

## 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 2018, 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, read with rule 7 of the Companies (Accounts) Rules, 2014.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and 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.



# PKF Sridhar & Santhanam LLP

Chartered Accountants

## 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, 2018, and its profit and its cash flows for the year ended on that date.

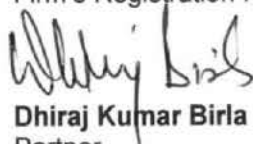
## Report on Other Legal and Regulatory Requirements

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, 2018 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2018 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.

For **PKF Sridhar & Santhanam LLP**

Chartered Accountants

Firm's Registration No.003990S/S200018

  
**Dhiraj Kumar Birla**  
Partner

Membership No. 131178



Mumbai, 29 June 2018

**Annexure A**

**Referred to in paragraph 1 on 'Report on Other Legal and Regulatory Requirements' of our report of even date of Svasti Microfinance Private Limited (the "Company")**

- (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. Hence, Clause 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 complied with the provision of Section 185 and 186 of the Act.
- (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. 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 2018 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.
- (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.

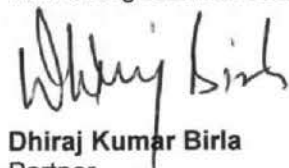


# PKF Sridhar & Santhanam LLP

Chartered Accountants

- (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. 3,28,000 of which Rs. 32,000 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

  
**Dhiraj Kumar Birla**  
Partner

Membership No. 131178



**Mumbai, 29 June 2018**

# PKF Sridhar & Santhanam LLP

Chartered Accountants

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.

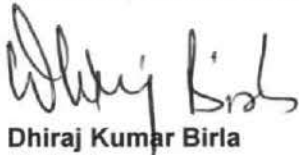
## **Inherent Limitations of Internal Financial Controls Over Financial Reporting**

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, 2018, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

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



**Dhiraj Kumar Birla**  
Partner  
Membership No. 131178



Mumbai, 29 June 2017

Svasti Microfinance Private Limited  
CIN: U65922TN1995TTC030293  
Balance Sheet as at Mar 31, 2018

	Particulars	Note No	As at	As at
			Mar 31, 2018	March 31, 2017
			Audited	Audited
<b>I</b>	<b>EQUITY AND LIABILITIES</b>			
(1)	<b>Shareholders' Funds</b>			
	(a) Share Capital	2	23,269,680	19,237,430
	(b) Reserves and Surplus	3	295,657,107	173,030,375
(2)	<b>Non-current Liabilities</b>			
	(a) Long Term Borrowings	4	935,471,405	493,620,180
	(b) Long Term Provisions	5	3,235,436	2,493,538
	(c) Other Non Current Liabilities	6	3,778,296	-
	(d) Deferred Tax liability	34	-	1,016,363
(3)	<b>Current Liabilities</b>			
	(a) Trade Payables	7	15,649,318	4,429,498
	(b) Other Current Liabilities	8	1,071,531,661	502,488,533
	(c) Short Term Provisions	9	1,140,743	790,231
	<b>Total</b>		<b>2,349,733,646</b>	<b>1,197,106,148</b>
<b>II</b>	<b>ASSETS</b>			
(1)	<b>Non-current Assets</b>			
	(a) Fixed Assets			
	(i) Tangible Assets	10 A	9,913,224	11,108,489
	(ii) Intangible Assets	10 B	33,440,135	24,264,667
	(iii) Intangible Assets under development	10 C	7,191,798	8,703,729
	(b) Long Term Investments	11	1,500,000	2,500,000
	(c) Long Term Loans & Advances	12	53,031,853	24,350,565
	(d) Receivables under Financing Activities	13	650,682,204	271,141,640
	(e) Deferred Tax assets	34	1,360,349	-
	(f) Other Non Current Assets	14	28,403,995	9,533,155
(2)	<b>Current Assets</b>			
	(a) Current Investments	15	1,000,000	-
	(b) Cash and Bank Balances	16	124,847,801	238,463,095
	(c) Short Term Loans & Advances	17	18,735,921	29,241,855
	(d) Receivable under Financing Activities	18	1,376,283,656	512,347,235
	(e) Other Current Assets	19	43,342,710	65,451,718
	<b>Total</b>		<b>2,349,733,646</b>	<b>1,197,106,148</b>

Significant Accounting Policies


The accompanying notes are an integral part of the financial statements

As per our report of even date  
For PKF Sridhar & Santhanam LLP  
Chartered Accountants  
Firm Regn. No 0039905/S200018

  
Dhiraj Kumar Birla  
Partner  
Membership No: 131178  
Place: Mumbai  
Date : 29-June-2018



  
P Arunkumar  
Executive Director  
& CEO  
DIN: 01890656

  
B Narayanan  
Executive Director  
& CFO  
DIN: 01216715

Svasti Microfinance Private Limited  
CIN: U65922TN1995TTC030293  
Statement of Profit & Loss for the year ended Mar 31, 2018

Particulars	Note No	For the year ended Mar 31, 2018	For the year ended Mar 31, 2017
		Audited	Audited
I. Revenue from Operations	20	370,031,660	194,565,417
II. Other Income	21	15,739,080	12,544,029
III. Total Revenue (I+II)		385,770,740	207,109,446
IV. EXPENSES			
Employee Benefits Expenses	22	123,005,563	83,249,587
Finance Cost	23	195,269,704	93,086,124
Depreciation/ Amortization	10	8,385,488	5,515,784
Other Expenses	24	33,396,516	20,000,446
Provision on Receivables under Financing Activities	35	12,542,215	3,078,610
Total Expenses		372,599,486	204,930,551
V. Profit before Tax (III-IV)		13,171,254	2,178,895
VI. Tax expense:			
(1) Current tax			
Normal Tax		6,342,103	651,761
(2) Deferred tax		(2,376,712)	(192,218)
(3) Tax for previous year		(517,869)	176,864
VII. Profit for the period		9,723,732	1,542,488
Earnings per equity share (Face value Rs.10)			
(1) Basic	33	4.70	0.89
(2) Diluted	33	4.28	0.80

Significant Accounting Policies

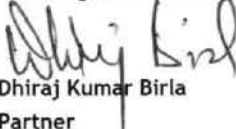
The accompanying notes are an integral part of the financial statements

As per our report of even date

For PKF Sridhar & Santhanam LLP

Chartered Accountants

Firm Regn. No 003990S/S200018

  
Dhiraj Kumar Birla  
Partner

Membership No: 131178

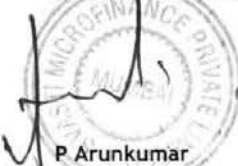
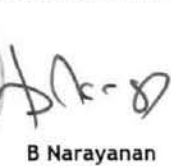
Place: Mumbai

Date : 29-June-2018



For and on behalf of the Board

Svasti Microfinance Private Limited

   
P. Arunkumar B. Narayanan  
Executive Director Executive Director  
& CEO & CFO

DIN: 01890656

DIN: 01216715

Svasti Microfinance Private Limited  
CIN: U65922TN1995TTC030293  
Cash Flow statement for the year ended March 31, 2018

Amount in Rs.

	Particulars	For the year ended Mar 31, 2018	For the year ended Mar 31, 2017
<b>A</b>	<b>Cash Flow from Operating Activities</b>		
	Net Profit / (Loss) before Tax	13,171,254	2,178,895
	<b>Adjustments for:</b>		
	Depreciation and amortisation	8,385,488	5,515,784
	Interest income on Bank Deposits & Deposits with Lenders	(3,474,007)	(4,686,678)
	Interest expenses on Loan taken from banks & financial institutions	181,638,899	85,996,526
	Profit on sale of Mutual Funds	(1,829,503)	(2,057,926)
	Gains from Securitisation	(4,121,449)	(5,741,174)
	Processing fees amortised	6,583,542	5,488,933
	Provision for Gratuity and Leave Encashment	3,255,455	1,880,572
	Provision for other loans and Advances	3,998,876	-
	Provision against loan receivables	12,542,215	3,078,610
	<b>Operating fund flow before working capital changes</b>	<b>220,150,770</b>	<b>91,653,542</b>
	<b>Changes in working capital:</b>		
	Adjustments for (increase)/decrease in operating assets		
	Current Assets and Non Current Assets		
	Receivables under Financing Activities	(1,420,643,839)	(410,246,759)
	Loans and Advances	(23,915,767)	2,956,003
	Other Current and Non Current Assets	9,219,537	(52,470,564)
	Current Liabilities	35,134,998	(378,012)
	<b>Cash generated/(used) in operations</b>	<b>(1,180,054,301)</b>	<b>(368,485,790)</b>
	Net income Tax (paid)/ Refunds	(4,082,697)	(5,307,513)
	<b>Net cash (used)/generated from in operating activities (A)</b>	<b>(1,184,136,998)</b>	<b>(373,793,303)</b>
<b>B</b>	<b>Cash Flows from Investing Activities</b>		
	Purchase of fixed assets	(14,853,760)	(17,750,247)
	Sale of Fixed Assets	-	11,771
	Purchase of investments	(805,000,000)	(800,000,000)
	Proceeds from Sale of Investment	806,829,502	802,057,926
	Change in Bank balances not considered as cash & cash equivalents	4,599,497	34,532,381
	Interest Received on Fixed Deposits	5,171,371	6,722,350
	<b>Net cash (used)/generated from in Investing activities (B)</b>	<b>(3,253,390)</b>	<b>25,574,181</b>
<b>C</b>	<b>Cash Flow from Financing Activities</b>		
	Issue of Equity Shares (Including share premium)	116,935,250.00	-
	Proceeds from Borrowings from Banks and FIs	1,825,000,000	975,000,000
	Repayment of Borrowings from Banks and FIs	(836,774,483)	(486,721,797)
	Securitisation proceeds	164,624,639.00	100,700,966.00
	Loan processing fees	(14,262,275)	(5,763,466)
	Interest paid on borrowings	(177,148,540)	(85,253,016)
	<b>Net cash (used)/generated from in Financing activities (C)</b>	<b>1,078,374,591</b>	<b>497,962,687</b>





Svasti Microfinance Private Limited  
CIN: U65922TN1995TTC030293  
Cash Flow statement for the year ended March 31, 2018

Amount in Rs.

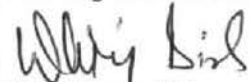
	Particulars	For the year ended Mar 31, 2018	For the year ended Mar 31, 2017
D	<b>Net increase/(Decrease) in Cash and Cash Equivalents (A+B+C)</b>	<b>(109,015,797)</b>	<b>149,743,565</b>
	Cash & Cash Equivalents at the beginning of the year	209,443,629	59,700,064
	Cash & Cash Equivalents at the end of the year	100,427,832	209,443,629
	Breakup of Cash and Cash Equivalents:		
	Cash in hand	42,052,743	912,914
	Bank Balances - In Current Accounts	58,375,089	208,530,715
		<b>100,427,832</b>	<b>209,443,629</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 of even date  
For PKF Sridhar & Santhanam LLP  
Chartered Accountants  
Firm Regn. No 003990S/S200018

  
Dhiraj Kumar Birla  
Partner



Membership No: 131178  
Place: Mumbai  
Date : 29-June-2018

For and on behalf of the Board  
Svasti Microfinance Private Limited

  
P. A. Pankumar  
Executive Director  
& CEO  
DIN: 01890656



B Narayanan  
Executive Director  
& CFO  
DIN: 01216715

**Svasti Microfinance Private Limited**  
CIN: U65922TN1995TTC030293  
Financial Statements for the year ended 31<sup>st</sup> March, 2018  
Notes forming part of Financial Statements for the year ended Mar 31, 2018

**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.

Persuant to redemption of all listed debentures on 22<sup>nd</sup> February, 2018, company delisted from BSE limited effective 7<sup>th</sup> March, 2018.

**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 and the difference between the actual results and estimates are recognized in the periods in which the results are known/materialise

**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**

Depreciation has been provided on the basis of useful lives and residual value as prescribed in Schedule II of the Companies Act, 2013 except for following assets:



**Svasti Microfinance Private Limited**  
**Financial Statements for the year ended 31<sup>st</sup> March, 2018**  
**Notes forming part of Financial Statements for the year ended Mar 31, 2018**

**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 higher of the amortization of the principal value of the portfolio securitized during the year after provision of processing fees and servicing cost and n time proportion basis as per RBI directions

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, 2018  
Notes forming part of Financial Statements for the year ended Mar 31, 2018

**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, 2018**  
**Notes forming part of Financial Statements for the year ended Mar 31, 2018**

**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, 2018**  
**Notes forming part of Financial Statements for the year ended Mar 31, 2018**

**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, 2018

Notes	Particulars	As at Mar 31, 2018	As at March 31, 2017
2	<b>Share Capital Authorized</b>		
	52,30,000 Equity Shares of Rs.10 each (Previous year 52,30,000)	52,300,000	52,300,000
		52,300,000	52,300,000
	<b>Issued, Subscribed and Fully Paid up Equity Shares</b>		
	23,31,968 (Previous year 19,28,743) Equity Shares of Rs.10 each with voting rights	23,319,680	19,287,430
	Less : Advance to ESOP Trust <i>(Face Value of 5,000 shares allotted to Svasti ESOP Trust on subscription and 1,95,000 shares allotted as fully paid bonus shares)</i>	50,000	50,000
		<b>23,269,680</b>	<b>19,237,430</b>
	<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) No shares has been allotted as fully paid pursuant to contracts without payment being received in cash in last 5 years.		
	(v) Details of equity shares held by each shareholder holding more than 5% shares		
	<b>Equity Shares</b>		
		<b>As at Mar 31, 2018</b>	<b>As at Mar 31, 2017</b>
	<b>Name of the shareholders</b>	<b>No of Shares held</b>	<b>% of Shares</b>
	Bamboo Financial Inclusion Mauritius (formerly known as Blue Orchard Mauritius)	486,445	20.86%
	Michael and Susan Dell foundation	365,704	15.68%
	Svasti ESOP Trust	200,000	8.58%
	P. Arunkumar	169,040	7.25%
	B Narayanan	169,040	7.25%
	Andaman Group (Andaman Finance and Investment Private Limited )	290,899	12.47%
	Rising Sun Holdings Private Limited	290,897	12.47%
	<b>(vi) Reconciliation for number of shares Equity Shares</b>		
		<b>As at Mar 31, 2018</b>	<b>As at March 31, 2017</b>
	No. of shares at the beginning of the year	1,928,743	1,928,743
	Shares allotted during the year	403,225	-
	Bonus shares	-	-
	Less: Buyback of shares	-	-
	No. of shares at the end of the year	<b>2,331,968</b>	<b>1,928,743</b>
	<b>(vii) Shares reserved for issue under options</b>		
	For details of shares reserved for issue under the employee stock option (ESOP) plan of the Company, please refer note 30.		



Svasti Microfinance Private Limited  
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Notes forming part of Financial Statements for the year ended March 31, 2018

Notes	Particulars	As at Mar 31, 2018	As at March 31, 2017
3	<b>Reserves and Surplus</b>		
	Securities Premium		
	Opening Balance	167,888,983	167,888,983
	Add: Premium on issue of equity shares	112,903,000	-
	Less: Utilized for allotment of Bonus Shares	-	-
	Less: Advance Towards Purchase of Share	-	-
	<b>Closing Balance (A)</b>	<b>280,791,983</b>	<b>167,888,983</b>
	Statutory Reserve*		
	As per last Balance Sheet	1,916,786	1,608,288
	Add: Transferred from Profit and Loss A/c	1,944,746	308,498
<b>Closing Balance (B)</b>	<b>3,861,532</b>	<b>1,916,786</b>	
Profit and Loss A/c			
As per last Balance Sheet	3,224,606	1,990,616	
Add: Transferred from Statement of Profit and Loss	9,723,732	1,542,488	
Less : Transferred to Statutory Reserve	(1,944,746)	(308,498)	
<b>Closing Balance (C)</b>	<b>11,003,592</b>	<b>3,224,606</b>	
<b>Total</b>	<b>295,657,107</b>	<b>173,030,375</b>	
	(*Statutory Reserve represents the Reserve Fund created under Section 45IC of the Reserve Bank of India Act, 1934)		
4	<b>Long Term Borrowings</b>		
	<b>A Secured Loans</b>		
	Term Loan from Financial Institutions	1,609,029,125	551,636,876
	Less: Current Maturities of Term Loan from Financial Institutions	924,668,838	308,502,867
		684,360,287	243,134,009
	Term Loan from Banks	74,444,446	37,777,778
	Less: Current Maturities of Term Loan from Banks	38,333,328	13,333,332
		36,111,118	24,444,446
	<b>B Debentures</b>		
	Rated, Taxable, Senior, Secured, Non-Convertible Debentures of Rs.10,00,000/- each repayable in monthly installments (refer Note 37D)	236,875,025	342,708,425
		236,875,025	342,708,425
	Less: Current Maturities of Debentures	71,875,025	166,666,700
		165,000,000	176,041,725
<b>C Unsecured Loans</b>			
Subordinate (Tier II Loans) (Refer note 38B)	50,000,000	50,000,000	
<b>Total</b>	<b>935,471,405</b>	<b>493,620,180</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) Refer note 37 and 38		
5	<b>Long Term Provisions</b>		
	Provision for Gratuity (See Note 29)	3,235,436	2,493,538
	<b>Total</b>	<b>3,235,436</b>	<b>2,493,538</b>





## Svasti Microfinance Private Limited

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Notes forming part of Financial Statements for the year ended March 31, 2018

Notes	Particulars	As at Mar 31, 2018	As at March 31, 2017
6	<b>Other Non Current Liabilities</b>		
	Gains from Securitization not accrued	3,778,296	-
	<b>Total</b>	<b>3,778,296</b>	<b>-</b>
7	<b>Trade Payables</b>		
	- Micro and Small Enterprises*	-	-
	- Other than Micro Enterprises and Small Enterprises	15,649,318	4,429,498
	<b>Total</b>	<b>15,649,318</b>	<b>4,429,498</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".		
8	<b>Other Current Liabilities</b>		
	Current maturities of loans		
	Of term loan (secured) from financial institutions	924,668,838	308,502,867
	Of term loan (secured) from Banks	38,333,328	13,333,332
	Of Secured Non Convertible Debentures	71,875,025	166,666,700
	Statutory Liabilities	5,463,125	4,266,868
	Employee dues	8,132,954	4,167,645
	Gains from Securitization not accrued	5,671,921	1,469,039
	Managed Portfolio Collection and Payment	9,066,578	1,065,560
	Interest Accrued on Loans & Debentures	6,840,628	2,350,269
	Others	1,479,264	666,253
	<b>Total</b>	<b>1,071,531,661</b>	<b>502,488,533</b>
9	<b>Short Term Provisions</b>		
	Provision for compensated absences	1,140,743	790,231
	Provision for Gratuity	-	-
	<b>Total</b>	<b>1,140,743</b>	<b>790,231</b>
11	<b>Long Term Investment (Non-Trade, Unquoted)</b>		
	- valued at cost		
	Investment in Mutual Fund units	1,500,000	2,500,000
	<b>Total</b>	<b>1,500,000</b>	<b>2,500,000</b>
	<b>Market Value Rs. 1,777,770 (As at 31st Mar 2017: 2,777,345)</b>		
	<b>Mutual Fund Unit name</b>	<b>Units</b>	<b>FV</b>
	<b>As at 31st March, 2017/2018</b>		
	ICICI Prudential Multiple Yield Fund series 10	150,000	10



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Notes forming part of Financial Statements for the year ended March 31, 2018

10 Fixed Asset Schedule

Amount in Rs.

Asset	Gross Block				Depreciation				Net Block	
	As on 31-03-2017	Additions	Deletions	As on 31-03-2018	As on 31-03-2017	For the period	Deletions	As on 31-03-2018	As on 31-03-2018	As on 31-03-2017
<b>Tangible Assets (A)</b>										
Leasehold Improvement	5,919,648	56,070	-	5,975,718	1,921,202	1,020,016	-	2,941,218	3,034,500	3,998,446
Furniture & Fixtures	2,302,685	487,424	-	2,790,109	428,019	250,625	-	678,644	2,111,465	1,874,666
Office Equipment	8,517,595	1,533,074	-	10,050,669	3,282,218	2,001,192	-	5,283,410	4,767,259	5,235,377
Vehicles	8,160	-	-	8,160	8,160	-	-	8,160	-	-
<b>Tangible assets (A)</b>	<b>16,748,088</b>	<b>2,076,568</b>	<b>-</b>	<b>18,824,656</b>	<b>5,639,599</b>	<b>3,271,833</b>	<b>-</b>	<b>8,911,432</b>	<b>9,913,224</b>	<b>11,108,489</b>
<b>Intangible Assets (B)</b>										
MERP	35,382,506	14,289,123	-	49,671,629	11,117,839	5,113,655	-	16,231,494	33,440,135	24,264,667
<b>Intangible assets under Development (C)</b>										
MERP	8,703,729	7,191,798	8,703,729	7,191,798	-	-	-	-	7,191,798	8,703,729
<b>Total (A+B + C) as on 31st March 2018</b>	<b>60,834,323</b>	<b>23,557,489</b>	<b>8,703,729</b>	<b>75,688,083</b>	<b>16,757,438</b>	<b>8,385,488</b>	<b>-</b>	<b>25,142,926</b>	<b>50,545,157</b>	<b>44,076,885</b>
<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>31,854,193</b>

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



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Notes forming part of Financial Statements for the year ended March 31, 2018

Notes	Particulars	As at Mar 31, 2018	As at March 31, 2017
12	<b>Long Term Loans &amp; Advances</b>		
	Advance Tax paid and TDS	4,783,987	5,911,898
	MAT Credit Entitlement	1,061,573	1,675,199
	Cash Collateral on Borrowings with Lenders	21,083,347	8,537,644
	Deposits	2,302,500	3,172,500
	Capital advances	-	2,000,000
	Loans to Related Parties	20,000,000	2,720,000
	Prepaid Expenses	3,800,446	333,324
	<b>Total</b>	<b>53,031,853</b>	<b>24,350,565</b>
13	<b>Receivables Under Financing Activities -NC</b>		
	Loans to Customers		
	i) Secured and Considered Good		-
	ii) Unsecured and Considered Good	654,305,211	273,867,098
		654,305,211	273,867,098
Less: Provision for Standard Loan receivables	3,623,007	2,725,458	
	<b>650,682,204</b>	<b>271,141,640</b>	
14	<b>Other Non Current Assets</b>		
	Non current portion of fixed deposit*	21,756,856	6,500,000
	Processing Fees to be amortized	5,028,309	1,840,952
	Interest accrued on Fixed Deposit	1,618,830	1,192,203
		<b>28,403,995</b>	<b>9,533,155</b>
	*All the Fixed Deposit are lien marked		
15	<b>Short Term Investment (Non-Trade, Unquoted)</b>		
	- valued at cost		
	Investment in Mutual Fund units	1,000,000	-
Market Value Rs. 1,156,960 (As at 31st Mar 2017: Nil)			
	<b>Total</b>	<b>1,000,000</b>	<b>-</b>
16	<b>Mutual Fund Unit name</b>	<b>Units</b>	<b>FV</b>
	As at 31st March, 2017/2018		
	ICICI Prudential Capital Protection Oriented Fund Series IX	100,000	10
	<b>Cash and Bank Balances</b>		
	<b>Cash and Cash Equivalents</b>		
	Cash in Hand	42,052,743	912,914
	Balances with Banks		
	- in Current Accounts	58,375,089	208,530,715
		100,427,832	209,443,629
	<b>Other Balances with Banks</b>		
Deposit Accounts*	46,176,825	35,519,466	
Less: Fixed Deposit maturing after one year	(21,756,856)	(6,500,000)	
	24,419,969	29,019,466	
	<b>Total</b>	<b>124,847,801</b>	<b>238,463,095</b>
	*All the Fixed Deposits are lien marked		



## Svasti Microfinance Private Limited

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Notes forming part of Financial Statements for the year ended March 31, 2018

Notes	Particulars	As at Mar 31, 2018	As at March 31, 2017
17	<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)		
	<b>Advance to Employees</b>		
	Considered Good	1,068,538	1,499,976
	Considered Doubtful	318,643	72,237
	Less: Provision for Doubtful Advance	318,643	72,237
		<b>1,068,538</b>	<b>1,499,976</b>
	Cash Collateral on borrowings with lenders	4,537,645	13,405,479
	Advances to Related Parties	3,281,860	3,536,792
	Deposits	1,550,000	505,000
	Prepaid Expenses	5,349,732	6,822,972
	GST Input Tax Credit	2,172,932	2,621,700
	Advance to Svasti ESOP Trust	10,000	10,000
	<b>Others</b>		
	Considered Good	765,214	839,936
	Considered Doubtful	807,547	-
	Less: Provision for Doubtful Advance	807,547	-
	<b>765,214</b>	<b>839,936</b>	
<b>Total</b>	<b>18,735,921</b>	<b>29,241,855</b>	
18	<b>Receivables under Financing Activities</b>		
	a) Loans to Customers		
	i) Secured and Considered Good	-	-
	ii) Unsecured and Considered Good	1,383,936,192	516,324,869
		<b>1,383,936,192</b>	<b>516,324,869</b>
	Less: Provision for Standard Loan receivables	7,652,536	4,010,950
	Sub total (a)	<b>1,376,283,656</b>	<b>512,313,919</b>
	b) Loans to Customers		
	i) Unsecured and Considered Doubtful	9,163,682	1,193,919
	Less: Provision for doubtful assets	9,163,682	1,160,603
	Sub total (b)	-	33,316
<b>Total</b>	<b>1,376,283,656</b>	<b>512,347,235</b>	
19	<b>Other Current Assets</b>		
	Insurance Claim receivable	17,630,321	7,844,557
	Processing Fees to be amortized	7,948,211	3,456,835
	Commission on Managed Portfolio receivable		
	Considered Good	7,859,185	48,666,397
	Considered Doubtful	525,359	-
	Less: Provision for doubtful receivable	525,359	-
		<b>7,859,185</b>	<b>48,666,397</b>
	Interest accrued on Fixed Deposit	1,666,138	3,363,502
	Others	8,238,855	2,120,427
<b>Total</b>	<b>43,342,710</b>	<b>65,451,718</b>	



Svasti Microfinance Private Limited  
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Note	Particulars	For the year ended Mar 31, 2018	For the year ended Mar 31, 2017
<b>20</b>	<b>Revenue from Operations</b>		
	Interest on Loans	327,325,408	140,997,512
	Commission From Managed Portfolio	14,061,900	43,643,148
	Processing Fees Received	24,452,250	8,784,000
	Interest on Loans-Individual Loan	656,918	473,490
	Commission From Managed Portfolio-Individual Loan	2,224,624	568,767
	Processing Fees Received-Individual Loan	749,990	98,500
	Facilitation Fees	560,570	-
	<b>Total</b>	<b>370,031,660</b>	<b>194,565,417</b>
<b>21</b>	<b>Other Income</b>		
	Profit on sale of Mutual Funds	1,829,503	2,057,926
	Interest on Cash Collateral Deposits for Loans from FIs and Banks	3,474,007	4,686,678
	Securitization Gains (net)	4,121,449	5,741,174
	Income from Non Lending Services	5,786,701	-
	Interest on income tax refund	114,128	-
	Others	413,292	58,251
	<b>Total</b>	<b>15,739,080</b>	<b>12,544,029</b>
<b>22</b>	<b>Employee Benefits Expenses</b>		
	Salaries & Wages*	105,795,989	71,555,038
	Employer's Contribution to Provident & Other Funds	6,578,546	5,487,343
	Leave Encashment	350,512	224,546
	Gratuity (See Note 27)	2,904,943	1,656,026
	EDLI Contribution and Admin Charges	471,108	355,087
	Staff Welfare Expenses	6,904,465	3,971,547
	<b>Total</b>	<b>123,005,563</b>	<b>83,249,587</b>
<b>23</b>	<b>Finance Cost</b>		
	Loan Processing and Syndication Fees	10,588,499	5,488,933
	Interest Paid on loan taken from Banks & Financial Institutions	181,638,899	85,996,526
	Guarantee Fee	3,042,306	1,600,665
	<b>Total</b>	<b>195,269,704</b>	<b>93,086,124</b>
<b>24</b>	<b>Administrative and Other Expenses</b>		
	Audit Fees		
	- for Statutory Audit	670,000	565,000
	- for Tax Audit	80,000	75,000
	- Others	100,000	161,000
	Electricity Charges#	1,098,159	927,054
	Internet Expenses*	793,292	343,448
	Office Expenses	848,786	576,501
	Printing & Stationery	2,180,696	608,092
	Professional Fees	8,980,951	4,730,528
	Rent**	8,241,305	7,461,859
	Rates and Charges	1,742,411	1,295,387
	Repairs and Maintenance		
	Building		
	Others	512,690	340,640
	Telephone Charges	2,356,292	1,813,377
	Travel and Conveyance***	607,673	481,691
	Interest on Income tax	178,813	-
	Provision for other loans and Advances	3,998,876	-
	Other Expenses	1,006,572	620,869
	<b>Total</b>	<b>33,396,516</b>	<b>20,000,446</b>
	*net of Rs. 165,000 (previous year 112,500) capitalised towards internally developed software.		
	#net of Rs. 192,788 (previous year 343,448) capitalised towards internally developed software.		
	**net of Rs. 720,000 (previous year Rs. 540,000) capitalised towards internally developed software.		
	***net of Rs. 229,078 (previous year Rs. 382,700) capitalised towards internally developed software.		



**Svasti Microfinance Private Limited**  
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**Notes forming part of Financial Statements for the year ended Mar 31, 2018**

**25 Contingent liabilities**

Particulars	Amount in Rs.	
	As on 31-Mar-2018	As on 31-Mar-2017
First loss credit enhancement on securitization and direct origination transactions	17,220,724	7,407,099
First loss guarantee of portfolio originated on behalf of NBFCs / Banks	2,219,727	55,365,000
<b>Total</b>	<b>19,440,451</b>	<b>62,772,099</b>

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

As at 31st March, 2018 Rs. Nil. (31-Mar-2017: Rs. Nil).

**27 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.

**28 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 & CTO
Entities Holding Substantial Interest	Michael and Susan Dell Foundation (upto 26th May 2017)
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, 2018	Year Ended 31st March, 2017
Advance Given	B Narayanan	10,000,000	1,360,000
Advance Repaid	B Narayanan	-	-
Advance Given	P Arunkumar	10,000,000	1,360,000
Advance Repaid	P Arunkumar	-	-
Amount received	Svasti Foundation	-	-
Sharing of infrastructure service	Svasti Foundation	-	-

\* - Refer note no. 36 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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**28 Related Party Disclosures (Contn.)**

Balances as at year end

Amount in Rs.

Nature of Balance	Related Party	31st March, 2018	31st March, 2017
Receivable	Svasti Foundation	3,161,759	3,161,759
Receivable	Svasti Financial Services Private Limited	120,101	120,101
Receivable/(Payable)	B Narayanan	10,000,000	1,360,000
Receivable/(Payable)	P Arunkumar	10,000,000	1,360,000

**29 Employee benefits**

**(a) Defined contribution plan:**

Contribution to Employees' provident fund and Employee's State Insurance: Rs. 6,578,546 (Previous year: Rs. 5,487,343)

**(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-18	31-Mar-17
Present Value of Funded Obligations	6,696,153	3,749,785
Fair Value of Plan Assets	3,460,717	1,256,247
<b>Net Liability / (Asset) recognized in the Balance Sheet</b>	<b>3,235,436</b>	<b>2,493,538</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-18	31-Mar-17
Current Service Cost	888,845	556,147
Interest on Defined Benefit Obligation	258,725	169,114
Expected Return on Plan Assets	(159,884)	(94,554)
<b>Net Actuarial Losses/ (Gains) Recognized in the year</b>	<b>1,617,205</b>	<b>1,025,319</b>
Past Service Cost	300,052	-
Other Charges	-	-
<b>Total</b>	<b>2,904,943</b>	<b>1,656,026</b>



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29 Employee benefits (Contn.)

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

Change in Defined Benefit Obligation	Amount in Rs.	
	As At	As At
	31-Mar-18	31-Mar-17
Opening Defined Benefit Obligation	3,749,785	2,326,551
Current Service Cost	888,845	556,147
Interest Cost	258,725	169,114
Actuarial Losses / (Gain )	1,606,180	1,036,946
Past Service Cost	300,052	-
Actuarial Losses / (Gain ) due to Curtailment	-	-
Liabilities Extinguished on Settlements	-	-
Liabilities Assumed on Acquisition / (Settled on Divestiture)	-	-
Exchange Difference on Foreign Plans	-	-
Benefits Paid	(107,434)	(338,973)
<b>Closing Defined Benefit Obligation</b>	<b>6,696,153</b>	<b>3,749,785</b>

Change in Fair Value of Assets	Amount in Rs.	
	As At	As At
	31-Mar-18	31-Mar-17
Opening Fair Value of Plan Assets	1,256,247	1,262,019
Expected Return on Plan Assets	159,884	94,554
Actuarial Gain / ( Losses )	(11,025)	11,627
Assets Distributed on Settlements	0	0
Contributions by Employer	2,163,045	227,020
Assets Acquired on Acquisition / (Distributed on Divestiture)	-	-
Exchange Difference on Foreign Plans	-	-
Benefits Paid	(107,434)	(338,973)
<b>Closing Fair Value of Plan Assets</b>	<b>3,460,717</b>	<b>1,256,247</b>

(5) Actuarial Assumptions at the Valuation date

Particulars	31-Mar-18	31-Mar-17
Discount Rate	7.60%	7.0%
Expected Rate of Return on Plan Assets*	7.60%	7.0%
Salary Escalation Rate	8.50%	7.0%

\*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.





**Svasti Microfinance Private Limited**  
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**29 Employee benefits (Contn.)**

(6) Descriptions of the Plan Assets		Amount in Rs.	
Category of Assets	2017-2018	2016-2017	
Government of India Securities	0%	0%	
Corporate Bonds	0%	0%	
Special Deposit Scheme	0%	0%	
Insurer Managed Funds	100%	100%	
Others	0%	0%	
<b>Total</b>	<b>100%</b>	<b>100%</b>	

(7) Experience Adjustments		Amount in Rs.			
Particulars	2017-2018	2016-2017	2015-2016	2014-2015	2013-2014
Experience (gain)/loss on obligation	875,698	664,167	(171,379)	(11,429)	-
Actuarial (gain)/loss on plan assets	(11,025)	(11,627)	(22,755)	(9,160)	36,871

The company Expects to contribute Rs. 1,826,020/- (Previous year 2,163,045/-) towards the gratuity fund in the next year.

**30 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.

**31 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. 8,961,305 /- (P.Y.Rs. 8,001,859 /-)

**32 The future lease payments in respect of the non cancelled period referred above are as follows:**

	Amount in Rs.	
	As at 31st March, 2018	As at 31st March, 2017
Not later than one year	1,295,169	2,083,263
Later than one year but not Later than five years	-	872,600
Later than 5 years	NIL	NIL

**33 Earnings per share**

	Amount in Rs.	
	For the year ended 31st March, 2018	For the year ended 31st March, 2017
Net Profit After Tax	9,723,732	1,542,488
Weighted average number of equity shares outstanding		
-Excluding ESOP	2,070,103	1,728,743
-Including ESOP	2,270,103	1,928,743
Earnings per share (Face value of Rs. 10 per share)		
- Basic	4.70	0.89
- Diluted	4.28	0.80



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34 Deferred Tax

Deferred Tax Asset Computation

Amount in Rs.

Particulars	Deferred Tax (Asset) / Liability as on 01st April, 2017	Current year credit/ (charge)	Deferred Tax (Asset) / Liability as on 31st March, 2018
<b>A. Deferred Tax Liability</b>			
Difference between book and tax depreciation	(2,961,457)	461,223	(2,500,234)
Unamortized Business Expenses	(1,751,607)	(1,823,749)	(3,575,356)
<b>Total (A)</b>	<b>(4,713,064)</b>	<b>(1,362,526)</b>	<b>(6,075,590)</b>

Amount in Rs.

Particulars	Deferred Tax (Asset) / Liability as on 01st April, 2017	Current year credit/ (charge)	Deferred Tax (Asset) / Liability as on 31st March, 2018
<b>B. Deferred Tax Asset</b>			
Unabsorbed business losses	-	-	-
Provision for Employees Benefit-Leave Encashment	261,274	53,029	314,303
Provision for Employees Benefit - Gratuity, Receivables	824,438	(436,109)	388,329
Provision for Receivables	2,610,989	(2,610,989)	-
Provision for other loans and Advances	-	5,631,517	5,631,517
Other	-	1,101,790	1,101,790
<b>Total(B)</b>	<b>3,696,701</b>	<b>3,739,238</b>	<b>7,435,939</b>
<b>Net Deferred Tax (Asset) /Liability (A-B)</b>	<b>(1,016,363)</b>	<b>2,376,712</b>	<b>1,360,349</b>
Previous Year	(1,208,581)	192,218	(1,016,363)

35 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.37/21.04.048/2017-17 and DBR.No.BP.BC.49/21.04.048/2017-17, RBI had 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 for FY 2016-17. Thus, all loans with overdue pertaining only to the period 1st November, 2017 to 31st December, 2017 had 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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35 Asset Classification & Provisioning (Contn.)  
(i) Joint Liability Group (JLG)

Classification of Assets	Amount in Rs.	
	As at 31st March, 2018	As at 31st March, 2017
Standard assets	2,029,968,140	787,599,942
Non Performing asset	5,429,856	309,441
Doubtful assets	3,733,826	884,478
Loss assets	-	-
Total	2,039,131,822	788,793,861

(ii) Individual Business Loan

Classification of Assets	Amount in Rs.	
	As at 31st March, 2018	As at 31st March, 2017
Standard assets	8,273,263	2,592,025
Non Performing asset	-	-
Doubtful assets	-	-
Loss assets	-	-
Total	8,273,263	2,592,025

Movement of Provision on Portfolio-JLG

Description	Amount in Rs.	
	As at 31-Mar-2018	As at 31-Mar-2017
Opening Balance	7,887,940	4,818,402
Additions for the year	12,503,380	3,069,538
Deletion for the year	-	0
Closing Balance	20,391,320	7,887,940

Movement of Provision on Portfolio-Individual business loan

Description	Amount in Rs.	
	As at 31-Mar-2018	As at 31-Mar-2017
Opening Balance	9,072	-
Additions for the year	38,835	9,072
Deletion for the year	-	-
Closing Balance	47,907	9,072

36 Directors' Remuneration

Particulars	Amount in Rs.	
	Year Ended 31st March, 2018	Year Ended 31st March, 2017
Executive Directors		
Arunkumar P	6,360,000	1,980,000
B Narayanan	6,360,000	1,980,000
Non-Executive Directors		
Sitting Fees	-	-

Note: The above remuneration is Inclusive of provisions. The above also includes the arrears of Bonus of Rs. 1,360,000 each of the previous financial year.



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**Notes forming part of Financial Statements for the year ended Mar 31, 2018**

**37 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 Corporate Guarantee has been provided in some cases. In few other cases Promoters have provided personal guarantees.

B. Securitization of Portfolio Receivables: The Company has participated in 2 (Previous Year : 1) 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 Securitization maximum of amounts arrived based on principle cash flow collected to total Principal cash flows or time proportion basis. The portion of the gains pertaining to principal cash flow to be recognised in the future has been disclosed in "Gain from Securitization 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-2018	Year ended 31- Mar-2017
Purchase Consideration	164,624,639	100,700,966
Principal value of pool securitized	151,623,533	92,588,741
Gain from securitization recognized during the year	4,121,449	5,741,174
Gains from securitization to be recognized in future		
-Current	5,671,921	1,469,039
-Non Current	3,778,296	-
Service fee received	200,000	-
Processing Fees Paid	1,098,479	1,007,010
Cash Collateral provided as credit enhancement	14,720,724	7,407,099

C. Direct Origination: The Company continues to originate portfolio on behalf of 2 FI(Previous year 1 FI).

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

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

	Amount in Rs.	
	Year ended 31- Mar-2018	Year ended 31- Mar-2017
Portfolio originated	50,000,000	359,150,000
Income from origination of this loan portfolio	250,000	1,795,750
Income from servicing of this loan portfolio	13,811,900	41,847,398



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**37 Borrowings (Contn.)**

D. Debentures: The Company has issued 100 Rated, Taxable, Senior, Secured, Non-Convertible Debentures of ₹.10,00,000/- each, raised on private placement basis, with a yield of 12.78% allotted on 29-Feb-2017 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 had been listed in BSE limited. The balance of the said listed debentures as at 31st March 2018 is Rs. Nil (Previous year 4,58,33,400/-) included in the note 4B. During the year after redemption of the debentures on 22nd February, 2018, company de-listed on 7th March, 2018.

**38 Terms of Loans/Debentures**

**A-1 Terms of Secured Loans**

Amount in Rs.

Rate of Interest	Installments	Balance Outstanding as at 31st March 2018	Balance Outstanding as at 31st March 2017
11% - 12%	24	62,500,000	-
11% - 12%	36	45,280,393	-
12%-13%	24	100,000,000	-
12%-13%	36	50,000,000	-
13% - 14%	24	205,114,487	50,000,000
13% - 14%	26	29,166,670	-
13% - 14%	36	262,443,418	-
14%-15%	18	75,980,119	-
14%-15%	24	484,686,679	50,000,000
14%-15%	36	113,560,607	164,166,667
15%-16%	18	-	6,160,280
15%-16%	24	128,915,066	217,712,010
15%-16%	26	43,333,337	-
16%-17%	18	-	24,999,994
16%-17%	24	8,048,349	38,597,925
<b>Total</b>		<b>1,609,029,125</b>	<b>551,636,876</b>

**A-2 Terms of Secured Loans from Banks**

Amount in Rs.

Rate of Interest	Installments	Balance Outstanding as at 31st March 2018	Balance Outstanding as at 31st March 2017
12% - 13%	40	24,444,446	37,777,778
13% - 14%	24	50,000,000	-
		<b>74,444,446</b>	<b>37,777,778</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. In addition Corporate Guarantee has been provided in some cases. In few other cases Promoters have provided personal guarantees.

**A-1 Terms of Secured Debentures**

Interest Rate	No. of Debentures	As at 31 March 2018		As at 31 March 2017	
		Face Value	Outstanding	Face Value	Outstanding
12.78%	100	-	-	458,334	45,834,195
12.51%	100	125,000	12,500,000	624,976	62,498,411
12.36%	75	291,667	21,875,025	791,667	59,375,820
14.75%	100	1,000,000	100,000,000	1,000,000	100,000,000
11.40%	75	500,000	37,500,000	1,000,000	75,000,000
12.50%	65	1,000,000	65,000,000	-	-
			<b>236,875,025</b>		<b>342,708,426</b>



**Svasti Microfinance Private Limited**  
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**Notes forming part of Financial Statements for the year ended Mar 31, 2018**

**38 Terms of Loans/Debentures**

**B. Terms of Unsecured Loans**

The Company has raised unsecured term loan of Rs. 5 crores at rate of 14.50% with bullet repayment at the end of 7 years with bullet repayment on 30th March, 2024.

**39 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 2018 is 10.62% (Previous Year 11.64%)

**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, 2018: Nil (Previous year: Nil)**

**42 Expenditure in foreign currency for the year ended 31st March, 2018: Nil. (Previous year: Nil)**

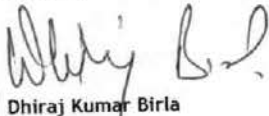
**43 Comparatives**

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

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These notes are an integral part of the financial statements

As per our report of even date  
For PKF Sridhar & Santhanam LLP  
Chartered Accountants  
Firm Regn. No 003990S/S200018



Dhiraj Kumar Birla  
Partner  
Membership No: 131178  
Place: Mumbai  
Date : 29-June-2018



For and on behalf of the Board  
Svasti Microfinance Private Limited

  
P Arunkumar  
Executive Director  
& CEO  
DIN: 01890656

B Narayanan  
Executive Director  
& CFO  
DIN: 01216715