

INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

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

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act 2013 ('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 31 March 2019, and its profit, and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the *Code of Ethics* issued by the Institute of Chartered Accountants of India (ICAI) together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act, and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.



We confirm that we have nothing material to report, add or draw attention to in this regard.

Responsibilities of the Management and Those Charged with Governance for Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act, with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance, and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act. 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.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls system with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditors' Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Companies Act, 2013, we give in the "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
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.

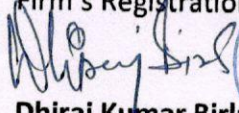


- (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act.
- (e) On the basis of the written representations received from the directors as on 31 March 2019 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2019 from being appointed as a director in terms of Section 164 (2) of the Act.
- (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company 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 Auditors' 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 does not have any pending litigations which would impact its financial position.
 - 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.
3. In terms of the requirements of Section 197(16) of the Act, the provisions are not applicable to private entities. Accordingly, the managerial remuneration limits specified under Section 197 of the Act, do not apply to the company.

For PKF Sridhar & Santhanam LLP

Chartered Accountants

Firm's Registration No. 003990S/S200018



Dhiraj Kumar Birla

Partner

Membership No. 131178



Place: Mumbai

Date: 30-May-2019

Annexure A

Referred to in paragraph 1 on 'Report on Other Legal and Regulatory Requirements' of our report of even date to the members of Svasti Microfinance Private Limited ("the Company") on the financial statements as of and for the year ended 31 March 2019.

- (i) In respect of the Company's fixed assets:
 - a. The Company has maintained proper records including quantitative details and situation of fixed assets.
 - b. The Company has a regular program of verifying fixed assets once in three years which, in our opinion, is reasonable having regard to the size of the company and nature of its assets. Accordingly, the assets are not verified during the year.
 - 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, during the year 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 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 to the company.
- (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. Therefore, the provisions of clause 3(vi) of order are not applicable to it.
- (vii) With respect to statutory dues;
 - a. According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company has generally been regular in depositing undisputed statutory dues including provident fund, employees' state insurance, income-tax, duty of customs, duty of excise, Goods and Service Tax (GST), cess and any other material statutory dues as applicable 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, duty of customs, duty of excise, Goods and Service Tax (GST), cess and any other statutory dues were in arrears, as at 31 March 2019 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, Goods and Service Tax (GST) 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.
- (ix) Based on our audit procedures and as per the information and explanations given by the management, no fraud by the company or on the company by its officers and employees has been noticed or reported during the year except for minor cases of cash embezzlement by some of the employees of Rs. 3,28,000 and out of which Rs. 30,000 has been recovered from the employees concerned.
- (x) 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.
- (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 equity shares/ fully or partly convertible debentures during the year under review. During the year the Company has issued convertible preference shares in private placement and bon our audit procedures and according to the information and explanations given to us, we confirm that the requirement of Section 42 of Companies Act, 2013 have been complied with and the amount raised has been used for the purpose for which the funds were raised.
- (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.

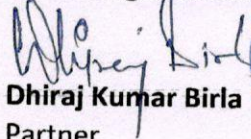


(xvi) Based on our audit procedures and according to the information and explanations given to us, the Company is required to be registered under Section 45-IA of Reserve Bank of India Act, 1934 and the registration has been obtained.

For **PKF Sridhar & Santhanam LLP**

Chartered Accountants

Firm's Registration No. 0039905/S200018


Dhiraj Kumar Birla

Partner

Membership No. 131178



Place: Mumbai

Date: 30 May 2019

Annexure B

Referred to in paragraph 2(f) on 'Report on Other Legal and Regulatory Requirements' of our report of even date to members of Svasti Microfinance Private Limited on the financial statements for the year ended March 31,2019.

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, 2019 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to 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 with reference to financial statements and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, 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 with reference to financial statements.

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.

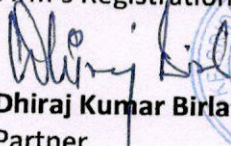
Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at March 31, 2019, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **PKF Sridhar & Santhanam LLP**

Chartered Accountants

Firm's Registration No.0039905/S200018


Dhiraj Kumar Birla
Partner



Membership No. 131178

Place: Mumbai

Date: 30-May-2019

Svasti Microfinance Private Limited
CIN: U65922TN1995TTC030293
Balance Sheet as at March 31, 2019

	Particulars	Note No	As at March 31, 2019	As at March 31, 2018
I	EQUITY AND LIABILITIES			
(1)	Shareholders' Funds			
	(a) Share Capital	2	29,769,170	23,269,680
	(b) Reserves and Surplus	3	525,347,348	295,657,107
(2)	Non-current Liabilities			
	(a) Long Term Borrowings	4	954,254,354	935,471,405
	(b) Long Term Provisions	5	13,873,085	16,022,125
	(c) Other Non Current Liabilities	6	-	3,778,296
(3)	Current Liabilities			
	(a) Trade Payables	7		
	i) total outstanding dues of micro enterprises and small enterprises		-	-
	ii) total outstanding dues of creditors other than micro enterprises and small enterprises		26,321,316	16,129,592
	(b) Other Current Liabilities	8	1,072,029,686	1,071,023,436
	(c) Short Term Provisions	9	17,758,188	10,011,365
	Total		2,639,353,147	2,371,363,006
II	ASSETS			
(1)	Non-current Assets			
	(a) Fixed Assets			
	(i) Tangible Assets	10 A	11,734,800	9,913,224
	(ii) Intangible Assets	10 B	36,020,735	33,440,135
	(iii) Intangible Assets under development	10 C	-	7,191,798
	(b) Long Term Investments	11	1,500,000	1,500,000
	(c) Long Term Loans & Advances	12	50,821,856	54,249,939
	(d) Receivables under Financing Activities	13	656,959,000	654,305,211
	(e) Deferred Tax assets	34	4,112,602	1,360,349
	(f) Other Non Current Assets	14	87,727,675	28,403,995
(2)	Current Assets			
	(a) Current Investments	15	-	1,000,000
	(b) Cash and Bank Balances	16	334,477,535	124,847,801
	(c) Short Term Loans & Advances	17	42,232,112	16,535,038
	(d) Receivable under Financing Activities	18	1,339,088,806	1,393,099,874
	(e) Other Current Assets	19	74,678,026	45,515,642
	Total		2,639,353,147	2,371,363,006

1b
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 : 30th May, 2019




P Arunkumar
Executive Director
& CEO
DIN: 01890656
Date : 30th May, 2019


B Narayanan
Executive Director
& CFO
DIN: 01216715



Svasti Microfinance Private Limited
CIN: U65922TN1995TTC030293
Statement of Profit & Loss for the year ended March 31, 2019

	Particulars	Note No	For the year ended March 31, 2019	For the year ended March 31, 2018
I.	Revenue from Operations	20	536,807,895	374,153,109
II.	Other Income	21	21,198,194	11,617,631
III.	Total Revenue (I+II)		558,006,089	385,770,740
IV.	EXPENSES			
	Employee Benefits Expenses	22	154,426,839	123,005,563
	Finance Cost	23	277,507,564	195,269,704
	Depreciation/ Amortization	10	10,026,933	8,385,488
	Other Expenses	24	64,682,806	33,396,516
	Provision on Receivables under Financing Activities	35	(413,114)	12,542,215
	Total Expenses		506,231,028	372,599,486
V.	Profit before Tax (III-IV)		51,775,061	13,171,254
VI.	Tax expense:			
	(1) Current tax		17,755,078	6,342,103
	Normal Tax			
	(2) Deferred tax	34	(2,752,253)	(2,376,712)
	(3) Tax for previous year		584,811	(517,869)
VII.	Profit for the period		36,187,425	9,723,732
	Earnings per equity share (Face value Rs.10)			
	(1) Basic	33	15.37	4.17
	(2) Diluted	33	13.90	4.17

Significant Accounting Policies

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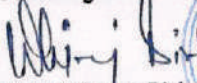
The accompanying notes are an integral part of the financial statements

As per our report of even date

For PKF Sridhar & Santhanam LLP

Chartered Accountants

Firm Regn. No 003990S/S200018


Dhiraj Kumar Birla
 Partner

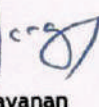
Membership No: 131178

Place: Mumbai

Date : 30th May, 2019




P Arunkumar
 Executive Director & CEO


B Narayanan
 Executive Director & CFO

DIN: 01890656

DIN: 01216715

Date : 30th May, 2019

Svasti Microfinance Private Limited
CIN: U65922TN1995TTC030293
Cash Flow statement for the year ended March 31, 2019

Amount in Rs.

	Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
A	Cash Flow from Operating Activities		
	Net Profit / (Loss) before Tax	51,775,061	13,171,254
	Adjustments for:		
	Depreciation and amortisation	10,026,933	8,385,488
	Interest income on Bank Deposits & Deposits with Lenders	(5,921,411)	(3,474,007)
	Interest expenses on Loan taken from banks & financial institutions	258,818,206	181,638,899
	Profit on sale of Mutual Funds	(7,854,144)	(1,829,503)
	Gains from Securitisation	(20,193,133)	(4,121,449)
	Processing fees amortised	10,048,353	6,583,542
	Provision for Gratuity and Leave Encashment	5,205,927	3,255,455
	Provision for other loans and Advances	9,432,644.0	3,998,876
	Provision against loan receivables	(413,114)	12,542,215
	Operating fund flow before working capital changes	310,925,322	220,150,770
	Changes in working capital:		
	Adjustments for (increase)/decrease in operating assets		
	Current Assets and Non Current Assets		
	Receivables under Financing Activities	(323,884,077)	(1,420,643,839)
	Loans and Advances	(36,359,089)	(23,915,767)
	Other Current and Non Current Assets	(85,195,598)	9,219,537
	Current Liabilities	84,070,410	35,134,998
	Cash generated/(used) in operations	(50,443,032)	(1,180,054,301)
	Net income Tax (paid)/ Refunds	(13,682,435)	(4,082,697)
	Net cash (used)/generated from in operating activities (A)	(64,125,467)	(1,184,136,998)
B	Cash Flows from Investing Activities		
	Purchase of fixed assets	(14,429,109)	(14,853,760)
	Sale of Fixed Assets	7,191,798	-
	Purchase of investments	(2,115,000,000)	(805,000,000)
	Proceeds from Sale of Investment	2,123,854,143	806,829,502
	Change in Bank balances not considered as cash & cash equivalents	(16,844,867)	4,599,497
	Interest Received on Fixed Deposits	2,558,355	5,171,371
	Net cash (used)/generated from in Investing activities (B)	(12,669,680)	(3,253,390)
C	Cash Flow from Financing Activities		
	Issue of Equity Shares (Including share premium)	200,002,306	116,935,250
	Proceeds from Borrowings from Banks and FIs	1,060,000,000	1,825,000,000
	Repayment of Borrowings from Banks and FIs	(1,119,299,899)	(836,774,483)
	Securitisation proceeds	375,378,822	164,624,639
	Loan processing fees	(9,975,763)	(14,262,275)
	Interest paid on borrowings	(246,717,176)	(177,148,540)
	Net cash (used)/generated from in Financing activities (C)	259,388,290	1,078,374,591



Svasti Microfinance Private Limited
CIN: U65922TN1995TTC030293
Cash Flow statement for the year ended March 31, 2019

Amount in Rs.

	For the year ended March 31, 2019	For the year ended March 31, 2018
Particulars	For the year ended Mar 31, 2016	For the year ended Mar 31, 2015
D Net increase/(Decrease) in Cash and Cash Equivalents (A+B+C)	182,593,143	(109,015,797)
Cash & Cash Equivalents at the beginning of the year	100,427,832	209,443,629
Cash & Cash Equivalents at the end of the year	283,020,975	100,427,832
Breakup of Cash and Cash Equivalents:		
Cash in hand	20,008,015	42,052,743
Bank Balances - In Current Accounts	273,204,684	58,375,089
	293,212,699	100,427,832

Notes:

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

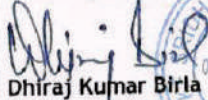
2) Cash and Cash equivalents include cash and bank balances.

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 : 30-May-2019



For and on behalf of the Board
Svasti Microfinance Private Limited

P Arunkumar
Executive Director
& CEO

B Narayanan
Executive Director
& CFO

DIN: 01890656

DIN: 01216715

Date : 30-May-2019



Svasti Microfinance Private Limited
CIN: U65922TN1995TTC030293
Financial Statements as at and for the year ended 31st March, 2019
Notes forming part of Financial Statements as at and for the year ended Mar 31, 2019

Note 1 Summary of Significant Accounting Policies

A. Background

Svasti Microfinance Private Limited ("the Company") 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 effective 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. Summary of Significant Accounting Policies

i. Basis of preparation

The financial statements of the Company are prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards specified under Section 133 of the Companies Act, 2013 and other relevant provisions of the Companies Act, 2013 (the Act) as applicable. The financial statements are prepared on accrual basis under the historical cost convention. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year. The Company follows prudential norms for income recognition, asset classification and provisioning as prescribed by Reserve Bank of India vide Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016.

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/materialize

iii. Current / Non-current classification of assets / liabilities

The Company has classified all its assets / liabilities into current / non-current portion based on the time frame of 12 months from the date of financial statements. Accordingly, assets/ liabilities expected to be realised/ settled within 12 months from the date of financial statements are classified as current and other assets/ liabilities are classified as non-current.



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Financial Statements as at and for the year ended 31st March, 2019
Notes forming part of Financial Statements as at and for the year ended Mar 31, 2019

Note 1 Significant Accounting Policies (Contn.)

iv. Tangible and Intangible Assets

Tangible 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.

v. Depreciation and Amortisation

Depreciation / amortization 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:

Asset Head	Useful Life (based on economic useful life)
Leasehold Improvement	Over the initial period of the lease or 5 years whichever is appropriate
Computers	5

All fixed assets costing individually upto Rs. 5,000/- is fully depreciated by the Company in the year of its capitalisation. 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

iv. 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.



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Note 1 Significant Accounting Policies (Contn.)

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 and provision for Standard Assets and non-performing Assets

Loans are classified into 'Performing and Non Performing' assets in terms of the Master Direction - Non-Banking Financial Company - Non-Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016 issued by the Reserve Bank of India as amended from time to time.

The Company makes provision for standard assets and non-performing assets as per Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016. Provision for standard assets in excess of the prudential norms, as estimated by the management, is categorised under Provision for Standard Assets, as General provisions and/or as Gold Price Fluctuation Risk provisions

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 Master Direction - Non-Banking Financial Company - Non-Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016..

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

Gains from securitization of portfolio under premium structure 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 on time proportion basis as per RBI directions.

Income from securitization of portfolio under PAR structure is the excess interest spread, computed as the difference between the interest portion of the cash flows from the underlying pool and the interest on the payout

Income from the commission from managed portfolio, facilitation fee and non-lending business fee is accounted on accrual basis, considering terms of the respective contract.

Revenue from interest income on Fixed Deposits with Banks and financial institutions ("FI") is recognized on time proportion basis taking into account the amount outstanding and the rate applicable.

Dividend is recognised as income in the year in which right to such dividend is established.



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Note 1 Significant Accounting Policies (Contn.)

Profit/loss on sale of investments is recognised at the time of actual sale / redemption.

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:

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) Long-term employee benefits

Defined Contribution Plan:

All eligible employees of the Company are entitled to receive benefits under the provident fund, a defined contribution plan in which both the employee and the Company contribute monthly at a stipulated percentage of the covered employees salary. Contributions are made to Employees Provident Fund Organisation in respect of Provident Fund, Pension Fund and Employees Deposit Linked Insurance Scheme at the prescribed rates and are charged to Statement of Profit & Loss at actuals. The Company has no liability for future provident fund benefits other than its annual contribution

Defined Benefit Plan:

The Company provides for gratuity covering eligible employees under which a lumpsum payment is paid to vested employees at retirement, death, incapacitation or termination of employment, of an amount reckoned on the respective employee's salary and his tenor of employment with the Company. The Company accounts for its liability for future gratuity benefits based on actuarial valuation determined at each Balance Sheet date by an Independent Actuary using Projected Unit Credit Method. The Company makes annual contribution to separate schemes managed by Life Insurance Corporation of India. The Company recognises the net obligation of the gratuity plan in the Balance Sheet as an asset or liability, respectively in accordance with Accounting Standard 15, "Employee Benefits". Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the Statement of Profit and Loss in the period in which they arise..

x. **Lease**



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Note 1 Significant Accounting Policies (Contn.)

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. Operating lease rentals are charged to the Statement of Profit and Loss on straight-line basis over the lease term.

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, Processing Fees, stamp duty and other charges directly related to borrowings. Interest is provided on the loan balance as per the terms and conditions of the loan transaction. Processing Fees, stamp duty and other charges are amortized on straight-line basis 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.

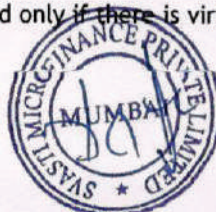
xiii. Income Taxes & Deferred Taxes

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 recognized 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 recognized only if there is reasonable certainty that they will be realized 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 recognized only if there is virtual certainty supported



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Note 1 Significant Accounting Policies (Contn.)

by convincing evidence that the same can be realized 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.

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Company does not recognise a contingent liability but discloses its existence in the financial statements.

Contingent assets are neither recognized nor disclosed in the financial statements.

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).

xvi. Cash and Cash Equivalents

Cash and cash equivalents comprise of cash at bank, cash in hand and bank deposits having maturity of 3 months or less.

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
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Note 1 Significant Accounting Policies (Contn.)

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 Master Direction - Non-Banking Financial Company - Non-Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016 (Updated as on February 22, 2019).

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.



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Notes forming part of Financial Statements for the year ended March 31, 2019

Amount in Rs.

Notes	Particulars	As at March 31, 2019	As at March 31, 2018
2	Share Capital Authorized		
	45,80,045 Equity Shares of Rs.10 each (Previous year 52,30,000)	45,800,450	52,300,000
	649,955 Preference Shares of Rs.10 each (Previous year Nil)	6,499,550	-
		52,300,000	52,300,000
	Issued, Subscribed and Fully Paid up Equity Shares		
	24,94,455(Previous year 23,31,968 Equity Shares of Rs.10 each with voting rights)	24,944,550	23,319,680
	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)		
	0.01% compulsory convertible cumulative preference shares	4,874,620	-
	487,462 (Previous year Nil) Compulsorily Convertible Preference Shares of Rs.10 each.		
		29,769,170	23,269,680

Footnote:

(i) The Company has issued two class of shares : Equity Shares

(ii) Terms and Rights of 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) Terms of Compulsorily Convertible Preference Shares :

(a) Prior and in preference to any dividend or distribution payable upon shares of any other class or series in the same fiscal year (b) the payment of dividend on cumulative basis (c) Preference Shares are Compulsorily Convertible Shares in the ratio of 1:1 (d) Voting rights as are exercisable by persons holding Equity Shares in the Company and shall be treated pari passu with the Equity Shares on all voting matters (e) Shareholders have right to convert the Preference Shares in to equity shares either (i) prior to listing of the Equity Shares of the Company at the option of Shareholder; or (ii) upon expiry of 19 years and 11 months from the date of issuance of the CCPS or at any time as mandated by applicable law; or (iii) at the option of Shareholder at any time prior to the expiry of the aforesaid period of 19 years and 11 months.

(iv) No bonus shares were issued in the last 5 years

(v) No shares has been allotted as fully paid pursuant to contracts without payment being received in cash in last 5 years.

(vi) Details of equity shares held by each shareholder holding more than 5% shares

Equity Shares

Name of the shareholders	As at March 31, 2019		As at March 31, 2018	
	No of Shares held	% of Shares	No of Shares held	% of Shares
Bamboo Financial Inclusion Mauritius (formerly known as Blue Orchard Mauritius)	486,445	19.50%	486,445	20.86%
Michael and Susan Dell foundation	365,704	14.66%	365,704	15.68%
Svasti ESOP Trust	200,000	8.02%	200,000	8.58%
P Arunkumar	169,040	6.78%	169,040	7.25%
B Narayanan	169,040	6.78%	169,040	7.25%
Andaman Group (Andaman Finance and Investment Private Limited)	372,143	14.92%	290,899	12.47%
Rising Sun Holdings Private Limited	372,140	14.92%	290,897	12.47%



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Notes forming part of Financial Statements for the year ended March 31, 2019

Amount in Rs.

Notes	Particulars	As at March 31, 2019	As at March 31, 2018
4	Long Term Borrowings		
A	Secured Loans		
	Term Loan from Financial Institutions (Refer note 37 and 38)	822,034,189	1,609,029,125
	Less: Current Maturities of Term Loan from Financial Institutions	(658,063,466)	(924,668,838)
		163,970,723	684,360,287
	Term Loan from Banks (refer note 37)	324,014,508	74,444,446
	Less: Current Maturities of Term Loan from Banks	(198,730,877)	(38,333,328)
		125,283,631	36,111,118
B	Debentures		
	Rated, Taxable, Senior, Secured, Non-Convertible Debentures of Rs.10,00,000/- each repayable in monthly installments (Refer Note 37D)	665,000,000	236,875,025
	Less: Current Maturities of Debentures	(100,000,000)	(71,875,025)
		565,000,000	165,000,000
C	Unsecured Loans		
	Subordinate (Tier II Loans) (Refer note 38B)	100,000,000	50,000,000
	Total	954,254,354	935,471,405
5	Long Term Provisions		
	Provision for Gratuity (Refer Note 29)	-	3,235,436
	Contingent Provision Against Standard Assets	3,019,094	3,623,007
	Provision for Non-Performing Assets	10,853,991	9,163,682
	Total	13,873,085	16,022,125
6	Other Non Current Liabilities		
	Gains from Securitization not accrued (Refer note 37B)	-	3,778,296
	Total	-	3,778,296
7	Trade Payables		
	- Micro and Small Enterprises*	-	-
	- Other than Micro Enterprises and Small Enterprises	26,321,316	16,129,592
	Total	26,321,316	16,129,592
	*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	Other Current Liabilities		
	Current maturities of loans		
	Of term loan (secured) from financial institutions	658,063,466	924,668,838
	Of term loan (secured) from Banks	198,730,877	38,333,328
	Of Secured Non Convertible Debentures	100,000,000	71,875,025
	Statutory Liabilities	6,049,899	5,463,125
	Employee dues	10,931,060	8,132,954
	Gains from Securitization not accrued (Refer note 37B)	1,317,235	5,671,921
	Managed Portfolio Collection Payable	30,554,041	1,190,951
	Secutirisation Payable	45,781,724	7,367,401
	Interest Accrued on Loans & Debentures	18,941,658	6,840,628
	Others	1,659,726	1,479,265
	Total	1,072,029,686	1,071,023,436



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Notes forming part of Financial Statements for the year ended March 31, 2019

10 Fixed Assets

Amount in Rs.

Asset	Gross Block			Depreciation				Net Block		
	As on 01-04-2018	Additions	Deletions	As on 31-3-2019	As on 01-04-2018	For the period	Deletions	As on 31-3-2019	As on 31-3-2019	As on 31-03-2018
Tangible Assets (A)										
Leasehold Improvement	5,975,718	149,159	-	6,124,877	2,941,218	1,011,525	-	3,952,743	2,172,134	3,034,500
Furniture & Fixtures	2,790,109	1,445,408		4,235,517	678,644	647,022	-	1,325,666	2,909,851	2,111,465
Office Equipment	10,050,669	3,302,744	-	13,353,413	5,283,410	1,417,188	-	6,700,598	6,652,815	4,767,259
Vehicles	8,160	-	-	8,160	8,160	-	-	8,160	-	-
Tangible assets (A)	18,824,656	4,897,311	-	23,721,967	8,911,432	3,075,735	-	11,987,167	11,734,800	9,913,224
Intangible Assets (B)										
MERP	49,671,629	9,531,798	-	59,203,427	16,231,494	6,951,198	-	23,182,692	36,020,735	33,440,135
Intangible assets under Development (C)										
MERP	7,191,798		7,191,798	-	-	-	-	-	-	7,191,798
Total (A+B + C) as on 31st March 2019	75,688,083	14,429,109	7,191,798	82,925,394	25,142,926	10,026,933	-	35,169,859	47,755,535	50,545,157
Total (A+B + C) as on 31st March 2018	60,834,323	23,557,489	8,703,729	75,688,083	16,757,438	8,385,488	-	25,142,926	50,545,157	44,076,885

*Amount of Rs. Nil adjusted against the capitalization of MERP (Previous year Rs. Nil)



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Notes forming part of Financial Statements for the year ended March 31, 2019

Amount in Rs.

Notes	Particulars	As at March 31, 2019	As at March 31, 2018	
9	Short Term Provisions			
	Provision for Income Tax (Net of Income tax paid Rs 1,52,61,554 PY 41,06,271)	3,711,610	1,218,086	
	Provision for compensated absences	1,272,136	1,140,743	
	Provision for Gratuity	6,483,950	-	
	Provision for non performing assets	-	-	
	Contingent Provision Against Standard Assets	6,290,492	7,652,536	
	Total	17,758,188	10,011,365	
11	Long Term Investment (Non-Trade, Unquoted)			
	- valued at cost			
	Investment in Mutual Fund units	1,500,000	1,500,000	
	Total	1,500,000	1,500,000	
	Market Value Rs. 19,29,630 (As at 31st Mar 2018: 1,777,770)			
	Mutual Fund Unit name	Units	FV	
	As at 31st March, 2018/2019			
	ICICI Prudential Multiple Yield Fund series 10	150,000	10	
12	Long Term Loans & Advances			
	Income Tax paid and TDS (Net of Provision of Rs 25,03,823, PY 25,03,823)	2,406,192	6,002,073	
	MAT Credit Entitlement	-	1,061,573	
	Cash Collateral on Borrowings with Lenders	22,750,936	21,083,347	
	Deposits	1,511,000	2,302,500	
	Capital advances	780,000	-	
	Loans to Related Parties	20,000,000	20,000,000	
	Prepaid Expenses	3,373,728	3,800,446	
		Total	50,821,856	54,249,939
	13	Receivables Under Financing Activities -Non Current		
Unsecured and Considered Good		656,959,000	654,305,211	
Unsecured and Considered Doubtful		-	-	
Total		656,959,000	654,305,211	
		656,959,000	654,305,211	
14	Other Non Current Assets			
	Non current portion of fixed deposit*	55,941,465	21,756,856	
	Processing Fees to be amortized	4,297,192	5,028,309	
	Interest accrued on Fixed Deposit *	4,082,497	1,618,830	
	Securitized Receivables - Collateral	23,406,521	-	
		87,727,675	28,403,995	
	*All the Fixed Deposit are lien marked			
15	Short Term Investment (Non-Trade, Unquoted)			
	- valued at cost			
	Investment in Mutual Fund units	-	1,000,000	
	Total	-	1,000,000	
	Mutual Fund Unit name	Units	FV	
	As at 31st March, 2018			
	ICICI Prudential Capital Protection Oriented Fund Series IX	100,000	10	



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Amount in Rs.

Notes	Particulars	As at March 31, 2019	As at March 31, 2018
16	Cash and Bank Balances		
	Cash and Cash Equivalents		
	Cash in Hand	2,00,08,015	4,20,52,743
	Balances with Banks		
	- in Current Accounts	27,32,04,684	5,83,75,089
		29,32,12,699	10,04,27,832
	Other Balances with Banks		
	Deposit Accounts*	9,72,06,301	4,61,76,825
	Less: Fixed Deposit maturing after one year	(5,59,41,465)	(2,17,56,856)
		4,12,64,836	2,44,19,969
Total	33,44,77,535	12,48,47,801	
	*All the Fixed Deposits are lien marked		
17	Short Term Loans & Advances		
	Advances Recoverable in Cash or in Kind or for value to be received (Unsecured, Considered Good unless otherwise stated)		
	Advance to Employees		
	Considered Good	20,24,620	10,68,538
	Considered Doubtful	3,18,643	3,18,643
	Less: Provision for Doubtful Advance	(3,18,643)	(3,18,643)
		20,24,620	10,68,538
	Cash Collateral on borrowings with lenders	2,26,45,224	45,37,645
	Advances to Related Parties (Net of Provision Rs. 3,281,860)	3,19,173	32,81,860
	Security Deposits	30,19,244	15,57,745
	Prepaid Expenses	85,27,200	53,49,732
	Fixed Deposit with Financial Institutions	-	-
	Advance to Svasti ESOP Trust	10,000	10,000
	Others		
	Considered Good	56,86,651	7,29,518
	Considered Doubtful	6,94,269	8,07,547
	Less: Provision for Doubtful Advance	(6,94,269)	(8,07,547)
	56,86,651	7,29,518	
Total	4,22,32,112	1,65,35,038	
18	Receivables under Financing Activities		
	Unsecured and Considered Good	1,32,48,19,444	1,38,39,36,192
	Unsecured and Considered Doubtful	1,42,69,362	91,63,682
	Total	1,33,90,88,806	1,39,30,99,874
19	Other Current Assets		
	Insurance Claim receivable (Net of Provision Rs. 2,735,595, Previous year Rs. Nil)	2,38,98,179	1,76,30,321
	Processing Fees to be amortized	86,06,738	79,48,211
	Commission on Managed Portfolio receivable		
	Considered Good	1,24,24,190	78,59,185
	Considered Doubtful	5,25,359	-
	Less: Provision for doubtful receivable	(5,25,359)	-
		1,24,24,190	78,59,185
	Interest accrued on Fixed Deposit	25,65,527	16,66,138
	GST Input Tax Credit	35,69,159	21,72,932
	Securitized Receivables - Collateral	1,17,66,751	-
Others	1,18,47,482	82,38,855	
Total	7,46,78,026	4,55,15,642	

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Notes forming part of Financial Statements for the year ended March 31, 2019

Note	Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
20	Revenue from Operations		
	Interest on Loans	462,092,938	327,486,463
	Commission From Managed Portfolio	24,727,690	14,610,615
	Processing Fees Received	20,347,743	24,452,250
	Interest on Loans-Individual Loan	2,525,411	495,863
	Commission From Managed Portfolio-Individual Loan	2,063,023	1,675,909
	Processing Fees Received-Individual Loan	1,459,782	749,990
	Facilitation Fees	3,398,175	560,570
	Securitization Gains	20,193,133	4,121,449
	Total	536,807,895	374,153,109
21	Other Income		
	Profit on sale of Mutual Funds	7,854,144	1,829,503
	Interest on Cash Collateral Deposits for Loans from FIs and Banks	5,921,411	3,474,007
	Income from Non Lending Services	7,397,247	5,786,701
	Others	25,392	527,420
	Total	21,198,194	11,617,631
22	Employee Benefits Expenses		
	Salaries & Wages*	130,594,912	105,053,656
	Employer's Contribution to Provident & Other Funds (Refe Note 29)	8,836,669	7,320,879
	Leave Encashment	131,393	350,512
	Gratuity (Refer Note 29)	5,074,534	2,904,943
	EDLI Contribution and Admin Charges	428,939	471,108
	Staff Welfare Expenses	9,360,392	6,904,465
	Total	154,426,839	123,005,563
23	Finance Cost		
	Loan Processing and Syndication Fees	16,353,479	10,588,499
	Interest Paid on loan taken from Banks & Financial Institutions	258,818,206	181,638,899
	Guarantee Fee	2,335,879	3,042,306
	Total	277,507,564	195,269,704
24	Administrative and Other Expenses		
	Advertisement		-
	Audit Fees		
	- for Statutory Audit	675,400	614,000
	- for Tax Audit	82,500	75,000
	- Others	177,100	161,000
	Electricity Charges #	1,353,723	1,098,159
	Internet Expenses*	784,208	793,292
	Office Expenses	897,020	848,786
	Printing & Stationery	2,573,114	2,180,696
	Professional Fees	13,112,527	8,980,951
	Rent**	10,582,213	8,241,305
	Rates and Charges	3,115,573	1,742,411
	Repairs and Maintenance		
	Building		
	Others	1,759,978	512,690
	Telephone Charges	1,850,144	2,356,292
	Travel and Conveyance ***	2,519,163	607,673
	Interest on Income tax	-	178,813
	Provision for other loans and Advances	9,432,644	3,998,876
	Bad Debts Written off	15,330,343	-
	Other Expenses	437,156	1,006,572
	Total	64,682,806	33,396,516

#net of Rs. Nil (previous year 165,000) capitalised towards internally developed software.

*net of Rs. Nil (previous year192,788) capitalised towards internally developed software.

**net of Rs. Nil (previous year Rs. 720,000) capitalised towards internally developed software.

***net of Rs. Nil (previous year Rs. 229,078) capitalised towards internally developed software.



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25 Contingent liabilities

Particulars	Amount in Rs.	
	As on March 31, 2019	As on March 31, 2018
First loss credit enhancement on securitization and direct origination transactions (Refer note 37)	43,321,489	17,220,724
First loss guarantee of portfolio originated on behalf of NBFCs / Banks	58,797,000	2,219,727
Total	102,118,489	19,440,451

26 Capital commitment (net of advances)

As at 31st March, 2019 Rs. Nil. (31-Mar-2018: 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
Entities Holding Substantial Interest	Bamboo Financial Inclusion Fund Mauritius
Entities Holding Substantial Interest	Nordic Microfinance Initiative Fund III KS
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, 2019	Year Ended 31st March, 2018
Advance Given	B Narayanan	-	10,000,000
Advance Repaid	B Narayanan	-	-
Advance Given	P Arunkumar	-	10,000,000
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

28 Related Party Disclosures (Contn.)

Balances as at year end

Nature of Balance	Related Party	Amount in Rs.	
		31st March, 2019	31st March, 2018
Receivable	Svasti Foundation*	3,161,759	3,161,759
Receivable	Svasti Financial Services Private Limited*	120,101	120,101
Receivable/(Payable)	B Narayanan	10,146,916	10,000,000
Receivable/(Payable)	P Arunkumar	10,172,256	10,000,000

* provided Rs 3,281,860



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29 Contribution to Employees' provident fund and Employee's State Insurance: Rs. 8,836,669 (Previous year: Rs. 6,578,546)

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

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

Particulars	Amount in Rs.	
	As At 31-Mar-19	As At 31-Mar-18
Present Value of Funded Obligations	12,046,022	6,696,153
Fair Value of Plan Assets	5,562,072	3,460,717
Net Liability / (Asset) recognized in the Balance Sheet	6,483,950	3,235,436

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

Particulars	Amount in Rs.	
	Year ended 31-Mar-19	Year ended 31-Mar-18
Current Service Cost	1,532,057	888,845
Interest on Defined Benefit Obligation	508,908	258,725
Expected Return on Plan Assets	(332,403)	(159,884)
Net Actuarial Losses/ (Gains) Recognized in the year	3,365,972	1,617,205
Past Service Cost	-	300,052
Other Charges	-	-
Total	5,074,534	3,224,711

29 Employee benefits (Contn.)

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

Change in Defined Benefit Obligation

Particulars	Amount in Rs.	
	As At 31-Mar-19	As At 31-Mar-18
Opening Defined Benefit Obligation	6,696,153	3,749,785
Current Service Cost	1,532,057	888,845
Interest Cost	508,908	258,725
Actuarial Losses / (Gain)	3,308,904	1,606,180
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
Closing Defined Benefit Obligation	12,046,022	6,696,153



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Notes forming part of Financial Statements for the year ended March 31, 2019

Particulars	Amount in Rs.	
	As At	As At
	31-Mar-19	31-Mar-18
Opening Fair Value of Plan Assets	3,460,717	1,256,247
Expected Return on Plan Assets	332,403	159,884
Actuarial Gain / (Losses)	(57,068)	(11,025)
Assets Distributed on Settlements		-
Contributions by Employer	1,826,020	2,163,045
Assets Acquired on Acquisition /(Distributed on Divestiture)		-
Exchange Difference on Foreign Plans		-
Benefits Paid	-	-107,434
Closing Fair Value of Plan Assets	5,562,072	3,460,717

(5) Actuarial Assumptions at the Valuation date

Particulars	31-Mar-19	31-Mar-18
Discount Rate	7.40%	7.60%
Expected Rate of Return on Plan Assets*	7.40%	7.60%
Salary Escalation Rate	10.00%	8.50%

*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.

29 Employee benefits (Contn.)

Category of Assets	Amount in Rs.	
	2018-2019	2017-2018
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

Particulars	Amount in Rs.			
	2018-2019	2017-2018	2016-2017	2015-2016
Experience (gain)/loss on obligation	1,074,612	875,698	664,167	(171,379)
Actuarial (gain)/loss on plan assets	(57,068)	(11,025)	(11,627)	(22,755)

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 lease payments for the current year, in respect of operating leases, included under rent, aggregates to Rs. 10,582,213/- (Nil Capitalised) (P.Y.Rs. 8,961,305 /- Rs 7,20,00 capitalised)

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

	Amount in Rs.	
	As at 31st March, 2019	As at 31st March, 2018
Not later than one year	2,844,757	1,295,169
Later than one year but not Later than five years	644,667	-
Later than 5 years	Nil	Nil



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33 Earnings per share

	Amount in Rs.	
	For the year ended 31st March, 2019	For the year ended 31st March, 2018
Net Profit After Tax	36,187,425	9,723,732
Weighted average number of equity shares outstanding		
-Excluding Preference shares	2,355,117	2,331,968
-Including Preference shares	2,602,632	2,331,968
Earnings per share (Face value of Rs. 10 per share)		
- Basic	15.37	4.17
- Diluted	13.90	4.17

34 Deferred Tax

Deferred Tax Asset Computation

Particulars	Amount in Rs.		
	Deferred Tax (Asset) / Liability as on 01st April, 2018	Current year credit/ (charge)	Deferred Tax (Asset) / Liability as on 31st March, 2019
A. Deferred Tax Liability			
Difference between book and tax depreciation	(2,500,234)	(1,269,676)	(3,769,910)
Unamortized Business Expenses	(3,575,356)	(14,517)	(3,589,873)
Total (A)	(6,075,590)	(1,284,193)	(7,359,783)

Particulars	Amount in Rs.		
	Deferred Tax (Asset) / Liability as on 01st April, 2018	Current year credit/ (charge)	Deferred Tax (Asset) / Liability as on 31st March, 2019
B. Deferred Tax Asset			
Unabsorbed business losses	-	-	-
Provision for Employees Benefit-Leave Encashment	314,303	39,605	353,908
Provision for Employees Benefit - Gratuity, Receivables	388,329	1,415,506	1,803,835
Provision for Receivables	5,631,517	(22,010)	-
Provision for other loans and Advances	1,101,790.00	2,603,345	5,609,507
Other	-	-	3,705,135
Total(B)	7,435,939	4,036,446	11,472,385
Net Deferred Tax (Asset) /Liability (A-B)	1,360,349	2,752,253	4,112,602
Previous Year	(1,016,363)	2,376,712	1,360,349

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.

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

35 Asset Classification & Provisioning (Contn.)

(i) Joint Liability Group (JLG)

Classification of Assets	Amount in Rs.	
	As at 31st March, 2019	As at 31st March, 2018
Standard assets	1,940,744,565	2,029,968,140
Non Performing asset	2,675,316	5,429,856
Doubtful assets	11,594,046	3,733,826
Loss assets	-	-
Total	1,955,013,927	2,039,131,822



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(ii) Individual Business Loan

Classification of Assets	Amount in Rs.	
	As at 31st March, 2019	As at 31st March, 2018
Standard assets	40,643,038	8,463,330
Non Performing asset	390,841	-
Doubtful assets	-	-
Loss assets	-	-
Total	41,033,879	8,463,330

Movement of Provision on Portfolio-JLG

Description	Amount in Rs.	
	As at 31st March, 2019	As at 31st March, 2018
Opening Balance	20,391,320	7,887,940
Additions for the year	(841,179)	12,503,380
Deletion for the year	-	-
Closing Balance	19,550,141	20,391,320

Movement of Provision on Portfolio-Individual business loan

Description	Amount in Rs.	
	As at 31st March, 2019	As at 31st March, 2018
Opening Balance	47,907	9,072.00
Additions for the year	428,065	38,835
Deletion for the year	-	-
Closing Balance	475,972	47,907

36 Directors' Remuneration

Particulars	Amount in Rs.	
	For the year ended 31st March, 2019	For the year ended 31st March, 2018
Executive Directors		
Arunkumar P	5,259,988	6,360,000
B Narayanan	5,259,988	6,360,000
Non-Executive Directors		
Sitting Fees	-	-

Note: The above remuneration is inclusive of provisions. The amount for year ending March 2018 also includes the arrears of Bonus of Rs.10,00,000 payable to each director for FY 2016-17

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 3 (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.



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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". Gains from securitization of portfolio under premium structure 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 on time proportion basis as per RBI directions.

Sr. no.	Particulars	As at 31st March, 2019	As at 31st March, 2018
1	No of SPVs sponsored by the NBFC for securitisation transactions ¹⁹	5	2
2	Total amount of securitised assets as per books of the SPVs sponsored by the NBFC	291,084,831	119,864,910
3	Total amount of exposures retained by the NBFC to comply with MRR as on the date of balance sheet		
	a) Off-balance sheet exposures		
	-First Loss		
	-Others		
	b) On-balance sheet exposures		
	-First Loss	43,321,489	17,220,724
	-Others		
4	Amount of exposures to securitisation transactions other than MRR		
	a) Off-balance sheet exposures		
	i) Exposure to own securitisations		
	-First Loss		
	-Others		
	ii) Exposure to third party securitisations		
	-First Loss		
	-Others		
	b) On-balance sheet exposures		
	i) Exposure to own securitisations		
	-First Loss		
	-Others		
	ii) Exposure to third party securitisations		
	-First Loss		
	-Others		

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

	Amount in Rs.	
	Year ended 31-Mar-2019	Year ended 31-Mar-2018
Purchase Consideration	375,378,822	164,624,639
Principal value of pool securitized	410,552,094	151,623,533
Gain from securitization recognized during the year	20,193,133	4,121,449
Gains from securitization to be recognized in future		
-Current	1,317,235	5,671,921
-Non Current	-	3,778,296
Service fee received	1,100,000	200,000
Processing Fees Paid	2,974,192	1,098,479
Cash Collateral provided as credit enhancement	43,321,489	14,720,724

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

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



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B. Terms of Unsecured Loans

The Company has raised unsecured term loan of Rs. 5 crores (Previous year 5 Crores) at rate of 15.00% (previous year 14.5%) with bullet repayment at the end of 7 years (Previous year 7 years) with bullet repayment on of Rs. 5 Crore on 30th March, 2024 and Rs. 5 crores on 1st Sep, 2025.

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 2019 is 9.24% (Previous Year 10.62%)

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, 2019: Nil (Previous year: Nil)

42 Expenditure in foreign currency for the year ended 31st March, 2019: Nil. (Previous year: Nil)

43 For the year ended 31 March 2019 the Company is not required to transfer any amount into the Investor Education & Protection Fund. (Previous year NIL).

44 There are no pending litigations comprise of claims against the Company and proceedings pending with Tax Authorities. (Previous Year: Nil)

45 Comparatives

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

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 : 30-May-2019



For and on behalf of the Board
Svasti Microfinance Private Limited


P Arunkumar
Executive Director
& CEO
DIN: 01890656
Date : 30-May-2019




S Narayanan
Executive Director
& CFO
DIN: 01216715