

ANNUAL REPORT

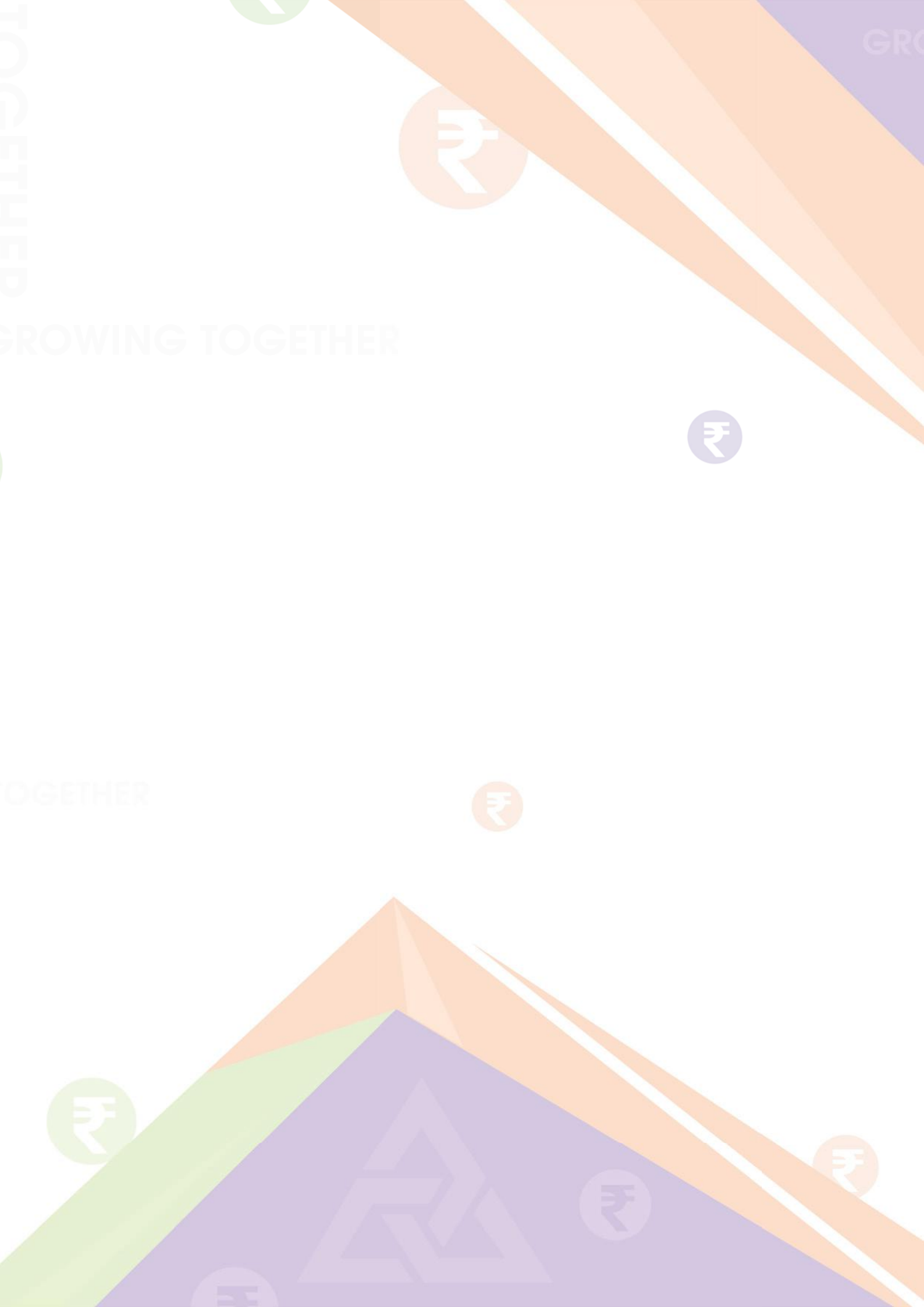
2018
2019

GROWING TOGETHER

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ANNAPURNA
FINANCE
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ANNUAL REPORT

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Mr. Gobinda Chandra Pattanaik
MANAGING DIRECTOR

Mr. Pattanaik is a pioneer in the field of microfinance with over two decades of experience; he has always been in the forefront of implementing developmental activities and building microenterprises. He is well known in the development sector for his thoughtful and innovative approach. He has been entitled with being the initiator of several shelter homes and rehabilitation centres for women and children in Odisha. His strong urge and will power towards creating means to sustainable livelihood for women has led him to establish Annapurna Finance Pvt. Ltd. He is an advisor to many District Administrations and has played a key role in setting up various community based institutions.



Mr. Dibyajyoti Pattanaik
DIRECTOR

Mr. Pattanaik has over 15 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 Peoples' Forum as Program Head & CFO in 2007. He currently is the Vice President and board member of MFIN (Microfinance Institutions Network), where he contributes to the overall issues pertaining to the financial inclusion sector. He also serves as the President of OSAFII, and is actively involved the financial inclusion forum of the state. He holds a post-graduate degree in management from EDII, Ahmedabad, and a management certificate in finance from Boulder Institute of Management, USA. He has also attended HBS-ACCION Program on Strategic Leadership in Inclusive Finance, from the Harvard Business School, Boston, USA.

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, micro finance, NBFC takeovers and financing activities. He has years of experience in development, control, audit and monitoring on microfinance activities.

Mr. Sean Leslie Nossel - Independent Director

Sean Nossel has been an Independent Director of Annapurna Finance since 2012. Mr Nossel has over 25 years of experience in insurance, investment banking, structured finance, financial markets and private equity in the USA and emerging markets. He currently works as Principal in Apollo Global Management LLC. Prior to this he led pricing, risk analysis and structuring of M&A at resolution Group. He also acted as an Executive Director at JPMorgan and worked in investment banking, structured finance and equity research. Sean is a Fellow of the Society of Actuaries, a CFA Charter holder, an MBA, and a Bachelor of Economic Science.

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 was serving as General Manager at SIDBI 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 DGM and General Manager. Mr. Samal is a Certified Associate of Indian Institute of Bankers (CAIIB) and Post Graduate in English from Utkal University.

Mr. Satya Prakash Singh - Nominee Director, SIDBI

Shri S.P. Singh is the General Manager of SIDBI currently looking after the micro finance operations. He has been instrumental in forging partnership with various leading MFIs./SHPIs to reach out to the grassroot micro finance borrowers to help them moving up the ladder from livelihood to enterprise. He is closely working with multilateral and bilateral agencies for mobilising cost effective resources and technical assistance for the larger benefits of the micro finance sector. Prior to his current assignment he was heading New Delhi Region of SIDBI. A Post Graduate in Economics and MBA Finance, Shri Singh has experience of more than 25 years in Banking and Academics. He is a certified associate of Indian Institute of Banking and Finance. He has handled variety of development banking assignments in different parts of the country during last over 20 years in SIDBI besides handling the direct credit and treasury operations

Mr. Sarath Naru - Alternate Director, BIO

Mr. Naru holds a Bachelors of Technology from the prestigious IIT Madras and an MBA from University of Chicago. He has been the Managing Director of APIDC Venture Capital Ltd. since 1995. Mr. Naru is the Founder and Managing Partner of VentureEast Fund Advisors India Limited, which has a global presence. At VentureEast 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. Florian Grohs - Nominee Director, Oikocredit

Mr. Grohs has more than 20 years of experience, in the development sector. His prime focus areas for the last 15 years have been on rural finance and financial inclusion. Most of that time, he worked for Oikocredit where he has held different positions. He was the Director of Credit at Oikocredit 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 been associated with this organization since 2007, where she has extensively worked by managing the WWB CP Fund, directing equity investment into Women's World Banking network members and other women-centric microfinance institutions; in order to provide responsible growth capital and demonstrate the business case for investing in women focused institution. Prior to joining the organization, she worked for the Deutsche Bank, Merrill Lynch, and the U.S. Army.

Ms. Christina Juhasz holds a B.S. from the United States Military Academy (West Point) and a Masters in Business Administration from Stanford University Graduate School of Business. She is also a 2013 Eisenhower Fellow.

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 Oman India Joint Investment Fund (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 Mumbai.

Mr. Apurva Kumar - Nominee Director, Asian Development Bank

Mr. Apurva Kumar is a Senior Investment Officer in the Private Sector Financial Institutions Department of the Asian Development Bank. He has been with ADB since January 2015 and is responsible for covering direct equity and debt investments for the South Asia region. At ADB, he has closed a number of equity and debt transactions in India, Bangladesh and Sri Lanka with MFIs, Banks, HFCs and NBFCs. Prior to ADB, he was with SBI Capital Markets for 7-years in the equity capital markets team working primarily with BFSI and Energy clients. He also spent 3-years with McKinsey & Co. as part of their research team. Apurva is a MBA from MDI, Gurgaon; a Bachelors in Finance from College of Business Studies (Delhi University) and is a CFA.

Ms. Laetitia Counye - Nominee Director, Bio

Ms. Laetitia Counye presently works with BIO as a Senior Investment Officer and has more than 20 years of experience in the field of investment banking, private equity and financial markets. Previously, she had worked with Incofin Investment Management, Partners @ ventures and ING etc. Ms. Counye also has previous experience in managing operations of micro-finance business. Ms. Laetitia Counye is a Master of Science in Business Economics.



Message from Chairman cum Managing Director

Dear Friends,

On behalf of the Annapurna Team, I am ecstatic to share with you the Annual report for the year 2018-19. With the conviction of empowering people, we were able to reach 14.81 lakh clients across 45,265 villages in 232 districts of 16 states in India. However, I believe our journey has just commenced and we will strive to support the aspirations of people across India in the coming years.

I believe happiness is the key to all that we do. Collectively we should be working towards being happy, and to leave a world filled with it for our future generations. I always try to bring happiness in the life of our clients as well as our employees. But we cannot make anyone happy unless they want to. Happiness is a state of mind, it's a choice, one that we make every day. I love to see people happy because of myself and always pray for their happiness. I encourage my colleagues to be an ambassador of happiness and spread it across our operational area.

We take pride in being a grassroots organization which provides tailor-made solutions to people at their doorstep. This year, we expanded our MSME loan offering and increased our presence to 9 states. With the vision to serve the entrepreneurs who struggle for capital to run or expand their business, Annapurna forayed into MSME loan in 2016. We plan to take further our efforts in green financing through financing of e-vehicles and sustainable energy solutions like household solar energy access.



In addition to that, to pursue our vision of growing together, we plan to initiate a new project to enhance the skills of our women entrepreneurs, who form the majority base of our clients. Entrepreneur Labs will be used to impart training to the women which will empower them with marketing, sales and business management skills.

Growth comes from continuous efforts and our financials in this report is a good way to interpret this. We reached a GLP of INR 3002 Crores, and have doubled our network in the financial year 2018-19. In this year, we welcomed two new investors to the Annapurna family, Oman India Joint Investment Fund II (OIJIF) and Asian Development Bank (ADB). I reserve my gratitude for the investors who reposed trust in us and helped us move towards our vision of creating a self-sustainable and economically empowered society. I am grateful to all the people for the unwavering support and guidance extended to the company throughout its journey.

We understand our responsibility towards the society and are committed to enhance community lives around us. As a part of our Corporate Social Responsibility initiative, we started a Mobile Medical Unit providing primary healthcare to women and children. Apart from this, we have supported a children's home "Aama Ghara", which takes care of children without a home of their own, and provide them with a quality of life that a child should have.

This year we will celebrate the 150th birth anniversary of Gandhiji. We Indians are proud to have a Mahatma like Gandhi being born in our country. He has shared his invaluable wisdom with us and a lot of his life teachings are worth inculcating in our lives. From those numerous pearls of wisdom, I would like to share some which impacted me the most. He said "The weak can never forgive. Forgiveness is the attribute of the strong" and "To lose patience is to lose the battle". I believe these words will always be valuable for people in their life time and our future generations will celebrate his millennial anniversary in their times.

Finally, I would like to thank my team, those who are always in my heart and mind. It is with their love and trust the team Annapurna will continue its journey in coming years.

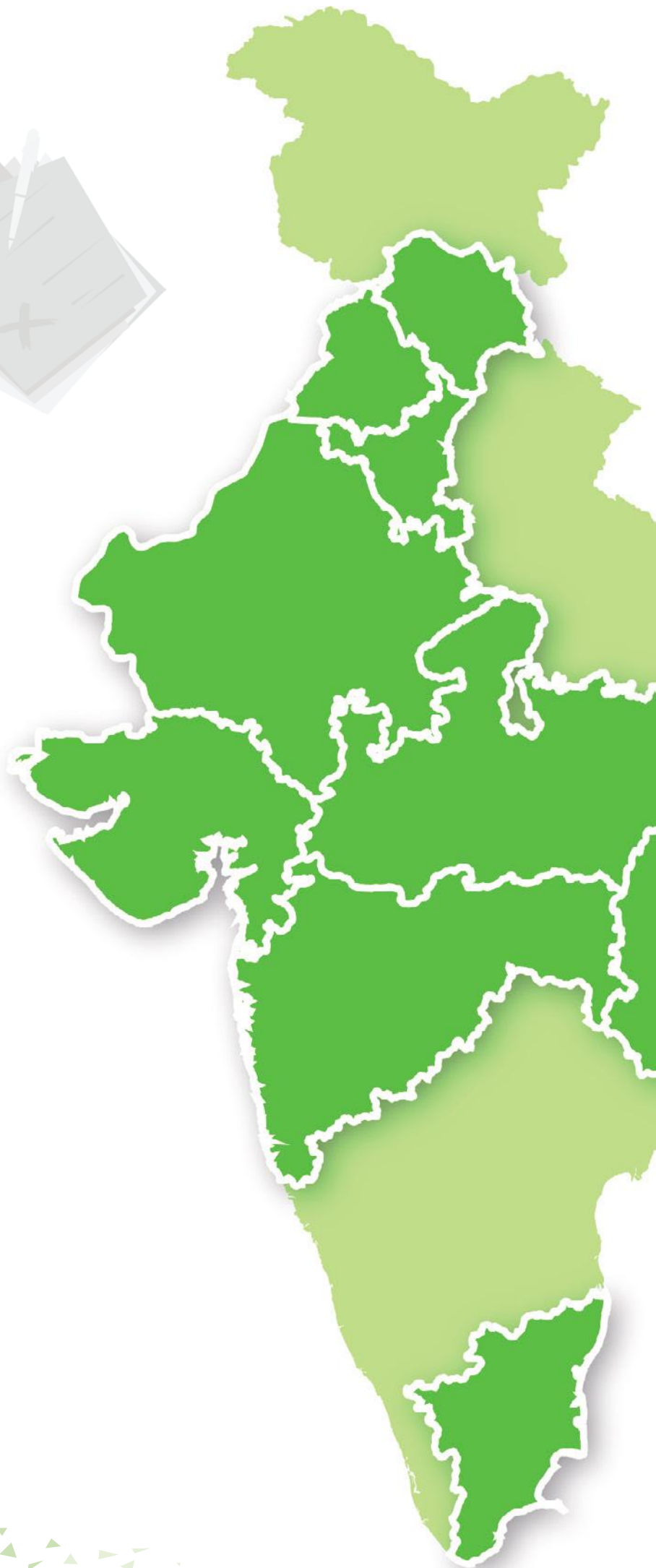
Warm Regards,
Gobinda Chandra Pattanaik

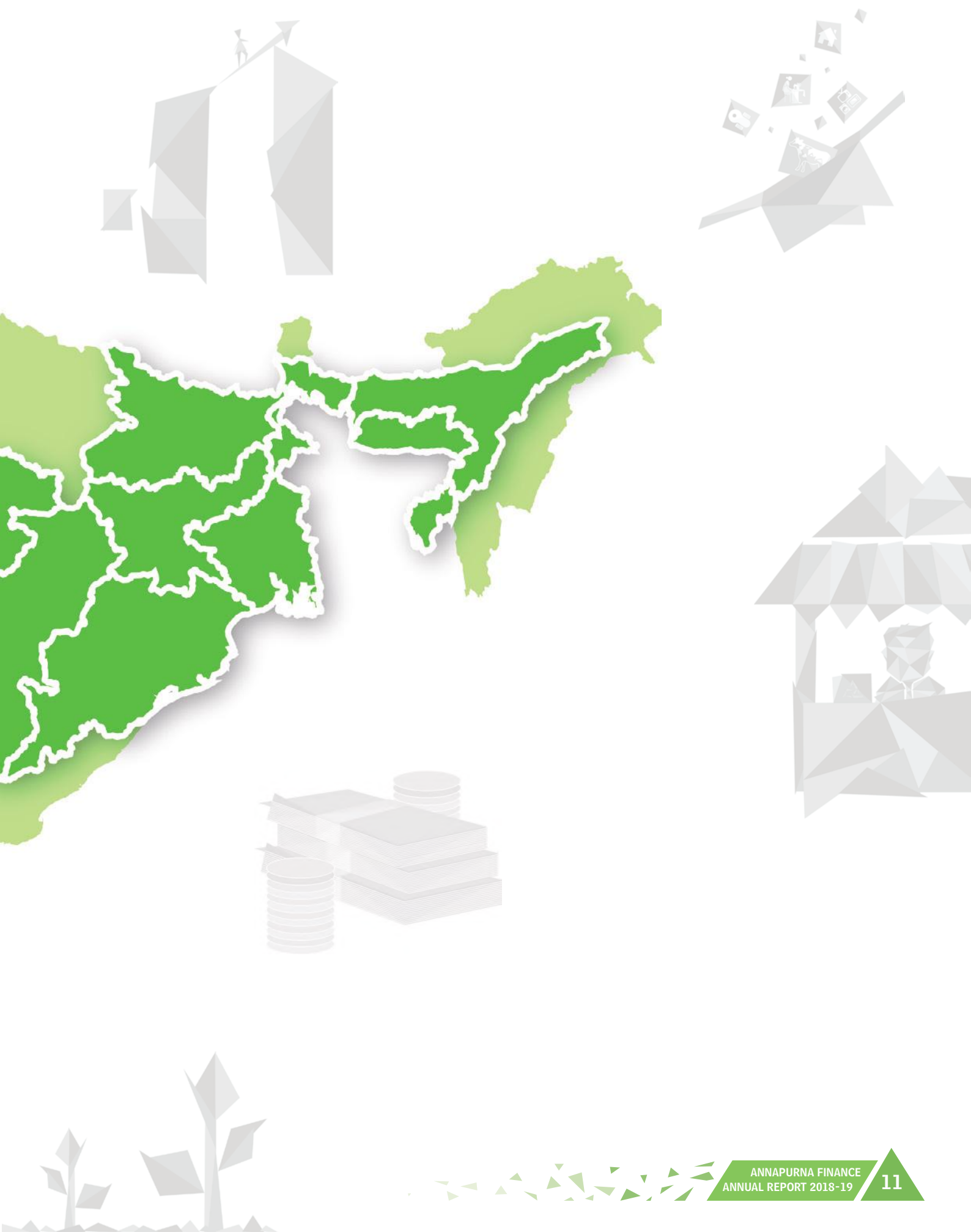


AATO- AIDS Awareness Trust of Orissa
ADB- Asian Development Bank
AFPL- Annapurna Finance Private Limited
AGM- Annual General Meeting
ALCO- Asset-Liability Committee
ALM - Asset Liability Mismatch
AMPL- Annapurna Microfinance Private Limited
AO- Appraisal Officer
APK- Android PackAge
ATM- Annapurna Tech Mart
AUM- Assets under Management
BC - Business Correspondent
BIO- Belgian Investment Organisation
BSE- Bombay Stock Exchange
CAGR- Compound Annual Growth Rate
CB- Credit Bureau
CDL- Consumer Durable Loan
CEO- Chief Executive Officer
CFO- Chief Financial Officer
CMD- Chairman & Managing Director
CR.- Crore
CRAR- Capital to Risk Assets Ratio
CS- Company Secretary
CSR- Corporate Social Responsibility
CWC- Child Welfare Committee
DE Ratio- Debt Equity Ratio
EHS- Environment Health and Safety
EMI- Equated Monthly Instalment
ERM- Enterprise Risk Management
ESIC- Employees State Insurance Corporation
FCO- Field Credit Officer
FI- Financial Institution
FII- Foreign Institutional Investor
FY- Financial Year
FY18- Financial Year 2017-18
GIS- Geographical Information System
GLP- Gross Loan Portfolio
GRM- Grievance Redressal Mechanisms
GRT- Group Recognition Test
GTI- Group Term Insurance
HIL- Housing Improvement Loan
HO- Head Office
HR- Human Resources



ICRA- Information and Credit Rating Agency
 IMPS- Immediate Payment Service
 INR- Indian Rupees
 IT- Information Technology
 JLG- Joint Liability Group
 KYC- Know Your Customer
 LPF- Loan Processing Fees
 MD- Managing Director
 MEL- Micro Enterprise Loan
 MFI- Microfinance Institutions
 MIFA- Microfinance Initiative for Asia
 MSME- Micro, Small and Medium Enterprises
 NBFC- Non-Banking Financial Company
 NCD-Non Convertible Debentures
 NEFT- National Electronic Funds Transfer
 NPA- Non-Performing Assets
 OBC- Other Backward Classes
 OIJIF- Oman India Joint Investment Fund
 OPEX- Operational Expenses
 PAR- Portfolio at Risk
 PAT- Profit after Tax
 PMRPY- Pradhan Mantri Rojgar Protsahan Yojana
 POS-Point of Sales
 QoQ- Quarter on Quarter
 RBI- Reserve Bank of India
 RCSA- Risk Control Self-Assessment
 RMC- Risk Management Committee
 RoA- Return on Assets
 ROC- Registrar of Companies
 RoI- Rate of Interest
 SC- Scheduled Caste
 SEBI- Securities and Exchange Board of India
 SHG- Self-Help Group
 SIDBI- Small Industries Development Bank of India
 SPM- Social Performance Management
 ST- Scheduled Tribe
 SWASTH- Safe Water and Sanitation to Households
 T&C- Terms and Conditions
 TAT- Turn Around Time
 USP- Unique Selling Propositions
 WTD- Whole Time Director
 WWB- Women's World Banking
 YLDP- Young Leadership Development Program
 YoY- Year on Year








ABOUT US

Annapurna Finance Pvt Ltd was established to cater to the financial needs of low-income household in 2009. It has its roots embedded in People's Forum, a non-government organisation working towards the welfare of marginalized and underprivileged sections of the society.



Annapurna started its journey by providing loans to Self Help Groups for income-generating activities, and understanding the needs of the customer it diversified its offerings. The company rebranded itself in FY18 as Annapurna Finance Pvt Ltd, broadening its scope apart from microfinance by providing financial support to strengthen micro, small and medium enterprises. The company envisions to be a one-stop destination, catering to the demands of all sections of society.

Annapurna is recognised amongst the top 10 leading NBFC- MFIs in the country and will continue its pursuit of empowering and fulfilling aspirations of the millions, who are excluded from the formal financial ecosystem.

HIGHLIGHTS OF THE YEAR





Operation expanded to 16 states

20

Name changed to
Annapurna Finance Pvt. Ltd.
OIJIF became our Investor

2018

DCB, Oikocredit & WWB became our Investors
HIL, JLG Micro-credit, SAMARTH loan started

2016

BIO became our Investor
SWASTH loan started

2014

Incofin Investment Managment
became our Investor

2012

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

2009

19

ADB became our investor

GLP crossed INR 3000 Cr. & 1.5 million client base

2017

Crossed INR 1200 Cr. & 1 million client base

Bamboo Capital became our Investor

2015

SVCL invested INR 25 Cr. equity

Crossed INR 550 Cr. AUM & 5 lakh client base

Dairy, MEL loan started

2013

Got NBFC-MFI License

2010

Name changed to

Annapurna Microfinance Pvt. Ltd.

2007

Started Operations

under Mission Annapurna



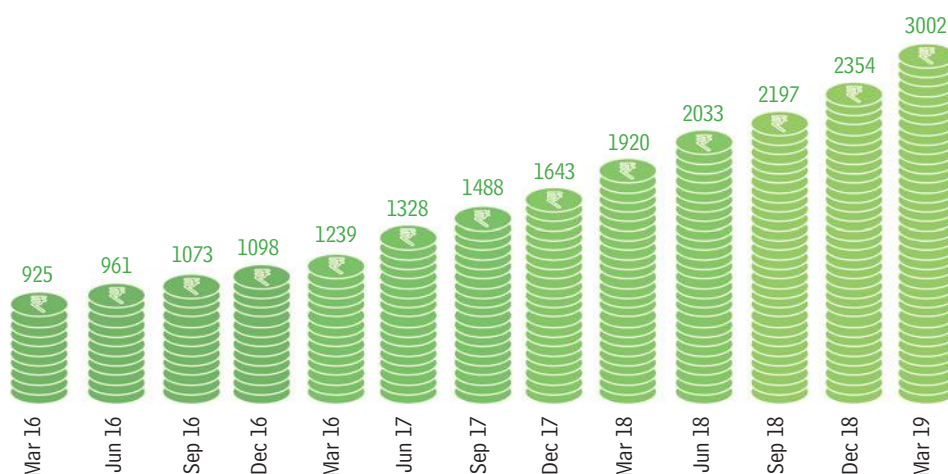
FINANCE AND OPERATIONS



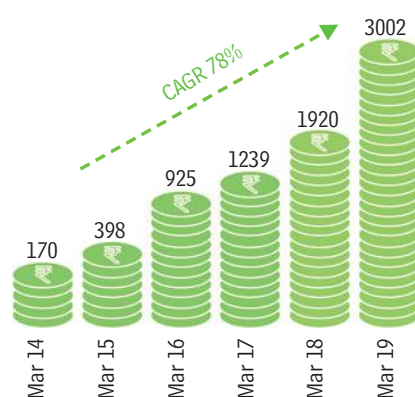


Growth in Portfolio and Active Clients

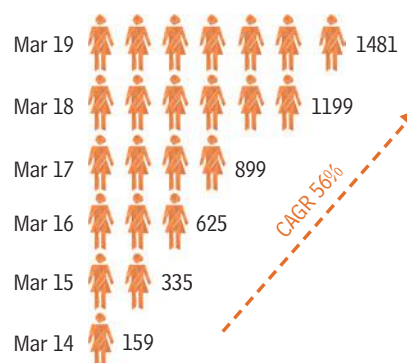
This year brought an effective growth in the outreach of Annapurna's services and significant portfolio growth across different operational states of the country. A CAGR of 78%, in terms of Gross Loan Portfolio, was registered from ₹170 Cr in FY 14 to ₹3002 Cr in FY 19. The company disbursed ₹3136 Cr in FY19 vis-à-vis ₹2094 Cr in FY18, showing a 50% increase. A 24% growth was recorded in the number of clients served, i.e. from 1.2 M customers in FY18 to 1.48 M customers in FY19.



Portfolio, QoQ (In Cr.)



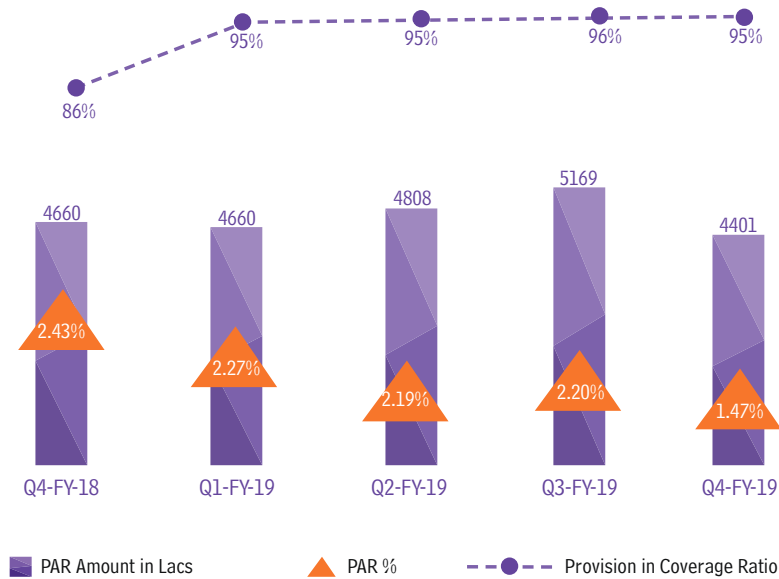
Gross Loan Portfolio, YoY (in Cr.)



Active Clients in '000

Delinquency Management

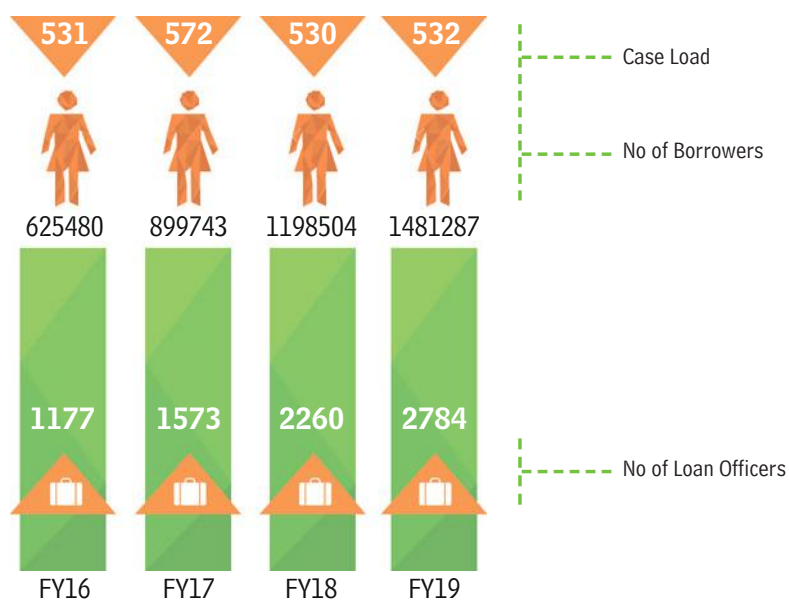
The company maintained a sound portfolio quality and has seen a decline in the delinquency in FY19. The company has seen an improvement in PAR>0 from 2.43% to 1.47%. The total PAR has been reduced both in terms of percentage, as well in terms of amount.



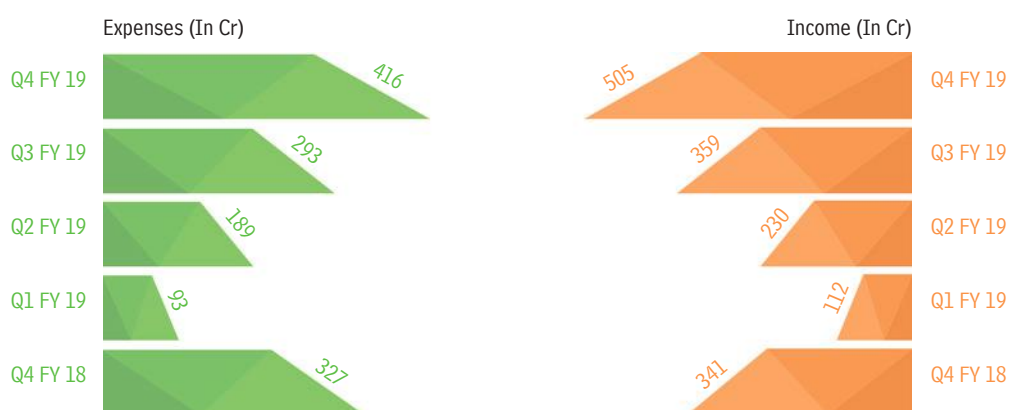


Annapurna's Performance

It was a good run for Annapurna from various perspectives, as it took the company closer to its vision of reaching out to women and micro-entrepreneurs in the unserved & under-served pockets of India. The client base has seen an YoY increase of 24%.

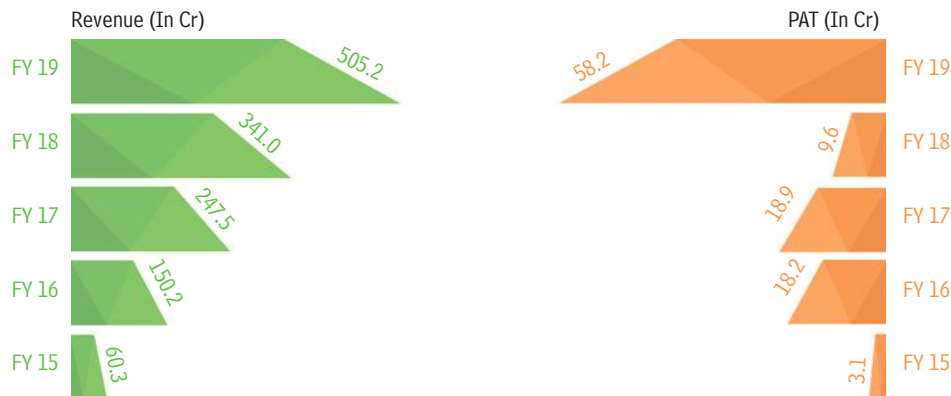


Profitability



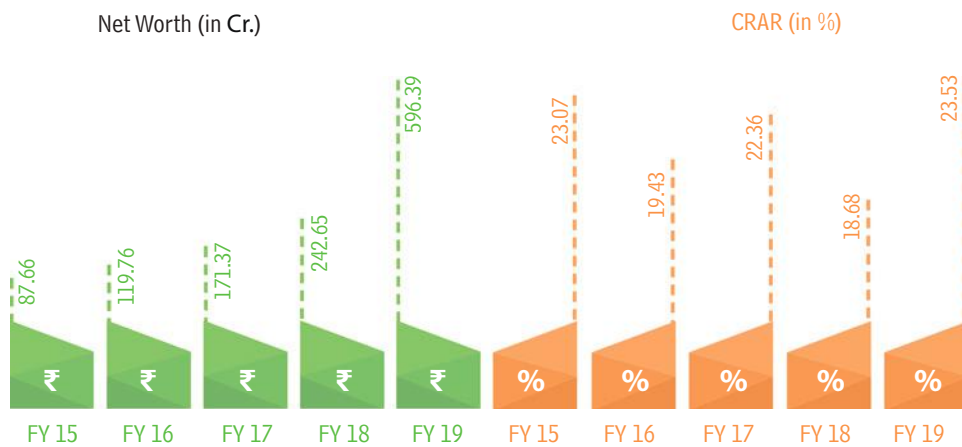
The company has shown an improved performance in FY 19 with an increase in income from ₹341 Cr in FY18 to ₹505 Cr in FY19. The income and expenses of the company saw an increase of 48% and 27% respectively.

Revenue vis-à-vis PAT



There has been a significant growth in the PAT figures which grew by over 6 times in FY19. A lower PAT was recorded in FY18 due to the increase in provisioning expenses.

Net Worth and CRAR



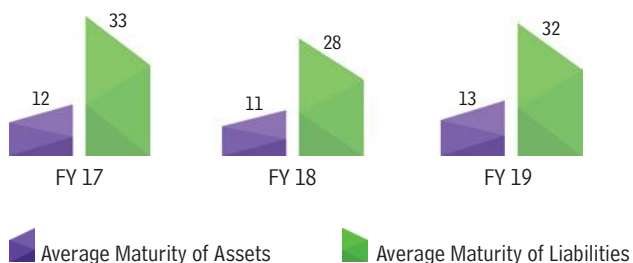
In FY 19, Oman India Joint Investment Fund II and Asian Development Bank infused primary capital of INR 155.02 Cr and INR 137.63 Cr respectively in the company, resulting in a total equity infusion of ₹292.65 Cr. As a result, the present net worth of the company is ₹596.39 Cr., growing 146%, from ₹242.65 Cr. (FY 18).

The Capital Adequacy Ratio improved from 18.68% to 23.53%. As mandated by RBI, the CRAR benchmark for NBFC-MFIs is 15%, which Annapurna has consistently maintained.



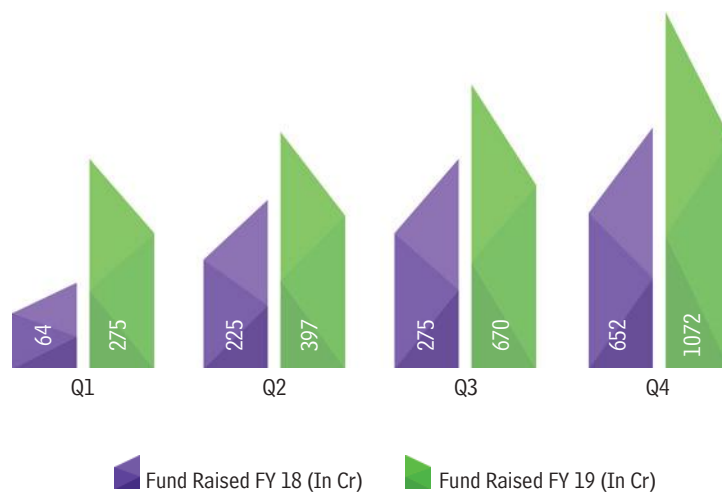
Asset Liability Mismatch (ALM)

Positive ALM Mismatch



In FY19, the average maturity of liabilities was pegged at 32 months, as compared to an average maturity of assets at 13 months; resulting in a positive mismatch of 19 months.

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

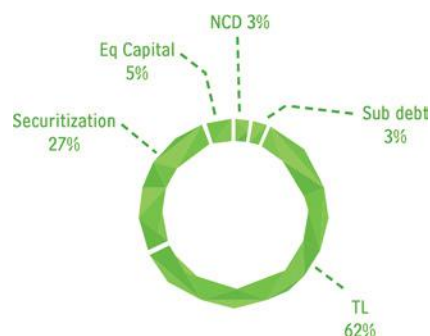


*(Sanctioned Amount)

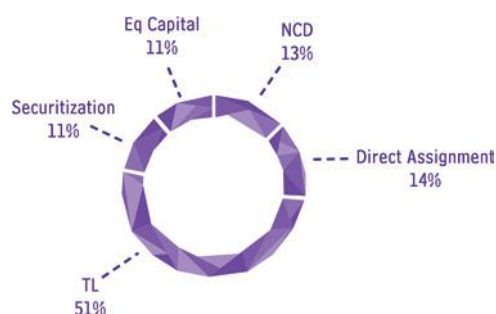
The company has diversified its funding source over the years, which helped us in mobilizing ₹2414.58 Cr., an increase of 99% over FY18. The company raised ₹1364 Cr from Public Sector Banks, Private Sector Banks and other FIs in the form of Term Loans; along with non-convertible Debentures amounting to ₹361 Cr from foreign and domestic institutions. The company has also raised ₹689 Cr. via securitization, through Direct Assignment and PTC.



Fund Raised FY '18
(Exposure in %)



Fund Raised FY '19
(Exposure in %)



Financial Snapshot

Particulars		
Liabilities (in Cr)		
Equity Capital	46.02	71.70
General Reserve & Surplus	196.63	524.69
Net Worth	242.65	596.39
Loan Loss Reserve	28.43	30.26
Long-term loans	1547.24	2392.45
Other Liabilities	66.31	109.12
Sub Debt	139.00	139.00
Total	2023.63	3267.21
Assets (in Cr)		
Net Fixed Assets	6.55	11.52
Microcredit Loans Extended	1564.88	2508.85
Current Assets	320.34	535.86
Investments/FD	131.86	210.98
Total	2023.63	3267.21

In FY 19, the company added two new equity investors to its list of shareholders. It raised INR 155.02 Cr from Oman India Joint Investment Fund II and INR 137.63 Cr from Asian Development Bank. The long term loans of the company increased from INR 1557 Cr to INR 2392 Cr.



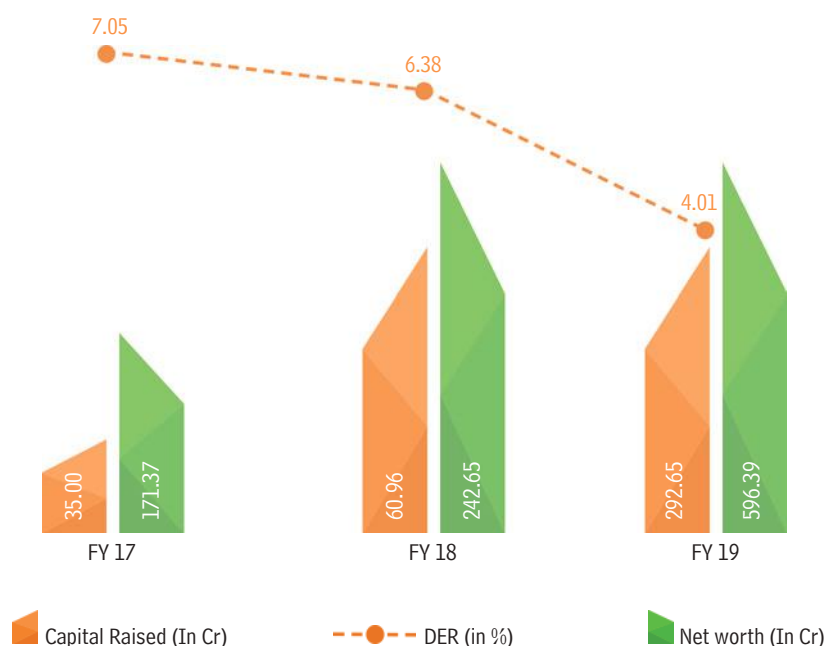
Operational Snapshot

Particulars	2018	2019
No. of Borrowers	11,98,504	14,81,287
No. of Districts	174	232
No. of Villages	32,187	45,265
No. of Branches	374	570
Disbursement (in Cr)	2,094.77	3,136.21
Gross Loan Portfolio (in Cr)	1,920.40	3,002.25
Equity Infusion (During the year) (in Cr)	60.96	292.65
PAT (in Cr)	9.55	58.24

The company reached out to 45,265 underserved villages in 232 districts and provided microcredit to 14,81,287 borrowers through its 570 branches. The company was successful in disbursing over 90% of the loans through cashless mode.

Capital Gearing

Debt Equity ratio has shown improvement, from 6.38 (FY18) to 4.01 (FY 19). In FY19, debt increased by 50%, whereas the Net Worth increased by 146%, from ₹242.64 Cr. to ₹596.34 Cr. Thus, showcasing the company's ability to raise equity at regular intervals.



Credit Rating & Grading of Annapurna

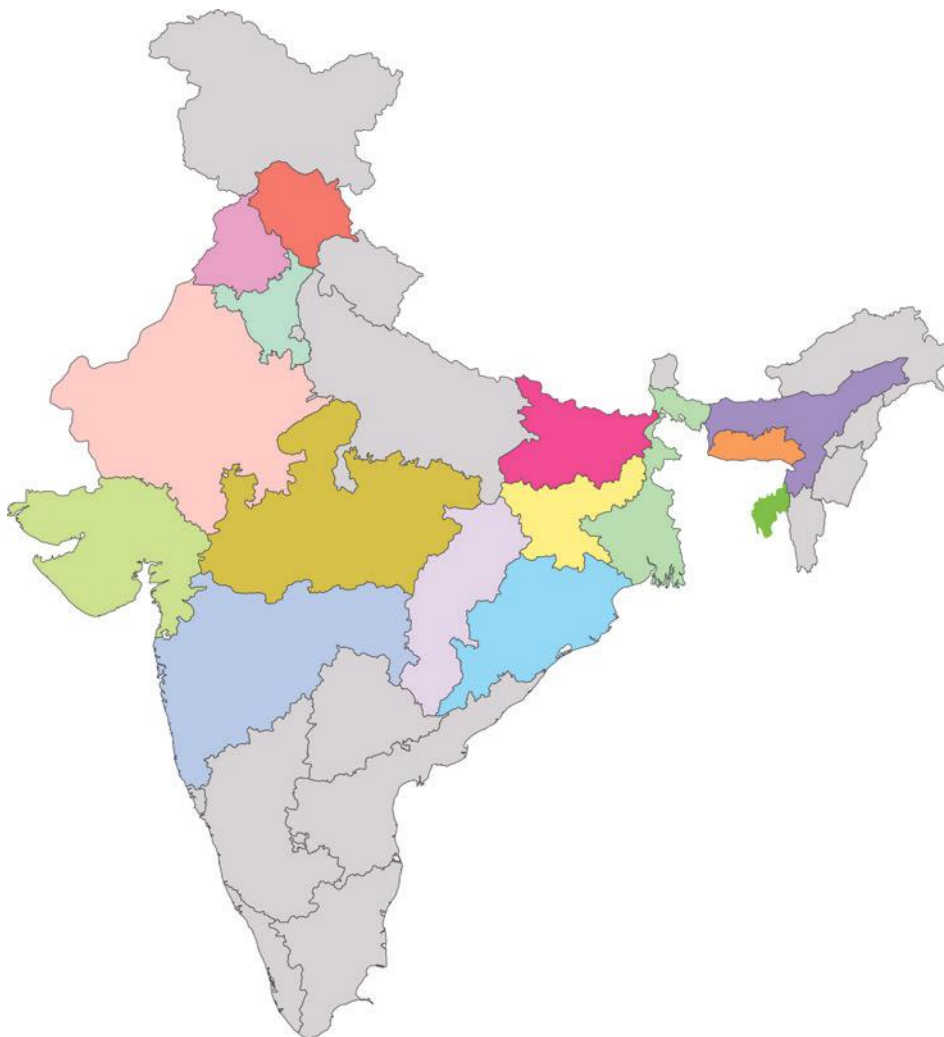
The long-term rating of 'A-' has been reaffirmed by ICRA, CRISIL and CARE. These rating agencies have factored in the company's ability to scale up operations; along with its experienced management team, robust processes and systems, improved capitalization profile, diversified borrowing profile, adequate liquidity possession and healthy profitability. The outlook on the long-term rating is stable.

CRISIL has assigned a grading of 'mFR1' to the company, as on 19th December 2018. It is the highest notch of certification on an 8 pointer scale. It has been assigned on the company's ability to manage its microfinance operations in a scalable and sustainable manner.





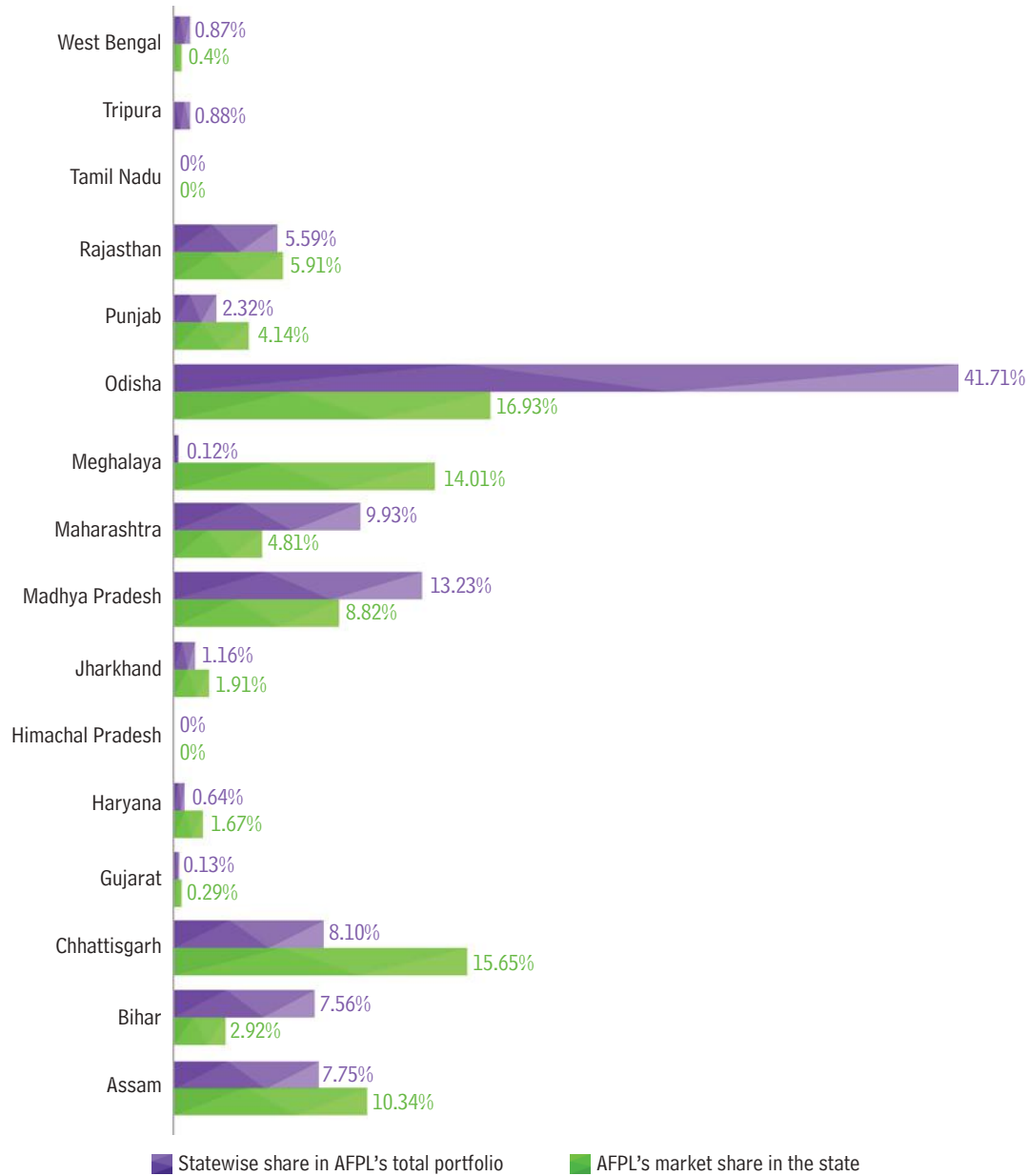
State wise portfolio of Annapurna (In Cr. INR)



Himachal Pradesh FY 18 - 0.00 FY 19 - 0.02	Punjab FY 18 - 7.02 FY 19 - 69.69	Haryana FY 18 - 0.10 FY 19 - 19.36	Rajasthan FY 18 - 77.69 FY 19 - 167.92	Madhya Pradesh FY 18 - 294.56 FY 19 - 397.34
Gujarat FY 18 - 0.00 FY 19 - 3.93	Maharashtra FY 18 - 176.49 FY 19 - 298.07	Chhattisgarh FY 18 - 198.54 FY 19 - 243.08	Odisha FY 18 - 907.95 FY 19 - 1252.29	Jharkhand FY 18 - 18.92 FY 19 - 34.96
Bihar FY 18 - 108.38 FY 19 - 227.02	West Bengal FY 18 - 0.11 FY 19 - 26.02	Meghalaya FY 18 - 2.65 FY 19 - 3.64	Assam FY 18 - 114.48 FY 19 - 232.56	Tripura FY 18 - 13.51 FY 19 - 26.35

The total portfolio of Annapurna as on March 19 stands at INR 3002.25 crores. The portfolio concentration on Odisha was 47.28% as on March 18 which reduced to 41.71% in March 19. The company also started its operation in 2 new states i.e. Tamil Nadu and Himachal Pradesh.

State wise industry market share vis-à-vis Annapurna's market share

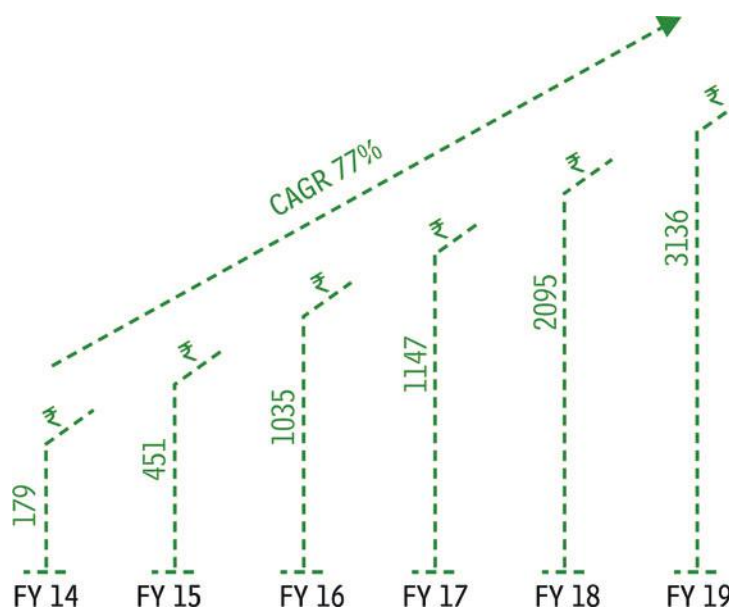


(Source: MFIN Micrometer Issue 29, Q4 FY 18-19)

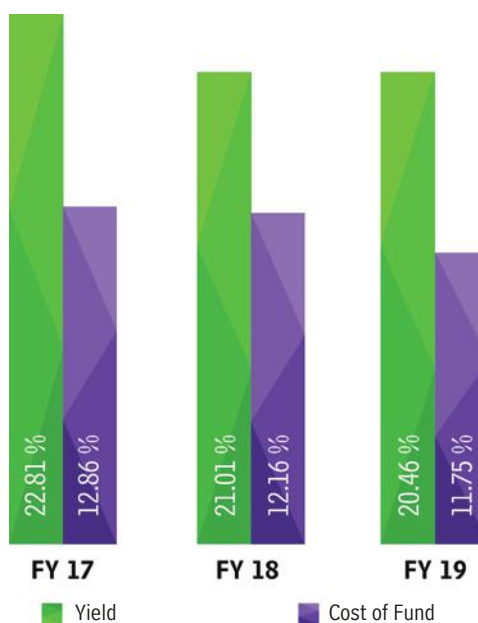
The total portfolio outstanding of NBFC-MFIs for FY19 is INR 67,843 Cr wherein Annapurna has a share of 4.4%. Annapurna has diversified its portfolio bringing down the concentration of Odisha and Chhattisgarh from 58% to 50%.



Disbursements (in INR CR)

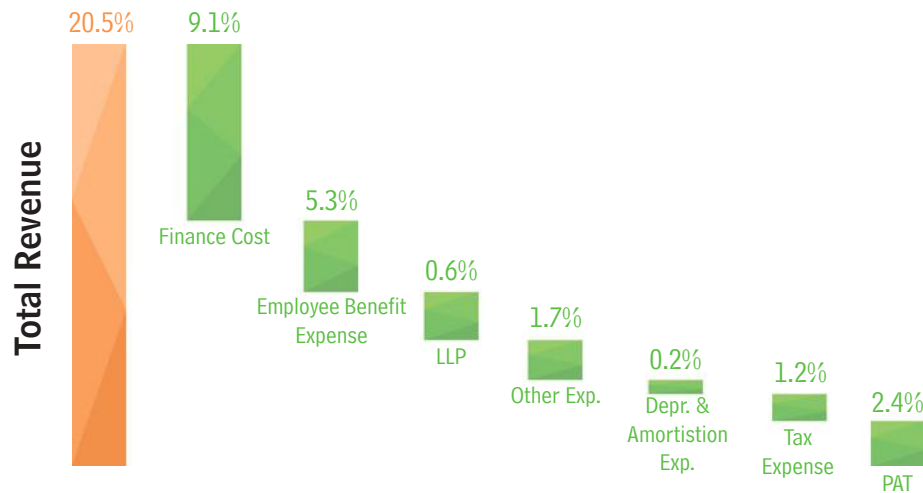


Yield and Cost of Fund



The company was able to reduce the Cost of Fund by 111 bps in the last two years while it registered a positive decline of 41 bps in FY19; despite of the liquidity crisis arising due to the ongoing NBFC crisis. Accordingly, the yield of the company had seen a positive reduction, thus, providing the access of finance to our borrowers at a reduced cost.

Revenue Allocation (on Total Portfolio)



Revenue allocation shows the proportion of income and expenses to the average total portfolio. It is clearly evident that the company has improved its profitability levels as compared to that of last financial year which has led to the increase in ROA.

Debt Listing Details

Type of Securities Listing (Non-convertible debentures)	F Group Debt instrument listed with Bombay Stock Exchange (BSE Limited)
Name and address of Stock Exchange	1. BSE Limited, Department of Corporate Services, 1 st Floor, P. J. Towers, Dalal Street, Mumbai – 400 001
Name and address of Debenture Trustee	1. CATALYST TRUSTEESHIP LIMITED (Formerly known as GDA Trusteeship Limited), Office No. 83 – 87, 8th floor, 'Mittal Tower', 'B' Wing, Nariman Point, Mumbai – 400021
Name and address of Depository	2. AXIS TRUSTEE SERVICES LIMITED Axis House, 2nd Floor Wadia International Centre, Pandurang Budhkar Marg, Worli, Mumbai- 400 025 1. National Securities Depository Limited (NSDL) 4 Floor, 'A' Wing, Trade World, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai - 400 013
Name and address of Rating Agency	2. Central Depository Services (India) Limited (CDSL), Phiroze Jeejeebhoy Towers 16th Floor, Dalal Street, Fort, Mumbai - 400 001 1. ICRA Limited FMC Fortuna, A-10 & A-11, 3rd Floor, 234/3A, A.J.C. Bose Road, Kolkata—700020
Name and address of Registrars and Transfer Agents	2. CRISIL Limited CRISIL House, Central Avenue, Hiranandani Business Park, Powai, Mumbai - 400076 1. Karvy Computershare Private Limited 7th floor, 701, Hallmark Business Plaza, Sant Dnyaneshwar Marg, Opp Guru Nanak Hospital, Off BandraKurla Complex, Bandra East, Mumbai - 400 051 2. NSDL Database Management Limited +4th Floor, Trade World A Wing, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai – 400 013



Clientele Insurance & Claim Status

Annapurna has tied up with DHFL Pramerica Life Insurance, HDFC Life, ICICI Prudential for Group Term Life Insurance, Bharati Axa Life Insurance, Oriental General Insurance , ICICI Lombard General Insurance ,for its clients in order to protect them against the 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. Hence, the family of clientele gets a means in the times of worry and need to avoid indebtedness.

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 2019.

Particulars	DCB Bank	IDBI Bank
Total Branches	16	4
District Covered	9	2
Village Covered	2310	550
Total SHGs	3633	815
Active Clients	31024	8597
Loan Disbursed during the year (FY 2018-19)- INR Cr.	50.77	1.82
Avg. Loan size per SHG (INR)	135574	74042
Avg. Loan size per Client (INR)	15876	7062
Total Staffs	89	35
Portfolio Outstanding (INR Cr.)	49.25	6.07



PRODUCTS





Individual Loan Products

Over the years Annapurna has established itself as a leading financial institution in offering innovative financial products to its customers. At the heart of every service provided and every product designed, lies the impact that benefits people. The trust rested by the customers in Annapurna inspires the company to continuously evolve and support the aspirations of individuals who have limited access to financial capital.

As a grassroot organization, Annapurna understands the day to day realities of the customers and hence it aims not only to empower the unbanked millions, but also to improve their living standards. The organisation believes that semi-urban and rural India offer a huge headroom for development, growth and participation in the nation's journey towards progress. Aligning with sustainable development goals, the organisation is steadily striving to meet the agenda of financial inclusion for all. By embracing digital technologies, it aims at providing quick, on-demand, and hassle-free access to a variety of financial services and products, pan-India.

Home Improvement Loan

Housing is one of the top priorities for most people, regardless of their income levels. At some point, every person in their life aspires to have a house of their own. In rural areas, people follow a piecemeal approach; building a new portion of the house heavily depends on a good harvest season or savings. Owing to limited access to immediate financial assistance, it takes years for a rural household to build a house of their dreams.

In order to align with the agenda of "Housing for all" along with improving the living standards, Annapurna started offering home improvement loan. The borrower can use the loan for all kind of works – from civil work to electrical installation, painting to masonry.

At present, the product is functional in 100 branches of Assam, Haryana, Odisha, Punjab and Rajasthan. This FY, the portfolio witnessed growth following the expansion in new territories and increased visibility of the product.

POS
5.35 CR.

ACTIVE CLIENTS
1,075

MIN. & MAX.
TICKET SIZE (₹)
20,000 – 1,50,000

INTEREST RATE
22%

**HOME
IMPROVEMENT
LOAN**





SWASTH Loan

Two of the fundamental aspects of a healthy and dignified existence are access to sanitation facility and clean drinking water. It is a need for the women in the household, as it ensures social privacy, and precautions from infections and diseases. Provision of sanitation and portable water facilities to all Indian households is a goal that Annapurna has envisioned since the inception of the product SWASTH (Safe Water and Sanitation to Household).

SWASTH aims at reaching out to the households in Annapurna's operational areas which are deprived of access to safe sanitation or water. Annapurna has reached out to 23,101 clients with a portfolio of INR 28.17 crores.

Annapurna recognizes the need to go beyond providing finance and is actively associated with Water.Org for bringing a behavioural change among the rural mass through various trainings, awareness programmes and sensitization drives in the field. The company follows a robust monitoring mechanism to check the loan utilisation in which the front-line staff actively visit the client's residence to ensure the construction of toilets.



SWASTH LOAN

POS	ACTIVE CLIENTS	MIN. & MAX. TICKET SIZE (₹)	INTEREST RATE
28.17 CR.	23,101	5,000 - 25,000	22%





Dairy Development Loan

The sources of livelihood in rural areas has expanded from various agriculture-allied activities and livestock rearing. Rapidly growing markets for livestock and dairy products are opening new avenues for enhancing rural incomes. Recognizing the fact that dairy farming can act as a catalyst in rural areas for reducing poverty, Annapurna introduced dairy development loan. Annapurna promotes self-reliance by providing access to finance for purchasing new cattle and building cattle shed. For mitigating the risk pertaining to cattle death, the company has tied up with insurance companies for providing cattle insurance. At present, the product is functional in 98 branches with a loan portfolio of 11 Crore.



DAIRY DEVELOPMENT LOAN	POS	ACTIVE CLIENTS	MIN. & MAX. TICKET SIZE (₹)	INTEREST RATE	CATTLE INSURED
	11.15 CR.	2,216	40,000-1,50,000	23%	95%

Consumer Durable Loan

The company's agenda of growing together entails financial growth, social growth, and improving the quality of life of all the people's associated with it. Along with InThree, Annapurna started offering Consumer Durable Loans to its existing beneficiaries, which can be availed through short term EMI options.

In this financial year, 27 loan melas with the objective of creating awareness about consumer durable loan were organized in Odisha and Chhattisgarh. These melas act as a one-stop solution for the customers to shop according to their needs with financial assistance provided by Annapurna. These engagement activities were widely appreciated by the clients as it turned out to be convenient for them to avail services of their choice under one roof.



CONSUMER DURABLE LOAN	POS	ACTIVE CLIENTS	MIN. & MAX. TICKET SIZE (₹)	INTEREST RATE
	2.98 CR.	5,123	1,500-25,000	22.5%





Samarth Loan

Financial inclusion is one of the most important national objectives of the country. According to the census 2011, more than 21 million people fall in the category of 'Person with Disability'. Through Samarth loan, Annapurna takes a step forward towards financial inclusion and providing equal opportunity to all. With a loan ticket size ranging from ₹30,000- ₹1,00,000 at one percent lesser interest rate than group loan, it assists them in leading a dignified life, by making them financially independent.







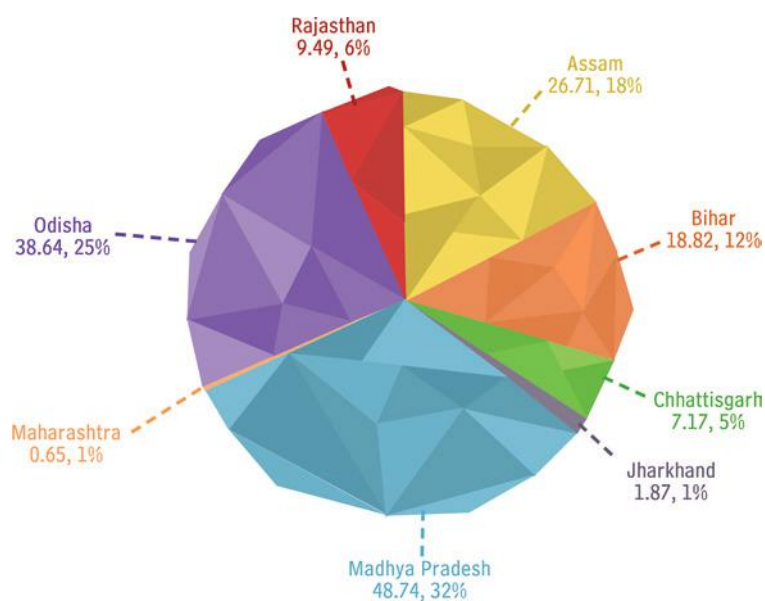


Overview

The MSME industry is highly vibrant and dynamic in nature, as it generates over 100 Mn employment opportunities and accounts for 43% of total exports of India. The entrepreneurs are in need of funds to expand and upgrade their enterprises through formal financial institutions. With an aim to diversify its portfolio, Annapurna developed dedicated products to cater to the financial needs of the Micro, Small and Medium Enterprises in its operational states. The pilot of MSME segment started with five branches in Odisha in 2016, with an objective to provide financial access to the unserved middle segment of the MSME sector.

The company conducted extensive risk profiling and demand side market research to understand the requirements of the market from which differentiated customer-centric products, policies and processes were designed.

The focus of this vertical is to serve individual entrepreneurs who need funds for working capital or for expansion of their existing business. After a successful pilot project, Annapurna started offering individual loans ranging from ₹1,00,000 to ₹25,00,000. The company is currently offering MSME loans in nine states through 66 dedicated branches. The primary businesses of our existing customers in this segment includes convenience stores, traders, retailers, small manufacturing units, service establishments etc.



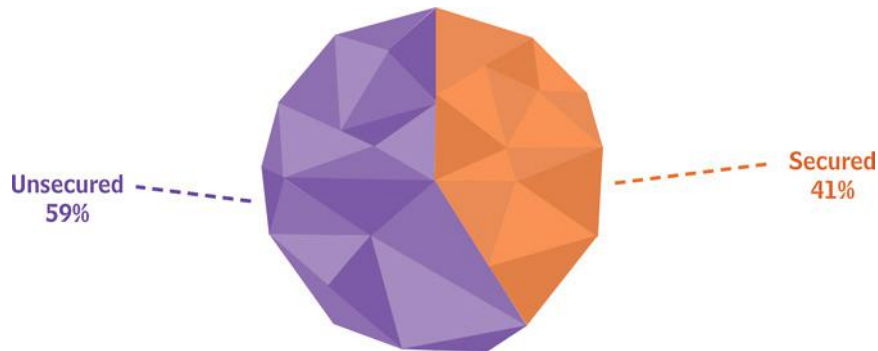
State-wise Portfolio Distribution (in Cr. INR)

Outlook

Annapurna is focusing on implementation of technology-based process to streamline and strengthen its business operation and reduce the TAT of the credit process. The company is building a quality portfolio by focusing on secured loans. With the aspiration to serve wider client base, Annapurna will be reaching new geographies of Karnataka, Kerala & Gujarat in the next financial year.

Year	Branches	States	Employees	Disbursement in the FY (In Crore)
2016-17	5	1	32	2.3
2017-18	23	6	148	21.3
2018-19	66	9	510	152.2

MSME Portfolio Distribution



MSME Branch Map





HUMAN RESOURCE





Overview

Annapurna nurtures a culture which enables employees to leverage their knowledge and skills to work towards achieving the organisation's vision.

FY 2018-19 for Annapurna has been a tremendous year as the manpower grew by 41%.

Talent Acquisition

Finding and hiring the right talent with right skills in the right job can be tough. At Annapurna, we structure talent delivery solutions based, on our organization's goals and are positioned to fulfil the requirements.

In FY 2018-19, emphasis was given on taking initiative for on-boarding employees, such as Mentorship Program at regional level & First Day Buddy Program at the Head Office. It provides new employees with a reliable, motivated and single point-of-contact for their questions during the joining time, which has resulted in a healthy retention rate.

EMPLOYEE STRENGTH



Employee Engagement

a. Health Check-up Camp

A company's productivity rests solely on the employee's overall health. Annapurna organized a free health camp and nearly 250 employees attended it. Various tests were done during the camp like dental check-up, diet counselling, Blood pressure test, body fat percentage etc. Based on the results, employees were advised on healthy habits and made aware about various health issues at workplace.

b. International Women's Day Celebration

Collective action and shared responsibility for driving a gender-balanced world is important. To keep this spirit alive, Annapurna celebrated International Women's Day themed "Better the balance, Better the world". The day was filled with celebrating achievements, delivering workshops and taking pride in womanhood.

c. Annual Sports Day

Annapurna hosted a sports-fuelled day, encouraging all our employees to engage in physical activities. During the event, we witnessed an array of exhilarating sporting events like carrom, badminton, chess, cricket and fun filled activities like tug of war, collage-making competition. The day was concluded with awards ceremony to recognise the dedication and spirit of the Annapurna employees.

d. Training and Development

To help Annapurna fulfil its vision, with the help of efficient and talent professionals, various training programs were organised according to the requirements of the organization. It provides structured learning and a development strategy to deliver, track and manage the training needs of the workforce.

e. Young Leadership Development Program

The YLDP program at Annapurna is designed as a developmental experience to provide new perspectives and practical insights to young leaders. The batch of leaders are recognised on the basis of their high potential and immense talent. The programme encourages participants to think beyond the confines of their own disciplines and enables them to incorporate broader strategic considerations into Management Mantras.

Under YLDP program, 45 Management Associates and 12 Management Trainees were recruited from top B-Schools. Apart from this, 17 existing employees were selected for YLDP & were inducted into the pool of young leaders.

f. Gender Sensitization Training

To improve gender mainstreaming & promote gender equality in the organization, Annapurna initiated Gender Sensitization training. It was organized to understand the gender spectrum, and to raise awareness about gender discrimination and sexual harassment at workplace.

g. Refresher Training

With a purpose to familiarize the existing employees with new skills, methods and processes to improve their on the job performance, 113 refresher trainings were conducted for 2007 employees. These trainings enabled them to stay updated with the latest developments within the industry.

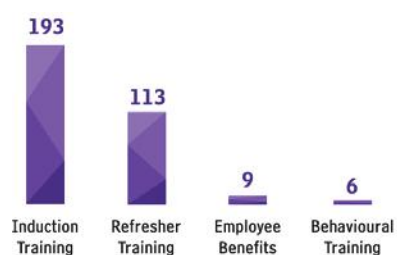
h. Employee Benefits Training

Offering benefits to your employees is important because it shows them that you have invested in not only their overall health, but their future. Benefits tend to drive employee engagement while providing a sense of security, encouraging workers to stay on the job, even during tough times.

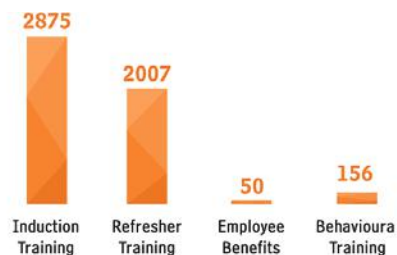




Trainings Conducted for FY18-19



No. of Employees Trained for FY18-19



New Initiatives

a. Branch Parenting Model

To enhance communication and reduce attrition, every employee of HR team is assigned with 8-10 branches. Hence, every branch of Annapurna has an HR Parent who will promote a healthy work environment.

b. E-Learning programs

As compared to traditional classroom teaching method, e-Learning program is the best way to provide quick delivery of lessons to our employees, who can learn at the comfort of their own pace and place. Annapurna has given a boost to this program, by conducting various pilot surveys and very soon this program is going to be implemented.

c. Digitisation

To streamline the HR processes, Annapurna explored various HR softwares, out of which, HR One (Developed by Uneecops Technologies) has been piloted and further selected for implementation, which will be initiated by June 2019.

Highlights of FY 2018-19

1. Total manpower growth shot up to 41%.
2. Total 337 training programs were organised in which 5472 employees were trained.
3. Total 161 employees availed benefits from Group Health Insurance Scheme & 76 cases were reported to ESIC.







INTERNAL AUDIT









Overview

Internal audit department being a critical element of the internal control framework of the organisation was formed by management to examine, evaluate and report on accounting, process, policies and controls.

In the FY19, the department has successfully audited 510 plus active branches, quarterly, including MFI, MEL (MSME) and Banking correspondence (Off Book portfolio). The MFI and Banking correspondence branches audit coverage rate is more than 99% in all quarters. The team has been undergoing audit training for MEL (MSME) branches, forming a significant part of the department.

The State Audit Committees are functioning in full capacity in its third year. Each zone conducts monthly meetings regularly, where all the findings are discussed, compiled and addressed for better process implementation.

The company has incorporated additional features such as new products and processes in the existing audit tools. We have introduced weekly, monthly and concurrent audits, specific to Head Office, for better internal controls.

The Grievance cell has been fortified with vernacular proficient team members for all operating regions, which has reflected in receiving and resolving queries from 3,385 queries in FY 18 to 8,760 queries in FY 19.

Customer Feedback Cell has been increased to 20 members team which handles around 3000 outbound calls every working day, collecting and validating the cashless disbursement, customer feedback and resolving the hiccups along the way.

Way Forward

1. Building an expert workforce which is going to Audit 700 + branches every quarter with more than 99 % coverage rate.
2. Internal Audit Tool 2019-20 will be customised for all types of entities (MFI, MEL and BC) in all the product classes.
3. GRM team will be prepared to undertake field visits to identify and report the root cause of the issues related to the clients.
4. To enhance the efficiency of analytical reporting, by exploring tab/web based audit in future.
5. Focus on building a strong leadership team by increasing the team size, enhancing the leadership skills through technological interventions.



TECHNOLOGY





Overview

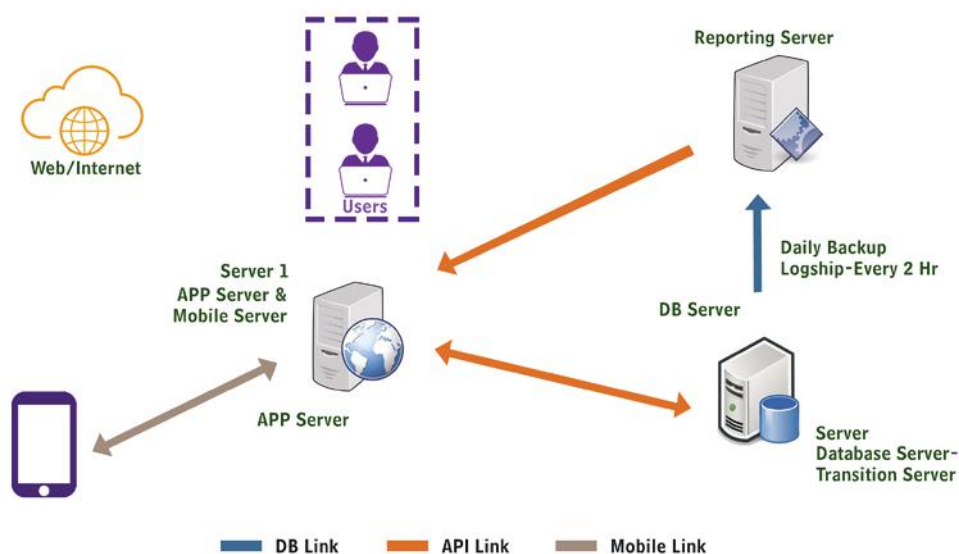
Of late, the advent of technology in every strata of the society has changed the way people work, thus impacting them not on an individual basis but also in the context of enterprises, locally and globally.

With the increase in business volume and number of clients, the role of the technology is to cater to the activity which it entails, so as to make sure the organizational needs are met and addressed efficiently. Growth for any organization comes not only with the number of people involved, but also with evolving infrastructure and increase in operational efficiency over time. With this vision, the Company is always on the lookout for technological upgradations and changes that will improve and strengthen the operational processes.

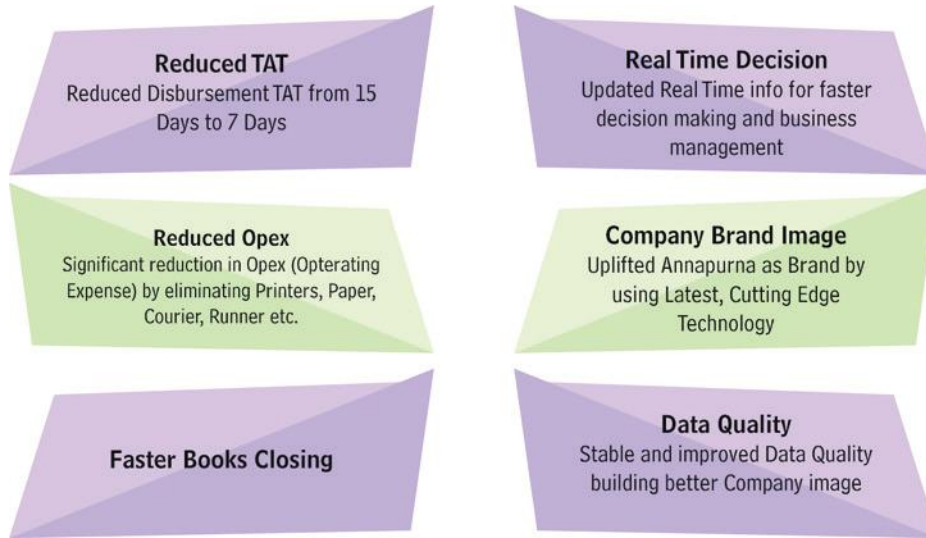
The Company's initiatives are focused to serve our clients effectively and efficiently, by assessing credit worthiness, improving overall operational performance and reporting to all stakeholders. The Company aims at digitising all its processes and activities for serving its clients better over time.

Annapurna Finance has a digital ecosystem which comprises of following:

- IT Infrastructure (Android Tabs, Laptops, Internet connectivity at branch offices)
- Real time Credit Bureau Checks.
- Real time Account validation.
- Real time bank transfer using Host to Host Banking
- Robust and real time Business Intelligence



System Achievement



Digital Transformation

Annapurna Finance has implemented its digital platform system in alliance with different Banks where loans are directly disbursed in the bank accounts of the clients.



Cashless Disbursement Automation

As a part of digital transformation, Annapurna has achieved a remarkable milestone of disbursing more than 90% through the cashless disbursement automation.

Cashless Journey

- One Click Host to Host Banking.
- No Manual File Download / Upload.
- 98-99% Transactions Auto Reconciliation.
- Auto Recon for Both NEFT / IMPS.
- Real Time Disbursements.
- One Click Reconciliation.
- Host to Host Bank Statement.





Cashless disbursements reduce the burden of carrying physical cash. It also enables our clients to enrol in the formal banking system, thus eliminating the time and energy required for carrying out cash transactions.

Promoting a safe and secure financial environment, our clients can easily withdraw the desired amount from the bank. This also inculcates a saving habit in our clients. The unique technology framework has aided us in achieving the target with minimal errors, in a methodical manner; thus, paving the way for Digital India.

Biz Application

- The new version of the app has three modes, Proposal Generation, Group Rating / GRT and Appraisal. This has been implemented in all the branches.
- The application has reduced the chances of error through data validation.
- It supports a QR-KYC model. The complete process from Proposal to Appraisal can be carried out on the android application, followed by the post sanction process on the desktop version.
- The new version will enable users to view detailed reports from the Credit Bureau on their mobile device, allowing to assess the eligibility of the clients.
- Led to significant Reduction in TAT for cashless disbursement.

e-FIMO

The LOS and LMS systems are continuously evolving as per business needs. The systems are agile enough to accommodate and comply with regulatory requirements, like quarterly change in the ROI offered by the company, which is implemented across platforms. Apart from this, to enable cashless disbursements, automation has been implemented across all branches, where loan amount is automatically credited to the client's bank account once the disbursement is triggered.

Cashless Collections

- The android based Collection app includes both cashless and cash recovery modes of repayment. Users can select the transaction mode as per their convenience.
- Annapurna is pilot testing Cashless recovery solutions across different branches, and plans to scale up in the coming year









Overview

Annapurna uses GIS through a combination of offline and online mediums for data visualizations and sharing. Depending upon the target audience, the decision to make the maps interactive or as a printable image, is taken.

Some of the major objectives of using GIS at Annapurna are:

- Maximizing the efficiency of planning and decision making.
- Integrating information from different departments in different formats and standardizing the data.
- Facilitating complex analysis and querying through interactive maps.
- Eliminating data redundancy and minimizing duplication.

Over the time, GIS is evolving as a supportive technology. Two of the major uses of GIS are given below.

Optimizing Operations

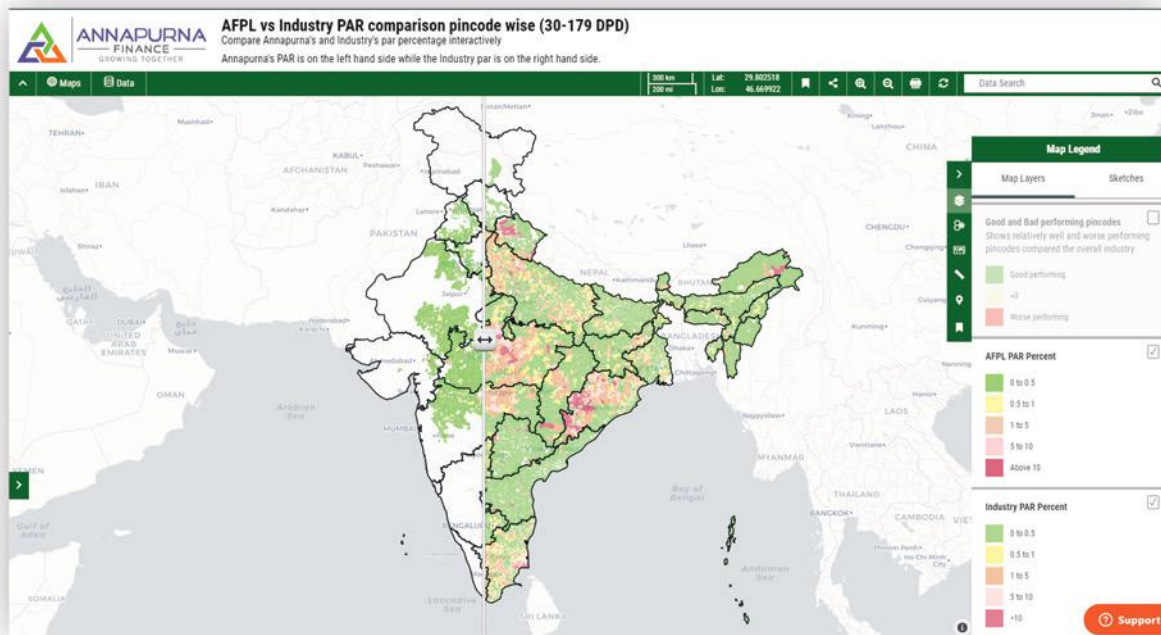
One of the major project that GIS team took up in the last financial year was to delineate the operational area for each branch. The objective was to make the day-to-day operations more efficient, taking into consideration the road distance and geographical features such as forest area and waterbodies. The project commenced from July 2018 and operational maps were prepared for each branch within 6 months. In the meantime, all the field staff were also trained on how to use the maps, during various review meets. Operational maps have been successfully included in the operational process and the branches are now required to strictly follow the map to carry out operations.

Industry Monitoring Using GIS

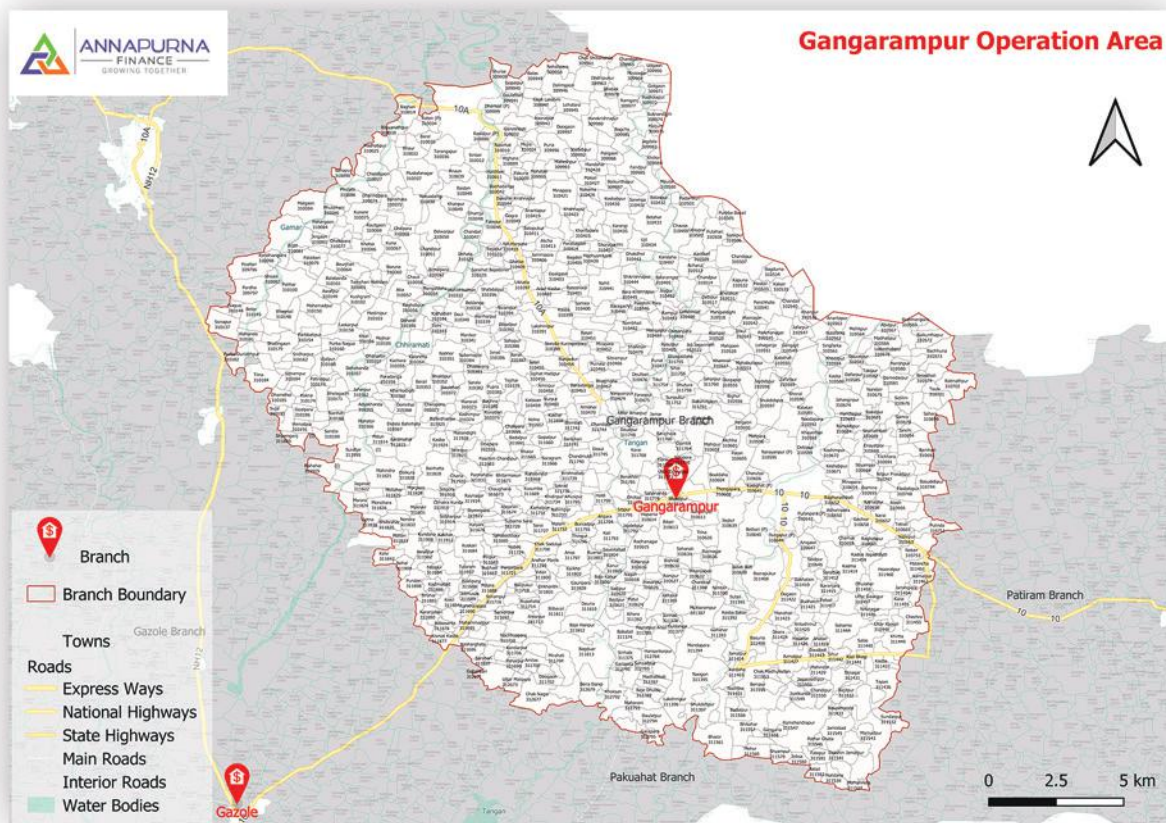
The power of data analysis through GIS, makes it easier to monitor Annapurna's portfolio- looking for patterns, concentration of default and comparing this information with industry trends. Comparing ones' operation area with that of the industry's, reveals the nature of the portfolio. GIS makes the monitoring easier, efficient and effective.



GIS Dashboard



Operation Map







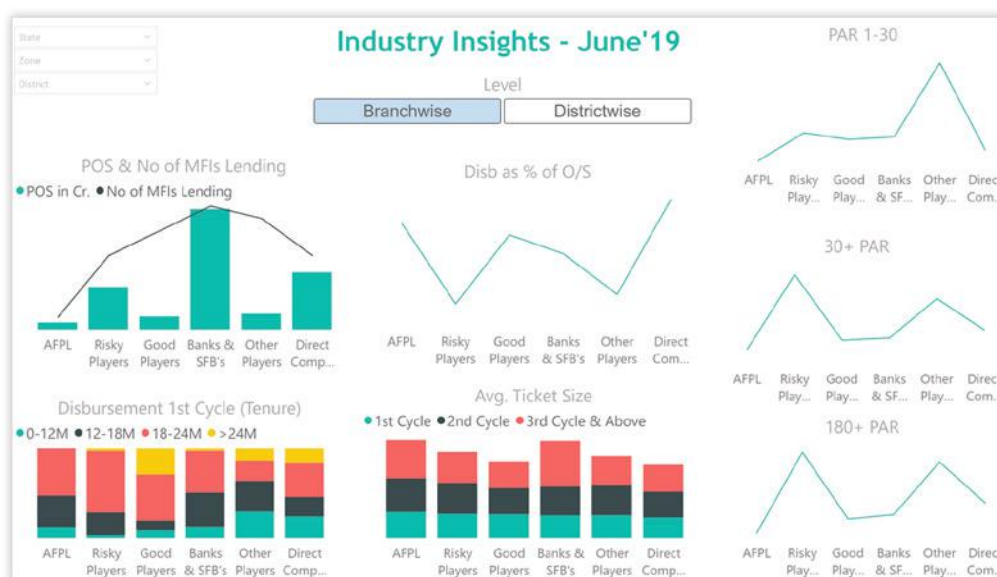


The financial market, particularly NBFC space has seen a lot of ups and downs in the last financial year, including high defaults, liquidity crunch and increase in NPA. The year also marked awaited intervention by Reserve Bank of India to strengthen risk management practices, focusing on board level involvement in risk appetite finalization, strategizing and monitoring of major deviations etc. Annapurna, with a proactive approach in risk management, had all the recommendation of RBI, for the past three years.

FY19 was characterized by the challenges arising out of the impacts of NBFC liquidity crunch. Annapurna, being in the same sector could have been affected by the same; however, a calibrated approach in terms of risk management towards exposure on each of the entities was already in place prior to the crunch. The lender exposure capping policy helped us emerge stronger.

The ever-changing terrain of financial markets has made the Risk Department at Annapurna a very critical part of the organisation. We thrive to make our Risk Management Framework robust with usage of best in class technology. The framework caters to various risks segments including credit, operations, liquidity, market and environment to safeguard the organisation. This year, we have taken the operational risk reporting to the next level by automating the whole process. This decentralization has helped in proper identification and effective mitigation of risk. The automation initiative has also reduced risk reporting turnaround time substantially.

The other major change is in the risk scoring model, from an incremental heuristic model to a continuous deterministic model. The new risk scoring model has predictive risk parameters with improved sensitivity of risk scoring, helping in identifying emerging risks and taking preventive action accurately.





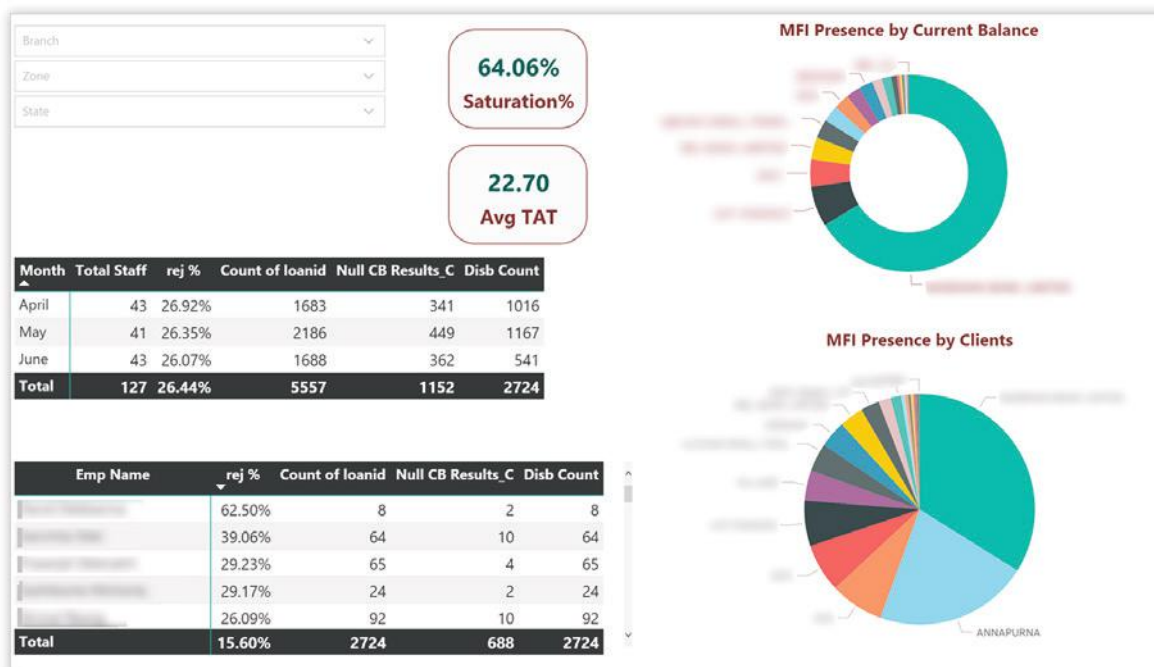
The company has further enhanced the Risk Monitoring by inclusion of Product Risk Monitoring and Financial Risk Monitoring in the ERM framework. We have also improvised our Operational Risk Management through bringing in changes in Branch Rating Models, New Area Expansion Scoring models and Branch Approval Models, enabling the team to take more dynamic decisions than ever.

This year the focus area of interest for risk department is strategic risk at organizational level. This initiative will enable the risk department to manoeuvre the organization to the intended higher ground. As the company moves forward, efforts to bring best Global and Industrial Risk Management processes by inclusion of better frameworks, technology and data analytical & reporting tools is in the pipeline.





Risk Monitoring Dashboard



CREDIT AND APPRAISAL









Overview

Annapurna finance has set an independent credit department, which plays a crucial role in taking all sorts of credit related decisions. The department is responsible to formulate underwriting guidelines for different product lines, taking into consideration evident risk prone events. The department is solely responsible to ensure screening of the proposals based on different parameters related to operational & credit risk.

Credit Plus Activities

This year, the department has initiated its presence in more 'Credit Plus ' activities at branch level. During the initial days of the month, appraisal officers conduct regular visits to strategize the credit appetite for branches, spread across different locations, all over the country. This also helps in bridging the gap between the Field Credit Officers and group members, in times of loan repayment. Being experienced personnel, the Appraisal Officer understands the psyche of the group through behavioural observation and helps in the better orientation of groups.

Credit Health Report

The initiative was taken up last year to establish a smooth link for the flow of information to top management about the overall health of our credit at ground zero. Due to the Appraisal Officer's visits in different areas, there was a need for a collective platform to understand the overall status of our portfolio, vis-à-vis other players operating. The report covers a wide array of information such as operational efficiency of branch and its staff, political and communal disturbances, income sources of group members to counter the seasonality factor, loan utilization check of individual products, the behaviour of our staff with group members, etc. The initiative has been highly successful in providing reliable information from the field, and has helped in making an informed decision.

GIS Intervention

Geographical Information System has greatly helped us in defining the operational area for each branch keeping in mind the geographical terrain which was not counted earlier. With the availability of data from the Credit Bureau, all Credit decisions are being made keeping in mind the industry trend specifically focusing on PAR trend of the industry. GIS technique is also being used to plot information related to AFPL's exposure and overall industry exposure throughout and information related to PAR trend. This readily helps in taking credit decision apart from all other factors which are equally important.



Underwriting of New Products

AFPL has further expanded its bucket of offerings by adding two new products – PRATHAM Loan and Personal Loan. The former has been specifically designed to offer services to clients who are loyal and have been dedicatedly taking credit exclusively from AFPL. This product is offered at a lower ROI, including other benefits like insurance and health care facility. The latter is specifically designed to offer loans to the employees of AFPL. This offering intends to help employees avail loans, easily, avoiding the cumbersome process of documentation process. Both these products have been great success till now.

Training of Branch Staff

All Branch Managers along with Appraisal Officers have been provided training to enhance their understanding and help them improve their client selection. This training has been carried out across our operational boundaries by concerned State Credit Managers twice in FY2018-19. Topics like Cash Flow Analysis, understanding the behavioural aspects of clients, understanding intention behind branch operational boundaries, updating them about new developments in Credit Policy and understanding industry PAR and exposure trends using GIS technology, were covered.

Appraisal Officers were provided with Trainers' Training to help them better convey and coach branch staff on group members' selection and existing credit policies. This training has been effective; as various staff members have a better understanding of credit policies.

Way Forward

Apart from ongoing initiatives, we intend to publish a monthly bulletin containing overall information related to last month's business, client addition, loan size etc. to keep all internal stakeholders aware about our future plans.

It is also intended to develop a metric tool based on various quantitative and qualitative factors to decide upon exposure capacity at branch level. This intervention is being initiated after a few branches crossed their monthly business target. It intends to understand the capability of branches in achieving the given targets. Overall, this minimizes the impending risk, keeping in mind the exposure level of the industry.





SPM & CSR





Social Performance

Annapurna's commitment towards bringing out positive change is not only by providing microcredit solutions through its product offerings, but also through financial inclusion services which helps in improving their standard of living. Annapurna follows universal standards of social performance management in the overall operation. Under Social Performance Management, besides mapping the social demography of the clients, the organization also aims at providing and assessing benefits to the beneficiaries, through products and services.

Some of the notable achievements under Social Performance Management during this financial year:

Covered 15000 clients through financial literacy and women empowerment training to strengthen their decision making skills and empowering them with the knowledge of diverse options of various banking and financial services.

Under Gender mainstreaming and along with developing a Gender Policy for the organisation, a gender sensitization training module was developed, in congruence with Vishakaha Guidelines. 24 in-house trainers were trained to deliver the training module to all staff members of the organisation.

Annapurna has also designed a Gender Action Plan for next 5 years. Renovation of washrooms in 25 branches of Odisha and Chhattisgarh is another step towards making the workplace comfortable for female employees.

Annapurna has introduced an Environmental and Social Management Systems, understanding the future risks in the related sector considering the increasing individual loan size and product diversity.

Annapurna has successfully completed Client Protection Principle Audit with Microfinanza Rating. The audit has secured Annapurna's SMART Campaign certificate for next 2 years and has also proved commitment towards Social Performance and Client Protection Principles.

Annual Client Satisfaction Survey and Client exit Study

Client Satisfaction is one of the important indicators for any business. MFI industry being competitive; it is important to ensure minimum client drop out, effective client service and safeguarding client loyalty.

Appropriateness of the products/ and services, loan process, staff behaviour

99.7% clients satisfied with staff behaviour
97% clients satisfied with loan application
93.3% clients satisfied with loan product and pricing

Client Awareness

82% clients attended Financial Literacy
66% clients satisfied with the training provided
38% of the respondents are aware of multiple channels of GRM

Client Grievance

38% of the respondents are aware of multiple channels of GRM
46% of the respondents have used the GRM facility at least once

Client Loyalty

9.3% respondents are from third and higher loan cycle
99.5% clients responded that they want loan from Annapurna in future
96% of the respondent have Annapurna as only credit source
99% of the respondent have responded that Annapurna was helpful
71% reported multiple support from Annapurna loan

(Sample Size: 1848)









Annual Impact Assessment

Annual Impact Assessment provides insight regarding the financial and social impact of the company in the lives of the clientele. `

In the study, clients interviewed were from two groups: clients associated with Annapurna for less than 6 months (control group) and more than two years (experimental group).

	Parameter	Control Group	Experimental Group
Economic Empowerment Index	Households with increased income source	11%	14%
	Households with increased income	57%	72%
	Clients with increased savings	32%	53%
	Household which bought asset in last 2 years	32%	35%
	Household which bought livestock in last 2 years	13%	14%
Financial Literacy Index	Clients who have bank account	90%	91%
	Clients who conduct banking transactions	66%	80%
	Clients who have atm card	8%	14%
	Clients who attend community meetings.	65%	68%
Mobility Index	Clients who visit any govt. office	73%	76%
	Clients who visit market or retail shops	88%	88%
	Clients involved in decision making for purchasing assets	91%	96%
Decision Making Index	Clients involved in deciding for use of loan	92%	96%
	Clients involved in livelihood activity related decisions	91%	96%
	Clients involved in deciding for future of children.	97%	99%

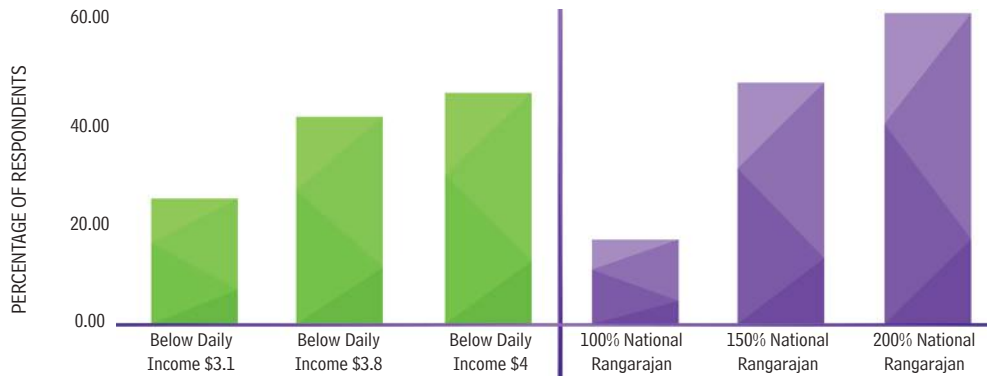
(Sample Size: 2160)



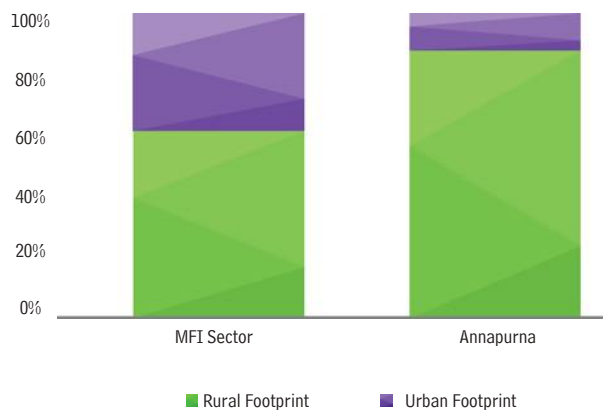
Tracking Social Performance

Social Performance of Annapurna is tracked on continuous basis by collecting social data in terms of demographics. Below is the data represented across various poverty lines using PPI tool.

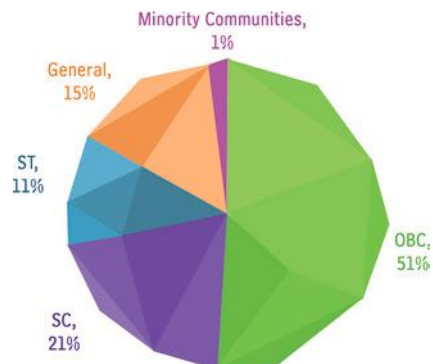
Client Profile: Percentage below income level
(representative sample)



Rural / Urban Composition



Caste Composition of Clients







ପୁରୀ
ବିପ୍ଳବ
ସହାୟ



Corporate Social Responsibility

Annapurna Finance along with its normal business operations, also strives to contribute towards society and environment, by undertaking various corporate social responsibility initiatives.

Annapurna extends its support to Aama Ghara, a child care home run by People's Forum. The home houses 42 children, out of which five were adopted in this FY. The former provides assistance for children's education, healthcare and recreation.



A green initiative was taken up by the organisation in 45 schools in Khurda and Jatni, Odisha. Awareness workshops, plantation drives and competitions were conducted to promote an environment-friendly approach within the students.

To ensure clean water supply to school-going children, a water-filtration initiative was started by the organisation in Khurda, Odisha, with 35 filter installations.



As a step towards ensuring accessibility to healthcare, the mobile medical unit will be introduced. Focussing on women and child healthcare, the initiative will focus on providing preventive, promotive and curative healthcare services to the beneficiaries.

"Annapurna Finance, through the plantation programme has helped in increasing the greenery in the campus. Water filter installation programme has helped to bring drinking water to our students and teachers. We would like to get associated for such initiatives in future as well"

-Mrs. Sanjukta Kar
Head Teacher
Gurujanga High School, Khurda

DIRECTOR'S REPORT





DIRECTOR'S REPORT

Dear Members,

Your Board of Directors takes pleasure in presenting the Directors Report of Annapurna Finance Private Limited together with the audited financial statements, for the financial year ended March 31, 2019.

1. Financial and operational position:

a) Financial Position:

(amount Rs. in Crores)			
Particulars	FY 18	FY 19	CAGR%
Interest Income	273.16	385.63	41%
Other Income	67.84	119.53	50%
Total Income	341.00	505.16	43%
Interest Expense	168.42	214.30	32%
Provision Expense	49.13	14.53	25%
Total expense*	278.12	401.91	39%
PAT	9.54	58.24	76%
Total Debt Outstanding	1,686.24	2,531.45	39%
Net worth	242.65	596.39	87%
GLP	1,920.40	3002.25	56%
Managed Portfolio	355.52	493.39	50%

*excluding loan loss provision expense

During the financial year, the revenue increased by c164.16 Crores and reached to ₹505.16 Crores as compared to previous financial year and registered a net profit of Rs. 58.24 Crores. The net worth of the Company reached to ₹596.39 Crores.

b) Operational Position:

Particulars	FY18	FY19	CAGR
No of Borrowers	1198504	1481287	28%
No of Districts	174	232	34%
No of Branches	374	570	52%
Disbursement (On-Book) (Rs Cr)	2094.77	3136.21	65%
Gross Loan Portfolio (Rs Cr)	1920.4	3002.25	56%
Off book (BC + Securitisation) (Rs Cr)	355.52	493.39	50%
Total Employees	3507	4953	46%
Field Officers	2321	2784	33%
GLP/Active Borrower	16023.3	20268	21%

c) Funding Position

In terms of fund raising, company mobilised funds amounting to ₹2414.58 crore in Financial Year 2018-19 out of which ₹1364 crore was raised through term loan, ₹83.78 crore in the form of ECB, ₹689 crores through securitization(PTC/ DA), and ₹361 crore in the form of NCDs.

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 interim dividend paid at the rate of 0.01% per annum for the period from 1st June 2018 to 20th August 2018, on the compulsory convertible preference shares held by Oman India Joint Investment Fund II.

Further your directors recommend at the rate of 0.0001% per annum on compulsory convertible preference share of AATO(Aids awareness Trust of Orissa) for the financial year ended as on 31st March 2019.

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. Rs.11.65 Crores) has been transferred to Statutory Reserve.

4. Brief description of the Company's working during the year and State of Company's affair

The Financial Year 2018-19 was one of the significant year in terms of growth and sustainability. In our mission to serve unreached areas, we operate in 16 states, with 570 branches. We started our operations in Gujarat, Himachal Pradesh and Tamil Nadu this year. The total client outreach as on March, 2019 is 14,81,287 and the Asset Under Management is INR 3002 Crore. Moreover the MSME vertical performed very well during the year.

The Company also started to build its asset class through Inorganic portfolio. This new vertical was launched in February, 2019 and has completed two Direct Assignment transaction till, March, 2019. The Company is planning to create a sizable book through its new vertical, where it has not reached directly.

The Company's Bank loan rating has upgraded from BBB+ to A- by CRISIL, CARE & ICRA. The Grading exercise was conducted by CRISIL and allotted MFR1 to us.

Apart from the financial and operational achievements, the Company has set some new targets for its future growth. It has adopted a five-year gender action plan which projects gender balance to be achieved during the next five year which is monitored on quarterly basis. It has also adopted an Environmental and Social management policy which will help the Company to manage its activity on Environmental and social performance during its business activities.



5. Change in nature of business, if any

There is no change in nature of business.

6. Material changes & commitments affecting financial position between the end of the financial year and the date of this report.

There are no such material changes occurred 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.

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

The Board has adopted policies and procedure for ensuring the orderly and efficient conduct of its business operations, 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.

In addition to the Internal Controls on Operations, the Board has laid emphasis on adequate internal financial control to ensure that the financial affairs of the Company are carried out with due diligence. Apart from Internal Audit function which scrutinises all the financial transactions, there are also processes laid down, leading to CEO/CFO certification to the Board on the adequacy of Internal Financial Controls as well as internal control over financial reporting.

9. Subsidiary/Joint Ventures/Associate Companies

The Company does not have any subsidiary/ joint venture/associate Company during the financial year 2018-19.

10. 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 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.



11. Audit report and Auditors

• The Statutory Auditor's report for the fiscal 2018-2019 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 2019.

• M/s. S.R. Batliboi & Co, Chartered Accountants, Statutory Auditors of the Company, holds office till the conclusion of the ensuing Annual General Meeting and is eligible for re-appointment. They have confirmed their eligibility to the effect that their reappointment, if made, would be within the prescribed limits under the Act and that they are not disqualified for re-appointment.

• The Secretarial Auditor's report for the fiscal 2018-2019 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.

12. Share Capital

• Equity Share Capital: We have only one class of shares, i.e. Equity Shares of face value of INR 10/- each. The authorized share capital of the Company is Rs. 86.00 Crores and paid-up share capital is Rs. 71.69 Crores, which consists of 6,86,99,648 equity shares of Rs. 10 each and 30,00,000 preference shares of Rs. 10 each.

During the financial year 2018-19:

a) The company has issued and allotted following shares on private placement basis:

Sl. No.	Date of Allotment	Type of Share	No of Shares Allotted	Name of Allottees
01	01.06.2018	Equity Shares	1,000	OIJIF II
02	01.06.2018	CCPS	1,44,21,938	OIJIF II
03	01.02.2019	Equity Shares	11,688,702	Asian Development Bank

b) 1,44,21,938 nos of Compulsory Convertible Preference Shares of Rs. 10/- each held by Oman India Joint Investment Fund II were converted into 1,39,88,538 fully paid-up Equity Shares of Rs. 10 each.

c) SIDBI Trustee Company Limited, (shareholder of the Company) has transferred 40,59,404 Equity Shares to (another shareholder of the Company) Oman India Joint Investment Fund II.



10. Public Deposits

d) RIF East 2 took total exit by transferring whole of its 27,68,497 shares to three existing shareholders, namely:

- a) Bamboo Financial (12,38,938 Equity Shares),
- b) Oikocredit (10,61,947 Equity Shares) and
- c) Mr. Gobinda Chandra Pattanaik (4,67,612 Equity 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.

13. Extract of annual return

The annual return (MGT-9) of the Company for the said financial year is available on the website of the Company (www.annapurnafinance.in).

14. 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:

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

15. Directors

a) Changes in Directors and Key Managerial Personnel

- Mr. Satish Chavva was nominated by Oman India Joint investment Fund II to the Board of the Company.
- Post withdrawal of nomination by Bamboo, Mr. Bernhard Eikenberg resigned from the Board.
- Asian Development Bank (ADB) has nominated Mr. Apurva Kumar to the Board of the Company.
- SIDBI has nominated Mr. Satya Prakash Singh to the Board of the Company in place of Mr. T.H.R. Samad.
- Mr. Satyajit Das was appointed as Chief Financial Officer (CFO) of the company in place of Mr. Dibyajyoti Pattanaik.



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.

16. Managerial Remuneration

Details of managerial remuneration for the financial year 2018-19, pursuant to Rule 5(1) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are mentioned below:

1	Ratio of remuneration of each directors to the median remuneration of employees of the Company:	
	a) Managing Director	64.11: 1
	b) Executive Director	26.57: 1
2	In the Financial Year 2018-19, the percentage increase in remuneration of:	
	a) Managing Director Cum CEO	
	b) Executive Director	25.00%
	c) Chief Financial Officer	22.00%
	d) Company Secretary	22.00%
		25.00%
3	Percentage increase in the median remuneration of employees in the financial year	8.30%
4	Number of permanent employees on the rolls of the Company as on 31 st March, 2019	4379
5	Average percentage increase in the salaries of employees other than the managerial personnel in the financial year 2018-19	9.00%
6	Average percentage increase in the managerial remuneration in the financial year 2018-19.	16.86%
7	The Company has a remuneration policy and the remuneration is as per the remuneration policy of the company	Yes

17. Meeting of the Board of Directors

During the period the Board met 7 (Seven) times (i.e. on 25th April 2018, 1st June 2018, 19th June 2018, 25th September 2018, 28th November 2018, 1st February 2019 and 26th February 2019) which is in compliance with the Companies Act, 2013.

18. Loans, Guarantees or Investments under section 186

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

19. 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.



20. Corporate Governance Report

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

21. Corporate Social Responsibility:

The CSR activities of the Company during the year 2018-19 as per the format prescribed under the Companies (Corporate Social Responsibility Policy) Rules 2014, forms part of this report.

22. 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

23. 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 affair of the company and the profit and loss at the end of this financial year;
- 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.

24. Acknowledgements

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: Bhubaneswr
Date: 21st June, 2019



ANNEXURES





REPORT ON CORPORATE GOVERNANCE (2018-19)

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, 2019, the Board consists of 13 Directors. Out of which 3 (Three) are Independent Directors and 7 (Seven) are Nominee Directors. There are 2 (Two) women Directors on the Board. 84.62% of the Board consists of Non-Executive Directors.

The List of Directors as on 31st March 2019 are :

Sl. No.	Name of Directors	Designation
1.	Mr. Gobinda Chandra Pattanaik	Managing Director
2.	Mr. Dibyajyoti Pattanaik	Director
3.	Mr. Krishna Kumar Tiwary	Independent Director
4.	Mr. Sean Leslie Nossel	Independent Director
5.	Mr. Ashok Ranjan Samal	Independent Director
6.	Mr. R.V Dilip Kumar	Nominee Director
7.	Mr. Satya Prakash Singh	Nominee Director
8.	Mr. Florian Christoph Grohs	Nominee Director
9.	Ms. Christina Stefanie Juhasz	Nominee Director
10.	Ms. Milena Loayza Amorin	Nominee Director
11.	Mr. Apurva Kumar	Nominee Director
12.	Mr. Sarath Naru	Alternate Director
13.	Mr. Satish Chavva	Nominee 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.

Further, during the financial year 2018-19 following Changes in Board of Directors has taken place:

- Mr. Satish Chavva was nominated by Oman India Joint investment Fund II to the Board of the Company.
- Post withdrawal of nomination by Bamboo, Mr. Bernhard Eikenberg resigned from the Board.
- Asian Development Bank (ADB) has nominated Mr. Apurva Kumar to the Board of the Company.
- SIDBI has nominated Mr. Satya Prakash Singh to the Board of the Company in place of Mr. T.H.R. Samad.

The company has complied all the necessary provisions of Companies Act 2013 and rules made thereunder by reporting the above mentioned changes to the Registrar of Companies in due time.

2.2 Category and Attendance of Directors

During the financial year 2018-19, the Board met 7(Seven) times (i.e. on 25th April 2018, 1st June 2018, 19th June 2018, 25th September 2018, 28th November 2018, 1st February 2019 and 26th February 2019). The names and categories of Directors, their attendance at the Board Meetings & Annual General Meeting and their interest in other companies are given below:

Name of Directors	Category	No of Board meeting attended	Attendance on AGM (19.06.2018)	No. of Directorship held in other Companies
Mr. Gobinda Chandra Pattanaik	Managing Director	7	Yes	Nil
Mr. Dibyajyoti Pattanaik	Director	7	Yes	Nil
Mr. Krishna Kumar Tiwary	Independent Director	7	Yes	1
Mr. Sean Leslie Nossel	Independent Director	6	No	Nil
Mr. Ashok Ranjan Samal	Independent Director	7	Yes	Nil
Mr. R.V Dilip Kumar	Nominee Director	0	No	6
Mr. Satya Prakash Singh	Nominee Director	1	N.A.	2
Mr. Florian Christoph Grohs	Nominee Director	7	Yes	1
Ms. Christina Stefanie Juhasz	Nominee Director	6	Yes	Nil
Ms. Milena Loayza Amorin	Nominee Director	1	No	Nil
Mr. Apurva Kumar	Nominee Director	1	N.A.	Nil
Mr. Sarath Naru	Alternate Director	5	Yes	14
Mr Satish Chavva	Nominee Director	5	Yes	1
Mr. T.H.R Samad	Nominee Director	3	Yes	Nil
Mr. Bernhard Jakob Eikenberg	Nominee Director	2	No	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 instrument 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.

2.6 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 the 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 programme 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 apprises 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 Committee met four times during the year. The Composition of the Committee is mentioned below:

Name of Member	Category
Mr. Krishna Kumar Tiwary	Independent Director, Chairman
Mr. R. V Dilip Kumar	Nominee Director
Mr. Ashok Ranjan Samal	Independent Director

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



b) CSR & SPM Committee

The Committee met once during the year. The Composition of the Committee is mentioned below:

Name of Member	Category
Mr. Gobinda Chandra Pattanaik	Managing Director, Chairman
Mr. Dibyajyoti Pattanaik	Executive Director
Mr. Sean Leslie Nossel	Independent Director
Mr. Ashok Ranjan Samal	Independent Director

c) Nomination & Remuneration Committee

The Committee met twice during the year. The Composition of the Committee is mentioned below:

Name of Member	Category
Mr. Krishna Kumar Tiwary	Independent Director, Chairman
Mr. Sean Leslie Nossel	Independent Director
Mr. Gobinda Chandra Pattanaik	Managing Director
Mr. Ashok Ranjan Samal	Independent Director

d) Risk Management Committee

The Committee met four times during the year. The Composition of the Committee is mentioned below:

Name of Member	Category
Mr. Gobinda Chandra Pattanaik	Managing Director, Chairman
Mr. Florian Christoph Grohs	Nominee Director
Mrs. Christina Stefanie Juhasz	Nominee Director

e) IT Strategy Committee

The Committee met one time during the year. The Composition of the Committee is mentioned below:

Name of Member	Category
Mr. Ashok Ranjan Samal	Independent Director, Chairman
Mr. Gobinda Chandra Pattanaik	Managing Director
Mr. Sarath Naru	Alternate Director
Mr. Dibyajyoti Pattanaik	Director



f) Product Committee

The Committee met one time during the year. The Composition of the Committee is mentioned below:

Name of Member	Category
Mr. Dibyajyoti Pattanaik	Director, Chairman
Mr. Florian Grohs	Nominee Director
Mr. T. H. R. Samad	Nominee Director
Mr. Ashok Ranjan Samal	Independent Director
Ms. Christina Juhasz	Nominee Director

g) ALM Committee (ALCO)

The Committee met four times during the year. The Composition of the Committee is mentioned below:

Name of Member	Category
Mr. Dibyajyoti Pattanaik (Executive Director)	Chairman
Mr. Satyajit Das (Chief Finance Manager)	Member
Mr. Sanjaya Pattanaik (Chief Operating Officer)	Member
Mr. Kumar Vaibhav (Head, Institutional Finance)	Member
Mr. Sabyasachi Sahu (Head, Credit Dept.)	Member
Mr. Anoop TP (Head, Risk Dept.)	Member

h) Executive Committee

The Committee met forty times (40) during the year. The Composition of the Committee is mentioned below:

Name of Member	Category
Mr. Gobinda Chandra Pattanaik (Managing Director)	Chairman
Mr. Dibyajyoti Pattanaik (Executive Director)	Member

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 behaviour, 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) During the year, there were no materially significant related party transactions 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

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 transaction 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 2018-19

1. Outline of the Company's CSR Policy

Annapurna's operation follows the double bottom-line philosophy and beside financial improvement of the clients, the organization focus on creating impact on the society as well. As per the government regulation, 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 fund set up by the government for socio-economic development, relief & welfare; and other matters with 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

Sl. 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. Ashok Ranjan Samal (Independent Director)	Member
4.	Mr. Dibyajyoti Pattanaik (Executive Director)	Member



3. Average Net Profit of the Company for last three financial Years

Rs. 23,67,07,115/-

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

Rs. 47,34,142 /-

5. Details of CSR spent during the financial year.

(a) Total amount to be spent for the financial year: INR 58,98,511/-

(b) Details of amount unspent during the financial year:

S. No	CSR Project	Sector	Project Location	Project Budget (INR)	Amount Spent	Cumulative Expenditure	Direct/ Indirect
1	Amma Ghara	Child Welfare and Development	Khorda, Odisha	44,40,000	*	44,40,000.00	Through People's Forum
2	Plantation at Schools	Environment	Khorda, Odisha	11,50,000	**	30,000.00	Direct
3	Installation of Water Filters at Schools	Child Welfare and Sanitation	Khorda, Odisha			2,08,284.00	Direct
4	Mobile Medical Unit	Health Care	Khorda, Odisha	29,76,500		23,59,535.00	Direct
5	Sponsoring one candidate in Climate Force Arctic Expedition	Environment				40,000.00	Direct
6	Udbhav School	CSR Activities	Khorda, Odisha			2,00,000.00	Direct
Total						72,77,819.00	

6. Reason of failure to spend the two per cent of the average net profit of the last three financial years

Not Applicable

7. Details of implementing agency

Peoples Forum is a state-based organisation setup 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.

For Annapurna Finance Pvt. Ltd.

Sd/-

Gobinda Chandra Pattanaik
(Managing Director & Chairman of CSR Committee)



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 31.03.2019, 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, statutory registers and returns filed and other records maintained by the Company for the period ended on 31.03.2019, according to the provisions of:

- I. The Companies Act, 2013 (the Act) and the Rules made thereunder;
- II. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the Rules made thereunder;
- III. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- IV. Foreign Exchange Management Act, 1999 and the Rules and Regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- V. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') to the extent applicable to the Company :-
 - a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;
 - c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
 - d) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;



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

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.

Further the following changes has been made in the composition of Board and Key Managerial Personnel:

- Mr. Satish Chavva was nominated by Oman India Joint investment Fund II to the board of the company
- Mr. Bernhard Jakob Eikenberg, Nominee Director of Bamboo Finance, ceased to be the member of the Board.
- Mr. Satyajit Das was appointed as Chief Financial Officer (CFO) to the board of the company post resignation given by Mr Dibyajyoti Pattanaik from the post of Chief Financial Officer (CFO).
- Mr. Satya Prakash Singh nominated by SIDBI as their Nominee Director in place of Mr. T.H.R. Samad whose nomination was withdrawn.

Notice in terms of the Act was given to all directors to convene the Board and Committee Meetings. Agenda and detailed notes on agenda were sent to the respective directors, 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 Shares (Rs. 10 each)	Name of Allottees	Date of Filing of Return
1	01.06.2018	1,000 (Equity)	Oman India Joint Investment Fund II (OIJIF)	06.06.2018
2	01.06.2018	1,44,21,938 (Preference)	Oman India Joint Investment Fund II (OIJIF)	06.06.2018
3	01.02.2019	1,16,88,702 (Equity)	Asian Development Bank (ADB)	04.02.2019

We further report that during the audit period, 1,44,21,938 nos. of preference shares of Rs.10/- each converted into 1,39,88,538 fully paid up equity shares and the redemption process completed for the said preference shares by filing the requisite returns;

We further report that during the audit period, 4 share transfer deed endorsed by the Company to record the share transfer as detailed below;

Seller	Aggregate number of shares held in the Company	Number of shares sold under this Agreement	Purchasers	Consideration in Indian Rupees (INR)
SIDBI Trustee Company Limited	56,01,853	40,59,404	Oman India Joint Investment Fund II	44,98,22,624.00
RIF East 2	27,68,497	12,38,938	Bamboo Financial Inclusion Fund II	14,00,00,000.00
		10,61,947	Oikocredit, Ecumenical Development Co-Operative Society U.A	12,00,00,000.00
		4,67,612	Mr. Gobinda Chandra Pattanaik	5,28,40,161.00

We further report that during the audit period,

- Minutes of Board, Committees of Boards, and General Meetings, have been drafted in due time and signed.
- The Company has shifted its Registered Office from HIG-97, Dharma Vihar Khandagiri, Bhubaneswar, Orissa-751030 to Plot No. 1215/1401, Khandagiri Bari, Infront of Jayadev Vatika, PS/PO- Khandagiri, Bhubaneswar, Khordha, Odisha-751030 with effect from 20th July 2018 and necessary e-form was filed with the Registrar of Companies.



c) The Company has altered its Memorandum of Association five times during the year to effect the following incidents/transactions

- i) increase of authorised capital from Rs. 56 Crore to Rs. 71 Crore
- ii) reclassification of existing authorised share capital
- iii) further increase of authorised capital from Rs. 71 Crore to Rs. 86 Crore
- iv) change in the sequence of sub-clauses of main objects of the Company
- v) new Clause was inserted in “Objects Incidental or Ancillary to the Attainment of Main Objects” to enable the Company to receive any technical assistance or support from any investor, lender or any third party

d) The Company has altered its Articles of Association two times during the year to incorporate:

- i) the terms of shareholders agreement dated 7th May, 2018
- ii) the terms of shareholders agreement dated 27th Dec, 2018

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	24.05.2018	Rs. 50.00 Crores	- Aditya Birla Sun Life Trustee Private Limited	04.06.2018
2	15.11.2018	Rs. 46.00 Crores	- Blue Orchard Microfinance Fund	17.11.2018
3	19.12.2018	Rs. 60.00 Crores	- Microfinance Initiative for Asia (MIFA) Debt fund SA- SICAV-SIF	26.12.2018
4	20.12.2018	Rs. 35.00 Crores	- UTI International Wealth Creator 4	04.01.2019
5	01.03.2019	Rs. 100.00 Crores	- Karvy Capital Limited A/c Excel Portfolio	02.03.2019
6	20.03.2019	Rs. 70.00 Crores	- AAV Sarl	21.03.2019
			- Masala Investments Sarl	
			- Microfinance Enhancement Facility SA, SICAV SIF	
			- Blue Orchard Microfinance Fund	
			- Pettelaar Effectenbewaardbedrijf N.V	
			- UTI International Wealth Creator 4	

We further report that during the audit period, the Company borrowed funds from banks and FIs which is within the borrowing power of the board. Further proper security has been created through charge registration in favour of banks and FIs for secured borrowings.

The Company has a overall Borrowing Limit of Rs. 3000.00 Crores (Rupees Three Thousand Crores) as approved by the Shareholders in their meeting on 1st February, 2019 and out of which the company has borrowed Rs. 2,531.44 Crores as on 31st March, 2019.

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.



INDEPENDENT AUDITOR'S REPORT

To the Members of Annapurna Finance Private Limited Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Annapurna Finance Private Limited ("the Company"), which comprise the Balance sheet as at March 31, 2019, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2019, its profit and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing (SAs), as specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of our report. We are independent of the Company in accordance with the 'Code of Ethics' issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the financial year ended March 31, 2019. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have determined the matters described below to be the key audit matters to be communicated in our report. We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide



the basis for our audit opinion on the accompanying financial statements.

Key audit matters	How our audit addressed the key audit matter
Credit risk and provisioning on loans and advances to customers (as described in note 2.1(q), 7 and 22 of the financial statements)	
<p>For the year ended March 31, 2019 the Company's total loans and advances to customers is Rs. 250,885 lacs against which a provision for non-performing assets of Rs. 2,930 lacs and provision against standard assets of Rs. 96 lacs have been recognized by the Company.</p> <p>Loans and advances form major portion of the Company's assets. Provision on portfolio loans under microfinance loans are made as per minimum provision required as per Non-Banking Financial Company Micro Finance Institutions' (Reserve Bank) Directions, 2011 issued by Reserve Bank of India as amended from time to time. The Company exercises significant judgment while determining the extent of provision required against Non-performing assets. In carrying out the above exercise for identification of credit risk, the Company takes into consideration the ageing of overdue receivables and also takes into account the external factors like political disruptions / actions, natural calamities etc.</p> <p>This has been considered as a key audit matter as significant judgement is involved in determining the provision amount for doubtful loans and advances.</p>	<p>The audit procedures performed, among others, included:</p> <ul style="list-style-type: none"> • Considered the Company's policies for NPA identification and provisioning and assessing compliance with the NBFC-MFI Directions. • Performed tests of controls over the identification and provisioning of aged / delinquent loans and advances. • Performed other procedures including substantive audit procedures covering the identification of NPAs by the Company. These procedures included: • Tested exception reports on a sample basis generated by the Company. • For customer-wise provisioning, tested selected samples of loans and advances to assess whether doubtful loans and advances have been identified correctly. • Tested whether the provision calculated is as per the RBI prudential norms. For provisioning in excess of the RBI norms, we tested whether there is compliance with the Company's provision policy. • Performed inquiries with the credit departments to ascertain if there were indicators of stress or an occurrence of an event of default on a particular loan account • Assessed compliance with the disclosure requirements of the applicable accounting standards, Schedule III to the Companies Act and RBI guidelines.

Other Information

The Company's Board of Directors is responsible for the other information. The other information comprises the Directors Report included in the Annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Responsibilities of Management for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act read with Rule 7 of the Companies (Accounts) Rules, 2014, as amended. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the financial year ended March 31, 2019 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the "Annexure 1" a statement on the matters specified in paragraphs 3 and 4 of the Order.

2. As required by Section 143(3) of the Act, we report that:

- (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
- (c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;
- (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, as amended;



(e) On the basis of the written representations received from the directors as on March 31, 2019 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2019 from being appointed as a director in terms of Section 164 (2) of the Act;

(f) With respect to the adequacy of the internal financial controls over financial reporting of the Company with reference to these financial statements and the operating effectiveness of such controls, refer to our separate Report in “Annexure 2” to this report;

(g) The provisions of section 197 read with Schedule V of the Act are not applicable to the Company for the year ended March 31, 2019.

(h) With respect to the other matters to be included in the Auditor’s Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:

- i. The Company does not have any pending litigations which would impact its financial position in its financial statements;
- ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
- iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For S.R. Batliboi & Co. LLP

Chartered Accountants,

ICAI Firm Registration Number: 301003E/E300005

per Sanjay Kumar Agarwal

Partner

Membership Number: 060352

Place of Signature: Kolkata

Date: June 24, 2019



Annexure 1 referred to in paragraph 1 under the heading “Report on Other Legal and Regulatory Requirements” of our report of even date to the members of Annapurna Finance Private Limited as at and for the year ended March 31, 2019

- (i)
 - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - (b) Majority of the fixed assets have been physically verified by the management during the year and there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
 - (c) According to the information and explanations given by the management, the title deeds of immovable properties included in fixed assets are held in the name of the Company.
- (ii) The Company’s business does not involve inventories. Accordingly, the requirements under paragraph 3(ii) of the Order is not applicable to the Company.
- (iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, limited liability partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Accordingly, the provisions of clause 3 (iii) (a), (b) and (c) of the Order are not applicable to the Company and hence not commented upon.
- (iv) In our opinion and according to the information and explanations given to us, there are no loans, investments, guarantees, and securities given in respect of which provisions of section 185 and 186 of the Companies Act 2013 are applicable and hence not commented upon.
- (v) The Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.
- (vi) To the best of our knowledge and as explained, the Company is not in the business of sale of any goods. Therefore, in our opinion, the provisions of clause 3 (vi) of the Order are not applicable to the Company.
- (vii)
 - (a) Undisputed statutory dues including provident fund, employees’ state insurance, income-tax, goods and service tax, cess and other statutory dues have generally been regularly deposited with the appropriate authorities though there has been a slight delay in a few cases.



- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, goods and service tax, cess and other statutory dues were outstanding, at the year-end, for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us, there are no dues of income tax, goods and service tax and cess which have not been deposited on account of any dispute.

(viii) In our opinion and according to the information and explanations given by the management, the Company has not defaulted in repayment of loans or borrowing to a financial institution, bank or government or dues to debenture holders.

(ix) According to the information and explanation given by the management, the Company has not raised any money by way of initial public offer or further public offer, hence not commented upon.

Further, money raised by the Company by way of term loans / debt instruments were applied for the purpose for which those were raised, though idle/surplus funds which were not required for immediate utilisation have been gainfully invested in fixed deposits/liquid assets funds.

(x) According to the information and explanations given to us, we report that no material fraud by the Company or by its employees or officers has been noticed or reported during the year except for instances of cash embezzlements by certain employees of the Company aggregating to an amount of Rs. 25,39,364 and out of which Rs 1,10,000 has been recovered.

(xi) The Company being a private Company, hence the provisions of section 197 read with Schedule V of the Act is not applicable and hence not commented upon.

(xii) In our opinion, the Company is not a nidhi company. Therefore, the provisions of clause 3(xii) of the order are not applicable to the Company and hence not commented upon.

(xiii) According to the information and explanations given by the management, transactions with related parties are in compliance with section 177 and 188 of Companies Act, 2013 where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards.



(xiv) According to the information and explanations given by the management, the Company has complied with provisions of section 42 of the Companies Act, 2013 in respect of preferential allotment or private placement of shares issued during the year. According to the information and explanations given by the management, we report that the amounts raised, have been used for the purposes for which the funds were raised.

(xv) According to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with him as referred to in section 192 of Companies Act, 2013.

(xvi) According to the information and explanations given to us, we report that the Company has registered as required, under section 45-IA of the Reserve Bank of India Act, 1934.

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

per Sanjay Kumar Agarwal

Partner

Membership Number: 060352

Place of Signature: Kolkata

Date: June 24, 2019



Annexure 2 to the Independent Auditor's Report of Even Date on the 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, 2019 in conjunction with our audit of the 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 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 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 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 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 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 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 financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

Because of the inherent limitations of internal financial controls over financial reporting with reference to these 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 financial statements to future periods are subject to the risk that the internal financial control over financial reporting with reference to these 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 financial statements and such internal financial controls over financial reporting with reference to these financial statements were operating effectively as at March 31, 2019 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.



Annapurna Finance Private Limited (Formerly Annapurna Microfinance Private Limited) Balance Sheet as at March 31, 2019

	Notes	March 31, 2019 (Rs.)	March 31, 2018 (Rs.)
I. Equity and liabilities			
Shareholders' funds			
Share capital	3	71,69,96,480	46,02,14,080
Reserves and surplus	4	5,24,69,02,311	1,96,62,71,565
		5,96,38,98,791	2,42,64,85,645
Non-current liabilities			
Long-term borrowings	5	13,87,21,26,771	8,39,95,89,210
Long term provisions	7	29,30,03,934	28,35,24,380
		14,16,51,30,705	8,68,31,13,590
Current liabilities			
Short-term borrowings	6	99,00,00,000	78,00,00,000
Other current liabilities	8	11,51,01,23,877	8,31,19,17,102
Short-term provisions	7	4,29,37,676	3,47,68,157
		12,54,30,61,553	9,12,66,85,259
Total		32,67,20,91,049	20,23,62,84,494
II. Assets			
Non-current assets			
Fixed assets			
Tangible assets	9	9,96,07,036	5,19,70,119
Intangible assets	10	1,56,20,580	1,35,49,671
Deferred tax assets (net)	11	10,72,33,490	10,90,33,093
Long term loans and advances	12	8,56,75,04,530	4,73,61,65,637
Other non-current assets	13	84,64,17,629	88,59,10,681
		9,63,63,83,265	5,79,66,29,201
Current assets			
Cash and bank balances	14	5,73,87,29,688	3,04,51,25,182
Short-term loans and advances	12	16,87,04,84,485	11,11,20,77,662
Other current assets	13	42,64,93,611	28,24,52,449
		23,03,57,07,784	14,43,96,55,293
Total		32,67,20,91,049	20,23,62,84,494

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 Sanjay Kumar Agarwal

Partner

Membership No.: 060352

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

Satyajit Das

Chief Financial Officer

Place: Kolkata

Date: June 24, 2019

Place:Amsterdam

Date: June 21,2019



Annapurna Finance Private Limited (Formerly Annapurna Microfinance Private Limited) Cash Flow Statement for the year ended March 31, 2019

Particulars	March 31, 2019 (Rs.)	March 31, 2018 (Rs.)
A. Cash flow from operating activities		
Profit before tax	88,71,04,397	13,75,16,393
Adjustment to reconcile profit before tax to net cash flows		
Depreciation and amortisation expense	5,59,44,181	3,18,82,454
Provisions and write offs	14,53,43,258	-
Profit on sale of current investments	(4,86,04,731)	(9,10,00,939)
Management stock option compensation	5,35,60,024	1,23,80,750
Operating profit before working capital changes	1,09,33,47,129	58,21,10,153
Movements in working capital:		
Increase in other current and non-current assets	(15,33,32,245)	(2,45,37,768)
Increase in loans and advances	(9,49,75,57,864)	(5,71,84,46,993)
Increase / (decrease) in other long term liabilities, current liabilities and provisions	30,33,25,946	18,49,79,866
Cash generated from operations	(8,25,42,17,034)	(4,97,58,94,742)
Direct taxes paid	(34,77,47,844)	(11,88,62,948)
Net cash used in operating activities (A)	(8,60,19,64,878)	(5,09,47,57,690)
B. Cash flow from investing activities		
Purchase of fixed assets	(11,56,52,007)	(4,88,81,964)
Increase in fixed deposits (net)	(79,11,96,009)	(45,82,55,697)
Profit on sale of current investments	4,86,04,731	9,10,00,939
Net cash used in investing activities (B)	(85,82,43,285)	(41,61,36,723)
C. Cash flow from financing activities		
Proceeds from issuance of equity share capital	2,90,14,71,058	60,57,95,465
Proceeds from long-term and short-term borrowings	14,01,86,22,888	9,35,03,34,446
Repayment of long-term and short-term borrowings	(5,56,80,70,701)	(5,56,80,70,702)
Dividend paid on preference shares (including dividend distribution tax)	(8,31,868)	(20,76,209)
Net cash from financing activities (C)	11,35,11,91,377	4,38,59,83,000
Net increase in cash and cash equivalents (A + B + C)	1,89,09,83,214	(1,12,49,11,413)
Cash and cash equivalents at the beginning of the year	2,70,27,88,053	3,82,76,99,466
Cash and cash equivalents at the end of the year	4,59,37,71,267	2,70,27,88,053
Components of cash and cash equivalents:		
Balances with banks:		
on current accounts	2,42,32,03,683	2,51,84,47,910
deposit with original maturity of less than three months	2,15,35,13,195	18,00,00,000
Cash on hand	1,70,54,389	43,40,142
Total cash and cash equivalents (Note 14)	4,59,37,71,267	2,70,27,88,052

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 Sanjay Kumar Agarwal

Partner

Membership No.: 060352

Gobinda Chandra Pattanaik

Managing Director

Dibyajyoti Pattanaik

Director

Subrat Pradhan

Company Secretary

Satyajit Das

Chief Financial Officer

Place: Kolkata

Date: June 24, 2019

Place: Amsterdam

Date: June 21, 2019

Annapurna Finance Private Limited (Formerly Annapurna Microfinance Private Limited) Statement of Profit & Loss for the year ended March 31, 2019

	Notes	Year ended March 31, 2019 (Rs.)	Year ended March 31, 2018 (Rs.)
I. Income			
Revenue from operations	15	4,87,67,51,914	3,30,60,26,478
Other income	16	17,48,18,522	10,40,01,493
Total Income		5,05,15,70,436	3,41,00,27,971
II. Expenses			
Employee benefit expenses	17	1,30,50,21,117	76,86,59,797
Depreciation and amortisation expense	21	5,59,44,181	3,18,82,454
Finance costs	18	2,24,17,77,486	1,73,43,90,023
Provisions and write off	22	14,53,43,258	49,13,31,496
Other expenses	19	41,63,79,997	24,62,47,808
Total Expenses		4,16,44,66,039	3,27,25,11,578
Profit before tax		88,71,04,397	13,75,16,393
Tax expense			
- Current tax		30,29,18,842	9,66,02,217
- Deferred tax credit		17,99,603	(5,45,41,579)
Total tax expenses		30,47,18,445	4,20,60,638
Profit for the year		58,23,85,952	9,54,55,755
Earning per equity share (EPS)	25		
Basic		10.89	2.30
Diluted		9.68	2.07
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 Sanjay Kumar Agarwal

Partner

Membership No.: 060352

Gobinda Chandra Pattanaik

Managing Director

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Chief Financial Officer

Place: Kolkata

Date: June 24, 2019

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ANNAPURNA
FINANCE
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