



**ANNAPURNA**  
FINANCE  
GROWING TOGETHER



**ANNUAL REPORT**  
**2022**





# ANNUAL REPORT

2022



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## Message from Chairman cum Managing Director

Dear Readers,

Greetings!

Happy to present you the annual report of Annapurna finance for the year 2021-22. The pandemic that left us shattered, wounded and the world have experienced a disaster unparalleled to the history of human civilization. This left us a different world that we know before the pandemic. This disaster impacted all of us but particularly our clients at the bottom of the pyramid. This already economically vulnerable community is even more vulnerable today however they again proved their resilience to face these challenges and adapt to a new lifestyle and livelihood. We at Annapurna believe that this will be a lost opportunity if this pandemic is not used to reimagine a better world for your clients. You will see some of these changes now and in the near future.

This strengthened our belief in financial inclusion at the bottom of the pyramid and their ability to move out of the poverty cycle. Our responsibility has grown many folds as we must now look much beyond financial inclusion. We have started a project with SIDBI and OSAFFI to strengthen 12000 women entrepreneurs with end-to-end support.

Digitization is the new norm of financial services as the data analytics, Machine Learning (ML) and Artificial Intelligence (AI) based effective decision making and risk management is becoming an essential part of the system and Annapurna is already ahead of the curve in this direction.

There can't be apt timing from RBI to bring in a change in the guideline and harmonize it with providing a level playing field for all the Regulated Entities. This client centric guideline will redefine the way microfinance is done in this country and the JLG methodology will move from a business sourcing model to an under-writing focus process. Predictable risk modeling along with strong ML based underwriting will help Annapurna build a more appropriate product and with end-to-end digital process will bring efficiency and timeliness to the clients. Our just in time loan product is a demonstration of our capacities towards a client centric product line.

We are being a development finance institution committed to sustainable development goals. As an initiative of climate action, we launched a solar rooftop loan product for MSMEs. Our objective is to finance green energy production and contribute to reduction in CO2 emission in the atmosphere. Our small step towards making the world a better place.

Dear readers, you will also be happy to know that this year we at Annapurna introduced Diversity and inclusion as part of our HR practice. We at Annapurna believe that true inclusion can be achieved only when diversity among the team must be acknowledged and respected.

We are determined to give a best inclusive environment for our young talents to pursue excellence with innovation to bring solutions for the challenges our clients face and make their lives better and prosper. I would like to congratulate my human resource team for constantly working for an inclusive work environment. Our MSME vertical is reaching out to small businesses across India and as we have promised we are helping these missing middle segments through this dedicated vertical. We will keep growing this vertical and bring more product lines in future.

Let me take this opportunity to thank my entire team, for continuously focusing on our client centric approach and keep innovating products, processes and developing cross cutting technology to help our clients bettering their business and livelihood.

Let me extend my sincere gratitude to all my lenders, bankers for their continuous support throughout all the difficult times and believing in our ability to serve the clients to the best. To my shareholders and fellow Board members for putting your trust in me and my team. Let me also welcome our new shareholders ACCION, Encourage Capital, Proparco and DEG. Thank you to our advisors, auditors, consultants, well-wishers for believing in us and helping Annapurna in this challenging time. Thank you all for your continuous patronage.

I am extremely grateful to Almighty for his continuous blessing on us and the mankind.

With regards and love  
Gobinda Chandra Pattanaik





## Board of Directors



**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 18 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. His experience and expertise played a crucial role in the transformation of mission Annapurna to Annapurna Finance Private Limited, which under his guidance and leadership is now one of the top MFIs in India. He was the Vice President of MFIN (Microfinance Institutions Network), where he contributed to the overall issues pertaining to the financial inclusion sector. He also serves as the President of OSAFII (Orissa Association of Financial Inclusion), and is actively involved in 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.

**Mr. Gobinda Chandra Pattanaik**

Managing Director

**Mr. Dibyajyoti Pattanaik**

Director

**Mr. Krishna Kumar Tiwary**

Independent Director

**Mr. Sean Leslie Nossel**

Independent Director

**Mr. Ashok Ranjan Samal**

Independent Director

**Ms. Christina Stefanie Juhasz**

Nominee Director, WWB

**Mr. Prakash Kumar**

Nominee Director, SIDBI

**Mr. Sunit Vasant Joshi**

Nominee Director, ADB

**Mr. Venkiteswaran M.R.**

Nominee Director, OIKOCREDIT

**Mrs. Radhika Jayant Shroff**

Nominee Director, NUVEEN

**Mr. R.V. Dilip Kumar**

Nominee Director, SVCL

**Mr. Abhishek Agrawal**

Nominee Director, ACCION & DEG

**Mr. Guillaume Accarain**

Nominee Director, BIO

**Mr. Pushkar Jauhari**

Nominee Director, OIJIF





## About Us

Annapurna Finance is one of the leading microfinance organizations, founded with the primary objective of empowering rural women through microcredit services pan India. Having a mission of reaching the unreached, and serving the unserved, underprivileged and marginalized communities, the organization ideates to be the one-stop destination for needy people having small pursuits of leading a financially independent life. With the client-centric approach, the organization has not only grown in terms of customer acquisition and portfolio size over the last decades, but has also diversified its product and service offerings by broadening its scope to small, medium, and large enterprises.

Starting its journey from Odisha, Annapurna Finance is known as one of the fastest growing NBFC-MFIs, having its operation expanded to 20 states catering to more than 2.3 million clients, and standing at a portfolio of 6553.4Cr across 984 branches. Bringing a positive impact on social norms and challenges being faced by poor people has always been Annapurna Finance's top concern. Considering the realities, the organization has carried out various CSR activities in thematic areas such as healthcare, sports, education and learning, water and sanitation, and gender sensitization.

After accepting the challenges put forth by the pandemic, Annapurna Finance is now expanding its operations to urban areas, implementing technological advantages to the core areas of the business, and taking initiatives in creating the best products and services for the customers and employees. Keeping in alignment with the sustainable developmental goals, the organization is steadily moving toward digital interventions aspiring to contribute exceptionally to the financial ecosystem by designing environmental-friendly products like Rooftop Solar, and Just-in-Time emergency loan services.



# BUSINESS IN ANNAPURNA FINANCE



## KEY FACTORS

- Socially Responsible
- Customer Centric Approach
- Need-based Products
- Credit Support to Rural Women
- Opportunities for Entrepreneurs
- Financial Inclusion of low-income households
- Awareness on Education, Health and Sanitation
- Empowerment of Women
- Digital and Financial Literacy
- Technological Advancements
- Favourable work environment
- Transparency in Services



## VALUE PROPOSITION

### Honesty & Ethics

- Transparent Procedures, Unique Practices and Responsibilities
- Equal and Fair Opportunities
- Zero Tolerance Policies for Harassment

### Service Plus Approach

- Serving Clients during Emergencies by Providing basic Necessities such as Food, Medicine and Shelter- Covid-19, Natural Disasters
- Accepting Challenges to Grow Together

### Innovation & Growth

- Leveraging and Implementation of New Technologies
- Digital Intervention



## KEY PROCESSES

### Presence

- Across Pan India
- Total States and Branches
- No. of Clients
- Portfolio Outstanding

### Human Connect

- Young Workforce
- Employee Retention
- Transparent and Gender Sensitive HR Policies
- Employer Branding

### Social Performance Management

- Gender Sensitization and Mainstreaming
- Financial and Digital Literacy Training
- Customer Satisfaction Surveys and Socio Economic Impact Assessment

### Cutting Edge Development

- Risk Management and Governance
- User-friendly Technological Infrastructure
- Reduction in TAT
- Emergency Loan Service(JIT)-POS and TAT
- Customer Engagement

- Technological Initiatives
  - Cashless EMI Collection
  - Secure and Easy financial Transaction Platforms
  - Credit Decision Engine
  - UPI Recurring Mandate
  - GIS Intigration

### CSR Activity

- Medical Unit for Underprivileged Areas
- TV Programme on Women Empowerment
- Child Development
- Artisan Cluster Development
- Disaster Response

### Innovation towards a Change

- Just-in-Time Loan
- Fintech Application
- Rooftop Solar Loan

### Periodicals

- Weekly Newsletter
- Achiever's Magazine
- GIS Times

### Awards and Recognition

- The Economic Times Best Organisations for Women 2021 powered by Femina
- The Economic Times Best BFSI Brands 2022
- The Economic Times Most Inspiring CEOs 2021
- Great People Manager Award 2021
- 29th Rank in Great Place to Work



## RESULTS

### Presence

- Across 20 states
- 2.3 Mn Clients
- ₹ 6553 Cr POS
- 984 Branches
- 346 Districts

### Human

- 8559 Employees
- 99% Female Clients
- 828 Women Employees

### Social Performance

- Total CSR Spend - ₹ 1.26Cr

### Technology

- Cashless Collection
- JIT Loan for emergencies
- New HRMS

### Product Basket

- Individual Products like MSME Loan, SWASTH Loan, HIL, Dairy Loan

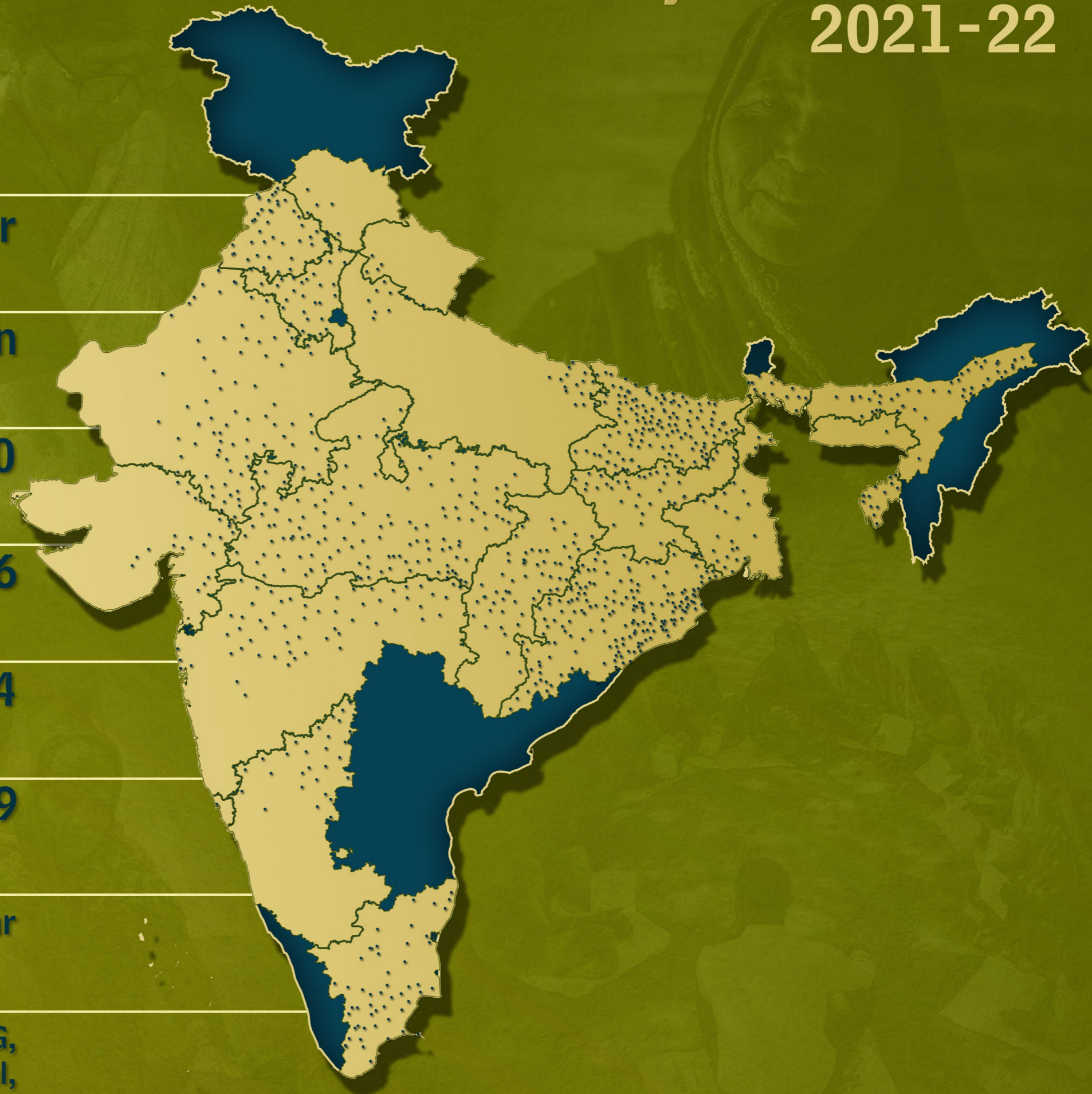


# SUSTAINABLE OPERATIONAL FRAMEWORK





# Highlights 2021-22



-  Gross Loan Portfolio  
**₹ 6553 Cr**
-  No. of Clients  
**2.3 Mn**
-  No. of States  
**20**
-  No. of Districts  
**346**
-  No. of Branches  
**984**
-  No. of Employees  
**8559**
-  New Products  
**JIT, Rooftop Solar**
-  Equity Deals  
**Proparco, Nuveen, DEG,  
Encourage Capital,  
Accion and Oikocredit**



## AWARDS AND RECOGNITION 2021-22

Being a pioneer in the microfinance industry since last fifteen years, we are honoured to be recognized for our accomplishments as a responsible company and a great employer. We are very much proud to be acknowledged for our financial performances, brand value and reputation within and across industries. As a financial service provider, we aim to be an employer of choice for the India's most innovative people. Our position as a partner to many of India's and World's leading businesses and organizations-and as the workplace of 8559 people across the country-affords us both amazing opportunities and creative learning abilities to create a difference in the society. Annapurna Finance believes in creating 360° value for all the stakeholders, funders, and employees as well.



The Economic Times Best BFSI Brands Award 2021



The Economic Times Most Inspiring CEOs 2021 to Mr. Gobinda Chandra Pattanaik, MD, AFPL



The Economic Times Best Organisations for Women 2021 and powered by Femina



India's Most Admirable Brand by The Brand Story, 2021



Mr. Gobinda Chandra Pattanaik, MD and Mr. Dibyajyoti Pattanaik, Director featured at Forbes India's 100 Great People Manager 2021 by the Great Manager Institute



29th rank in 2021 Great Place to Work list of companies



Our Director was recognized as India's Top Mind at the Indian Brand and Leadership Conclave 2022 organized by The Brand Story



Best Water and Sanitation Model in NBFC-MFI powered by ISC-FICCI







GROWTH FINANCIAL INSTITUTIONS

NBFC



FINANCE

FUND

MFI



OPERATION

# Finance & Operation





### A Brief Discussion On Covid-19 & its Impact On MFI

In the last two years, the entire economy has seen a significant shift in socio-economic behaviour, requiring the entire ecosystem to adapt for long-term sustainability. The fiscal year 2021-22 was a year of recovery for the entire economy following the negative effects of the Covid-19 pandemic. The second and third waves of the pandemic posed numerous challenges to the Indian economy. Thanks to the successful implementation of the vaccination programme, the unwavering service of front-line warriors, fiscal and monetary policies, and stimulus measures implemented by the Reserve Bank of India, the central and state governments provided a much-needed cushion for the economy's stability.

To reduce the stress caused by the Covid-19 pandemic there has been timely intervention on the policy side from institution like RBI, department of financial services through means like providing moratorium, extending the emergency credit line guarantee scheme to provide credit to small and micro-organisation and infusing liquidity.

The economy bounced back again with the improvement in the general macro environment. The consumers became resilient by reinitiating the income generation activity, which helped in increasing the household income & consumer spending. The economic recovery continued its trajectory to make a complete V-Curve to reach its pre Covid-19 level. The festive season has given an additional cushion to the economy to revive with recovery in tax collection.

NBFC-MFIs have played a prominent role in stabilising financial ecosystem with timely delivery of credit to the bottom of the pyramid. They have reached the backward, underserved section of the society by doing financial inclusion to those who do not have access to easy financial credit. The streamlining of the lending processes with a focus on digitisation has made the sector more efficient. The policy intervention of the government is strengthening the governance and increasing the systemic importance of the sector.

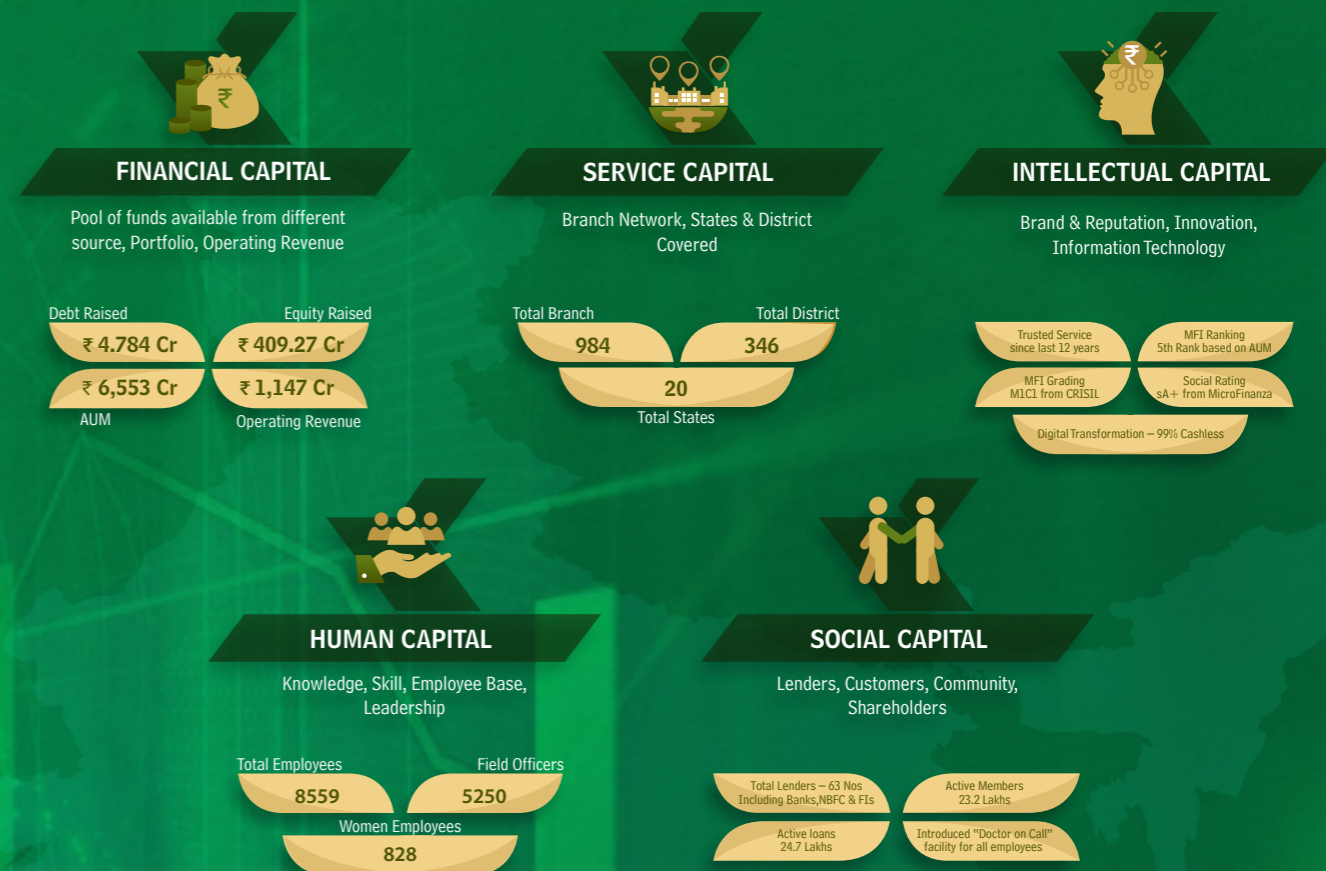
The pandemic has been one of the black swan events, which had caught everybody off guard and its impact was felt across the financial ecosystem. There has been a major decline in disbursement across the sector. However, the short-term liquidity measure like targeted long-term repo operation, partial credit guarantee scheme kept the sector afloat. The total AUM of the NBFC-MFI for FY 20-21 stood at ₹ 2,59,377 Cr and has grown by 10 % in FY 21-22 to ₹ 2,85,441 Cr. The disbursement for FY 21-22 stood at ₹ 2,39,433 Cr which grew by 27.04% from ₹ 1,88,471 Cr in FY 20-21.

### Company's Vision towards an overall Growth

The country's growth can only be accelerated by tapping the untapped community of society, making a difference by helping them to achieve their entrepreneurial dream. Annapurna Finance has been instrumental in empowering the tribal, rural, semi-rural, semi-urban and sub-urban society of our country by introducing them to financial inclusion.

In the year 2009, Annapurna Finance was set up with a vision to augment the income of the women clients from tribal, rural, semi-rural, semi-urban and sub-urban areas through the credit delivery. The journey started with the mission of serving the aspiration of an underserved and unserved population. The company provides a platform for many aspiring entrepreneurs to bring prosperity and social status thereby helping and uplifting their lives. It always aims at putting the customer at the centre by providing financial literacy training. The organization creates value by providing products and services as per the customer requirement and aims to do so in a way that fits well into their lives. In the last 11 years, Annapurna Finance has been able to deploy more than ₹ 12000 Cr to more than ~2.3 mn clients with an impeccable record, comprising 99% women.

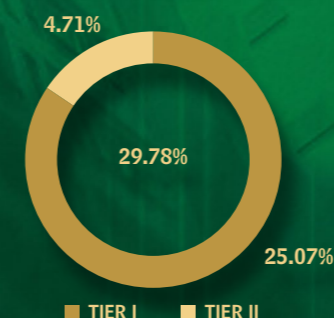
## Value Creation at Annapurna



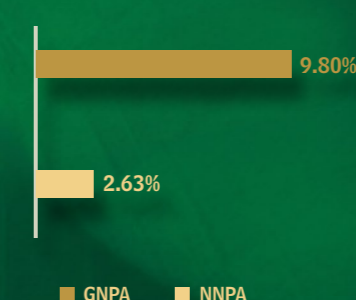
## Key Financial Highlights (FY 2022)



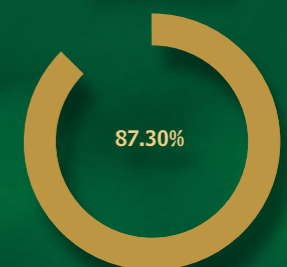
### Capital Adequacy Ratio



### Net NPA (Own Book)

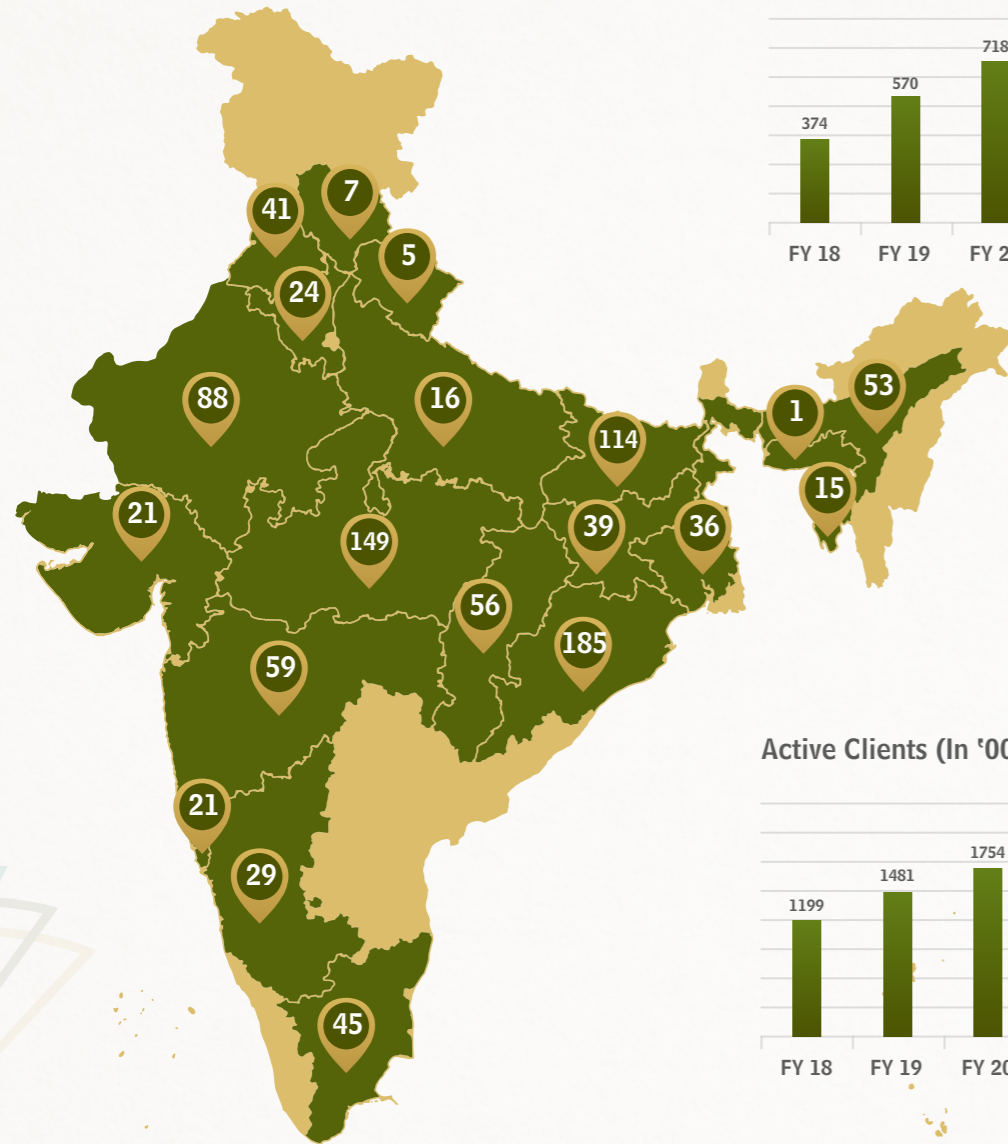


### Provision Coverage Ratio (Own Book)

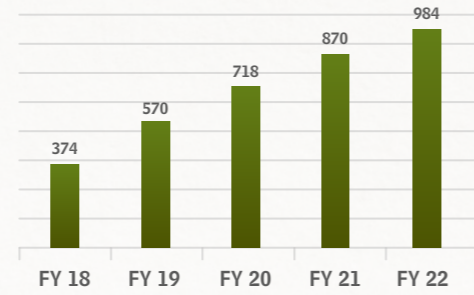




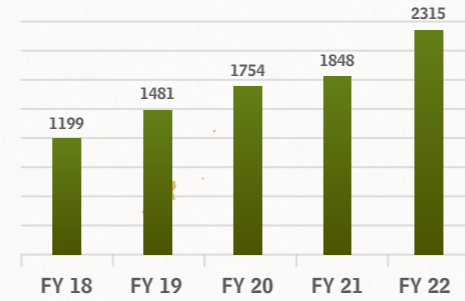
PAN India Presence



Branches



Active Clients (In '000)



Note - Nos showing state wise count of branches as on FY22

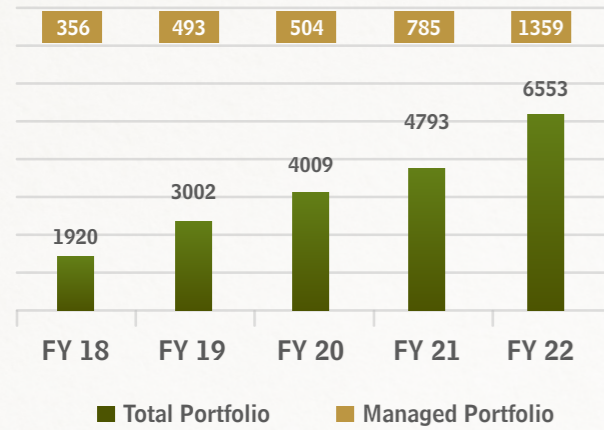
Particulars	East	West	North	South	Total
AUM (In Crs)	3502	1921	859	271	6553
Branch	499	230	181	74	984
Employee	4,700	2,655	716	488	8559

Annapurna Finance started its operation from the eastern part of India, but with agility and adaptability, the company expanded its geographical coverage across India to become a pan India player. As on March 22, it has a network of 984 branches in 20 states, and serving in more than 25 lakhs borrowers with AUM of ₹ 6553 Cr.

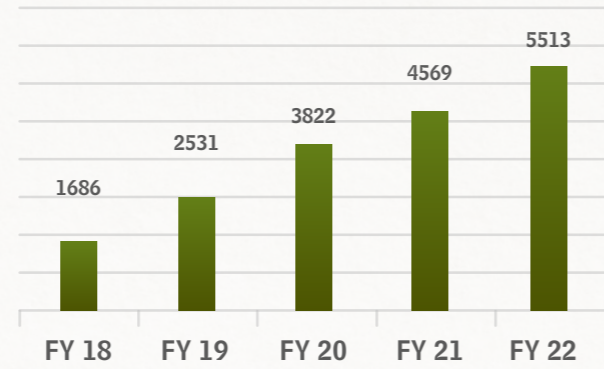




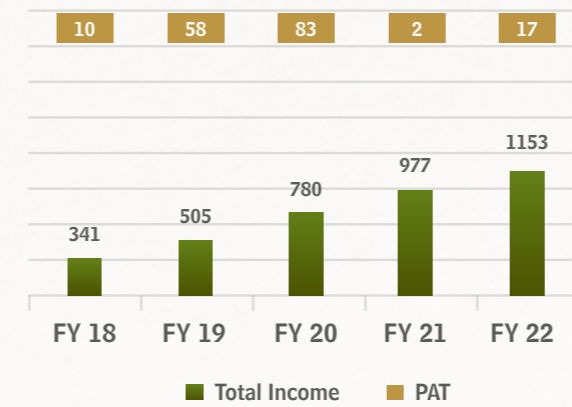
### Total Portfolio & Managed Portfolio (In Cr)



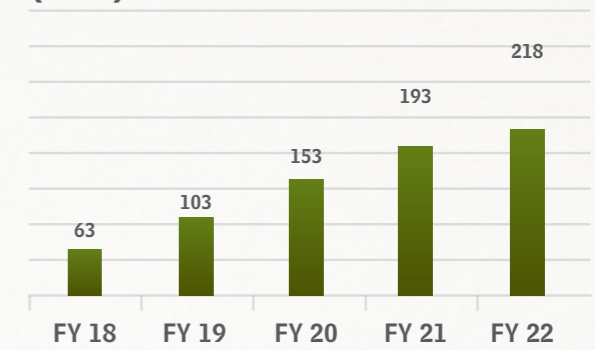
### Borrowings Outstanding (In Cr)



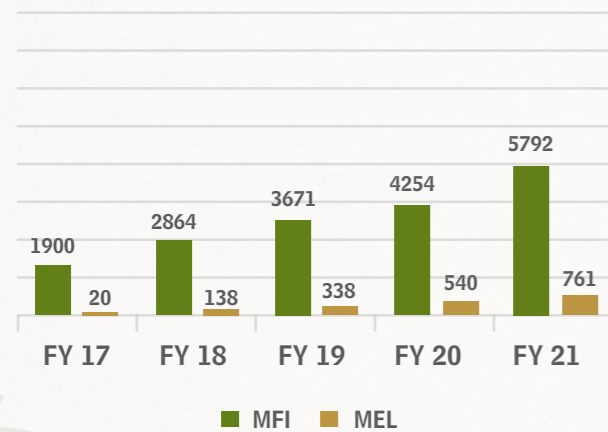
### Total Income & PAT (In Cr)



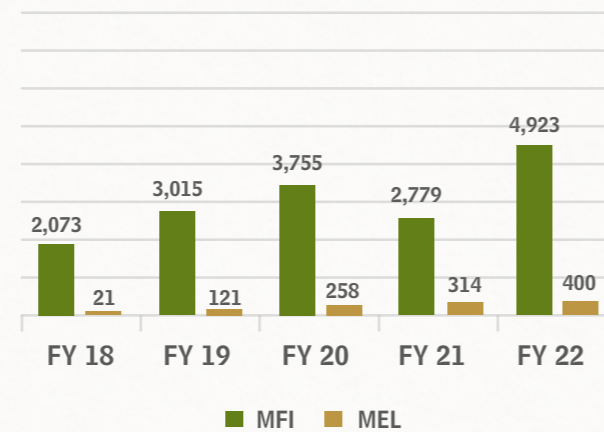
### Pre-Provisioning Operating Profit (In Cr)



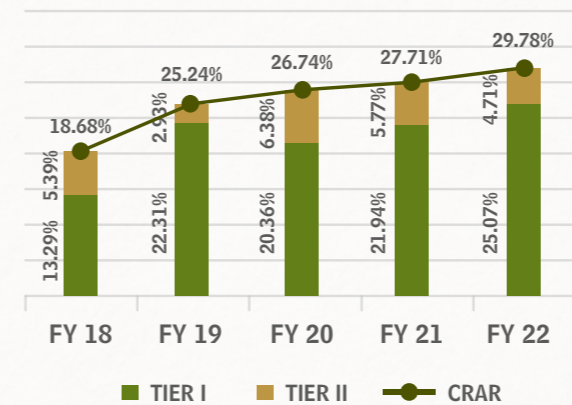
### Gross Loan Book Segment Wise (In Cr)



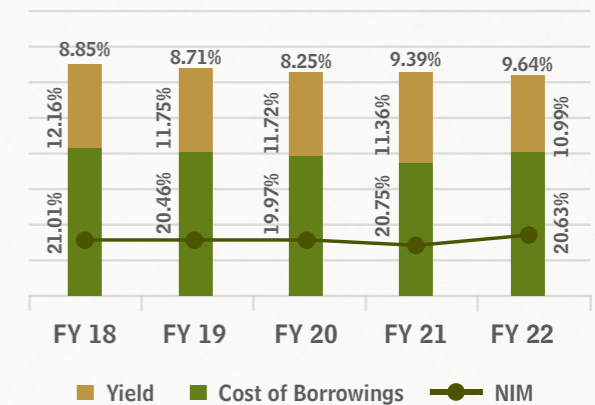
### Gross Disbursement Segment Wise (In Cr)



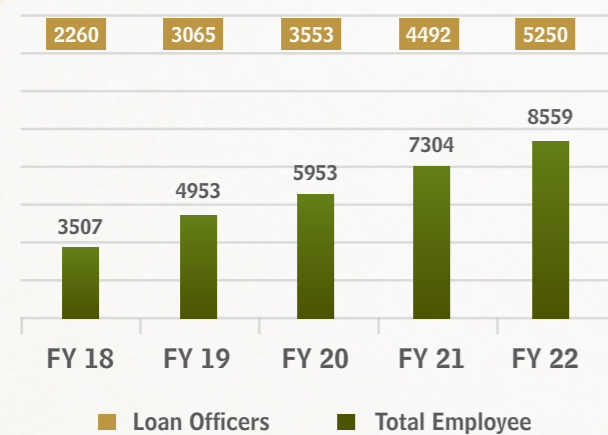
### Capital Adequacy (In %)



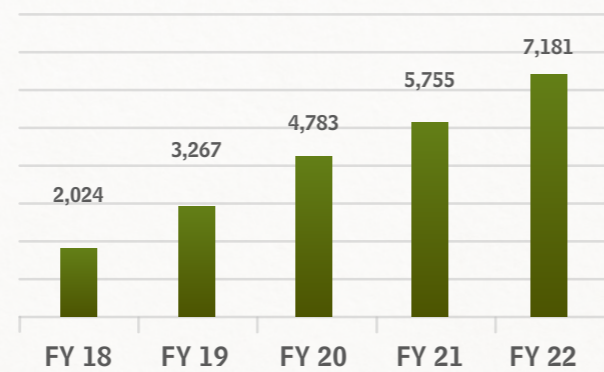
### Yield, COB & NIM (In %)



### Total Employees & Loan Officers



### Total Asset (In Cr)



The organization has grown its portfolio by CAGR 36% in the last 5 years. Last year, Annapurna Finance grew by ~37% with microfinance portfolio amounting to ₹ 5,792 Cr and micro enterprise loan vertical amounting to ₹ 761 Cr. It has disbursed INR 5,323 Cr in FY 22 in comparison to ₹ 3,093 Cr in FY 21.

Annapurna Finance recorded revenue of ₹ 1153 Cr in FY 22 which shows 18.01% growth from the previous financial year. Annapurna Finance recorded PAT of ₹ 17.13 Cr in FY 22. The company had achieved a pre provisioning profit before tax of ₹ 218 Cr in FY22 as against the pre provisioning profit before tax of ₹ 193 Cr in FY21.

As an NBFC- MFI, RBI directs the company to maintain a minimum capital to risk weighted assets ratio ("CRAR") consisting of Tier I and Tier II capital at 15% of the aggregate risk weighted assets. Annapurna Finance endeavours to maintain its CRAR higher than the mandated regulatory norm.

During FY 22, company raised fresh capital of ₹ 259.27 Crore in the form of Compulsorily Convertible Preference Shares (CCPS) through private placement to meet its business requirement as per its business plan and to augment the growth of company. The Company has also raised ₹ 150 Crore in the form of Compulsorily Convertible

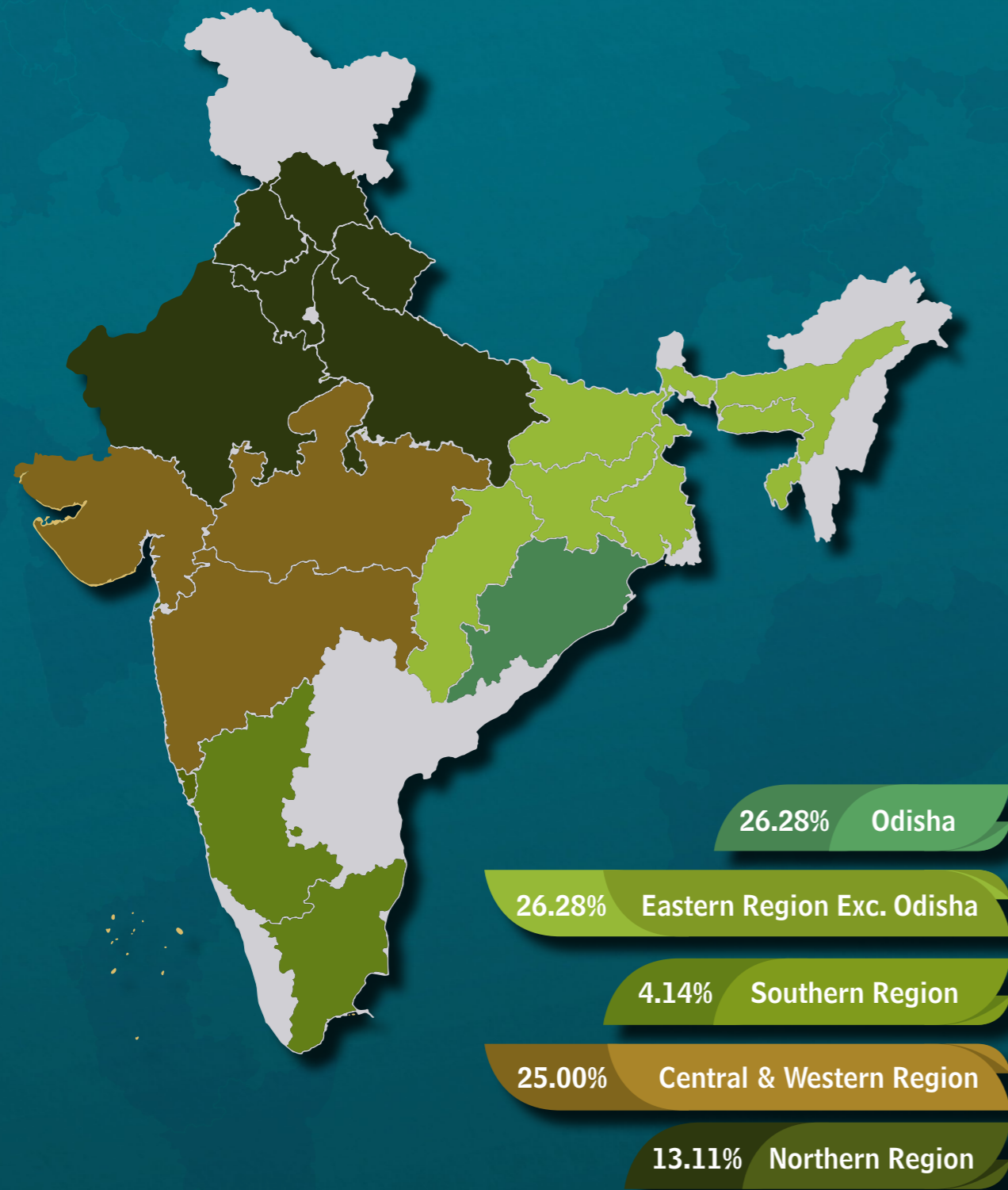
Debentures (CCD). The Tier I capital including CCPS of Annapurna Finance became stronger at ₹ 1,432 Crore as of March 31, 2022. This helped the organization to boost the CRAR well above the regulatory limit throughout the year.

The cost of borrowings for FY 21-22 stands at 10.99% as compared to 11.36% in FY 20-21. The lowered cost of borrowings is attributed to the reduction in the MCLR of the banks after repo rates cuts by the RBI. The benefits of lower cost of borrowing were in turn passed on to end-customers.





### Regional Portfolio Concentration



Annapurna Finance has started its operation from East India and has diversified its operation to become a pan India player. The organization expanded from 14 states in FY 18 to 20 states in FY 22. The branches have been increased from 374 in FY 18 to 984 branches in FY 22. The management's continuous effort in reducing the geographical risk diversification helped reduce the exposure of Odisha. The portfolio concentration of Odisha has been reduced by 21.00% in last 5 years and today stands at 26.28% and going forward it aims to bring it down to 25% and maintain a single state exposure of not more than 20%.

### Fund Raised FY 22



During FY 21-22, Annapurna Finance has successfully raised ₹ 4,783.78 Cr of funds through term loans, NCDs, ECB, Sub-Debt and Direct Assignments. It has raised the funds from the lenders such as State Bank of India, ICICI Bank, IDBI Bank, RBL Bank, Indian Bank, DCB Bank, Axis Bank, NABARD, UCO Bank, Bandhan Bank etc. Further, the organization also successfully established new relationships with debt partners such as Aditya Birla Finance Ltd., Bank of Maharashtra, Karnataka Bank, Kookmin Bank, Piramal Capital & Housing Finance Limited.

Annapurna Finance has also executed Direct Assignment transaction of ₹ 1,298.78 Crore with State Bank of India, Indian Bank, Bank of Maharashtra, Axis Bank, Sundaram Home Finance Limited etc. in FY22. In FY 22, it has raised ₹ 227.79 Cr of funds through NCDs from foreign lenders like Global Access Fund, Blue Orchard, Symbiotics and responsAbility. The organization had raised funds of ₹ 172.00 Cr through Credit Guarantee Scheme for MFIs which was introduced by the Government of India for on lending to eligible small borrowers in the context of Covid -19 pandemic.

### Credit Rating & Grading of Annapurna

#### Rating

ICRA, CRISIL and CARE have reaffirmed the long-term credit rating to A-(Stable Outlook). The rating agencies have factored in the organization's demonstrated ability to scale up operations and stable asset quality performance. It has also factored in the company's experienced management team, strengthened risk management practices, improvement in capitalization profile, decent financial flexibility arising from an increased number of lenders, adequate liquidity and healthy profitability. The outlook on the long-term rating is stable.

#### Grading

CRISIL has assigned a Comprehensive Microfinance Grading of 'MIC1' to the company on 13th of May 2022. It is the highest notch of certification. Grading has been assigned on an eight-point scale with respect to Microfinance Capacity Assessment Grading. It has been assigned on Annapurna Finance's ability to manage its microfinance operations in a scalable and sustainable manner and good performance on code of conduct dimensions.

#### Other Certification

Annapurna Finance has been certified by the MicroFinanza Rating under the Smart Campaign (Client Protection Certification). The company follows client protection principles - responsible pricing, transparency, prevention of over-indebtedness, appropriate product design and delivery, fair and respectful treatment of clients and privacy of client data.

MicroFinanza Rating has assigned the company a social grading of sA+ for its good social performance management, client protection systems and social responsibility, outreach and quality of the services. The social grading scale is a six-point scale in which sAA being the highest grade and sD being the lowest Grade.

### Clientele Insurance & Claim Status

Annapurna Finance has tied up with India First Life Insurance, HDFC Life Insurance, ICICI Prudential Life Insurance & Kotak Life Insurance for Group Term Life Insurance. This safeguards the interest of both the parties as in case of the 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 financial support in the times of worry and safeguarded against indebtedness.

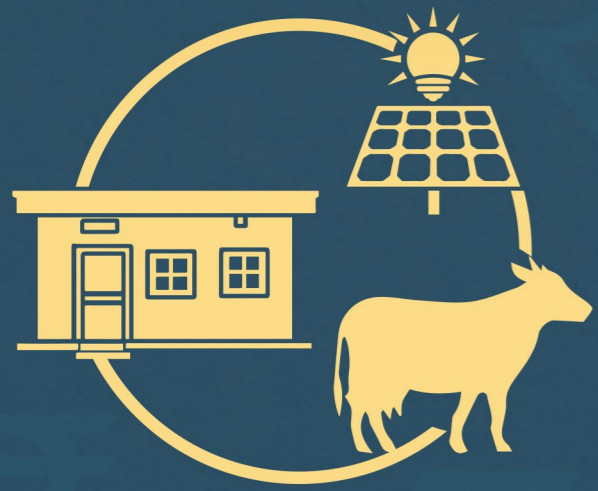


### Debt Listing Details

Type of Securities	Listed Non-convertible debentures (F Group Debt instrument listed with BSE Limited)
Name and address of Stock Exchange	1. BSE Limited, Department of Corporate Services, 1st 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), Windsor, 6th Floor, Office No. 604, C.S.T. Road, Kalina, Santacruz (East), Mumbai – 400098.
Name and address of Depository	1. National Securities Depository Limited (NSDL), 4 Floor, 'A' Wing, Trade World, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai - 400 013  2. Central Depository Services (India) Limited (CDSL), Phiroze Jeejeebhoy Towers, 16th Floor, Dalal Street, Fort, Mumbai - 400 001
Name and address of Rating Agency	1. ICRA Limited FMC Fortuna, A-10 & A-11, 3rd Floor, 234/3A, A.J.C. Bose Road, Kolkata—700020  2. CRISIL Limited CRISIL House, Central Avenue, Hiranandani Business Park, Powai, Mumbai – 400076  3. CARE Limited Godrej Coliseum, 4th Floor, Somaiya Hosp Road, Off Exp Highway, Sion (E), Mumbai, Maharashtra -400022, India.
Name and address of Registrars and Transfer Agents	1. NSDL Database Management Limited +4th Floor, Trade World A Wing, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai – 400 013







MSSME ₹ SOLAR



SWATH

# Business

PRODUCT

JIT

DAIRY



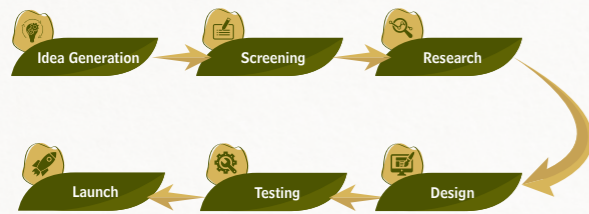
BUSINESS



## PRODUCTS & SERVICES

Annapurna Finance, with its holistic and client-centric approaches, has grown in terms of customer acquisition and portfolio size over the last decade and increased the need-based products and service. Despite the challenging environment brought about by the COVID-19 pandemic, Annapurna Finance successfully delivered fine-tuned products by constantly evaluating the impacts of the lockdowns on small income-generating activities. The financial year 2022 has been a successful year for the company, as it adapted to the evolving business scenario, with the Product Development team continuously innovating and designing products with go-to-market agility.

### Product Development Process



The Product Development department is responsible for translating customer needs into a well-designed offering through a detailed market survey and feasibility analysis. The designed products are then piloted to understand their viability and business potential. In a nutshell, the department is the brain behind all the solutions the organization offers its target customers, from idea generation to product launch.

Among other distinct activities, the department often establishes market needs, performs competitor research, pilots and validates an opportunity, develops a testing roadmap, and designs a minimal viable product.

### Existing Products

Annapurna Finance aims to provide financial assistance for economic empowerment by offering tailor-made, need-based products to cater to every life cycle needs of the clients. Its objective is also to form and endorse Self Help Groups (SHGs)/Joint Liability Groups (JLGs) for the marginalized section of the society. Through economic activities, they uplift their lives by improving their socio-economic status. The organization prioritizes women, involves them directly in production and income generation activities through SHGs/JLGs, and provides them access to finance so that opportunities are created for them for additional income. Annapurna Finance provides technical assistance to the poor to become self-reliant by accruing and building corpus through savings from their improved income. The company has also introduced various customized products for its clients and large-size individual loans to help the MSME segment financially.

### Group Loan

Annapurna Finance primarily provides loan services through the JLG/SHG model; the social collateral or the peer pressure among the group members ensures healthy credit discipline. These income generation loans are smaller ticket loans at a lower interest rate for a shorter duration. These loans help the women to expand their existing businesses or take up new livelihood activities and assist them in developing other income streams.



### DAIRY DEVELOPMENT LOAN

The dairy business is an important agri-allied activity, also considered a poverty-alleviation tool in Annapurna Finance's operating areas for securing a steady household income.

Annapurna Finance introduced the Dairy Development Loan in 2015. Through this loan, the company not only enables the purchase of livestock but also finances the building of a livestock shed and mitigates the risk of cattle death through cattle insurance.





### Safe Water and Sanitation to Households (SWASTH)

As per the World Health Organization 2021 report, nearly 1 million people die due to unsafe drinking water and hygiene-related issues every year. Addressing rural India's water and sanitation needs, the SWASTH Loan was launched in 2014. It aims to provide safe sanitation and clean water facilities through low-cost loans for significant household sanitation assets and infrastructure. Additionally, various sensitization activities and training are conducted among all the stakeholders to bring awareness at the community level regarding safe water and sanitation practices.



### Home Improvement Loan

A house provides a sense of financial security and belonging. A Lack of fund mobilization, accessible credit source, and lack of structured documents are few of the key obstacles influencing affordable housing. Annapurna Finance noticed the existing challenges and launched the Home Improvement Loan to strengthen the social status of low-income households, resulting in increased social inclusion. The Home Improvement Loan is a short-term loan that enables customers to upgrade/renovate their current homes, which allows them a higher level of life and safeguards their privacy, ensuring their safety and welfare. This loan enables clients to accumulate personal assets, thereby increasing the value of their financial position.



### Consumer Durable Loan

Consumer Durable Loans help the customer to pay for the product with small EMIs over a period of time. It is an innovative idea to reduce the burden of customers and enable them to buy appliances at any point in time.

Through Consumer Durable Loan, the company grants credit to its clientele and enables them to possess goods for everyday use. With this loan, the company aims not only to cover the livelihood-related financial needs of the clients but also to enable better lifestyle planning. Thus, to meet the growing need for consumer durables and home appliances in rural and semi-urban areas and to fulfill the clients' expanding ambitions, the firm launched this product in 2017. The product specifications of the Consumer Durable Loan are as follows:



### PMSVANidhi Loan

The PMSVANidhi is a special microcredit facility scheme launched under the initiative of PM Street Vendor's AtmaNirbhar Nidhi, introduced by the Ministry of Housing and Urban Affairs, Government of India, for providing affordable loans to street vendors. The scheme enabled the street vendors to resume their livelihoods adversely affected by the COVID-19 lockdown. Annapurna Finance recognizes the significance of the urban informal economy and its role in ensuring the availability of essential goods and services to people. In order to provide a safety net to street vendors amidst the pandemic, the organization facilitated the PM SVANidhi Loan of up to ₹10,000 for a tenure of 12 months to provide a working capital credit facility to the street vendors without any collateral. In line with the government's mission and the broader objective of financial inclusion, Annapurna Finance launched this product to enable street vendors to resume their livelihoods, which have been hit hard due to the nationwide lockdown, by providing them with the much-needed liquidity. Through the implementation of this product, the company also aims to incentivize regular digital transactions among street vendors. This will allow the vendors to build their credit history and enter the formal banking ecosystem.



### Samarth Loan

Designed to empower those who are often overlooked by formal financial institutions and society as a whole. It was ideated as a stepping stone to mitigate marginalization and financial exclusion. Samarth Loan was established to give financial access to the vulnerable sections which are excluded, persons with differently abled, transgender people, single mothers, widowed, unmarried women, and leprosy-affected communities. Introduced in 2016 for these communities, the organization hopes to go above and beyond standard lending facilities, recognizing the value of financial independence as a stepping stone in society. Through this product, Annapurna Finance offers a full suite of quality financial services, in a convenient manner and with dignity, to its clients.



### Just-in-Time (JIT) Loan

A JIT loan is a pre-approved emergency loan product that allows a customer to get the loan within 2 hours after initiating a disbursement request. The product's USP is that the entire process, from the request to the disbursement in the bank account, takes place digitally, without any manual interaction. The credit facility, as the name implies, is a short-term loan designed to help consumers who are experiencing cash flow problems. The loan is arranged through a digital lending platform. The 'immediate' loan offers consumers funds in their bank accounts without requiring them to go through any bureaucratic procedures or paperwork.



### Way Forward

The role of microfinance has been crucial in driving financial inclusion in the country. Going ahead, there are opportunities for microfinance institutions to grow through credit along with products to cater to customers' needs at an optimal cost. With all this and so much more at its core, the Product Development department at Annapurna Finance is toiling to develop cutting-edge products that are in the best interest of the customers and the nation.





**MSME**

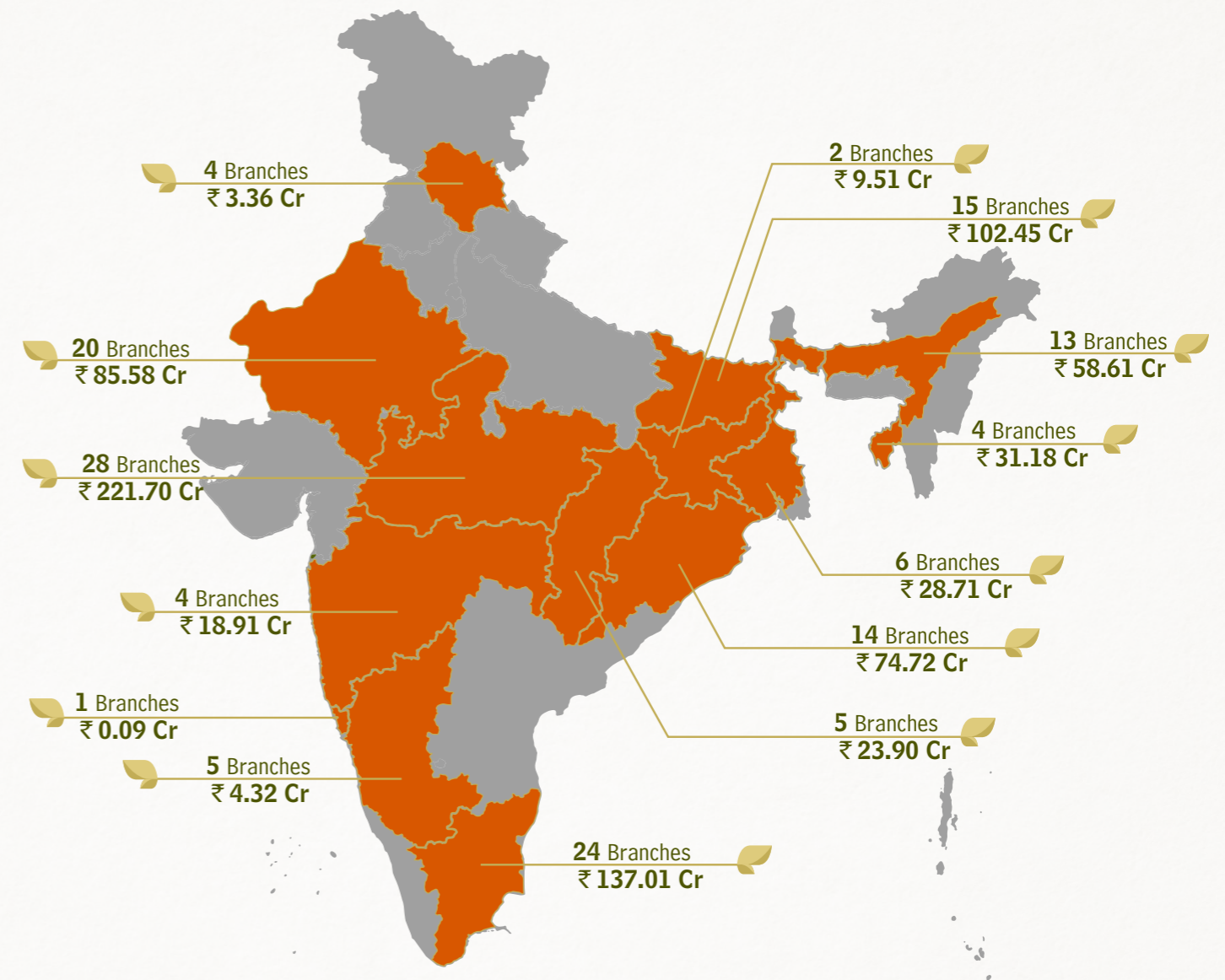
The Micro, Small, and Medium Enterprises (MSMEs) sector has contributed immensely to India's economic and social development. The industry generates many employment opportunities at a low capital cost, second only to agriculture. Along with encouraging entrepreneurship, MSMEs serve as ancillary to large industries, expediting the country's industrial development process without seeking any significant capital investment. As a way for inclusive growth, MSMEs are essential to uplift the weaker sections of society. However, without a concerted effort by the government and financial institutions, these medium and small enterprises will be left struggling with the impact of the COVID-19 pandemic. With the economy being shut down for a long time, most businesses suffered a loss of revenue.

Indian MSMEs continue to proliferate to create a distinct presence in the global market. The nation and its people benefit profoundly from the strong MSME culture, and its contribution to the Indian economy has been well-documented. Rural development is paramount for India's standing in the global community. With around 50% of MSMEs operating in rural areas to generate 45% of the

total employment, they become an indispensable asset. Realising the sector's potential, the government has made various contributions in the form of financial support, policy reforms, technological advancement, and infrastructure development. As a result, more private enterprises have shown interest in facilitating the scalability and profitability of MSMEs.

Annapurna Finance has worked tirelessly since 2017 through its MSME division to provide efficient and affordable financial services. It has achieved a strategic geographical presence all over India and has a mission to help the country's under-penetrated segments, especially low to middle-income groups. Annapurna Finance has promoted technology and innovation in the MSME sector through its unique offerings, like 'Roof-Top Solar Loan.' The organization internally recognises the need to enable digitalisation and technological advancement in the complete loan life processes and such a system has been set up to ensure an enriching customer experience. Its comprehensive Loan Origination System (LOS) application is a testament to that. It simplifies the loan application process, helping them reach out to more small business owners.

State-wise Presence of Annapurna MSME Finance (at the end of FY22)



With a vision to uplift medium and small enterprises, the company plans to expand its network in the existing and new states to reach out to more such businesses. These enterprises can achieve their financial goals with Annapurna Finance by availing of a loan up to Rs 25 Lacs with a tenure of up to 15 years. They have added 27 new branches and two states to its MSME vertical in the last year and plan to continue expanding this network for ease of access to the Indian MSME landscape.

**The COVID Fallout**

Many MSMEs suffered as the Coronavirus pandemic virtually shut down the economy for two years. When SIDBI (Small Industries Development Bank of India) surveyed 1029

MSMEs to study the impact of this pandemic on Indian small businesses, 67% of the participants reported being temporarily shut for periods as long as three months. Dealing with steadily fixed costs is strenuous for MSMEs because of the constant decline in revenue. Although the survey data shows medium and small firms suffered a revenue loss of over 25% between 2020-2021, the accurate picture is far worse. Many sectors sustained a loss of as high as 75%, leading to a serious temporary damage to their business and livelihood. The impact this situation has on the national economy is inconceivable. MSMEs fall under informal and formal sectors, leaving an information gap on issues like job loss during this period.





## MSME Outreach



Annapurna Finance made it a mission to assist enterprises in such peril. While most institutions were conservative about supporting low and mid-income groups, they continued to strengthen the underwriting, collections processes, and systems to help the economically weaker sections of society. Despite pandemic challenges, their MSME portfolio witnessed an on-time collection efficiency of 97% and year-on-year growth of 36%.

Nine out of ten MSMEs rely heavily on informal sources of financing for term loans and working capital. Even when the formal lending market allows for loans at a lower interest rate, the lack of cover makes it difficult for MSMEs to utilise this opportunity. Relying on unsecured loans at a significantly high-interest rate leads to a vicious cycle of debt or interferes with profitability and scalability. Even in this challenging business environment, Annapurna Finance's loan portfolio grew from ₹ 560.13 Cr in 2021 to ₹ 800.05 Cr in 2022.

75% of these loans were secured loans (MSME Loans and Home Loans). Against all odds, Annapurna Finance has assisted over 25,000 micro and small business entrepreneurs in sustaining their business even during the COVID-19 crisis. Even with the persistent struggles during the first half of the year because of the pandemic, Annapurna Finance has disbursed loans worth ₹ 448.86 Cr compared to the ₹ 328.87 Cr it managed during the same time last year.

## Technology's Intervention

The COVID-19 pandemic served as a wake-up call for companies yet to realise the importance of digitalisation. A survey was conducted in 2020 to study the pandemic's impact on operations, which showcases that the MSMEs gradually understand the need to adopt new technologies for their growth endeavours. Of the 250 business owners surveyed,

54% had successfully reduced operating costs through digitalisation. In addition, 51% of respondents performed better against their competition by infusing new technologies and digital tools into their business model. With the help of government policies and businesses like Annapurna, MSMEs now have the opportunity to adopt new-age technologies with ease and without significant capital investments.

An important factor contributing to the success of Annapurna Finance's MSME division is a robust IT system that allows them to manage their operations efficiently. The organisation invested significantly in developing technology to ensure that its entire process, from onboarding to repayment of disbursed loans, is streamlined and easy to use.

Annapurna Finance's "Roof-Top Solar Loan" scheme has created a unique opportunity for MSMEs. The project has been designed to provide MSMEs easy access to renewable energy through solar loans up to a capacity of 40 KW. This loan helps off-grid and on-grid solar systems to generate and store electricity conveniently. The product is introduced to reduce the dependency of MSMEs on conventional fuel-based energy sources, optimising their energy cost and, at the same time, contributing to the bigger agenda of fighting global warming.

Though Annapurna Finance is funding MSMEs, the end use can be commercial and residential, depending on the specific use case. In addition, the loan tenure is strategically decided to keep the EMI amount at par with the regular electricity bill, so the customer feels no additional expense burden.

## Way Forward

The end of the COVID-19 pandemic led to significant developments in the MSME sector, with businesses adopting new technologies and strategies to remain competitive. Annapurna Finance has worked efficiently and tirelessly to support the MSMEs seeking finance to recover and survive post-pandemic. They are committed to continuously expanding their presence to bring financial services to the under-penetrated segments with low to the middle-income in rural, semi-urban & urban areas. With its vision to build strong financial support, Annapurna Finance is determined to expand the branch networks in the current operating states.

The company plans to invest strategically in technology and infrastructure to simplify the loan disbursement process for MSMEs even further. The digital loan process is expected to be more efficient, with a robust architectural foundation and a comprehensive credit scoring mechanism to identify risks and gaps. Financial assistance to foster technological development and digitalisation for small businesses will create an environment of growth by innovation for MSMEs. A critical component of this strategy is digital literacy. Annapurna Finance aims to continue partnering with MSMEs to help them better understand the technology and guide them through the changing waves.





HAPPINESS ₹ HUMAN



RESOURCE

ENGAGEMENT HR

HRMS



# People Engagement



PEOPLE



## HUMAN RESOURCE

The Human Resource Department (HR) of Annapurna Finance plays a pivotal role in bringing a positive culture to the organization. The department truly focuses on achieving strategic goals and is determined and committed to providing its employees with the best environment through the best human resources management practices. Employees are the biggest strength of an organization. The HR department always strives to develop an organizational culture that includes a high level of job satisfaction and security, reflected in the increased employee retention rate.

For the past two years, as the world battled the pandemic, it was the toughest and most challenging phase in putting the “humane” in HR. The various dynamics and challenges of this period perplexed HR regarding how to act and react in various situations faced by the employees and the organization.

During the pandemic time, HR emerged as a ray of hope in the darkness, listening, assisting, solving, and dealing with the crisis. HR stepped in as a helping hand to assist employees in all parts of their professional and personal lives. Employees and their families were given constant support for any problems or emergencies.

While HR centered on company success while dealing with the crisis, Annapurna Finance continued to grow and employ more people. HR is critical in managing an ever-growing workforce, improving business success, and advancing workforce administration. The HR department is the problem-solving arm of the organization, combining human ingenuity, experience, methods, and technological advancements to deliver sustained outcomes and build long-term trust. Without them, Annapurna finance would have struggled to stay afloat all these years.

The true focus of HR has always been on recruiting, training, motivating, and retaining the best. The department aspires to help Annapurna Finance achieve its strategic mission while ensuring employees are engaged and motivated to help the organization succeed. HR has targeted its operational initiatives to align with the strategic plan by initially identifying ways to leverage and develop technology as a means to minimize costs and improve internal efficiencies. This year, HR has digitalized its resources and staff to become an active consulting partner for organizational development.

### A New and Improved HRMS

The new HRMS version was launched with the goal of automating common and time-consuming HR procedures. The enhanced upgrades such as engagement tools through games and quizzes, pulse surveys, happiness index, performance management system, and other refinements were introduced in the new HRMS. The app is highly optimized and provides an excellent user experience. This has allowed the HR team to devote more time to achieving organizational objectives. The current desire for procedure breakthroughs and streamlining monotonous work activities is brought on by such innovation.

### Happiness Index

A happy employee ensures healthy productivity. This year, the ‘Happiness Index’ monitoring tool was introduced to analyze employee happiness in real-time. HR monitors the responses, makes follow-up calls to employees who filled out the happiness survey in the unsatisfied categories, listens to their concerns, and proposes solutions. The purpose of creating such a survey instrument was to discover the factors influencing employee happiness at work and to take concrete steps to improve employee happiness and satisfaction.

The good part is that out of 66435 responses of the employees, 92% believed that Annapurna Finance has a satisfactory workplace environment. The company provides them with a good environment to work in, with appropriate growth and commensurate benefits. About 8% of employees from the survey respondents had suggestions for improvements in various processes and felt involved in evolving the organization to become a dream company to work for. These statistics indicate that the company promotes an open door and an approachable culture, focusing on performance and a passion for success.

### Learning & Development—Engagement and Recognition

Learning never steps back at Annapurna! The HR team analyzes the learning employees’ needs, arranges various training sessions, and implements measures for evaluating learning effectiveness.

Training has specific goals of improving one’s capability and performance. The objective is to equip teams to deliver current business goals, prepare them for the changing requirements of future roles, and offer the opportunity for personal growth.

The HR team is focused on implanting a learning culture in the organization to create sustainable impact, use technology to create a range of learning opportunities accessible to its employees, and make associated resources available to develop learning.

Since Annapurna finance fosters the culture of innovation, technical upskilling training is conducted frequently. Over 10,000 employees were trained through more than 578 training sessions and workshops this year.

Here’s a lowdown on the various initiatives at the organization:

**Evening Bytes:** A 20-minute virtual meet and greet in the evening with training and HR professionals was introduced with the purpose to engage and educate employees about their benefits, rights, and welfare.

**Long-Term Service Awards:** The Long-Term Service Award event was held on Annapurna Finance’s Foundation Day as a token of acknowledgment, appreciation, and honoring employees who have been associated with the organization for more than ten years.

## Key HR Highlights, FY-22

**HUMAN CAPITAL**  
Strength soared by 24%  
4022 employees onboarded

**COVID RELIEF FUND**  
₹10,000 was given to over 900 employees as an aid

**COVID VACCINATION**  
100% of the staff vaccinated against Covid-19

**HELP TO THE DEPENDENT**  
Contribution of over ₹13.01 lakh was made to the dependents and family members of deceased employees under Sathi Suraksha Yojna

**COMPASSIONATE APPOINTMENT**  
Family members of 3 deceased employees were offered job at Annapurna Finance

**DIGITIZATION OF HRMS**  
Introduction of new HRMS for increasing efficiency of HR professionals by 92%

**FEMALE RECRUITMENT DRIVE**  
Special Female Recruitment Drives were organized during IWD2022

**VIRTUAL TRAINING**  
More than 900 employees were trained virtually

**Employee Benefits**  
More than ₹3.91 crores were spent on employee benefits



**Corporate Family Day:** Corporate Family Day is an event organized for the employees and their families through picnics, gatherings, celebrations, etc. It is an ideal situation for everyone to develop interpersonal relationships. It's all about everyone having a relaxing day with their families. (Photos of Family Day)

**Gamified Learning:** Introduction of micro-learning videos and gamification to productively engage employees and impart knowledge through making learning fun will go a long way in keeping employees engaged.

**Work-Life Balance: Health, Safety, and Well-being**

Annapurna Finance wants its employees to be excited about work and create a healthy work environment. The HR department creates a holistic environment for the employees that fosters employee engagement. HR plans monthly/quarterly engagement programs for all colleagues to ensure this. This is done to break the monotony of work.

The value of employee engagement has never been so pronounced as during the pandemic when everything became virtual. The meaning of employee engagement has gone to the next level. During this time, HR focuses on connecting with each of the employees, ensuring they stay connected with the organization even when working from home.

For Annapurna, employees are the pillars of the organization and its family. A healthy workforce is productive. The company ensures its employees are healthy, for which HR arranged a few wellness programs to support healthy behavior and improve health outcomes. So, to aid this, medical camps were held at the corporate headquarters, allowing employees to receive free health screenings and medical advice.

Besides, employees and their families who had recovered from COVID or were still recuperating were offered to counsel on recovery health, medicine, and diet. For any medical issues, employees and their families could get a free consultation on the phone through the company's doctor-on-call initiative. More than 650 employees were screened and given medical consultations at these organized medical camps.

Also, surveys are the best way to keep track of the impact on employees' life experiences at the workplace. The HR conducts various types of surveys at Annapurna Finance to keep a

connection with its people at periodic intervals. This also helps understand how employees feel, and the equilibrium between their personal life and work is maintained.

**Performance Management System**

A Performance Management System is a systematic approach to measuring the performance of employees. It is a continuous process of improving performance by setting individual and team goals aligned with the organization's strategic goals. Streamlining performance to accomplish the goals, examining and evaluating progress, and enhancing the employees' knowledge, skills, and abilities is an unceasing process.

The HR department has developed a Business Performance Dashboard to track employee performance. It is a visual presentation of key performance indicators about the business of a specific state, zone, and branch. It enables us to get business insights quickly and improve productivity and efficiency. It allows HR to monitor the performance regularly, track the performance against goals, and improve the performance through training and counselling.

The company believes that trust and transparency are intrinsic to a rewarding workplace. Towards this end, HR ensures that every employee has a clear view of the state of business, the values that the company believes in, and its short and long-term goals. The hiring and development process also ensures that each employee has the same drive and passion toward the common goal.

From setting up clear organizational objectives every quarter to ensuring they get translated into clear individual goals, the performance management system ensures that all employees are set up for success. Adequate mentoring, goal tracking and support systems are built around different functions so people can learn from each other and meet their full potential.

The HR function understands that each individual is different and will have different expectations and aims to help them meet those expectations. The team is dedicated to guaranteeing that the employees enjoy their time in the organization while they go about scaling new heights and accomplishing new milestones. Besides, employees are allowed to apply for new roles within the company with different teams, allowing them to live up to their fullest potential here.



**Women in Leadership**

Annapurna Finance believes no society or organization can function effectively without women's equal contribution to leadership activities. HR believes that leadership by women is vital to increasing the pace of societal transformation at home and in the workplace.

The organization aims to become an equal-opportunity workplace that prospers on caliber and rewards performance. HR looks to provide comprehensive interactions, unbiased decision-making, and equal opportunities for everyone.

The organization is a fairly-inclusive organization with a high emphasis on equal opportunities based on merit, not gender, race, or ethnicity. At Annapurna, no voice is unheard, no suggestions ignored.

This year, many female employees received fast-track promotions for their outstanding performance, including promotions to senior positions and managerial positions for representing their attributes, desires, and performance outcomes.

Other aspiring young female leaders were chosen for YLDP (Young Leadership Development Program) and LDP (Leadership Development Program) because they yearned to learn and grow. For this reason, they embody leadership characteristics.

The HR team ensures inclusivity to open communication channels across departments, welcome diverse perspectives, and cultivate an environment where ideas are not only perceived but also thoughtfully executed.

In addition, to celebrate women's leadership in the organization, HR organized a special recognition for them on Women's Day this year to address their efforts and

achievements. Fostering female talent and pushing women towards more C-Suite roles will require continued efforts on all fronts, and the HR department is paving the way towards it.

**Way Forward**

Diversity, equity, and inclusion (DEI) is an idea that identifies the value of diverse voices and puts inclusivity and employee well-being at the core of any organization for its growth. The HR department plans to promote DEI practices and policies in the organization, which, in turn, will help make the workplace a more diverse, equitable, and inclusive space.

The goal is to practice inclusivity and open communication channels across departments, welcome diverse perspectives and cultivate an environment where trust rules. The availability to work in cross-functional teams to collaborate and share ideas and give and receive constructive feedback will yield better outcomes and help the company grow.

Another path to tread is AI automation in HR. Automation in the payroll process such as salary, F&F, reimbursements, and incentive calculation will make the entire process seamless and reduce the TAT for reimbursement, claims, and F&F settlement processes in the long run. The company is also looking to automate employee grievance handling procedures to solve their problems better.

For the company to be in tandem with the trends of the ecosystem, upskilling, cross-skilling, and reskilling of the workforce is a must. The HR team understands this and is introducing superior approaches combining both captivating Learning and Development (L&D) programs and practical opportunities such as mentoring, projects, and gigs. Since the financial landscape is constantly changing, upskilling and reskilling will be the only differentiators in the system.







AVA

20



RISK ₹ EXCELLENCE



AUDIT

# Operational Excellence

APPRAISAL GIS

CREDIT



OPERATIONAL



**INTERNAL AUDIT**

With Annapurna Finance’s operational procedures growing by leaps and bounds, the AUDIT department effectively carries forward assessing the organizational processes and practices. The audit team is responsible for examining and evaluating processes, policies and designing internal controls at the head office and all branches. Any observed aberrations, gaps encountered in the existing process and mitigation strategies recommended ensuring compliance with the standards are reported to the Audit Committee and Senior Management quarterly.

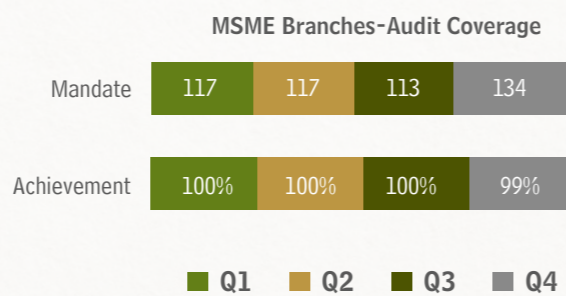
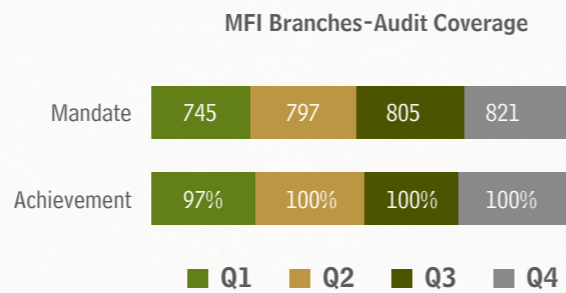
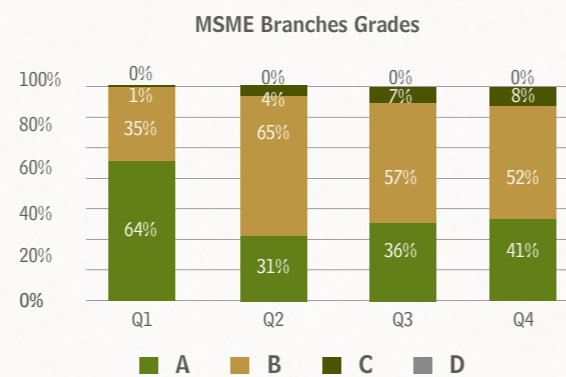
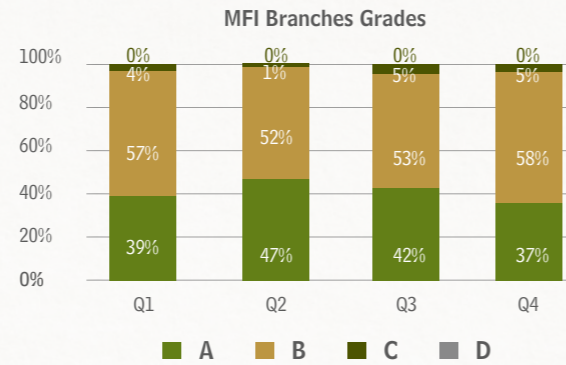
**Growing in the New Normal**

The financial year 2022 began reeling from the after-effects of the COVID-19 pandemic and the subsequent lockdowns. While businesses across industries were trying to stay afloat, the new normal brought with it numerous disruptions. Despite this, audit teams’ efforts to fulfill the mandate of covering all the branches once every quarter was on point. In this dynamic and challenging post-pandemic socio-economic environment, Annapurna Finance’s audit department continued to provide and confirm the necessary checks and balances required to carry out its core business activities as per the organization’s internal policies and in compliance with the RBI’s guidelines. During COVID 2.0, the audit team managed to cover 97% of branches in Q1, 100% in Q2, 100% in Q3, and 100% in Q4 in FY-22.

Additionally, the decision to segregate and decentralize MFI Audit and MSME audit proved to be an effective decision. As a result, the team consistently maintained a coverage record of 98% to 100% during FY-22.

**Field Level Audit**

Now in its sixth year, the State Audit Committees (SAC) continues to meet the expectations set by the management by collaborating with different stakeholders to identify and communicate the findings. Representatives of the concerned department meet regularly every month, where all the findings are discussed, compiled, and addressed for better process implementation. Recommendations from SAC are considered, and requisite changes in the audit tools are implemented at regular intervals. Based on the audit findings and compliance, the auditable units are assigned grades ranging from A to D, with A being the highest-graded unit. By the end of Q4 FY-22, the percentage of A, B, C & D graded MFI branches stood at 37, 58, 5 & 0%, respectively, and for the MSME branches, the grades by the end of Q4 FY-22 stood at 41, 52, 8 & 0% respectively. The future target is to convert all the branches across the verticals to grade A.



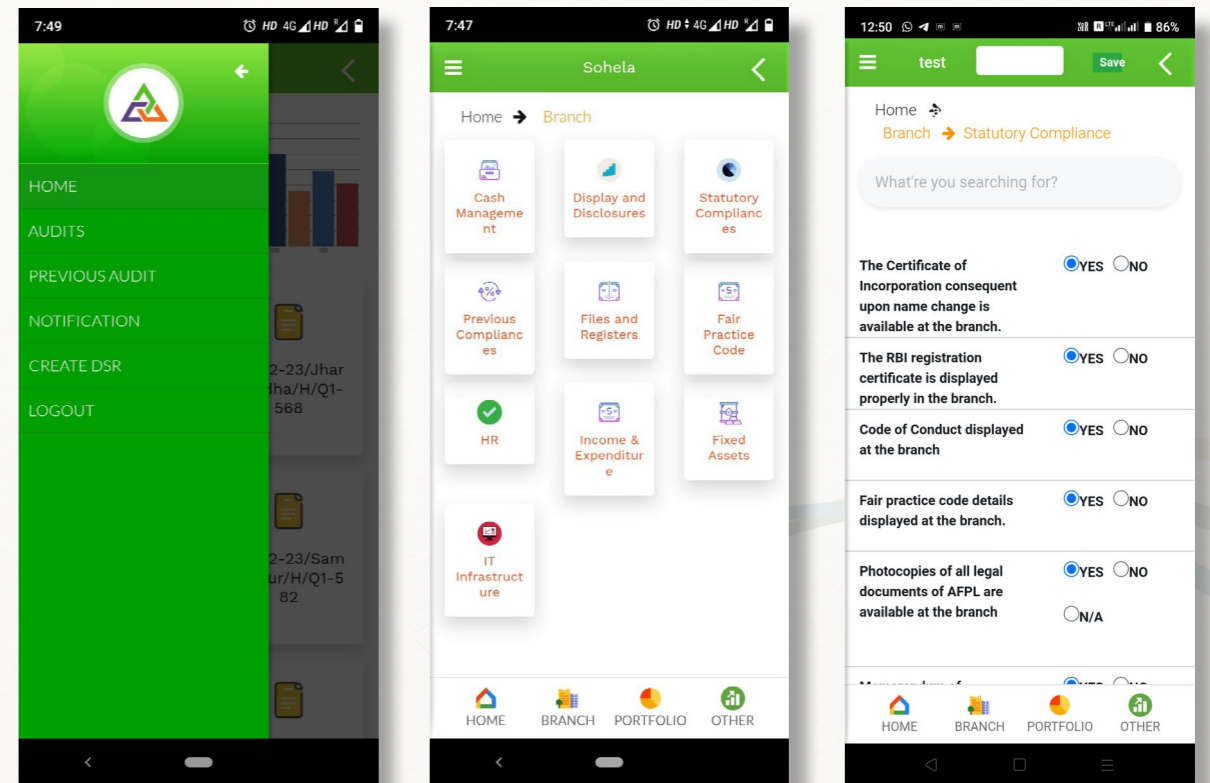
**Hub-Based Audit of Loan File Documentation and Digitalisation of Documents**

The pandemic paved the way for all things digital. It holds for all businesses, sectors, industries, and departments as well. The Process of digitization was already incorporated with the digitization of documents for our MSME business. In this process, the loan files and the related documents are digitized and stored in a digital cloud for the team to review. It also prevented the risk of loss and damage faced by physical files, as they are safely stored in disaster-proof vaults.

This year it was extended to all MFI Branches where along with the regular branch audits, the collected Loan Files at HUBS were audited. It was then compiled before being sent to third parties for digitization and safe keeping. Although there were hurdles in the initial stages, the teams stepped up efficiently and productively. The audit team is working incessantly on evolving technological interventions to conduct audits in the same spirit as in the past.

**In-house Internal Audit App**

For the smooth functioning of the MFI branches, the in-house audit web application was rolled out on an experimental basis during the Q3 and Q4 of FY-22. The pilot program of this digital audit covered 84 branches. To achieve this, the data and reports were tallied with the current semi-automated audit tool report, and the overall results thereof have been satisfactory. As a result, the audit team plans to bring all the MFI & MSME branches under the digital audit program for a seamless experience for the next financial year.

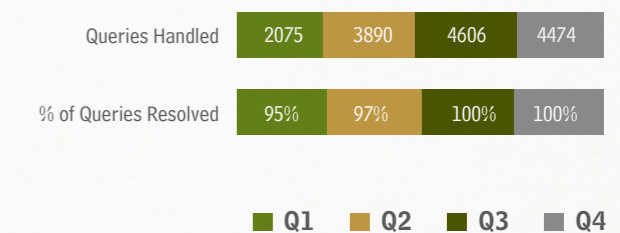


Internal Audit App

**Grievances Handled/Grievance Cell**

Customer-centricity is the cornerstone of Annapurna Finance’s operation, and the audit team is always at the forefront to help customers with their grievances. The Grievance Cell at the company comes under the purview of the internal audit department and continues to meet and surpass the expectations the customers and management set. During Lockdown 2.0, the team addressed and resolved the non-material grievances at the Pan-India level with an impressive Average Handling Time (AHT) of two days per query. The team is proficient in dealing with both inbound and outbound inquiries, handling 2075 issues for the first quarter of FY-22, followed by 3890, 4606 and 4474 in the subsequent quarters, respectively. The team is equipped with vernacularly-proficient members for all operating regions, coordinating with the various departments to ensure proper closure for each case. The redressal workflow is allocated along the lines of the team members’ language proficiencies, resulting in high customer satisfaction and retention.

**Grievance Resolved Vs Handled**





### Way Forward

As Annapurna Finance continues to grow, ensuring the organization is well-equipped for the challenges ahead is paramount. As a result of these continuous changes and emerging technologies, new risks keep popping up in areas such as governance, conduct and culture, brand, and reputation, among other disruptions that could extensively impact the industry. The audit team is working continuously to evolve the technological and managerial environment to conduct the audit process smoothly and efficiently.

#### Risk-based Internal Audit

As Annapurna Finance crossed a significant milestone of ₹ 5000 Crores of Asset Under Management, FY-22 witnessed the internal audit department's induction of the Risk-Based Internal Audit (RBIA) plan. It was done to meet the extensive scope of compliance & regulatory framework of RBI. As part of the RBIA framework, risk assessments of all the functional processes of the organization are being carried out under inherent risk parameters and the associated control measures. Going ahead, a comprehensive grading score will be obtained, and risk categorization will be done to identify the higher-risk areas and processes. The risk assessment will form the base of the Risk-Based Internal Audit plan with a focus on major risks, short-term and long-term business objectives, risk appetite, inputs from key managerial persons and the business environment. Disruptions will always be there; the organization needs to be ready to operate proactively rather than reactively across all departments. Annapurna Finance is learning to be agile and to instill flexibility in all functions as the future remains uncertain. The internal audit team has continued to make advancements in addressing these forces and positively gearing at seeking actionable ways to better the organization's performance and policy compliance.

### 360-Degree Digital Audit and Data-Centric Approach

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### Risk Heat Map

Inherent Risk	High	Extremely High Risk	Very High Risk	High Risk
	Medium	Very High Risk	High Risk	High Risk
	Low	High Risk	Medium Risk	Low Risk
		Low	Medium	High
		Control Measures		





## CREDIT & APPRAISAL

Annapurna Finance's objectives go beyond just outreach, as it strongly believes in inculcating the necessary financial and technical skills that would eventually strengthen customers' entrepreneurial capabilities and gear them towards effective use of credit. To achieve this, the organization's credit department helps in achieving the company's set financial goals with industry-specific regulatory and best-lending practice codes, which have enabled it to be counted among the top 10 NBFC-MFIs in the country.

The credit team works independently to ensure the quality of the organization's product portfolio. Further, the customer sourcing process mitigates the risk of late payments, improves profit margins, and maximizes sales. The team uses technology and relevant transaction structures for optimum performance.

Designing multiple need-based products, which can specifically serve every customer's needs, is the area the credit team excels. The company has built a bridge between economic opportunity and outcome.

By leveraging technology and various credit underwriting methods, the team is fully dedicated to ensuring fair practices and adhering to policies in compliance with guidelines laid down by the RBI and SRO. For sustainable growth, it formulates underwriting methods and policies that minimize risks inherent in the financial ecosystem. In addition, the credit team sieves proposals based on various operational and credit risk parameters to steer clear of bad debt.

### Fully Decentralized Function

The credit function at Annapurna Finance works as a fully decentralized mechanism that is well-established in all zones across the country. The department has a mix of people from various backgrounds at different supervisory levels. This year, the department has encouraged internal promotions to elevate better-experienced appraisal officers to higher levels, which has helped the company with more enriched credit assessment and monitoring processes. There are individual zonal and state managers for each zone and state. This enables handling issues and works at the local level with better and proper coordination.

### Digital Approach

The world is swiftly transitioning to digital from manual processes in all fields. Given this reality, and to cope with digital interventions, Annapurna Finance's credit department has firmly resolved to keep abreast with the changing conditions by digitalizing the loan processes even as it strongly focuses on the interests of its rural clientele. To have the edge over the competition, the only choice is to tackle digital interventions in a versatile and diverse manner. Hassle-free methods of digitally availing loans, easy and quick loan processes, and swift delivery of services are the needs of the hour. Currently, the department is working on creating a credit data repository based on various quantitative and qualitative factors, which will help in decision-making. Such a repository would undoubtedly assist in expanding and sustaining

business and mitigate multiple threats and risks. In addition, the credit department is making a concerted effort to develop a branch scoring tool that would comprehensively account for factors such as branch portfolio quality, TAT, and business trends, among others, thereby helping categorize the company's branches across zones and states.

### Proactive Approach

Annapurna Finance has adopted the EMI-based repayment capacity analysis this year in all loan segments. Initiated by the credit department, this move has been proactively embraced by the company, which will be subsequently validated and endorsed by the RBI in its draft paper. The company has set a limit on the overall EMI burden in the underwriting of all loan products for all loan cycles. While assessing prospective borrowers, EMI limits have been defined based on geographies and loan products. Further, factors such as delinquency analyses of borrowers in different EMI buckets have been considered to define and finalize EMI limits.

### Way Forward

With new RBI directions in place, the credit department is working to introduce a more comprehensive credit underwriting policy for all loan segments. The department has also worked on initiatives such as on-boarding the "decision rule" engine. The company is working with Equifax to on-board the decision rule engine in its credit assessment process. This will help Annapurna Finance to assess credit under various parameters, reduce risk, and optimize TAT.

The decision rule engine will open more insights and enhance the effectiveness of the credit decision-making process. Further, it will help the company in digitizing its loan approval process while serving a diverse customer base with a diversified product line.

For the upcoming financial year, the organization is working to introduce individual loans with higher ticket sizes. Through this product, the company will cater to a diversified customer base with a detailed underwriting process executed by the credit department. Individual loans will help the company meet the needs of target clients with high creditworthiness more comprehensively and innovatively.

Furthermore, the credit department has reconceptualized the profile of the organization's appraisal officers. They will now be designated as Branch Credit Managers. Under this profile, each branch will have one Branch Credit Manager to oversee the loan approval and documentation processes and the overall branch quality.

They will be solely responsible for appraisals and ensuring the closure of loan files within the defined process TAT. As appraisal officers have to supervise field appraisal, back-office, loan documentation screening, and other related tasks, it will ensure close monitoring and reduce the divide between documentation and final disbursement. Henceforth, branches will be able to accelerate loan approval processes with much more efficiency and quality.





## RISK

Risk Management is an essential management practice for any business. Enterprises are exposed to numerous risks that are inherent to running a business. Financial institutions are in as much peril as any other industry. Annapurna Finance is a Non-Banking Financial Company (NBFC-MFI) and is vulnerable to a motley variety of economic and operational risks. The most common risks are related to credit, liquidity, collateral, and interest rates. There is also an inherent risk associated with the operational activities of an NBFC and the laws governing such information. Annapurna Finance reduces risks by using risk management practices to work efficiently with a small business seeking a supplemental credit channel.

Annapurna Finance has a robust risk management system that has been further strengthened after the pandemic. The three-tier risk management system immediately identifies risks and mitigates them with a comprehensive action plan. A balance of automated and manual assessment methods is used to identify high-risk areas of the business. A positive asset-liability mismatch is maintained by keeping a close eye on the maturity periods to mitigate liquidity risk. The field team monitors the performance of all branches and implements action plans in case of any red flags. This exhaustive risk management system allows Annapurna Finance to maximize the likelihood of achieving its business objectives, improve the trade-off between opportunity & threats and effectively use and allocate resources. The system is also designed to safeguard the company against unforeseen contingencies like the COVID-19 pandemic, demonetization, and economic volatility.

### Common Risks for NBFCs

Credit risk is associated with the potential failure on the borrower's part to meet his obligations. This risk is pertinent to the NBFC because they interact more with non-traditional segments than traditional banks. Annapurna Finance has structured and comprehensive systems for credit appraisal and KYC in place to manage credit risks. Additionally, the decision engine currently being developed will minimize risk by considering factors such as risk-weighted ROIs, clients' credit worthiness score, risk category for collateral, and maximum tolerance/thresholds. The change in interest rates at the source can also lead to a loss for NBFCs. But this can easily be tackled by strategic interest rates to create a cushion effect.

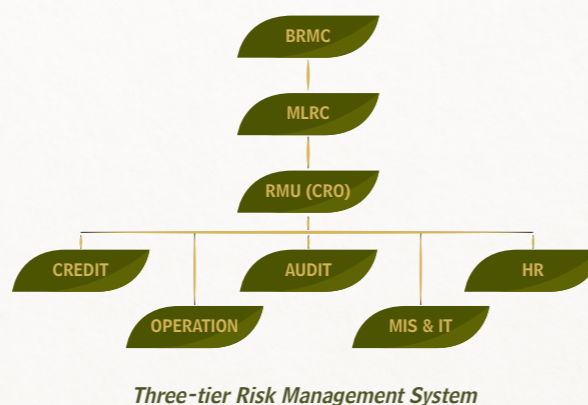
Secured loans also invite a collateral risk for the NBFC. Collateral attached to secured lending may not retain its value through the tenure and fetch lower value than expected. The risk is generally higher for project loans, personal loans, consumer durable loans, and promoter funding. Our team assesses the liquidity and saleability of any collateral attached to a loan before making any decision. Operational risks are inherent in running a business. Management of operational risk is essential for NBFCs because companies cannot predict incidents like IT system failure risk, business

disruptions, and loss of documents. As a result, Annapurna has safeguards to minimize all operational risks. At the same time, comprehensive action plans are created to manage any operational failure.

Annapurna Finance has created a risk management framework to reduce risk and efficiently achieve its business objectives. The framework has been built on the five components risk management process as explained in ISO 31000. This system comprises guidelines, framework, and method for risk management that increases the likelihood of a business achieving its objectives, identifying threats and opportunities, and implementing suitable strategies to tackle risks. As an internationally accepted benchmark, this system can also be used as a comparison tool to create effective risk management systems.

### AFPL Risk Measures

The risk management process starts with understanding the general risks faced by NBFCs and the specific risks associated with a company. Annapurna Finance had identified such risks and created a risk management process to eliminate difficulties in achieving its objectives. The new RBI circular has opened up new opportunities for NBFCs to apply a broader risk-based approach to pricing, credit underwriting, household income assessment, and qualifying asset criteria. These factors are in customer profile and other macro segment attributes of product and customers such as age, income, and occupation. Our three-tier risk management system constitutes RMU, MLRC, and BRMC. The Chief Risk Officer (CRO) is responsible for the company's independent risk management unit (RMU). RMU submits monthly risk reports to MLRC, a committee comprising the Director, COO, CFO, CRO, and heads of credit and audit departments. This committee reports to BRMC, or Board Risk Management Committee, regularly. BRMC oversees the overall risk management process to eliminate the possibility of financial loss, disturbance of operations, or any incident that may negatively affect Annapurna Finance's reputation. This three-tier risk management system is in place to ensure efficacious identification and management of risks.



Utilizing the opportunity presented by the new RBI rules and regulations, Annapurna Finance has diversified its portfolio to include digital lending for unsecured business loans, group lending for SHG/JLG loans, and MSME lending for business loans. This process safeguards against losing an entire portfolio due to unpredictable factors in a particular segment. Through diverse presence, Annapurna Finance has expanded its business while protecting itself against adverse market cycles. As a result, the portfolio is well diversified without being volatile.

### Liquidity Risk Management

Liquidity risk is a standard result of asset-liability mismatch that can result in the non-availability of cash to pay the liabilities due. Liquidity risk management requires robust Asset Liability Management (ALM). The risk lies in the fact that a financial institution may have to pay back the short-term funds to its stakeholders. Monitoring of this risk is done by the Asset Liability Management Committee. The assets and liabilities are categorized based on the maturity profiles and are monitored regularly. The committee ensures RBI threshold compliance and monitors the average maturity of assets to be consistently lower than the average maturity of liabilities. The independent field credit underwriting team is vital to Annapurna Finance's risk minimization strategy. This team's deployment integral to our risk management strategy is to ensure that our portfolio constantly improves across the nation with minimum impact from external factors like the pandemic. Annapurna Finance effectively modified its risk management systems to tackle limited mobility during COVID-19 lockdowns. A combination of manual and automated assessment allows us to make quick decisions to mitigate any risks identified.

### MFIs in a Post-Covid Environment

The COVID-19 pandemic directly impacted Microfinance Institutions (MFIs) collection efficiency in India. Delinquency saw a decline as economic activities normalized in the post-Covid environment. However, delinquency for disbursements before the pandemic is still noticeable. Although a decreasing trend can be seen for delinquency today, the impact of the pandemic is still apparent. Annapurna Finance could absorb the pandemic's shocks by maintaining adequate liquidity reserves. As witnessed during incidents like the IL&FS debt (Infrastructure Leasing & Finance Services) crisis, Covid lockdown, and demonetization, NBFC-MFIs can normalize their operations while recovering from such externalities for over a year.

Annapurna Finance maintains a strict vigilance for risks originating from its branches. This is achieved by a field team that constantly monitors and identifies the risky branches. The team focuses on providing area-specific countermeasures for risk mitigation, which has been highly effective. The ad-hoc support given to the branches by this field team has also helped local-level institutions improve communication and external interactions.

The field team uses key risk indicators (KRIs) and data from real-time dashboards to identify the performance of each branch. This evaluation also includes a monthly peer group analysis of the existing branches on an industry level. Risk mitigation and action plans are implemented branch-wise in case of red flags or concerns seen in the KRIs. The team is also responsible for identifying and taking necessary action for external threats, frauds, or any other negative issues which might impact the business.









## GEOGRAPHICAL INFORMATION SYSTEM (GIS)

The Geographical Information System (GIS) department is one of the crucial arms of Annapurna. As a game-changer in innovation and technology, the GIS team works at the juncture of programming, cartography, and data analysis.

Since its inception, the GIS team has provided spatial analysis for expert decision-making and the company's everyday operations. The GIS team has been involved in numerous groundbreaking projects ranging from primary to secondary data examination, developing key insights, maximizing planning efficiency, enabling complex analysis, querying through interactive maps, and managing and updating the digital map library.

With time, the GIS department has made an extraordinary imprint within the organization by providing valuable data-driven insights, so much so that the team is an intrinsic part of Annapurna.

Today, GIS's scope of analysis varies from micro-units like villages and blocks to macro-units like operational regions and states. The dependency on the team is so great that GIS inputs are mandatory throughout the life cycle of a branch, right from peer institution performance reports while opening a branch to constant monitoring of its performance.

Owing to the constructive use of applications formulated by the GIS team, data monitoring has become uncomplicated and well-organized through online and offline maps. Spatial analysis training is also conducted at regular intervals.

These criteria have facilitated the company to sail through the COVID-19 crisis and devise ways to weather the pandemic while helping the customers too in these unprecedented times. The GIS team played an active role in the data collection and visualization of COVID-19 cases and thus came up with products to be able to help the unprivileged.

### GIS Activities

The Geoinformatics team at Annapurna Finance takes care of the assorted analytical and reporting tasks, including systematic updating and creating dynamic maps for operative undertakings, risk management, new initiatives, and decision-making.

Recently, the team has been proactively involved in projects like data pipeline automation, app development, and field force management. Refining data accuracy, accessibility, and comprehensiveness, which straightaway benefits internal auditing and risk analytics, in addition to operations analytics, is a part of the team's daily operations. A handful of specific geo queries were also dispensed for usage by the operations team at AFPL for functioning area planning.

A few of the activities commenced by the team are mentioned below:

### Other Activities

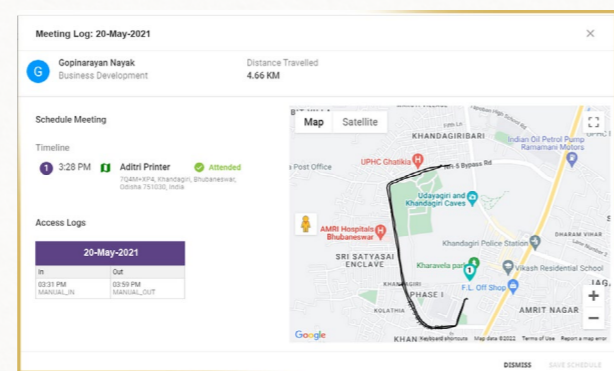
#### Field Force Management

Field Force Management is a branch of field operations. Its goal is to use location technology and mobile devices to give the operation managers a real-time, crystal-clear, and accurate picture of field operations. It is an enabler that encourages data-driven decision-making along with heightened transparency in field operations.

To work in the direction of digitizing the branch movement records, the GIS team has broadly experimented with various field force management options by installing field pilots. It assessed these on their precision of location capture, distance covered calculation, battery use, feasibility, as well as their commercials.

Additionally, the team also worked on demand for the proposals process, which resulted in the submission of proposals from leading industry players in the field force management solutions ecosystem.

The resulting proposals are presently under technological and commercial review by the top management. Annapurna Finance anticipates the FFM solution to radically expand the depth and range of data capture, the granularity of GIS analysis, and offer real-time insights into field operations. All these will go a long way towards benefiting internal auditing, risk management, and business analytics.



### Streaming Data Discrepancies

Operational area management is one of the most important functions of the GIS department. The village addition procedure is a part of everyday operations in the field. The GIS team regularly updates the particulars of villages where operations are being undertaken. The process ensures that field operations are conducted within the space of internal company policies and regulatory requirements. This irons out any data inconsistencies.

### Geo Query on Google Sheets

Earlier, all village adding requests were handled by the GIS team. However, recently, this process has been decentralized with the help of geo queries deployed on Google Sheets. Using these geo queries, the village addition requests can be effortlessly attempted at the zonal MIS level itself.

This variation will lead to a quicker and more robust process, minimizing the turnaround time for village requests as well as reducing the chance of any human error as the query will be automatic.

### Industry Scenario Maps for Sourcing Businesses

The Industry Scenario Reports are generated to evaluate the viability of businesses in a possibly new domain. The map below showcases both 30-179 DPD (Days past due) and 180+ DPD PAR (Portfolio at Risk) analysis, using credit bureau data; disbursement & PAR (Performance and Accountability Report) as of February 2020; industry portfolio for the current year, as well as a year ago (during COVID lockdowns) to get a clear and better understanding. In addition, the reports also show the disbursement data.

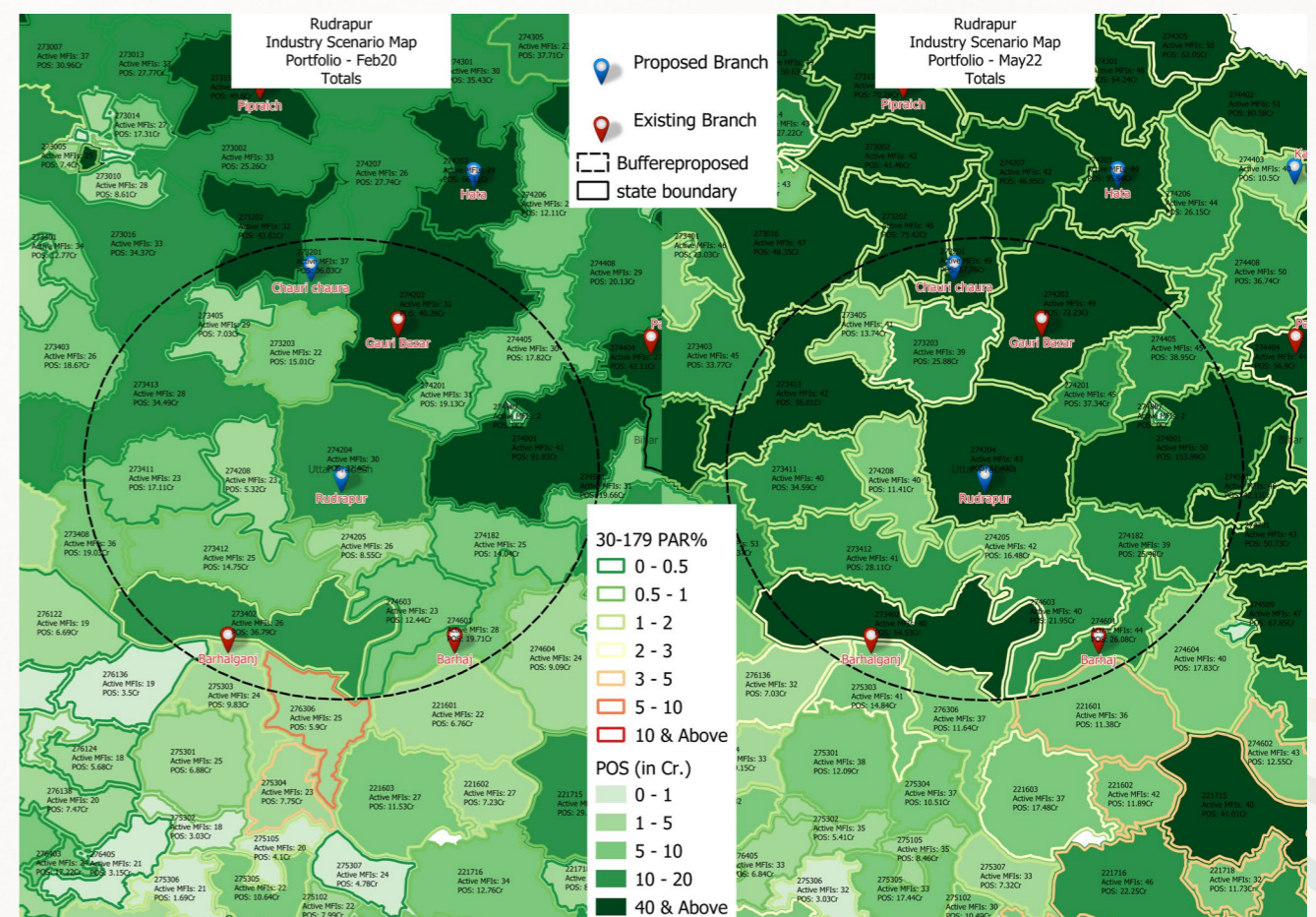
### Routine Reports

At AFPL, routine reports help in decision-making at all the managerial levels, especially in the field, where maps help as tools for data visualization. The GIS team's extensive work in providing data analysis has made monitoring AFPL's portfolio hassle-free.

It has further made looking for patterns, evasions, and matching information with industry trends easy. GIS has made industry tracking easier, more competent, and more effective.

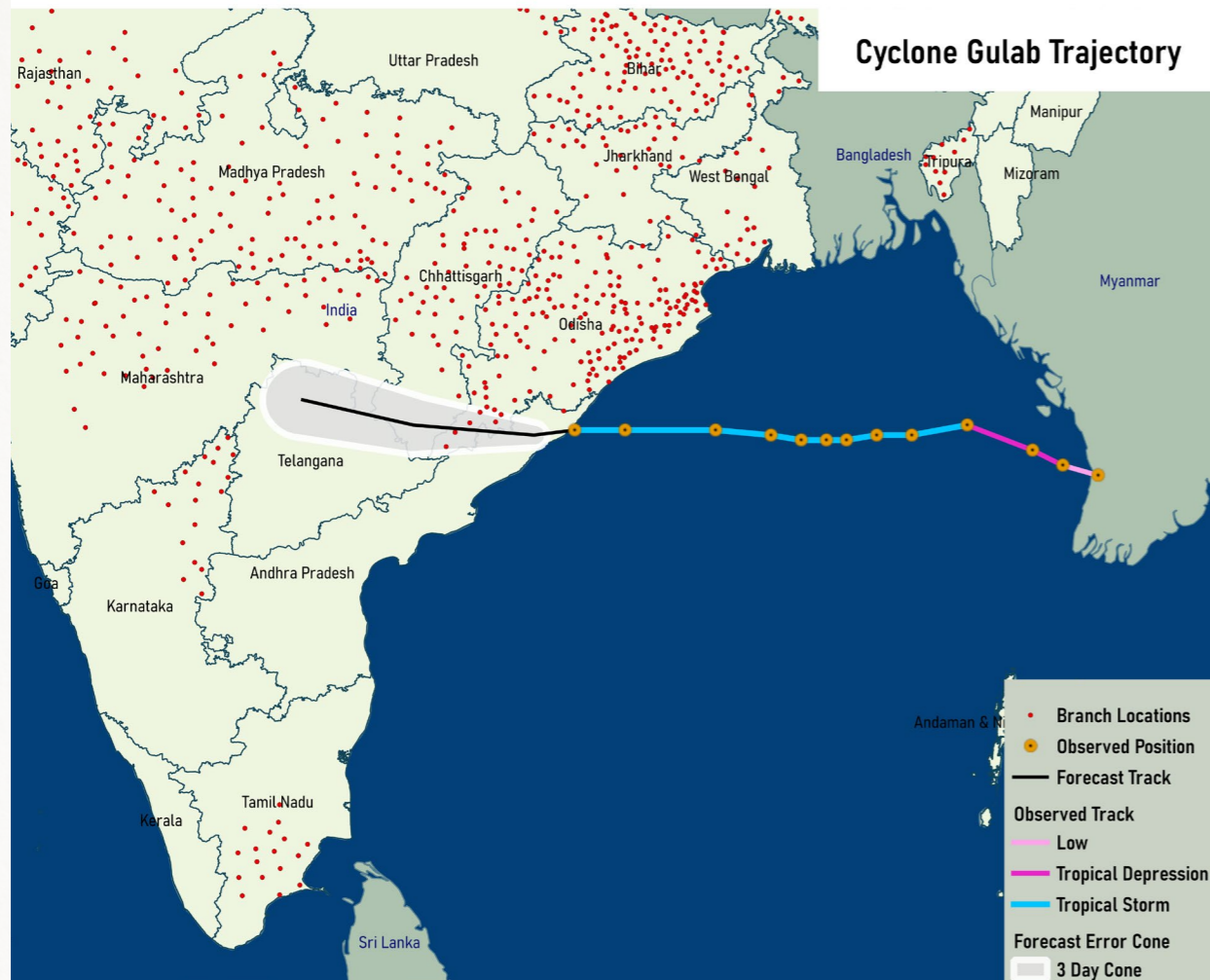
In addition to this, the team's other goals include developing mapping applications and handling and keeping the digital map library up-to-date. To aid this, the GIS department regularly generates the below-mentioned reports and maps throughout the year:

- 📍 Field operations maps
- 📍 Annual report maps
- 📍 Portfolio risk assessment maps
- 📍 Natural disaster maps
- 📍 Maps for planning new initiatives



Industry Scenario Maps





### Disaster Mapping

It is aimed towards hazard prevention and simulates the damage that would be caused in the event of a natural disaster. Disaster maps at Annapurna Finance help in identifying the clients that are vulnerable to disasters and may require some specific intervention or a need-based product to help mitigate the impact of these calamities on their financial viability.

Vulnerability analysis and hazard assessment are made for natural disasters like cyclones, earthquakes, and floods by building models or representations of the real world from information in databases.

### Way Forward

The GIS team aims to be the facilitator of Annapurna Finance's growth in a technologically-enabled finance environment. Experimentation and adoption of the latest technology for increased operational efficiency and decreased risks will help the organization take a big leap in the journey of digital transformation.

As the knowledge center, the GIS team seeks to take innovative steps in streamlining the field operations with the help of integrated Field Force Management, which will lead to an expected amount of cost savings and enhancement in operational efficiency. Furthermore, achieving industry standards proactively will ensure that Annapurna Finance can maintain the legacy of setting milestones in the microfinance industry.







IT CASHLESS  
DIGITAL ONLINE  
JIT

# Technology



LENDING

TECHNOLOGY



## TECHNOLOGY

The Technology department at Annapurna Finance takes pride in its ability to develop inclusive technology solutions, ensuring that the contemporary technological environment does not limit its work. It endeavors to innovate in the direction of the mission and needs of the company's clients.

The technology department is responsible for developing the company with a customer-centric approach. The organization is always looking for creative solutions to implement the new-age technology in its practices and improve customer experience. This ideology helped it to successfully navigate through the COVID-19 pandemic that had almost halted the economy's growth landscape for two full years. Most enterprises are still reeling from the impact of operating through the pandemic.

On the other hand, Annapurna Finance successfully sustained its business practices through the pandemic and even expanded its presence. The post-COVID era is a new opportunity for the company to creatively innovate its business practices and provide better experiences to all stakeholders.

The financial industry is highly dependent on technology for its economic and operational efficiency. E-signing, video KYC, KYC OCR, online fund transfers, bank account verification, and cash management systems are essential for any financial institution to compete in today's digital economy.

Disruptive technologies have radically transformed the financial industry in the last few years. Financial institutions must operate in a manner that simplifies all customer interactions.

Today's customers actively seek those companies that can be a part of the disruption created by technologies such as AI, robotics, and blockchain. Financial institutions also benefit from technological advancements, and meaningful innovations like automation optimize person-hours and increase efficiency.

Today, digital payments are normalized and have become integral to financial transactions. Digitalization is not only a tool to reach customers but also essential to retain them. The success of technology-focused financial start-ups reflects how customer expectations have increased as they seek personalized and convenient interactions.

Once seen as a challenge, adaptation to the new technologies has become necessary for financial institutions. The last five years have seen exponential growth in the Indian FinTech space as the country was recognized as potentially one of the largest digital markets.

### Indian Financial Industry

The race for innovation of financial institutions started in India with liberalization under the economic reforms of 1990. Technologies like electronic fund transfer and MICR contributed to the industry's revolutionization.

The next important step in developing financial services was the arrival of payment start-ups. FinTech start-ups, such as Paytm and PhonePe, created awareness about personal finance and increased the demand for the personalization of financial services.

A steep increase in the preference for cashless transactions post-demonetization was also a major contributor to streamlining the payment process. The arrival of the Indian Unified Payments Interface (UPI) changed the scenario altogether.

Over 2,100 FinTech companies have contributed to driving India's FinTech adoption rate of 87% (against a global average of 64%), the highest in the world. India's financial landscape is expected to undergo further transformation with new-age technologies like Jan Dhan Yojna, Direct Benefit Transfer, UPI, and KYC OCR.

Annapurna Finance recognizes adapting to new technologies as the first step of innovation. It has created strategies to implement cutting-edge technologies with the help of business and operational teams. This response, along with report analysis by on-field employees, allows the organization to minimize TAT, enhance customer experience, automate processes, and minimize human error.

Annapurna Finance's mission is to uplift the economically weaker sections of society. The organization employs technological advancements to extend its services to customers in rural areas that are difficult to reach physically. Repayment is also more manageable because of cashless collections and Aadhaar-based authentications. These solutions enable the vulnerable sections of society to access formal cash flow with utmost ease.

### Need for Innovation: A Response to COVID-19 Pandemic

The COVID-19 pandemic has been a defining moment in the lives of people all around the world. It has shown the world that technology cannot be neglected even in times of crisis. The nationwide lockdown during the COVID-19 pandemic propelled technology as a necessity instead of a privilege.

Businesses worldwide had to strategize to operate virtually without affecting profitability. The pandemic forced the companies that were adamant about staying away from technology and digitalization to change their business models to survive. Financial institutions had to adapt to the work-from-home (WFH) culture and embrace digitalization.

The need for innovation in response to the COVID-19 pandemic started a fresh wave of digital transformation in the financial services industry. The result is an inevitable rise in digital technology use even in areas where people were yet not acquainted with technology. People and organizations worldwide have had to adjust to new ways of work and life.

An effective technology department is critical to the success of any financial institution. Technology is now an essential part of crisis management plans that do not affect the productivity or profitability of a business.

Annapurna Finance set an example in managing an unexpected crisis like COVID-19. Exemplary management is one of the key reasons behind the success of all the company segments during the pandemic.

Annapurna Finance recognized that investing in technology is key to successfully operating in the current environment. It led the organization to undertake various initiatives to leverage technology to gain a competitive edge.

The technology department acted as the fulcrum of the company by creating strategies to manage the impact of COVID-19 on the business while preparing for rapid growth in a post-COVID environment. Annapurna Finance has taken multiple initiatives to automate various processes to reduce time and errors in the last few years. The aim was to provide its stakeholders with an ecosystem of creative technology solutions.

### New Initiatives

Annapurna Finance is undertaking several new initiatives to utilize technology to gain a competitive edge in the current market. It has invested in digital transformation to include convenient onboarding, processing, and payment options for its customers during the pandemic. Innovations to simplify the interactions with all stakeholders helped the company grow when others faltered in this uncertain phase.

The Funder Dashboard is a one-stop solution for the funders of Annapurna Finance to access their portfolio with a simple log-in. It allows the funders to monitor active disbursed clients in real-time.

The loan documents for all products are now easily downloadable as one consolidated file. New asset management and inventory tools make tracking and maintaining the organization's physical assets and equipment more accessible.

Making all this information on a single platform - 'Jayam' has saved the company's time and resources that would have been otherwise consumed by browsing multiple platforms to make financial and operational decisions.

A dedicated server to store client images and documents has reduced the Jayam database load while making the data extraction process significantly faster. Cashless transactions with UPI and debit cards make easily payable EMIs even more convenient for the customers.

Annapurna Finance has been technology forward since its early days. This existing digital ecosystem makes innovation more accessible and meaningful.

### Way Forward

The technology department of Annapurna Finance is focused on restructuring the existing technology stack to make it more streamlined and efficient. The way forward for the company is to reduce manual labor and scope for errors through technology solutions. So, it continues to make its digital ecosystem more robust with new projects.

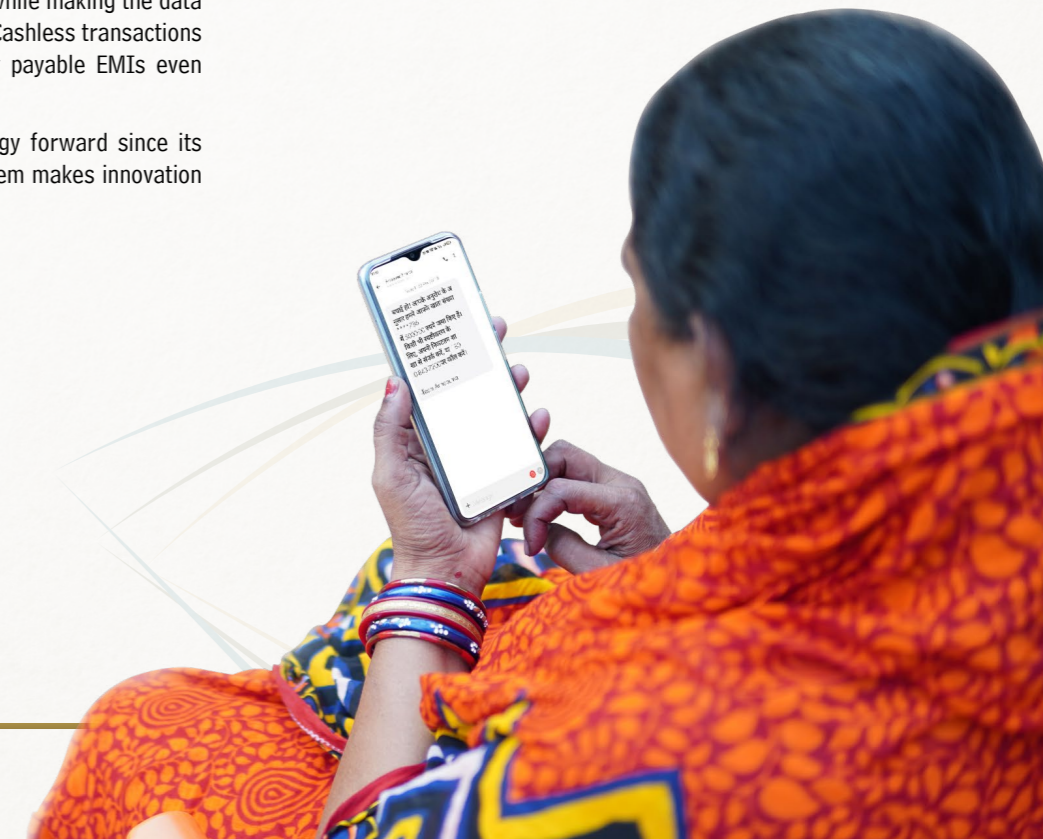
A seamless e-signing/ e-stamping contract workflow will allow customers to sign documents remotely with mobile or email verification. This process is currently under testing for efficient integration with the organization's operations.

The customer application will also integrate Optical Character Recognition (OCR) with KYC to reduce the probability of error and faster onboarding. Automatic data extraction with OCR is expected to significantly reduce the time required to process applications.

Customers can verify their bank accounts at an early stage with a test transaction of Re 1. UPI will be used not only for receiving payments but also to disburse loans to customers for even faster disbursements. Its Credit Decision Engine will use the data from Annapurna Finance LOS to determine loan eligibility to avoid conflict or bias.

Annapurna Finance is also working towards creating Business Correspondent points where merchants can receive cash collections from customers and staff. Merchants can then easily transfer these collections to the company account to complete a customer's EMI payment. It will save time for the customers as they can visit the nearest Business Correspondent point to pay their EMI.

The technology department is constantly looking for creative solutions to uplift the economically weaker sections. Technology advancements allow Annapurna Finance to expand its reach so that maximum people can benefit from its services. The department also ensures that its stakeholders' experience with technology is personalized and convenient.





## DIGITAL LENDING

The COVID-19 pandemic has changed the way finance functions globally. To stay relevant, all financial institutions, including banks, NBFCs, and MFIs, jumped on the digital bandwagon in this new normal to better cater to customers. One aspect that got the maximum push was lending going digital, and its growth in the country has been phenomenal.

### Digital Lending Today

The Government of India (GoI) is looking to make India financially and digitally inclusive. It aims to increase the base of the financial system and bring banking parity among the urban and rural customers, thereby bridging the rural-urban divide. However, the tech-shy population, poor financial and digital literacy, and erratic internet connection hinder this initiative in the Tier-2 and beyond markets. Nevertheless, through the assisted model, several fintech companies are working to bridge the gap and make banking and digital services easy and swift for the people in these areas. One such service is digital access to credit, also known as digital lending. Owing to increased smartphone usage, flexible credit range, and faster disbursement, its popularity is growing among lenders and customers. With new inventions, digital lending is acting as a means for financial service providers to offer superior products to the masses quickly and at competitive rates. Digital lending has the potential to become a medium for providing higher-quality financial services to underserved businesses and people.

Generally, owing to the lack of credit scores and collateral, digital lending is preferred by those who cannot avail credit through formal sources of finance, like banks. Most digital lending platforms have indigenous methods of validating credit history and making hassle-free credit available to the masses. One of the leading examples is the growing affinity toward digital lending among Micro and Small Management Enterprises (MSMEs). Despite the growing credit demand from the rural economy, MSMEs faced challenges like poor last-mile connectivity, language barriers, and lack of organized financial information, making credit reach impossible.

Post-COVID, securing finance through formal lending institutions had become troublesome for the MSMEs. It was due to their lack of collateral or credit history. Many were forced to turn to informal lending sources like loan sharks. For these customers, digital lending emerged as a boon. Cash-starved MSMEs appreciate its features like hassle-free onboarding, quick TAT, easy KYC, prompt and secure credit disbursement. By moving to digital-first services, Annapurna Finance is increasing financial inclusion avenues for India's unreached, unserved and underserved customers. It is reducing the digital divide, especially for women in rural areas.

### Digital Lending Innovation

Annapurna Finance believes in innovative and creative approaches to satisfy every need of customers. Due to the robust digital ecosystem, serving clients has become easier

and more convenient than in the previous financial year. The year of Covid was toughest for almost every industry. Amidst such scenarios, there was an upsurge in digitalization across industries.

Digital signatures, cashless modes of loan repayment collection, communication platform development, etc., were introduced into the existing digital ecosystem of Annapurna Finance. These initiatives not only helped in minimizing the physical presence of staff and clients but also reduced over all time.

While the application processing was digitized, the credit appraisal process largely remained manual. Besides, Annapurna Finance's credit scoring was still not a part of its risk assessment methodology. Hereon, the company aims to consider all this and create a digitalized MFI organization for smooth and error-free operations with empathy at its core. It works to digitally transform the businesses and lives of small businesses and MSME customers. It plays a critical role in the advancement of financial inclusion in India. It uses the following technology-led product innovations:

- It offers the Just-in-Time finance service for small businesses and microfinance customers for emergency and seasonal needs.
- MSMEs can digitally apply for loans and other financial services via mobile devices.
- It allows merchants to accept digital payments seamlessly and cost-effectively.

These initiatives are backed by a strong credit and risk framework and digital targeted customer education. The overarching goal is the introduction of innovative technology solutions that will enable the merchant, small business, and MSME customers of Annapurna Finance to "Run better, Buy better and Sell better."

### Loan Management System

Annapurna Finance has two Loan Management Systems (LMS): one for its group loan/small business customers and the other for its MSME individual loan customers. It focuses on developing two self-service mobile applications and digital lending products, one for each LMS, as described below:

**Self-Service B2C Loan Journey:** This product, currently going through the development phase, is created for individual MSME customers. Using this app, both existing and new customers of Annapurna Finance can choose and apply for loans. Activities such as application form filling, CB check, KYC, bank statement analysis, credit scoring, loan documentation (subject to regulatory approval), and loan disbursal can be undertaken online, without manual intervention. All this is eventually run through the Decision Engine.

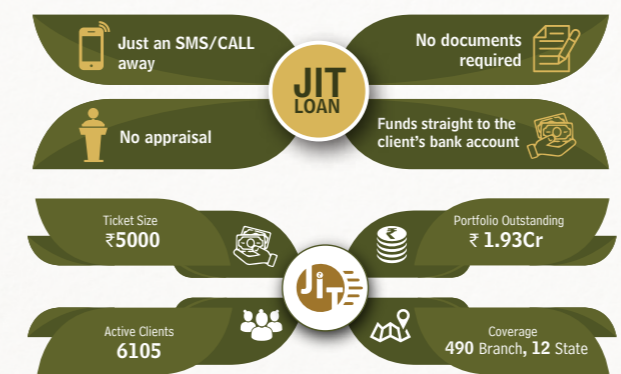
Annapurna Finance aims to create its Credit Engine in the future by unleashing its core strength in underwriting the MSME segment. Previously, it had launched a mobile field application (assisted) for use by the loan officers/front line executives to source and onboard new customers.

**Just-in-Time Loan:** This product is currently being offered to the existing Group Loan customers of Annapurna Finance. The aim of this product is two-fold. The primary focus of the product is to provide credit facilities to customers emergencies such as medical emergencies, educational fees, repairs and renovations, business cash-flow disruptions, festivals, unplanned social events etc. Another objective of the product is to provide instant credit in the hands of eligible customers without engaging them in cumbersome procedures.

Just-in-Time Loan will emerge as a differentiating factor for Annapurna Finance in the competition landscape. It will also improve the loyalty of customers and their tendency to stay with the company for a longer period.

The organization sets limits for its creditworthy customers based on certain predetermined criteria in the LMS system. When customers require funds, they can transfer a part or the entire amount to a designated bank account. If a customer needs cash, funds will be transferred to their bank account, and they can withdraw the money from an ATM, at a BC, or mini-ATM outlet. Interest is charged only on the limit that is utilized. Customers can repay the amount in cash as monthly EMIs, along with the Group Loan EMI.

A pre-approved emergency loan product, Just-in-Time Loan was launched for the active customers of Annapurna Finance. This big step was taken by the organization to simplify the digital lending process. The product aims to offer immediate financial assistance with minimum documentation and a one-touch disbursement. The loan is facilitated through multiple communication channels. Here, clients can choose a loan amount up to a maximum of Rs 5000 through SMS or missed call/IVR options. The requested amount is credited to their registered bank account promptly.



### Client Graduation Method

Annapurna Finance is creating a graduation score to identify potential customers who will graduate to avail individual loans by developing a parallel propensity model. Individual loan product specifications are not yet determined. However, the loan issued would be an unsecured loan to the existing JLG clients with a larger ticket size. Identification of potential customers will also be made to graduate STP-type loans to the best suitable individuals. Customers needing extra

assessment to become eligible for graduation through the full STP process will be identified. Additional models and data considerations for these clients will be considered soon.

### Customer Engagement Platform

Annapurna Finance believes that client empowerment is driven by the timely availability of credit, the capability of the client to make informed choices regarding their borrowings, and the promotion of financial literacy and awareness through customer engagement. The new digital lending products – Just-in-Time Loan for MFI customers and a Self-Service B2C app – will be designed to allow clients and prospective customers to have access to finance when and wherever they need it. It will save them the efforts of queuing up at financial institutions.

The demographic profile of Annapurna Finance's customers mostly consists of small businesses, microfinance and MSME customers, amongst others. The popularity of digital products is quite low among these groups, even though the usage of smartphones is on the rise. It aims to create awareness and encourage the uptake of new digital products and services among the target customer segment. The customers are otherwise used to engage in a high-touch environment. The outreach has been implemented in such a way that it is cost-effective. An appropriate strategy is implemented for newly devised alternate communication channels.

Annapurna Finance began its Customer Engagement Platform journey by customizing a communication platform powered by Infobip. This simple and hassle-free platform allows the company to communicate with its clients through SMS, IVR, and WhatsApp. Further API integration will be done for hassle-free dashboarding and live report visualization.

Currently, the platform serves numerous business cases such as pre-delinquency, lead generation, customer service, and other campaigns. The platform is presently being piloted in two states (Assam and West Bengal). In time, the company plans to expand its reach while initiating other additional use cases like customer centricity and history. It will allow the customers to seamlessly avail the company's services and transcend into a digital era.

### One-stop Call Center

Vindhya is an impactful service provider that provides call center support, data input and administration, and accessibility testing to the organization. Annapurna Finance began working with Vindhya to interact with its JIT customers. Vindhya has assessed the company's customers for their understanding of the newest product, their experience with it, and any other concerns they have with the process of receiving the JIT emergency loan. To this, customers have given a considerably favorable response, as evidenced by the number of loan requests and conversion percentages recorded.

The long-term goal is to integrate a call center for all customer touchpoints across the company. The aim is to provide a much more simplified and consistent experience to the end customers in terms of both grievance resolution and engagement.



## Digital Lending Success Stories

### Just-In-Time Loan

**Paviya Devi:** Annapurna Finance's Just-in-Time loan can be availed by existing customers through various digital channels in times of emergency. This product allows the company to support clients with a loan of up to ₹ 5,000, such as Paviya Devi from Bihar. Upon receiving a loan of ₹ 5,000 from the Amarpur branch, Paviya Devi could quickly restock her business in her village, despite the challenges of the Coronavirus pandemic.

During the pandemic, she not only helped herself but also assisted her neighbors by providing them with necessities. With her business taking off, she repaid the whole amount on time. Annapurna Finance's vision of financial inclusion is deeply committed to aiding the last mile. The company continues to innovate products that can positively impact this section of society.

**Kailashi Bai:** During the pandemic, life came to a standstill. People, especially in rural areas, were looking for ways to survive. Migrants had returned to their native places as the lockdown continued for a long time. With zero earning opportunities, the women in these areas had to shoulder the earning responsibilities.

To tide away the pandemic, Rajasthan's Kailashi Bai took a JIT loan of ₹ 5,000 from the Deoli branch to sell her agricultural produce to the local market. She rented a vehicle and used to carry her produce to the nearby local markets. This step aided not only her but numerous others throughout the pandemic. With her earnings, she could close her loan on time successfully.

**Call Centre:** Usually, when a medical crisis hits, people are left to fend for themselves, especially regarding finances. One of Annapurna Finance's clients from Samastipur, Bihar, needed to acquire some instant financial help because of a medical emergency. But availing of a loan at such short notice was quite a difficult task. While she was running around trying to arrange the required sum, she received a call from Annapurna Finance's call center. The call notified her about the pre-approved loan (JIT) and the method for obtaining it. She availed of the service and received a loan of ₹ 5000 in just 30 minutes. It helped her attend medical crisis without a hitch.

**Communication Platform:** One of Annapurna Finance's MSME clients in the inventory trading sector was having difficulty controlling his cash flow due to high overhead expenditures. He had previously missed a few EMI payment dates because of this, albeit he was not a willful defaulter. The organization's pre-delinquency communication service provided by communication platform significantly improved his condition.

This client can now retain cash on hand before the EMI payment date since he receives several workflow-based reminders across various channels before the due date. As a result, his credit score has improved, and he can redirect his attention towards enhancing the business cash flows.

Annapurna Finance currently serves two million customers across India and is committed to reaching the poorest and the most underserved. More than 90% of the customers are women, of which over 80% live in rural areas. It offers services like digital lending, group lending, and specialized loan products such as housing, individual business loans, and other financial products. It also provides financial and technical support to its clients to strengthen their entrepreneurial skills and help them progress.

### Way Forward

Annapurna Finance continues to work efficiently towards developing quality solutions that will reduce the manual endeavor and chances of risks and errors. Some upcoming innovative implementations include e-signing, e-stamping, Aadhaar NACH, Video KYC, KYC Profiling, UPI Fund Transfer, Penny Drop Validation, and Cash Management System. They help complete the disbursement by OTP, UPI mode, video calls, and other hassle-free repayment options.

Digital lending and UPI recurring mandates allow seamless workflow through the interactive Native App. In addition, Annapurna Finance's Credit Decision Machine, Funder Dashboard & Data Bank, and customer engagement through various communication channels offer easier credit decision workflow. They give information about outstanding and client data, including KYC, and CB report, by using the integration of Machine Learning (ML) and Artificial Intelligence (AI).

The company looks forward to implementing AI and ML to enable competent lending solutions. It aspires to offer a faster and hassle-free onboarding process, improved credit underwriting at economical costs, quicker decision-making, better risk management techniques, upgraded fraud detection, greater security and compliance, credit monitoring, debt recovery, and so on.

Digitizing the loan disbursement process, including document reviews and credit bureau checks, etc., will help gain substantial cost optimization while removing the biases in the application process.

Additionally, integration with partners to avail real-time KYC and authentication of customer profiles, as per government data, will considerably improve the turnaround time. It will thus make the process smoother and more accurate.

Powered by its technology department and driven by data, Annapurna Finance's digital lending will be accessible to everyone at the bottom of the pyramid. It will reshape the microfinance ecosystem where the underprivileged and rural MSMEs will have seamless access to credit. It will help lead India to become an inclusive nation.





COMMUNICATION

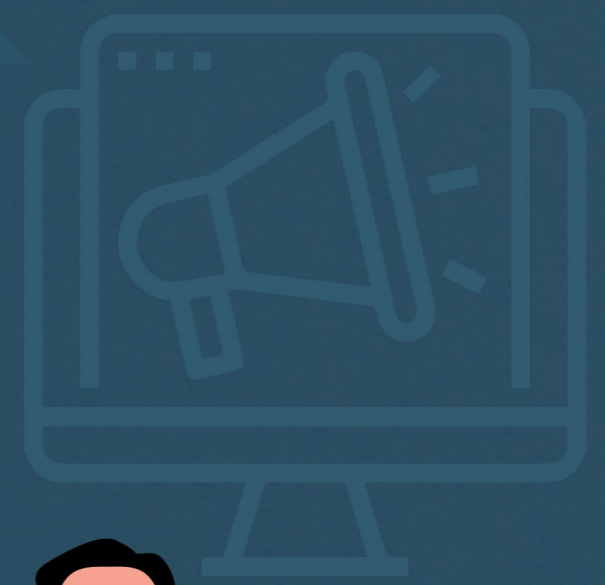


# Brand Building

TV ADV

NEWS  
LETTERS

BRAND



BRAND



## COMMUNICATION & BRANDING

The Communication & Branding team at Annapurna Finance works towards building a cohesive image in line with the brand value. It uses innovative branding techniques that fulfill the brand's vision and mission and helps in maintaining a cordial investor-public relationship. The team primarily facilitates promotional activities and branding initiatives that create a positive brand image across all media channels. With the increasing importance of corporate communications, the Communication and Branding department has been at the forefront in promoting the business values within and beyond the organization's purview. The role of this department was best realized during the pandemic when it was indispensable to maintain a proper channel for internal and external communications.

Annapurna Finance's Communication and Branding department is invaluable in shaping the company culture in ways that aid brand presence. The department not only attracts new customers but also encourages the existing ones to stay loyal to the brand. Its branding techniques provide valuable information portraying how Annapurna Finance works, what values it possesses, and how unique its functionalities are compared to those of its competitors.

### Building Brand Annapurna: Structuring a Smart Ecosystem

The Communication and Branding department is the epicenter of the organization, demonstrating brand positioning in all interactions with fellow employees and the world. It devises effective messaging that resonates with the target audience. Leveraging smart tools such as HROne, the team ensures that there is steady internal communication resulting in a better work ethic. This is especially relevant when the employees are aware of their accomplishments and how those accomplishments are contributing to the holistic growth of the organization through better engagement. Besides, the department plays a pivotal role in sustaining effective communication between external stakeholders and the organization. The external engagement activities with the investors help build and promote an apt environment while identifying new opportunities for further engagement. The team ensures that well-crafted communication messages are designed to strengthen the organization's brand presence. The team is integral to reaching the target audience and pushing them towards engaging with Annapurna Finance's products and services.

### Documenting Milestones with Newsletters

The newsletter is a big part of Annapurna Finance's culture and holds great value in its brand communication strategy. The Communication and Branding department ensures that Annapurna Finance's engaging periodical newsletters boost its business and build networks to keep clients and customers engaged while highlighting the organization's achievements. In addition, these newsletters are a great way of recognizing internal stakeholders for their achievements in making Annapurna Finance the leading microfinance company in the country. Many milestones are achieved when the employees' vision is aligned with the organization's. These newsletters

celebrate all success stories the company is accomplishing, from new launches to awards to various CSR activities. **e-Sampark:** A quarterly newsletter, e-Sampark highlights all the high points of Annapurna Finance in the quarter gone by. It greatly increases awareness and understanding of the company and its products and services amongst internal and external stakeholders.

**The Achievers:** The Achievers is an internal newsletter that recognizes and promotes women employees from different states, departments, and functions of Annapurna. It showcases the achievers' journeys and experiences and is designed to inspire other women employees to make a difference.

### Crafting User-Friendly Experiences through Activities

Besides brand-building activities, weekly sectoral highlights, and periodic newsletters like e-Sampark, The Achievers, etc., the team works on other branded content. With millennials experiencing a deep disconnect with traditional financial institutions and financial products not being on the top of the mind of many people, brands have been compelled to come up with innovative solutions. Annapurna Finance's Communication and Branding team constantly brainstorm to create content to attract customers' attention and help them engage better with the brand. The focus is not only on churning content that helps the customers understand the company better but also on creating user-friendly experiences. The team is working tirelessly to align the messaging with the brand's core value proposition.

Today, brands need to identify their users' expectations and map those to the brand's product promise. This maintains uniformity in messaging across all contact points and eradicates mixed signals that may confuse the user. The team ensures that trust and dependability—in words, formats, and mediums—are instilled in the content messaging as users only consume financial services from brands they can trust.

### Brand Resilience: Establishing Sustained Value

In a world bridled with the challenges thrown by the pandemic, being resilient and facing the hurdles with grit and stoicism they helped the Communication and Branding department to meet the organizational goals in time. Further, technological advancements have made it necessary to enhance brand value by modifying the company's existing strategies and adopting new verticals. In the last financial year, several highlights helped the department deliver satisfactory experiences to the management, employees, and customers, which led to the higher brand association, thus improving profit, employee engagement, social value, and support for Annapurna Finance's vision to reach the unreached and unserved sections of society.

The top management and the Communication and Branding department took all the necessary steps to communicate with the employees during the pandemic by connecting virtually through various motivational sessions. The virtual communication helped re-instill confidence within Annapurna Finance's employees and guided them to proceed without fear.





### Multi-tier Product Launches

The Communication and Branding team also designs promotional materials in the form of banners, leaflets, notepads, stage decorations, booklets, invitation cards, ID cards, etc., for various events. It is also involved in organizing product launches so that they create the maximum impact. The team takes care of processes like content development, marketing collateral designing, buzz creation, and UI designing.

In FY 21–22, the Communications and Branding department made a great impression when some of Annapurna Finance's major projects and services were launched, including Just-in-time Loan (JIT), rooftop solar loan, Customer Engagement Platform and Fintech application, etc. During the pandemic, the branding team promoted the preventive measures taken by the organization through banners, flyers, animated videos, presentations, documentation, and other awareness-generating materials.

Further, in corporate communication, documentation plays a major role in delivering the company's thoughts, ideas, and progress to the target audience. Considering this as one of the important tasks of the department, the team covered various case studies and surveys of clients, created videos for increasing awareness, and crafted new techniques to design campaigns for better engagement.

This year's highlights of the department in promoting sustainable values and social awareness objectives include celebrating International Women's Day, Lender's Meet, Foundation Day, virtual meetups, etc.

### Brand Promotion and Strategy: A Multi-Pronged Approach

To develop a conducive environment, the team works thoroughly on various documentation projects, field engagements, award events, and digital shows. The branding strategies include a thorough understanding and implementation of initiatives on the company's official social media channels, leading to better engagement and brand visibility. The team also actively designs promotional content, develops animated videos, and designs new branding techniques in terms of brainstorming ideas, launching products, services, and television programs, event management, handling media publications, conducting employee engagement activities, etc. Some branding initiatives undertaken by the Communication and Branding of Annapurna Finance are mentioned below:

**Saathi Sampark Yatra:** Under this program, Annapurna Finance's top management visited different states and the organization's branches and interacted with the field-level staff during the pandemic to keep them motivated. This was then featured in the newsletters published post the visits, one state at a time.

**Sammaan:** This event was conducted to felicitate and appreciate the hard work of Annapurna Finance's female MSME (Micro, Small & Medium Enterprises) clients. It was graced by the presence of the honorable chairman of

the National Bank for Agriculture and Rural Development (NABARD), Dr. Govinda Rajulu Chintala. Dr. Chintala further delivered impactful words acknowledging the role of women entrepreneurs in the national economy and distributed fresh loans to selected clients.

**Sakhyam:** 'Sakhyam: A Women Entrepreneurs' Meet, 2022' was conducted to encourage Annapurna Finance's women microfinance clients for their entrepreneurial skills and address their real-life challenges. Mr. Sivasubramanian Ramann, Chairman and Managing Director, Small Industries Development Bank of India (SIDBI), graced the event and the company's top management. Some of the event's major highlights were instant loan disbursements, numerous attractive stalls set up by Self-help Group (SHG) clients, and cultural programs.

**Foundation Day:** Every year, on December 27, Annapurna Finance's Foundation Day is celebrated with great pomp and show. This day features and celebrates the contribution of each employee. Along with a special felicitation ceremony, various other cultural and sports activities keep employees engaged.

**Lender's Meet:** One of the organization's major events is the Lender's Meet. It is an interactive platform for funders, the management team, and other important stakeholders regarding future organizational decisions.

**International Women's Day:** Annapurna Finance celebrates Women's Day on March 8. Successful women leaders from different fields and entrepreneurs share their valuable experiences with other female employees through a day-long interactive program.

**Inclusive Summit:** Last but not least, this year, Annapurna Finance was one of the sponsors of the Inclusive Finance India Summit and the Livelihoods India Summit. Mr. Dibyajyoti Pattanaik, Director, Annapurna, was one of the guest speakers at the event.

### Television Programs

**Naari Tu Annapurna:** To inspire rural women and promote entrepreneurship opportunities, a dedicated 12-episode television program was run. It narrated the success stories of rural female entrepreneurs. The organization took up this initiative to promote business activities in rural areas and inspire female entrepreneurs. It was broadcasted on Doordarshan's Odia channel.

### Awards

The efforts of the entire team have led to winning many prestigious awards and recognitions. Some of these include:

- 🏆 The Economic Times Best Organization for Women 2022 (powered by Femina)
- 🏆 The Economic Times Best BFSI Brands 2021 & 2022
- 🏆 The Economic Times Most Inspiring CEOs, 2021
- 🏆 Great People Manager Award, 2021 (organized by the Great Manager Institute)

Some additional achievements include the following:

- 🏆 The Brand Story awarded Annapurna Finance with India's Most Admirable Brand, featured in the Mid-Day e-paper.
- 🏆 Annapurna Finance's Director was recognized as India's Top Mind at the Indian Brand and Leadership Conclave, 2022, organized by The Brand Story.
- 🏆 Annapurna Finance's Managing Director, Mr. Gobinda Chandra Pattanaik, and Director, Mr. Dibyajyoti Pattanaik, made it to Forbes India's 100 Great People Managers 2021.
- 🏆 Mr. Gobinda Chandra Pattanaik was also hailed as a pioneer in the field of microfinance by Forbes.

### Great Place to Work

Great Place to Work® is considered the gold standard in workplace culture assessment and recognition. Annapurna Finance successfully created a 'Great Place to Work' for all its employees as it excelled in all the five parameters—Integrity, Respect, Equality, Pride, and Amity—required for a high-trust, high-performance culture. In a rigorous assessment process conducted by the Great Place to Work® Institute, Annapurna Finance got its Great Place to Work-Certified™ tag. As a certified organization, Annapurna Finance became qualified to be considered among India's Best Workplaces in BFSI, 2021.

The process of finding India's best workplaces in the banking, financial services, and insurance (BFSI) field are decided based on the evaluation findings and does not involve any jury or opinion-based criteria.

Annapurna Finance comes with strong people practices. It gives employees a lot of freedom and resources to try out new things, along with the freedom to express themselves. The support and facilities offered to employees enable them to have a healthy work-life balance, which indicates the leadership's sensitivity towards the issue. Further, various celebrations and events contribute to a fun environment. The management believes in promoting and encouraging employees through rewards, be it bonuses, employee stock ownership plans (ESOPs), or incentives. At Annapurna, each employee's opinion is valued.

### Social Rating

Annapurna Finance's commitment to its clients and families align with its mission and vision. The Communication and

Branding team of Annapurna Finance is dedicated to achieving what is promised to people and much more. There are several regular grading and social ratings at which the company excels every time. Annapurna Finance received the Client Protection Certification for constantly meeting the required standards in treating its clients. It has also received an MFR1 rating by CRISIL. CRISIL's microfinance institution (MFI) grading determines the scalability and sustainability of an organization.

Moreover, the company got an A+ social rating by MicroFinanza and a Platinum rating by the Global Impact Investing Rating System. In addition, this year, Annapurna Finance was graded A+ by the MFR social rating committee for its good social performance management and client protection systems.

### Depiction of Social Impact in Communication & Branding

Annapurna Finance believes in the expression of 'growing together'. A small community is helped at the grassroots level ripples in the country's economy. Annapurna Finance supports and promotes rural art, artisans, and their culture. So, to portray this, this year's calendar was based on various rural art forms and local artisans that brought them to the forefront. Additionally, the organization conducted special recruitment drives in which more than 2,000 employees were hired. It was a massive event, and reports on it were published in regional newspapers and local editions of national newspapers. Moreover, various health camps were conducted regularly during the pandemic to ensure the health of employees and the community.

### Way Forward

In the future, the Communication and Branding team will continue to work towards maintaining the brand image by disseminating information following the norms of the organization. The department is working to include a larger audience through engaging and innovative activities and programs, which will help keep the brand value high. The upcoming plans also include social awareness programs to dignify the brand name and its value by keeping its objective intact. As part of the branding strategy, the department plans to improve engagement, brand image, reach and ensure transparency and accountability.





SOCIAL

SPM



# Social Initiatives

CSR

ESMS

INITIATIVES





## SOCIAL PERFORMANCE MANAGEMENT & CORPORATE SOCIAL RESPONSIBILITY

Annapurna Finance has created an identity of a socially responsible lender and a customer-centric financial institution. The organization tries to contribute toward multiple sustainable development goals besides economic growth through its programmes. Annapurna Finance offers need-based products and services, periodically tracking customers' views and assessing the impact of the organization's interventions. It uses customer feedback to improve the existing lending mechanism and bring innovative ideas to address their requirements more effectively and efficiently.

### Social Performance Management (SPM)

Annapurna Finance has a dedicated Social Performance Management (SPM) department to uphold the objective of sustainability and optimized impact on the beneficiaries from financial inclusion.

The company demonstrates its commitment and respect toward all stakeholders, including employees, clients, and their families, by functioning ethically and transparently. Its mission and vision are to uplift different communities socially and financially while keeping all operations environmentally cognizant.

Annapurna Finance's social performance rests on four main pillars: social research, gender equality/mainstreaming, customer awareness, and social assessments.

The research and studies conducted by the department include:

- Annual client satisfaction and socio-economic impact assessment
- Regular client feedback
- Poverty assessment
- Other social research as per requirement

### Social Rating & Re-certification

Annapurna Finance's commitment to its clients and families aligns with its mission and vision. Its Social Performance Management team is dedicated to achieving what is promised to people and much more. There are several regular social assessments and audits at which Annapurna Finance excels every time.

- 'SMART Campaign' is a globally acknowledged evaluation that recognizes financial institutions that meet specific standards in treating their clients. The operational policies are consistent with the SMART Campaign's Client Protection Principles. Annapurna Finance has also received an MFR1 rating by CRISIL for its scalable and sustainable processes.
- Annapurna Finance goes through a third-party social rating, which focuses on the overall alignment of the organization with Universal Standards of Social Performance Management. It is a globally accepted parameter set to assess how the microfinance institution is performing in the social space, besides usual financial achievements, and how it maintains a sustainable approach towards serving its target population.
- Annapurna Finance was graded A+ by the MFR social rating committee for its good social performance management and client protection systems.

### Foundation of ESG

Four fundamental-level policies mainly guide the social performance of the organization. The SPM policy delineates the framework for achieving positive social contribution through business. The CSR Policy focuses on corporate social responsibility activities. Environmental Policy focuses on efforts for optimized resource utilization within the organization.

The Environmental & Social Management System (ESMS) provides ways to optimize, and if necessary, mitigate the negative environmental and social impacts of investments. The ESMS policy of the organization agrees with the United Nation's safeguard policy and the revised industry categorization of the Ministry of Environment, Forest and Climate Change. It excludes the activities that have a high potential of creating a negative social and environmental footprint.

### Fight Against Covid-19

Being an employee-sensitive organization, Annapurna Finance introduced several measures to safeguard its employees during the pandemic. The Doctor-on-Call facility was introduced to support Annapurna Finance's employees to fight COVID-19 and make them aware of facts regarding the pandemic. To make this initiative a success, two general physicians and four dedicated employees were appointed to handle the calls. About 27% of the callers were women. The time between receiving the call and doctor's consultation was less than 24 hours.

### Social Performance in 2022

#### Contribution to Sustainable Development Goals

Globally accepted Sustainable Development Goals outline a sketch for creating a better and sustainable future for all. All businesses, no matter how big or small, or to which industry they belong, should contribute to these SDGs through responsible practices in their respective fields.

Annapurna Finance understands the importance of the task. It looks to bring change by contributing to SDGs and incorporating the principles into its strategies and operations.

### Directly Impacted SDGs

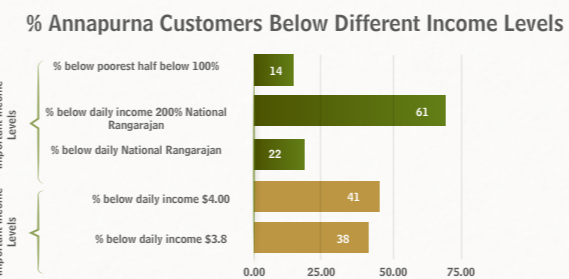
#### No Poverty

Being a microfinance lender, Annapurna Finance is driven by the basic principles of extending credit support to the underbanked and unbanked sections. It includes the low-income households belonging to the rural pockets of the country. For every microfinance institute, it is vital to carry out a thorough poverty analysis of its customer base. It must find out whether its services are reaching its target segment, which is the economically vulnerable segment of the society.

Annapurna Finance follows the Poverty Probability Index (PPI). It is a simple ten-question survey universally used to understand the probability of a household falling under a decided daily income level and track an organization's poverty outreach. Thus, it gives the likelihood of respondents falling under a certain income level.

Annapurna Finance covers at least one member from each group that falls under microcredit programme, to get a representative sample from the whole pool of customers. The survey from this financial year showed that almost 38% of customers belong to households earning USD 3.8 daily, and 41% of customers earn less than USD 4.00 daily. Additionally, 22% of customers fall under the national poverty level, and 61% fall under the 200% national poverty level defined by the Rangarajan committee, where 14% customers are from the households falling under the poorest half as per the same national poverty level.

### Poverty Status of Annapurna Customers



### Gender Equality/Mainstreaming

Gender representation and mainstreaming are embedded in Annapurna Finance's overall operation. Besides providing financial support to a predominant part of rural women, the organization is committed to encouraging participation from female employees. The organization has revised its policies and introduced new guidelines to incorporate a gender-sensitive approach in the workplace. This year, too, Annapurna Finance took a vital step towards making this dream a reality.

### Development of Gender-Sensitive Code of Conduct at Workplace

The gender-sensitive guideline aims to ensure better communication, avoid gender bias and stereotypes, and prevent gender conflicts in the workplace. The support and core operation management team has been trained on this module to implement the standards flawlessly at their workplace. As the organization's mission suggests, Annapurna Finance tries to mainstream women from rural pockets through credit support; currently, women constitute 99% of the active client base. Through the gender mainstreaming initiatives, the organization takes care of the women's resources working towards this goal of women empowerment.

### Clean Water and Sanitation

Annapurna Finance has a specific credit product called the Safe Water and Sanitation to Households (SWASTH) to increase access to clean water and sanitation. The product is offered to the low-income customer group for establishing toilets at home or taking a connection of safe and clean water. In this financial year, more than 50,000 households

have benefited from these products. Besides creating a positive impact on the health conditions of the customer households, the product also has the potential to improve the environment by lowering cases of open defecation and water pollution from such practices quite common in rural areas.

### Indirectly Impacted SDGs

#### Good Health and Wellbeing

A result of the clean water and sanitation goal. Clean water and sanitation translate to good health and wellbeing. It is the key footing on which the Sustainable Development Goals can be achieved. It goes a long way in preventing infections, morbidity, and mortality. A healthy community contributes to economic growth.

#### Zero Hunger

A result of the poverty eradication goal. Annapurna Finance believes in the upliftment of the poor. Its mission is to reach the unreached and serve the unserved, and its various products are designed to assist the poor and help them progress in life so that no individual goes to sleep hungry.

#### Decent Work and Economic Growth

Another result of the poverty eradication goal. Poverty eradication is thinkable only when people have stable and lucrative jobs. So, to attain the goal of inclusive and sustainable economic growth, there should be decent employment opportunities for all. Annapurna Finance caters to the financial needs of low-income households, gearing its customers, especially women, towards empowerment.

#### Affordable and Clean Energy

The organization also offers products promoting renewable energy, reducing the community's dependence on fossil fuel-based energy resources, thereby reducing the organization's carbon footprint.

#### Climate Action

Another result of the affordable and clean energy goal. Annapurna Finance is committed to achieving positive contributions to society by harmonizing financial and social returns and climate action. It has a detailed policy to evade, curtail or alleviate the adverse effects of sub-projects on the environment, boost the use of renewable energy and reduce its carbon footprints. Besides this policy, Annapurna Finance is active in supporting improved environmental practices through sessions like environment awareness campaigns at schools and drives for employees.







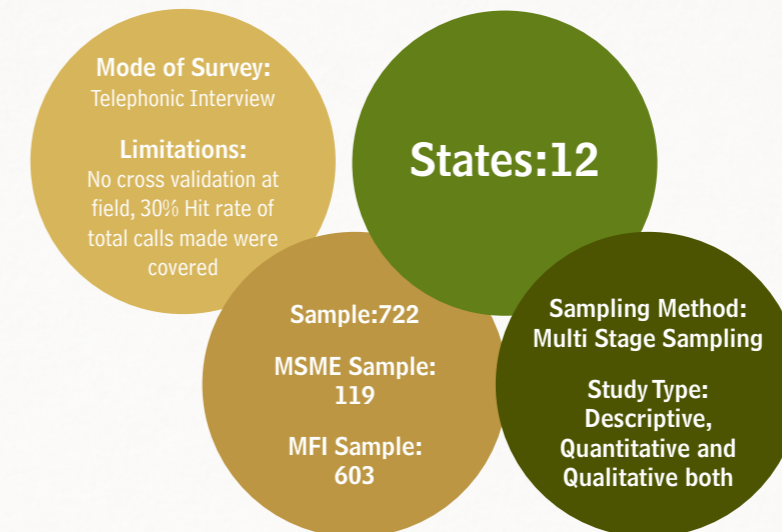
**Ms. K. Mangama** is a second-cycle customer of Gunupur branch, Odisha. From a family of four members, including her parents and a sister, Mangama was initially unfamiliar with life's hardships. She lost her father when she was 25 years old. As her father was the only breadwinner in the family, this incident exposed her family to mental trauma and financial uncertainty. Mangama was compelled to take responsibility for her family by taking up small stitching jobs in her area.

Initially, Mangama only had basic sewing skills. She attended a few classes in the neighborhood to upgrade her skills and improve customer satisfaction. After this, she came to Annapurna Finance for a loan to buy a sewing machine in 2017. Her diligent work made her livelihood viable for her family in the last three years. Till March 2021, she had taken two loans from Annapurna Finance to invest in her business. With time and effort, her business grew as customers appreciated her work.

Depending on the order volume, Mangama now earns a steady monthly income of ten to twelve thousand rupees. It is enough to meet her household expenses and the cost of her younger sister's education. She has even constructed a house for her family. The only challenge for her business is the lack of availability of quality raw materials locally. While she has achieved her primary objective of fulfilling her family's needs, Mangama is not willing to stop at that. She is still looking to grow more in life and make it big. With the same confidence, she wants to take her business forward and be an inspiration to all the women in her area. And she has Annapurna Finance to thank.

## 1. Customer Satisfaction Survey

The customer satisfaction survey is an annual study conducted by Annapurna Finance to understand how the organization's products and services are accepted among customers. The survey also helps to identify further room for improvement and synchronize the offerings as per the need of customers.



Annapurna Finance covered MFI and MSME customers this financial year to understand the points that tick with customer preference and where further progress is needed. Around 119 MSME customers and 603 MFI customers across 12 states were interviewed in a telephonic conversation. In MFI, 98% of respondents were positive about the complete loan life cycle, while in MSME, 100% of respondents shared positive views.

In terms of Annapurna Finance's staff behavior, in the MFI vertical, 99% of respondents were happy, while in MSME, the satisfaction percentage was 72%. On the loyalty and stickiness parameter, in MFI, 77% of respondents wanted to continue with Annapurna Finance's services, whereas 23% were not certain. Also, 95% respondents were ready to suggest Annapurna Finance to others. In the MSME vertical, 50% were looking to continue with Annapurna Finance in the future, while the remaining 50% were uncertain.

	MFI Clients	MSME Clients
<b>Process Convenience</b>	<ul style="list-style-type: none"> <li>In MFI 98% respondents are positive about the complete loan life cycle</li> </ul>	<ul style="list-style-type: none"> <li>In MSME, 100% respondents shared positive views</li> </ul>
<b>Staff Behaviour</b>	<ul style="list-style-type: none"> <li>In MFI vertical, 99% respondents are happy with the staff behaviour</li> </ul>	<ul style="list-style-type: none"> <li>In MSME, the satisfaction percentage is 72%</li> </ul>
<b>Need Fulfillment</b>	<ul style="list-style-type: none"> <li>In MFI 92% respondents got applied amount and for 89% the loan was able to meet their need</li> </ul>	<ul style="list-style-type: none"> <li>In MSME, 74% got applied amount, but loan amount was enough for 100% respondents</li> </ul>
<b>Loyalty</b>	<ul style="list-style-type: none"> <li>In MFI, 77% definitely wants to continue, where 23% are not certain</li> <li>95% of MFI respondents will definitely suggest Annapurna to others</li> </ul>	<ul style="list-style-type: none"> <li>In MSME, 50% definitely will continue with Annapurna, where rest 50% are uncertain</li> <li>81% of MSME respondent will definitely suggest Annapurna to others</li> </ul>
<b>Awareness</b>	<ul style="list-style-type: none"> <li>64% MFI respondents are aware of COVID moratorium and 88% know of GRM</li> </ul>	<ul style="list-style-type: none"> <li>80% MSME respondents availed moratorium and 100% are aware of GRM</li> </ul>



## 2. Socio-Economic Impact Assessment Survey

The socio-economic impact assessment survey aims to understand the impact of Annapurna Finance's products and services on the customers' lives and how that drives the holistic development agenda. The survey was done for both MFI and MSME customers. For MFIs, the study used a comparison between the control and experimental group with a sample size of 792 and 804, respectively, whereas, for MSMEs, the study tried to understand the changes in the lives of the customers in the past two years for both social and economic indicators with a sample size of 120.

Looking at the economic impact on the MFI segment, the average household income and savings were higher in the case of the experimental group. However, per capita income and savings for the control group were significantly high. The control group had more household asset holding compared to the experimental group. In the control group, 20% and 21% of customers faced a decrease in total HH and per capita income in the last two years compared to 11% and 13% of experimental group clients. Also, 20% of the experimental group customers faced a negative impact of COVID on their regular work and income compared to 24% of the control group.

### Outcome Snapshot for MFI Customers

**Economic Impact**

- Average household income and savings is higher in case of experimental group, though per capita income and savings for experiment group is significantly high
- Control group has more household asset holding compared to experiment
- In control group 20% and 21% customers faced decrease in total HH and per capita income in last 2 years compared to 11% and 13% of experimental group clients
- 20% of experimental group customers faced negative impact of COVID on their regular work and income compared to 24% from control group

**Social Impact**

- More percentage of respondents from experiment group are experiencing improvement in water supply and fuel use at HH. 8% and 5% of control group members experience degradation of fuel and water source compared to 5% and only 2% of experimental group
- 91% of control group account holders and 94% of experiment group account holders have account vintage of more than 2 years
- Experiment group fares better in term of usage of insurance, other financial services, and outreach of bank accounts. There is scope in improving usage of ATM and online payment
- In terms of decision making, more experiment group respondents are involved in loan utilization and livelihood decision and control group is more involved in children related decision

**Covid Impact**

- As of May- August, 2021 only 8% of the total respondents have their family members all vaccinated at least once. The coverage varies from state to state based on the availability of the vaccine
- Confidence about the vaccine was higher among experiment group
- In terms of resilience against COVID, the experiment group showed more resistance in term of food security, fund availability
- In all the states except Jharkhand, control group faces more problem related to food security. States that faced extreme effect on food security are Odisha, Assam, Rajasthan and Maharashtra

The socio-economic survey on the MSMEs led to the finding that the business worth has increased the most in Odisha, Rajasthan, and Assam. In contrast, the business worth increase is the lowest in Maharashtra, Chhattisgarh, and West Bengal. The usage of informal borrowing has reduced by 61%, whereas informal source lending has increased by over 23% in the past two years. It also stated that MSME respondents took multiple mitigating strategies to cope with the COVID-19 impact, including managing daily cash flows, using moratorium facilities, taking credit support from formal sources, etc. The survey also highlighted that MSME clients were better equipped digitally than MFI customers, given that 100% had a smart device and a bank account.

### Outcome Snapshot for MSME Customers

**Economic Impact**

- Business worth has increased most in the states of Odisha, Rajasthan and Assam, where business worth increase is lowest in Maharashtra, Chhattisgarh and West Bengal
- Average savings in states of Assam, MP and Rajasthan has increased multi folded, where the decrease in annual savings happened in Maharashtra and Chhattisgarh
- In annual sales figure, other than Odisha respondents from most the states faced negative impact
- Usage of Informal borrowing has reduced 61%

**Covid Impact**

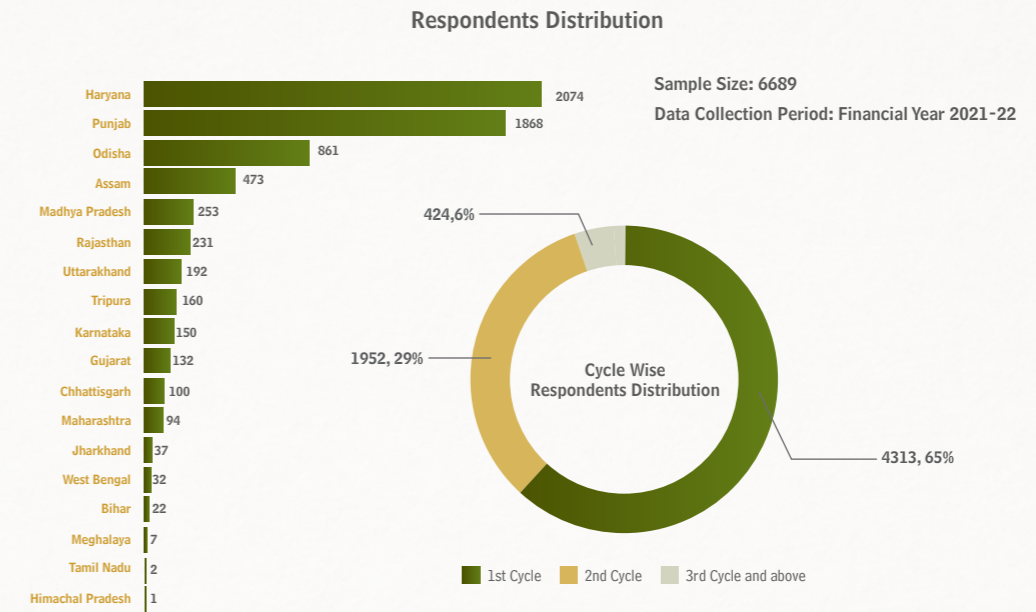
- Respondents took multiple mitigative strategies to cope up with COVID impact including managing daily cash flows, using moratorium facility, taking credit support from formal sources etc
- For business, the majorly taken measure was cutting down the human resource. Almost 22% of the respondents reduced workforce during COVID
- For Household level preparedness the mostly used strategy was reserving cash for unforeseen events. 97% of the respondents used the strategy and 69% had enough cash reserve to last more than a month

**Digital Preparedness**

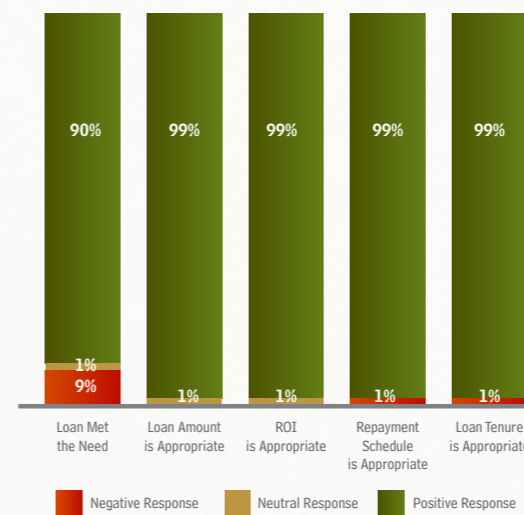
- Digitally MSME clients are better equipped than MFI customers given 100% of them have own smart device and bank account
- States like Chhattisgarh and Jharkhand have 100% ATM and UPI user and they are enthusiastic to move towards digital credit solution
- Use of UPI is lowest in states Tamil Nadu (47%), Assam (50%) and Rajasthan (64%), in rest of the states more than 70% respondents are using the payment modes
- Use of ATM card is lowest in states of Tamil Nadu (73%), Rajasthan (73%) and Assam (75%) and in rest of the states it is more than 90%

## 3. Customer Feedback

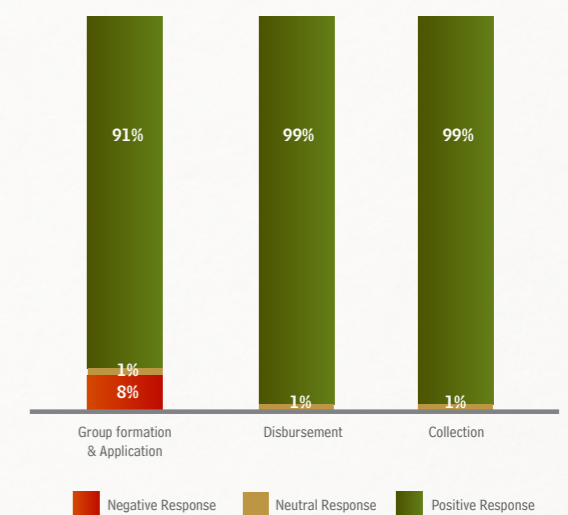
Customer feedback is a regular channel that provides a quick idea about the performance of an organization's products and services. Annapurna, with the support of its field staff, conducts surveys for MFI customers to understand the satisfaction level of the products and services offered.



### Type of Response against Product Features



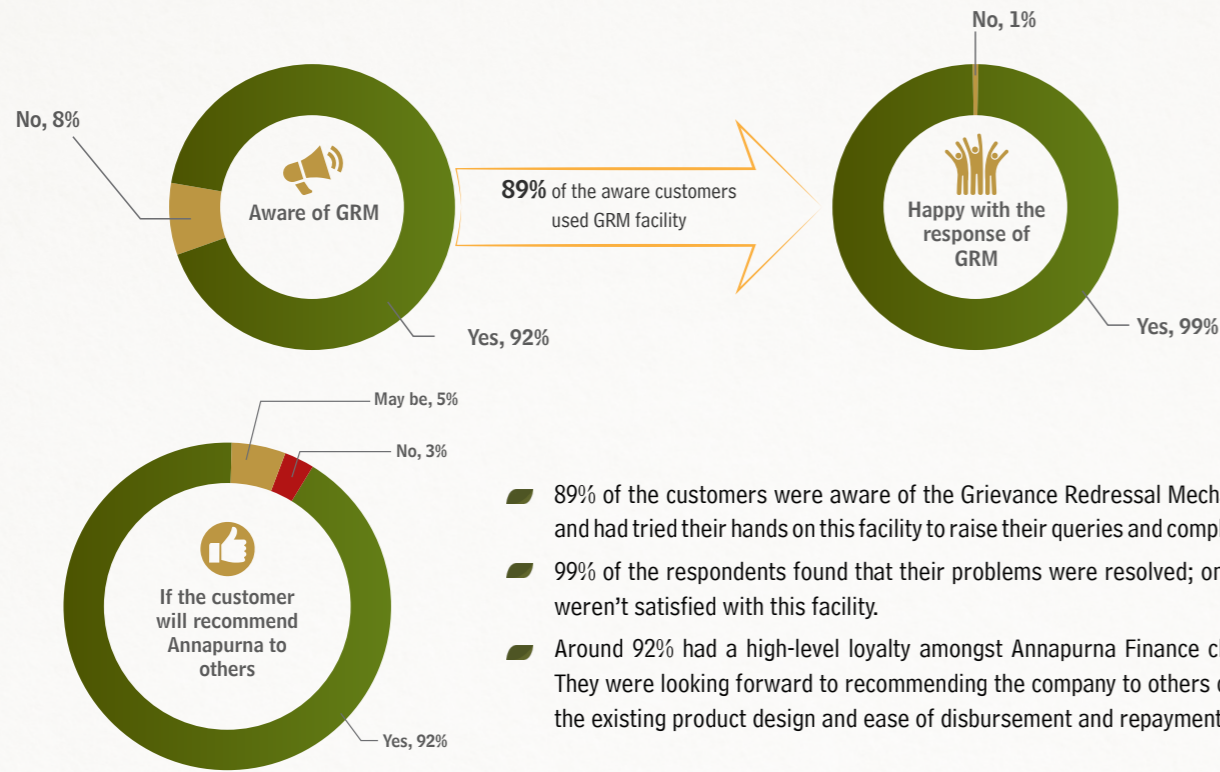
### Type of Response against Staff Behaviour



The above graph highlights the following:

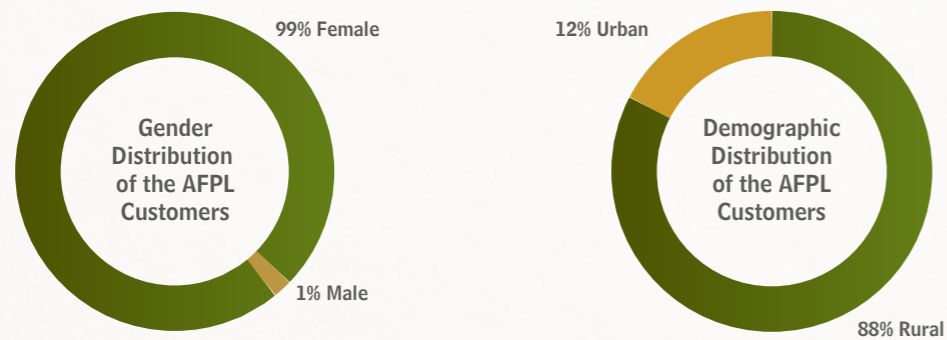
- 90% of the respondents experienced the loan amount met their need fully, whereas only 9% of respondents said that their need was not completely met. The reasons behind the non-fulfilment of their needs were less sanctioned amount and delay in disbursement.
- 99% of Annapurna Finance clients were satisfied with the loan amount offered.
- 99% of the respondents found the interest rate was appropriate.
- 99% of the respondents found the repayment schedule and loan tenure convenient.
- 91% of the respondents were satisfied with the group formation and application process because of the staff's guidance and friendly assistance during the lending procedure.
- Only 8% were dissatisfied with the assistance from the staff during the loan process.
- Over 99% of clients were satisfied with the staff behaviour in the process of disbursement and collection of the loans.



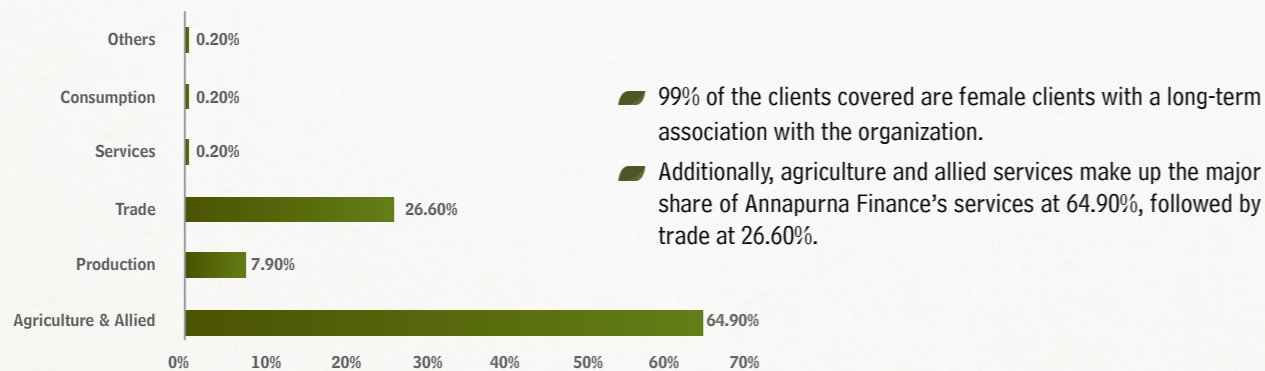


### 3. Customer Outreach

Annapurna Finance is in total alignment with its Mission and Vision, which is focused towards designing client centric custom products through its MFI/MSME verticals. The company continuously monitors the demographic distribution of the clientele to avoid mission drift at any instance.



Activity wise AFPL Client Distribution



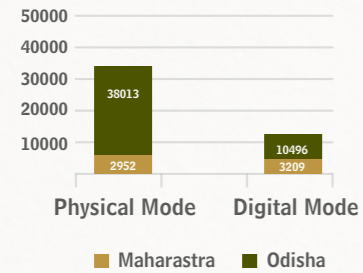


### Credit Plus Activities: Financial and Digital Literacy Training (FDLT)

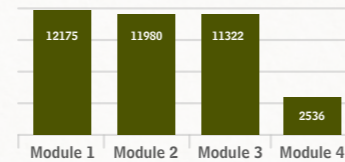
The Financial and Digital Literacy program is the successor initiative of the Financial Literacy Training, previously delivered in Odisha. The program's objectives were to improve client awareness of financial transactions, support better financial and health decision-making at the household level, and make customers aware of the digital platforms and transactions.

While catering to rural clients, the company noticed that formal education does not educate people on financial wellness; most people rely on someone else to make their financial decisions. One thing was for sure, simply making banking services available to their doorsteps was not enough. There was a need for financial and digital literacy among the beneficiaries to truly understand the usage of banking services and use them at ease. It covers everything, from educating clients on how to use an ATM to inculcating savings behavior.

Financial and Digital Literacy Coverage



Module wise breakdown of FDLT coverage in Odisha



The modules generally include the basics of generating income, preparation and importance of budget, how to do the savings, and the digital mode of payments, followed by an interactive session. So, to understand the effectiveness of FDLT, the impact assessment attempts to understand how the program successfully achieved the objective. Data were collected pre and post the impact study from the same set of clients to assess the difference in their level of awareness and change in behavioral patterns.

### Corporate Social Responsibility (CSR)

As a socially responsible institute, Annapurna Finance extends its support to the community for holistic development. The organization is committed to impact society's well-being by promoting social and economic inclusion and adhering to its mission and vision of serving the underserved. Through Corporate Social Responsibility, the organization has worked in a few thematic areas, like healthcare, women empowerment, childcare, etc., to instill social consciousness. Annapurna Finance has its roots deeply set in the social development agenda, and through its CSR activities, the organization tries to provide optimum benefits to the community.

This financial year, the organization has taken up the following activities under its CSR wing:

#### Mobile Medical Unit (MMU)

The Mobile Medical Unit was introduced to take healthcare to the doorstep of the population, basically, the rural, less-exposed, or vulnerable sections of society, which includes children, women, and elderly citizens. Annapurna Finance's MMU is staffed with a medical team of specialized doctors and professionals like nurses and pharmacists. So, to keep the objective of women empowerment incorporated in the programme, women SHG members from the outreach area are involved in activities such as camp promotion, registration of patients, and overall management. The facility is run in four Gram Panchayats, where this financial year, 1572 patients have been treated and over 100 patients tested for basic pathological parameters.

#### Child Development

Aama Ghara, a people's forum initiative, is recognized as a childcare institute and a special adoption agency. It works under the Child Welfare Committee (CWC) and District Child Protection Unit (DCPU). It is a huge home for around 62 children. Annapurna Finance funds this facility's complete management, including creating a fun learning space for these children through developmental initiatives like school enrolment, psychological counseling, cultural celebrations, and regular health check-ups. The facility provides a better scope for academics, co-curricular activities, personality

development, and mental and physical development opportunities for the children staying there.

#### TV Program on Women's Empowerment

The contribution of rural women entrepreneurs towards attaining financial sustainability often gets neglected. To promote female rural entrepreneurs, Annapurna Finance created a 12 Episode Talk Show- 'Naari Tu Annapurna'.

The talk show showcases the achievements of these successful women entrepreneurs and their businesses. It celebrates their life journey in being able to change the mindset of society, breaking stereotypes, and empowering other women. The show was aired on Doordarshan Odia and a few more live-streaming platforms like Jio Tv, ZEE 5, and MX Player.

#### Artisan Cluster Development

Annapurna Finance funds the brand Atulya Karigari, which mainly focuses on capacity building and development of handloom and handicraft artisans by providing them training, design and development support, and market assistance on both offline and online platforms.

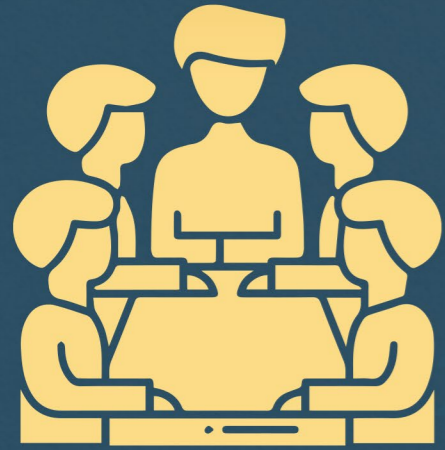
Artisan Cluster Development aims to integrate and improve the handloom and handicraft artisans. With a reach of over 2500 artisans, it has made its mark in various states across the country. The products are sold at a competitive price, of which 70% goes directly to the artisans while the remaining 30% is utilized for cluster development activities. A dedicated team operates a website and a social media handle named Atulya Karigari India for continuous online marketing and managing bulk orders.

#### Disaster Response

Through CSR initiatives, Annapurna Finance supported emergency relief for over 500 households affected by the cyclone by providing basic food items that can be consumed without cooking, medicines, and a few other supplements providing health protection to the victims. Additionally, amidst the ongoing pandemic, Annapurna Finance extended its support by distributing over 50,000 masks and creating awareness about the benefits of vaccination among the rural masses.







# Director's Report





## DIRECTOR'S REPORT

Dear Members,

Annapurna Finance Private Limited

Ref: The Directors' Report of Annapurna Finance Private Limited for FY 2022.

Your Board of Directors states that, the Financial Year (FY) 2021-22 commenced with continuing 2nd wave of COVID pandemic which was horribly severe in as much as it greatly hampered human interactions. The microfinance activity, being an inclusive mass service to the under privileged, is a highly interactive business model and had to suffer the onslaught of pandemic. The Company, for reasons of safety and prevention, had to plan with minimal staff required for routine functions rather than attempting for any business progress for at least first quarter of the FY. The crippling impact of the pandemic was contained to a shorter period (effectively for 4 months) compared to previous FY on account of the well preparedness of the management, with the continued experience of pandemic. The company ushered in innovative functional methodologies such as "work from home" and "establishing digital payment gateways", a rare availability in MFI sector, in order to minimise the frequency of manual interactions. This was well supported by Govt's stringent preventive actions against pandemic and vaccination drives leading to herd immunity.

Consequently, Annapurna Finance registered a sharp loan growth from ₹ 4,793 Cr to ₹ 6,553 Cr (37% increase). The company has been able to maintain a sustained well diversified micro-finance as well as MSME portfolio, in conformity with the regulatory guidelines. Further, it has been able to diversify geographically to new States like Uttar Pradesh & Goa, and consolidated its reach in the existing States. During the year, the company also added 114 new branches to its fold.

Annapurna Finance has also ventured into new business areas such as clean energy and introduced roof top solar loans. The company believes that while this new asset class is still in its nascent phase, going forward it would have a huge potential.

### Credit Quality

Even though the country started recovering from second quarter of the FY, the economic activities were yet to settle and accordingly the loan recovery took a while to improve. There was a cumulative impact of COVID lashing out over one and half years. The most hit was the unorganized working class forming the major client base for MFI. As a result, the loan recovery efficiency, even though improved, could not gather enough speed for much of the FY.

Consequently, the recovery aspect was most affected. It resulted in increase of impaired loans from ₹ .300.52 Cr to

₹ 532.75 Cr (77% increase), with provision going up from ₹ 235.47 Cr to ₹ 444.61 Cr. Fresh impairment provision of ₹ 193.83 Cr was made from P/L.

The organization has taken all round steady efforts to recover as well as to contain the credit quality deterioration through restructuring or otherwise. This contained the gross impairment to 10.03% and net impairment to 2.86% against the levels of 7.33% and 3.04%, respectively, at the end of previous FY. Notably the company has prudently allocated a provision of 83% for impaired assets, thereby reducing future risk. The sizable upgradation of Stage-2 assets to Stage-1 imparts confidence to recover a good part of Stage-3 (impaired assets) in the coming years, on abatement of COVID pandemic. It is with this confidence that no impaired account has been written off during the year.

### Resources

Annapurna Finance has been able to receive unhindered support from its lending banks in the tough times of COVID. Nevertheless, in order to augment the resources and improve the CRAR, which was being affected due to decline in internal generation, the company decided to raise fresh capital. It has successfully raised capital of ₹ 409.27 Cr by way of convertible preference shares during the financial year and could raise additional capital of ₹ 117.30 Cr in June 2022, thus infusing total capital of ₹ 526.57Cr till the publication of this Report. This capital infusion, during the debilitating pandemic period, shows the trust and confidence of the investors in the company and also depicts the strength of our financials and corporate governance as well as the management capabilities. Because of the same, there is a sharp improvement in CRAR from 27.71% to 29.78%, with the Tier-I capital increasing from 22% to 25%.

### Liquidity

Annapurna Finance has always maintained a comfortable liquidity for its day to day activities. The Liquidity Coverage Ratio (LCR) was at 483.70% as against required 50% as per regulation. The maturity profiles of assets and liabilities are well poised such that financial assets recoverable within one year fully cover the liabilities payable within one year. The borrowings payable within one year are also covered by the assets recoverable within one year by 1.48 times. Thus, there is a comfortable liquidity position.

### Cost & Yield

Cost of Borrowings as well as yield marginally reduced due to some reduction in the MCLR of banks during the year. However, the reduction in yield was marginal, compared to the reduction in cost of borrowing, which testifies to the efficient management of borrowing.



### New Regulatory Guidelines on Micro Finance

It is important to mention that, in March 2022, RBI came out with the new microfinance regulatory guidelines involving a massive change - more particularly in respect of (a) pricing methodology, (b) loan size, (c) proportion of qualifying assets, and (d) uniformity among all categories of lenders. There is a shift from regulated pricing to competitive pricing based on internal cost structure. The individual loan size and purpose and number of lender restrictions have been done away with, thus rationalizing the loan quantum eligibility to Fixed Obligation to Income Ratio (FOIR). The obligatory Qualifying Asset proportion has been altered from 85% of Net Assets to 75% of Total Assets, which is already operational since 1st April 2022. The company has to evolve suitable management strategies to stand up to the competitive environment created due to the rationalization in the guidelines for all lenders and the advent of competitive price evolution as also to conform to the qualifying assets guidelines.

### Opportunities

It is worth mentioning that the onslaught of COVID pandemic, amid its destructive impact, has also provided some constructive opportunities. In the face of rising delinquencies, the company staff ensured a deeper reach out to the clients with a clear understanding of their stress and resolution requirements. This has built a strong relationship and developed grass root level connection between company staff and customers. To tackle the pandemic, it has introduced digital payment system, which is a rare availability in MFI sector, as mentioned earlier.

Under the new Microfinance Regulations, along with the emergence of tougher market competition, some fair opportunities are also available. The waiver of individual loan limit paves way for improved operational efficiency by achieving more business with lesser number of borrowers. The reduced stipulation of qualifying asset proportion enhances the secured advances class, thereby strengthening the asset quality.

We place below the key financial parameters of the company together with the audited financial statements, for the financial year ended March 31, 2022.

### 1. Financial and Operational Position

#### a) Financial Position:

Particulars	(amount in ₹ Cr.)		
	FY 21-22	FY 20-21	Growth (YOY) %
Particulars	FY 21-22	FY 20-21	Growth (YOY) %
Interest Income	933.54	847.58	10%
Other Income	219.22	129.54	69%
Total Income	1,152.77	977.11	18%
Interest Expense on Borrowings	560.07	507.72	10%
Provision Expenses	193.83	191.75	1%
staff Expenses	287.98	205.99	39.80%
Total Expenses*	647.22	577.70	12%
PAT	17.13	1.82	841%
Total Debt Outstanding	6,212.40	4,884.36	27%
Total Equity **	793.89	762.6	4%
GLP (Total)	6,553.42	4,793.16	37%
Managed Portfolio	1,359.14	784.90	73%
Impaired Loans (NPA) in Cr	525.14	315.67	66.36%
Yield (in %)	20.63	20.75	-0.58%
Cost of Borrowings (in %)	10.99	11.36	-3.26%
Net Interest Margin (in %)	9.64	9.39	2.66%

\*Total Expenses exclude Provision Expenses and Staff Expenses.

\*\* For FY 22, Total Equity does not include CCPS of Rs.487.93 Cr and CCD of Rs.150.00 Cr, as per IND-AS guidelines.

During the financial year, revenue from operation increased by Rs.173.73 Cr and reached Rs.1147.16 Cr, as compared to previous financial year and the company registered a net profit of Rs.17.13 Cr. Total Equity comprises equity share capital of Rs.68.80 Cr, instruments entirely equity in nature of Rs.3 Cr and other equity of Rs.722.09 Cr.



## b) Operational Position

Particulars	FY22	FY21	Growth (YOY) %
No. of Borrowers	23,15,738	18,47,766	25%
No. of Districts	346	320	8%
No. of Branches	984	870	13%
Disbursement (On-Book) (Rs. Cr)	5,323.36	3,092.58	72%
Gross Loan Portfolio (Rs. Cr)	6,553.42	4,793.16	37%
Off-Book (BC + Securitization) (Rs. Cr)	1,359.14	784.90	73%
Total Employees	8559	7,304	17%
Field Officers	5,250	4,492	17%
GLP/Active Borrowers	28,299	25,940	9%

## c) Funding Position

In terms of fund raising, the company has mobilised funds amounting to ₹ 4,783.78 Cr in the Financial Year 2021-22, out of which ₹ 3,042.35 Cr was raised through term loans, ₹ 169.96 Cr in the form of ECB, ₹ 1,298.78 Cr in the form of Direct Assignments and ₹ 272.69 Cr in the form of NCDs.

The company has added Kookmin Bank, OeEB (Development Bank of Austria) and Piramal Capital as our new lenders in FY 2021-22.

## 2. Reserves

As per the statutory requirement under Section 45-IC of the Reserve Bank of India Act, 1934, an amount not less than 20% of the profit after tax is to be transferred to Statutory Reserve. Accordingly, the company has transferred ₹ 3.42 Cr to Statutory Reserve.

## 3. Dividend

To maintain a healthy Net Worth & Capital Adequacy Ratio, the Board proposed to retain profits in the business itself and no dividend is being declared on the equity shares of the company.

Further, your Directors recommend preference dividend at the rate of 0.0001% per annum on Compulsorily Convertible Preference Shares to AATO (Aids awareness Trust of Orissa) for the financial year ended 31st March 2022. The dividend amount payable is ₹ 30/-.

In addition, your Directors recommend preference dividend at the rate of 0.01% per annum for the financial year ended 31st March 2022 on the Compulsorily Convertible Preference Shares to the following investors with dividend amount of:

- Nuveen (Nuveen Global Impact Fund India S.À.R.L), - ₹ 19,418.61/-
- Accion (Accion Gateway Fund LLC), - ₹ 2,303.44/-
- ESF Holdings II, - ₹ 2,931.68/-
- OIKO (Oikocredit Ecumenical Development Cooperative Society U.A.) - ₹ 707.33/-

## 4. Management Discussion and Analysis Report

### Industry Overview

The year 2021-22 was a tough year, as much as the previous financial year, for the entire financial sector of India due to the COVID pandemic and consequent lockdowns. It was tougher for MFI institutions having interface with economically weaker class, which faced immeasurable economic brunt due to the pandemic. The MFI industry, because of its low shock absorbing capability, is the most susceptible to natural or forced calamities or any policy measures having adverse impact on the Industry - like floods, cyclone, drought, demonetization, loan waivers, policy actions, teething problems in implementation of GST, etc., but has always demonstrated its ability to survive, with upgraded innovative strategies and supportive regulatory measures as witnessed in the recent past. It is worth mentioning that the committed nature of the client base - mostly involved in the activities contributing to fundamentals of economy - and the strident technological progress have made a major contribution to the survival of the Industry players with greater resilience.

During the pandemic, both Central and State Governments introduced relief measures to support the weaker sections and to keep up the economic growth. RBI came up with guidelines and measures to support the liquidity and provide relief in repayment and compliance. These are enumerated later in a table.

Our country with its massive vaccination drive has created an atmosphere of herd immunity and it is expected that the pandemic, even though continuing, is likely to lose its severity, thus ensuring a rapid economic recovery in the country from the current year. The sector is showing signs of recovery after being in turmoil for around two years. Though it is a long and arduous journey for the sector to bounce back to its old glory, timely intervention by the government and the RBI in matters pertaining to policy and financial packages have helped the industry to a great extent. Positive growth is expected in the first quarter of the current fiscal and the trend to continue throughout the current fiscal.

### Overview of Company's Operations

Annapurna Finance could not be an exception to the pandemic's impact on the industry. The company has encountered several challenges in the past due to calamities like floods, droughts, cyclones, demonetisation, GST implementation, etc. It has successfully overcome such setbacks with the help of innovative strategies and the dedicated young staff strength as well as the committed client base. The above mentioned challenges were mostly localised affecting a part of the company's operations. However, the COVID pandemic uniquely affected the operations across the country severely impacting all business entities due to its global character, and crippling the ability of organisations to function normally due to lockdowns and illness of large number of employees. The organization also had to manage with minimal staff for large part of the FY, further aggravated by higher attrition.

Despite all the above constraints, the overall performance of the company during 2021-22 has commendably improved over the previous financial year by registering a sharp business growth, appreciable rise in profit and a cohesive infrastructure expansion - with good future outlook. The comparative NII has improved; other income too has improved with credible EPS manifest. However, the basic functional course has to be corrected for improving the loan recovery further and arresting the credit cost expense, so as to take advantage of the present scenario with the economic recovery picking up.

With continued loss of severity of the pandemic in India, the Board of Directors is committed to take all the resilience steps with the help of our dedicated staff to recover the dues in jeopardy and hopefully write-back some of the provisions, thereby ensuring a sound profit in the coming years and as well as restoring the Company's past historical growth stride and strength building.

Annapurna Finance with a forward looking approach undertook expansion activities and staff rationalisation with motivating incentives to ensure their allegiance and commitment to the organisation. The company innovated a temporary strategy of earning from Direct Assignments (within the earlier regulatory qualifying asset guidelines), to prevent profit dilution because of COVID pandemic.

On the positive side, the new challenges also provide the opportunity for upgrading strategies with the help of improved technologies. The company developed suitable methods for enabling digital / online payments through various modes of UPI and the clients were trained at field on digital / online payment of dues. Increase in cashless collection through direct credit to the customers' loan accounts enabled saving of manpower, to counter the shortage due to sickness and attrition. As a result, digital/online contactless collections rise in FY 2022. Contactless digital payment for loan disbursement was also developed. The company has developed a dedicated helpdesk for its customers to understand and to take necessary steps for resolution of customer grievances due to the pandemic situation. Similar arrangement was also made for the field staff to face the COVID situation in their operational areas.

Our Board of Directors are the torch bearers of all the new ways we reimagine ourselves, holding up a light to shine our paths with their extensive experience and unrelenting enthusiasm. During the year under review, we implemented several strategic interventions that helped us bolster our position in the market and progress our popularity among the masses. Drawing heavily from our ethos and values, our teams on ground displayed tremendous agility, ingenuity, grit, and resilience, helping us chart out the road for normalization in these trying times.

Regardless, there could be seen an improvement in the Micro-finance sector with the improved demand and collection efficiency standing at 97% as at March 2022 and if there is no further lockdowns due to Covid-19, which looks unlikely at the moment, the industry would run back on track with an increased pace in the current year coming ahead.

The company, in spite of the staff shortages and personal contact constraints, maintained uninterrupted service all the time and showed a remarkable progress in business volumes, thereby substantiating operational continuity. The Company has also responded positively to all the measures taken by the Central and State Governments to revive the economy and the wellbeing of its clients.

### Segment Information

The company has two major business dimensions vis-a-vis the Micro-finance and the MSME verticals. The MSME segment of Annapurna Finance offers business loans and provides services to micro, small and medium enterprises to meet their working capital needs. The product is designed with an objective to provide hassle free loans to both registered and unregistered business class segment. Secured and unsecured loans are provided to the MSMEs for upgrading or renovating their existing business infrastructure, replenishment of stock, expanding the business operations etc.

Whilst the micro-finance segment provides small credit support to vulnerable communities, improving the well-being of every individual in society so they can reach their full potential and helping poor households and businesses survive and thrive.

### Opportunities and Threats

The Covid-19 pandemic along with economic impact of mini state level lockdowns at regular intervals has affected the overall microfinance industry and as a result there was a spike in NPA due to stringent norms. The repayment capacity of the borrower is closely linked to the economic situation on the ground, affecting the credit culture in the long run. Therefore, recovery of loan remains a challenge in the business during the continuity of the impact of the pandemic.

However, MFI segments are promising new business opportunities, by establishing digital lending, including instant lending and collection platforms in conformity with the relevant RBI guidelines. Furthermore, the Company is focused on transforming the traditional business processes to a new age business with the aid of digitalization. This not only improves the overall efficiency of the organization but also helps in cost reduction as it shorts down the lengthy operating processes to simplified and quick ones.

The company follows non-coercive methods of recovery of loans as per RBI guidelines and few instance of default or irregular payment patterns of customers can be a threat to consider such loans as NPA.



Different Notifications / Circulars / Rules / Regulations / Guidelines issued by regulatory authorities during the year and their impact on the Company's operations are highlighted below

Regulatory measures by Statutory authorities	Impact and Company's action
i) Risk based internal audit	RBI, vide its circular dt. February 3, 2021, mandated implementation of Risk Based Internal Audit, inter alia, to provide the essential requirements for a robust internal audit function, which include sufficient authority, stature, independence, resources and professional competence, so as to align these requirements in larger NBFCs with those stipulated for Scheduled Commercial Banks. Adoption of RBIA by such entities would help to enhance the quality and effectiveness of their internal audit system.  The Company has done an assessment for implementation of risk based internal audit system in the organization with the help Grant Thornton LLP (Consultants)
ii) RBI guidelines for appointment of Statutory Auditors for NBFC	RBI issued harmonised guidelines on the appointment of Statutory Auditors for NBFCs vide circular dated April 27, 2021. These guidelines provide instructions regarding the number of auditors, their eligibility criteria, tenure and rotation, while ensuring the independence of auditors.  M/s. B S R & Co. LLP, Chartered Accountants, have been appointed as Statutory Auditors of the Company in August 2021 for a tenure of three years, in adherence to the guidelines issued by RBI.
iii) Scale Based Regulation for NBFCs	The new regulatory structure for NBFCs comprises of four layers based on their size, activity, and perceived riskiness, and encompasses different facets of regulation covering capital requirements, governance standards and prudential regulation. The Company so far has progressed in implementation of the RBI guidelines as follows:

Purpose	Implementation period	Company's Progress
Adherence to governance guidelines	A timeline of two years is provided with effect from October 01, 2022	The Company has appointed an independent agency for implementation of governance standards.
Core Financial Services Solution (CFSS)	On or before September 30, 2025	The Company will examine the core banking solution, by initiating dialogue with the vendors by the end of FY 2023.
Compliance Function and appointment of Chief Compliance Officer (CCO)	For NBFC ML – by October 1, 2023	To be complied within the prescribed timeline.
Regulatory Restrictions on Loans and Advances to Directors / Senior Officers / Real Estate Sector	October 1, 2022	Implemented in the internal policies of the Company.
Disclosures in Financial Statements - Notes to Accounts of NBFCs	March 31, 2023	This practice is already being followed from FY 2021-22
Policy on Compensation of Key Managerial Personnel (KMP) and Senior Management in NBFCs	April 1, 2023	The company will make the necessary changes to the existing policy within the timeline.

Regulatory measures by Statutory Authorities	Impact and Company's Action
iv) RBI regulatory framework for NBFC-MFI.	To introduce activity-based regulation in the microfinance sector and to further strengthen the customer protection measures for microfinance borrowers, a comprehensive regulatory framework for all regulated entities (REs) for microfinance loans issued by Reserve Bank on March 14, 2022, which is effective from April 1, 2022.
v) Appointment of Internal Ombudsman (IO)	Non-Deposit taking NBFCs (NBFCs-ND) with asset size of Rs.5,000 Cr and above, having public customer interface were directed in November 2021 to appoint an IO at the apex of their internal grievance redress mechanism within a period of six months from the date of issue of the direction i.e. by May 15, 2022.  The company after discussion in its Board has appointed Mr. Rajendra Kumar Swain as internal ombudsman for complying with the requirement of the circular and made the required intimation to RBI in this regard.
vi) Re-structuring 1.0 (6th August 2020)	As part of RBI's invocation and implementation of resolution framework for COVID-19 related stress, the re-structuring model provided a special window aimed at providing a principle-based resolution process for addressing defaults under a normal scenario. The restructuring policy allowed restructuring loans of the eligible clients whose income were impacted due to Covid-19. The Company adopted the resolution framework 1.0 and implemented the Board's approved re-structuring model for its borrowers.
vi) Re-structuring 2.0 (5th May 2021)	After the second wave of covid-19, the RBI reintroduced the COVID resolution framework on 5th May 2021, in response to the resurgence of the Covid-19 second wave. The Company too implemented the resolution framework 2.0 for its customers, in order to mitigate the repayment stress.
vii) Loan Moratorium	In line with RBI's announced COVID-19 Regulatory Package, a moratorium on repayment of loan installments for a period of upto 6 months ending August 31, 2020 was offered to the borrowers to overcome the repayment stress

Regulatory measures by Statutory Authorities	Impact and Company's Action
viii) Liquidity Support	The Reserve Bank of India introduced TLTRO Scheme, Special Refinance Facilities from NABARD & SIDBI, and the PCGS Scheme to manage the liquidity crisis of the Industry It helped the Company to maintain a healthy liquidity position and to meet its business obligations.
ix) Compliance Relief	Due to non-functioning of offices, the regulators - like MCA, Tax Authorities and RBI, extended various compliance relief in the form of extension of due dates for filing of statutory returns, thereby offering compliance relief.
x) Ex- Gratia Scheme	Under the ex-gratia scheme of the Central Govt, the Company has passed on to its customer the benefit of the difference between compound interest and simple interest on loan accounts on the outstanding balance during the moratorium period.

SEBI Regulatory Update	
SEBI (Listing Obligations and Disclosure Requirements) (Fifth Amendment) Regulations, 2021	The company is identified as high value debt listed entity as per the provisions of SEBI (LODR) Fifth Amendment which became effective from September 7, 2021. Accordingly, various corporate governance regulations have become applicable to the Company on comply or explain basis till March 31, 2023 and mandatorily w.e.f. April 1, 2023.  The Company has formed a Stakeholders Relationship Committee and rearranged its other committee members to comply with the foregoing regulation. All listed entities with non-convertible securities (NCS) are required to submit financial results on a quarterly basis.  SEBI, vide circular dated November 22, 2021, had specified disclosure obligations of listed entities in relation to related party transactions with respect to specified securities under Regulation 23 of the LODR Regulations, which was further extended to high value debt listed companies. This became effective from 1st April 2022, and the Company is adhering to the same.
Introduction of SEBI (ILNCS) regulation,	SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021 (SEBI NCS) Regulations, 2021) were notified pursuant to merger and repeal of SEBI (ILDS) Regulations, 2008 and SEBI (NCRPS) Regulations, 2013. All the existing circulars issued under ILDS and NCRPS regulations have been consolidated into the captioned single operational circular which provides a chapter-wise framework for the issuance, listing and trading of non-convertible securities, securitised debt instruments, security receipts, municipal debt securities or commercial paper.  The Company being a debt listed entity will need to comply with the guidelines for issuance of listed debt securities and the same has been taken on record for due compliance.

### 5. Credit Rating

The company has long term ratings and NCD ratings from CRISIL, ICRA and CARE. The details of ratings as on 31st March, 2022 are as follows:

Rating	Long term Rating (Bank Loan)	NCD rating
CRISIL A-	₹ 1,100.00 Cr	₹ 603.99 Cr
CARE A-	₹ 311.99 Cr	₹ 335.43 Cr
ICRA A-	₹ 1,100.00 Cr	₹ 414.92 Cr

The Company has also got rated its portfolio pools for Direct Assignment transactions.

### 6. Environment, Social and Governance (ESG) Review

Being a responsible organization, Annapurna Finance tries to incorporate better social and environmental practices in its lending as applicable. To prevent investment in any harmful social and environmental project, the company has a dedicated Environmental and Social Management System, which has delineated excluded activities in compliance with country regulation, IFC exclusion list and UN's safeguard policy. An annual reporting format is in place to review the organization's performance as per the ESMS policy. Besides this, the risk committee and SPM & CSR committee also review the operational process from the perspective of any mission drift from the same angle. It strives to adopt global best practices in environment, social and governance matters, to the extent applicable to the Company's operations.

### 7. Change in Nature of Business, if any

There was no change in the nature of business of the Company during the year.

### 8. Material Changes & Commitments Affecting Financial Position Between the end of the Financial Year and the Date of this Report

There are no material changes - like settlement of tax liabilities, major loan pre-closures, changes in the market or regulatory conditions, institution of cases by or against the Company, sale or purchase of capital assets or destruction of any assets, changes 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, that have occurred after the close of the financial year of the Company to which the Balance Sheet relates and the date of this Report.

### 9. Significant and Material Orders

There were no significant and material orders passed by the Regulators or Courts or Tribunals in FY 2021-22, which would impact the going concern status and the Company's future operations.



## 10. Adequacy of Internal Financial Controls

The Board has adopted policies and procedures for ensuring 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 controls to ensure that the financial affairs of the Company are carried out with due diligence. Apart from the Internal Audit function, which scrutinises all financial transactions, there are also laid down processes, leading to CEO/CFO certification to the Board on the adequacy of Internal Financial Controls as well as internal controls over financial reporting.

## 11. Subsidiary/Joint Ventures/Associate Companies

The company formed a wholly owned subsidiary during the FY 2020-21 named as Annapurna SME Finance Private Limited to takeover and manage the MSME business of the organization. Presently, the mentioned Subsidiary is in dormant status.

## 12. Public Deposits

During the period under review, the Company has not received or accepted any deposit from public and has retained its status as non-deposit taking NBFC. 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 do not fall under the definition of deposits as per Rule 2(c)(ix) and Rule 2(c)(ixa) of the Companies (Acceptance of Deposits) Rules, 2014.

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

## 13. Statutory Auditors and Audit Report

M/s. B S R & Co. LLP, Chartered Accountants, who were appointed as Statutory Auditors of the Company, will hold office till conclusion of 38th Annual General Meeting (AGM) of the Company for FY 2023-24. Pursuant to Sections 139 and 141 of the Act, read with the Companies (Audit and Auditors) Rules, 2014, they have furnished a certificate of their eligibility to act as Statutory Auditors of the Company.

The Statutory Auditors' Report for the fiscal 2021-22 does not contain any qualification, reservation or adverse remark and, in the opinion of the Directors, does not call for any further comments. The Auditors' Report forms part of the Financial Statements as on 31st March 2022.

## 14. Secretarial Audit Report

Under the requirements of Section 204(1) of the Act and Rule 9 of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company has appointed M/s. Gopinath Nayak & Associates, Company Secretaries, to conduct Secretarial Audit for the financial year 2021-22. The Secretarial

Audit Report for the financial year ended 31st March 2022, which forms an integral part of this Report is available at <https://annapurnafinance.in/wp-content/uploads/2022/07/Secretarial-Audit-Report-FY2022.pdf>

There has been no qualification, reservation or adverse remark in their Report.

For the year 2021-22, the Secretarial Auditors have not reported any matter under Section 143(12) of the Act, and therefore no detail is required to be disclosed under Section 134 (3)(ca) of the Act.

## 15. Share Capital (as on March 31, 2022)

The authorized share capital of the Company was ₹ 139.00 Cr consisting of 8,30,00,000 Equity Shares of ₹ 10 each and 5,60,00,000 Preference Shares of ₹ 10 each.

During the Financial Year 2021-22, the Company increased the authorized share capital of the Company from ₹ 107.00 Cr to ₹ 139.00 Cr, by addition of 3,20,00,000 Preference Shares of Rs.10 each.

The Company has only one class of Equity Shares, i.e. Equity Shares of face value of ₹ 10 each.

The issued, subscribed, and paid-up capital of the Company as on 31st March 2022 are as follows –

	Issued, Subscribed & Allotted	Nominal Value per share (₹)	Paid-up Value (₹)
No. of Equity Shares	7,28,95,160*	10	68,79,84,552.01
No. of Preference Shares	4,44,37,426	10	44,43,74,260.00
Total	11,73,32,586	10	1,13,23,58,812.01

\*Of the above, 41,34,012 nos. of equity shares are partly paid-up, i.e. ₹ 0.09024 paid per share

During the financial year 2021-22, the Company has issued and allotted 41,79,212 Equity Shares (including 41,34,012 partly paid shares) and 2,20,18,814 Compulsorily Convertible Preference Shares - thus increasing the paid-up share capital from ₹91.13 Cr to ₹113.24 Cr.

Employees Stock Option Scheme:

Annapurna Employees Welfare Trust was formed on 12th November 2020 to promote participation of the eligible employees in the ownership and growth of the Company. During the year, a total of 45,000 options were exercised by the employees of the Company under the ESOP Scheme.

## 16. Extract of Annual Return

The annual return (MGT-7) of the Company for the said financial year 2021-22, which is an integral part of this report, is available on the website of the Company at <https://annapurnafinance.in/reports-newsletters/>

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

As required under the provisions of Section 134 of the Companies Act, 2013 in respect of conservation of energy and technology absorption, your Company's operations

involve low energy consumption. Wherever possible, energy conservation measures have already been implemented and there are no major areas where further energy conservation measures can be taken. There was no Foreign Exchange Earnings and outgo:

## 18. Board of Directors

The Board of Directors of the company has been constituted with proper combination of executive and non-executive directors. The Board consists of 13 Directors, out of which 3 (Three) are Independent Directors and 8 (Eight) are Nominee Directors. There are 3 (Three) women Directors on the Board and 84.62% of the Board consists of Non-Executive Directors.

Sl. No.	Name of Director	Designation	Nature of Change	Date of Change
1	Ms. Dhara Jitendra Mehta	Nominee Director	Cessation	10/06/2021
2	Mr. Ranganathan Varadarajan Dilip Kumar	Nominee Director	Appointment	25/06/2021
3	Mrs. Radhika Jayant Shroff	Nominee Director	Appointment	25/06/2021
4	Mr. Abhishek Agarwal	Nominee Director	Appointment	23/12/2021
5	Mr. Satish Chavva	Nominee Director	Cessation	03/03/2022

### b) Declaration by Independent Director(s)

Declaration from all the three 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.

## 19. Meeting of the Board of Directors

During the year, the Board met 10 (Ten) times (i.e. on 29th June 2021, 27th July 2021, 24th September 2021, 29th October 2021, 12th November 2021, 23rd November 2021, 17th December 2021, 23rd December 2021, 27th December 2021 & 11th February 2022) after due notice given to the Board members in compliance with the Companies Act, 2013.

## 20. Managerial Remuneration

Details of managerial remuneration for the financial year 2021-22, pursuant to Rule 5(1) of companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, are mentioned below:

1	Ratio of remuneration of executive directors to the median remuneration of employees of the Company:	
	a) Managing Director	106 : 1
	b) Executive Director	52 : 1
2	In the Financial Year 2021-22, the percentage increase in remuneration of:	
	a) Managing Director-Cum-CEO	27%
	b) Executive Director	21%
	c) Chief Financial Officer	26%
	d) Company Secretary	30%
3	Percentage increase in the median remuneration of employees in the financial year	16%
4	Number of permanent employees on the rolls of the Company as on 31st March, 2022	8559

5	Average percentile increase in the salaries of employees, other than managerial personnel, in the financial year 2021-22	16%
6	Average percentile increase in the managerial remuneration in the financial year 2021-22.	24%
7	Affirmation that the Company has a remuneration policy and the remuneration is as per the remuneration policy of the Company	Yes
8	(a) The name of every employee, who if employed throughout the financial year, was in receipt of remuneration (for FY 2021-22), in the aggregate, of not less than one Cr and two lakh rupees. (b) The name of every employee, who if employed for a part of the financial year, was in receipt of remuneration for any part of that year, at a rate which, in the aggregate, was not less than eight lakh and fifty thousand rupees per month.	Mr. Gobinda Chandra Pattanaik, Managing Director

## 21. Loans, Guarantees or Investments under Section 186

The company is a Non-Banking Financial Companies classified as NBFC-MFI registered under Chapter III-B of the Reserve Bank of India Act, 1934 with the business of giving of any loan to a person or providing any guaranty or security for due repayment of any loan availed by any person in the ordinary course of its business. Hence, provisions of Section 186 related to giving loan, providing security or guarantee in connection with the loan is not applicable to the organization. Further, during the financial year, no investment was made by the company.

## 22. Contracts or Arrangements with related Parties

During the financial year ended March 31, 2022, all transactions with the Related Parties as defined under the Act read with Rules framed thereunder, were in the ordinary course of business and at arm's length basis, and no disclosure in Form AOC-2 are necessary to be disclosed. Your company does not have a 'Material Subsidiary' as defined under Regulation 16(1)(c) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

During the year under review, your company did not enter into any Related Party Transaction which requires prior approval of the Members of your Company. Necessary disclosures required under the Ind AS 24 have been made in Note No. 36 of the Notes to the Financial Statements.

## 23. Corporate Governance Report

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

## 24. Corporate Social Responsibility

The CSR activities of the Company during the year 2021-22 as per the format prescribed under the Companies (Corporate Social Responsibility Policy) Rules, 2014, forms part of this Report and can be accessed from <https://annapurnafinance.in/wp-content/uploads/2022/08/CSR-Report.pdf> and the CSR Policy is available at <https://annapurnafinance.in/csr-policy/>



### 25. 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 and has taken an insurance policy for its Directors and Officers (D & O policy). The present limit of liability covered under the insurance policy is upto Rs.50 Cr.

### 26. Directors' Responsibility Statement

The financial statements are prepared in accordance with the Indian Accounting Standards (Ind AS) under the historical cost convention on accrual basis except for certain financial instruments, which are measured at fair values, as per the provisions of the Companies Act, 2013 (to the extent notified) and guidelines issued by SEBI. Ind AS are prescribed for the Company under Section 133 of the Companies Act, 2013, read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) Amendment Rules, 2016. The Accounting Policies have been consistently applied except where a newly-issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

The directors to the best of its knowledge and belief confirm that:

- In preparation of the annual accounts for the financial year ended March 31, 2022, the applicable accounting standards have been followed and there are no material departures.
- The company has selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period.
- The company has taken proper and sufficient care towards 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 company has prepared the annual accounts on a going concern basis.
- The company has laid down internal financial controls, which are adequate and are operating effectively.
- The company has devised proper systems to ensure compliance with the provisions of all applicable laws, and such systems are adequate and operating effectively.

### 27. Disclosure under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

The Company has been employing women employees in various cadres with varied responsibilities. The Company has in place a Policy on Prevention, Prohibition and Redressal of Sexual Harassment of Women at Workplace and an Internal Complaint Committee in line with the requirements of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and Rules made thereunder, for reporting and conducting inquiry into the complaints made by victims on harassment at the workplace. The functioning of the Committee was carried out as per letter and spirit of the provisions of the Act.

### 28. 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, co-operation and dedication during the year.

Your Directors sincerely convey their appreciation to the company's 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





## REPORT ON CORPORATE GOVERNANCE (2021-22)

### 1. Company's Philosophy on Code of Governance

Annapurna Finance Private Limited (the "Company") firmly believes that establishing good corporate governance practices lead to sustainable success of the Company in long-term and sustainable value creation for all the stakeholders. The Company has over the years followed best practices of corporate governance by adhering to governance principles of the highest standard that enhances its reputation as a growing microfinance institution, therefor, enabling the company to fulfill its obligations towards its customers, employees, financiers, and the society as a whole. The company considers that such practices are rest on the core values of transparency, accountability, empowerment, independent monitoring, social responsibility and environment consciousness.

The company considers it essential to abide by the applicable laws and regulations in letter and spirit in order to be considered as a good corporate citizen of the Country and make its best endeavor to uphold and nurture these core values across all facets of its operations.

### 2. Board Strength & Representation

#### 2.1 Composition and Category:

The Board of Directors of your Company has an optimum and diverse mix of Executive and Non-Executive Directors and the same is in conformity with the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the "Listing Regulations"), as amended from time to time. As on 31st March, 2022, the Board consists of 13 Directors, out of which 3 (Three) are Independent Directors, 8 (Eight) are Nominee Directors and 2 (two) are Executive Directors. There are 3 (Three) Women Directors on the Board and 84.62% of the Board consists of Non-Executive Directors.

The List of Directors as on 31st March 2022 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. Venkiteswaran M R	Nominee Director
7	Ms. Christina Stefanie Juhasz	Nominee Director
8	Mrs. Laetitia Counye	Nominee Director
9	Mrs. Radhika Jayant Sharoff	Nominee Director
10	Mr. Sunit Vasant Joshi	Nominee Director
11	Mr. Prakash Kumar	Nominee Director
12	Mr. Ranganathan Varadarajan Dilip Kumar	Nominee Director
13	Mr. Abhishek Agarwal	Nominee Director

The composition of the Board represents an optimal mix of knowledge professionals, having relevant industry experience and enables the Board to discharge its responsibilities and provide effective guidance & leadership to the business as necessary to manage the affairs of the Company in the most efficient manner.

The Company has complied with all the necessary provisions of the Companies Act, 2013 and rules made thereunder by reporting the changes in Board composition to the Registrar of Companies within prescribed time period. The Changes in Board composition

during the year was as follows-

Sl. No.	Name of Director	Designation	Nature of Change	Date of Change
1	Mr. Ranganathan Varadarajan Dilip Kumar	Nominee Director, SVCL	Appointment	25-06-2021
2	Ms. Radhika Jayant Shroff	Nominee Director, Nuveen	Appointment	25-06-2021
3	Mr. Abhishek Agrawal	Nominee Director, Accion	Appointment	23-12-2021
4	Ms. Dhara Mehta	Nominee Director, SVCL	Cessation	10-06-2021
5	Mr. Satish Chavva	Nominee Director, Oman India	Cessation	03-03-2022

#### 2.2 Category and Attendance of Directors

During the year, the Board met 10 (Ten) times (i.e. on 29th June 2021, 27th July 2021, 24th September 2021, 29th October 2021, 12th November 2021, 23rd November 2021, 17th December 2021, 23rd December 2021, 27th December 2021, and 11th February 2022). The name and category 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 meet- ing attended	Attendance on AGM (31.08.2021)	No. of Directorship held in other Com- panies
Mr. Gobinda Chandra Pattanaik	Managing Director	10	Yes	0
Mr. Dibyajyoti Pattanaik	Director	10	Yes	1
Mr. Krishna Kumar Tiwary	Independent Director	10		2
Mr. Sean Leslie Nossel	Independent Director	6		0
Mr. Ashok Ranjan Samal	Independent Director	10	Yes	1
Ms. Christina Juhasz	Nominee Director	10	Yes	0
Ms. Laetitia Counye	Nominee Director	3	Yes	0
Mr. Prakash Kumar	Nominee Director	3		0
Mr. Sunit Vasant Joshi	Nominee Director	9		0
Mr. Venkiteswaran Mecherimadam Ramakrishnan	Nominee Director	9		3
Mrs. Radhika Jayant Shroff	Nominee Director	8	Yes	0
Mr. Ranganathan Varadarajan Dilip Kumar	Nominee Director	7		14
Mr. Abhishek Agrawal	Nominee Director	1		7
Mr. Satish Chavva	Nominee Director	9	Yes	1
Ms. Dhara Jitendra Mehta	Nominee Director	0		8

Note – Ms. Dhara Mehta and Mr. Satish Chavva ceased to be director from 10.06.2021 and 03.03.2022 respectively.

#### 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, inter alia complete agenda for meetings alongwith all relevant annexures, reports of various committee meetings, operational report, financial report, risk report, internal audit report, CSR report and the information to be placed before the Board of Directors as required under the Listing Regulations. The important decisions taken at the Board and the Committee Meetings are communicated to the concerned Departments/ Divisions of the Company for taking necessary actions as required.

## 2.6 Evaluation of the Board

In line with the Corporate Governance Guidelines of the Company, the Annual Performance Evaluation is conducted for all Board Members. The Board evaluation framework has been designed in accordance with the Act, the Listing Regulations, and the Guidance Note on Board Evaluation issued by SEBI in January 2017. The Board of Directors acknowledges the requirements of an effective Board Evaluation process and accordingly conducts the Performance Evaluation every year in respect of Individual Directors, Board of Directors as a whole and Committees of the Board of Directors.

The performance evaluation of Independent Directors is done by the entire Board of Directors, excluding the Director being evaluated. The performance evaluation of the Non-Independent Directors is carried out by the Independent Directors who also review the performance of the Board as a whole, which subscribe to the objective of evaluation of the performance of Board and management. The Nomination and Remuneration Committee also reviews the performance of the Board, its Committees and the Directors.

During the year, the Board carried out the annual performance evaluation of the Directors individually as well as evaluation of the working of the Board and of the Committees of the Board, by way of individual and collective feedback from Directors through discussions and oral assessment with qualitative parameters and feedback based on ratings.

The Board's functioning was evaluated on various aspects, inter alia degree of fulfilment of key responsibilities, Board structure, composition, establishment and delineation of responsibilities to various Committees, the effectiveness of Board processes, information and functioning. The outcome of such Performance Evaluation exercise was discussed during the year at a separate meeting of the Independent Directors held on September 9, 2021. The Nomination and Remuneration Committee forwarded their recommendation based on such Performance Evaluation Process to the Board of Directors. The Directors expressed their satisfaction with overall functioning and implementation of their suggestions.

## 2.7 Independent Directors and Familiarization Programme

The Company has received necessary declarations under Section 149(7) of the Act and Regulation 25(8) of the Listing Regulations, from the Independent Directors stating that they meet the prescribed criteria for independence. All Independent Directors have affirmed compliance to the code of conduct for independent directors as prescribed in Schedule IV to the Act.

Further, the Company has an orientation process or familiarization programme for its Independent Directors including:

- Briefing on their role, responsibilities, duties, and obligations as a member of the Board.
- Nature of business and business model of the Company, Company's strategic and operating plans.
- Matters relating to Corporate Governance, Code of Business Conduct, Risk Management, Compliance Programs, Internal Audit, etc.

As a part of Induction and Continuing Education Program for Independent Directors, periodic presentations are made by the Function Heads at the Board Meetings to apprise the Directors with the Company's business strategies, long term plans, budgets, operations and performance, relevant legal/regulatory updates in the laws and regulations applicable to the Company.

In terms of Schedule IV to the Act and the Listing Regulations, the Independent Directors during the year, held a separate meeting on September 9, 2021, without the attendance of non-independent directors and members of management to review performance of Non-Independent Directors & the Board as a whole and to assess the quality, quantity and timeliness of flow of information between the management of the Company and the Board.

## 3. Board Procedure and Conduct

The Board is primarily responsible to provide and evaluate the strategic direction of the Company, management policies and their effectiveness. The Board's responsibilities further include overseeing the functioning of the Company's top management and monitoring legal compliance, regulatory reporting and the management of risks related to the Company's operations. The Directors are also responsible for ensuring compliance with all applicable statutory requirements by the Company. The agenda along with comprehensive background information on the items in the agenda is circulated well in advance to the Board members to enable the Board to arrive at appropriate decisions. The Company comply to the suggestions and directions as discussed in the Board meeting

and update the same in subsequent Board meeting as part of ATR (action taken report). The discussion, specific suggestions by Board member and any approval by way of resolution passed in the meeting is properly recorded in the minutes of the meeting. As a part of green initiative undertaken by the Company, 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 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 and regulations 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

At Board Meetings, the Managing Director 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 and regulations 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.

### a) Audit Committee:

The Audit Committee assists the Board with its responsibility of overseeing the quality and integrity of the accounting, auditing, financial performance and reporting practices of the Company and its compliance with the legal and regulatory requirements. The role of Audit Committee, inter alia, includes overseeing the accounting and financial reporting processes of the Company, the audits of the Company's financial statements, the qualifications, appointment, remuneration, independence and performance of the statutory auditors, the reports & observations of internal auditors, the report of secretarial audit report, the report information security audit report and reviewing the risk management framework/policies.

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

Name of Member	Category
Mr. Krishna Kumar Tiwary	Independent Director, Chairman
Mr. Ashok Ranjan Samal	Independent Director
Mrs. Christina Stefanie Juhasz	Nominee Director

### b) CSR & Social Performance Management Committee:

Pursuant to the applicable provisions of the Act, the CSR Committee is required to recommend the amount of expenditure to be incurred for undertaking CSR activities by the Company in terms of the Corporate Social Responsibility Policy. The SPM Committee is constituted especially for the purpose of managing the social activities in backward areas. The CSR & SPM Committees is responsible for the implementation and monitoring the activities undertaken towards achieving the Company's CSR goals.

The Committee met two times 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 role of Nomination & Remuneration Committee covers all the areas mentioned under relevant provisions of the Act and the Listing Regulations, including the following:

- Recommending / reviewing remuneration of the Managing Directors and Whole-time Directors based on their performance and defined assessment criteria.

- Approving appointment, if any, of a relative of a Director for holding office of profit in the Company as per the provisions of the Act and Rules issued thereunder.

The role of Nomination & Remuneration Committee covers all the areas mentioned under relevant provisions of the Act and the Listing Regulations, including the following:

- Recommending / reviewing remuneration of the Managing Directors and Whole-time Directors based on their performance and defined assessment criteria.

- Approving appointment, if any, of a relative of a Director for holding office of profit in the Company as per the provisions of the Act and Rules issued thereunder.

- Carrying out any other function as is mandated by the Board from time to time and/or enforced by any statutory notification, amendment or modification as may be applicable.

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

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

The Company Secretary acts as the Secretary to the Committee.



#### d) Risk Management Committee:

The Audit Committee assists the Board with its responsibility of overseeing the quality and integrity of the accounting, auditing, financial performance and reporting practices of the Company and its compliance with the legal and regulatory requirements. The role of Audit Committee, inter alia, includes overseeing the accounting and financial reporting processes of the Company, the audits of the Company's financial statements, the qualifications, appointment, remuneration, independence and performance of the statutory auditors, the reports & observations of internal auditors, the report of secretarial audit report, the report information security audit report and reviewing the risk management framework/policies.

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

Name of Member	Category
Mr. Gobinda Chandra Pattanaik	Managing Director, Chairman
Mr. Sunit Vasant Joshi	Nominee Director
Mrs. Christina Stefanie Juhasz	Nominee Director
Mr. Ashok Ranjan Samal	Independent Director
Ms. Radhika Jayant Sharoff	Nominee Director

#### e) IT Strategy Committee:

In terms of the RBI Guidelines, the Company has constituted an IT Strategy Committee to advise the Board on IT initiatives and to ensure that IT strategy is aligned with business strategy and management has an effective strategic planning process in place.

The Committee met two times 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. Dibyajyoti Pattanaik	Director
Mr. Sankarshan Panda	CIO- Chief Information Officer
Mr. Dilipa Khuntia	CTO- Chief Technology Officer

#### f) Product Committee:

The primary role of the Product Committee is preparing and supporting the decisions to be made by the Board of Directors as a whole on product management and to study and prepare strategic plan including monitoring and guiding for product diversification in order to improve the performance of the Company and ensuring long term value creation. The committee evaluates the performance of each loan product and also review the proposal of new loan products.

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

Name of Member	Category
Mr. Dibyajyoti Pattanaik	Director, Chairman
Mr. M R Venkiteswaran	Nominee Director
Mr. Ashok Ranjan Samal	Independent Director
Ms. Christina Juhasz	Nominee Director

#### g) ALM Committee (ALCO):

As per RBI Guidelines, the ALM Committee ensures effective risk management in its various portfolios and to avoid Asset Liability mismatches and interest rate risk exposures of the Company.

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) Annual Business Plan Committee (ABP committee):

The Annual Business Plan Committee helps in forecasting and drawing a business plan for the next financial year, based on which the Company conducts its business. The actual and estimated performance is being assessed and reviewed in the committee meetings and a revised B-Plan is placed for approval if required.

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

Name of Member	Category
Mr. Ashok Ranjan Samal	Independent Director
Mr. Sean Leslie Nossel	Independent Director
Mr. Satish Chavva	Nominee Director
Ms. Radhika Jayant Sharoff	Nominee Director

#### i) Stakeholders Relationship Committee:

The Stakeholders Relationship Committee of the Board addresses to the grievances of different stakeholders of the company. The role of the committee is to attend to the grievances of the security holders and takes measures to resolve their queries or grievances and also to prepare the grievance status report for presentation in the Board.

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. Dibyajyoti Pattanaik	Director

#### j) Executive Committee:

The Executive Committee is the sub-committee of the Board consists of Executive Directors. As per the terms of reference approved by the Board the committee discusses on the day-to-day affairs of the company and accord approval in the matter. All the matters discussed and approved by committee is being placed before the Board for noting.

The Committee met forty-one times 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 genuine 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 in appropriate or exceptional cases. 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) There were no instance of non-compliances related to the securities laws such as:

- The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
- Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015
- The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
- The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
- Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021;
- The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2021;
- Securities and Exchange Board of India (Debenture Trustees) Regulations, 1993
- The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018; and Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021

No penalty or strictures were imposed on the Company by the Stock Exchange, SEBI and statutory authorities on such matters.

c) The Company has a well-defined risk management framework in place. It periodically places, the key identified risks and the risk assessment and mitigation procedures followed by the Company to mitigate or counter such risks before the RMC and the Board

d) All the mandatory and non-mandatory disclosures/information for stakeholders are shown on the Company's website.

#### 7. Internal Control Systems and their Adequacy

The Company has proper and adequate internal control systems 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 documented policies, guidelines, and procedures and an extensive program of internal audits, and review by management. The Audit Committee advises on various risk mitigation exercises on a regular basis. 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.

Further ,RBI mandated to implement RBIA (Risk Based Internal Audit) framework. Its an audit methodology that links an organisation's overall risk management framework and provides an assurance to the Board of Directors and the Senior Management on the quality and effectiveness of the organisation's internal controls, risk management and governance related systems and processes.

#### Date Of Report

The information provided in this Report on Corporate Governance for the purpose of unanimity is as on March 31, 2022.

#### For Annapurna Finance Pvt. Ltd.

Sd/-

Gobinda Chandra Pattanaik  
 Managing Director



**Annapurna Finance Private Limited**  
Standalone Balance Sheet as at March 31, 2022

		(In Rs. Lakhs)	
Particulars	Notes	As at March 31, 2022	As at March 31, 2021
<b>ASSETS</b>			
<b>Financial assets</b>			
(a) Cash and cash equivalents	4	95,151	86,635
(b) Bank balance other than (a) above	5	95,387	82,181
(c) Derivative financial instruments	6	1,355	-
(d) Receivables			
(i) Trade receivables	7	5	37
(ii) Other receivables		-	-
(e) Loans	8	4,88,816	3,86,716
(f) Other financial assets	9.1	26,117	14,560
Subtotal - financial assets (A)		7,06,831	5,70,129
<b>Non-financial assets</b>			
(a) Current tax assets (net)	10.1	2,248	125
(b) Deferred tax assets (net)	10.2	4,810	2,778
(c) Property, plant and equipment	11	1,787	1,178
(d) Intangible assets	12	156	99
(e) Other non-financial assets	9.2	2,165	1,198
Subtotal - non-financial assets (B)		11,166	5,378
<b>Total assets (A + B)</b>		<b>7,17,997</b>	<b>5,75,507</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
<b>Financial liabilities</b>			
(a) Derivative financial instruments	6	475	-
(b) Payables			
(I) Trade Payables	14	-	-
(ii) Total outstanding dues of micro enterprises and small enterprises		-	-
(iii) Total outstanding dues of creditors other than micro enterprises and small enterprises		291	227
(II) Other Payables			
(i) Total outstanding dues of micro enterprises and small enterprises		-	-
(ii) Total outstanding dues of creditors other than micro enterprises and small enterprises		-	-
(c) Debt securities	15	1,85,677	1,73,854
(d) Borrowings (other than debt securities)	16	4,02,413	2,82,307
(e) Subordinated liabilities	17	33,150	32,275
(f) Other financial liabilities	17.1	14,939	9,082
Subtotal - financial liabilities (A)		6,36,945	4,97,745
<b>Non-financial liabilities</b>			
(a) Provisions	18	1,186	1,034
(b) Other non-financial liabilities	17.2	543	468
Total non-financial liabilities (B)		1,729	1,502
<b>Total liabilities</b>		<b>6,38,674</b>	<b>4,99,247</b>
<b>Equity</b>			
(a) Equity share capital	19	6,874	6,872
(b) Instruments entirely equity in nature	20	300	300
(c) Other equity	21	72,149	69,088
Subtotal - equity (C)		79,323	76,260
<b>Total liabilities and equity (A + B + C)</b>		<b>7,17,997</b>	<b>5,75,507</b>

The accompanying notes are an integral part of the financial statements.  
As per our report of even date

For B S R & Co. LLP  
Chartered Accountants  
Firm's Registration No. 101248W/W-100022

Sameer Mota  
Partner  
Membership No.: 109928

Place: Bhubaneswar  
Date: May 27, 2022

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

**Gobinda Chandra Pattanaik**  
Managing Director  
(DIN: 02716330)

**Subrat Pradhan**  
Company Secretary

Place: Bhubaneswar  
Date: May 27, 2022

**Dibyajyoti Pattanaik**  
Director  
(DIN: 02764187)

**Satyajit Das**  
Chief Financial Officer

**Annapurna Finance Private Limited**  
Statement of Standalone cash flows for the year ended March 31, 2022

		(In Rs. Lakhs)	
Particulars		For the year ended March 31, 2022	March 31, 2021
<b>Cash flows from operating activities</b>			
Profit before tax		2,385	167
<b>Adjustments for:</b>			
Depreciation, amortization and impairment		1,106	893
Impairment on financial instruments		19,383	19,175
Provision for insurance claim receivable and others		272	167
Profit on sale of current investments		(314)	-
Profit on sale of property, plant and equipment		(10)	-
Net gain on derecognition of financial instruments		(15,164)	(6,363)
Share based payments to employees		33	126
Interest income		(99,156)	(90,709)
Finance cost		56,356	51,105
<b>Operating loss before working capital changes</b>		<b>(35,109)</b>	<b>(25,439)</b>
<b>Movements in working capital:</b>			
Decrease in other financial and non financial assets		2,292	319
Increase in bank balance other than cash and cash equivalents		(12,708)	(40,397)
Decrease in trade receivables		32	10
Increase in loans		(1,19,474)	(50,569)
Increase in other financial and non financial liabilities		5,923	645
Increase in provisions		152	385
Increase/ (decrease) in trade payables		64	(109)
<b>Cash used in operations</b>		<b>(1,58,828)</b>	<b>(1,15,155)</b>
Interest received		97,144	84,876
Finance cost paid		(52,013)	(43,734)
Income tax paid (net of refunds)		(5,349)	(2,122)
<b>Net cash flows used in operating activities (A)</b>		<b>(1,19,046)</b>	<b>(76,135)</b>
<b>Cash flows from Investing activities</b>			
Purchase of property, plant and equipment		(1,109)	(542)
Proceeds from sale of property, plant and equipment		34	-
Purchase of intangible assets		(344)	(149)
Purchase of current investments		(2,28,100)	-
Proceeds from sale of current investments		2,28,414	-
Investment in fixed deposits with maturity of more than 3 months		(495)	-
Investment in equity instruments of subsidiary		-	-
<b>Net cash flows used in investing activities (B)</b>		<b>(1,600)</b>	<b>(1,191)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issuance of equity share capital (including securities premium)		38	7
Proceeds from debt securities		22,779	1,19,820
Repayment of debt securities		(12,312)	(12,239)
Repayment of lease liabilities		(81)	(57)
Proceeds from borrowings (other than debt securities)		3,21,344	1,55,667
Repayment of borrowings (other than debt securities)		(2,03,095)	(1,75,868)
Proceeds of subordinated liabilities		4,490	7,125
Repayment of subordinated liabilities		(3,814)	(880)
Share issue expenses		(187)	(141)
<b>Net cash flows generated from financing activities (C)</b>		<b>1,29,162</b>	<b>93,434</b>
Net increase in cash and cash equivalents (A+B+C)		8,516	16,108
Cash and cash equivalents at the beginning of the year		86,635	70,027
Cash and cash equivalents at the end of the year		95,151	86,635
<b>Components of cash and cash equivalents at the end of the year</b>			
Balances with banks:			
on current accounts		37,963	42,475
deposit with original maturity of less than three months		56,687	44,013
Cash on hand		501	147
<b>Total cash and cash equivalents at the end of the year</b>		<b>95,150.71</b>	<b>86,635</b>

The accompanying notes are an integral part of the financial statements.  
As per our report of even date

For B S R & Co. LLP  
Chartered Accountants  
Firm's Registration No. 101248W/W-100022

Sameer Mota  
Partner  
Membership No.: 109928

Place: Bhubaneswar  
Date: May 27, 2022

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

**Gobinda Chandra Pattanaik**  
Managing Director  
(DIN: 02716330)

**Subrat Pradhan**  
Company Secretary

Place: Bhubaneswar  
Date: May 27, 2022

**Dibyajyoti Pattanaik**  
Director  
(DIN: 02764187)

**Satyajit Das**  
Chief Financial Officer



**Annapurna Finance Private Limited**  
Standalone Statement of Profit and Loss for the period ended March 31, 2022

(In Rs. Lakhs)

Particulars	Notes	For the year March 31, 2022	For the year March 31, 2021
<b>Revenue from operations</b>			
(i) Interest income	22	99,156	90,709
(ii) Fees and commission income	23.1	94	271
(iii) Net gain on fair value changes	23.2	314	-
(iv) Net gain on assignment transactions	23.3	15,164	6,363
<b>(I) Total revenue from operations</b>		<b>1,14,728</b>	<b>97,343</b>
<b>(II) Other income</b>	24	561	368
<b>(III) Total income (I + II)</b>		<b>1,15,289</b>	<b>97,711</b>
<b>Expenses</b>			
Finance costs	25	56,356	51,105
Impairment of financial instruments	26	19,383	19,175
Employee benefits expenses	27	28,798	20,599
Depreciation, amortisation and impairment	28	1,106	893
Other expenses	29	7,261	5,772
<b>(IV) Total expenses</b>		<b>1,12,904</b>	<b>97,544</b>
<b>(V) Profit before tax (III-IV)</b>		2,385	167
<b>(VI) Tax expense:</b>			
(a) Current tax		3,223	3,705
(b) Short / (excess) provision for tax related to prior years	10.3	-	-
<b>Net current tax expenses</b>		<b>3,223</b>	<b>3,705</b>
Deferred tax expense / (credit)		(2,557)	(3,720)
Tax expense for earlier year		-	-
<b>Total tax expense</b>		<b>666</b>	<b>(15)</b>
<b>(VII) Profit for the year (V-VI)</b>		1,719	182
<b>(VIII) Other comprehensive income (OCI)</b>			
<b>A Items that will not be reclassified to profit or loss</b>			
Remeasurement of the defined benefit liabilities	33.3	40	15
Income tax relating to items that will not be reclassified to profit or loss	10.3	(10)	(4)
<b>Subtotal (A)</b>		<b>30</b>	<b>11</b>
<b>B Items that will be reclassified to profit or loss</b>			
Fair value of loans and advances and cash flow hedges through other comprehensive income		2,047	(635)
Income tax relating to items that will be reclassified to profit or loss	10.3	(515)	160
<b>Subtotal (B)</b>		<b>1,532</b>	<b>(475)</b>
<b>Other Comprehensive Income (A + B)</b>		<b>1,562</b>	<b>(464)</b>
<b>(IX) Total comprehensive income for the year (comprising profit/retained earnings) and other comprehensive income for the year (VII) + (VIII)</b>		<b>3,281</b>	<b>(282)</b>
<b>(X) Earnings per equity share (face value of ₹10 each)</b>			
Basic (Rs.)	30	2.40	0.26
Diluted (Rs.)		2.26	0.24

The full financial statements (both Standalone and Consolidated) alongwith the notes thereof is available under the head 'Audit Reports' at <https://annapurnafinance.in/reports-newsletters/>

The accompanying notes are an integral part of the financial statements.  
As per our report of even date

For B S R & Co. LLP  
Chartered Accountants  
Firm's Registration No. 101248W/W-100022

Sameer Mota  
Partner  
Membership No.: 109928

Place: Bhubaneswar  
Date: May 27, 2022

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

**Gobinda Chandra Pattanaik**  
Managing Director  
(DIN: 02716330)

**Subrat Pradhan**  
Company Secretary

Place: Bhubaneswar  
Date: May 27, 2022

**Dibyajyoti Pattanaik**  
Director  
(DIN: 02764187)

**Satyajit Das**  
Chief Financial Officer

**Abbreviations**

AATO -Aids Awareness Trust of Orissa	JIT-Just-in-Time
AHT-Average Handling Time	JLGs-Joint Liability Groups
AI-Artificial Intelligence	KRIs-Key Risk Indicators
AI-Artificial Intelligence	KYC-Know Your Customer
ALCO-Asset-Liability Committee	L&D-Learning and Development
ALM- Asset Liability Mismatch	LDP-Leadership Development Program
ALM-Asset Liability Management	LMS-Loan Management System
API-Application Programming Interface	LMS-Loan Management Systems
ATM-Automated Teller Machine	LOS-Loan Origination System
AUM-Assets under Management	MCLR-Marginal Cost of Funds based Lending Rate
BFSI-Banking, Financial Services and Insurance	MFIN-Microfinance Institutions Network
BRMC-Board Risk Management Committee	MFIs-Microfinance Institutions
BSE-Bombay Stock Exchange	MFR-Monthly Financial Report
CAGR-Compound Annual Growth Rate	MICR-Magnetic Ink Character Recognition
CARE-Cooperative for Assistance and Relief Everywhere	ML-Machine Learning
CB-Credit Bureau	MLRC-Marginal Cost of Funds Lending Rates
CCD-Compulsorily Convertible Debentures	MMU-Mobile Medical Unit
CCPS-Compulsorily Convertible Preference Shares	MSME-Micro, Small and Medium Enterprises
CCPS-Compulsorily Convertible Preference Shares	NABARD-National Bank for Agriculture and Rural Development
CEO-Chief Executive Officer	NACH-National Automated Clearing House
CFO- Chief Financial Officer	NBFC-Non-Banking Financial Company
COB-Cost of Borrowings	NCD-Non Convertible Debentures
COO-Chief Operating Officer	NCDs-Non Convertible Debentures
CRAR-Capital to Risk Assets Ratio	NIM-Net Interest Margin
CRISIL-Credit Rating Information Services of India Limited	OCR-Optical Character Recognition
CRO- Chief Risk Officer	OCR-Optical Character Recognition
CSR-Corporate Social Responsibility	OSAFII-Orissa Association of Financial Inclusion
CWC-Child Welfare Committee	OTP-One Time Password
DCPU-District Child Protection Unit	PAR -Portfolio at Risk
DEI-Diversity, equity, and inclusion	PAT-Profit after Tax
DPD -Days Past Due	PMSVANidhi - PM Street Vendor's AtmaNirbhar Nidhi
ECB-External Commercial Borrowings	PPI- Poverty Probability Index
ECB-External Commercial Borrowings	RBIA-Risk-Based Internal Audit
EMIs-Equated Monthly Instalments	RBI-Reserve Bank of India
ESMS-Environmental & Social Management System	RMU-Risk Management Unit
ESOP-Employee Stock Ownership Plan	ROIs-Rate of Interest
ESOPs-Employee Stock Ownership Plans	SAC-State Audit Committees
F&F-Full and Final	SEBI-Securities and Exchange Board of India
FDLT-Financial and Digital Literacy Training	Self Help Groups-SHGs
FFM-Finance and Financial Markets	SIDBI-Small Industries Development Bank of India
FY-Financial Year	SMS-Short Message Service
FY-Financial Year	SPM-Social Performance Management
GoI -Government of India	SRO-Self-regulatory Organizations
HH-Household	STP-Straight-Through Processing
ICRA-Information and Credit Rating Agency	SWASTH-Safe Water and Sanitation to Households
ICRA-Information and Credit Rating Agency	TAT-Turnaround Time
IL&FS-Infrastructure Leasing & Finance Services)	UI-User Interface
ISO-International Organization for Standardization	UPI-Unified Payments Interface
IT-Information Technology	USD-United States dollar
IVR-Interactive Voice Response	WFH-Work from Home
	YLDP -Young Leadership Development Program









**ANNAPURNA**  
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