

**INDEPENDENT AUDITOR'S REPORT**

To the members of **Svasti Microfinance Private Limited**

**Report on the Financial Statements**

We have audited the accompanying financial statements of Svasti Microfinance Private Limited ("the Company"), which comprise the Balance Sheet as at 31st March, 2017, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

**Management's Responsibility for the Financial Statements**

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

**Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March, 2017, and its profit and its cash flows for the year ended on that date.



### Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the "Annexure A", a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by Section 143 (3) of the Act, we report that:
  - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
  - (c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
  - (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act.
  - (e) On the basis of the written representations received from the directors as on 31st March, 2017 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2017 from being appointed as a director in terms of Section 164 (2) of the Act.
  - (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".
  - (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
    - i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements.
    - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
    - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.
    - iv. Based on the information and explanations provided to us, the Company has provided the requisite disclosures in its financial statements as to the holdings as well as dealings in Specified Bank Notes during the period from 8th November 2016 to 30th December 2016 and these are in accordance with the books of accounts maintained by the Company.

For **PKF Sridhar & Santhanam LLP**  
Chartered Accountants  
Firm's Registration No.003990S/S200018

  
**Ramnarayanan J**  
Partner  
Membership No.220369  
Place of Signature: Mumbai  
Date: 29-May-2017



## Annexure A

Referred to in paragraph 1 on 'Report on Other Legal and Regulatory Requirements' of our report of even date

- (i)
- (a) The Company has maintained proper records including quantitative details and situation of fixed assets except for full particulars which is still in the process of being updated in the register.
- (b) The Company has a regular program of verifying fixed assets which, in our opinion, is reasonable having regard to the size of the company and nature of its assets. Fixed assets have been physically verified by the management during the year as per the said program and reconciliation of the assets verified vis a vis fixed assets register is still in progress.
- (c) There are no immovable properties held in the name of the Company.
- (ii) The Company is a Non-Banking Financial Company ('NBFC') engaged in the business of giving loans and does not maintain any inventory. Therefore the provisions of clause 3(ii) of the Order are not applicable to the Company.
- (iii) Based on our audit procedures & according to the information and explanation given to us, the Company has not granted any loans, secured or unsecured to parties covered in the register maintained under section 189 of the Act and hence 3(iii) of the Order is not applicable to the Company.
- (iv) Based on our audit procedures & according to the information and explanation given to us, the Company has not granted any loan, made investments, issued guarantees/security covered under section 185 and 186 of the Act. Therefore clause 3(iv) of the Order is not applicable to the Company.
- (v) Based on our audit procedures & according to the information and explanation given to us, the Company has not accepted any deposits from the public within the meaning of the Act and the rules made there under and hence clause 3(v) of the Order is not applicable.
- (vi) The Company is not required to maintain cost records specified by the Central Government under sub-section (1) of section 148 of the Act.
- (vii)
- (a) According to the information and explanations given to us and the records of the Company examined by us, the Company has generally been regular in depositing undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales tax, service tax, duty of customs, duty of excise, value added tax, cess and any other statutory dues with the appropriate authorities *except for some delays in respect of service tax*. According to the information and explanation given to us and the records of the Company examined by us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, sales tax, service tax, duty of customs, duty of excise, value added tax, cess and any other statutory dues were in arrears, as at 31<sup>st</sup> March 2017 for a period of more than six months from the date they became payable.
- (b) There are no dues relating to income tax / sales tax / service tax / duty of customs / duty of excise / value added tax, which have not been deposited on account of any dispute except for the following
- | Name of the statute  | Nature of the Dues | Period    | Amount (in Rs.) | Forum where the dispute is pending |
|----------------------|--------------------|-----------|-----------------|------------------------------------|
| Income Tax Act, 1961 | Income tax         | AY- 15-16 | 12,87,250       | Jurisdictional Assessing Officer   |
- (viii) Based on our audit procedures and as per the information and explanations given by the management, the Company has not defaulted in repayment of loans or borrowings to financial institutions, banks, Government or dues to debenture holders.



- (ix) In our opinion and according to the information and explanations given to us, term loans during the year were applied for the purposes for which those are raised, other than temporary deployment pending application of proceeds. No moneys raised by way of Initial Public Offer (IPO) or Further Public Offer (FPO) (including debt instrument) during the year.
- (x) To the best of our knowledge and belief and according to the information and explanations given to us, the Management has identified fraud relating to misappropriation of funds by certain employees which is estimated at Rs.3,01,699 of which entire amount has been recovered on the Balance Sheet date and no fraud by the Company has been noticed or reported during the year.
- (xi) Section 197 is not applicable as the Company being a private limited company. Therefore clause 3(xi) of the Order is not applicable to the Company.
- (xii) The Company is not a Nidhi company in accordance with Nidhi Rules 2014. Accordingly, the provisions of clause 3(xii) of the Order are not applicable.
- (xiii) Based on our audit procedures and according to the information and explanations given to us, all the transactions entered into with the related parties during the year are in compliance with Section 177 and Section 188 of the Act where applicable and the details have been disclosed in the Financial statements etc. as required by the applicable accounting standards.
- (xiv) Based on our audit procedures and according to the information and explanations given to us, the Company has not made any preferential allotment/private placement of shares/ fully or partly convertible debentures during the year under review. Accordingly, the provisions of clause 3(xii) of the Order are not applicable.
- (xv) Based on our audit procedures and according to the information and explanations given to us, the Company has not entered into any non-cash transactions with directors or persons connected with them.
- (xvi) Based on our audit procedures and according to the information and explanations given to us, the Company is required to be registered under Section 45-IA of Reserve Bank of India Act, 1934 and the registration has been obtained.

For **PKF Sridhar & Santhanam LLP**  
Chartered Accountants  
Firm's Registration No.003990S/S200018

*J. Ramanarayanan*

**Ramanarayanan J**  
Partner  
Membership No.220369

Place of Signature: Mumbai  
Date: 29-May-2017





## Annexure B

Referred to in paragraph 2(f) on 'Report on Other Legal and Regulatory Requirements' of our report of even date

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

We have audited the internal financial controls over financial reporting of Svasti Microfinance Private Limited ("the Company") as of March 31, 2017 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

#### Management's Responsibility for Internal Financial Controls

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

#### Auditors' Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.



## Meaning of Internal Financial Controls Over Financial Reporting

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

## Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

## Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **PKF Sridhar & Santhanam LLP**  
Chartered Accountants  
Firm's Registration No.003990S/S200018

*J. Ar*

**Ramanarayanan J**  
Partner  
Membership No. 220369



Place of Signature: Mumbai  
Date: 29-May-2017

## PKF SRIDHAR & SANTHANAM LLP

Chartered Accountants

To  
The Board of Directors,  
Svasi Microfinance Private Limited

Statement on the matters specified in para 3 of Non-Banking Financial Companies Auditor's Report (Reserve Bank) Directions, 2016 ("the Directions")

### Part A:

- (a) The Company has obtained a valid Certificate of Registration (CoR) from the Reserve Bank of India with CoR No. B-07-00625.
- (b) As the Company's principal business is microfinance, the Company is entitled to continue to hold such CoR in terms of its Principal Business Criteria (Financial Asset/Income Pattern) as on March 31, 2017.
- (c) The Company is meeting the required net owned fund requirement as laid down in Master Direction – Non Banking Financial Company – Non-Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016.

### Part B:

According to the information and explanation given to us and based on our examination, the Company has not accepted or holding any public deposits. Accordingly, the clauses in part B of the Directions are not applicable to the Company.

### Part C:

- (a) The Board of Directors has passed the latest resolution on 30-May-2016 for non-acceptance of any public deposits.
- (b) According to the information and explanation given to us and based on our examination, the Company has not accepted any public deposits during the financial year ended March 31, 2017.
- (c) Based on our review and according to the information and explanation given to us, the Company has complied with the prudential norms relating to income recognition, accounting standards, asset classification and provisioning for bad and doubtful debts as applicable to it in terms of Non Banking Financial Company – Non-Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016.
- (d) As the asset size of the Company during the financial year ended March 31, 2017 is below Rs.500 crores, the Company falls under the category of Non-Systemically Important Non-Deposit taking NBFC. Accordingly, the clause (iv) in part C of the Directions is not applicable to the Company.
- (e) Based on our review of the business carried out by the Company, the Company has been correctly classified as NBFC Micro Finance Institutions (MFI) as defined in the Non Banking Financial Company – Non-Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016.



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PKF Sridhar & Santhanam has been converted into a limited liability partnership PKF Sridhar & Santhanam LLP FROM 21ST APRIL 2015.

# PKF SRIDHAR & SANTHANAM LLP

Chartered Accountants

## Part D:

Considering the business in which the Company is engaged, as the Company is required to compulsorily hold a valid CoR, the clause in part D of the Directions is not applicable to the Company.

For PKF Sridhar & Santhanam LLP

Chartered Accountants

Firm's Registration No.003990S/S200018

*J. Ramanarayanan*

**Ramanarayanan J**

Partner

Membership No. 220369



Place of Signature: Mumbai

Date: 29-May-2017

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**Svasti Microfinance Private Limited**  
**CIN: U65922TN1995TTC030293**  
**Balance Sheet as at March 31, 2017**

	Particulars	Note No	As at March 31, 2017	As at March 31, 2016
<b>I</b>	<b>EQUITY AND LIABILITIES</b>			
(1)	<b>Shareholders' Funds</b>			
	(a) Share Capital	2	19,237,430	19,237,430
	(b) Reserves and Surplus	3	173,030,375	171,487,887
(2)	<b>Non-current Liabilities</b>			
	(a) Long Term Borrowings	4	493,620,180	132,201,417
	(b) Long Term Provisions	5	2,493,538	764,532
	(b) Deferred Tax liability	32	1,016,363	1,208,581
(3)	<b>Current Liabilities</b>			
	(a) Trade Payables			
	-Total Outstanding dues of micro and small enterprises	6	-	-
	-Others		4,429,498	6,838,125
	(b) Other Current Liabilities	7	502,488,533	378,369,120
	(c) Short Term Provisions	8	790,231	865,685
	<b>Total</b>		<b>1,197,106,148</b>	<b>710,972,777</b>
<b>II</b>	<b>ASSETS</b>			
(1)	<b>Non-current Assets</b>			
	(a) Fixed Assets			
	(i) Tangible Assets	9 (A)	11,108,489	8,141,959
	(ii) Intangible Assets	9 (B)	24,264,667	17,430,930
	(iii) Intangible Assets under development	9 (C)	8,703,729	6,281,304
	(b) Long Term Investments	10	2,500,000	2,500,000
	(c) Long Term Loans & Advances	11	21,630,565	15,052,284
	(d) Receivables under Financing Activities	12	271,141,640	95,885,202
	(e) Deferred Tax assets		-	-
	(f) Other Non Current Assets	13	8,340,952	6,554,962
(2)	<b>Current Assets</b>			
	(a) Current Investments	-	-	-
	(b) Cash and Bank Balances	14	238,463,095	123,251,911
	(c) Short Term Loans & Advances	15	31,961,855	37,017,251
	(c) Receivable under Financing Activities	16	512,347,235	381,136,488
	(e) Other Current Assets	17	66,643,921	17,720,486
	<b>Total</b>		<b>1,197,106,148</b>	<b>710,972,777</b>

**Significant Accounting Policies**

1

The accompanying notes are an integral part of the financial statements

For PKF Sridhar & Santhanam LLP  
Chartered Accountants  
Firm Regn. No 003990S/S200018

*J. Ramanarayanan J*

Ramanarayanan J  
Partner

Membership No: 220369

Place: Mumbai

Date : 29-May-2017



For and on behalf of the Board  
Svasti Microfinance Private Limited

*P Arunkumar*  
P Arunkumar  
Executive Director  
& CEO  
DIN: 01890656

*B Narayanan*  
B Narayanan  
Executive Director  
& CFO  
DIN: 01216715

**Svasti Microfinance Private Limited**  
**CIN: U65922TN1995TTC030293**  
**Statement of Profit & Loss for the year ended March 31, 2017**

	Particulars	Note No	For the year ended Mar 31, 2017	For the year ended Mar 31, 2016
I.	Revenue from Operations	18	194,565,417	113,657,437
II.	Other Income	19	12,544,029	15,561,744
III.	<b>Total Revenue (I+II)</b>		<b>207,109,446</b>	<b>129,219,181</b>
IV.	<b>EXPENSES</b>			
	Employee Benefits Expenses	20	83,249,587	49,283,632
	Finance Cost	21	93,086,124	58,658,203
	Depreciation/ Amortisation	9	5,515,784	4,065,471
	Other Expenses	22	20,000,446	12,210,400
	Provision on Receivables under Financing Activities	33	3,078,610	1,744,122
	<b>Total Expenses</b>		<b>204,930,551</b>	<b>125,961,828</b>
V.	<b>Profit / (Loss) before Tax (III-IV)</b>		<b>2,178,895</b>	<b>3,257,353</b>
VI.	<b>Tax expense:</b>			
	(1) Current tax			
	Normal Tax		651,761	-
	Minimum Alternate Tax		-	620,689
	Less: Minimum Alternate Tax Credit		-	620,689
			<b>651,761</b>	<b>-</b>
	(2) Deferred tax	32	(192,218)	1,445,015
			(192,218)	1,445,015
	(3) Tax for previous year		176,864	-
VII.	<b>Profit for the period</b>		<b>1,542,488</b>	<b>1,812,338</b>
	<b>Earnings per equity share (Face value Rs. 10)</b>	31		
	(1) Basic		0.89	1.05
	(2) Diluted		0.80	0.94

**Significant Accounting Policies**

1

The accompanying notes are an integral part of the financial statements

For PKF Sridhar & Santhanam LLP  
Chartered Accountants  
Firm Regn. No 003990S/S200018

*J. Arun*

Ramanarayanan J  
Partner  
Membership No: 220369  
Place: Mumbai  
Date: 29th May, 2017



For and on behalf of the Board  
Svasti Microfinance Private Limited

*P Arunkumar*

P Arunkumar  
Executive Director  
& CEO  
DIN: 01890656

*B Narayanan*

B Narayanan  
Executive Director  
& CFO  
DIN: 01216715

**Svasti Microfinance Private Limited**  
**CIN: U65922TN1995TTC030293**  
**Cash Flow statement for the year ended March 31, 2017**

Amount in Rs.

	Particulars	For the year ended Mar 31, 2017	For the year ended Mar 31, 2016
<b>A</b>	<b>Cash Flow from Operating Activities</b>		
	Net Profit / (Loss) before Tax	2,178,895	3,257,353
	<b>Adjustments for:</b>		
	Depreciation and amortisation	5,515,784	4,065,471
	Interest income on Bank Deposits & Deposits with Lenders	(4,686,678)	(7,976,228)
	Interest expenses on Loan taken from banks & financial institutions	85,996,526	53,717,319
	Profit on sale of Mutual Funds	(2,057,926)	(1,591,412)
	Gains from Securitisation	(5,741,174)	(4,710,194)
	Processing fees amortised	5,488,933	4,562,843
	Provision for Gratuity and Leave Encashment	1,880,572	574,080
	Provision for servicing cost of securitised portfolio	-	-
	Provision against loan receivables	3,078,610	1,744,122
	<b>Operating profit/(loss) before working capital changes</b>	<b>91,653,542</b>	<b>53,643,354</b>
	<b>Changes in working capital:</b>		
	Adjustments for (increase)/decrease in operating assets		
	Current Assets and Non Current Assets		
	Receivables under Financing Activities	(410,246,759)	(174,425,809)
	Loans and Advances	2,956,003	7,001,893
	Other Current and Non Current Assets	(52,470,564)	(3,547,388)
	Current Liabilities	(378,012)	(4,432,880)
	<b>Cash generated/(used) in operations</b>	<b>(368,485,790)</b>	<b>(121,760,830)</b>
	Net income Tax (paid)/ Refunds	(5,307,513)	(1,436,517)
	<b>Net cash flow (used)/generated from in operating activities (A)</b>	<b>(373,793,303)</b>	<b>(123,197,347)</b>
<b>B</b>	<b>Cash Flows from Investing Activities</b>		
	Purchase of fixed assets	(17,750,247)	(12,360,058)
	Sale of Fixed Assets	11,771	-
	Purchase of investments	(800,000,000)	(398,500,000)
	Proceeds from Sale of Investment	802,057,926	437,591,411
	Bank balances not considered as cash & cash equivalents	34,532,381	(695,483)
	Interest Received on Fixed Deposits	6,722,350	5,940,556
	<b>Net cash flow(used)/generated from in Investing activities (B)</b>	<b>25,574,181</b>	<b>31,976,426</b>
<b>C</b>	<b>Cash Flow from Financing Activities</b>		
	Issue of Equity Shares	-	-
	Proceeds from Borrowings from Banks and FIs	975,000,000	500,000,000
	Repayment of Borrowings from Banks and FIs	(486,721,797)	(395,750,447)
	Securitisation proceeds	100,700,966	-
	Loan processing fees	(5,763,466)	(5,446,086)
	Interest paid on borrowings	(85,253,016)	(53,714,292)
	<b>Net cash flow(used)/generated from in Financing activities (C)</b>	<b>497,962,687</b>	<b>45,089,175</b>



**Svasti Microfinance Private Limited**  
**CIN: U65922TN1995TTC030293**  
**Cash Flow statement for the year ended March 31, 2017**

Amount in Rs.

	Particulars	For the year ended Mar 31, 2017	For the year ended Mar 31, 2016
D	Net increase/(Decrease) in Cash and Cash Equivalents (A+B+C)	149,743,565	(46,131,746)
	Cash & Cash Equivalents at the beginning of the year	59,700,064	105,831,810
	Cash & Cash Equivalents at the end of the year	209,443,629	59,700,064
	Breakup of Cash and Cash Equivalents:		
	Cash in hand	912,914	113,650
	Bank Balances - In Current Accounts	208,530,715	59,586,414
		<b>209,443,629</b>	<b>59,700,064</b>

**Notes:**

1) The above Cash flow statement has been prepared in accordance with the Indirect Method as setout in Accounting Standard (AS) 3, "Cash Flow Statements" of The Companies (Accounting Standards) Rules, 2006.

2) Cash and Cash equivalents include cash and bank balances.

As per our attached report or even date

For PKF Sridhar & Santhanam LLP

Chartered Accountants

Firm Regn. No 003990S/S200018

*J. Arun*

Ramanarayanan J

Partner

Membership No: 220369



Place: Mumbai

Date : 29-May-2017

For and on behalf of the Board  
 Svasti Microfinance Private Limited

*P Arunkumar*      *B Narayanan*

P Arunkumar  
 Executive Director  
 & CEO

DIN: 01890656

B Narayanan  
 Executive Director  
 & CFO

DIN: 01216715

Svast Microfinance Private Limited  
CIN: U65922TN1995TTCC030293  
Notes forming part of Financial Statements for the year ended March 31, 2017

Asset	Gross Block			Depreciation			Net Block		
	As on 31-03-2016	Additions	Deletions	As on 31-03-2017	As on 31-03-2016	For the period*	Deletions	As on 31-03-2017	As on 31-03-2016
<b>Tangible Assets (A)</b>									
Leasehold Improvement	4,379,236	1,540,412	-	5,919,648	1,025,556	895,646	-	1,921,202	3,998,446
Furniture & Fixtures	1,676,399	626,286	-	2,302,685	232,749	195,270	-	428,019	1,874,666
Office Equipment	5,374,833	3,156,262	13,500	8,517,595	2,030,204	1,253,743	1,729	3,282,218	5,235,377
Vehicles	8,160	-	-	8,160	8,160	-	-	8,160	-
<b>Tangible assets (A)</b>	<b>11,438,628</b>	<b>5,322,960</b>	<b>13,500</b>	<b>16,748,088</b>	<b>3,296,669</b>	<b>2,344,659</b>	<b>1,729</b>	<b>5,639,599</b>	<b>11,108,489</b>
<b>Intangible Assets (B)</b>									
MERP	25,069,079	10,313,427	-	35,382,506	7,638,149	3,479,690	-	11,117,839	24,264,667
<b>Intangible assets under Development (C)</b>									
MERP	6,281,304	8,698,052	6,275,627	8,703,729	-	-	-	-	8,703,729
<b>Total (A+B + C) as on 31st March 2017</b>	<b>42,789,011</b>	<b>24,334,439</b>	<b>6,289,127</b>	<b>60,834,323</b>	<b>10,934,818</b>	<b>5,824,349</b>	<b>1,729</b>	<b>16,757,438</b>	<b>44,076,885</b>
<b>Total (A+B + C) as on 31st March 2016</b>	<b>32,329,970</b>	<b>12,709,041</b>	<b>2,250,000</b>	<b>42,789,011</b>	<b>6,675,638</b>	<b>4,259,180</b>	<b>-</b>	<b>10,934,818</b>	<b>31,854,193</b>

\*Amount of Rs. 308,565 adjusted against the capitalization of MERP (Previous year Rs. 193,709)





**Svasti Microfinance Private Limited**  
**CIN: U65922TN1995TTC030293**  
**Financial Statements for the year ended 31<sup>st</sup> March, 2017**  
**Notes on Accounts**

**Note 1 Significant Accounting Policies**

**A. Background**

Svasti Microfinance Private Limited ("the Company"), earlier known as Easy Housing Finance Limited and effective from 2nd Aug 2010 with the current name, is a non-deposit taking Non-Banking finance company having Certificate of Registration number B-07-00625 issued on 18-Aug-2010 by Reserve Bank of India (RBI). The company has been reclassified from NBFC to NBFC-MFI on 19-Apr-2017 pursuant to the application made for the same with RBI.

The Company's main object is to carry on the business of microfinance, provide finance to the weaker section of society, promote and facilitate financial inclusion in the society by making credit/other financial services easily accessible to people or entities in low-income sections of society.

**B. Significant Accounting Policies**

**i. Basis of preparation**

The financial statements are prepared under historical cost convention on an accrual basis and in accordance with the applicable mandatory accounting standards and the provisions of the Companies Act and the directions issued by the Reserve Bank of India (RBI) to the extent applicable to the Company.

**ii. Use of estimates**

The presentation of financial statements in conformity with Indian Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Although such estimates are made on a reasonable and prudent basis taking into account all available information, actual results could differ from those estimates.

**iii. Tangible and Intangible Assets**

Fixed assets are stated at cost net of depreciation. The cost of an asset comprises its purchase price (net of tax credits) and any cost directly attributable for bringing the asset to its working condition and location for its intended use.

Intangible assets are stated at cost net of amortization. Intangible assets comprise of software that has been purchased or developed in house. Cost of software developed in house comprises of personnel costs and administrative costs attributable to the development.

**iv. Depreciation and Amortisation**

Consequent to Schedule II of the Companies Act, 2013 becoming applicable with effect from April 01, 2014, depreciation has been provided on the basis of useful lives and residual value as prescribed in Schedule II except for following assets:



**Svasti Microfinance Private Limited**  
**Financial Statements for the year ended 31<sup>st</sup> March, 2017**  
**Notes on Accounts**

**Note 1 Significant Accounting Policies (Contn.)**

**iv. Depreciation and Amortisation (Contn.)**

Asset Head	Useful Life (based on economic useful life)
Leasehold Improvement	Over the period of the lease
Furniture and Fixtures	3
Computers	5

Depreciation on additions is charged proportionately from the date of acquisition / installation.

Amortisation of the intangible assets (comprising of computer software) carried out based on the estimation of useful life of the asset as follows:

- a) Software purchased from outside - Over 5 years
- b) In-house developed MERP software - Over 8 years

**v. Investments**

Investments are classified into current investments and long-term investments. Current investments are carried at lower of cost and fair value. Any reduction in the carrying amount and any reversals of such reductions are charged or credited to the Statement of Profit and Loss. Long-term investments are carried at cost less provision made to recognize any decline, other than temporary, in the value of such investments

**vi. Loans**

Loans are classified into 'Performing and Non Performing' assets in terms of the Non Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998 issued by the Reserve Bank of India as amended from time to time.

**vii. Revenue Recognition**

Revenue from Interest on loans financed by the company is recognized on accrual basis, considering the directions issued by the Reserve Bank of India from time to time in terms of the Non Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998.

Revenues from loan documentation received in the nature of processing fees are recognised as income at the time of receipt.

Gains from securitization of portfolio are accrued to the extent of the amortization of the principal value of the portfolio securitized during the year after provision of processing fees and servicing cost.

Revenue from interest income on Fixed Deposits with Banks and FIs is recognized on time proportion basis taking into account the amount outstanding and the rate applicable.



**Svasti Microfinance Private Limited**  
**Financial Statements for the year ended 31<sup>st</sup> March, 2017**  
**Notes on Accounts**

**Note 1 Significant Accounting Policies (Contn.)**

**viii. Grants**

Grants received towards acquisition of tangible and intangible assets are adjusted against the cost of the assets. Grants related to revenue are deducted from the related expenses.

**ix. Employee benefits**

- a) Short term employee benefits including salaries, social security contributions, short term compensated absences (such as paid annual leave) where the absences are expected to occur within twelve months after the end of the period in which the employees render the related service, profit sharing and bonuses payable within twelve months after the end of the period in which the employees render the related services and non monetary benefits (such as medical care) for current employees are estimated and measured on an un-discounted basis.
- b) Defined Contribution Plan: Company's contributions paid / payable during the year to Provident Fund and Pension fund are recognised in the Statement of Profit and Loss.

Defined Benefit Plan: The company provides for gratuity based on the actuarial valuation carried out by an independent actuary.

**x. Lease**

Assets acquired under lease where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease rentals are charged to the Statement of Profit and Loss on accrual basis.

**xi. Finance Costs**

The Company borrows from Banks and Financial Institutions for the purpose of on-lending to its microfinance clients. The costs associated with these borrowings are classified as Finance Costs. Finance Costs comprise of Interest and Processing Fees. Interest is provided on the loan balance as per the terms and conditions of the loan transaction. Processing Fees is amortised over the tenure of the loan.

**xii. Earnings Per Share**

In determining the earnings per share the company considers the net profit / (loss) after tax. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the period. The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share and also the weighted average number of equity shares that could have been issued on the conversion of all dilutive potential equity shares.



**Svasti Microfinance Private Limited**  
**Financial Statements for the year ended 31<sup>st</sup> March, 2017**  
**Notes on Accounts**

**Note 1 Significant Accounting Policies (Contn.)**

**xiii. Income Taxes & Deferred Taxes**

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

Minimum Alternative Tax credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. Such asset is reviewed at each Balance Sheet date and the carrying amount of the MAT credit asset is written down to the extent there is no longer a convincing evidence to the effect that the Company will pay normal income tax during the specified period.

Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date.

Deferred tax assets, other than on unabsorbed depreciation and carried forward losses, are recognised only if there is reasonable certainty that they will be realised in the future and are reviewed for the appropriateness of their respective carrying values at each Balance Sheet date. In situations where the Company has unabsorbed depreciation and carried forward losses, deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that the same can be realised against future taxable profits. Deferred Tax assets are reviewed at each Balance Sheet date for their realisability.

**xiv. Provisions and Contingent Liabilities**

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

All material known liabilities are provided for and liabilities which are material and whose future outcome cannot be ascertained with reasonable certainty are treated as contingent and disclosed by way of notes to the accounts.

**xv. Employee Stock Option Plan**

The Company has setup an Employee Stock Option Trust for the benefit of its employees. All options granted in terms of the stock option plans accounted in accordance with the Guidance Note on Accounting for Employee Share Based Payment Plans issued by the Institute of Chartered Accountants of India (ICAI).



**Svasti Microfinance Private Limited**  
**Financial Statements for the year ended 31<sup>st</sup> March, 2017**  
**Notes on Accounts**

**Note 1 Significant Accounting Policies (Contn.)**

**xvi. Impairment of Assets**

As at each balance sheet date, the carrying amount of assets is tested for impairment so as to determine:

- a) The provision for impairment loss, if any, required; or
- b) The reversal, if any, required of impairment loss recognized in previous periods

Impairment loss is recognized when the carrying amount of an asset exceeds recoverable amounts.

**xvii. Classification of Loan Portfolio**

All Loans and Advances are classified as standard, sub-standard, doubtful and loss assets in accordance with the existent Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007

Classification	No. of Days overdue
Standard	0-90
Sub-Standard	91-179
Doubtful	180 or more

**Loss Assets are**

- an asset which has been identified as loss asset by the non-banking financial company or its internal or external auditor or by the Reserve Bank of India during the inspection of the non-banking financial company, to the extent it is not written off by the non-banking financial company; and
- an asset which is adversely affected by a potential threat of non-recoverability due to either erosion in the value of security or non-availability of security or due to any fraudulent act or omission on the part of the borrower.

**xviii. Provision Policy for Portfolio Loans**

Loans are provided for as per the management estimates, subject to the minimum provision required as per the Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007.

As per the current RBI provisioning norms, the aggregate loan provision to be maintained should be the higher of a) 1% of the outstanding loan portfolio or b) 50% of the aggregate loan installments which are overdue for more than 90 days and less than 180 days and 100% of the aggregate loan installments which are overdue for 180 days or more.





**Svasti Microfinance Private Limited**  
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**Notes forming part of Financial Statements for the year ended March 31, 2017**

Notes	Particulars	As at March 31, 2017	As at March 31, 2016
<b>2</b>	<b>Share Capital Authorised</b>		
	52,30,000 Equity Shares of Rs.10 each (Previous year 19,30,000)	52,300,000	19,300,000
	(Previous Year: 19,30,000 Equity Shares of Rs.10/- each)		
	Preference Shares	-	33,000,000
	(Previous Year: 33,00,000 Preference Shares of Rs.10/- each)		
		52,300,000	52,300,000
	<b>Issued, Subscribed and Fully Paid up</b>		
	Equity Shares	19,287,430	19,287,430
	19,28,743 (Previous year 19,28,743) Equity Shares of Rs.10 each with voting rights		
	Less : Advance to ESOP Trust	50,000	50,000
	(Face Value of 5,000 shares allotted to Svasti ESOP Trust on subscription and 1,95,000 shares allotted as fully paid bonus shares)		
		19,237,430	19,237,430
	<b>Footnote:</b>		
	(i) The Company has issued one class of shares : Equity Shares		
	(ii) Equity Shares : Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.		
	(iii) No bonus shares were issued in the last 5 years		
	(iv) Details of equity shares held by each shareholder (including holding company) holding more than 5% shares		
	<b>Equity Shares</b>		
		<b>As at Mar 31, 2017</b>	<b>As at Mar 31, 2016</b>
	<b>Name of the shareholders</b>	<b>No of Shares held</b>	<b>% of Shares</b>
		<b>No of Shares held</b>	<b>% of Shares</b>
	Bamboo Financial Inclusion Mauritius (formerly known as Blue Orchard Mauritius)	486,445	25.22%
	Michael and Susan Dell foundation	365,704	18.96%
	Svasti ESOP Trust	200,000	10.37%
	P Arunkumar	169,040	8.76%
	B Narayanan	169,040	8.76%
	(v) Reconciliation for number of shares		
	<b>Equity Shares</b>		
		<b>As at Mar 31, 2017</b>	<b>As at Mar 31, 2016</b>
	No. of shares at the beginning of the year	1,928,743	1,928,743
	Shares allotted during the year	-	-
	Bonus shares	-	-
	Less: Buyback of shares	-	-
	No. of shares at the end of the year	1,928,743	1,928,743
	(vi) Shares reserved for issue under options		
	For details of shares reserved for issue under the employee stock option (ESOP) plan of the Company, please refer note 28.		



**Svasti Microfinance Private Limited**  
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**Notes forming part of Financial Statements for the year ended March 31, 2017**

Notes	Particulars	As at March 31, 2017	As at March 31, 2016
<b>3</b>	<b>Reserves and Surplus</b>		
	Securities Premium		
	Opening Balance	167,888,983	167,888,983
	Add: Premium on issue of equity shares	-	-
	Less: Utilised for allotment of Bonus Shares	-	-
	Less: Advance Towards Purchase of Share	-	-
	<b>Closing Balance (A)</b>	<b>167,888,983</b>	<b>167,888,983</b>
	<b>Statutory Reserve*</b>		
	As per last Balance Sheet	1,608,288	1,245,820
	Add: Transferred from Profit and Loss A/c	308,498	362,468
	<b>Closing Balance (B)</b>	<b>1,916,786</b>	<b>1,608,288</b>
	<b>Profit and Loss A/c</b>		
	As per last Balance Sheet	1,990,616	540,746
	Add: Transferred from Statement of Profit and Loss	1,542,488	1,812,338
	Less : Transferred to Statutory Reserve	(308,498)	(362,468)
	<b>Closing Balance (C)</b>	<b>3,224,606</b>	<b>1,990,616</b>
	<b>Total</b>	<b>173,030,375</b>	<b>171,487,887</b>
	(*Statutory Reserve represents the Reserve Fund created under Section 45IC of the Reserve Bank of India Act, 1934)		
<b>4</b>	<b>Long Term Borrowings</b>		
	<b>Secured Loans</b>		
	Term Loan from Financial Institutions/Banks	589,414,654	398,011,474
	Less: Current Maturities of Term Loan	321,836,199	311,643,457
		<b>267,578,455</b>	<b>86,368,017</b>
	Rated, Taxable, Senior, Secured, Non-Convertible Debentures of Rs.10,00,000/- each repayable in monthly instalments (refer Note 35D)	342,708,425	95,833,400
		<b>342,708,425</b>	<b>95,833,400</b>
	Less: Current Maturities of Debentures	166,666,700	50,000,000
		<b>176,041,725</b>	<b>45,833,400</b>
	<b>Unsecured Loans</b>		
	Subordinate (Teir II Loans) (Refer note 37B)	50,000,000	-
	<b>Total</b>	<b>493,620,180</b>	<b>132,201,417</b>
	(Debentures are secured by way of first ranking exclusive charge on the identified receivables with a cover of 1 time of the principal amount)		
<b>5</b>	<b>Long Term Provisions</b>		
	Provision for Gratuity (See Note 27)	2,493,538	764,532
	<b>Total</b>	<b>2,493,538</b>	<b>764,532</b>



**Svasti Microfinance Private Limited**  
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**Notes forming part of Financial Statements for the year ended March 31, 2017**

Notes	Particulars	As at March 31, 2017	As at March 31, 2016
6	Trade Payables		
	- Micro and Small Enterprises*		
	- Other than Micro Enterprises and Small Enterprises	4,429,498	6,838,125
	<b>Total</b>	<b>4,429,498</b>	<b>6,838,125</b>
	*There are no suppliers included in sundry creditors who are registered as Micro or Small Enterprises under "The Micro, Small and Medium Enterprises Development Act, 2006".		
7	<b>Other Current Liabilities</b>		
	Current maturities of loans	321,836,199	311,643,457
	Of term loan (secured) from financial institutions	166,666,700	50,000,000
	Of Secured Non Convertible Debentures		
	Statutory Liabilities	4,266,868	1,410,698
	Employee dues	4,167,645	2,979,724
	Gains from Securitization not accrued	1,469,039	-
	Managed Portfolio Collection and Payment	1,065,560	7,101,264
	Interest Accrued on Loans & Debentures	2,350,269	1,606,759
	Unutilized Grant Funds (Refer Note 37)	-	3,019,835
	Others	666,253	607,383
		<b>Total</b>	<b>502,488,533</b>
8	<b>Short Term Provisions</b>		
	Provision for compensated absences	790,231	565,685
	Provision for Gratuity	-	300,000
	<b>Total</b>	<b>790,231</b>	<b>865,685</b>
10	<b>Long Term Investment (Non-Trade, Unquoted)</b>		
	- valued at cost		
	Investment in Liquid Mutual Funds	2,500,000	2,500,000
	<i>Market Value Rs. 2,777,345 (As at 31st Mar 2016: 2,538,315)</i>		
	<b>Total</b>	<b>2,500,000</b>	<b>2,500,000</b>
	<b>Mutual Fund Unit name</b>	<b>Units</b>	<b>FV</b>
	<b>As at 31st March, 2016/2017</b>		
	ICICI Prudential Capital Protection Oriented Fund Series IX	100,000	10
	ICICI Prudential Multiple Yield Fund	150,000	10



**Svasti Microfinance Private Limited**  
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Notes forming part of Financial Statements for the year ended March 31, 2017

Notes	Particulars	As at March 31, 2017	As at March 31, 2016
<b>11</b>	<b>Long Term Loans &amp; Advances</b>		
	Advance Tax paid and TDS	5,911,898	1,019,575
	MAT Credit Entitlement	1,675,199	2,088,634
	Cash Collateral on Borrowings with Lenders	8,537,644	5,000,000
	Leave and License Deposit	3,172,500	2,568,451
	Capital advances	2,000,000	3,853,569
	Prepaid Expenses	333,324	522,055
	<b>Total</b>	<b>21,630,565</b>	<b>15,052,284</b>
<b>12</b>	<b>Receivables Under Financing Activities -NC</b>		
	Loans to Customers		
	i) Secured and Considered Good		
	ii) Unsecured and Considered Good	273,867,098	96,853,739
		273,867,098	96,853,739
Less: Provision for Standard Loan receivables	2,725,458	968,537	
	<b>271,141,640</b>	<b>95,885,202</b>	
<b>13</b>	<b>Other Non Current Assets</b>		
	Non current portion of fixed deposit	6,500,000	5,280,864
	Processing Fees to be amortized	1,840,952	1,274,098
	<b>8,340,952</b>	<b>6,554,962</b>	
<b>14</b>	<b>Cash and Bank Balances</b>		
	<b>Cash and Cash Equivalents</b>		
	Cash in Hand	912,914	113,650
	Balances with Banks		
	- in Current Accounts	208,530,715	59,586,414
		209,443,629	59,700,064
	<b>Other Balances with Banks</b>		
	In Short Term Deposit Accounts	35,519,466	68,832,711
	Less: Fixed Deposit maturing after one year	(6,500,000)	(5,280,864)
		29,019,466	63,551,847
<b>Total</b>	<b>238,463,095</b>	<b>123,251,911</b>	
<b>15</b>	<b>Short Term Loans &amp; Advances</b>		
	Advances Recoverable in Cash or in Kind or for value to be received (Unsecured, Considered Good unless otherwise stated)		
	Advance to Employees		
	Considered Good	1,499,976	2,460,508
	Considered Doubtful	72,237	72,237
	Less: Provision for Doubtful Advance	72,237	72,237
		1,499,976	2,460,508
	Cash Collateral on borrowings with lenders	13,405,479	17,700,000
	Advances to Related Parties	6,256,792	9,162,321
	Insurance Deposit	-	372,221
	Leave and License Deposit	380,000	1,009,400
	Prepaid Expenses	6,822,972	1,129,117
	Service Tax Credit	2,621,700	3,481,012
	Fixed Deposit with Financial Institutions	125,000	192,616
	Advance to Svasti ESOP Trust	10,000	10,000
	Others	839,936	1,500,056
	<b>Total</b>	<b>31,961,855</b>	<b>37,017,251</b>



Svasti Microfinance Private Limited  
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Notes forming part of Financial Statements for the year ended March 31, 2017

Notes	Particulars	As at March 31, 2017	As at March 31, 2016
<b>16</b>	<b>Receivables under Financing Activities</b>		
	a) Loans to Customers		
	f) Secured and Considered Good		
	ii) Unsecured and Considered Good	516,324,869	384,190,612
		516,324,869	384,190,612
	Less: Provision for Standard Loan receivables	4,010,950	3,181,368
	Sub total (a)	512,313,919	381,009,244
	b) Loans to Customers		
	i) Unsecured and Considered Doubtful	1,193,919	795,740
	Less: Provision for doubtful assets	1,160,603	668,496
Sub total (b)	33,316	127,244	
<b>Total</b>		<b>512,347,235</b>	<b>381,136,488</b>
<b>17</b>	<b>Other Current Assets</b>		
	Insurance Claim receivable	7,844,557	4,527,879
	Processing Fees to be amortized	3,456,835	3,749,156
	Commission on Managed Portfolio receivable	48,666,397	634,421
	Interest accrued on Fixed Deposit	4,555,705	8,707,394
	Others	2,120,427	101,636
	<b>Total</b>	<b>66,643,921</b>	<b>17,720,486</b>





## Svasti Microfinance Private Limited

CIN: U65922TN1995TTC030293

Notes forming part of Financial Statements for the year ended March 31, 2017

Note	Particulars	For the year ended Mar 31, 2017	For the year ended Mar 31, 2016
<b>18</b>	<b>Revenue from Operations</b>		
	Interest on Loans	140,997,512	91,410,394
	Commission From Managed Portfolio	43,643,148	17,205,943
	Processing Fees Received	8,784,000	5,041,100
	Interest on Loans-LAP	473,490	-
	Commission From Managed Portfolio-LAP	568,767	-
	Processing Fees Received-LAP	98,500	-
	<b>Total</b>	<b>194,565,417</b>	<b>113,657,437</b>
<b>19</b>	<b>Other Income</b>		
	Profit on sale of Mutual Funds	2,057,926	1,591,412
	Interest on Cash Collateral Deposits for Loans from FIs and Banks	4,686,678	7,976,228
	Securitisation Gains (net)	5,741,174	4,710,194
	Income from Non Lending Services	-	1,275,400
	Others	58,251	8,510
	<b>Total</b>	<b>12,544,029</b>	<b>15,561,744</b>
<b>20</b>	<b>Employee Benefits Expenses</b>		
	Salaries & Wages	71,555,038	42,330,023
	Employer's Contribution to Provident & Other Funds	5,487,343	3,263,470
	Leave Encashment	224,546	187,751
	Gratuity (See Note 27)	1,656,026	386,329
	EDLI Contribution and Admin Charges	355,087	227,709
	Staff Welfare Expenses	3,971,547	2,888,350
	<b>Total</b>	<b>83,249,587</b>	<b>49,283,632</b>
<b>21</b>	<b>Finance Cost</b>		
	Loan Processing and Syndication Fees	5,488,933	4,940,884
	Interest Paid on loan taken from Banks & Financial Institutions	85,996,526	53,717,319
	Guarantee Fee	1,600,665	-
	<b>Total</b>	<b>93,086,124</b>	<b>58,658,203</b>
<b>22</b>	<b>Administrative and Other Expenses</b>		
	Advertisement	-	-
	Audit Fees		
	- for Statutory Audit	565,000	375,000
	- for Tax Audit	75,000	50,000
	- Others	161,000	10,000
	Electricity Charges	927,054	540,850
	Internet Expenses	343,448	397,952
	Office Expenses	576,501	287,426
	Printing & Stationery	608,092	736,795
	Professional Fees	4,730,528	1,386,053
	Rent	7,461,859	4,713,299
	Rates and Charges	1,295,387	876,454
	Repairs and Maintenance		
	Building		
	Others	340,640	215,126
	Telephone Charges	1,813,377	1,362,487
	Travel and Conveyance	481,691	133,420
	Other Expenses	620,869	1,125,538
	<b>Total</b>	<b>20,000,446</b>	<b>12,210,400</b>



**Svasti Microfinance Private Limited**  
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Notes forming part of Financial Statements for the year ended Mar 31, 2017

**23 Contingent liabilities**

Particulars	Amount in Rs.	
	As on 31-Mar-2017	As on 31-Mar-2016
First loss credit enhancement on securitization and direct origination transactions	7,407,099	5,770,419
First loss guarantee of portfolio originated on behalf of NBFCs / Banks	55,365,000	28,556,250
<b>Total</b>	<b>62,772,099</b>	<b>34,326,669</b>

**24 Capital commitment (net of advances)**

As at 31st March, 2017 Rs. Nil. (31-Mar-2016: Rs. Nil).

**25 Segment Reporting**

In the opinion of the management, there is only one reportable segment. i.e. microfinance services. Accordingly, no separate disclosure is required to be made under Accounting Standard 17, Segment Reporting.

**26 Related Party Disclosures**

**A. List of Related Parties**

Nature of Relationship	Party
Key Management Personnel	P Arunkumar, Executive Director and CEO
Key Management Personnel	B Narayanan, Executive Director and CFO
Entities Holding Substantial Interest	Michael and Susan Dell Foundation
Entities Holding Substantial Interest	Bamboo Financial Inclusion Fund Mauritius
Common Directors	Svasti Foundation
Common Directors	Svasti Financial Services Private Limited

**B. Transactions with Related Parties during the year (excluding directors remuneration\*)**

Transaction	Related Party	Amount in Rs.	
		Year Ended 31st March, 2017	Year Ended 31st March, 2016
Advance Given	B Narayanan	1,360,000	1,360,000
Advance Repaid	B Narayanan	-	-
Advance Given	P Arunkumar	1,360,000	1,360,000
Advance Repaid	P Arunkumar	-	-
Amount received	Svasti Foundation	-	-
Sharing of infrastructure service	Svasti Foundation	-	1,275,400

\*- Refer note no. 34 for Directors remuneration.

Note : Above does not include Current account transactions & transactions in the nature of reimbursement of expenses



Svasti Microfinance Private Limited

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Notes forming part of Financial Statements for the year ended Mar 31, 2017

26 Related Party Disclosures (Contn.)

Balances as at year end

Amount in Rs.

Nature of Balance	Related Party	Amount in Rs.	
		31st March, 2017	31st March, 2016
Receivable	Svasti Foundation	3,161,759	5,658,118
Receivable	Svasti Financial Services Private Limited	120,101	119,600
Receivable/(Payable)	B Narayanan	1,360,000	1,678,523
Receivable/(Payable)	P Arunkumar	1,360,000	1,706,080

27 Employee benefits

(a) Defined contribution plan:

Contribution to Employees' provident fund and Employee's State Insurance:Rs.54,87,343 (Previous year: Rs.32,63,470)

(b) Defined benefit plan - Gratuity:

(1) Description of the Gratuity Plan:

The Company provides for gratuity a defined benefit retirement plan covering eligible employees. Gratuity plan provides for a lump sum payment to employees on retirement, death, incapacitation, termination of employment, of amounts that are based on salaries and tenure of the employees.

(2) Amount recognized in the Balance Sheet and movements in net liability:

Amount in Rs.

Particulars	As At	As At
	31-Mar-17	31-Mar-16
Present Value of Funded Obligations	3,749,785	2,326,551
Fair Value of Plan Assets	1,256,247	1,262,019
<b>Net Liability / (Asset) recognized in the Balance Sheet</b>	<b>2,493,538</b>	<b>1,064,532</b>

Gratuity liability is funded with Life Insurance Corporation of India (LIC).

The fair value of the plan assets does not include the Company's own financial instruments

(3) Expenses recognized in the Statement of Profit & Loss

Amount in Rs.

Particulars	Year ended	Year ended
	31-Mar-17	31-Mar-16
Current Service Cost	556,147	494,352
Interest on Defined Benefit Obligation	169,114	147,274
Expected Return on Plan Assets	(94,554)	(76,541)
<b>Net Actuarial Losses/ (Gains) Recognized in the year</b>	<b>1,025,319</b>	<b>(178,756)</b>
Past Service Cost	-	-
Other Charges	-	-
<b>Total</b>	<b>1,656,026</b>	<b>386,329</b>



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Notes forming part of Financial Statements for the year ended Mar 31, 2017

27 Employee benefits (Contr.)

(4) Reconciliation of Benefit Obligation & Plan assets for the Period

Change in Defined Benefit Obligation	Amount in Rs.	
	As At	As At
	31 -Mar-17	31-Mar-16
Opening Defined Benefit Obligation	2,326,551	1,840,926
Current Service Cost	556,147	494,352
Interest Cost	169,114	147,274
Actuarial Losses / (Gain )	1,036,946	(156,001)
Past Service Cost	-	-
Actuarial Losses / (Gain ) due to Curtailment	-	-
Liabilities Extinguished on Settlements	-	-
Liabilities Assumed on Acquisition / (Settled on Divestiture)	-	-
Exchange Difference on Foreign Plans	-	-
Benefits Paid	(338,973)	-
Closing Defined Benefit Obligation	3,749,785	2,326,551

Change in Fair Value of Assets	Amount in Rs.	
	As At	As At
	31-Mar-17	31-Mar-16
Opening Fair Value of Plan Assets	1,262,019	850,461
Expected Return on Plan Assets	94,554	76,541
Actuarial Gain / ( Losses )	11,627	22,755
Assets Distributed on Settlements	-	-
Contributions by Employer	227,020	312,262
Assets Acquired on Acquisition / (Distributed on Divestiture)	-	-
Exchange Difference on Foreign Plans	-	-
Benefits Paid	(338,973)	-
Closing Fair Value of Plan Assets	1,256,247	1,262,019

(5) Actuarial Assumptions at the Valuation date

Particulars	2016-2017	2015-2016
Discount Rate	7% p.a.	7.84% p.a.
Expected Rate of Return on Plan Assets*	7% p.a.	7.84% p.a.
Salary Escalation Rate	7.00%	8.00%

\*This is based on expectation of the average long term rate of return expected on investments of the Fund during the estimated term of the obligations.



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Notes forming part of Financial Statements for the year ended Mar 31, 2017

27 Employee benefits (Contn.)

(6) Descriptions of the Plan Assets

Amount in Rs.

Category of Assets	2016-2017	2015-2016
Government of India Securities	0%	0%
Corporate Bonds	0%	0%
Special Deposit Scheme	0%	0%
Insurer Managed Funds	100%	100%
Others	0%	0%
Total	100%	100%

(7) Experience Adjustments

Amount in Rs.

Particulars	2016-2017	2015-2016	2014-2015	2013-2014
Experience (gain)/loss on obligation	664,167	(171,379)	(11,429)	-
Actuarial (gain)/loss on plan assets	(11,627)	(22,755)	(9,160)	36,871

28 Employees Stock Option Plan

The Company has an ESOP plan under which 5000 shares have been allotted to Svasti ESOP Trust at par. The Company has advanced Rs. 50,000/- to the Svasti ESOP Trust towards the purchase of the said shares. In addition, 1,95,000 equity shares of Rs. 10 each allotted to the Trust on account of bonus issue.

As on date there is no vesting schedule defined and no options to purchase have vested with any of the employees and all the shares remain only with Svasti ESOP Trust.

29 Operating Leases

The Company has taken on operating lease premises for a period ranging from 11 months to 36 months which are non-cancellable for the period as reflected in the agreement. The total minimum lease payments for the current year, in respect of operating leases, included under rent, aggregates to Rs.7,461,859 /- (P.Y Rs.4,713,299/-)

30 The future lease payments in respect of the above are as follows:

Amount in Rs.

	As at 31st March, 2017	As at 31st March, 2016
Not later than one year	2,083,263	933,766
Later than one year but not Later than five years	872,600	3,012,903
Later than 5 years	Nil	Nil

31 Earnings per share

Amount in Rs.

	For the year ended 31st March, 2017	For the year ended 31st March, 2016
Net Profit / (Loss) After Tax	1,542,488	1,812,338
Weighted average number of equity shares outstanding		
-Excluding ESOP	1,728,743	1,728,743
-Including ESOP	1,928,743	1,928,743
Earnings per share (FV of Rs. 10 per share)		
- Basic	0.89	1.05
- Diluted	0.80	0.94





**Svasti Microfinance Private Limited**  
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Notes forming part of Financial Statements for the year ended Mar 31, 2017

**32 Deferred Tax**

Deferred Tax Asset Computation

Amount in Rs.

Particulars	Deferred Tax (Asset) / Liability as on 01st April, 2016	Current year (credit) / charge	Deferred Tax (Asset) / Liability as on 31st March, 2017
<b>A. Deferred Tax Liability</b>			
Difference between book and tax depreciation	2,206,241	755,216	2,961,457
Unamortised Business Expenses	1,500,446	251,161	1,751,607
<b>Total (A)</b>	<b>3,706,687</b>	<b>1,006,377</b>	<b>4,713,064</b>

Amount in Rs.

Particulars	Deferred Tax (Asset) / Liability as on 01st April, 2016	Current year (credit) / charge	Deferred Tax (Asset) / Liability as on 31st March, 2017
<b>B. Deferred Tax Asset</b>			
Unabsorbed business losses	(661,514)	661,514	-
Provision for Employees Benefit-Leave Encashment	(168,970)	(92,304)	(261,274)
Provision for Employees Benefit - Gratuity, Receivables	(228,366)	(596,072)	(824,438)
Provision for Receivables	(1,439,256)	(1,171,733)	(2,610,989)
Other	-	-	-
<b>Total(B)</b>	<b>(2,498,106)</b>	<b>(1,198,595)</b>	<b>(3,696,701)</b>
<b>Net Deferred Tax (Asset) /Liability (A-B)</b>	<b>1,208,581</b>	<b>(192,218)</b>	<b>1,016,363</b>
Previous Year	(236,434)	1,445,015	1,208,581

**33 Asset Classification & Provisioning:**

The Company follows Prudential Norms of the Reserve Bank of India (RBI) with regard to classification in respect of all loans extended to its customers. The loans inclusive of unpaid interest, when the installment is overdue for a period of three months or more or on which interest amount remained overdue for a period of 90 days or more is treated as Non-performing assets.

As per RBI Circular no. DBR.No.BP.BC.37/21.04.048/2016-17 and DBR.No.BP.BC.49/21.04.048/2016-17, RBI has provided an additional 90 days beyond what is applicable i.e 90 days for the concerned regulated entity(RE) for recognition of a loan account as substandard. Thus, all loans with overdue pertaining only to the period 1st November, 2016 to 31st December, 2016 have not been provided for, since total 180 days (including additional 90 days) as allowed has not elapsed as at 31st March, 2017.

Classification of Loans and provision made for Standard / doubtful assets are as given below:



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Notes forming part of Financial Statements for the year ended Mar 31, 2017

33 Asset Classification & Provisioning (Contn.)

(i) Joint Liability Group (JLG)

Amount in Rs.

Classification of Assets	As at 31st March, 2017	As at 31st March, 2016
Standard assets	787,599,942	481,044,351
Non Performing asset	309,441	254,487
Doubtful assets	884,478	541,253
Loss assets	-	-
Total	788,793,861	481,840,091

(ii) Individual Business Loan

Amount in Rs.

Classification of Assets	As at 31st March, 2017	As at 31st March, 2016
Standard assets	2,592,025	-
Non Performing asset	-	-
Doubtful assets	-	-
Loss assets	-	-
Total	2,592,025	-

Movement of Provision on Portfolio-JLG

Amount in Rs.

Description	As at 31-Mar-2017	As at 31-Mar-2016
Opening Balance	4,818,402	3,074,280
Additions for the year	3,069,538	1,744,122
Deletion for the year	-	-
Closing Balance	7,887,940	4,818,402

Movement of Provision on Portfolio-Individual business loan

Amount in Rs.

Description	As at 31-Mar-2017	As at 31-Mar-2016
Opening Balance	-	-
Additions for the year	9,072	-
Deletion for the year	-	-
Closing Balance	9,072	-

34 Directors' Remuneration

Amount in Rs.

Particulars	Year Ended 31st March, 2017	Year Ended 31st March, 2016
<b>Executive Directors</b>		
Arunkumar P	1,980,000	3,340,000
B Narayanan	1,980,000	3,340,000
<b>Non-Executive Directors</b>		
Sitting Fees	-	-

Note: The above remuneration is Inclusive of provisions



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**Notes forming part of Financial Statements for the year ended Mar 31, 2017**

**35 Borrowings**

A. Term Loans: The Company has borrowed funds in the form of Term Loans from NBFC FIs and banks for the purpose of the on-lending to its customers. The borrowing is secured against the book debts specifically identified as originated using these funds. In addition the Company has provided Corporate Guarantee towards these borrowings.

B. Securitisation of Portfolio Receivables: The Company has participated in 1 (Previous Year : 0) transaction during the year involving securitization of portfolio receivables from loans seasoned for at least 3 months. The portfolio has been sold to a Special Purpose Vehicle (SPV) created for handling the securitization transaction.

Each transaction entered into by the Company involves a "True Sale", i.e., involving the assignment of the total pool to the Issuer Trust, assigning thereby all the rights, title and interest of the Company (as Originator) in the Receivables to the Trust. The assignment shall be to the end and intent that the Issuer Trust shall thereafter be deemed to be the full and absolute legal and beneficial owner of the Total Pool.

The exposure of the Company to the assigned receivables subsequent to the True Sale is restricted to the Credit Enhancement provided by the Company to the Trust. Such credit enhancement has been provided by way of cash collateral.

The Company is to act as a servicing agent responsible for collection of all cash flows from the underlying receivables and remittance to the SPV until the underlying is repaid or the clean up call is exercised. The clean up call can be exercised by the company when not more than 10% of the pool principal from the pool remains unpaid.

The difference between the purchase consideration and the pool value after providing for processing fees and servicing cost has been considered as Gain from Securitisation to the extent of the principal cash flow collected and remitted during the year. The portion of the gains pertaining to principal cash flow to be received in the future has been disclosed in "Gain from Securitisation not accrued" under "Other Current Liabilities".

The summary of all securitization transactions done till date are as under

	Amount in Rs.	
	Year ended 31- Mar-2017	Year ended 31- Mar-2016
Purchase Consideration	100,700,966	-
Principal value of pool securitized	92,588,741	-
Gain from securitisation recognized during the year	5,741,174	4,710,194
Gains from securitisation to be recognised in future	1,469,039	-
Cash Collateral provided as credit enhancement	7,407,099	16,896,309

C. Direct Origination: The Company continues to originate portfolio on behalf of 1 FI(Previous year 1 Bank and 1 FI).

The Company is responsible for originating and servicing the loans originated on behalf of the bank/FI against which the Company receives consideration.



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**Notes forming part of Financial Statements for the year ended Mar 31, 2017**

**35 Borrowings (Contn.)**

A summary of the direct origination transactions for the year are as under:

	Amount in Rs.	
	Year ended 31- Mar-2017	Year ended 31- Mar-2016
Portfolio originated	359,150,000	385,125,000
Income from origination of this loan portfolio	1,795,750	1,925,625
Income from servicing of this loan portfolio	41,847,398	15,280,320

D. Debentures: The Company has issued 100 Rated, Taxable, Senior, Secured, Non-Convertible Debentures of Rs. 10,00,000/- each, raised on private placement basis, with a yield of 12.78% allotted on 29-Feb-2016 with interest payable on monthly rests and principal repayable in monthly installments with a tenor of 24 months. Subsequent to raising of funds, the debenture have been listed in BSE limited.

**36 Grants**

During the previous year, the company received USD 4,000 (Rs. 268,266/-) as grant from a foreign foundation for expenditures towards its educational, scientific and charitable purposes together with administrative purposes. The grant have been adjusted against expenses (both revenue and capital in nature) as and when incurred in this regard over the period of the grant.

**37 A. Terms of Secured Loans/Debentures**

Rate of Interest	Installments	Amount in Rs.
		Balance Outstanding
11% - 12%	24	75,000,000
12%-13%	24	167,708,425
12%-13%	36	37,777,778
13% - 14%	24	50,000,000
14%-15%	24	50,000,000
14%-15%	33	100,000,000
14%-15%	36	164,166,667
15%-16%	18	6,160,280
15%-16%	24	217,712,010
16%-17%	18	24,999,994
16%-17%	24	38,597,925
<b>Total</b>		<b>932,123,079</b>

Note: All the loans are secured by way of hypothecation of the Microfinance Loan receivables originated out of the borrowed funds on a first & exclusive charge basis

**B. Terms of Unsecured Loans**

During the year Company has raised unsecured term loan of Rs. 5 crores at rate of 14.50% with bullet repayment at the end of 7 years.



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**Notes forming part of Financial Statements for the year ended Mar 31, 2017**

**38 Disclosure on Margin Cap**

Disclosure as required under DNBS (PD) CC. No. 300 / 03.10.038/2012-13 dated August 3, 2012 . Margin of the Company as on 31 March 2017 is 11.64% (Previous Year 11.13%)

**39 Details of Specified Bank Notes**

Particulars	Amount in Rs.		
	SBNs (Rs.500 & Rs.1000)	Other denominated Notes	Total
Closing cash in hand as on 08.11.2016		3,823,424	3,823,424
(+) Permitted receipts	-	152,029,312	152,029,312
(+) Other non- permitted receipts**	38,955,500	-	38,955,500
(-) Permitted payments	-	127,364,447	127,364,447
(-) Amount deposited in Banks	38,955,500	15,127,594	54,083,094
Closing cash in hand as on 30.12.2016	-	<b>13,360,695</b>	<b>13,360,695</b>

\*\* Due to demonetization, many of the customers were unable to make their loan repayments in time on account of non availability / low supply on Non SBN notes. In view of this, the customers were requested to make payments directly to Svasti Microfinance Private Limited's Bank A/c towards clearance of their dues. However, due to long queues at the bank branches for depositing SBN, many customers were unable to deposit the same directly. In view of this, the company collected money from them and deposited the same in Company's Bank account on their behalf towards repayments due on loans. Consequently, all deposits are identifiable and attributable to individual customers. All of these loans were made prior to 08-Nov-2016 and KYC for each of these customers was collected in line with RBI norms. The individual remittances range from Rs.320 to Rs. 620 (weekly) and Rs. 1100 to Rs. 2700 (monthly).

**40 Disclosure on derivative instruments and unhedged foreign currency exposure**

- a) Derivative instrument outstanding : Nil (Previous year : Nil)
- b) Unhedged foreign currency exposure payable / receivable : Nil (Previous year : Nil)

**41 Earnings in foreign currency for the year ended 31st March, 2017: Nil (Previous year: Nil)**

**42 Expenditure in foreign currency for the year ended 31st March, 2017: Nil. (Previous year: Nil)**



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CIN: U65922TN1995TTC030293

Notes forming part of Financial Statements for the year ended Mar 31, 2017

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**43 Comparatives**

Previous year figures have been regrouped / reclassified wherever required to confirm with current year grouping / classification.

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The accompanying notes are an integral part of the financial statements

For PKF Sridhar & Santhanam LLP  
Chartered Accountants  
Firm Regn. No 003990S/S200018



Ramanarayanan J  
Partner  
Membership No: 220369

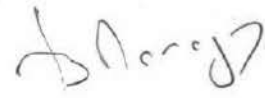
Place: Mumbai  
Date : 29-May-2017



For and on behalf of the Board  
Svasti Microfinance Private Limited



R Arunkumar  
Executive Director  
& CEO  
DIN: 01890656



B Narayanan  
Executive Director  
& CFO  
DIN: 01216715