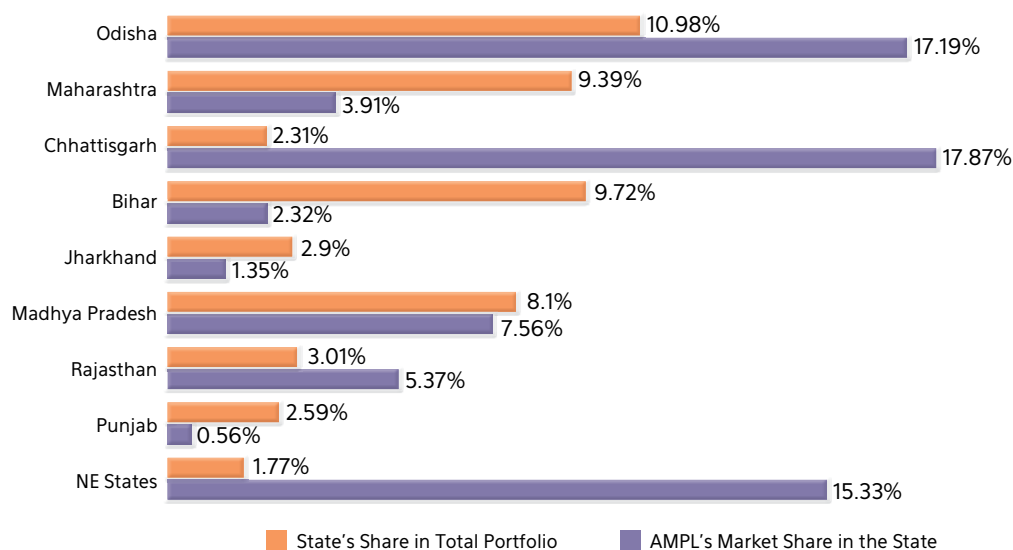
State-wise Portfolio of Annapurna

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The total portfolio of Annapurna as on March 2018 stands at 1920.40 Cr. The portfolio concentration on Odisha was 54.92% as on March 2017 which reduced to 47.28% in March 2018. During the same period, i.e. from March 2017 to March 2018, portfolio in North East, Bihar and Rajasthan had shown steady growth. Also, the Company entered into four new states i.e. Gujarat, Haryana, Punjab & West Bengal.

State-wise Industry Market Share vis-à-vis Annapurna's Market Share

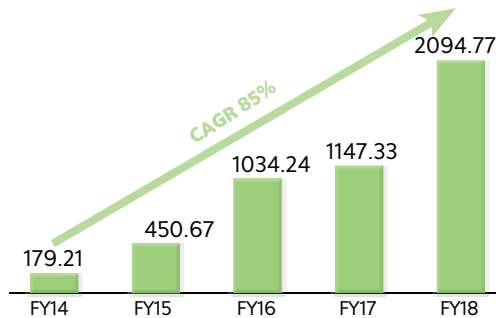


Source: MFIN Micrometer Issue 25. Q4 FY17-18

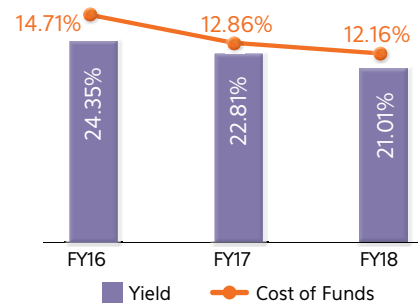
The total portfolio outstanding of NBFC-MFIs for FY18 is INR 48,094 Cr wherein Annapurna has a share of 4%. Annapurna has diversified its portfolio bringing down the concentration of Odisha & Chhattisgarh from 68% to 58%. The Company has been trying to expand and has entered the states of Gujarat, Haryana, Punjab & West Bengal.

Disbursements

(INR in Cr)

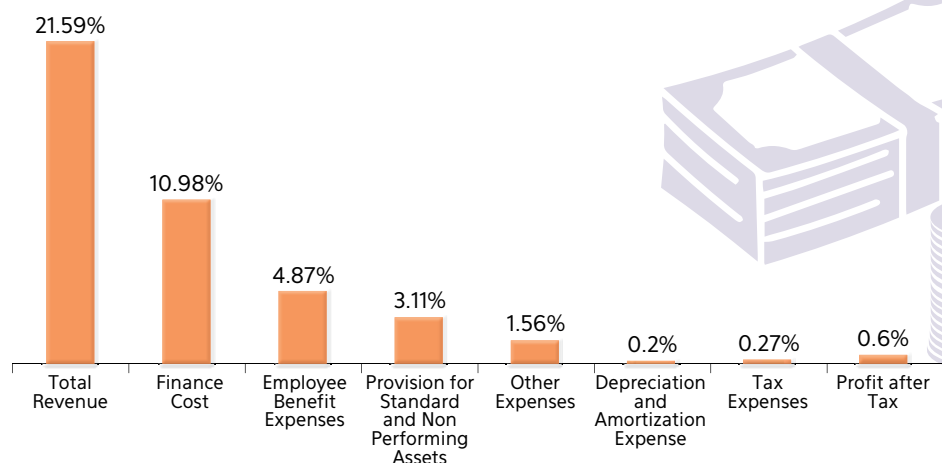


Borrowings, Cost of Funds and Lending Rates



The Company was able to reduce the Cost of Funds by 255 bps in the last two years while it registered a positive decline of 70 bps in the last financial year. Accordingly, the yield of the Company had seen a positive reduction, thus, providing the access of finance to our borrowers at a reduced cost. With the year-on-year increase in borrowings, the Company has been successful in reducing its Cost of Funds. The Company has seen a reduction of 0.70% in its Cost of Funds over the last financial year. Similarly, the yield of the Company is reducing maintaining a net interest margin cap of 10% according to RBI guidelines.

Revenue Allocation (on Total Portfolio)



Revenue allocation shows the proportion of income and expenses to the average total portfolio. It is clearly evident that a major share of the revenue is allocated for provisioning against the standard and non-performing assets which have led to a decline in RoA.

Clientele Insurance & Claim Status

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Annapurna has tied up with DHFL Pramerica Life Insurance, HDFC Life, ICICI Prudential for Group Term Life Insurance of its clients in order to protect them against unseen events. This safeguards the interest of both the parties as in case of unfortunate demise of the client or spouse, the insurance helps them to repay the remaining principal amount and the rest sum assured is directly being paid to the beneficiary by the insurance company.

The status of claims as on March 2018 is given below:

FY	Total Lodged		Total Claim		No. of Claims Settled		Total Settlement	
	Member	Spouse	Member	Spouse	Member	Spouse	Member	Spouse
2012-2013	12	31	1,80,000	4,65,000	12	31	4,25,000	2,20,000
2013-2014	117	208	17,55,000	31,20,000	112	189	22,55,000	10,56,000
2014-2015	336	468	50,40,000	70,20,000	312	449	76,10,000	38,05,000
2015-2016	1032	1373	1,54,80,000	2,05,95,000	482	698	1,18,00,000	59,00,000
2016-2017	1083	2546	2,13,74,000	5,06,06,000	1260	2150	4,05,96,690	2,37,19,418
2017-2018	1989	3542	4,18,18,860	7,91,28,280	1484	3879	3,22,10,048	8,38,05,795
TOTAL	4569	8168	8,56,47,860	16,09,34,280	3662	7396	9,48,96,738	11,85,06,213

Status of Business Correspondent (BC) Portfolio

Annapurna has tie-ups with DCB and IDBI Banks for the expansion of BC Business in the operational areas. The following table gives the status of portfolio of the said two banks under the BC model as on March 2018.

Particulars	DCB Bank	IDBI Bank
Total Branches	13	4
Districts Covered	8	2
Villages Covered	2942	1102
Total SHGs	4337	2004
Active Clients	40571	21204
Loan Disbursed during the Years (FY2017-18) INR Cr	47.14	27.04
Average Loan Size per SHG (INR)	207226	239133
Average Loan Size per Client (INR)	22947	22720
Total Staff	100	41
Portfolio Outstanding (INR Cr)	48.87	26.76

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Products

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Variety comes in different shapes,
sizes and colours, so do our products

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While clients have different aspirations and desires, fulfilling them through a varied product range becomes the Company's service to them. Annapurna's bouquet of products fulfils the needs of one and wants of another, thus covers a larger sect of the population. Though operating through a defined line of product offerings, there exists flexibility in terms of approach and products offered.

Annapurna has made landmark achievements right from lending micro credit products of smaller ticket size loans to secured & unsecured individual lending products of higher ticket size loans and offering competitive interest rates for loan products. Annapurna offers products that can enable customers to access financial services that in turn can improve their livelihood opportunities and standard of living. Recently, the Company has started offering privilege loan, at lesser interest rates to its loyal customers who have successfully completed three loan cycles of the vanilla product. Apart from focusing on product diversification, the Company also takes advantage of its expertise to cater to the needs of new customer segments with less formal income source and documented income proof. The Company has ventured into housing finance segment and MSME finance considering the potential to expand and increase its client base. In the coming years, Annapurna plans to expand its product line by offering credit and non-credit based products.

Lending Methodology

The products are classified into two categories namely Group Loans and Individual Loans for meeting income generation and consumption needs of the clients. Working through a Self Help Group model earlier, the Company is now shifting to joint liability group model.

Multiple Offerings

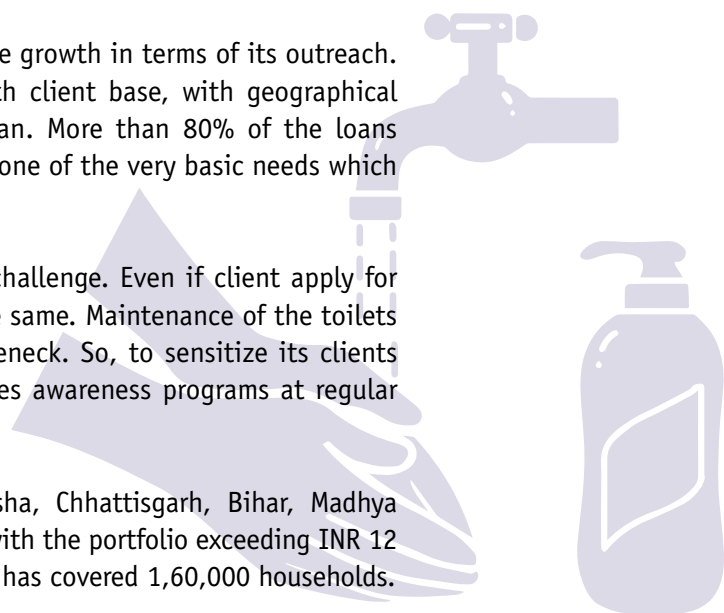
Safe Water and Sanitation to Households

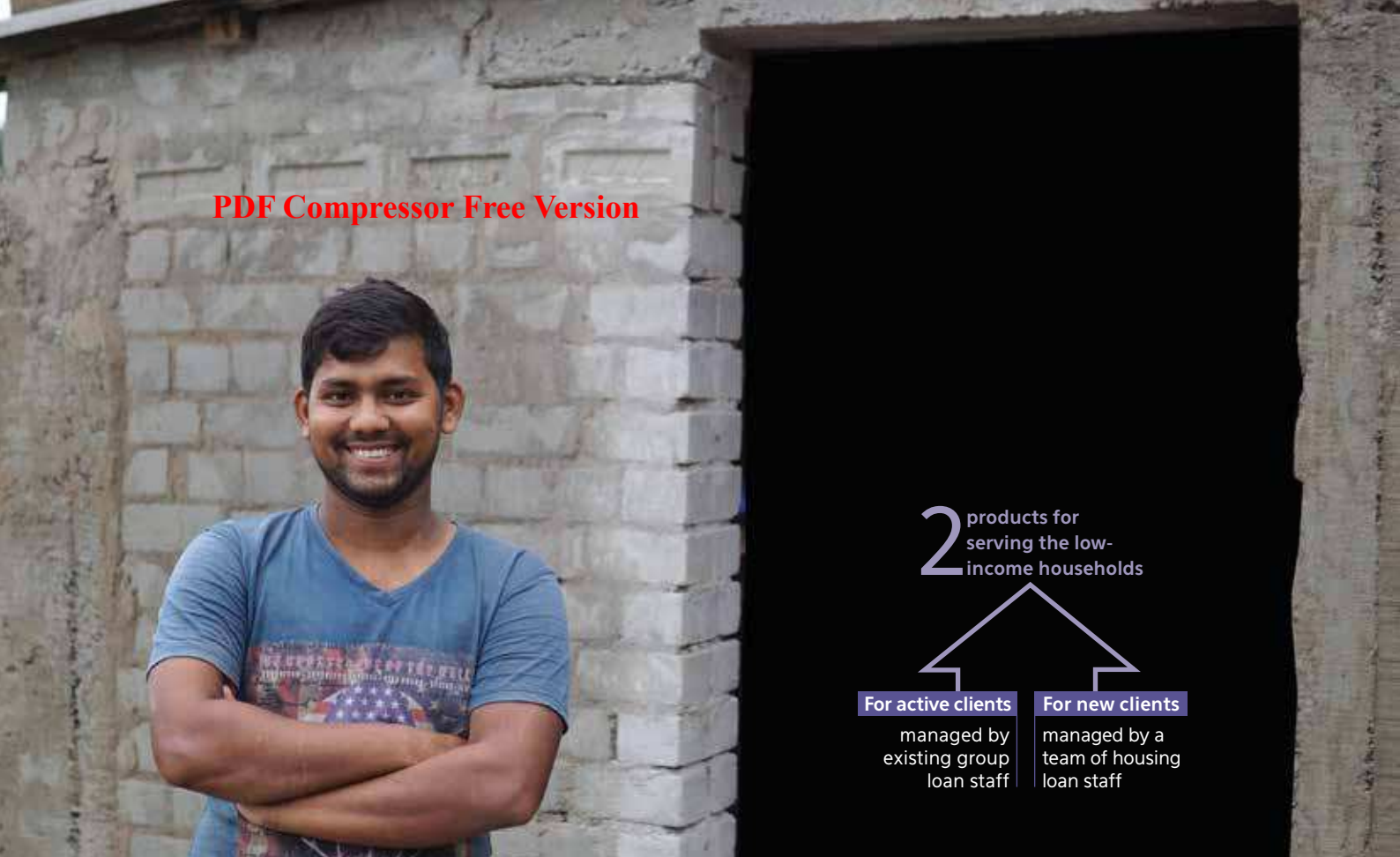
Despite massive efforts for drinking water and sanitation in India, access to safe drinking water remains a challenge. Institutional challenges in rural and urban drinking water and sanitation remain a major hurdle. Drinking water supply and sanitation in India continue to be inadequate, and at the same time, local government institutions are unable to reach the target segment and provide customized products as per their needs.

The financial year 2017-18 stands witness to considerable growth in terms of its outreach. There has been constant growth in portfolio along with client base, with geographical expansion in states such as Assam, Bihar and Rajasthan. More than 80% of the loans applied are for toilets which indicates that sanitation is one of the very basic needs which still needs to be addressed.

Awareness on sanitation and hygiene remains a major challenge. Even if client apply for loan for the said purpose, it does not get utilized for the same. Maintenance of the toilets and the expenses pertaining to them are another bottleneck. So, to sensitize its clients on benefits of access to safe water, Annapurna organizes awareness programs at regular intervals in rural areas.

Currently the product is successfully operating in Odisha, Chhattisgarh, Bihar, Madhya Pradesh, Maharashtra, Rajasthan, Assam and Jharkhand, with the portfolio exceeding INR 12 Cr with the client base of 12,000. The awareness program has covered 1,60,000 households.





Home Improvement Loan Product

Owning a home provides a sense of social security and belongingness to individuals and helps in uplifting their living standard. But this security comes to them in incremental stage over a period of time. Availing such security becomes hard due to lack of easy financial assistance from banks and financial institutions. Addressing this gap and for serving the low-income households in its operational outreach, Annapurna had designed two separate loan products for serving the demand of active as well as new clients. Both the products are run through two different models of operations, one wherein the active clients are managed by existing group loan staff and the other by a dedicated team of housing loan staff who manage new clients.

Understanding the demand for bigger ticket size loans, as well as considering the gap between the demand and supply of funds, Annapurna designed a tailor-made product to capture the market. Initially the product was limited to active group clients with sound repayment capacity and good credit history who have successfully repaid instalments of their first loan cycle. Loans are usually extended for renovating their existing dwelling unit.



At present, the product is functional in 25 branches of Central & Western Odisha and the average ticket size varies from **INR 51K to INR 1 Lakh**. This financial year stands witness to considerable increase in number of clients to **350** with a portfolio of **INR 2.9 Cr**.

Being an unsecured loan product of higher ticket size, a rigorous credit assessment is done by an independent credit manager on field to assess the margins and cash flows of the household. With a plan to enter into secured lending space, an extensive market research study was conducted by M2i consultancy for understanding the demand of affordable housing across different operating states.

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Dairy Development Loan

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India has witnessed remarkable growth in its production and consumption of milk and dairy products in recent years and this trend is almost certain to continue. India is the largest milk producer in the world with an annual production of 165.6 million tonnes; and there has been an increase in milk production by 19% in the year 2016-17 in comparison to 2013-14 (NDDB). It provides an excellent opportunity for self-employment and acts as an important source of income generation for small/marginal farmers.

Recognizing the fact that dairy farming could play a more constructive role in promoting rural welfare & reducing poverty, the Company started offering Dairy Development Loan product to dairy farmers in its operational areas. The product comprises of financial services such as providing credit facility to dairy farmers for purchasing Cross Breed/Jersey Cow/ Buffalo, construction of cattle shed and for purchasing of dairy related equipments. For mitigating risks pertaining to cattle death, Annapurna has tied up with insurance companies that provide cattle insurance facility to the clients. The product is being currently rolled out in states of Odisha and Bihar, and there are plans to expand in Rajasthan, Punjab, Madhya Pradesh and Chhattisgarh in the next financial year.

Way Forward

For the next financial year, we will be focusing on expanding the reach of Solar Loan, Consumer Durable Loan, emergency loan to our existing operational areas.



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Micro, Small and Medium Enterprises

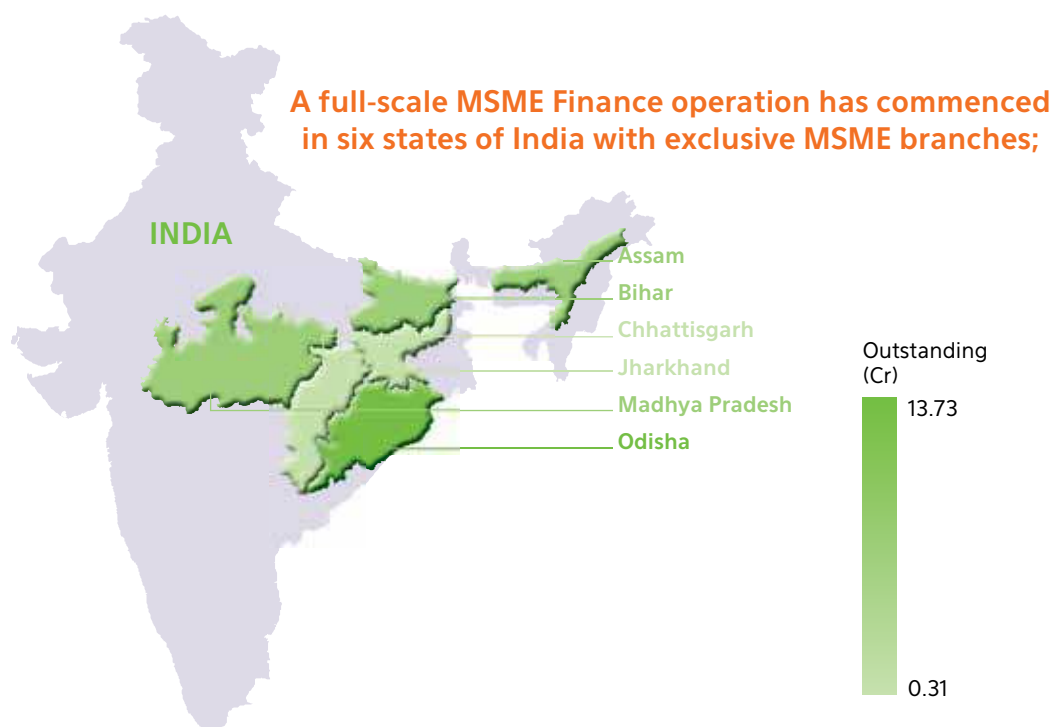
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An illustration in a light orange tone showing two hands, one from the left and one from the right, holding a bucket. The hands are positioned as if they are about to lift or have just set down the bucket. The bucket is a simple, rounded shape with a handle. The background is a solid orange color.

Fortifying business with a new bucket
of refreshing products

Micro, Small and Medium Enterprises (MSMEs) play a key role in the overall economy as it generates over 100 million employment opportunities and contributes to over 45% of India's manufacturing and 40% to the exports of India.¹ The formal financial system has never been able to meet the required demand of the MSME sector due to various constraints.

With the aspiration of serving the need for credit throughout the life-cycle of an enterprise, Annapurna has developed MSME lending program to cater to the needs of micro enterprises in its area of operation. Annapurna successfully conducted a pilot in Odisha with five branches where Micro Enterprise Loans (MEL) were offered to individuals running small businesses. Post the successful run of the year-long pilot, extensive risk profiling and demand-side research have been conducted to understand the product requirements in the market. As a result, differentiated customer-centric products, policies and processes were carved out to meet the specific demand. Different surrogate methods were adopted to arrive at credit decisions.



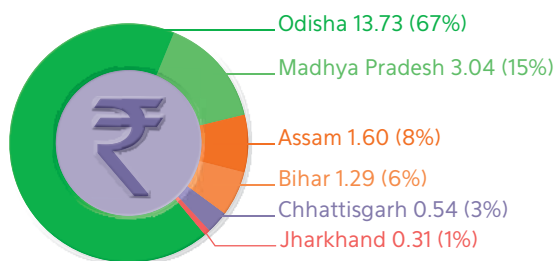
Individuals involved in the trading business (such as wholesale, retail, grocery, hardware etc.), manufacturing (such as weaving, bakery products, utensils etc.) and service industry are the target clientele for MSME Finance. Engagement of existing MSME clients of Annapurna in trading, manufacturing and service sector are 52%, 37% and 11% respectively.



¹ <https://economictimes.indiatimes.com/small-biz/policy-trends/smes-employ-close-to-40-of-indias-workforce-but-contribute-only-17-to-gdp/articleshow/20496337.cms>

23
exclusive MSME
branches are
spread over
6
states of India

Portfolio Outstanding (Cr) PDF Compressor Free Version



Disbursement in the FY (Cr)

2.3
FY2016-17

21.3
FY2017-18

Number of Employees

32
March 2017

148
March 2018

Annapurna MSME portfolio has grown many folds in FY17-18, where Odisha stands out with the maximum portfolio of 13.73 Cr.

Annapurna has developed a FIND methodology to arrive at the creditworthiness of the enterprise through a three-step approach:



F stands for Field Investigation, which is done by the field team through Contact Point Verifications (CPV) by multiple visits to client's place of business, residence and independent Trade Reference Check (TRC).

I stands for Net Income Assessment of the enterprise. Different calculators have been developed basis the trade segment of the enterprise to arrive at true business income. The same is validated through life-style indicators.

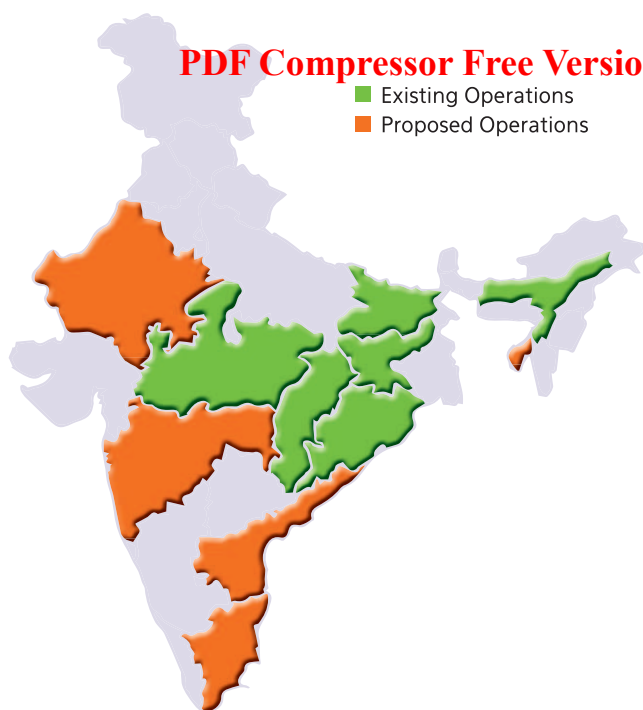
D stands for Document. Considering the non-availability of standardized income document, Annapurna is relying on available alternatives such as Kuchha/Pucca sale purchase bill, trade registers/notebooks, order-copies or invoices to calculate the cash-flow of the enterprise other than income documents.

To maintain constant touch with existing clients, several initiatives have been taken. One such initiative is regular calls to the clients on different loan-cycle stages such as onboarding, credit sanction, disbursal and reminder calls a few days before the EMI due date. The initiative has been helpful in maintaining the good quality of repayment while mainlining a high-touch with the client. This is facilitated by the in-house call-center team set-up at Annapurna's head office.



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Outlook

Annapurna is focusing on implementation of strong process and system backed with state of the art technology to strengthen and streamline the business operations and reducing the turn around time of the credit applications. The system helps in real-time monitoring of the MSME portfolio and provide data-backed decision making to promote quality portfolio.

The Company is directing the operations towards building a secured portfolio with a mortgage as security coupled with lower Loan to Value (LTV) ratio.

Considering the unmet MSME demand and with the aspiration to serve more MSMEs and expand the outreach of the services, Annapurna is about to embark the journey into the states of Tripura, Rajasthan, Maharashtra, Tamil Nadu and Andhra Pradesh.



Loan Amount
INR 1-5 Lakh

MSME - Unsecured Loan

This product is available for the customers who are involved in the business of micro and small enterprises and require a loan for expanding their business premises/purchase of stock, working capital, new machinery or any capital investment and debt consolidation. The business enterprises are normally unregistered with very less availability of documentary income proof. Also, this segment has very moderate exposure to mainstream financing and banking. On the other hand, they have a steady cash-flow, given its business characteristics to cater to the demand of retail customers. No collateral is required for availing loans in this category.



Tenure
18-48 Months

MSME - Secured Loan

This product caters to the credit need of customers involved in small and medium enterprises in both manufacturing and service sector. Primarily enterprises are registered in this segment with the availability of formal income documents and relatively higher exposure to banking and mainstream financing. Secured loans are given for capital investment, refinancing, new machinery purchase, stock acquisition, new asset creation, business site expansion as well as debt consolidation etc. The product is backed by collateral security in the form of residential, commercial or mixed usage properties. LPF



Loan Amount
INR 1-25 Lakh



Tenure
24-120 Months

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Human Resource



Weaving the relationship

Philosophy of HRM in Annapurna

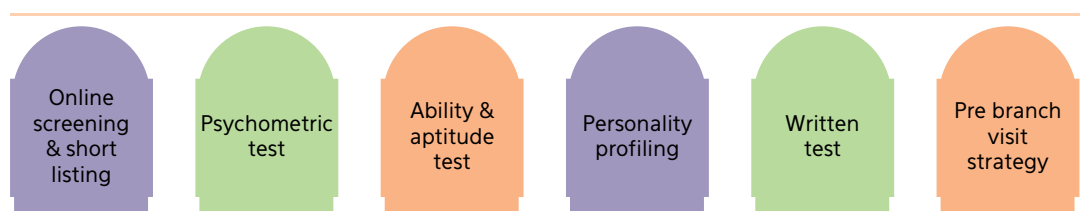
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Human, being the most functional asset for any organization, maintaining its worth becomes all the more important. Annapurna strives to maintain the best of the talents and put in all kind of efforts to retain them.

The Department of Human Resources at Annapurna witnessed a tremendous change in the FY2017-18. There was an increase in employee base along with the potential of the employees. The DNA of Annapurna's work culture is discipline, equality & equity, integrity, respect towards humanity & uniqueness of every employee. Every employee has some uniqueness, & Annapurna believes in developing an environment to leverage that uniqueness & get the best results out of it.

Talent Acquisition

As it works to reach its strategic goals, Annapurna has maintained a carefully balanced approach to talent acquisition. The talent acquisition team at Annapurna believes in attracting and recruiting the best talent available to ensure that the organization has the right people, with the right skills, in the right job, and are working against the right requirements. During the FY2017-18 many new initiatives were introduced into the recruitment & selection process. Some of them are:

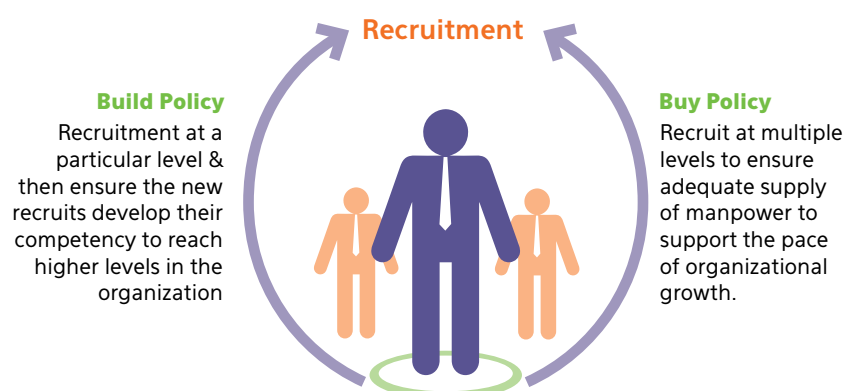


Recruitment Policy

Annapurna's recruitment process is based on two policies, i.e. Build Policy & Buy Policy. The Build Policy enables recruitment at a particular level, (e.g. YLDP Program) & then ensures the new recruits develop their competency to reach higher levels in the organization.

The Buy Policy enables recruitment at multiple levels to ensure adequate supply of manpower to support the pace of organizational growth.

In FY2017-18 Annapurna recruited manpower at various levels, i.e. from Executive to Chief Manager level. Under YLDP Program, 33 Management Associates & Management Trainees were recruited from premier B-schools.



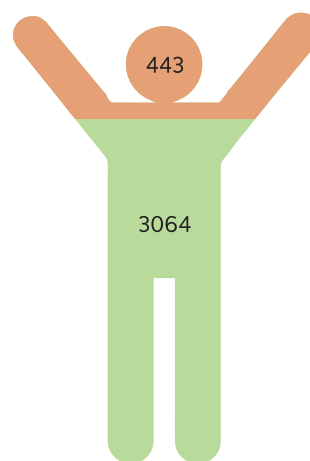
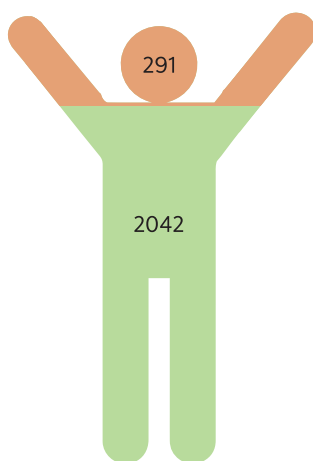
Annapurna believes in growing with the times, hence witnessed a tremendous growth rate of about **47%** in employee base.

Human Resource Details

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FY17
Total Employee 2333

FY18
Total Employee 3507



Supervisory Staff
Field Staff/Non-supervisory Staff

Talent Development

In FY2017-18 Annapurna has developed a full-fledged department dedicated for training and development activities, where trainers having vast experience and expertise in the sector are hired.

Bucket/Array of Trainings

Annapurna organized various training programs like Induction Programs, Refresher Training Programs, Product Trainings, Process Trainings, Behavioral Trainings, Delinquency Management Trainings, Gender Sensitization & Self-Defense Training etc.

Gender Sensitization Training

Annapurna initiated Jagriti- "A Training Program on Gender Sensitization & Self-Defense" for all the female staff of the organization. The training was organized to develop awareness for self-defense among the female staff of Annapurna as well as the need of equipping the employees with self-defense techniques in today's scenario.

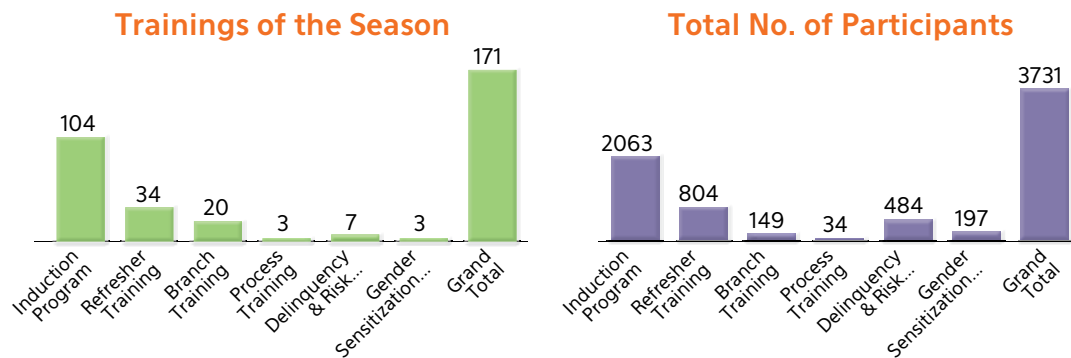
Delinquency Management Training

Delinquency is a rot on the loan portfolio, which deteriorates its quality with each passing day, to a level beyond repair. To fight delinquency in the regions of Madhya Pradesh & Maharashtra, Annapurna organized Delinquency Management & Risk Management.

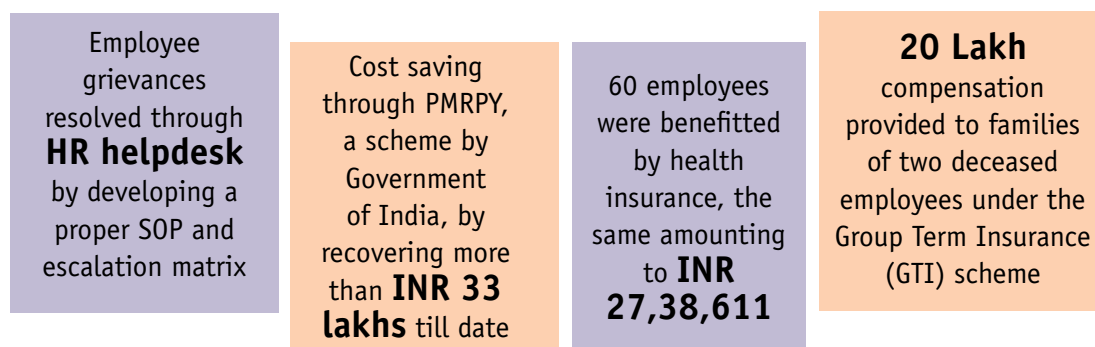


People With Disability (PWD) Sensitization Training

Annapurna as an organization firmly believes that each person has unique skills, talent and strengths to contribute, and there should be no barrier to sharing talent due to a disability. Therefore the Company introduced a new module as "PWD Sensitization" which will make sure that the staff is empathetic and compassionate while dealing with disabled employees and clients.



Highlights for FY2017-18



Employee Engagement

While always jostling with the machines we tend to forget the people around, whom we can associate in a more relevant manner. At Annapurna we make sure that the social bond is not lost somewhere and we indulge in activities to keep the association intact.

We indulge in organizing various events for the purpose.

Birthday Celebrations

In Annapurna we have a culture of celebrating birthdays of employees wherein they join for the cake cutting ceremony so the day becomes a memorable one for them.

Festival Celebration

Annapurna is a family in itself and festivals strengthen the bond even more. We celebrate the festivals be it Diwali, Independence Day, among others.

Saturday Learning Session

Annapurna conducts a one-hour learning session every Saturday. The session is taken by guest speakers from outside the organization or employees of Annapurna on varied topics from generic to specific, like basic first aid, nutrition management, various social issues, different management aspects, quiz, storytelling, fun games etc.

The sessions are interactive and at the end of each session queries of the participants are addressed by the speakers. The sessions are aimed at providing conducive environment for self-development and awareness.



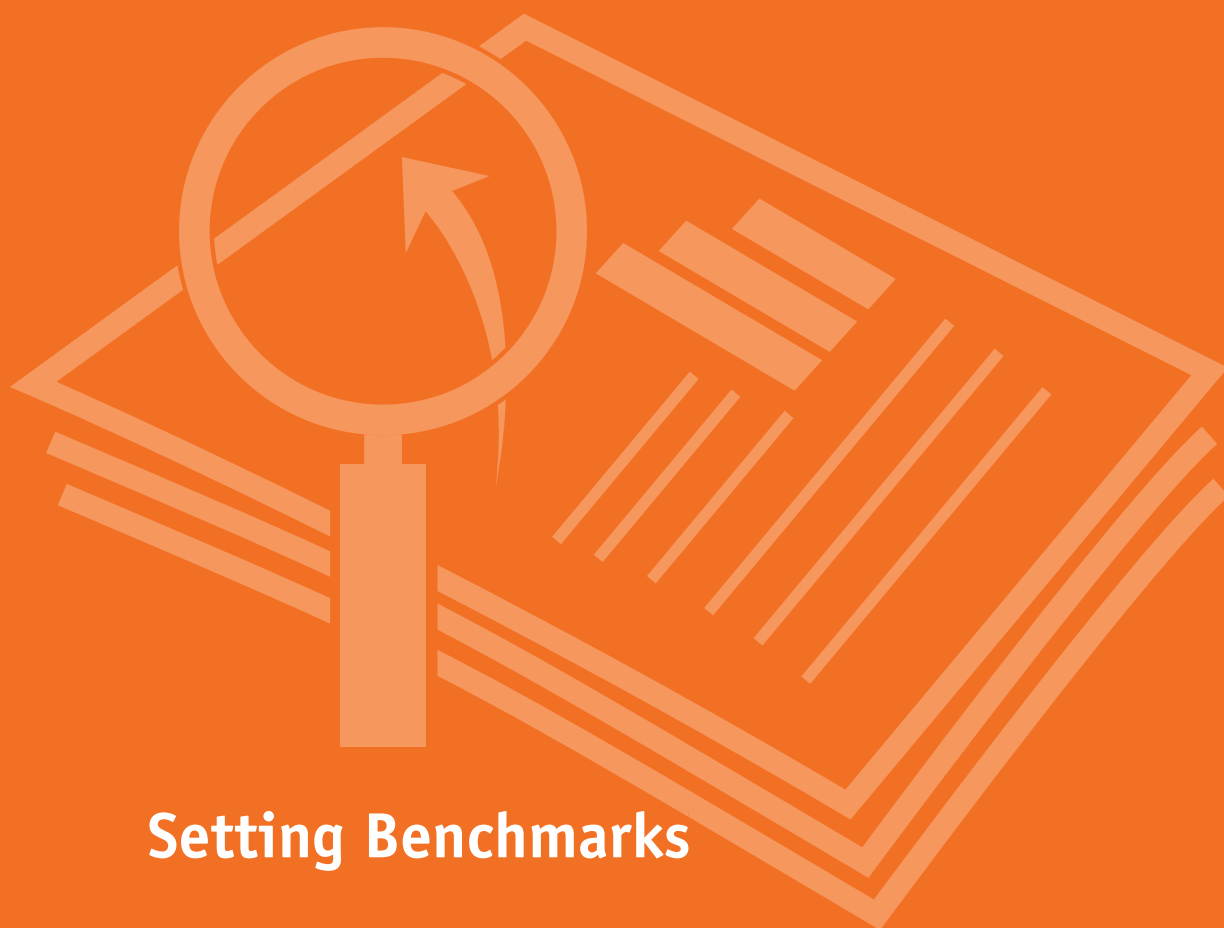
Mentorship Development Program (MDP)

During the MDP, newly hired employees are paired with senior level management. A learning program is created that they should follow, giving them enough space to test their own learning methods. They are also given a timeframe, a set of objectives and the relationship is let to unfold on its own.



Internal Audit

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Setting Benchmarks

In this financial year, the Internal Audit Department has successfully supported in upgrading the operational efficiency of the Company as the frequency of the deviations witnessed in different zones and states have dropped down remarkably. The Department has played a pivotal role in setting up of State Audit Committees in the Operating Zones and ensuring every deviation/problem is addressed. It is also active in finding out different means/methods to counter the existing problems and the upcoming possible risks.

The Department has also achieved the audit mandate with 98% audit coverage of the operating branches in the last quarter and has ensured all the deviations are resolved. Matching steps with the massive expansion in the operational areas, the audit team has been strengthened by adding in more experienced and capable auditors to support the operational activities. It has brought in hierarchal changes by the introduction of Cluster Managers to support the Zonal Coordinators – Audit, where the portfolio is huge and the operational geographies are widespread.

The Audit Tool, already in place, has been upgraded further to record and assess all plausible deviations at the branch and field level and record the trend of every branch on qualitative and quantitative aspects.

Apart from the operational and field level checks, the Department has successfully completed the H.O. Audits of all the departments and represented the H.O. functions audit from the past two Board Meetings.

The Grievance and Customer Feedback Cell has also been successful in addressing the queries and service requests of the clients at the field level. In addition to grievance resolution, the tele calling executives also make outbound calls to the clients to check their satisfaction levels with the ongoing loan processes and thereby, contributing to the improvements in the existing operational procedures.

Achievements this Financial Year



- The Internal Audit Department has completed the H.O. Audits of all the departments and represented the reports to the Board and implemented their suggestions in the audit processes and marked the deviations and their resolutions for different departments.
- The State Audit Committees are instrumental in checking deviations and setting up policies to minimize the deviations identified and to curb down the new risks.
- The Internal Audit Department has also segregated the teams auditing different operating products. We have already developed a specialized Audit Team auditing the procedures of the micro-enterprise loans and soon, we would have different specialized teams for different products.
- The Internal Audit Team has also deployed 15 tele-callers and two experts to take feedback from the existing clients to know about their satisfaction level and also to record their grievances and provide a timely resolution of the same.

Way Forward

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- Apart from auditing all the departments once in a quarter, the department would start concurrent auditing of all departments at H0 to further strengthen the functions and address the problems immediately.
- A cloud-based storage system is also to be implemented to access the real-time audit and compliance reports and to have better analysis and representation of the data.
- Feasibility checks of tab-based tools for audit report generation for all the States in a phased manner, automatizing the manual work, thereby bringing down the deficiencies to its minimum.
- The Grievance Redressal Team would be further strengthened to cater to the needs of all the clients in the new operating areas and would function from their regional offices to bring in more speed and accuracy in the grievance redressal mechanism.

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Technology

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While they stroll up, we scroll it down



In an ever-evolving world, where the dynamics of the sector speaks for itself, incorporation of technology in the business has become the need of the hour. This need has given rise to the other pressing need of making the technology user-friendly so that it can be seamlessly deployed in all areas of operations, addressing the existing spatial variations.

With technological development in process, upgrading technology is a difficult nut to crack. Annapurna is writing its growth trajectory with expanding operations in rural and semi urban areas, catering to diverse client base, it becomes vital to fuel the existing system in place.

The Technology Department is committed to cater to the Company's needs based on the feedback received from the end-users. It keeps on releasing updates accordingly to smoothen the processes and functionalities of different technological solutions. Driven by the three forces of reduction in time, human effort and errors, the Department has been contributing its bit to achieve the targets and a steady growth of the organization. During the year under review, a very vital role has been played by the department in bridging the gaps at different levels.

The Highlights

Biz App

- The new version of the app including all the three modules of Proposal Generation, Group Rating/GRT and Appraisal has been fully deployed in all the branches.
- Gradually, more data validations have been applied significantly reducing the chances of errors.

e-FIMO

- Credit Sanction Module has been fully rolled out after the pilot phase.
- CB Automation has been introduced and CB Reprocessing allowed through e-FIMO at the branch level.
- Group Approval screen added in e-FIMO to forward the whole group to the next stage with one click. New Member Addition to a group allowed on a specific screen in e-FIMO (two different screens for SHG and JLG) before Credit Sanction (if required).
- Post Sanction Print screen added in e-FIMO to download the loan documents. Post Sanction Document screen added making the download always possible after authentication by the BM on the screen mentioned above.
- Group/Member Modification screen added (with certain validations post Rating/GRT and Appraisal).
- ROI Change Quarterly screen made available for the admin to change the ROI as per the policy change regarding the same in e-FIMO.
- CB Reports in distinguished formats made available on four different screens with one click.
- Logics involved with Loan Cycle and Loan Eligibility for the purpose of Reconsideration/ Appraisal/Sanction/Disbursement revised.

- PDF Compressor Free Version**
- Qualified Client Profile Report introduced containing the details of the members passed in appraisal including the geographical coordinates.
 - GST implementation done in the software as per the ruling by the Government of India.

Issue Tracker

An online issue tracker sheet has been introduced for reporting and tracking of the issues in real time.

To Be Released

Integration of e-KYC System with Form App and e-FIMO

A totally new version of the app is already under testing and about to be released. The salient features of this upcoming version are as under:

- The interface will be available in vernacular languages too, ensuring a better user experience. The form will be split in two parts and it will be possible to check the CB status directly from the app reducing the TAT.
- The module for individual loans will also be integrated and will be available for SWASTH product with the first release.
- The provision of capturing e-KYC will be there, which will significantly reduce human effort and improve data quality.
- The Collection App will also be integrated in the same app.
- The functionality of Reconsideration too will be available in the app at all the three levels.

Integration of Cashless Disbursement System with e-FIMO

- Disbursement will be made directly to the clients' bank accounts significantly reducing the TAT.
- This will also ensure the quality of data received from the field.





KMS for Credit

The KMS for the Credit Department is also in the pipeline.

Training Program

The training and support procedures are to be revised. Both the functions have been segregated.

A Tech Helpdesk has been planned to be introduced for support. A dedicated team has already started working in shifts for 18-hour support to the branches for basic troubleshooting.

Remote training over the phone and screen-sharing tools is encouraged. Training is more structured now. Further, it is gradually going to be a classroom-based certification program on the basis of which the branches will be graded. This will help improve the data quality and is also expected to be a good measure of staff-sensitization with reference to the new upcoming technological advancements in the organization.

Periodic doubt-clearing sessions are taken up by the concerned trainers/managers at different review meetings either by attending the meets or via video conferencing.

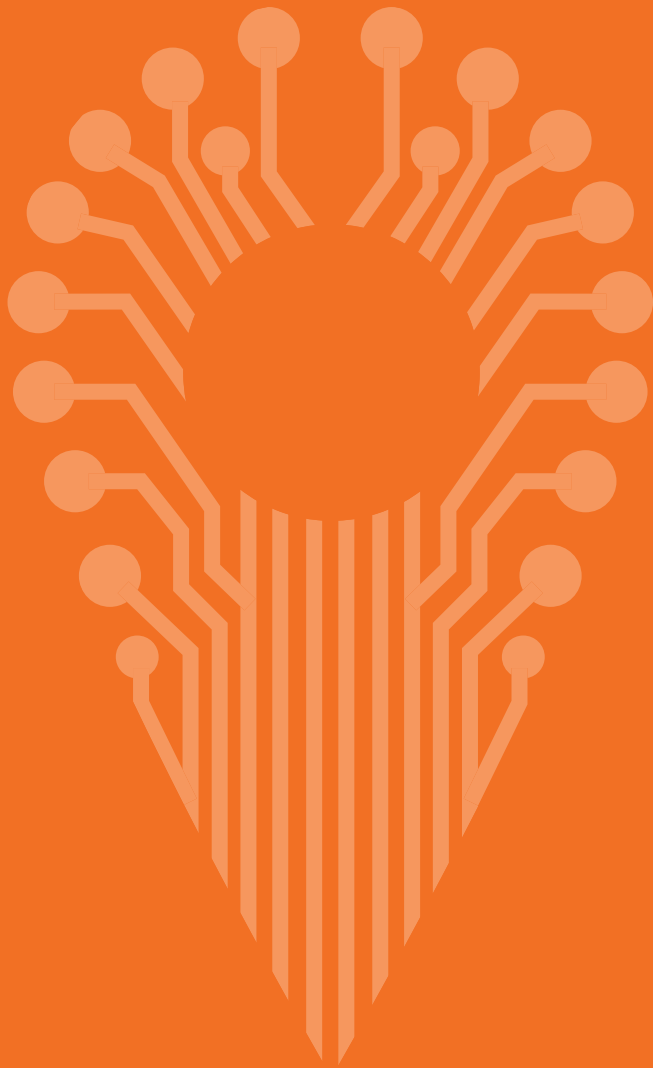
Way Forward

Cashless Collection System

The Company is working on introducing a full-fledged cashless collection system which will be in sync with the software currently in use.

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GIS



Making enlightening and engaging maps is as much an art, as it is science

Converting disparate data into information and extracting insights from information was the core objective behind the start of the GIS entity in Annapurna.

Improving Accessibility of Insights on the Ground Level

This year the core focus of the GIS team was to make the rich insights gained from spatial analysis more accessible to on-field staff and middle to lower level managers. This entailed several sensitization and training sessions for the staff as a part of strategic review meetings conducted zone wise. The staff were trained to view and interpret maps without supervision so they could make an informed decision on targeting specific areas combining several interrelated indicators seamlessly. Maps were prepared to combine insights from indicators ranging from demographic parameters, industry scenario and penetration, and delinquency while ensuring minimum information overload.

Standardizing Unstructured Data

In the pursuit of seeking fresh insights from data, it was pivotal to give structure and location coordinates to the raw archived client and group data. All of the Company's 12 lakh clients data were geotagged with their village coordinates. This process enabled the GIS Team and the Company to better understand borrowing and delinquency trends. This subsequently helped in tapping new, untouched and potential areas.

The Web Portal of GIS

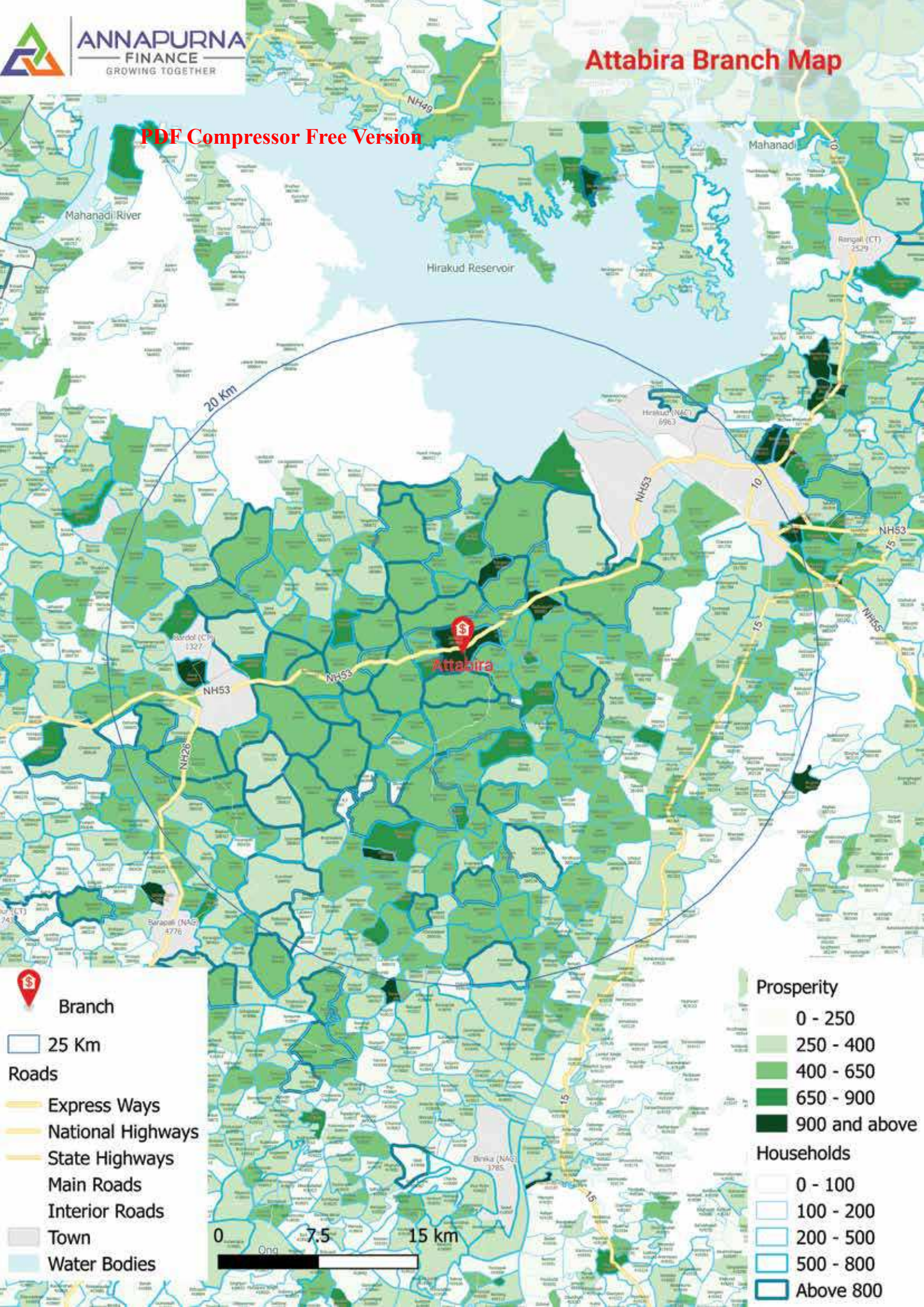
A collection of interactive map visualizations are hosted in the web portal according to present usage and department specific requests. Through the portal, users can zoom in and out of a map, draw and pin a point as per their requirements, measure distances and draw buffers and additionally locate themselves in the context of the information shown. Presently, three departments use the portal and the plan is to make the portal more accessible for field staff as well for remote access of the maps. Training and tutorials are being given to the field staff in this context.

GIS Input in Product and Operations

The Departments such as Product and Operations have actively started using insights gained from GIS analysis. The Product Department uses diverse product specific 'Business Potential' maps before piloting a new or expanding a running loan product. The maps such as Solar Light Potential, Consumer Durable Potential, Dairy Potential, SWASTH Loan Potential and E-rickshaw Potential maps have been prepared and provided to the Product Department.

The Operations department, at all levels, has been provided with branch maps for the newly opened or those to be opened branches. These maps are supposed to provide insights and help in decision making. The GIS team is at constant work to uncover new insights in the context of every functional unit in the Company.

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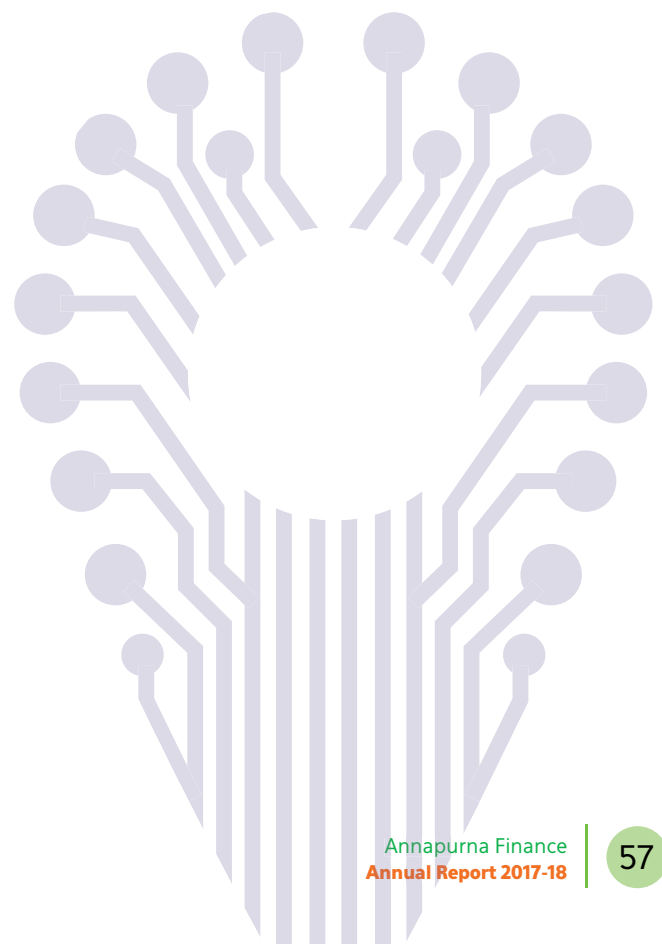




Way Forward

Business Intelligence Dashboards

To take one look and understand exactly what is the status of several indicators at once is the dream of every top level manager. To this end, an interactive dashboard for every senior manager showing department specific KPIs and later a combined dashboard for the top management showing an overall snapshot of the Company's health are in the pipeline.



Risk

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While event is inevitable,
mitigation is all possible

Risk is inherent to every business and is a two-sided coin with “threat” on one side and opportunity on the other. In the context of microfinance industry, risk assumes greater significance in the absence of traditional risk mitigation mechanisms like collaterals and exposure to highly vulnerable client base. This makes Risk Management (RM) an integral part of a financial institution’s strategic decision-making process and ensures that its corporate objectives are consistent with an appropriate risk return trade-off.

RM lays out a general framework for identifying, assessing, mitigating and monitoring risk in the MFI as a whole. Risk events are prioritized based on the probability of frequency and impact of occurrence and accordingly an MFI allocates its resources to manage these risk events. MFI may further accept risk exposure up to a specified level and beyond that must take corrective action in order to mitigate or minimize the risk.

The RM framework and policy of Annapurna, helps the management in anticipating both inherent and future risks. The Company is more extensively using Business Intelligence tools to help accelerate and improve decision-making through data visualization, optimizing internal business processes, increasing operational efficiency, driving new revenues and at the same time being competitive in the market.

Branch Risk Assessment

In order to turn data into actionable insights, data visualization is very much important. Annapurna has developed a dashboard that helps in evaluating the branch performance under credit risk and operational risk. The parameters include audit issues, delinquency, portfolio growth, credit issues etc. A composite score of these parameters is given to a branch. High score indicates that the branch is more vulnerable to various risks. These parameters are periodically monitored in order to reach an unbiased judgement of branch performance. The dashboards help the senior and mid-level management understand the situation in a better way and thus develop the next plan of action. Industry performance with AFPL is also monitored at branch level. The comparison is made based on PAR, Disbursement, GLP, and some other important indicators. It enables branch staff to track market share, identify negative areas and locate high-growth and under-developed market areas.

The Risk Department conduct RCSA periodically wherein each department identifies the risks arising from its products and processes which are assessed based on their degree on a scale for severity and frequency. The Risk Department monitors the key risk indicators and it gets captured in dashboards. The dashboards help in monitoring and visualizing the indicators that get breached above the threshold limit.



Credit and Appraisal

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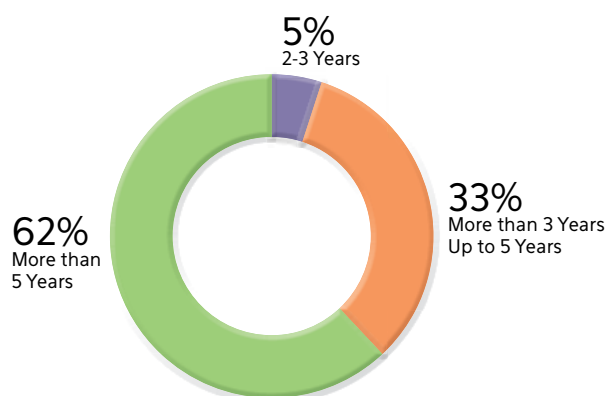


We make sure our worthiness
makes us stand apart

Annapurna has an independent Credit Department which looks after all sorts of credit-related decisions involving a check of credit worthiness of loan applicant. Currently, the credit team comprises of 200+ employees with 175 Appraisal Officers who are deployed in various states according to the business need and get monitored by the Credit managers of the respective areas.

Highly Experienced Appraisal Team

Appraisal Officers Relevant MFI Experience



Workforce Development and Enrichment

Team expansion has been done with a different strategy this year. Review of recruitment policy has been done keeping in mind the differential factors of each state. To meet the operational demand, the Company has recruited professionals from different prestigious institutions with vast experience in the microfinance industry. About 60% of the team has more than five years of work experience. Workforce training is a very essential factor in ensuring and upgrading the quality of work in an organization. Intensive training programs along with on-the-job trainings were conducted in the FY17-18 at all hierarchy levels. Quarterly review and trainings on new policies and guidelines of RBI and MFIN were organized.

Enhancing Business

Underwriting of New Individual Loan Products

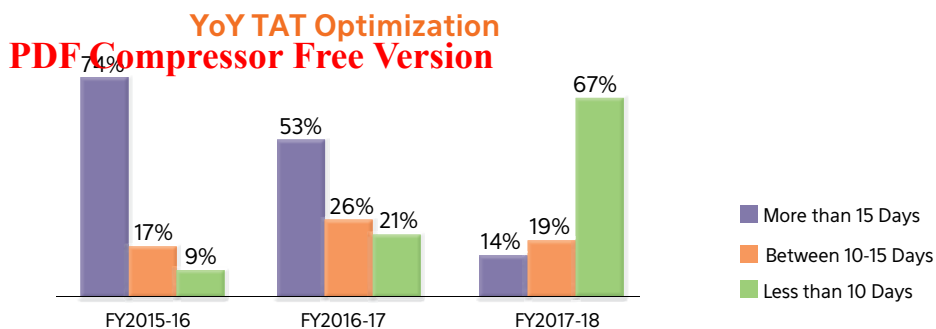
In order to expand the product line of AFPL and cater to the needs of clients better, two new products namely 'Consumer Durables Loan' and 'Solar Loan' were introduced. Underwriting of the loan guidelines and Credit Policy were done keeping in mind the current market demand. To smoothen the appraisal process for the above-mentioned products, Appraisal Officers were called for a training and capacity building program at Head Office. The training program aimed to better sensitize them about the relevant credit policy for all individual products and their importance.

Scaled Up JLG Lending

FY17-18 saw the growth of microfinance portfolio as the Company successfully launched its business in the states of Punjab, Haryana and West Bengal in JLG working model. Micro lending through JLG Model was scaled up in more than 100 branches through regular trainings across all states/zones.

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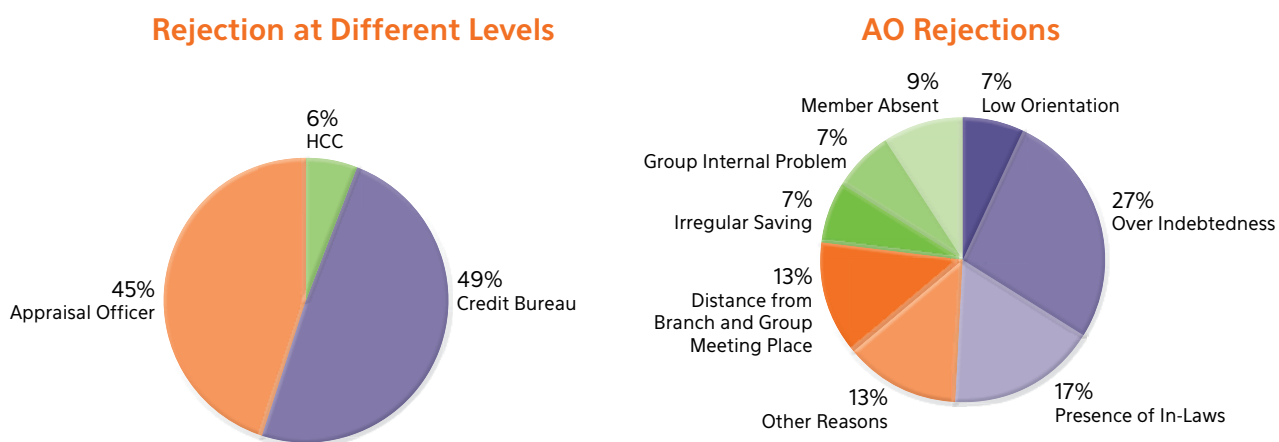
TAT Optimization

Year on Year (YoY), the Company has optimized TAT in loan sanctioning at various stages in both micro-lending and other loan products.

The above figure shows YoY TAT optimization between sourcing and loan approval/sanction process across all loan cycles. It clearly depicts the Company's efficiency to meet its objectives by serving its clients more efficiently.

Pending/Rejections Analysis

In FY17-18, groups were rejected at different levels i.e. Credit Bureau, by Appraisal Officers and in HCC. Apart from regulatory norms, many proposals were rejected due to the presence of related members in the group and greater distance from the branch.



Way Forward

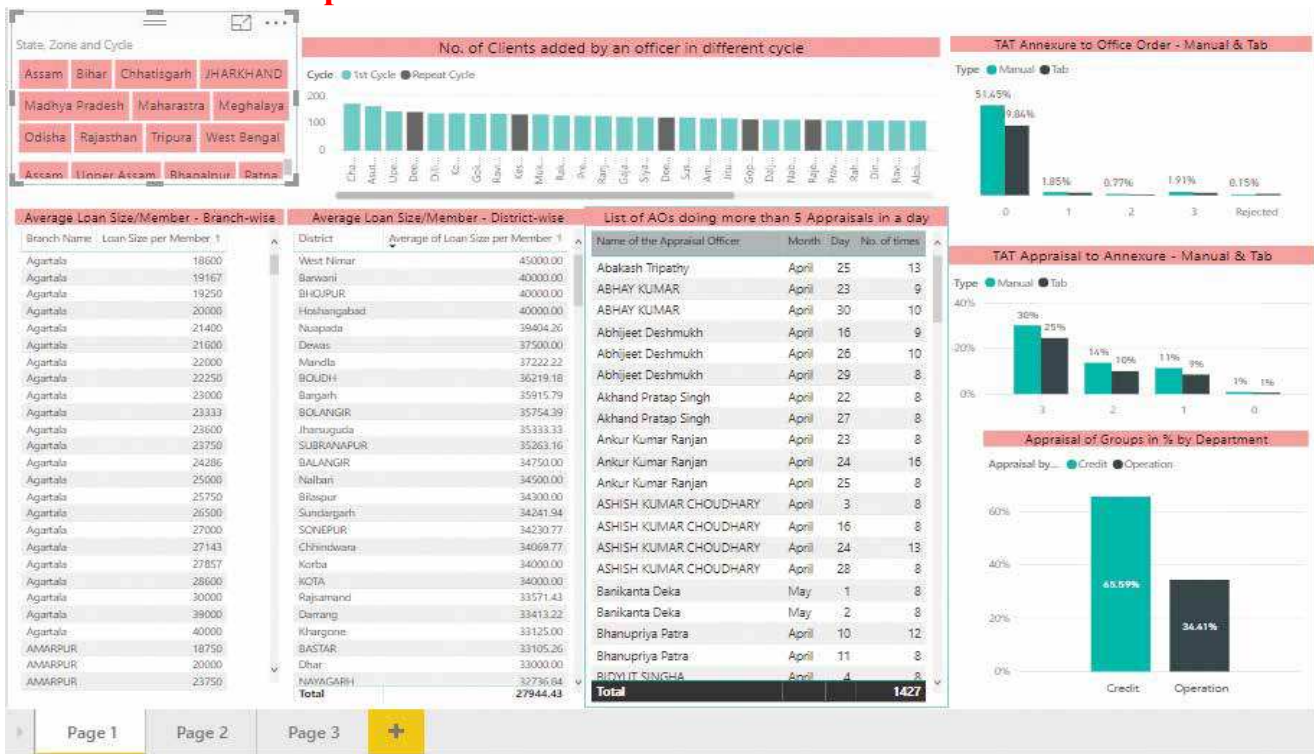
For FY19, the Company is planning to adopt tools and techniques which will assist in credit decision making and minimize operational and credit risks in the field.

Credit Scoring Tool

For streamlining the database, development of Credit Tool is in process and will be functional soon. It is a tool which has been designed to ease credit decision making process. The essential parameters of sanctioning a credible loan such as KYC policy, distance from branch and meeting place, Credit Bureau Report, etc. have been categorized state-wise as well as loan cycle-wise and weightage is allotted according to their importance. Very soon the sanctioning of loans will be done with the help of Credit Tool.

Credit BI Dashboard

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Credit Health Report

The Company is also coming up with a new report named as Credit Health Report. It has been designed for internal control. The main motive of this report is to cover the operational risk and credit risk in all states. This report has to be filled and prepared by the Appraisal Team keeping in mind the various kinds of risks involved in operating in a particular area of a particular state.

The screenshot shows the Credit Health Report form, which is a Google Form. The form is titled "Credit Health Report" and includes the following fields:

- Name of Appraisal Officer ***: A text input field.
- State ***: A dropdown menu with the option "Choose".
- Zone Name ***: A text input field.

The form is displayed on a computer screen with the Annapurna Finance logo and name visible in the background.

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SPM and CSR

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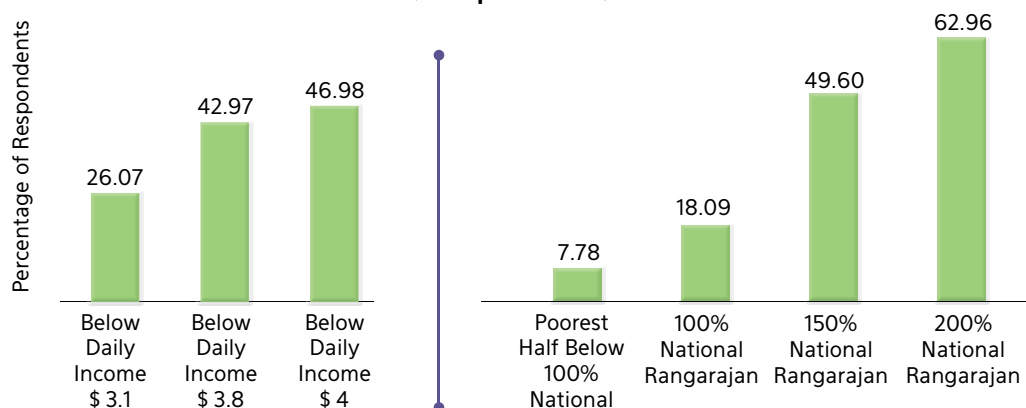
We rise by transforming the life of others

Annapurna's vision and mission are based on its double bottom line commitment. Besides providing microcredit solutions to the rural community, Annapurna has equally invested in improving their standard of living through microfinance plus services. Annapurna strictly follows the Universal Practices of Social Performance Management in its activities along with the relevant guidelines defined by other regulatory bodies.

Tracking Social Performance

Annapurna periodically tracks important social information like demographics, poverty statistics of the clients. The social characteristics of Annapurna clients as of March 2018 are presented/extrapolated in the figures below:

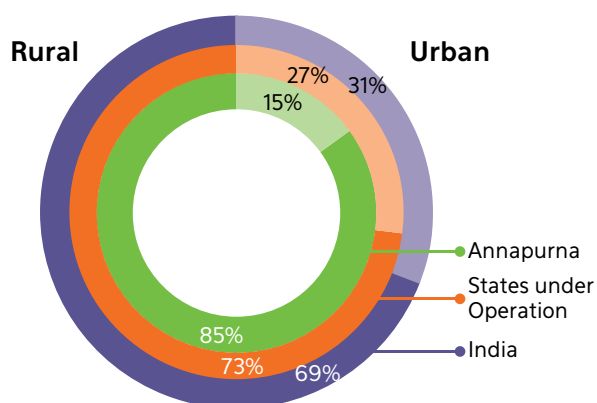
**Statistics from Progress out of Poverty Index
(Sample based)**



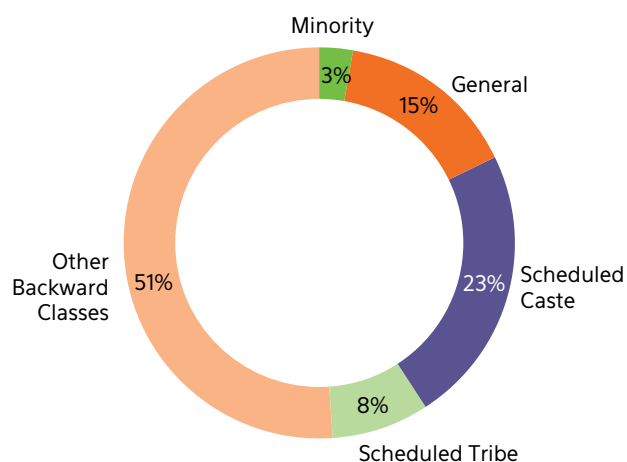
**International
Standard**

**R66 legacy national and
2005 PPP legacy poverty
lines**

**Rural and Urban Coverage
(Reference Taken: 2011 Census)**



Caste Composition





Awareness Generation of Clients

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Annapurna's client base mostly comprises of women from rural areas. The lack of financial awareness to make a household financial decision is the biggest challenge faced. To enable the clients make apt choices, Annapurna provides the clients training on financial literacy and basic hygiene. This financial year, a total of 5273 clients were trained by Annapurna staff on this.

Besides regular training, Annapurna is organizing Financial Literacy and Women Empowerment Training, which are a more elaborate form of the same. Under this, clients are trained phase-wise on 10-day training material. After successful completion of the pilot phase last year and training of 12000 clients in Western Odisha, Annapurna has decided to scale up the program and train 15000 clients in seven branches of Central Odisha. In this year, training of the first phase has been completed, while training of the rest two phases will be delivered in the next financial year.



A Fishermen Family's Dream of Educating Girls: Case of Mrs Babi Sutar

Mrs Babi Sutar, a housewife and resident of Kakhadi village in Choudwar, is associated with Annapurna for the last four years. She is now a member of Dulona SHG and a third cycle client of Annapurna. In her family, all three male members are earning their living by fishing in Mahanadi which is very close to their home. They have one boat and every morning they go fishing. In the evening, they sell the fish in the local market. Their business is seasonal as time of the year and natural conditions affect the trade to a huge extent. The average income of the family is around 5000 rupees. After meeting regular household expenses, education cost of the children, medical needs they hardly have any saving at the end of the month. Babi has two little girls who are going to nearby English medium school.

Babi was approached by Annapurna training staff in last December for attending the Financial Literacy and Woman Empowerment training. The training has opened new areas for Babi. She learnt how to save even when the income is really small. Previously only her husband had a bank account in State Bank of India, but now she has opened her own zero balance account in Canara Bank and started saving very small amounts. She doesn't have an ATM card yet as she is not comfortable using it. Now every month she does family budgeting in consultation with her husband. She is also planning to enlist both of her girls under Sukanya Samriddhi Yojana. Her dream is to make her two girls independent by providing them higher education. She says, "I will do my best to give them the opportunity to be educated, as I want them to do good jobs in future, earn money and not depend on anybody or live in poverty."

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Client Grievance and Client Feedback Collection

Annapurna collects client feedback form regularly through the team of Auditors. The feedback from clients is summed up quarterly and presented in the SPM and CSR Committee.

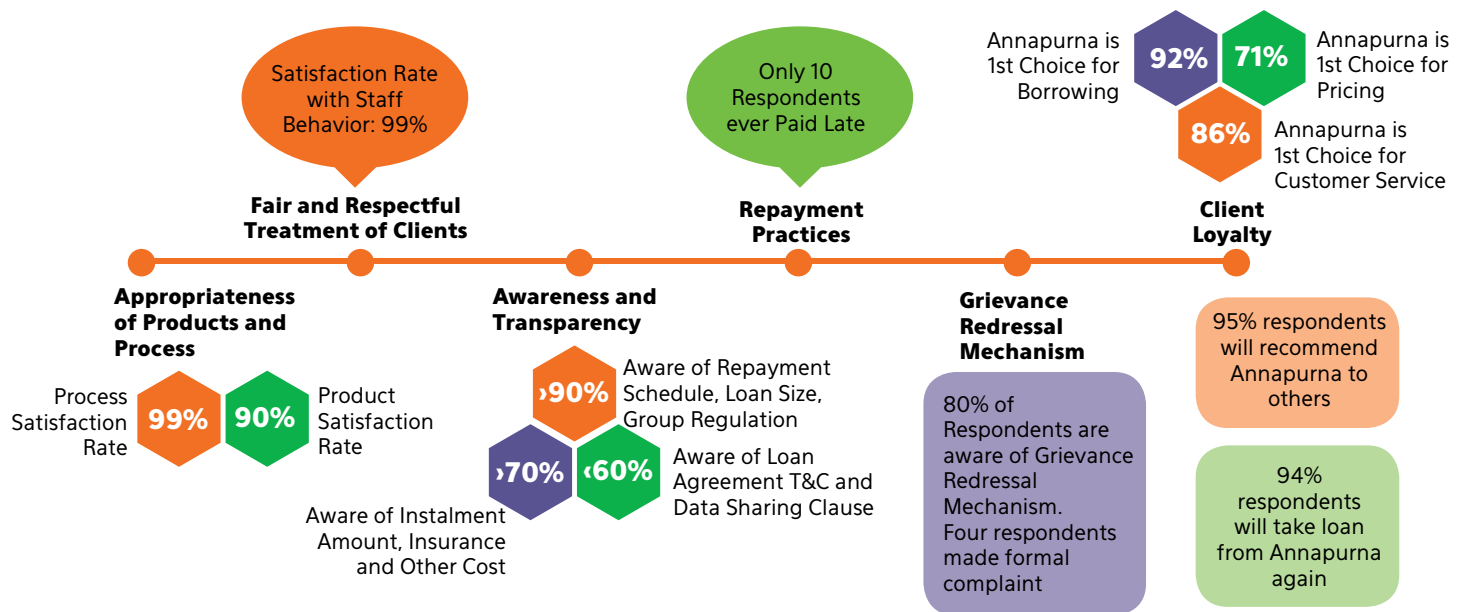
Annapurna has a multi-step Grievance Redressal Mechanism (GRM) for collecting, documenting and tracking client grievance. The detail of the GRM is displayed at every branch for generating clients' awareness on the same. A dedicated team under the Grievance Redressal Officer keeps track of the complaints collected, segregates them in different categories and the detail gets shared with the regulatory bodies like Sa-Dhan.

External Studies

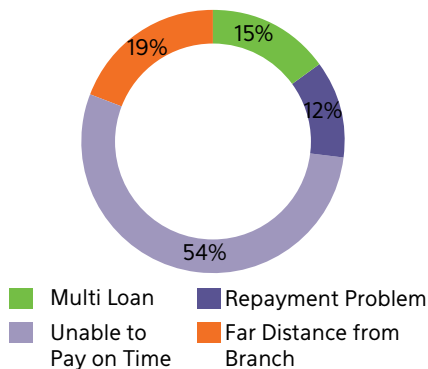
Annapurna conducts annual Client Satisfaction and Socio Impact Assessment Studies through independent bodies.

Client Satisfaction Study is designed to track satisfaction level of Annapurna clients with product, services and other important parameters. Along with this, the study includes reasons behind client exit.

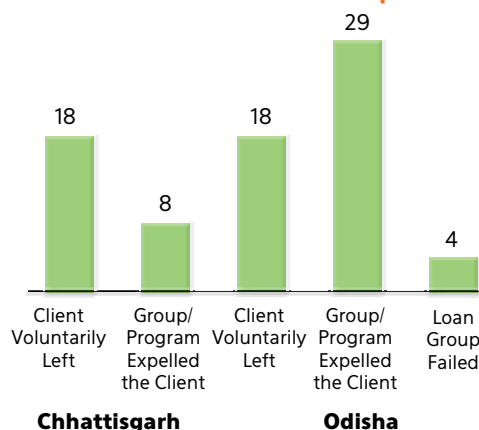
The highlights from the latest study of Client Satisfaction & Client Exit is shown below. The study covered 1589 clients across seven states.



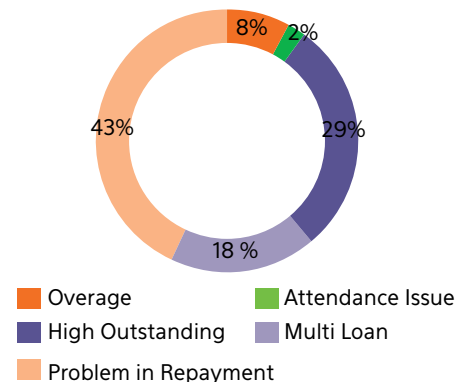
Reasons of Drop Out in Chhattisgarh



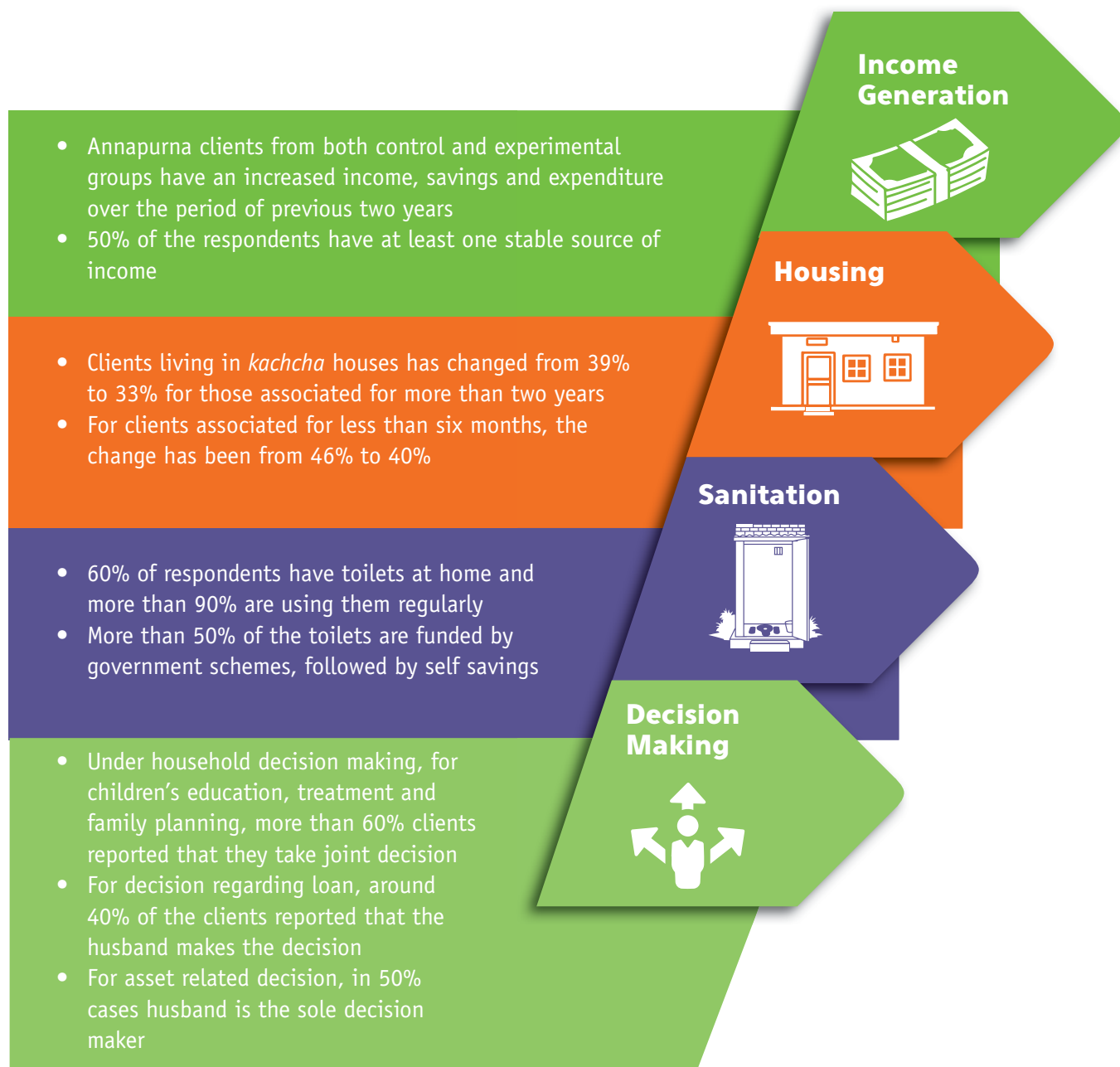
Circumstances of Drop Out



Reasons of Drop Out in Odisha



The objective of Impact Assessment Study is to see how Annapurna is affecting the socio-economic status of the clients. The study from last year highlights the following:



Gender Mainstreaming

Being a microfinance organization with dominant women representation in client side, gender is a crucial concern for the organization. Microfinance sector has considerably low women participation in the workforce due to its heavy field driven job. This year, Annapurna focused on the representation of women inside the organization and adopted several methods to improve women participation. For this, Annapurna was associated with several social organizations like MEDA, SIDBI, Basix and many individual consultants. Key initiatives taken under this were:

- A complete gender analysis of the organization to identify areas of challenge, problems of female employees at present and recommendations to overcome those

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- Training of female employees on gender concerns, reproductive health and basic self-defense
- Revision of current organization policies and guidelines to recruit, promote and retain more gender diverse workforce
- Celebration of Women's Day in the presence of local female entrepreneurs
- Gender training of senior management and state level management team to improve their understanding
- Renovation of female washrooms at selected branches in Central Odisha to improve the comfort of branch level staff
- 'Achievers', a bi-annual newsletter depicting success stories of female employees working in Operation and Support Departments in Annapurna

Corporate Social Responsibility

From 2015 onwards, the board of Annapurna decided to spend a part of the profit in Corporate

"The emphasis placed by more and more companies on corporate social responsibility symbolizes the recognition that prosperity is best achieved in an inclusive society"

Tony Blair

Social Responsibilities. This is Annapurna's commitment to warrant the organization's support for the holistic development of society beyond clients.

In this financial year, Annapurna supported Aama Ghara, a child care institute run by People's Forum in Khurda under CSR. Also, Annapurna assisted Odisha Forest Department's plantation drive by providing gabion support to 200 plants in a major roadside position in Bhubaneswar.

Aama Ghara

On December 25, 2015 People's Forum founded a children's home "Aama Ghara". It is working under "Child Welfare Committee (CWC) - a bench of judicial magistrates (first class) u/s 27 (9) of the Juvenile Justice (care & protection of children) and "District Child Protection Unit (DCPU)". Aama Ghara follows the Juvenile Justice Act (JJ Act) and the guidelines of DCPU. Here the children of the inmates of Mission Ashra (a home for mentally ill and destitute women – also an initiative of People's Forum) are staying; and also, CWC allocates the children who need care and protection, like street children, beggar children, child labor victims, orphans, run-away children. Children of one month to 18 years of age are kept here. After that, either they are handed over to the Child Welfare Committee (CWC) or reunited with their families. Till date, 25 children have been reunited in Aama Ghara. Those children who were declared as abandoned are linked with the Special Adoption Agency (SAA) and are adopted as per the rules and regulations of the government. Nine children have been adopted until now.

Role of Annapurna in Aama Ghara

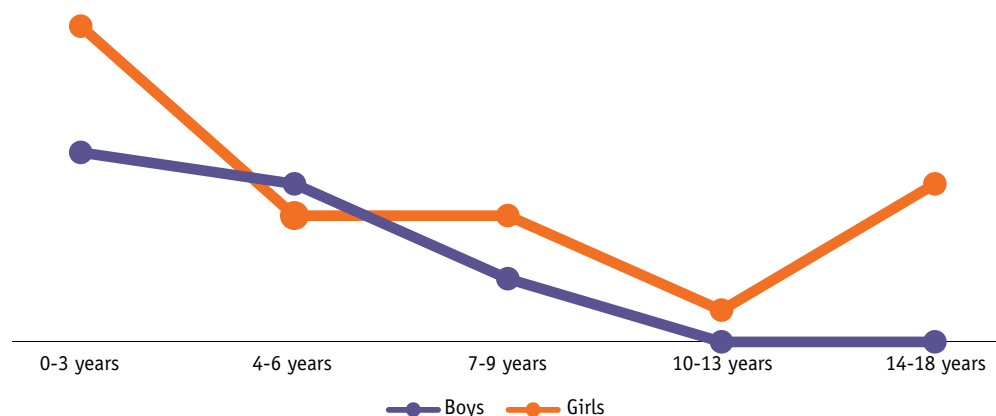
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Annapurna funds regular needs like education, recreation and medical needs of the children in Aama Ghara and administrative expenses of the establishment.

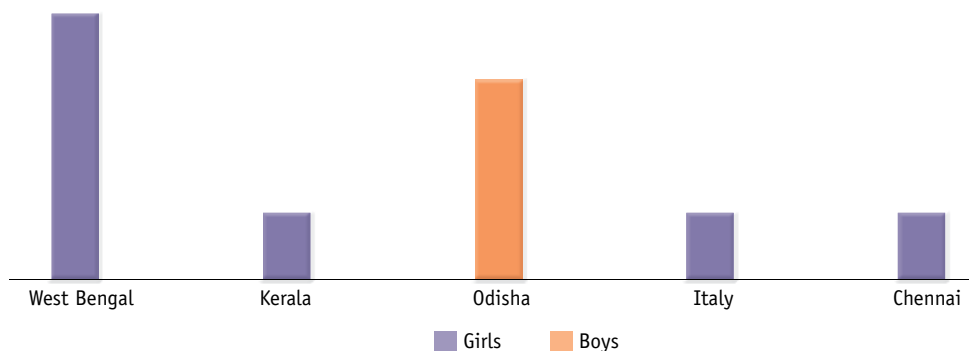
The number of children, age group and gender-wise, is depicted in the figure below:

A total of 10 children have been given for adoption in the year 2017-18

Age and Gender-wise Distribution of Aama Ghara Children



Gender-wise Adoption Statistics



Case of Kanchana (name changed) – Beginning of a New Journey

Not all are born with a silver spoon, but carving an equivalent life is what Kanchana achieved. She was born to a mentally ill woman rescued by team ASHRA. Brought up in a homely atmosphere of AAMA GHARA, with all amenities and quality education, she reciprocated with exceptional performance in academics, cracked various entrance tests and co-curricular activities like dancing, singing,

reciting. She was felicitated in several Inter-school competitions for her performance in acting and recitation.

With all going well, the best was yet to come. There was an offer for her adoption by an Italian family, which eventually got accepted and thus the journey to a new life has set in.

Directors' Report

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Board's Report

Dear Members,

The Board of Directors hereby submits the report of the business and operation of the Company ('The Company' or 'Annapurna') alongwith the audited financial statements, for the financial year ended March 31, 2018.

1. Financial and Operational Position

a. Financial Position

(amount in INR Cr)

Particulars	FY16	FY17	FY18	CAGR%
Interest Income	118.54	194.56	273.16	52%
Other Income	31.64	52.91	67.84	46%
Total Income	150.18	247.47	341.00	51%
Interest Expense	69.35	122.74	168.42	56%
Provisional Expense	5.05	9.23	49.13	212%
Total Expense	116.82	209.29	278.12	64%
PAT	18.18	18.91	9.54	-28%
Total Debt Outstanding	853.55	1,307.95	1,686.24	41%
Net Worth	119.76	171.37	242.65	42%
GLP	925.26	1,238.63	1,920.40	44%
Managed Portfolio	206.69	220.35	355.52	31%

During the financial year, the revenue from operation increased by INR 92.54 Cr and reached to INR 323.63 Cr as compared to previous financial year and registered a net profit of INR 9.54 Cr. The net worth of the Company reached INR242.64 Cr and reserves and surplus increased to INR 196.63 Cr.

b. Operational Position

Particulars	FY16	FY17	FY18	CAGR
No. of Borrowers	625480	899743	1198504	38%
No. of Districts	91	129	174	38%
No. of Branches	176	246	374	46%
Disbursement (On-Book) (INR Cr)	1034.87	1147.3	2094.77	42%
Gross Loan Portfolio (INR Cr)	925.6	1238.6	1920.4	44%
Off book (BC + Securitization) (INR Cr)	206.69	220.35	355.52	31%
Total Employees	1691	2333	3507	44%
Field Officers	1177	1573	2321	40%
GLP/Active Borrower	14798	13767	16023.3	4%

c. Funding Position

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As an internal mandate of the Company and to diversify its risk with an intention to get a good bargaining platform, the Company's endeavor was to keep the exposure of each individual funder maximum upto 7.5 % only in the total funding requirement.

SIDBI has highest exposure of 7.31% in Term Loans and Blue Orchard has the highest exposure in terms of NCDs.

In terms of fund raising, the Company mobilized funds amounting to INR 1253.96 Cr in FY18, out of which INR 834.50 Cr was raised through term loan, INR 40 Cr was raised in the form of subordinated debt and remaining INR 346.96 Cr through securitization.

2. Dividend

To maintain a healthy Net Worth & Capital Adequacy Ratio, the Board proposed not to declare any dividend on the equity shares of the Company.

Further your Directors recommend a dividend at the rate of 9% per annum (period 1st April 2017 to 4th January 2018) amounting to INR 6.88 Lakhs on the preference shares held by SIDBI for the financial year ended 31st March 2018.

3. 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 (i.e. INR 1.91 Cr) has been transferred to Statutory Reserve.

4. Brief Description of the Company's Working During the Year and State of Company's Affairs

Annapurna during the year strengthened its operations in more unreached areas with a network of 374 branches in its 14 operational states. The major focused area for the Company was to make its array of products available to its target clients. Since its inception, Annapurna has consistently been involved in developing products that are in tune with clients need and sustainable in nature. The Company stands testament to client's centricity with its continuous efforts to design innovative products that can easily be accessible to the existing as well as new borrowers. With each passing year, Annapurna is streamlining its existing product line by modifying its processes and bringing new products into the market. It has enabled its clients with an opportunity to choose from a varied range of products as per their needs. Be it an income generation or a consumption need, the Company never fails to satisfy its clients. At present, Annapurna has diverse range of tailor-made products ranging from smaller ticket size group loans of INR 15,000 to higher

ticket size individual loans of INR 25,00,000 for serving various client needs such as access to safe water and sanitation, dairy development, consumer durables, home improvement, business development etc.

One of its first consumption loan product, Safe Water and Sanitation to Households has been significant in changing the mindset of people regarding access to toilets and benefits of safe drinking water. Offered to its existing borrowers with flexible tenure, the Company has served nearly 25,000 households within a very short span of four years. At the local level, with the help of its master trainers, Annapurna has sensitized 1,50,000 households towards health and hygiene, and plans to reach out to more number of households under the program. With a sizeable loan portfolio, the Company plans to upscale it to other geographies where there is huge market demand for building toilets, water connection etc. In line with GoI's initiative to provide affordable housing solutions to urban as well as rural households, Annapurna provides low cost funds to its existing as well as new borrowers for upgrading or renovating their existing homestead. Currently, the Home Improvement Loan product is active in 22 branches of Odisha. Being a new entrant to the housing finance market, the Company observes enormous potential both for secured and unsecured lending business. In coming years, the Company plans to enter secured lending space and set up a separate vertical altogether with a dedicated team of staff for handling the operations. Notably, Annapurna has partnered with National Housing Bank under PMAY scheme for providing credit linked subsidy to EWS, LIG, MIG I & II beneficiaries. With this partnership, the Company has broadened its client segment to reach out to a larger section.

To cater to the working capital needs of the unorganized and unregistered business class segment who do not have access to funds from formal channels, such client segments are served by Annapurna through MSME Loan product. The loan size generally varies from INR 1,00,000 to INR 25,00,000 and is managed by a team of dedicated staff. The product has undergone several modifications based on its experience and is offered to clients who have an experience of running their business. Recognizing the tremendous market growth and opportunity in MSME sector, Annapurna plans to expand its operations to other states of the country. Dairy Development Loan product extends financial assistance to existing as well as new clients who are practising dairy farming as their main or secondary source of income. Being an individual loan of a higher ticket size, the product is concentrated to branches where there is demand by dairy farmers.

The Company understands its nature of business, volatility of the sector and risks associated with it. The Company has organized a variety of training programs in the last one year for its staff to keep themselves well-informed about the sector as well as regulatory changes and these programs will be significantly increased in the coming year as well. The Company has some very constructive plans to diversify its product-base, widen its outreach in more number of states and fasten the pace of cashless disbursement, so that it covers all of its operational areas.

5. Change in Nature of Business, if any

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The Company's focus is on lending to SHG/JLG groups. Recently the Company has started MSME loans to capture the huge potential of MSME finance market in India. The next focus would be Housing Finance segment, to meet the huge gap in housing finance market segment. The Company also deals in other financial products like Home Improvement Loan, Dairy Development Loan, SWASTH (Safe water and Sanitation to Households) loan and loans for access to solar energy. The Company continues to be dedicated in lending business and there is no change in nature of business.

The Company has changed its name from Annapurna Microfinance Pvt. Ltd. to Annapurna Finance Pvt. Ltd. and obtained a fresh certificate of incorporation from ROC on 22nd January, 2018.

6. Material Changes & Commitments Affecting Financial Position between the end of the Financial Year and the Date of this Report

There are no material changes subsequent to the close of the financial year of the Company to which the balance sheet relates and the date of this report like settlement of tax liabilities, major loan pre-closure, change in market or regulatory conditions, institution of cases by or against the Company, sale or purchase of capital assets or destruction of any assets, change in the business, assets, condition (financial or otherwise) or results of operations of the Company taken as a whole which is likely to have an impact on the business of the Company so as to reduce the value or the net worth of the Company by fifty percent (50%) or more of its total value as on the date hereof, the ability of the Company to conduct the business and to own or lease its respective assets and properties in substantially the same manner in which the business was previously conducted and such assets and properties were previously owned or leased and such change would materially affect the ability of the Company to carry on its respective business etc.

There was a fresh capital infusion of INR 155 Cr in May 2018 from Oman India Joint Investment Fund II which strengthened the capital base of the Company and pushed the capital adequacy ratio to a healthy position.

7. Significant and Material Orders

There are 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.

8. Adequacy of Internal Financial Controls

A benchmark of internal control system, based on suitable criteria, is in place to enable the management to assess and state adequacy of and compliance with the system of internal control and operating effectively. Internal control of the Company is a well-defined process designed to facilitate and support the achievement of business objectives. The system of internal control is integral to the activities of the Company and based on a consideration of significant risks in operations, compliance and financial reporting.

The Company has an effective internal control process effected by its people that supports the organization in several ways, enabling it to provide reasonable assurance regarding risk and to assist in the achievement of objectives.

The Board has adopted policies and procedures for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, safeguarding of its assets, prevention and detection of fraud, error reporting mechanism, accuracy and completeness of the accounting record and timely preparation of reliable financial disclosures.

9. Subsidiary/Joint Ventures/Associate Companies

The Company does not have any subsidiary/joint venture/associate company during the financial year 2017-18.

10. Corporate Governance Report

A separate report on Corporate Governance is provided forming part of this report regarding compliance of conditions of Corporate Governance as stipulated under Listing Regulations and Reserve Bank of India Guidelines.

11. Corporate Social Responsibility

The CSR activities of the Company during the year 2017-18 as per the format prescribed under the Companies (Corporate Social Responsibility Policy) Rules 2014, forms part of this report.

12. Managerial Remuneration

Details of managerial remuneration pursuant to Rule 5(1) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is mentioned below:

1	Ratio of remuneration of each Director to the median remuneration of employees of Company: Executive Director Managing Director	16.61:1 29.87:1
2	The percentage increase in remuneration of: Managing Director & CEO Executive Director & CFO Company Secretary	42.00% 90.00% 38.94%
3	Percentage increase in the median remuneration of employees in the financial year	14.28%
4	Number of permanent employees on the rolls of the Company (As on 31/3/2018)	2949
5	The explanation on the relationship between average increase in remuneration and company performance	Though there is 50% decrease in PAT as compared to the previous year, the overall remuneration of employees of the Company increased by 17%

6	Variations in the net worth of the Company as at the close of the current financial year and previous financial year.	There is 36.50% increase in Net Worth of the Company as compared to the previous year 2016-17.
7	Average percentage increase in the salaries of employees other than the managerial personnel in the financial year 2017-18.	17.00%
8	Average percentage increase in the managerial remuneration in the financial year 2017-18.	57.00%
9	The ratio of the remuneration of the highest paid director to that of the employees who are not directors but receive remuneration in excess of the highest paid director during the year	N.A.
10	The Company has a remuneration policy and the remuneration is as per the remuneration policy of the Company	Yes

13. Public Deposits

During the period under review, the Company has not received or accepted any deposit from public and retained 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 secured debentures of INR 32.50 Cr and unsecured listed debentures of INR 15.00 Cr in the form of Non-Convertible Debentures which does not fall under the definition of deposits. (Rule 2 (ix) and Rule 2 (ixa) of the Companies (Acceptance of Deposits) Rules, 2014)

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.

14. Audit Report and Auditors

Audit Reports

- The Statutory Auditor's Report for the fiscal 2017-2018 does not contain any qualification, reservation or adverse remark and are self-explanatory and therefore, in the opinion of the Directors, do not call for further comments. The Auditors' Report forms part of the Financial Statements as on 31st March 2018.
- The Secretarial Auditor's Report for the fiscal 2017-2018 does not contain any qualification, reservation or adverse remark. The report of the Secretarial Audit as required under Section 204(1) of the Act and Rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is appended herewith and forms part of this Report.

Auditors

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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. 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 & 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.

15. Share Capital

- Equity Share Capital: We have one class of shares - Equity Shares of par value INR 10/- each. The authorized share capital of INR 56 Cr consists of 5,10,00,000 equity shares of INR 10 each and 50,00,000 preference shares of INR 10 each.
- The Company has issued & allotted 34,06,757 Equity Shares of INR 10/- each on private placement basis.
- The Company has issued & allotted 30,10,526 Equity Shares of INR 10/- each on rights issue basis.
- 10,00,000 Preference Shares of INR 10/- each held by SIDBI were converted into 2,54,907 fully paid-up Equity Shares.
- During the financial year, there has been no transfer of shares.
- 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 any 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.
- Pursuant to the shareholders approval, the Board authorized to introduce, offer, issue and allot share-based incentive to eligible employees of the Company under ESOP Plan-2017. The maximum number of shares under the ESOP plan-2017 shall not exceed 18,17,461 and will be issued at book value.

16. Extract of Annual Return

The extract of annual return in Form MGT-9 as required under Section 92(3) of the Act and Rule 12 of the Companies (Management and Administration) Rules, 2014 is appended herewith and forms part of this Report.

17. Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

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 and Outgo

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Foreign exchange earnings and outgo	Amount in INR
Foreign Exchange Earning Inflow	Nil
Foreign Exchange Outflow	1,98,301

18. Information Technology

Bridging the gaps has been the major point of focus for all developments in last one year. All these changes have been brought in at an unprecedented pace in the technological arena of the organization expediting the processes involved.

The new version of the android based smartphone app including all the three modules of Proposal Generation, Group Rating/GRT and Appraisal was fully deployed in the branches.

Based on the feedback received from the end users, more data validations have been put in place significantly reducing the chances of errors. It helps ensuring the correctness of critical client information like KYC and bank account details, paving the way for the upcoming functionalities of Cashless Auto-disbursement and Cashless Repayment Collection, implementation of which will significantly reduce the TAT.

The entire process of checking the loan applications with the Credit Bureau is mandatorily automated enabling insta-decisioning eliminating all the manual intervention.

The geo-coordinates are also captured at the time of Appraisal which can be used as an input for analysis based on GIS.

The upgraded version of the Biz App is going to be a singleton solution which will have the functionalities of e-KYC verification and the current Collection APK reducing the amount of time consumed for collecting the data. This new version will enable the users to view the detailed reports from the CB directly on their mobile device, allow reconsidering the applications directly from their mobile device, allow making a group with existing or new clients and ensure data quality. This will also include all the three modules for Individual Loans too. It will help to reduce the TAT for cashless disbursement significantly.

19. Directors

a) Changes in Directors and Key Managerial Personnel

- Ms. Milena Loayza Amorin was nominated by BIO to the Board of the Company and she replaced Mrs. Laetitia Counye.
- Mr. Sarath Naru, who was earlier alternate to Mrs. Laetitia Counye now alternates to Mrs. Milena Loayza Amorin, Nominee Director BIO.
- Mr. Bernard Jakob Eikenberg nominated to the Board by Bamboo Financial Inclusions Fund II.

Details of change in Board is given below:

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Sl No	Name	Designation	Date of Appointment	Date of Resignation
1	Mrs. Laetitia Counye	Nominee Director	07/10/2014	07/09/2017
2	Ms. Milena Loayza Amorin	Nominee Director	07/09/2017	N.A.
3	Mr. Sarath Naru	Alternate Director	21/06/2017	07/09/2017
4	Mr. Sarath Naru	Alternate Director	07/09/2017	N.A.
5	Mr. Bernard Jakob Eikenberg	Nominee Director	08/09/2017	N.A.

b) Declaration of Independent Director(s)

A declaration from all the Independent Directors that they meet the criteria of independence as provided in sub-section (6) of Section 149 of the Companies Act, 2013 has been obtained and placed before the Board to take on record.

20. Meeting of the Board of Directors

During the period the Board met six times (i.e. on 28th April, 2017, 21st June, 2017, 7th September, 2017, 14th December, 2017, 5th February, 2018 and 16th February, 2018) which is in compliance with the Companies Act, 2013.

21. Loans, Guarantees or Investments under Section 186

The Company is a Non-Banking Financial Company classified as NBFC-MFI and the principle business of the Company is to provide loan. Hence, Section 186 will not be applicable to your Company. The Company has not entered into any such transaction as prohibited under Section 186(1) and 186(2).

22. Contracts or Arrangements with Related Parties

During the year, the Company has not entered into any contracts/arrangements with related parties referred to in Section 188(1) of the Companies Act, 2013. Hence disclosure in Form AOC- 2, pursuant to Section 134(3)(h) of the Companies Act, 2013 and Rule 8(2) of the Companies(Accounts) Rules, 2014 is not applicable.

23. Directors' and Officers' Liability Insurance

The Company indemnifies all its past and present Directors and Officers in default, against certain liabilities and costs incurred by them in their respective capacities.

24. Directors' Responsibility Statement

The Board of Directors hereby states that—

- in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent to give a true and fair

view of the state of affairs of the Company and the profit and loss at the end of this financial year,

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- the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- the annual accounts have been prepared 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;
- 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.



25. Acknowledgments

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Your Directors wish to convey their gratitude and place on record their appreciation for all the employees at all levels for their hard work, solidarity, cooperation and dedication during the year.

Your Directors sincerely convey their appreciation to its customers, shareholders, vendors, bankers, business associates, regulatory and government authorities for their continued support.

For and on behalf of the Board of Directors
Annapurna Finance Pvt. Ltd.

Sd/-
Gobinda Chandra Pattanaik
Managing Director

Place: Bhubaneswar
Date: 19th June, 2018



Annexures

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Report on Corporate Governance (2017-18)

1. Company's Philosophy on Code of Governance

Annapurna firmly believes in and has consistently endeavored to practice good corporate governance. Your Company believes that governance principles of the highest standard would 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 fulfill 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.

2. Board Strength & Representation

2.1 Composition and Category

The composition of the Board is in conformity with the Companies Act, 2013. As on 31st March, 2018, the Board consists of 12 Directors, 83.33% of the Board consist of Non-Executive Directors, out of which 3 (Three) are Independent Directors and 6 (Six) Nominee Directors. There are 2 (Two) women Directors on the Board.

Name of the Director	Category
Mr. Gobinda Chandra Pattanaik	MD cum Chairman
Mr. Dibyajyoti Pattanaik	Director
Mr. Krishna Kumar Tiwary	Independent Director
Mr. Sean Leslie Nossel	Independent Director
Mr. T.H.R. Samad	Nominee Director
Mr. Ashok Ranjan Samal	Independent Director
Ms. Milena Loayza Amorin	Nominee Director
Mr. Florian Grohs	Nominee Director
Mrs. Christina Juhasz	Nominee Director
Mr. R. V Dilip Kumar	Nominee Director
Mr. Bernhard Jakob Eikenberg	Nominee Director
Mr. Sarath Naru	Alternate Director

The members on the Board possess adequate experience, expertise and skills necessary to manage the affairs of the Company in the most efficient manner.

2.2 Category and Attendance of Directors

The names and categories of Directors, their attendance at the Board Meetings held during the year and at the last Annual General Meeting, as also the number of Directorships and Committee positions held by them in other companies are given below:

Director	Category	No. of Board meetings attended	Attendance on AGM (21/06/2017)	No. of Directorships held in other Companies
Mr. Gobinda Chandra Pattanaik	Managing Director	6	Yes	Nil
Mr. Dibyajyoti Pattanaik	Director	6	Yes	Nil
Mr. Krishna Kumar Tiwary	Independent Director	5	No	Nil
Mr. Sean Leslie Nossel	Independent Director	5	No	Nil
Mr. T.H.R. Samad	Nominee Director	6	No	Nil
Mr. Ashok Ranjan Samal	Independent Director	5	No	Nil
Ms. Milena Loayza Amorin	Nominee Director	1	N.A.	Nil
Mr. Florian Grohs	Nominee Director	5	Yes	1
Mrs. Christina Juhasz	Nominee Director	5	Yes	Nil
Mr. R. V. Dilip Kumar	Nominee Director	2	No	5
Mr. Sarath Naru	Alternate Director	4	Yes	13
Mr. Bernhard Jakob Eikenberg	Nominee Director	4	N.A.	Nil

2.3 Disclosure of Relationship between Directors Inter-se

None of the Directors of the Company are related to each other.

2.4 Number of Shares and Convertible Instruments held by Non-Executive Directors

None of the Non-Executive Directors holds any share or convertible instruments of the Company.

2.5 Information Placed before the Board

The Board has complete access to all the information of the Company, including inter-alia, the information to be placed before the Board of Directors as required under the Listing Regulations. The important decisions taken at the Board/Board Committee Meetings are communicated to the concerned Departments/Divisions of the Company.

2.5 Evaluation of the Board

In terms of the requirement of the Companies Act, 2013 and the Listing Regulations, an annual performance evaluation of the Board was undertaken. During the year, the Board undertook the process of evaluation through discussions and made an oral assessment of its functioning. The Board had, during the year, opportunities to interact and make an assessment of its functioning as a collective body. In addition, there were opportunities for Committees to interact, for Independent Directors to interact amongst themselves and for each Independent Director to interact with the Chairman. The Board found there was considerable value and richness in such discussions and deliberations.

The Board Evaluation discussion was focused around how to make the Board more effective as a collective body in the context of the business and the external environment in which the Company functions. From time to time during the year, the Board was appraised of the business issues and related opportunities and risks. The Board discussed various aspects of the functioning of the Board and its Committees such as structure, composition, meetings, functions and interaction with Management and what needs to be done to further improve the effectiveness of the Board's functioning. Additionally, during the evaluation discussion, the Board also focused on the contribution being made by the Board as a whole, through Committees and discussions on a one on one basis with the Chairman.

The process of Board Evaluation through oral assessment was led by the Chairman of the Nomination and Remuneration Committee. The overall assessment of the Board was that it was functioning as a cohesive body including the Committees of the Board that were functioning well with periodic reporting by the Committees to the Board on the work done and progress made during the period.

2.7 Independent Directors and Familiarization Programme

Independent Directors have submitted a declaration that they meet the criteria of Independence as per the provisions of Companies Act, 2013. The Company also has an ongoing familiarization program for its Independent Directors, with the objective of familiarizing them with the Company, its operations and business model, nature of the industry and environment in which it operates, the regulatory environment applicable to it and also the roles, rights and responsibilities of Independent Directors.

3. Board Procedure and Conduct

The agenda is circulated well in advance to the Board members, along with comprehensive background information on the items in the agenda to enable the Board to arrive at appropriate decisions. The agenda and related information is circulated in electronic form through mail. This has reduced paper consumption, thereby enhancing the sustainability efforts of the Company.

At Board Meetings, the Managing Director & CEO appraises the Board on the overall performance of the Company. The Board also, inter alia, reviews the strategy, annual business plan and capital expenditure budgets, quarterly, half-yearly and annual financial results, compliance reports on all laws applicable to the Company, EHS (Environment, Health and Safety) performance of the Company, people, process matters, minutes of meetings of Committees of the Board. In addition, the Board is kept informed of all major events and other information as required from time to time.

4. Committees of the Board

a) Audit Committee

The Audit Committee functions according to its Charter that defines its composition, authority, responsibilities and reporting functions. The terms of reference of the Audit Committee, *inter alia*, are as follows:

- Oversight of the Company's financial reporting process and disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
- Discuss and review with the management the annual/half yearly/quarterly financial statements and the auditor's report thereon, before submission to the Board for approval.

- Review of the Company's accounting policies, internal accounting and financial controls, risk management policies and such other matters.
- Discuss with the statutory auditors, before the audit commences, about the nature and scope of audit, as well as post audit discussion to ascertain any area of concern.
- Hold timely discussions with the statutory auditors regarding critical accounting policies and practices and significant financial reporting issues and judgments made.
- Recommend to the Board the appointment, re-appointment and, if required, the replacement or removal of statutory auditors, remuneration and terms of appointment of auditors, fixation of audit fees and to approve payment for any other services rendered by the statutory auditors.
- Review and monitor the auditor's independence, qualification and performance and effectiveness of audit process.
- Review with the management, performance of the statutory and internal auditors.
- Review the adequacy of the internal audit function and the adequacy and efficacy of the internal control systems, including the structure of the internal audit department, approval of the audit plan and its execution, staffing and seniority of the official heading the department, reporting structure, budget, coverage and frequency of internal audit.
- Evaluate internal financial controls and risk management systems.
- Scrutinize inter-corporate loans and investments.
- Discuss any significant findings with internal auditors and follow-up thereon.
- Review the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or failure of internal control systems of a material nature and reporting the matter to the Board.
- Look into the reasons for substantial defaults in payments to debenture holders, shareholders and creditors.
- Approve transactions, including any subsequent modifications, of the Company with related parties.
- Valuation of undertakings or assets of the Company, wherever it is necessary.
- Review and monitor the statement of use and application of funds raised through public offers and related matters.
- Review the functioning of the Whistle Blower mechanism.
- Review the effectiveness of the system for monitoring compliance with laws and regulations and oversee compliance with legal and regulatory requirements, including the Code of Conduct for the Company and its subsidiaries.
- Oversee financial reporting controls.

Composition and Attendance During the Year

Name of Member	Category	No. of meetings attended
Mr. Krishna Kumar Tiwary, Chairman	Independent Director	3
Mr. R. V. Dilip Kumar	Nominee Director	2
Mr. Ashok Ranjan Samal	Independent Director	3

The Committee recommends various issues to the Board for their approval. However there are no such instances where the Board had not accepted any recommendation of the Audit Committee.

b) CSR & SPM Committee

The Terms of Reference of the Committee are as follows:

- Formulate and recommend to the Board, a CSR & SPM Policy indicating the activity or activities to be undertaken by the Company as specified in Schedule VII of the Act.
- Recommend the amount to be spent on the CSR activities.
- Monitor the Company's CSR & SPM Policy periodically.
- Oversee the Company's conduct with regard to its corporate and societal obligations and its reputation as a responsible corporate citizen.
- Oversee activities impacting the quality of life of various stakeholders.
- Monitor the CSR & SPM Policy and expenditure of material subsidiaries.
- Attend to such other matters and functions as may be prescribed from time to time.

Composition and Attendance During the Year

Name of Member	Category	No. of meetings attended
Mr. Gobinda Chandra Pattanaik, Chairman	Managing Director	1
Mr. Dibyajyoti Pattanaik	Executive Director	1
Mr. Sean Leslie Nossel	Independent Director	1
Mr. Ashok Ranjan Samal	Independent Director	1

c. Nomination & Remuneration Committee

The Terms of Reference of the Committee are as follows:

- 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 shall 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.

Composition and Attendance During the Year

Name of Member	Category	No. of meetings attended
Mr. Krishna Kumar Tiwary, Chairman	Independent Director	0
Mr. Sean Leslie Nossel	Independent Director	1
Mr. Gobinda Chandra Pattanaik	Managing Director	1
Mr. Ashok Ranjan Samal	Independent Director	1

d) Risk Management Committee

The terms of Reference of the RMC are as follows:

- Approve the Risk Management Policy and plan integration through training and awareness programs.
- Approve the process of risk identification.
- Set up risk strategy policies, including agreeing on risk tolerance and appetite levels, recognizing contingent risks, inherent and residual risks.
- Monitor the Company's compliance with the risk structure. Assess whether the current exposure to the risk it faces is acceptable and that there is an effective remediation of non-compliance on an on-going basis.
- Approve major decisions affecting the risk profile or exposure and give appropriate directions.
- Consider the effectiveness of decision making process in crisis and emergency situations.
- Balance risks and opportunities.

Composition and Attendance During the Year

Name of Member	Category	No. of meetings attended
Mr. Gobinda Chandra Pattanaik, Chairman	Managing Director	4
Mr. Florian Grohs	Nominee Director	4
Mrs. Christina Juhasz	Nominee Director	4

5. Details of Establishment of Vigil Mechanism for Directors and Employees

The Company has adopted a Whistle Blower Policy, to provide a formal vigil mechanism to the Directors and employees to report their concerns about unethical behavior, actual or suspected fraud or violation of the Company's Code of Conduct or Ethics Policy. The Policy provides for adequate safeguards against victimization of employees who avail of the mechanism and also provides for direct access to the Chairperson of the Audit Committee. It is affirmed that no personnel of the Company has been denied access to the Audit Committee.

6. Disclosures

- a) There are no materially significant related party transactions of the Company which have potential conflict with the interests of the Company at large. During the year, there were no materially significant related party transactions, i.e. transactions of the Company of material nature, with its promoters, Directors, the KMP, the management or relatives, or other designated persons, that may have a potential conflict with the interests of the Company at large.
- b) The Company has complied with the requirements of the Stock Exchanges, SEBI and statutory authorities on all matters related to the capital markets during the year. No penalty or strictures were imposed on the Company by these authorities.
- c) The Company has a well-defined risk management framework in place. The Company periodically places before the RMC and the Board, the key risks and the risk assessment and mitigation procedures followed by the Company.
- d) All the mandatory and non-mandatory disclosures/information for stakeholders are shown in the Company's website.

7. Internal Control Systems and their Adequacy

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The Company has 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 Annapurna Finance Pvt. Ltd.

Sd/-
Gobinda Chandra Pattanaik
Managing Director

CSR Activities during the Year 2017-18

1. A Brief Outline of the Company's CSR Policy, including Overview of Projects or Programs Proposed to be Undertaken and a Reference to the Web-link to the CSR Policy and Projects or Programs

Annapurna's operations follow the double bottom-line philosophy and besides financial improvement of the clients, the organization focuses on creating impact on the society as well. As per the government regulations, the organization spends a mandate amount on Corporate Social Responsibility and the CSR activities are guided by the CSR Policy of the organization designed in 2015.

The crucial areas where Annapurna intends to arbitrate, as per the Policy, are as follows:

- 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 funds set up by the government for socio-economic development, relief & welfare; and other matters with the main objective of betterment of society as prescribed.

The organization has a CSR Committee to monitor the CSR activities periodically and take important decisions whenever necessary. The CSR policy provides guidelines on the role and responsibility of the CSR Committee, process to be followed for undertaking any CSR activities and spending under and from CSR. The CSR Policy is put on the website for fairness and transparency towards the stakeholders.

2. The Composition of CSR Committee

S No	Name of the Committee Member	Designation
1	Mr. Gobinda Chandra Pattanaik (Managing Director)	Chairman
2	Mr. Sean Leslie Nossel (Independent Director)	Member
3	Mr. Dibyajyoti Pattanaik (Executive Director)	Member
4	Mr. Ashok Ranjan Samal (Independent Director)	Member

3. Average Net Profit of the Company for Last Three Financial Years

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20,59,48,426/-

4. Prescribed CSR Expenditure (2% of the amount as in item 3 above)

41,18,968/-

5. Details of CSR Spent During the Financial Year

a) Total amount to be spent for the financial year: INR 41,18,968/-

b) Amount unspent: INR 11,64,368/-

The reason for the unspent amount is that the CSR Committee has considered some new proposal for its CSR activity and the unspent amount will be utilized for those projects.

c) Details of Amount Spent During the Financial Year

S. No	CSR project or activity identified	Sector in which the project is covered	Projects or programs 1) Local area or other 2) Specify the State and district where projects or programs were undertaken	Amount outlay (budget) project or programs wise(INR)	Amount spent on the projects or programs Sub-heads: 1) Direct expenditure on projects or programs 2) Overheads	Cumulative expenditure upto the reporting period	Amount spent direct or through implementing agency
1	Aama Ghara	Child Welfare and Development	Khorda, Odisha	27,09,600	27,09,600	27,09,600	Through People's Forum
2	Gabion Support to City Plantation	Environment	Khorda, Odisha	2,45,000	2,45,000	2,45,000	Direct
	Total			29,54,600	29,54,600	29,54,600	

6. Reason of Failure to Spend 2% of the Average Net Profit of the Last Three Financial Years

The reason for the unspent amount is that the CSR Committee has considered some new proposal for its CSR activity and the unspent amount will be utilized for those projects.

7. Details of Implementing Agency

People's Forum is a state-based organization set up in 1989, and it is engaged in various development activities since. The Company is affiliated under Agriculture Sector Skill Council and registered under Society Registration Act 1860.

8. Responsibility Statement of CSR Committee

It is hereby declared that the implementation and monitoring of CSR activities of the Company is as per the CSR Objectives and Policy of the Company.

Sd/-

Gobinda Chandra Pattanaik
(Chairman of the CSR Committee)
Annapurna Finance Pvt. Ltd.

Annexure-3

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

1. Registration & Other Details

1.	CIN	U65999OR1986PTC015931
2.	Registration Date	30/04/1986
3.	Name of the Company	Annapurna Finance 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, E-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.	1. Karvy Computershare Pvt. Ltd. Karvy Selenium Tower B, Plot no. 31- 32, Gachibowli, Financial District, Nanakramguda , Hyderabad – 500 032 Tel No: 040 67162222, Fax No 040 23001153 2. NSDL Database Management Limited +4th Floor, Trade World A Wing, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai – 400 013 Phone- 022 4914 2591

2. 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	Revenue from operation of On-Lending to SHG Groups and earning of interest thereon	64990	100

3. Particulars of Holding, Subsidiary and Associates Company

The Company does not have any holding/subsidiary or Associate Company.

4. Share Holding Pattern (Equity Share Capital Break-up as Percentage of Total Equity)

a) Category-wise Shareholding

Category of shareholders	No. of shares held at the beginning of the year [As on 31-March-2017]				No. of shares held at the end of the year [As on 31-March-2018]				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a) Individual/HUF	Nil	63,58,931	63,58,931	17.50	Nil	63,58,931	63,58,931	14.78	-2.72
b) Central Govt	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
c) State Govt(s)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
d) Bodies Corp.	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
e) Banks/Fl	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
f) Any other	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Sub Total of (A) (1)	Nil	63,58,931	63,58,931	17.50	Nil	63,58,931	63,58,931	14.78	-2.72
(2) Foreign									
a) NRIs – Individuals	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
b) Other – Individuals	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
c) Bodies Corp.	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
d) Banks/Fl	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
e) Any Other	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Sub Total of (A) (2)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Total shareholding of promoters (A) = (A) (1) +(A) (2)	Nil	63,58,931	63,58,931	17.50	Nil	63,58,931	63,58,931	14.78	-2.72

[illegible]

Category of shareholders	No. of shares held at the beginning of the year [As on 31-March-2017]				No. of shares held at the end of the year [As on 31-March-2018]				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
c) Others (specify)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Non Resident Indians	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Overseas Corporate Bodies	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Foreign Nationals	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Clearing Members	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Trusts	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Foreign Bodies - D R	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Sub-total (B)(2)	0	0	0	0	0	0	0	0	0
Total Public Shareholding (B)=(B)(1)+ (B)(2)	Nil	2,99,90,287	2,99,90,287	82.51	Nil	3,66,62,477	3,66,62,477	85.22	2.71
C. Shares held by Custodian for GDINR & ADINR	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Grand Total (A+B+C)	Nil	3,63,49,218	3,63,49,218	100	Nil	4,30,21,408	4,30,21,408	100	0

b) Shareholding of Promoters

SN	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	17.32	0	62,92,731	14.63	0	-2.69
2	Dibyajyoti Pattanaik	66,200	0.18	0	66,200	0.15	0	-0.03
	Total	63,58,931	17.50	0	63,58,931	14.78	0	-2.72

c) Change in Promoters' Shareholding

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 company
1.	At the beginning of the year	63,58,931	17.50	63,58,931	17.50
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	17.50	63,58,931	14.78

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	No. of shares	% of total shares
	At the beginning of the year				
1	RIF East 2	27,68,497	7.61	27,68,497	6.44
2	Belgian Investment Company	80,27,723	22.08	95,27,723	22.15
3	Small Industries Development Bank of India	10,00,000	2.75	12,54,907	2.92
4	SIDBI Trustee Company Limited	56,01,853	15.41	56,01,853	13.02
5	DCB Bank Ltd.	18,24,151	5.02	18,24,151	4.24
6	Oikocredit Ecumenical Development Cooperative Society U.A.	49,68,063	13.67	64,78,589	15.06
7	Women's World Banking Capital Partners, LP	58,00,000	15.95	58,00,000	13.48
8	Bamboo Financial Inclusions Fund II	Nil	Nil	34,06,757	7.92
	At the end of the year	2,99,90,287	82.49	366,62,477	85.22
	Date-wise increase/decrease in shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc):	<ol style="list-style-type: none"> 34,06,757 nos. of equity shares of INR 10/- each allotted to Bamboo Financial Inclusions Fund II on 30/06/2017. (Private Placement) 15,00,000 nos. of equity shares of INR 10/- each allotted to Belgian Investment Company for Developing Countries NV/ SA on 07/07/2017 on rights issue basis. 15,10,526 nos. of equity shares of INR 10/- each allotted to Oikocredit Ecumenical Development Cooperative Society U.A on 07/07/2017 on rights issue basis. 10,00,000 nos. of OCPS held by SIDBI were converted to 2,54,907 nos. of equity shares of INR 10/- each fully paid on 05/01/2018. 			

e) Shareholding of Directors and Key Managerial Personnel

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SN	Shareholding of all Directors and each key managerial personnel	Shareholding at the beginning of the year		Cumulative shareholding during the Year	
		No. of shares	% of total shares	No. of shares	% of total shares
	At the beginning of the year				
1.	Gobinda Chandra Pattanaik, Managing Director cum CEO	62,92,731	17.32	62,92,731	14.63
2.	Dibyajyoti Pattanaik, Director cum CFO	66,200	0.18	66,200	0.15
	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	Nil	Nil
	At the end of the year	63,58,931	17.50	63,58,931	14.78

5. Indebtedness - Indebtedness of the Company including interest outstanding/accrued but not due for payment. (INR In Lakhs)

	Secured loans excluding deposits	Unsecured loans	Deposits	Total indebtedness
Indebtedness at the beginning of the financial year				
i) Principal amount	1,21,816.87	10,312.00	-	1,32,128.87
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	1,679.80	-	-	1,679.80
Total (i+ii+iii)	1,23,496.67	10,312.00	-	1,33,808.67
Change in indebtedness during the financial year				
Addition	33,170.47	3,588.00	-	36,758.47
Reduction	-	-	-	-
Net Change	33,170.47	3,588.00	-	36,758.47
Indebtedness at the end of the financial year				
i) Principal Amount	1,54,751.51	13,900.00	-	1,68,651.51

	Secured loans excluding deposits	Unsecured loans	Deposits	Total indebtedness
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	1,915.63	-	-	1,915.63
Total (i+ii+iii)	1,56,667.14	13,900.00		1,70,567.14

6. 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, MD	Dibyajyoti Pattanaik, WTD	
1	Gross Salary			
	(a) Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961	84,17,830	46,81,106	1,30,98,936
	(b) Value of perquisites u/s 17(2) Income Tax Act, 1961	0	0	0
	(c) Profits in lieu of salary under Section 17(3) Income Tax Act, 1961	0	0	0
2	Stock Option	0	0	0
3	Sweat Equity	0	0	0
4	Commission - as % of profit - others (please specify)	0	0	0
5	Others (please specify)	0	0	0
	Total (A)	84,17,830	46,81,106	1,30,98,936
	Ceiling as per the Act			

b) Remuneration to Other Directors

SN.	Particulars of remuneration	Name of Directors			Total amount
		K. K. Tiwary	Sean Leslie Nossel	Ashok Samal	
1	Independent Directors				
	Fee for attending Board & Committee meetings	1,23,100	81,550	1,60,000	3,64,650
	Commission	Nil	Nil	Nil	0
	Others (please specify)	Nil	Nil	Nil	0
	Total (1)	1,23,100	81,550	1,60,000	3,64,650

SN.	Particulars of remuneration	Name of Directors				Total amount
2	Other Non-Executive Directors	T. H. R. Samad	Florian Grohs	Christina Juhasz	Milena Loayza	
	Fee for attending Board & Committee Meetings	0	0	0	0	0
	Commission	0	0	0	0	0
	Others (please specify)	0	0	0	0	0
3	Other Non-Executive Directors	Sarath Naru	Bernhard Eikenberg	R. V. Dilip Kumar	-	
	Fee for attending Board & Committee meetings	0	0	0		0
	Commission	0	0	0		0
	Others (please specify)	0	0	0		0
	Total (2+3)	0	0	0		0
	Total (B)=(1+2+3)	-	-	-		3,64,650
	Total Managerial Remuneration	0	0	0		0
	Overall Ceiling as per 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) Income Tax Act, 1961	84,17,830	46,81,106	12,21,165	1,43,20,101
	(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	0	0	0	0
2	Stock Option	0	0	0	0
3	Sweat Equity	0	0	0	0
4	Commission - as % of profit - others (please specify)	0	0	0	0
5	Others (please specify)	0	0	0	0
	Total	84,17,830	46,81,106	12,21,165	1,43,20,101

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- Key Managerial Personnel:
1. MD - Mr. Gobinda Chandra Pattanaik
 2. CFO - Mr. Dibyajyoti Pattanaik
 3. CS - Mr. Subrata Pradhan

Notes

1. Remuneration paid to Mr. Gobinda Chandra Pattanaik, in the capacity of Managing Director and CEO on consolidated basis.
2. Remuneration paid to Mr. Dibyajyoti Pattanaik, in the capacity of Whole-time Director and CFO on consolidated basis.

7. Penalties/Punishment/Compounding of Offences

- A. **Company:** No such incident occurred during the period
- B. **Directors:** No such incident occurred during the period
- C. **Other Officer in Default:** No such incident occurred during the period

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Secretarial Audit Report

To
The Members,
Annapurna Finance 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 Finance Private Limited (hereinafter called the Company). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing 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 31.03.2018, 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 31.03.2018, according to the provisions of:

- I. The Companies Act, 2013/1956 (**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

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- 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 and The SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 and amendment thereof.
- 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:

Minutes of Board, Committees of Boards, Annual General Meeting and Extra Ordinary General Meeting have been drafted in due time and signed.

The Company has changed its name from Annapurna Microfinance Pvt. Ltd. to **Annapurna Finance Pvt. Ltd.** and obtained fresh Certificate of incorporation on 22nd January, 2018.

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.

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 Allotment	No. of Equity Shares (Rs. 10 each)	Name of Allottees	Date of Filing of Return
1	30/06/2017	34,06,757	Bamboo Financial Inclusions Fund II	17/07/2017
2	07/07/2017	15,00,000	Belgian Investment Company for Developing Countries NV/ SA	18/07/2017
3	07/07/2017	15,10,526	Oikocredit Ecumenical Development Co-Operative Society U.A.	18/07/2017

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

SL No.	Date of Allotment	Amount of offer	Name of Allottees	Date of Filing of Return
1	30/08/2017	Rs. 32.50 Cr	UTI International Wealth Creator 4	13/09/2017
2	27/03/2018	Rs. 15.00 Cr	Northern Arc Capital Limited	03/04/2018

We further report that during the audit period, the company has borrowed funds from different Banks/FI's for furtherance of its business operation and the charges created/modified have been duly registered with the Registrar of Companies.

The Company has a overall Borrowing Limit of Rs. 1800.00 Cr (Rupees Eighteen Hundred Crores) as approved by the Shareholders in their meeting on 21st June, 2017 and out of which the company has borrowed Rs. 1686.24 Cr as on 31st March, 2018.

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.

Place: Bhubaneswar

Date: 19th June, 2018

C. S. Gopinath Nayak
For Gopinath Nayak & Associates
FCS No: 6251
CP No: 6558

Annexure to the Independent Auditor's Report of even date on the Standalone Financial Statements of Annapurna Finance Private Limited

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of Annapurna Finance Private Limited ("the Company") as of March 31, 2018 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting with reference to these standalone financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing as specified under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting with reference to these standalone financial statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls over financial reporting with reference to these standalone financial statements and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting with reference to these standalone financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls over financial reporting with reference to these standalone financial statements.

Meaning of Internal Financial Controls Over Financial Reporting With Reference to these Financial Statements

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

Inherent Limitations of Internal Financial Controls Over Financial Reporting With Reference to these Standalone Financial Statements

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

Opinion

In our opinion, the Company has, in all material respects, adequate internal financial controls over financial reporting with reference to these standalone financial statements and such internal financial controls over financial reporting with reference to these standalone financial statements were operating effectively as at March 31, 2018, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **S. R. Batliboi & CO. LLP** Chartered Accountants
ICAI Firm Registration Number: 301003E/E300005

per **Kamal Agarwal**
Partner
Membership Number: 058652
Place of Signature: Kolkata
Date: June 19, 2018

Annexure-6

PDF Compressor Free Version Annapurna Finance Private Limited (formerly Annapurna Microfinance Private Limited) Balance Sheet as at March 31, 2018

	Notes	March 31, 2018 (INR)	March 31, 2017 (INR)
I. Equity and liabilities			
Shareholders' funds			
Share capital	3	460,214,080	403,492,180
Reserves and surplus	4	1,966,271,566	1,310,189,507
		2,426,485,646	1,713,681,687
Non-current liabilities			
Long-term borrowings	5	8,399,589,210	8,293,384,338
Long term provisions	7	283,524,380	26,467,420
		8,683,113,590	8,319,851,758
Current liabilities			
Short-term borrowings	6	780,000,000	130,000,000
Other current liabilities	8	8,311,917,101	5,010,276,762
Short-term provisions	7	34,768,157	137,464,885
		9,126,685,258	5,277,741,647
Total		20,236,284,494	15,311,275,092
II. Assets			
Non-current assets			
Fixed assets			
Tangible assets	9	51,970,119	39,429,953
Intangible assets	10	13,549,671	9,090,326
Deferred tax assets (net)	11	109,033,093	54,491,514
Long term loans and advances	12	4,735,252,243	2,702,296,772
Other non-current assets	13	885,910,681	579,740,010
		5,795,715,807	3,385,048,575
Current assets			
Cash and bank balances	14	3,045,125,182	4,057,318,327
Short-term loans and advances	12	11,112,991,056	7,614,999,976
Other current assets	13	282,452,449	253,908,214
		14,440,568,687	11,926,226,517
Total		20,236,284,494	15,311,275,092

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/E300005

Chartered Accountants

per Kamal Agarwal

Partner

Membership No.: 058652

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

Gobinda Chandra Pattanaik

Managing Director

Dibyajyoti Pattanaik

Director

Subrat Pradhan

Company Secretary

Place: Kolkata

Date: June 19, 2018

Place: Bhubaneswar

Date: June 19, 2018

Annapurna Finance Private Limited (formerly Annapurna Microfinance Private Limited)

Cash Flow Statement for the year ended March 31, 2018		
Particulars	March 31, 2018	March 31, 2017
	(INR)	(INR)
A. Cash flow from operating activities		
Profit before tax	137,516,394	289,511,451
Adjustment to reconcile profit before tax to net cash flows		
Depreciation and amortization expense	31,882,454	24,208,162
Provisions and write-offs	491,331,495	92,346,748
Profit on sale of current investments	(91,000,939)	(98,576,579)
Management stock option compensation	12,380,750	-
Operating profit before working capital changes	582,110,154	307,489,782
Movements in working capital:		
Increase in other current and non-current assets	(24,537,768)	(110,836,371)
Increase in loans and advances	(5,718,446,993)	(2,936,402,929)
Increase/(decrease) in other long term liabilities, current liabilities and provisions	184,979,863	(18,601,522)
Cash used from operations	(4,975,894,744)	(2,758,351,040)
Direct taxes paid	(118,862,948)	(196,667,561)
Net cash used in operating activities (A)	(5,094,757,692)	(2,955,018,601)
B. Cash flow from investing activities		
Purchase of fixed assets	(48,881,964)	(34,001,322)
Proceeds from sale of Fixed assets	-	1,050,000
Increase in fixed deposits (net)	(458,255,697)	(192,163,734)
Profit on sale of current investments	91,000,939	98,576,579
Net cash used in investing activities (B)	(416,136,722)	(126,538,477)
C. Cash flow from financing activities		
Proceeds from issuance of equity share capital	605,795,465	329,075,547
Proceeds from long-term and short-term borrowings	9,350,334,446	8,107,901,688
Repayment of long-term and short-term borrowings	(5,568,070,702)	(3,563,441,559)
Dividend paid on preference shares (including dividend distribution tax)	(2,076,209)	(2,105,911)
Net cash generated from financing activities (C)	4,385,983,000	4,871,429,765
Net increase/(decrease) in cash and cash equivalents (A+B+C)	(1,124,911,414)	1,789,872,687
Cash and cash equivalents at the beginning of the year	3,827,699,466	2,037,826,779
Cash and cash equivalents at the end of the year	2,702,788,052	3,827,699,466
Components of cash and cash equivalents:		
Balances with banks:		
on current accounts	2,518,447,910	2,673,818,250
deposit with original maturity of less than three months	180,000,000	1,150,000,000
Cash on hand	4,340,142	3,881,216
Total cash and cash equivalents (Note 14)	2,702,788,052	3,827,699,466

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/E300005

Chartered Accountants

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

per Kamal Agarwal

Partner

Membership No.: 058652

Gobinda Chandra Pattanaik

Managing Director

Dibyajyoti Pattanaik

Director

Subrat Pradhan

Company Secretary

Place: Kolkata

Date: June 19, 2018

Place: Bhubaneswar

Date: June 19, 2018

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Annapurna Finance Private Limited (formerly Annapurna Microfinance Private Limited) Statement of Profit and Loss for the year ended March 31, 2018

	Notes	Year ended March 31, 2018 (INR)	Year ended March 31, 2017 (INR)
I. Income			
Revenue from operations	15	3,236,363,074	2,310,970,042
Other income	16	173,664,897	163,761,921
Total Income		3,410,027,971	2,474,731,963
II. Expenses			
Employee benefit expenses	17	768,659,797	533,590,429
Depreciation and amortization expense	21	31,882,454	24,208,162
Finance costs	18	1,734,390,023	1,380,336,746
Provisions and write-off	22	491,331,496	92,346,748
Other expenses	19	246,247,807	154,738,427
Total Expenses		3,272,511,577	2,185,220,512
Profit before tax		137,516,394	289,511,451
Tax expense			
- Current tax		96,602,217	157,187,555
- Deferred tax credit		(54,541,579)	(56,744,337)
Total tax expenses		42,060,638	100,443,218
Profit for the year		95,455,756	189,068,233
Earning per equity share (EPS)	25		
Basic		2.30	5.25
Diluted		2.07	4.70
Nominal value of share		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/E300005

Chartered Accountants

For and on behalf of the Board of Directors of

Annapurna Finance Private Limited

per Kamal Agarwal

Partner

Membership No.: 058652

Gobinda Chandra Pattanaik

Managing Director

Dibyajyoti Pattanaik

Director

Subrat Pradhan

Company Secretary

Place: Kolkata

Date: June 19, 2018

Place: Bhubaneswar

Date: June 19, 2018

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