



**S.M.I.L.E.**  
Microfinance Limited

**ELIMINATE  
POVERTY**

ANNUAL  
**REPORT 2019-20**

# MD & CEO'S MESSAGE

Dear Shareholders,

Wishing you good health and safety from Covid19.

It gives me immense pleasure to present this annual report for the year 2019-20. I am elated to share that we have posted overall positive figures compared to the previous financial year.

In April 2019, we launched our 'Three-year Strategic Vision' plan approved by the board of directors. I am happy to report that we have been able to fulfill all elements of the plan. Under this plan, 2019-20 was our 'Transformation Year', under which the company had to fulfill four goals (i) Going Digital, (ii) Build Staff Capacity, (iii) Expand to new Indian states, and (iv) Introduce new customer friendly products.



During the year 2019-20, Our outstanding portfolio increased from INR 514.99 Crores to INR 606 Crores demonstrating a growth of 18%. We closed 2019-20 with a PAT of INR 12.54 Crores, which is little lower than previous year. This is because we increased our number of branches from 105 to 137 and expanded our branch network to new states. I am happy to report that the company successfully expanded to Hindi speaking Central Indian states Chhattisgarh, Jharkhand, Madhya Pradesh and Karnataka in South India. From a three-state presence last year, we are now working in seven Indian states. Other significant costs which we incurred but which I urge you to consider as an investment are investments in IT, adding more field staff to our rolls and strengthening our support teams. Delinquency was well under control at just 99.68% which is probably the best in the MFI industry. SMILE continues to be one of the big-league MFIs and as a Systemically Important NBFC as classified by the RBI. 2019-20 FY's focus was on growth which is company delivered by showing growth in its branch network and AUM.

Cash is our raw material and banks/NBFCs are our lenders. I am happy to report all our lenders are very much satisfied doing business with us and have explicitly conveyed it on many occasions. As on date we have relationship with 26 Banks/Financial Institutions.

The rating of our company serves as a benchmark for us and helps us understand our challenges. I am happy to note that we continued to enjoy a rating of BBB from ICRA and BBB from Care.

Our staff is our most important and valuable asset. We have more than 800 staff who are the back bone of our company. We created a new department named 'Learning and Development', who rolled out several programs to increase staff capacity along with introducing a new scholarship program for staff. This has started to show good results.

As committed we successfully added more women in to our workforce. At the Head office and Regional Offices, we increased from 13 to 22 women in 2019-20. In 2020-21 we will further increase the number as well as include women in field roles. Over the next few years, we will end up with a healthy man-to-woman staff ratio.

We had an excellent take-off of our 'digital Smile' initiatives in 2019-20 by equipping all our field staff with Android Tabs which are being used to enroll new loans, customer and collecting repayment. In addition, we began working on software projects covering Over-due management and automating Internal Audit. During 2019-20, we successfully moved all our software to the internet cloud, which will enable us to scale up with ease and work without disruptions in crisis situations.

CSR in SMILE has always been considered important, where considerable time and effort is put in by staff each year including the senior and middle management.

Over the years we have been supporting certain themed interventions including (a) Scholarships to 10th, 11th and 12th standard students, (b) Vocational training in tailoring, (c) Medical Camp. In FY 2019-20, we had a budget of INR 48.65 Lakhs towards CSR activities out of which we provided 867 scholarships, trained 120 women in tailoring, and more than 6060 people attended the medical camps.

As I conclude, I thank our directors for their guidance, shareholders (you) for your commitment and staff for their unflinching loyalty, proactive attitude and high productivity. 2020-21 is going to be a very challenging year due to Covid19 which is a very rare but large impact event. SMILE has weathered many crises in the past and has come up at the top, when compared with top MFIs in India. With all stakeholders (including you) supporting SMILE, I am confident that FY 2020- 21 results will continue to be adequately healthy in spite of the turmoil caused by Covid19.

As per our 'Three-year Strategic Vision' plan, 2020-21 is our 'Scaling-up' year. The goals are to (i) going 'Fully digital', (ii) expand to five more states, and (iii) roll out new products to all branches. As a team, we are looking forward to these challenges and are confident of achieving a most of these goals in spite of the Covid-19 impact.

Let's make SMILE great again.

Yours truly,



Murali Srinivas  
MD & CEO

# MD & CEO இன் செய்்தி:

அன்புள்ள பங்குதாரர்களுக்கு,

கோவிட்-19 இலிருந்து நீங்கள் பாதுகாப்புடனும் நல்ல ஆரோக்கியத்துடன் இருக்க விரும்புகிறேன்.

2019-20 ஆம் ஆண்டிற்கான ஆண்டு அறிக்கையை தங்களுக்கு அளிப்பதில் நான் மிகுந்த மகிழ்ச்சியடைகிறேன். முந்தைய நிதியாண்டுடன் ஒப்பிடும்போது நாம் அனைத்து விதத்திலும் சிறப்பாக முன்னேற்றம் அடைந்துள்ளோம் என்பதை மகிழ்ச்சியுடன் தெரிவித்துக் கொள்கிறேன்.

ஏப்ரல் 2019 இல், இயக்குநர்கள் குழுவால் அங்கீகரிக்கப்பட்ட 'மூன்று ஆண்டு மூலோபாய பார்வை' (Three-year Strategic Vision plan) திட்டத்தை நாம் தொடங்கினோம். திட்டத்தின் அனைத்து அம்சங்களை நம்மால் நிறைவேற்ற முடிந்தது என்று மகிழ்ச்சியுடன் தெரிவிக்கின்றேன். 2019-20 இல் நாம் &#39;உருவடைந்த ஆண்டு&#39; என்ற திட்டத்தின் கீழ் நிறுவனம் நான்கு இலக்குகளை நிறைவேற்ற முடிவுமேற்கொண்டது (i) டிஜிட்டல் செல்வது, (ii) பணியாளர்கள் திறனை மேம்படுத்துதல், (iii) புதிய கிளைகளை பிற மாநிலங்களில் விரிவாக்குதல், மற்றும் (iv) புதிய வாடிக்கையாளர் கடன் திட்டங்கள் ஆகியவை.



2019-20 ஆம் ஆண்டில் கடன்தொகை நிலுவை ரூ.514.99 கோடியிலிருந்து ரூ.606 கோடியாக அதிகரித்துள்ளது. தங்கள் நிறுவனம் கடந்த ஆண்டில் ரூ.12.40 கோடி நிகரவருவாயை ஈட்டியுள்ளது. இது முந்தைய ஆண்டை விட சற்று குறைவு. ஏனென்றால், நமது கிளைகளின் எண்ணிக்கை 105 ல் இருந்து 137 ஆக அதிகரித்ததினாலும், மற்றும் கிளை வலையமைப்பை புதிய மாநிலங்களுக்கு விரிவுபடுத்தியதினாலும் நிகரவருவாய் சற்று குறைந்தது. இதில் இந்தி பேசும் மத்திய மாநிலங்களான சத்தீஸ்கர், ஜார்க்கண்ட், மத்தியப் பிரதேசம் மற்றும் தென்னிந்தியாவில் கர்நாடகா ஆகிய மாநிலங்களில் நமது நிறுவனம் வெற்றிகரமாக விரிவடைந்தது என்பதை நங்கள் மகிழ்ச்சியுடன் தெரிவித்துக்கொள்கிறோம். கடந்த ஆண்டை ஒப்பிடும்போது மூன்றில் இருந்து ஏழு இந்திய மாநிலங்களில் நாம் தற்போது வணிக நடவடிக்கைகளைத் தொடங்கியுள்ளோம். நாம் செய்த சில குறிப்பிடத்தக்க செலவுகளை ஒரு முதலீடாகக் கருதும்படி கேட்டுக்கொள்கிறோம். இதில் ஐ.டி.துறையில் முதலீடுகள், அதிக கள ஊழியர்களை நியமித்தது மற்றும் அலுவலக ஆதரவு குழுக்களை பலப்படுத்தியுள்ளோம். தவணை கடந்த நிலுவைத்தொகை வெறும் 99.68% அளவில் மட்டுமே உள்ளது இது மைக்ரோ பைனான்ஸ் துறையில் மிகச்சிறந்ததாகும். நமது நிறுவனம் பிக்-லீக் MFI களில் தொடர்கிறது மற்றும் ரிசர்வ் வங்கியால் வகைப்படுத்தப்பட்ட &quot;அமைப்பு ரீதியாக முக்கியத்துவம் வாய்ந்த NBFC&quot; (Systemically Important NBFC)-என்ற நிலையை அடைந்துள்ளது. கடந்த நிதியாண்டில் நமது நோக்கம் &quot;மேம்பட்டதிறன்&quot; என்பதாகும். 2019-20 ஆண்டில் நாம் கவனத்தோடு செயல்பட்டதால் அதன் கிளை வலையமைப்பு மற்றும் AUM ஆகியவற்றில் வளர்ச்சி காண்கின்றோம்.

பணம் தான் நமது நிறுவனத்தின் மூலப்பொருள். இதனை வங்கிகள் / NBFC நிறுவனங்கள் மூலம் கடனாக பெறுகிறோம். நமக்கு கடன் வழங்கும் அனைத்து நிறுவனங்களும் நமக்கு கடன் வழங்குவதில் மிகவும் திருப்தியுடன் உள்ளன என்பதை பல சந்தர்ப்பங்களில் வெளிப்படையாக தெரிவித்துள்ளன என்பதை மகிழ்ச்சியுடன் தெரிவித்துக்கொள்கிறேன். தற்சமயம் 26 வங்கிகள் / நிதிநிறுவனங்கள் நமக்கு கடன் வழங்கியுள்ளன.

நமது நிறுவனத்தின் கடன் மதிப்பீடு நமக்கு ஒரு அளவுகோலாக பயன்படுகிறது மற்றும் நமது சவால்களைப் புரிந்துகொள்ள உதவுகிறது. நிறுவனத்தின் கடன்மதிப்பீடு தொடர்ந்து 'BBB' ஆக இருந்து வருகிறது என்பதை மகிழ்ச்சியுடன் தெரிவித்துக்கொள்கிறேன். ICRA மற்றும் CARE கடன் மதிப்பீட்டு நிறுவனங்கள் 'BBB' மதிப்பீட்டை நமக்கு வழங்குகின்றன.



நமது நிறுவனத்தின் ஊழியர்கள் நமக்கு மிக முக்கியமான மற்றும் மதிப்புமிக்க சொத்தாகும். 800 க்கும் மேற்பட்ட ஊழியர்கள் நமது நிறுவனத்தின் முதுகெலும்பாக செயல்படுகிறார்கள். 'கற்றல் மற்றும் மேம்பாடு' என்ற புதிய துறையை உருவாக்கி, அதில் ஊழியர்களுக்கான புதிய உதவித்தொகை திட்டத்தை அறிமுகப்படுத்துவதோடு ஊழியர்களின் திறனை அதிகரிக்க வெளிப்புற திட்டங்களை உருவாக்கியுள்ளோம். இது நல்ல முடிவுகளைக் காட்டத் தொடங்கியுள்ளது.

2019-20ல் நிறுவன பணிகளில் பெண் ஊழியர்களை அதிகரித்தோம். தலைமை அலுவலகம் மற்றும் பிராந்திய (Regional) அலுவலகங்களில் 13 இல் இருந்து 22 ஆக பெண் ஊழியர்களை நியமிதித்துள்ளோம். 2020-21 ஆம் ஆண்டில் பெண் ஊழியர் எண்ணிக்கையை மேலும் அதிகரிக்கவுள்ளோம், அத்துடன் பெண்களை கள மேம்பாட்டு பணிகளில் நியமித்து அடுத்த சில ஆண்டுகளில் ஆரோக்கியமான ஆண்-பெண் சம ஊழியர் எண்ணிக்கை விகிதத்தை அடைவோம்.

2019-20 ஆம் ஆண்டில் 'டிஜிட்டல் ஸ்மைல்' முயற்சிகளை நாம் ஆண்ட்ராய்டு தொழில்நுட்ப உதவியோடு உருவமைத்து, மேலும் கள ஊழியர்களையும் சித்தப்படுத்தியதன் விளைவாய், புதிய கடன்கள், வாடிக்கையாளர் மற்றும் திருப்பிச் செலுத்தும் முறையை எளிமைப்படுத்தியது, கூடுதலாக, ஓவர் டியூ மேலாண்மை மற்றும் தானியங்கி உள் தணிக்கை ஆகியவற்றை உள்ளடக்கிய மென்பொருள் திட்டங்களில் நாம் பணியாற்றத் தொடங்கியுள்ளோம். 2019-20 ஆம் ஆண்டில், நமது அனைத்து மென்பொருட்களையும் இணையதிற்கு வெற்றிகரமாக நகர்த்தினோம், இது நெருக்கடியானா சூழ்நிலைகளில் எவ்வித இடையூறுமில்லாமல் எளிதாக வேலை செய்ய உதவும்.

நமது நிறுவனத்தில் சமூக பொறுப்புணர்வு எப்போதுமே முக்கியமானதாகக் கருதப்படுகிறது. அதற்காக மூத்த மற்றும் இடைநிலை நிர்வாகிகளால் ஒவ்வொரு ஆண்டும் கணிசமான நேரமும் உழைப்பும் செலவழிக்கப்படுகிறது. நமது நிறுவனம் பல ஆண்டுகளாக (அ) 10 வது, 11வது மற்றும் 12 ஆம் வகுப்பு மாணவர்களுக்கு உதவித்தொகை, (ஆ) தையல் துறையில் தொழில்பயிற்சி மற்றும் (இ) மருத்துவ முகாம்கள் உள்ளிட்ட சில முக்கிய தேவைகளுக்காக உதவிபுரிந்து வருகிறது. 2019-20 நிதியாண்டில், சி.எஸ்.ஆர் நடவடிக்கைகளுக்கு ரூ. 48.65 லட்சம் பட்ஜெட் ஒதுக்கப்பட்டு அதில் 867 மாணவ மாணவிகளுக்கு கல்வி உதவித்தொகை, 120 பெண்களுக்கு தையல் பயிற்சி, மேலும் 6060 க்கும் மேற்பட்டோர் மருத்துவ முகாம்களில் கலந்து கொண்டனர்..

இறுதியாக, நமது இயக்குநர்களின் வழிகாட்டுதலுக்கும், பங்குதாரர்களாகிய உங்கள் அர்ப்பணிப்புக்கும், ஊழியர்களின் விசுவாசம், அதிக செயல்திறன் மற்றும் செயல்திறன் மிக்க அணுகுமுறை ஆகியவற்றிற்கு நன்றி கூறுகிறேன்.

கோவிட்-19 காரணமாக 2020-21 மிகவும் சவாலான ஆண்டாக இருக்கும், இது மிகவும் அரிதான மற்றும் அசாதாரண நிகழ்வாகும். SMILE கடந்த காலங்களில் பல நெருக்கடிகளை எதிர்கொண்டது மற்றும் இந்தியாவின் சிறந்த MFIs-களுடன் ஒப்பிடும்போது முதலிடத்தில் உள்ளது. அனைத்து பங்குதாரர்களும் (நீங்கள் உட்பட) SMILE ஐ ஆதரிப்பதால், கோவிட்-19 ஆல் ஏற்பட்ட கொந்தளிப்பை மீறி 2020-21 நிதி ஆண்டின் முடிவுகள் ஆரோக்கியமாக இருக்கும் என்று நான் நம்புகிறேன்.

நிறுவனத்தின் 'மூன்று ஆண்டு மூலோபாய பார்வை திட்டத்தின் படி, 2020-21 நமக்கு 'அளவிடுதல்' ஆண்டாகும். நமது குறிக்கோள்கள்- (i) 'முழுமையாக டிஜிட்டல் செல்வது, (ii) மேலும் ஐந்து மாநிலங்களுக்கு விரிவாக்குவது, (iii) அனைத்து கிளைகளுக்கும் புதிய தயாரிப்புகளை வெளியிடுவது. ஒரு குழுவாக, நாங்கள் இந்த சவால்களை எதிர்பார்த்துக் கொண்டிருக்கிறோம், மேலும் கோவிட்-19 தாக்கத்தை மீறி இந்த இலக்குகளில் பெரும்பாலானவற்றை அடைவோம் என்ற நம்பிக்கையுடன் இருக்கிறோம்.

மீண்டும் நமது நிறுவனத்தை சிறந்ததாக்குவோம்.

உங்கள் உண்மையுள்ள,



முரளி ஸ்ரீனிவாஸ்

MD & CEO

## **OUR VISION**

"ECONOMIC EMPOWERMENT OF WOMEN  
THROUGH FINANCIAL INCLUSION"

## **OUR MISSION**

"DELIVERING SUSTAINABLE AND RESPONSIBLE  
FINANCIAL PRODUCTS AND SERVICES"

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

Mr. Murali Srinivas P	Managing Director & CEO
Mrs. Indrani Bhagwan Singh	Non-Executive Director
Mr. J. Bradley Swanson	Non-Executive Director
Mr. Aleem Remtula	Non-Executive Director
Mr. Suresh K Krishna	Independent Director
Mr. Rajan Samuel	Independent Director
Mr. V S Padmanaban	Non-Executive Director

## CHIEF FINANCIAL OFFICER

Mr. V T Prabakaran

## COMPANY SECRETARY

Mr. R Venkatasubramanian

## STATUTORY AUDITORS

M/s Deloitte Haskins & Sells LLP,  
Chartered Accountants  
ASV N Ramana Tower,  
52, Venkatnarayana Road,  
T. Nagar, Chennai- 600 017,  
Tamilnadu.

## REGISTERED & CORPORATE OFFICE

14/25, Chakrapani Street,  
West Mambalam, Chennai 600033.

## REGIONAL OFFICES

### Madurai

# 5/102-C, V.I.P. Garden,  
Opp: Madurai High  
Court, Melur Road,  
Madurai – 625 107.

### Chhattisgarh

E-1, Second Floor,  
Commercial Block, Shri  
Ram Tower, Vyapar  
Vihar, Bilaspur - 495 001.

## INVESTOR - PRIVATE EQUITY

### DWM Investments (Cyprus) Limited

17-19 Themistokli Dervi,  
THE CITY HOUSE,  
1066 Nicosia, Cyprus

## REGISTRAR AND TRANSFER AGENT

### EQUITY SHARES

#### Cameo Corporate Services Limited

Subramanian Building,  
No.1, Club House Road,  
Near Spencers Signal on Anna Salai,  
Chennai- 600 002, Tamilnadu.

### LISTED DEBT SECURITIES

#### Cameo Corporate Services Limited

Subramanian Building,  
No.1, Club House Road,  
Near Spencers Signal on Anna Salai,  
Chennai, Tamil Nadu 600 002

### UNLISTED DEBT SECURITIES

#### KFin Technologies Private Limited

Selenium Building, Tower-B,  
Plot No 31 & 32, Financial District,  
Nanakramguda, Serilingampally,  
Hyderabad, Rangareddi,  
Telangana, India - 500 032.



## OUR FUNDERS

### TERM

#### LOANS

#### BANKS

Bank of Baroda  
Canara Bank  
Dhanlaxmi  
Bank  
Fincare Small Finance Bank  
IDFC FIRST  
Bank  
Indian Bank  
Jana Small Finance  
Bank  
Oriental Bank of  
Commerce  
State Bank of India  
Syndicate Bank  
The Catholic Syrian Bank Ltd  
The Lakshmi Vilas Bank Ltd  
Union Bank of India

#### NBFCs/ FINANCIAL INSTITUTIONS

Hinduja Leyland Finance Limited  
Hiranandani Financial Services Pvt Ltd  
Maanaveeya Development & Finance Pvt.  
Ltd.  
Magma Fincorp limited  
Nabkisan Finance Limited  
Nabsamruddhi Finance Limited  
Nabard Financial Services Limited  
Norther Arc Capital  
MUDRA  
SIDBI

#### CASH CREDIT

State Bank of India

### NON CONVERTIBLE DEBENTURES

IFMR Flmpact Long Term Multi Asset Class  
Fund  
IFMR Flmpact Medium Term Multi Asset Class  
Fund  
IFMR Capital Finance Private Limited  
Japan ASEAN Women Empowerment Fund  
MIFA Debt fund SA, SICAV-SIF

### DEBENTURE TRUSTEES

#### Catalyst Trusteeship Limited

(Formerly known as GDA)  
Windsor, 6th Floor, Office No. 604, C.S.T.  
Road, Kalina, Santacruz (East),  
Mumbai – 400098

#### Vistra ITCL (India) Limited

IL & FS Financial Centre,  
Plot No C22, G Block, Bandra Kurla  
Complex, Bandra East, Mumbai-400051,  
Maharashtra

# BOARD COMMITTEES

## AUDIT COMMITTEE

Mr. J. Bradley Swanson, Non-Executive Director  
 Mr. Rajan Samuel, Independent Director  
 Mr. Suresh K Krishna, Independent Director  
 Mr. V S Padmanaban, Non-Executive Director

## SHARE ALLOTMENT & TRANSFER COMMITTEE

Mr. Murali Srinivas P, Managing Director & CEO  
 Mr. Aleem Remtula, Non-Executive Director

## NOMINATION & REMUNERATION COMMITTEE

Mr. J. Bradley Swanson, Non-Executive Director  
 Mr. Rajan Samuel, Independent Director  
 Mr. Suresh K Krishna, Independent Director

## CORPORATE SOCIAL RESPONSIBILITY COMMITTEE (CSR COMMITTEE)

Mr. Murali Srinivas P, Managing Director & CEO  
 Mr. Aleem Remtula, Non-Executive Director  
 Mr. Rajan Samuel, Independent Director

## BORROWING & INVESTMENT COMMITTEE

Mr. Murali Srinivas P, Managing Director & CEO  
 Mr. Aleem Remtula, Non-Executive Director  
 Mr. Rajan Samuel, Independent Director  
 Mr. Suresh K Krishna, Independent Director

## CREDIT & NON-PERFORMING ASSETS

### REVIEW COMMITTEE

Mr. Murali Srinivas P, Managing Director & CEO  
 Mr. J. Bradley Swanson, Non-Executive Director  
 Mr. Aleem Remtula, Non-Executive Director  
 Mr. Suresh K Krishna, Independent Director

## ASSET LIABILITY MANAGEMENT COMMITTEE

Mr. Murali Srinivas P, Managing Director & CEO  
 Mr. J. Bradley Swanson, Non-Executive Director  
 Mr. Suresh K Krishna, Independent Director

## GR & STAKEHOLDER RELATIONSHIP COMMITTEE

Mr. Murali Srinivas P, Managing Director & CEO  
 Mr. Aleem Remtula, Non-Executive Director  
 Mr. Rajan Samuel, Independent Director

## RISK MANAGEMENT COMMITTEE

Mr. Murali Srinivas P, Managing Director & CEO  
 Mr. Aleem Remtula, Non-Executive Director  
 Mr. Rajan Samuel, Independent Director  
 Mr. Suresh K Krishna, Independent Director

## IT STEERING COMMITTEE

Mr. Murali Srinivas P, Managing Director & CEO  
 Mr. Suresh K Krishna, Independent Director  
 Mr. S. Sivakumar, Head-Information Technology  
 Mr. K. Karthikeyaprabu, AGM-PMD

# NOTICE

Notice is hereby given that the Twenty Fifth Annual General Meeting of S.M.I.L.E. MICROFINANCE LIMITED will be held on Wednesday, the 30<sup>th</sup> December, 2020, at 4:30 p.m. IST through Video Conferencing ("VC") / Other Audio Visual Means ("OAVM") to transact the following business:

## ORDINARY BUSINESS

1. To receive, consider, approve and adopt the Audited Financial Statement of the Company as at March 31, 2020 together with the Reports of the Directors and Auditors thereon;
2. To appoint a Director in place of Mr. Bradly Swanson (holding DIN 02872123), who retires by rotation and being eligible, offers himself for reappointment.

## SPECIAL BUSINESS

3. **To consider, and if thought fit, to pass with or without modification the following resolution as ordinary resolution.**

Remuneration to Mr. Murali Srinivas P (DIN: 00554309), Managing Director and CEO of the Company.

**"RESOLVED THAT** pursuant to the provisions of Section 197 read with Part I and Section I of Part II of Schedule V and other applicable provisions, if any, of the Companies Act, 2013 (including any statutory modification or re-enactment thereof), applicable clauses of the Articles of Association of the Company and recommendation of the Nomination and Remuneration Committee, approval of the Company be and is hereby accorded to pay the remuneration to Mr. Murali Srinivas P [DIN: 00554309], Managing Director and CEO of the Company, on the terms and conditions including remuneration as mentioned below for the FY 2020-21 w.e.f. 1st April 2020, exgratia amount paid by the Company for the FY 2020-21 plus annual performance incentive for the year 2019-20 of Rs. 17,50,000/-:

Description	Amount in (Rs.) Per month w.e.f. April 01, 2020
Basic Pay	2,22,600
House Rent Allowance	1,11,300
Conveyance Allowance	1,600
Medical Allowance	1,250
Special Allowance	33,850
Educational Allowance	400
<b>Total salary per month</b>	<b>3,71,000.00</b>

4. **To consider and, if thought fit, to pass the following Resolution as an Ordinary Resolution:**

Appointment of Mr. VS Padmanaban as a Nominee Director of the Company

**"RESOLVED THAT** pursuant to the provisions of section 152 and all other applicable provisions of the Companies Act, 2013 and the Rules framed thereunder [including any statutory modification(s) or amendment(s) thereto or re-enactment(s) thereof for the time being in force], Mr. V S Padmanaban (DIN No: 08539226), who was appointed by the Board of Directors as an Additional Director(Nominee) of the Company, with effect from 29<sup>th</sup> October, 2019 under section 161 of the Companies Act, 2013 and the Articles of Association of the Company and who holds office up to the date of this Annual General Meeting of the Company in terms of section 161 of the Companies Act, 2013 and in respect of whom the Company has received a Notice in writing from a Member under section 160 of the Companies Act, 2013 proposing his candidature for the office of Director of the Company, being so eligible, be appointed as a Nominee Director of the Company, liable to retire by rotation."

**5. To consider and, if thought fit, to give assent / dissent to the following resolution, as an Ordinary Resolution:**

Appointment of Ms. Aparna Narendra Sharma as an Independent Director of the Company

**“RESOLVED THAT** pursuant to the provisions of Sections 149, 152 and other applicable provisions of the Companies Act, 2013 read with Schedule IV to the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force), Ms. Aparna Narendra Sharma (holding DIN 07132341), who is eligible for appointment and the Company has received a notice in writing under Section 160 of the Companies Act, 2013 from her proposing his candidature for the office of Director, and who has submitted a declaration that she meets the criteria for independence as provided in Section 149(6) of the Companies Act, 2013 be and is hereby appointed as an Independent Director of the Company to hold office for five years w.e.f. 07<sup>th</sup> December 2020 and shall not be liable to retire by rotation hereinafter in accordance with the provisions of the Companies Act, 2013.

- By order of the Board –  
**For S.M.I.L.E. MICROFINANCE LIMITED**  
**Sd/-**  
**Venkatasubramanian R**  
**Company Secretary**

**Place: Chennai**

**Date: 7<sup>th</sup> December 2020**



## Notes:

1. In view of the COVID 19 pandemic, the Ministry of Corporate Affairs vide its Circular dated 5th May, 2020 read with Circulars dated 8th April, 2020 and 13th April, 2020 (collectively referred to as 'Circulars'), has introduced certain measures enabling companies to convene their Annual General Meetings (AGM/ Meeting) through Video Conferencing (VC) or Other Audio Visual Means (OAVM) and also send notice of the Meeting and other correspondences related thereto, through electronic mode. In compliance with the said requirements of the MCA Circulars, electronic copy of the Notice along with the Annual Report for the financial year ended 31st March, 2020 consisting of financial statements including Board's Report, Auditors' Report and other documents required to be attached therewith (Collectively referred to as Notice) have been sent only to those members whose e- mail ids are registered with the Company or the Registrar and Share Transfer Agent or the Depository Participants(s) through electronic means and no physical copy of the Notice has been sent by the Company to any member. The Notice of the 25th AGM of the Company inter alia indicating the process and manner of e-voting has also been hosted on the website of the Company [www.smileltd.in](http://www.smileltd.in) and on the website of CDSL at [www.evotingindia.com](http://www.evotingindia.com).
2. Explanatory Statement pursuant to Section 102 of the Act relating to Items nos. 3 to 5 of the Notice of the 25th AGM, which are considered to be unavoidable by the Board of Directors of the Company, is annexed hereto.
3. In view of the MCA Circulars, no proxy shall be appointed by the members. However, corporate members are required to send to the Company/ RTA/ Scrutinizer, a certified copy of the Board Resolution, pursuant to section 113 of the Companies Act 2013, authorizing their representative to attend and vote at the Meeting through VC.
4. The facility for Shareholders to join the AGM in the VC/OAVM mode will be kept open to join 15 minutes before and 15 minutes after the scheduled time of the commencement of the Meeting. The Shareholders can join the AGM by following the procedure mentioned herein below in the Notice. The facility of participation at the AGM through VC/OAVM will be made available to atleast 1000 Shareholders on 'first come first serve' basis. This will not include large Shareholders (i.e. Shareholders holding 2% or more), Promoters, Directors, Key Managerial Personnel, the Chairperson(s) of the Audit Committee, Nomination and Remuneration Committee and Stakeholders Relationship Committee, Auditors etc. who are allowed to attend the AGM without restriction on account of 'first come first serve' basis.
5. The attendance of the Shareholders attending the AGM through VC/OAVM will be counted for the purpose of reckoning the quorum under Section 103 of the Act.
6. The Shareholders, seeking any information with regard to the accounts or any matter to be placed at the AGM, are requested to write to the Company on or before 24<sup>th</sup> December, 2020, through Email to [cosec@smileltd.in](mailto:cosec@smileltd.in). The same will be replied by/on behalf of the Company suitably.
7. The Register of Directors and Key Managerial Personnel and their shareholding, maintained under Section 170 of the Companies Act, 2013 and Register of Contracts or Arrangements in which the Directors are interested, maintained under Section 189 of the Companies Act, 2013 will be available electronically for inspection by the members during the Annual General Meeting.
8. Members are requested to quote their Registered Folio Number or Demat Account Number & Depository Participant (DP) ID Number on all correspondences with the Company. Members holding shares in dematerialized mode are requested to intimate all changes pertaining to their bank details, mandate, nomination, power of attorney, change of address, etc., to their respective Depository Participant (DP). Members holding shares in physical mode are requested to intimate the same to Registrar & Share Transfer Agents of

the Company (RTA) M/s. **Cameo Corporate Services Limited**, “Subramanian Building”, No.1, Club House Road, Chennai-600 002.

9. Pursuant to Section 108 of the Companies Act, 2013, read with Rule 20 of the Companies (Management and Administration) Rules, 2014, as may be amended from time to time, as amended, and MCA Circulars dated April 8, 2020, April 13, 2020 and May 5, 2020, the Company is pleased to provide e- voting facility to the members to cast their votes electronically on all resolutions set forth in this Notice.

The Company has engaged the services of Central Depository Services (India) Limited (CDSL) to provide e-voting facility. The Company has appointed Mr. V Esaki, V Esaki & Associates, Practicing Company Secretary [ACS 30353, COP No. 11022] to act as the Scrutinizer, for conducting scrutiny of the votes cast.

Notice convening the 25<sup>th</sup> Annual General Meeting and the Annual Report 2019-20 is also available on the CDSL's website: [www.cdslindia.com](http://www.cdslindia.com).

The e-voting facility is available at the link: [www.evotingindia.com](http://www.evotingindia.com).

The e-voting facility will be available during the following voting period:

Commencement of e-voting	End of e-voting
27 <sup>th</sup> December 2020, Sunday, at 9:00 A.M.	29 <sup>th</sup> December 2020, Tuesday, at 5:00

During this period, shareholders of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date of 04<sup>th</sup> December, 2020 may cast their vote electronically. The e-voting module shall be disabled by CDSL thereafter. A person who is not a member of the Company as on cutoff date should treat the Notice for information purpose only.

Only those Shareholders, who will be present at the AGM through VC/OAVM facility and who had not cast their vote by remote e-voting prior to the AGM and are otherwise not barred from doing so, shall be eligible to vote through e-voting system during the AGM. In the case of joint holders, the member whose name appears as the first holder in the order of names as per the Register of Members of the Company shall be entitled to vote through remote e-voting or voting during the AGM.

The members desiring to vote through electronic mode may refer to the detailed procedure on e-voting given hereinafter.

Shareholders who have already voted prior to the meeting date would not be entitled to vote during the AGM.

- Log on to the e-voting website: [www.evotingindia.com](http://www.evotingindia.com).
- Click on “Shareholders” tab.
- Now Enter your User ID
  - a) For CDSL: 16 digits beneficiary ID,
  - b) For NSDL: 8 Character DP ID followed by 8 Digits Client ID,
  - c) Members holding shares in Physical Form should enter Folio Number registered with the Company.

(OR)

Alternatively, if you are registered for CDSL's **EASI/EASIEST** e-services, you can log-in at <https://www.cdslindia.com> from **Login - Myeasi** using your login credentials. Once you successfully log-in to CDSL's **EASI/EASIEST** e-services, click on **e-Voting** option and proceed directly to cast your vote electronically.

- (i) Next enter the Image Verification as displayed and click on Login.
- (ii) If you are holding shares in Demat form and had logged on to

[www.evotingindia.com](http://www.evotingindia.com) and voted on an earlier voting of any company, then your existing password is to be used.

(iii) If you are a first time user kindly follow the steps given below.

	<b>For members holding shares in Demat Form and Physical Form</b>
PAN	<p>Enter your 10 digit alpha-numeric PAN issued by the Income Tax Department (Applicable for both demat shareholders as well as physical shareholders)</p> <ul style="list-style-type: none"> <li>➤ Members who have not updated their PAN with the Company/Depository Participant are requested to use the first two letters of their name and the 8 digits of the sequence number in the PAN field.</li> <li>➤ In case the sequence number is less than 8 digits enter the applicable number of O's before the number after the first two characters of the name in CAPITAL letters. Eg. If your name is Ramesh Kumar with sequence number 1 then enter RA00000001 in the PAN field.</li> </ul>
Dividend Bank Details or Date of Birth (DOB)	<p>Enter the Dividend Bank details or Date of Birth (in dd/mm/yyyy format) as recorded in your demat account or in the company records in order to log in.</p> <ul style="list-style-type: none"> <li>➤ If both the details are not recorded with the depository or company please enter the member id / folio number in the Dividend Bank details field as mentioned in instruction (iii).</li> </ul>

- (iv) After entering these details appropriately, click on "SUBMIT" tab.
- (v) Members holding shares in physical form will then reach directly the Company selection screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- (vi) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- (vii) Click on the EVSN of SMILE Microfinance Limited on which you choose to vote.
- (viii) On the voting page, you will see "RESOLUTION DESCRIPTION" and against the same the option "YES/NO" for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
- (ix) Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details.
- (x) After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.
- (xi) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.
- (xii) You can also take a print of the votes cast by clicking on "Click here to print" option on the Voting page.
- (xiii) If a Demat account holder has forgotten the login password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.
- (xiv) Shareholders can also cast their vote using CDSL's mobile app m-Voting available for android based mobiles. The m-Voting app can be downloaded from Google Play Store. Please follow the instructions as prompted by the mobile app while voting on your mobile.

**PROCESS FOR THOSE SHAREHOLDERS WHOSE EMAIL ADDRESSES ARE NOT REGISTERED WITH THE DEPOSITORIES FOR OBTAINING LOGIN CREDENTIALS FOR E-VOTING FOR THE RESOLUTIONS PROPOSED IN THIS NOTICE:**

1. For Physical shareholders- please provide necessary details like Folio No., Name of shareholder, scanned copy of the share certificate (front and back), PAN (self-attested scanned copy of PAN card), AADHAR (self-attested scanned copy of Aadhar Card) by email to **Company/RTA email id.**
2. For Demat shareholders -, please provide Demat account details (CDSL-16 digit beneficiary ID or NSDL-16 digit DPID + CLID), Name, client master or copy of Consolidated Account statement, PAN (self-attested scanned copy of PAN card), AADHAR (self-attested scanned copy of Aadhar Card) to **Company/RTA email id.**

**INSTRUCTIONS FOR SHAREHOLDERS ATTENDING THE AGM THROUGH VC / OAVM ARE AS UNDER:**

1. Shareholder will be provided with a facility to attend the AGM through VC/OAVM through the CDSL e-Voting system. Shareholders may access the same at <https://www.evotingindia.com> under shareholders/members login by using the remote e-voting credentials. The link for VC/OAVM will be available in shareholder/members login where the EVSN of Company will be displayed.
2. Shareholders are encouraged to join the Meeting through Laptops / IPads for better experience.
3. Further shareholders will be required to allow Camera and use Internet with a good speed to avoid any disturbance during the meeting.
4. Please note that Participants Connecting from Mobile Devices or Tablets or through Laptop connecting via Mobile Hotspot may experience Audio/Video loss due to Fluctuation in their respective network. It is therefore recommended to use Stable Wi-Fi or LAN Connection to mitigate any kind of aforesaid glitches.
5. Shareholders who would like to express their views/ask questions during the meeting may register themselves as a speaker by sending their request in advance atleast **7 days prior** to meeting mentioning their name, demat account number/folio number, email id, mobile number at (company email id). The shareholders who do not wish to speak during the AGM but have queries may send their queries in advance **7 days prior** to meeting mentioning their name, demat account number/folio number, email id, mobile number at (company email id). These queries will be replied to by the company suitably by email.
6. Those shareholders who have registered themselves as a speaker will only be allowed to express their views/ask questions during the meeting. The Company reserves the right to restrict the number of questions and number of speakers, depending upon the availability of time as appropriate for smooth conduct of the AGM.

**INSTRUCTIONS FOR SHAREHOLDERS FOR E-VOTING DURING THE AGM ARE AS UNDER:-**

1. The procedure for e-Voting on the day of the AGM is same as the instructions mentioned above for Remote e-voting.
2. Only those shareholders, who are present in the AGM through VC/OAVM facility and have not casted their vote on the Resolutions through remote e-Voting and are otherwise not barred from doing so, shall be eligible to vote through e-Voting system available during the AGM.

If any Votes are cast by the shareholders through the e-voting available during the AGM and if the same shareholders have not participated in the meeting through VC/OAVM facility, then the votes cast by such shareholders shall be considered invalid as the facility of e-voting during the meeting is available only to the shareholders attending the meeting.

3. Shareholders who have voted through Remote e-Voting will be eligible to attend the AGM. However, they will not be eligible to vote at the AGM.



- (xv) Note for Non – Individual Shareholders and Custodians
- Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodians are required to log on to [www.evotingindia.com](http://www.evotingindia.com) and register themselves as Corporates.
  - A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com).
  - After receiving the login details a Compliance User should be created using the admin login and password. The Compliance user would be able to link the account(s) for which they wish to vote on.
  - The list of accounts linked in the login should be mailed to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com) and on approval of the accounts they would be able to cast their vote.
  - A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.
  - Alternatively Non Individual shareholders are required to send the relevant Board Resolution/ Authority letter etc. together with attested specimen signature of the duly authorized signatory who are authorized to vote, to the Scrutinizer and to the Company at the email address viz; [cosec@smileltd.in](mailto:cosec@smileltd.in) (designated email address by company) , if they have voted from individual tab & not uploaded same in the CDSL e-voting system for the scrutinizer to verify the same.
- (xvi) If you have any queries or issues regarding attending AGM & e-Voting from the e-Voting System, you may refer the Frequently Asked Questions (“FAQs”) and e-voting manual available at [www.evotingindia.com](http://www.evotingindia.com) under help section or write an email to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com) or contact Mr. Nitin Kunder(022-23058738) or Mr. Mehboob Lakhani (022-23058543) or Mr. Rakesh Dalvi (022-23058542).

All grievances connected with the facility for voting by electronic means may be addressed to Mr. Rakesh Dalvi, Manager, (CDSL ) Central Depository Services (India) Limited, A Wing, 25<sup>th</sup> Floor, Marathon Futurex, Mafatlal Mill Compounds, N M Joshi Marg, Lower Parel (East), Mumbai - 400013 or send an email to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com) or call on 022-23058542/43.

#### **General Instructions**

1. The remote e-voting shall not be allowed beyond the abovementioned date and time.
2. Once the vote on the resolution is cast by the shareholder, whether partially or otherwise, the shareholder shall not be allowed to change it subsequently or cast the vote again.
3. Any person who have acquired shares and become members of the company after the electronic despatch of the notice and holding shares as on cut-off date, i.e. 04<sup>th</sup> December 2020 and who have updated their PAN with the Company/DP, should follow the instructions as above mentioned in (i) to (xix) to vote through e-voting and those who have not updated their PAN with the Company/DP, can send a mail to [cosec@smileltd.in](mailto:cosec@smileltd.in) and [investor@cameoindia.com](mailto:investor@cameoindia.com) to obtain sequence number and they will have to follow the instructions as above mentioned in (i) to (xix) to vote through e-voting.
4. The voting rights of members shall be in proportion to their shares in the paid up equity share capital of the Company as on cut-off date. A person, whose name is recorded in the register of members or in the register of beneficial owners maintained by the depositories as on the cut-off date only shall be entitled to avail the facility of remote e-Voting and e-voting during the AGM.
5. The Scrutinizer shall, immediately after the conclusion of voting during the general meeting, would count the votes cast during the meeting and through remote e-voting, thereafter unblock the votes cast through remote e-voting in the presence of at least two witnesses not in the employment of the Company and make, not later than three days of conclusion of the meeting, a consolidated Scrutinizer's report of the total votes cast in favour or against, if any, to the Chairman or a person authorized by him in writing who shall countersign the same.

6. The results declared along with the Scrutinizer's Report shall be placed on the Company's website [www.smileltd.in](http://www.smileltd.in) and on the website of CDSL [www.cdslindia.com](http://www.cdslindia.com) immediately after the result is declared.
7. Subject to the receipt of requisite number of votes through remote e-voting and voting during the meeting, the Resolutions proposed in the Notice shall be deemed to have been passed on the date of the meeting, i.e., Wednesday, 30th December 2020.

### **EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013**

#### **Item no. 3**

The Board of Directors at their meeting held on 12th November, 2020 approved the remuneration of Mr. Murali Srinivas P, Managing Director and CEO of the Company to Rs. 3.71 lakh per month (w.e.f. 1st April 2020) for the FY 2020-21 along with exgratia amount if any paid by the Company for the FY 2020-21 plus annual performance incentive of for the year 2019-20 of Rs. 17,50,000/- on the basis of recommendation of Nomination & Remuneration Committee.

The aggregate of the remuneration as aforesaid is within the maximum limits as laid down under Section 197 and all other applicable provisions, if any, of the Act read with Schedule V to the Act, as amended and as in force from time to time.

No Director, Key Managerial Personnel, or their relatives, except Mr. Murali Srinivas P, to whom the resolution relates, is interested or concerned in the resolution.

The Board of Directors recommends the Ordinary Resolution set out at Item No. 3 of the Notice for approval by the Members.

#### **Item no. 4**

The Company has received a written communication from Dr. S Gurushankar (Promoter shareholder of the Company, for nominating Mr. V S Padmanaban as a Nominee Director to represent on the Board of the Company on behalf of him.

Mr. V S Padmanaban (DIN No: 08539226) was appointed as Additional Director (Nominee) of the Company with effect from 29 October, 2019 by the Board of Directors under Section 161 of the Act and as per the Company's Articles of Association. In terms of Section 161(1) of the Act, Mr. V S Padmanaban (DIN No: 08539226), holds office only upto the date of the forthcoming AGM but is eligible for appointment as a Director.

Pursuant to nomination received from Dr. S Gurushankar, the said resolution is being placed before the members for their approval.

None of the Directors and Key Managerial Personnel of the Company or their respective relatives are concerned or interested in this resolution.

The Board of Directors recommends the Ordinary Resolution set out at Item No. 4 of the Notice for approval by the Members.

#### **Brief profile of Mr. V S Padmanaban:**

<b>Name of the Person</b>	V.S.Padmanaban
<b>Father Name</b>	V. Sundaram
<b>Date Of Birth</b>	27/05/1976
<b>Qualifications</b>	B.COM, M.F.M, CA (Final)
<b>Expertise</b>	Finance and Accounts Over 20 years of experience of Finance, Accounts, Auditing and Taxation matters
<b>Experience</b>	<b>Sectors</b> Variety of sectors largest Health care, Textiles, Poultry and Auditing
	<b>Entities</b> Listed, unlisted companies and proprietorship concern

**Item no. 5**

The Board of Directors, pursuant to the provisions of Section 161 of the Act and applicable rules made thereunder the Board with the recommendations of the Nomination & Remuneration Committee appointed Ms. Aparna Narendra Sharma (holding DIN 07132341), for a period of 5 years as an Additional Director in the capacity of an Independent Director holding office upto the date of the Annual General Meeting. The Company has received notice in writing from her proposing her candidature as Independent Director of the Company. Ms. Aparna Narendra Sharma (holding DIN 07132341), has given a declaration to the Board that she meets the criteria of independence as provided under section 149(6) of the Act. In the opinion of the Board, Ms. Aparna Narendra Sharma (holding DIN 07132341), fulfils the conditions specified in the Act and the rules framed thereunder for appointment as Independent Director and they are independent of the management. In compliance with the provisions of section 149 read with Schedule IV of the Companies Act, 2013 the appointment of Ms. Aparna Narendra Sharma (holding DIN 07132341), as Independent Directors is now being placed before the Members for their approval.

Except Ms. Aparna Narendra Sharma, being an appointee, none of the Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested, financial or otherwise, in the resolution.

The Board of Directors recommends the Ordinary Resolution set out at Item No. 5 of the Notice for approval by the Members.

**Brief profile of Ms. Aparna Narendra Sharma:**

<b>Name of the Person</b>	Aparna Narendra Sharma
<b>Father Name</b>	Narendra Mohan Sharma
<b>Date Of Birth</b>	03/09/1973
<b>Qualifications</b>	Master of Arts (in Personnel Management & Industrial Relations) from TISS, Mumbai
<b>Expertise</b>	Human Resources professional A Human Resources professional with over 24 years of rich and diverse industry experience across Building Materials, Banking & Financial Services, Pharmaceuticals (including KPO), Biotechnology & Petrochemicals. It includes Commercial, Research and Manufacturing operations largely in India, also in the Philippines and South Asia with successful interface in global, matrix and multicultural environments.
<b>Experience</b>	
	<b>Entities associated</b> Listed and unlisted companies

- By order of the Board –  
**For S.M.I.L.E. MICROFINANCE LIMITED**  
**Sd/-**  
**Venkatasubramanian R**  
**Company Secretary**

**Place: Chennai**

**Date: 7<sup>th</sup> December 2020**



# DIRECTORS' REPORT





# DIRECTORS' REPORT

To  
The Members,  
S.M.I.L.E. Microfinance Limited.

Your Directors are pleased to present the twenty fifth Annual Report of your Company together with the Audited Statement of Accounts and the Auditors' Report of your Company for the financial year ended, 31<sup>st</sup> March 2020.

Till financial year 2018-19 financial statements have been prepared under IGAPP. In the financial year 2019-20, preparation of financial statements under 'Ind AS' has become mandatory. Accordingly financial statements have been prepared under 'Ind AS' and corresponding previous year numbers have been restated under Ind AS.

## FINANCIAL SUMMARY:

(Rs. in Lakh)

Particulars	2019-20	2018-19
Interest Income	12235.63	11341.61
Other Income	676.19	551.00
Total Income	12911.82	11892.61
Less		
Expenses	10934.04	9078.45
<b>Profit before Tax</b>	1977.78	2814.16
<b>Less</b>		
Provisions for:		
Income Tax	750.00	1030.00
Short provision for tax relating to prior years	-1.19	-178.03
Deferred Tax	-25.40	-184.28
<b>Profit after Tax</b>	1254.37	2146.47
<b>Add:</b>		
Other Comprehensive Income	-63.88	-18.02
<b>Total Comprehensive Income for the Year</b>	1190.49	2128.45
<b>Add:</b>		
Balance b/f from previous years	5952.35	4343.35
<b>Amount available for Appropriation</b>	7142.84	6471.80
<b>Appropriations:</b>		
Statutory Reserve	238.10	519.45
Dividend & Distribution Tax		
Balance carried to Balance Sheet	6904.74	5952.35
Equity Share Capital	1733.96	1733.96
Reserves	12513.29	11316.14
CRAR (Capital to Risk-weighted Asset Ratio)	20.85%	28.24%

### Financial Overview:

During the year, your company earned a GROSS INCOME of Rs 129.11 Cr (Previous Year Rs. 118.92Cr) and PROFIT BEFORE TAX (PBT) of Rs. 19.77 Cr (Previous Year Rs. 28.14 Cr), with expenditures of Rs. 109.35 Cr (Previous Year Rs. 90.78 Cr). The Company earned a PROFIT AFTER TAX (PAT) of Rs 12.54 Cr (Previous year Rs. 21.46 Cr). The amount transferred to Statutory Reserve is Rs. 2.38 Cr (Previous year Rs. 5.19 Cr).

### Operational review:

<b>Year ended March 31</b>	<b>2020</b>	<b>2019</b>
Number of Branches	137	105
Number of Members	3,16,765	3,05,256
Number of employees	799	580
Number of States	7	3
Amount Disbursed (₹ In Crore)	887.68	757.65
Portfolio Outstanding (₹ In Crore)	606.46	515.00

#### **FUTURE OUTLOOK:**

The outbreak of COVID-19 pandemic across the globe and in India has contributed to a significant decline and volatility in the global and Indian financial markets and a slowdown in economic activities. Reserve Bank of India (RBI) has issued guidelines relating to COVID-19 Regulatory Package dated 27 March 2020 and 17 April 2020 and in accordance therewith, the Company has granted a moratorium period on the payment of all principal installments and interest, as applicable, falling due from 24 March 2020 and 31 May 2020 to all eligible borrowers. Subsequently, RBI has announced an additional moratorium for a period of 3 months from 1 June 2020 and the Company has granted the option to avail the moratorium to its borrowers.

Since the duration and the magnitude of COVID-19 are still uncertain, this will impact the company's original growth plans for FY21. The company will continue to assess and monitor the situation and adopt appropriate strategies. However, due to strong business continuity plans and with the help of cloud technologies, the company has been able to ensure employee well-being, demonstrate a successful "Work from Home" model business continuity seamlessly for our staff and customers. In addition, the company is taking various measures to minimize the impact.

During previous crises like Sub-prime in 2008, Andhra MFI crisis in 2010, Demonetisation in 2016, Chennai floods in 2016, etc, the company has proved itself to be very resilient time and again by bringing collection efficiency to 99% and above within few months of each of this crises. The company is confident that Covid19 impact would also be managed very efficiently in the same manner. Significant new measures and initiatives have been implemented to ensure Covid19 related losses are minimum. They include new overdue payments tracking software, strengthening the Delinquency Prevention and Monitoring Department (DPMD), and interacting continuously with stressed customers, apart from increasing the field staff count.

#### **TRANSFER TO RESERVES:**

The Company transferred Rs.2.31 Cr to Statutory Reserves - 20% of the Profit after Tax in accordance with the provisions of Section 45 – IC of Reserve Bank of India Act, 1934.

#### **GRADING AND CREDIT RATING:**

ICRA Limited has assigned BBB rating to SMILE in August 2019 for its Long Term Bank Facilities of Rs. 250 crore.

CARE Ratings has assigned BBB rating to SMILE in October 2019 for its Long Term Bank Facilities of Rs. 250 crore. ICRA has assigned the MFI grade of M2 in March 2019.

#### **CAPITAL ADEQUACY:**

The Capital Adequacy Ratio of the company was 20.85% as of March 31, 2020 as against the minimum capital adequacy requirements of 15% intimated by RBI.

#### **LOAN OBTAINED AND DISBURSED:**

During the Year under review, the Company obtained funds amounting to Rs. 223.18 Cr through Term Loan and Rs. 179.06 Cr through Securitisation and the Company disbursed 3.52 lakh loans (previous year 3.09 lakh loans) amounting to Rs. 887.68 Cr (previous year Rs. 757.65 Cr). Average loan size increased to Rs. 32,721 from Rs. 30,746 in the previous year.

#### **ASSETS UNDER MANAGEMENT (AUM):**

The total Loan Assets under management of the Company increased to Rs. 606.47 Cr (Previous year Rs. 515.00 Cr), an increase of Rs.91.47 Cr (18%);

**Current Year** : Loan Assets under management Rs. 606.47 Cr (On Book Portfolio Rs. 546.96 Cr + Managed Portfolio Rs. 59.51 Crore).

**Previous Year** : Loan Assets under management Rs. 515.00 Cr (On Book Portfolio Rs. 445.25 Cr + Managed Portfolio Rs. 69.75 Crore).

#### **SECURITISATION:**

During the year, the Company did seven securitization deals. In respect of securitized assets the Company had been prompt in collecting the receivables and making the payment to the investors to the extent of Rs.189.30 Cr.

#### **ARREARS / PORTFOLIO AT RISK (PAR) / WRITE-OFF:**

Due to effective field operations and adherence to group lending (JLG) practices of the Company, the PAR and arrears after write-off remained at low levels at year end with PAR at Rs. 2.53 Crore representing 0.42% of the portfolio. PAR >30 days amounted to Rs.1.72 Crore representing 0.28% of the Portfolio. The Company has provided for a provision of Rs. 8.94 Crore, under ECL method considering the impact of macro-economic factors including COVID 19. Provision under R.B.I. prudential norms amount to Rs. 5.98 Crore. Bad Debts written off during the year is Rs 1.09 Crore (Previous year Rs 0.56 Crore).

#### **LOAN SERVICING:**

During the year, the Company serviced all its Loans promptly and made Principal repayments of Rs.173.55 Cr to all its funding Banks & Financial Institutions. In respect of securitized assets the Company had been prompt in collecting the receivables and making the payment to the investors to the extent of Rs.189.30 Cr.

#### **MICROFINANCE SECTOR SCENARIO:**

The microfinance loan book of Indian lenders, including Microfinance institutions, stands at Rs.2,31,788 crores registering a year on year growth of 30 per cent. NBFC-MFIs account for around 32 per cent of total micro-credit universe and banks contribute 40 per cent, small finance Banks 18 per cent share, balance being contributed by NBFC's, non-profit MFI's and other entities. The industry now serves 5.89 crore unique borrowers through 10.54 crore loan accounts.

#### **NBFC-MFI industry:**

The NBFCs-MFI industry has a microloan portfolio of 74,371 crores at the end of March 20 registering a year on year growth of 31 per cent.

In terms of distribution of portfolios (GLP), east and north east accounts for 34% the total NBFC-MFI portfolio, South 27%, North 13%, West 15% and central 11% respectively.

#### **DIVIDEND:**

The Company did not consider any dividend payment for the current Financial Year.

#### **TRANSFER OF UNCLAIMED DIVIDEND TO INVESTOR EDUCATION AND PROTECTION FUND:**

The provisions of Section 125(2) of the Companies Act, 2013 do not apply as there are no dividend which has remained unclaimed and unpaid for a period of seven years from the date it became due for payment.

#### **SHARE CAPITAL:**

The paid up equity capital as on March 31, 2020 was Rs.17,33,96,390/-. During the year under review, the Company has not issued any equity share and shares with differential voting rights nor granted stock options /sweat equity.

#### **FIXED DEPOSITS:**

The Company has not accepted any deposits within the meaning of Section 73 of the Companies Act, 2013 and the Companies (Acceptance of Deposits) Rules, 2014.

#### **PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS:**

The company has not given any loans or guarantees covered under the provisions of section 186 of the Companies Act, 2013.

The detail of the investments made by company is given in the notes to the financial statements.

#### **INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY:**

The Company has an Internal Control System, commensurating with the size, scale and complexity of its operations. The scope and authority of the Internal Audit function is defined in the Internal Audit Manual. To maintain its objectivity and independence, the Internal Audit function reports to the Chairman of the Audit Committee of the Board & to the Chairman & Managing Director.

The Internal Audit Department monitors and evaluates the efficacy and adequacy of internal control system in the Company, its compliance with operating systems, accounting procedures and policies at all locations of the Company.

Based on the report of internal audit function, process owners undertake corrective action in their respective areas and thereby strengthen the controls. Significant audit observations and recommendations along with corrective actions thereon are presented to the Audit Committee of the Board.

#### **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE OUTGO:**

##### **(A) Conservation of energy:**

The Company has continued to adopt measures to conserve electrical energy by installing Capacitors & Power Factor Meter in its Corporate Office and also by replacing incandescent bulbs and tube lights with CFL lighting. The Company ensures that all Electrical Equipments are being serviced periodically so that the consumption of energy is minimized and that all electrical appliances are religiously switched off when not in use.

##### **(B) Technology absorption:**

The Company is using BR.Net application software with effect from 2013. This has enabled the Company to handle increased volume of operations and also service the increasing number of loan beneficiaries efficiently.

##### **(C) Foreign exchange earnings and Outgo:**

During this Financial Year, the Company has incurred foreign exchange expenditure.

<b>Expenditure Incurred in Foreign Currency</b>	
<b>Particulars</b>	<b>For the year ended 31<sup>st</sup> March, 2020 Amount in Rs.</b>
Reimbursement of Travelling Expenses	1,81,257/-

#### **DIRECTORS AND KEY MANAGERIAL PERSONNEL:**

During the FY 2019-20 1) Mr. V S Padamanaban, was appointed as Director (representative of Dr. S Gurushanakar, shareholder of the Company) w.e.f. 29<sup>th</sup> October, 2019.

#### **Current Board of Directors and Key Managerial Personnel of the Company:**

<b>S.No.</b>	<b>Name of the Director/Key Managerial Personnel</b>	<b>Designation</b>
1	Mr Murali Srinivas P	Managing Director & CEO
2	Mrs. Indrani Bhagwan Singh	Non-Executive Director
3	Mr Bradley Swanson	Non-Executive Director
4	Mr Aleem Remtula	Non-Executive Director
5	Mr Rajan Samuel	Independent Director
6	Mr Suresh K Krishna	Independent Director
7	Mr. V S Padmanaban	Non-Executive Director
8	Mr V T Prabakaran	Chief Financial Officer
9	Mr R Venkatasubramanian	Company Secretary & Compliance Officer

**DECLARATION OF INDEPENDENT DIRECTORS:**

The Independent Directors have submitted their disclosures to the Board that they fulfil all the requirements as stipulated in Section 149(6) of the Companies Act, 2013 so as to qualify themselves to be appointed as Independent Directors under the provisions of the Companies Act, 2013 and the relevant rules.

As per the provisions of the Companies (Appointment and Qualification of Directors) Fifth Amendment Rules, 2019, every individual who has been appointed as an independent director in a company, on the date of commencement of the above rules shall within a period of three months from the date of commencement apply to Indian Institute of Corporate Affairs for inclusion of his name in the data bank for such period till he continues as Independent Director of any Company. Accordingly, the Independent Directors of the Company have enrolled in the database.

As per the above provisions, every independent director shall submit a declaration of compliance of sub-rule (1) and sub-rule (2) to the Board, each time he submits the declaration required under sub-section (7) of section 149 of the Act. Since the Ministry of Corporate Affairs, vide Companies (Appointment and Qualification of Directors) Second Amendment Rules, 2020, has now extended the period of Five months to seven months for registering with Indian Institute of Corporate Affairs, the declaration could not be obtained.

Further, the time available for passing online proficiency self-assessment test is one year from the date of inclusion of the name of the Directors in the data bank, the Board of Directors is not in position to provide an opinion with regard to the proficiency of the Independent Directors as ascertained from the online proficiency self-assessment test conducted by the institute which is required under Rule 8(5)(iii) of the Companies (Accounts) Rules, 2014.

**MEETINGS:**

During the year 9 Board Meetings were convened and held, the details of which are given in the Corporate Governance Report. The intervening gap between the Meetings was within the period prescribed under the Companies Act, 2013.

**AUDIT COMMITTEE:****Composition as at 31<sup>st</sup> March 2020**

Mr. Suresh K Krishna, Independent Director (Chairman of the Committee)

Mr. Rajan Samuel, Independent Director

Mr. Bradly Swanson, Non-Executive Director

Mr. V S Padmanaban, Non-Executive Director

**MEETINGS:**

The Audit Committee met four (4) times during the Financial Year 2019-20. The details of which are given in the Corporate Governance Report.

**DIRECTORS RETIRING BY ROTATION:**

To comply with the provisions of Section 152 of the Companies Act, 2013 ('CA 2013') Mr. Bradly Swanson, Director shall retire by rotation at the ensuing AGM and being eligible, offered for reappointment.

**PARTICULARS OF EMPLOYEES & REMUNERATION:**

The ratio of the remuneration of each Director to the median employee's remuneration and other details in terms of sub-section 12 of Section 197 of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are forming part of this report as an **Annexure A**.

The information required under 5(2) and (3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is attached as **Annexure B**.

**DIRECTORS' RESPONSIBILITY STATEMENT:**

**In pursuance of section 134 (5) of the Companies Act, 2013, the Directors hereby confirm that:**

(a) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures, if any;

(b) the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period;

(c) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

(d) the directors had prepared the annual accounts on a going concern basis; and

(e) the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

**NOMINATION & REMUNERATION POLICY:**

The Board has, on the recommendation of the Nomination & Remuneration Committee framed a policy for selection and appointment of Directors, Senior Management and their remuneration.

**EVENTS SUBSEQUENT TO THE DATE OF FINANCIAL STATEMENTS:**

There were no events occurred subsequent to the date of financial statements.

**MATERIAL CHANGES AND COMMITMENTS, IF ANY, AFFECTING THE FINANCIAL POSITION OF THE COMPANY:**

There are no material changes and commitments affecting the financial position of the Company, which occurred between the end of the financial year of the Company i.e. March 31, 2020 and the date of the Directors' Report.

**RELATED PARTY TRANSACTIONS:**

During the financial year there were no related party transactions made by the company with Promoters, Directors, Key Managerial Personnel or other designated persons which may have potential conflict with interest of the company at large. Form AOC-2 is attached as "**Annexure C**" to Directors' Report.

**DETAILS OF SUBSIDIARY, ASSOCIATE AND JOINT VENTURE OF THE COMPANY:**

The Company doesn't have any subsidiary, associate and joint venture.

**AUDITORS' REPORT:**

The observation made in the Auditors' Report read together with relevant notes thereon are self-explanatory and hence, do not call for any further comments under Section 134 of the Companies Act, 2013.

**AUDITORS:****I. Statutory Auditors:**

The Statutory Auditors of the Company, M/s Deloitte Haskins & Sells LLP, Chartered Accountants (Firm registration number: 117366W/W-100018), were appointed in the Annual General Meeting of the Company held on September 20, 2017 as Statutory Auditors of the Company to hold office for a term of five years until the conclusion of the Annual General Meeting to be held in 2022.



**II. Secretarial Auditor:**

Mr. CS Esaki, Practicing Company Secretary (ACS No. 30353 and Certificate of Practice No. 11022) was appointed as the Secretarial Auditor of the Company to conduct Secretarial Audit of the Company for the Financial Year 2019-20 as required under Section 204 of the Companies Act, 2013 and the Rules made there under. The Secretarial Audit Report for FY 2019-20 is attached as "Annexure D" to Directors' Report.

**The responses of your Directors on the observations made by the Secretarial Auditor are as follows:-**

**Observation:**

During the course of Audit it was observed that the Company has appointed a non-executive Director on 29th October, 2019 and as a result, the Company is yet to appoint one Independent Director to the Board to meet the statutory requirement of having an optimum Board Composition as per Act.

**Response:**

The Company is looking out for a suitable candidate with adequate experience in Microfinance and financial sector for the said post and shall shortly fulfill the requirement.

**DETAILS OF SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNALS IMPACTING THE GOING CONCERN STATUS AND COMPANY OPERATIONS IN FUTURE:**

There are no significant material orders passed by the Regulators, Courts or Tribunals which would impact the going concern status of the Company and its future operations.

**INTERNAL FINANCIAL CONTROLS:**

In pursuant to the Section 134(5) (e) of the Companies Act, 2013, the Board has properly laid down its internal financial controls and has ensured that the controls are not only adequate but are also operating effectively. The Company is following an effective internal control system commensurate with its size and operations. In addition to this the work process is designed in such a way that process of internal check is ensured at all levels.

It also ensures the adoption of all policies & procedures for orderly and efficient conduct of its business, including adherence to the Company's Policy, the safeguarding of its assets, prevention and detection of fraud & error, the accuracy & completeness of the accounting records and the timely preparation of reliable financial information.

Based on the framework of internal financial controls and compliance systems established and maintained by the Company, audit of internal financial controls and the reviews performed by management, the risk management and audit committee of the board, the board is of the opinion that the Company's internal financial controls were adequate and effective during the FY 2019-20.

**VIGIL MECHANISM:**

The Company has a vigil mechanism in the form of Risk Management Committee and Whistle Blower Policy to deal with instance of fraud and mismanagement, if any.

Strict confidentiality is maintained whilst dealing with concerns and also that no discrimination will be meted out to any person for a genuinely raised concern.

**RISK MANAGEMENT:**

The Board of Directors of the Company has formed a board risk management committee to frame, implement, and monitor the risk management plan for the Company. The committee is responsible for reviewing the risk management plan, ensuring its effectiveness and verifying adherence to various risk parameters. The Company's Risk Management strategy is based on clear understanding of various risks, disciplined risk assessment and continuous monitoring. The Risk Management Committee reviews various risks with which the organization is exposed including Credit Risk, Interest Rate Risk, Liquidity Risk and Operational Risk.

**ANNUAL PERFORMANCE EVALUATION BY THE BOARD:**

A formal evaluation of the performance of the Board, the Chairman and the individual Directors was carried out by the Company led by the Nomination & Remuneration Committee. The evaluation was done using individual questionnaires. As part of the evaluation process, the performance evaluation of Board as a whole was done by the Directors of the Board. The performance evaluation of the Non-Independent directors was done by every other Director. The performance evaluation of the Independent Directors was done by the Board excluding the Director being evaluated. The Directors expressed satisfaction with the evaluation process.

**INFORMATION REQUIRED UNDER SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION & REDRESSAL) ACT, 2013:**

The Company has a policy against sexual harassment and a formal process for dealing with complaints of harassment or discrimination. The Company seeks to ensure that all such complaints are resolved within defined timelines. We have received one complaint, the same has been enquired under POSH and necessary action has been taken. The Annual returns for the same is also been submitted.

**EXTRACT OF ANNUAL RETURN:**

Pursuant to Section 134 (3)(a) and Section 92 (3) of the CA 2013, read with Rule 12 of the Companies(Management and Administration) Rules, 2014, an extract of the Annual Return as at March 31, 2020 in form MGT 9 has been annexed as Annexure - D to the Directors' Report.

**CORPORATE GOVERNANCE:**

The Company's philosophy of Corporate Governance is aimed at assisting the management of the Company in the efficient conduct of its business and meeting its obligations to stakeholders, guided by a strong emphasis on transparency, accountability and integrity.

**CORPORATE SOCIAL RESPONSIBILITY (CSR):**

In compliance with Section 135 of the CA 2013 read with the Companies (Corporate Social Responsibility Policy) Rules 2014, the Company has established the Corporate Social Responsibility Committee (CSR Committee) in 2014 and the composition and function thereof are mentioned in the Corporate Governance Report. The Board adopted the CSR Policy, formulated and recommended by the CSR Committee.

**Annual Report on Corporate Social Responsibility (CSR) Activities:**

<p><b>1. A brief outline of the company's CSR policy</b> As a responsible and socially committed organization, SMILE strives to improve the social welfare and the quality of life of the communities in which it operates. SMILE commits itself that it will not discriminate beneficiaries of CSR based on membership, gender, caste or creed. SMILE works for and strives to:</p> <ul style="list-style-type: none"> <li>✓ Support the health, education and community welfare activities.</li> <li>✓ Protect the environment by adopting "Go Green" culture in work place.</li> <li>✓ Provide suitable facilities to people with special needs and facilitate their requirements</li> <li>✓ Partner with community development authorities to promote, support and participate in community development initiatives</li> </ul>	<p><b>2. Composition</b> Mr. P Murali Srinivas, Managing Director &amp; CEO Mr. Rajan Samuel, Independent Director Mr. Aleem Remtula, Non- Executive Director</p> <p><b>3. Average net profit of the Company for the last 3 financial years</b> Rs. 24.32 Crore</p> <p><b>4. Prescribed CSR Expenditure (2% of the amount as in above) allocated</b> Rs. 48.65 lakh</p> <p><b>5. Details of CSR Spent during the financial year</b> Rs. 49.28 lakh was spent towards various schemes of CSR as Prescribed under Section 135 of the Act. The prescribed CSR expenditure required to be spend in Fiscal 2019 as per the Act was 48.65 lakh under Section 198 of the Act.</p> <p><b>A. Total amount to be spent for the financial year:</b> <b>Rs. 48.65 lakh</b></p> <p><b>B. Actual amount spent: Rs. 49.28 Lakh</b></p> <p><b>C. Amount unspent, if any: Nil</b></p>
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D. Manner in which the amount spent during the financial year is detailed below:							(Amounts in Rs.)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
S. No	CSR project or activity identified.	Sector in which the Project is covered	Projects or Programs (1) Local area or other (2) Specify the State and district where projects or programs was undertaken	Amount outlay (budget) project or programs wise	Amount spent on the projects or Programs Subheads: (1) Direct expenditure on projects or Programs. (2) Overheads:	Cumulative expenditure upto to the reporting period	Amount spent: Direct or through implementing agency *
1	Promoting primary and secondary education in Rural and Socially/ Economically Backward communities	Promoting education	Tamilnadu, Chennai & Madurai	24,91,000	23,01,950	23,01,950	Direct
2	Vocational Guidance & Training Centre	Employment enhancing vocational skills	Tamilnadu, Chennai & Madurai	2,93,000	94,500	94,500	Direct
3	Health Camps & Hygiene	Promoting health care including preventive health care	Tamilnadu, Chennai & Madurai	12,00,000	3,16,105	3,16,105	Agency
4	Literacy Awareness programs	Awareness programs & Skill Development	Tamilnadu, Chennai & Madurai	5,60,043	7,45,973	7,45,973	Direct
5	Distribution of plant saplings	Ensuring environmental sustainability, ecological balance	Tamilnadu, Madurai		1,70,000	1,70,000	Agency
6	Contribution to Prime Minister and Chief Minister Relief Fund	Promoting social and economic welfare or uplift of the public			13,00,000	13,00,000	Direct

7	Relief Measures For Natural Calamities	Relief for People affected by Fire, Flood, Earthquake s, etc	Tamilnadu, Chennai & Madurai	3,21,000	0	0	Direct
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**6. In case the company has failed to spend the two per cent of the average net profit of the last three financial years or any part thereof, the company shall provide the reasons for not spending the amount in its Board's report:** Not Applicable

**7. A responsibility statement of the CSR committee that the implementation and monitoring of CSR Policy is in compliance with CSR objectives and Policy of the company:**

The CSR committee confirms that the implementation and monitoring of the CSR Policy is in compliance with the CSR objectives and Policy of the company.

**ACKNOWLEDGEMENTS:**

The Board of Directors wishes to place on record its sincere thanks for the wholehearted support extended by the Company's Lenders and Bankers, Statutory Authorities, the Reserve Bank of India and all external agencies. The Board also wishes to record its sincere appreciation for the commitment of its employees at all levels in successfully tackling the challenges faced by the Company during this Year and for their continued efforts to achieve the Company's goals.

- By order of the Board -

**For S.M.I.L.E. MICROFINANCE LIMITED**

**Sd/-**

**MURALI SRINIVAS P**

**MANAGING DIRECTOR & CEO**

**Place: Chennai**

**Date: 30-06-2020**

**Annexure- A****DISCLOSURE IN DIRECTORS' REPORT PURSUANT TO SECTION 197(12) OF THE COMPANIES ACT, 2013 READ WITH RULE 5(1) OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL), RULES, 2014**

1.The ratio of the remuneration of each director to the median remuneration of the employees of the Company for the financial year.

<b>Name of the Director</b>	<b>Designation</b>	<b>Ratio to median remuneration</b>
Mr. Murali Srinivas P	Managing Director & CEO	31.0
Mr. Rajan Samuel	Independent Director	Nil
Mr. Suresh K Krishna	Independent Director	Nil
Mrs. Indrani Bhagwan Singh	Non-Executive Director	Nil
Mr. V S Padmanaban	Non-Executive Director	Nil

- The median remuneration of employees of the Company was Rs.17,678/-
- Independent Directors were not paid any remuneration except the sitting fees for attending the Board Meeting and Committee Meeting

2.The percentage increase in remuneration of each director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year;

<b>Name of the Director / KMP</b>	<b>Designation</b>	<b>% increase in remuneration</b>
Mr. Murali Srinivas P	Managing Director & CEO	6.0
Mr. Prabakaran.V.T	Chief Financial Officer	16.6
Mr. Venkatasubramanian.R	Company Secretary	24.0

## Annexure- B

## DISCLOSURE IN DIRECTORS' REPORT PURSUANT TO SECTION 197(12) OF THE COMPANIES ACT, 2013 READ WITH RULE 5(2) AND (3) OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL), RULES, 2014

## Top 10 Employees in terms of remuneration drawn during the Year.

Employee Name	Designation	Remuneration (in Rs.)		Nature of employment , whether contractual or otherwise	Qualifications and experience of the employee	Date of commencement of employment	the age of the employee	the last employment held by such employee before joining the company	percentage of equity shares held by the employee in the company
		Earnings	Perquisites						
Murali Srinivas P	Managing Director & Chief Executive Officer	4513833	2121000	Permanent	B. Sc (Physics), M.A (PS)	15-Nov-18	51	CEO, Habitat for Humanity	Nil
Prabakaran.V.T	Chief Financial Officer	3059552	467070	Permanent	B.Com, CAIIB	1-Nov-07	64	VP – Finance, Farwood Industries Ltd.	Nil
Parthasarathy.G	Head - Accounts	2072957	313580	Permanent	B.Com, C.A, ICWA	12-Dec-13	56	VP – F&A Corporate, Everonn Education Ltd.	Nil
Rajaraman.K	Head - Internal Audit	2072957	303100	Permanent	B.Com, LLB, FCA	24-Oct-12	57	Concurrent auditor in an MNC bank	Nil
Balaji.N	Head – Human Resource & Admin	1956887	295520	Permanent	B. Sc, M.A (PA), MBA (HR)	23-May-16	41	Senior Manager, ACS Health Pvt. Limited	Nil
Sivakumar.S	Head – Information Technology	1703333	232400	Permanent	M.C.A	1-Jul-07	47	Coordinator – Software Interface, Mahasemam Trust	Nil
Sathiyarayanan.V	Regional Head	1644568	246930	Permanent	B.A, CAIIB	27-Nov-06	67	Chief Manager, ICICI Bank	Nil
Venkatasubramanian.R	Company Secretary & Compliance Officer	1520833	225800	Permanent	B.Com, ACS	16-Mar-15	32	Company Secretary, Laurus Edutech (P) Ltd.	Nil
Ilangovan.K	Deputy General Manager – Operations, Chennai Region	1338333	190000	Permanent	D.E.E, A.M.E	01-Jul-06	58	Assistant Commandant (Air Electrical), Indian Coast Guard (Aviation)	Nil
Somasundaram.S.K.V	Deputy General Manager – Operations, Madurai Region	1338333	190000	Permanent	B. Sc, B.L	22-Oct-03	48	Business	Nil

## (i) the number of permanent employees on the rolls of company;

Total Employee as on Mar'20 is 799



## Annexure- C

## FORM NO. AOC -2

(Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014

Form for Disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub section (1) of section 188 of the Companies Act, 2013 including certain arm's length transaction under third proviso thereto.

1. Details of contracts or arrangements or transactions not at Arm's length basis. NIL

2. Details of contracts or arrangements or transactions at Arm's length basis:

Sl. no	Name (s) of the Related Party	Designation	Nature of Arrangements	Transaction value as at 31 <sup>st</sup> March, 2020 (In Rs.)
1	P Murali Srinivas	Managing Director & CEO	Remuneration	45,13,833
			Exgratia & Incentive	3,71,000
			Variable Pay	17,50,000
			Employee Loan Receivable	6,60,000
			Interest Received on Employee Staff Loan	44,000
2	Indrani Bhagwan Singh	Non-Executive Director	Sitting Fees	1,75,000
3	V S Padmanaban	Non-Executive Director W.e.f. 29 <sup>th</sup> October, 2019	Sitting Fees	50,000
4	Rajan Samuel	Independent Director	Sitting Fees	6,50,000
5	Suresh K Krishna	Independent Director	Sitting Fees	7,50,000
6	V T Prabakaran	Chief Financial Officer	Remuneration	30,59,552
			Exgratia & Incentive	4,67,070
7	R Venkatasubramanian	Company Secretary & Compliance Officer	Remuneration	15,20,833
			Exgratia & Incentive	2,25,800

## Annexure- D

**Form No. MR-3**  
**SECRETARIAL AUDIT REPORT**  
**FOR THE FINANCIAL YEAR ENDED 31/03/2020**  
**[Pursuant to section 204(1) of the Companies Act, 2013 and rule No.9 of the Companies**  
**(Appointment and Remuneration Personnel) Rules, 2014]**

To,  
 The Members,  
 S.M.I.L.E. MICROFINANCE LIMITED  
 Chennai – 600 033

We have conducted the Secretarial Audit of the compliance of applicable statutory provisions limited to the debt instrument and the adherence to good corporate practices made by M/s. S.M.I.L.E. MICROFINANCE LIMITED, [CIN: U67190TN1995PLC030604] (hereinafter called the company), Secretarial Audit was conducted in a manner that provided a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the M/s. S.M.I.L.E. MICROFINANCE LIMITED, books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by its Company Secretary, its officers, agents and authorized representatives during the conduct of Secretarial Audit, We hereby report that in our opinion, the company has, during the audit period covering the financial year ended on 31/03/2020 complied with the statutory provisions listed hereunder and also that the Company has Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the Records, Registers Books, papers, Minute Books, Forms and Returns filed and other records maintained by M/s. S.M.I.L.E. MICROFINANCE LIMITED, for the financial year ended on 31/03/2020 according to the provisions of:

1. The Companies Act, 2013 (the Act) and the rules made there under;
2. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made there under; *(Provisions of these regulations are not applicable to the company).*
3. The Depositories Act, 1996 and the Regulations and Bye-laws framed there under; *(Provisions of these regulations are not applicable to the company).*
4. The Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder for compliance in respect of Foreign Direct Investment;
5. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
  - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.
  - (b) Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
  - (c) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993.
  - (d) The SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015.

Company has complied with the above Provisions wherever applicable.

We have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India.
- (ii) The Listing Agreements entered into by the Company with BSE LIMITED, limited to Debt instruments.

We further report that based on the compliance mechanism established by the Company, which has been verified on test checked basis and the Compliance Report submitted to and taken on record by the Board of Directors of the Company, we are of the opinion that the Company has complied with the following laws applicable specifically to the Company:

1. Reserve Bank of India, 1934 and Master Direction – Microfinance Institutions (Reserve Bank) Directions, 2016 as applicable to the Company;
2. The Payment of Gratuity Act, 1972.

On account of pandemic "COVID 2019" and nationwide lockdown imposed by governments, the audit process has been modified, wherein certain documents /records etc were verified in electronic mode, and have relied on the representations received from the Company for its accuracy and authenticity. During the period under review, the Company has generally complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above subject to the following observations:

1. During the course of Audit it was observed that the Company has appointed a non-executive Director on 29<sup>th</sup> October, 2019 and as a result, the Company is yet to appoint one Independent Director to the Board to meet the statutory requirement of having an optimum Board Composition as per Act.

We further report that:

- The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors except appointment adequate Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.
- Notice is given to all Directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting, meeting held through video conference meetings are duly recorded.
- Decision is carried through while the dissenting members' views are captured and recorded as part of the Minutes.

We further report that there are systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report that during the audit period there were no specific events/ actions in pursuance of the above referred laws, rules, regulation, guidelines, etc, having a major bearing on the Company's affairs.

This report is to be read with the letter of even date which is annexed as Annexure A and forms an integral part of this Report.

Yours Faithfully,

For V.Esaki & Associates

Company Secretaries

Sd/-

(V.Esaki)

Proprietor / Membership No: 30353

UDIN: **A030353B000379592**

Place : Chennai

Date : 25/06/2020

**Annexure 'A'**

To,  
The Members,  
S.M.I.L.E. MICROFINANCE LIMITED  
Chennai – 600 033

Our report of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the management of the company. Our responsibility is to express an opinion on these secretarial records based on the Secretarial Audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices followed on reasonable basis in our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the company.
4. Wherever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the company.

Yours Faithfully  
For V.Esaki & Associates  
Company Secretaries  
Sd/-  
(V.Esaki)  
Proprietor / Membership No: 30353  
UDIN: **A030353B000379592**

Place: Chennai  
Date: 25/06/2020

## Annexure- E

**FORM NO. MGT 9**  
**EXTRACT OF ANNUAL RETURN**  
**As on financial year ended 31.03.2020**  
**Pursuant to Section 92 (3) of the Companies Act, 2013 and rule 12(1)**  
**of the Company (Management & Administration) Rules, 2014**

**I. REGISTRATION & OTHER DETAILS:**

1.	CIN	U67190TN1995PLC030604
2.	Registration Date	21/03/1995
3.	Name of the Company	S.M.I.L.E. MICROFINANCE LIMITED
4.	Category/Sub-category of the Company	Company Limited by Shares/ Indian Non –Government Company
5.	Address of the Registered office & contact details	14/25, Chakrapani Street, West Mambalam, Chennai- 600033
6.	Whether listed company	Yes (Debt Listed)
7.	Name, Address & contact details of the Registrar & Transfer Agent, if any.	Cameo Corporate Services Limited Subramanian Building, No.1, Club House Road, Near Spencers Signal on Anna Salai, Chennai, Tamil Nadu- 600 002

**II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY:** (All the business activities contributing 10 % or more of the total turnover of the company shall be stated)

S. No.	Name and Description of main products /	NIC Code of the Product/service	% to total turnover of the
1.	Financial services – Lending	Section K – Group 649 – Other Financial Service activities, except insurance and pension funding activities	100

**III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES:**

S. No.	Name and Address of the Company	CIN/GLN	Holding /Subsidiary/	% of Shares Held	Applicable Section
1.	DWM Investments (Cyprus) Limited	-NA-	Holding Company	66.64%	Section 2 (46) of

**IV. VI. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)****A) Category-wise Share Holding:**

Category of Shareholders	No. of Shares held at the beginning of the year [As on 31-March-2019]				No. of Shares held at the end of the year [As on 31-March-2020]				Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A. Promoters</b>									
(1) Indian									
a) Individual/ HUF	Nil	3219997	3219997	18.57%	2702499	517498	3219997	18.57%	Nil
<b>Total shareholding of Promoter (A)</b>	Nil	3219997	3219997	18.57%	2702499	517498	3219997	18.57%	Nil
<b>B. Public Shareholding</b>									

i) Individual shareholders holding nominal share capital upto Rs.1 lakh	Nil	2565003	2565003	14.79%	Nil	2565003	2565003	14.79%	Nil
Overseas Corporate Bodies	Nil	11554639	11554639	66.64%	11554639	NIL	11554639	66.64%	Nil
<b>Total Public Shareholding (B)</b>	Nil	14119642	14119642	81.43%	11554639	2565003	14119642	81.43%	Nil
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
<b>Grand Total (A+B+C)</b>	<b>Nil</b>	<b>17339639</b>	<b>17339639</b>	<b>100.00%</b>	<b>14257138</b>	<b>3082501</b>	<b>17339639</b>	<b>100.00%</b>	<b>Nil</b>

**B) Shareholding of Promoter:**

SN	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			change in shareholding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	
1.	RAMESH.S	49998	0.29	Nil	49998	0.29	Nil	Nil
2.	GURUSHANKAR.S	2702499	15.59	Nil	2702499	15.59	Nil	Nil
3.	BUVANESWARI.N	110000	0.63	Nil	110000	0.63	Nil	Nil
4.	DR.MRS.BRATHIBA	150000	0.87	Nil	150000	0.87	Nil	Nil
5.	DR.N.SETHURAMAN & S.RAMESH	100000	0.58	Nil	100000	0.58	Nil	Nil
6.	DR.N.SETHURAMAN & DR.S.PRATHIBHA	80000	0.46	Nil	80000	0.46	Nil	Nil
7.	RAMESH.S & DR. SETHURAMAN. N	27500	0.16	Nil	27500	0.16	Nil	Nil
<b>Total</b>		<b>3219997</b>	<b>18.58</b>	<b>Nil</b>	<b>3219997</b>	<b>18.58</b>	<b>Nil</b>	<b>Nil</b>

**C) Change in Promoters' Shareholding (please specify, if there is no change):**

SN	Particulars	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
- No change in Promoters shareholding during the FY 2019-20					

**D) Shareholding Pattern of top ten Shareholders:**

(Other than Directors, Promoters and Holders of GDRs and ADRs):

S.No	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year		Shareholding at the end of the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1.	DWM Investments (Cyprus) Limited	11554639	66.64	11554639	66.64
2.	SRINIVASAN.N	50000	0.29	50000	0.29



3.	PANDURANGAN. K	47500	0.27	47500	0.27
4.	ESAKKIMUTHU.S	20000	0.12	20000	0.12
5.	PANNIR SELVAM.G	20000	0.12	20000	0.12
6.	BACKIYATHAI.M	15000	0.09	15000	0.09
7.	MAHESWARI.M	15000	0.09	15000	0.09
8.	KOTHAIS	10000	0.06	10000	0.06
9.	DR.THIRUMALAI.P	10000	0.06	10000	0.06
10.	MANOJ KUMAR.R	10000	0.06	10000	0.06

**E) Shareholding of Directors and Key Managerial Personnel:**

SN	Shareholding of each Directors and each Key Managerial Personnel	Shareholding at the beginning of the year		Cumulative Shareholding during the Year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	At the beginning of the year	Nil	Nil	Nil	Nil
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase /decrease (e.g. allotment / transfer / bonus/ sweat equity etc.):	Nil	Nil	Nil	Nil
	At the end of the year	Nil	Nil	Nil	Nil

**V) INDEBTEDNESS:** Indebtedness of the Company including interest outstanding/accrued but not due for payment.

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year</b>				
<b>i) Principal Amount</b>	362,46,72,609	40,00,00,000	-	402,46,72,609
<b>ii) Interest due but not paid</b>			-	-
<b>iii) Interest accrued but not due</b>	3,30,61,886		-	3,30,61,886
<b>Total (i+ii+iii)</b>	<b>365,77,34,495</b>	<b>40,00,00,000</b>	<b>-</b>	<b>405,77,34,495</b>
<b>Change in Indebtedness during the financial year</b>				
<b>* Addition</b>	358,80,98,111	-	-	358,80,98,111
<b>* Reduction</b>	306,34,18,471	-	-	306,34,18,471
<b>Net Change</b>	52,46,79,640	-	-	52,46,79,640
<b>Indebtedness at the end of the financial year</b>				
<b>i) Principal Amount</b>	412,22,13,775	40,00,00,000	-	452,22,13,775
<b>ii) Interest due but not paid</b>			-	-
<b>iii) Interest accrued but not due</b>	6,02,00,361	-	-	6,02,00,361
<b>Total (i+ii+iii)</b>	<b>418,24,14,136</b>	<b>40,00,00,000</b>	<b>-</b>	<b>458,24,14,135</b>

**VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL:****A. Remuneration to Managing Director, Whole-time Directors and/or Manager:**

SN.	Particulars of Remuneration	Name of MD/WTD/Manager	Total Amount in Rs.
		Mr. Murali Srinivas P, Managing Director & CEO	
1.	Gross salary		
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	45,13,833	45,13,833
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	Nil	Nil
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	Nil	Nil
2.	Stock Option	Nil	Nil
3.	Sweat Equity	Nil	Nil
4.	Commission - as % of profit - others, specify...	Nil	Nil
5.	Others Exgratia Variable Pay	3,71,000 17,50,000	21,21,000
	<b>Total (A)</b>	<b>66,34,833</b>	<b>66,34,833</b>
	Ceiling as per the Act	Within the prescribed limits of the	

**B. Remuneration to other Directors:**

In Rupees

S.N	Particulars of Remuneration	Name of Directors				Total Amount
		Mr. Rajan Samuel	Mr. Suresh K Krishna	Mrs. Indrani Bhagwan Singh	Mr. V S Padmanabhan	
1.	Independent Directors					
	Fee for attending board & committee meetings	6,50,000	7,50,000	1,75,000	50,000	16,25,000
	Commission	Nil	Nil	Nil	Nil	Nil
	Others, please specify	Nil	Nil	Nil	Nil	Nil
	Total (1)	6,50,000	7,50,000	1,75,000	50,000	16,25,000
2.	Other Non-Executive Directors					
	Fee for attending board committee meetings	Nil	Nil			Nil
	Commission	Nil	Nil			Nil
	Others, please specify	Nil	Nil			Nil
	Total (2)	Nil	Nil			Nil
	Total (B)=(1+2)	Nil	Nil			Nil
	<b>Total Managerial Remuneration</b>	<b>6,50,000</b>	<b>7,50,000</b>	<b>1,75,000</b>	<b>50,000</b>	<b>16,25,000</b>
	Overall ceiling as per the Act (sitting fees not to exceed Rs. 1,00,000 per meeting)	The Company is paying only sitting fees to Non-Executive Independent Directors which is below the ceiling of Rs1,00,000/- per meeting as prescribed under the Companies Act, 2013				

**C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/WTD:**

In Rupees

SN	Particulars of Remuneration	Key Managerial Personnel		Total
		Chief Financial Officer	Company Secretary	
1.	Gross salary			
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	30,59,552	15,20,833	45,80,385
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	Nil	Nil	
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	Nil	Nil	
2.	Stock Option	Nil	Nil	
3.	Sweat Equity	Nil	Nil	
4.	Commission	Nil	Nil	
	- as % of profit	Nil	Nil	
	others, specify...	Nil	Nil	
5.	Others, Exgratia & Incentive	4,67,070	2,25,800	6,92,870
	<b>Total</b>	<b>35,26,622</b>	<b>17,46,633</b>	<b>52,73,255</b>

**VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:**

There were no penalties, punishment or compounding of offences during the year ended March 31, 2020.



# MANAGEMENT DISCUSSION AND ANALYSIS





# REPORT ON MANAGEMENT DISCUSSION AND ANALYSIS

## Industry structure and developments:

The last two decades has seen the microfinance industry grow by leaps and bounds around the world and India is no exception. The number of non-banking finance companies providing microcredit products has gone up significantly. Microfinance is now recognized as being the vehicle to achieve our country's financial inclusion goals

Microfinance industry has gone through many crises in their journey but has reinvented them every time a crisis hits them. They hope to do it this time around too to beat the demon effects of coronavirus epidemic.

Over the last few years, with rapid changes in technology, microfinance has been evolving, and MFIs are expanding their services in innovative ways. A case in point is the delivery of microfinance products using mobile phones. MFIs are leveraging this dramatic penetration of mobile technology and mobile payments to improve delivery of microfinance services and products to their clients.

For instance, the offering of individual microcredit products is increasingly replacing the traditional group-lending model. Business models are more and more technology enabled. The now generally accepted principle that credit alone cannot eradicate financial exclusion has led MFIs to rely on integrated product and service propositions. The wide mobile phone reach in developing countries has allowed MFIs and their partners (mobile operators, retail stores, credit card companies, etc.) to develop integrated mobile banking platforms for the delivery of a broad range of products and services.

## Opportunities and Threats:

Microfinance industry has a huge potential in the country with a population of ~130 crore. At pan-India level, micro credit reaches to not more than 20% of the total deserving households through a variety of channels, including Banks, SFBs and MFIs. Given the extent of financial exclusion, MFIs have more opportunity to tap.

The threats of industry include high level of competition. With small finance banks focusing mainly on this segment and commercial banks showing active interest in micro lending, the competition has become intense. These entities have access to lower cost of funding vis-à-vis pure microfinance companies.

The overcrowding in the sector may increase the over indebtedness of the borrowers in the long run and increase the delinquency levels.

Covid-19 outbreak has caused serious disruptions to the businesses all over the Country and the Indian economy. As this seems to have long term impact, the sector's growth will be hampered during FY 2020-21, is likely to survive without big losses. Due to Covid-19, most companies are advancing their digital transformation plans which are going to benefit customers and other stakeholders in a big way. Digital Transformation initiatives also have the potential to change our business models to keep up with changing customer expectations, which companies like SMILE are fully set to be in the forefront of this fundamental change.

Fund rise in the current scenario will be a challenge as lenders will take a cautious approach in taking exposure

## Product-wise performance:

SMILE provides microfinance services to the low-income households and individuals to improve their quality of life. SMILE constantly endeavors to deliver quality services to its clients by maintaining highest levels of transparency and integrity.



SMILE replicates JLG methodology where women are asked to form into groups of their choice. These groups meet at a place and time convenient to them. The group members undertake the responsibility of approving, disbursing, utilization and repaying the loans. SMILE facilitates capacity building, management of group dynamics, loan utilization and monitors credit discipline of the groups through its FDOs.

In FY 2019-20, SMILE offered 3,51,569 loans to its members under the following financial products that can be used for a variety of activities that generate income for their families. SMILE offers different loan products in different quantum/tenures to its members to meet their working capital requirements.

Loan products	Loan size/Tenure/Purpose
<b>IGP Loan- Income generation program loan</b>	Minimum Rs.15000/- to Max Rs.50000/- Tenure: Minimum 25 fortnights to 52 fortnights and 12 Months to 26 Months Purpose: Income generation loan for livelihood.
<b>AIGP Loan- Additional IGP loan.</b>	Rs.5000/- , Rs.10000/- Tenure: Minimum 25 fortnights to 52 fortnights and 12 Months to 26 Months Purpose: Additional credit line/top-up to meet working capital requirements.

In FY-2019-20, SMILE granted loans to members in different loan products as follows:

Table 1:

PARTICULARS	IGP Loans						AIGP Loans		TOTAL
Loan Size	15000	20000	25000	30000	40000	50000	5000	10000	
No. of loans granted	0	2,354	55,526	1,47,653	40,535	10,102	13,694	81,705	<b>3,51,569</b>
Amount disbursed (In Crs)	0.00	4.71	138.82	442.96	162.14	50.51	6.85	81.71	<b>887.68</b>

In FY-2019-20, SMILE has piloted the two new loan products for its client segments,

- 1) Education loan – loan under JLG to the client's children who are pursuing their school educations.
- 2) Loan for family functions under NON-JLG – NON IGP product segment a short term loan to the clients to meet their expenses for the functions like House warming, Ear boring, Wedding (son / daughter), Puberty function.

Table 2:

Loan products	Loan size/Tenure/Purpose	No of loans issued during piloted	Amount of loan
<b>Education loan under JLG</b>	Minimum Rs.10000/- to Max Rs.30000/- Tenure: Minimum 25 fortnights and 12 Months	382	1,07,85,000
<b>Loan for Family functions</b>	Maximum of Rs.50,000/- Tenure: Bullet Payment (<=20 Days)	162	77,90,000

\* The Loan Portfolio shown in Table 1 includes the loans issued in the above products.

#### Risks and concerns:

The primary risk in the company includes the following.

1. Geographical concentration- The Company has been predominantly operating in Tamil Nadu. Though the State has a high demand for microcredit loans and good credit culture, there is urgent need to reduce the concentration risk. Recognizing the need, the management has spread their operations to Chhattisgarh, Jharkhand, Madhya Pradesh and Karnataka and is also exploring opening more branches in Central India.

2. The company is offering only single product line and with increasing competition, product lines need to be expanded further.
3. Going forward there could be a need for capital infusion to maintain capital adequacy ratio stipulated by the Reserve Bank of India. The company is taking efforts in exploring ways to raise capital.
4. The company has introduced Android Tabs to all its field force to be used for collections and member enrollments. In addition, the company is soon launching an Internal Audit application, Overdue Follow-up application and Customer Seva application, digital payment methods to customers, etc. The company is all set to leverage digital technology in all aspects of its operations in the coming year.
5. The company like all its peers is facing the effects of Covid 19 and the country wide lock downs. The company has extended moratorium on loan repayments to all borrowers initially up to 31st May. From 1<sup>st</sup> June to 31<sup>st</sup> August, it is being extended to the borrowers who opt for the same ability.
6. The company' operation is predominantly concentrated in Tamil Nadu, which is the 2nd worst affected State in the country by Covid-19 pandemic.

#### **Internal audit and controls:**

S.M.I.L.E has a robust internal audit system since its inception. The department is headed by a Chartered accountant and consists of an experienced team of 43 senior managers and audit executives. Each region of the company is headed by senior manager, who reports to the Audit head.

Every branch of the company gets audited once in a quarter with 100% of the centres (point of collection) being personally audited by the team.

The company has a very effective Audit committee which meets once in a quarter and reviews the report of the team and suggests for improvements in process and systems proactively.

Apart from the above, inbuilt internal controls are set up in each and every area of operations with maker and checker concepts introduced at all points. The company is also in the process of automating the audit process with line of business software

#### **Risk Management:**

The company has an effective Risk management department currently headed by the Head of Audit. Periodical operational, financial, strategic risk assessments are carried out and deviations to existing process are highlighted to the top management and the board periodically.

#### **Discussion on financial performance with respect to operational performance:**

SMILE is engaged in empowerment of poor women by providing micro credit for Income Generation Programs both in rural and urban areas. As at March 2020, SMILE has presence across 7 States, viz., Tamil Nadu, Puducherry, Kerala, Chhattisgarh, Jharkhand, Madhya Pradesh and Karnataka extending credit to ~ 3 lakh poor families and with a portfolio outstanding of INR 606 Cr, managed through a network of 137 branches and a team of ~800 employees. The asset quality continues to remain excellent, evidenced in a repayment rate of >99% on-time and a Portfolio at risk (principal balance of loans overdue) remaining at very low level (0.42%). The Company registered all-round growth in FY 2019-20 under all key parameters like disbursement (Rs.888 Cr), AUM Rs.606 Cr and earned a PAT of Rs.15 Cr.

#### **Material developments in Human Resources / Industrial Relations front, including number of people employed:**

Microfinance sector faces major challenges in acquiring resources with the right skills, aptitude and also on retention of the employee. The department has set up a scalable recruitment and human resource management process, which enables to attract and retain high performing employees. The department work is to ensure the organization remains competitive in its human resources management policies and practices by actively seeking and developing best practices, methods and approaches.

SMILE Microfinance is an equal employment opportunity company and is committed to creating a healthy working environment that enables employees to work without fear of prejudice, gender bias and sexual harassment. The Company also believes that all employees of the Company have the right to be treated with dignity. Sexual harassment at the workplace or other than workplace if involving employees is a grave offence and is, therefore, punishable.

The Company recruits fully qualified staff with high integrity, as the main commodity of our business is 'MONEY' handled on daily basis.

A well-knit recruitment policy decides the right sourcing and selection of right candidates for the Organization. The able work force is the strength of the Organization.

To all newly recruited Staff, SMILE provides an extensive Induction program covering all the departments and for Field Development officers SMILE provides training program which has three different Levels & the training methodology includes group activity, power point presentations, audio visual, role plays and team presentation.

LEVEL 1 - Two Days Classroom Training

LEVEL 2 - Two Weeks on the Job Training in Field and

LEVEL 3 - Two Days Refresher Training & Certification

There will be reviews in between and final assessment will happen at the end of training. On successful completion of training, they would be posted as Field Development Officers.

To provide employees lateral growth and also to retain the talent, SMILE adopts IJPs through which internal talents are identified and elevated to next level. Based on the position, they have to undergo assessment and multiple levels of interview based on the position they apply for.

As on March 2020, SMILE's total staff headcount is 799 and 137 branches being operated across Tamil Nadu, Kerala, Pondicherry, Karnataka, Chhattisgarh, Jharkhand and Madhya Pradesh. During the FY 2019-20, SMILE has opened 32 new branches across Tamilnadu, Kerala, Karnataka, Chhattisgarh, Jharkhand and Madhya Pradesh, and Staff Strength increased from 580 to 799.

### **Information Technology:**

SMILE is all set to transform its digital transformation. In 2019-20, all applications in use were migrated to the cloud and enhanced security. In 2020-21, SMILE is rolling out cloud based software applications for Internal Audit, Overdue Management, Branch planning and monitoring, Customer Seva, and Business Intelligence.

Currently, SMILE's core MIS Software is Bankers Realm.Net (BR.Net). It is a loan management software (LMS) used to track client's individual portfolios. SMILE and Craft Silicon have entered in to a License agreement for Craft Silicon's Core Microfinance Software called Bankers Realm.Net (BR.Net) since the year 2012. It is currently cloud based in the Software as a Service (SaaS) model.

Technology Intervention: IT is a backbone of the SMILE. Most of the business processes have been implemented (automated process) in the Software which reduced the service Turn Around Time from days to hours; improves operations efficiency.

Bankers Realm. Net, popularly known as BR.Net is a high end web enabled Core Banking solution integrated with full suite of financial accounting and Mobile transactions at Field level. Open Delivery concept of BR.Net allows seamless interface to third party channels like Credit Bureau, Core Banking, Aadhaar based eKYC, eSign, Dedupe engines etc. BR.Net is designed to process large volume of transactions with ease.

Advantages of BR.Net:

- Fast transaction posting
- Easy processing of services, thus improving customer service efficiency
- Batch processing of all group transactions, saves data entry time
- Capability to handle large volumes of transactions
- Secure Customer data, accessible only to authorized person

- Anywhere easy accessibility
- Maker- checker support for all modules, helping in reducing errors
- Multi OS / Multi browser support
- Low TCO, support Linux OS at client side.
- BR.Net is offered under the SaaS model with guaranteed 99.9% uptime and Disaster recovery.

MIS Reports:

- ✓ Facilitating a continuous monitoring of clients, disbursements, cash management, field officers and operating expenses.
- ✓ Branch-wise reports are readily available in BR.NET Software
- ✓ MIS team Consolidating MIS reports based on BR.NET on daily basis.
- ✓ No BACKLOG in generating day-to-day MIS. (If there is any valid exception then the BACKLOG would be one working day)
- ✓ Business managers at all levels of the organization, from Field Development Officers to executives, functional heads rely on reports generated from these systems to help them evaluate their business' daily activities or problems that arise, make decisions, and track progress.

By order of the Board  
**For S.M.I.L.E. MICROFINANCE LIMITED**  
**Sd/-**  
**MURALI SRINIVAS P**  
**MANAGING DIRECTOR & CEO**



# CORPORATE GOVERNANCE



# REPORT ON CORPORATE GOVERNANCE:

Corporate Governance is the commitment of an organization to follow Ethics, Fair Practices and Transparency in all its dealings with its various stakeholders such as Customers, Employees, Investors, Government and the Society at large. Sound Corporate Governance is the result of external marketplace commitment and legislation plus a healthy Board Culture which directs the policies and philosophy of the Organization. Your Company is committed to good Corporate Governance in all its activities and processes.

## COMPANY PHILOSOPHY:

S.M.I.L.E. MICROFINANCE LIMITED's philosophy on Corporate Governance envisages adherence to the highest levels of Transparency, Accountability and fairness in all areas of its operations and in all interactions with its stakeholders. The Board shall work to ensure the success and continuity of the Company's business through the appointment of Qualified Management and through on-going monitoring to assure that the Company's activities are conducted in a Responsible, Ethical and Transparent manner.

## BOARD of DIRECTORS:

In terms of Corporate Governance philosophy, all statutory and other significant material information are placed before the Board of Directors to enable it to discharge its responsibility of strategic supervision of the Company as trustees of the Shareholders.

### The Current Board of Directors of the Company:

S.no	Name of the Directors	Designation
1	Mr. P. Murali Srinivas	Managing Director and CEO
2	Mrs. Indrani Bhagwan Singh	Non-Executive Director
3	Mr. Bradley Swanson	Non- Executive Director
4	Mr. Aleem Remtula	Non- Executive Director
5	Mr. V.S. Padmanaban	Non- Executive Director (w.e.f. 29-10-2019)
6	Mr. Suresh K Krishna	Independent Director
7	Mr. Rajan Samuel	Independent Director

During the Financial Year ended 31st March 2020, Nine (9) Board Meetings were conducted on the following dates viz., 25th April 2019, 30th May 2019, 29th May 2019, 16th August 2019, 12th September 2019, 25th September 2019, 29th October 2019, 09th December 2019, 30th January 2020, 19th March 2020 and not more than 120 days elapsed between any two Board Meetings.

Particulars of the Directors' attendance of Board /Committee Meetings and particulars of their other company directorships are given below:-

NAME	Nature of Directorship	Attendance		Other Directorships
		Board	Committee	
Mr. P. Murali Srinivas	Managing Director & CEO	9	26	Nil
Mrs. Indrani Bhagwan Singh	Non-Executive Director	3	3	Nil
Mr. Bradly Swanson	Non- Executive Director	4	6	Nil
Mr. Aleem Remtula	Non- Executive Director	7	13	1
Mr. Rajan Samuel	Independent Director	6	25	1
Mr. Suresh K Krishna	Independent Director	8	27	11
Mr. V.S. Padmanaban	Non- Executive Director (w.e.f. 29-10-2019)	3	-	2

## COMMITTEES OF BOARD:

The Board has currently Ten Committees, namely, Audit Committee, Nomination & Remuneration Committee, Corporate Social Responsibility Committee, Borrowing & Investment Committee, \*Credit &



Non-Performing Assets Review Committee, Asset Liability Management & Risk Management Committee, Share allotment & transfer Committee, Grievance redressal & Stakeholder relationship committee, Risk management committee and IT Steering Committee.. The Board is responsible for constituting, assigning and co-opting the members of these Committees. The Board fixes the terms of references of the Committees and also delegates powers to the Committees from time to time. The Minutes of the meetings of the Committees are circulated to the Board for its information and confirmation.

#### **AUDIT COMMITTEE:**

##### **Composition:**

Mr. Suresh K Krishna, Independent Director (Chairman of the Committee)

Mr. Rajan Samuel, Independent Director

Mr. J. Bradley Swanson, Non-Executive Director

Mr. V S Padmanaban, Non-Executive Director

##### **Meetings:**

The Audit Committee met four (4) times during the Financial Year 2019-20 viz., on 30th May 2019, 25th September 2019, 09th December 2019 and 29th January 2020.

##### **Terms of Reference:**

##### **The Role of the Committee, among others will include:**

1. Oversee the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the Statutory Auditor and the audit fees and also appointment of External Auditors for Branch Auditing.
3. Reviewing with the management, the quarterly and annual financial statements before submission to the Board for approval, with particular reference to:
  - a. Matters required to be included in the Director's Responsibility Statement, in the Board's report in terms of section 134 (5) of the Companies Act, 2013;
  - b. Changes, if any, in accounting policies and practices and reasons for the same;
  - c. Major accounting entries involving estimates based on the exercise of judgment by management;
  - d. Significant adjustments made in the financial statements arising out of audit findings
  - e. Compliance with accounting and other legal requirements relating to financial statements;
  - f. Disclosure of any 'related party transactions';
  - g. Qualifications in the Draft Audit Report
4. Reviewing with the management, performance of Internal Auditors and adequacy of the internal control systems.
5. Reviewing the adequacy of internal audit function including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.
6. Discussion with Internal Auditors about significant findings and follow up there on.
7. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
8. Discussion with Statutory Auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.

##### **The Committee shall review the following information:**

1. Management discussion and analysis of financial condition and results of operations;
2. Statement of 'related party transactions' (as defined by the Audit Committee), submitted by management;
3. Management letters / letters of internal control weaknesses issued by the Statutory Auditors;
4. Internal Audit reports relating to internal controls of the Company;

**BORROWING & INVESTMENT COMMITTEE:****Composition:**

Mr. Murali Srinivas P, Managing Director & CEO  
 Mr. Aleem Remtula, Non-Executive Director  
 Mr. Suresh K Krishna, Independent Director  
 Mr. Rajan Samuel, Independent Director

**Meetings:**

The Committee met Fifteen (16) times during the Financial Year 2019-20 viz., 28th June 2019, 27th August 2019, 23rd September 2019, 25th September 2019, 10th October 2019, 29th October 2019, 30th October 2019, 13th December 2019, 24th December 2019, 31st December 2019, 30th January 2020, 20th February 2020, 27th February 2020, 12th March 2020, 19th March 2020 and 21<sup>st</sup> March 2020.

**Terms of Reference:**

The role of Borrowing & Investment Committee is to approve borrowings from sources like Banks, Financial Institutions, Corporate on such terms and conditions as to repayment, interest rate as it thinks fit and to review proposals for fresh issue of securities, or debt and approve the same.

**CREDIT & NON-PERFORMING ASSETS REVIEW COMMITTEE:****Composition:**

Mr. Murali Srinivas P, Managing Director & CEO  
 Mrs. Indrani Bhagwan Singh, Non- Executive Director  
 Mr. J. Bradley Swanson, Non-Executive Director  
 Mr. Aleem Remtula, Non-Executive Director  
 Mr. Rajan Samuel, Independent Director  
 Mr. Suresh K Krishna, Independent Director

**Meetings:**

The Committee met one (1) time during the Financial Year 2019-20 viz., on 30th May 2019. Thereafter this committee stand dissolved.

**Terms of Reference:**

The Committee has been authorized to review and submit its recommendations to the Board in the following matters:

1. Business Plans; analysis of Member base; Drop outs; Death Benefits to Members / their Spouses; representations in MFI Associations like MFIN, Sa-Dhan.
2. Revision in Business Plans, Risk Categorisation of Accounts, Compliances as per RBI Guidelines in respect of Interest Rates, Margins etc.,
3. Analysing NPAs, suggestions for controlling NPAs, New Business Initiatives proposed by the Company, etc.

**ASSET LIABILITY MANAGEMENT COMMITTEE (ALCO):**

Asset Liability Management Committee (ALCO) was constituted by the Company as per the guidelines issued by RBI which are applicable to systemically important NBFCs.

**Composition:**

Mr. Murali Srinivas P, Managing Director & CEO  
 Mr. J. Bradley Swanson, Non-Executive Director  
 Mr. Suresh K Krishna, Independent Director

**Meetings:**

The Committee met three (3) times during the Financial Year 2019-20 viz., on 30th May, 2019, 25th September, 2019 and 30th January, 2020.

**Terms of Reference:**

1. Liquidity Risk Management
2. Management of Market (Interest Rate) Risk
3. Funding and Capital Planning
4. Pricing, Profit planning and Growth projections
5. Credit and Portfolio Risk Management

6. Setting credit norms for lending products of the company
7. Operational and Process Risk Management
8. Laying down guidelines on KYC norms
9. To approve and revise the actual interest rates to be charged from customers for different products from time to time applying the interest rate model.
10. Business Plans; analysis of Member base; Drop outs; Death Benefits to Members / their Spouses; representations in MFI Associations like MFIN, Sa-Dhan.
11. Revision in Business Plans, Risk Categorisation of Accounts, Compliances as per RBI Guidelines in respect of Interest Rates, Margins etc.,
12. Analysing NPAs, suggestions for controlling NPAs, New Business Initiatives proposed by the Company, etc.

#### **SHARE ALLOTMENT & TRANSFER COMMITTEE:**

Share Allotment & Transfer Committee was constituted as per the guidelines of the Companies Act.

##### **Composition:**

Mr. Murali Srinivas P, Managing Director & CEO

Mr. Aleem Remtula, Non-Executive Director

##### **Meetings:**

The Committee has not met during the Financial Year 2019-20

##### **Terms of Reference:**

The Committee shall consider all the share transfers, share transmissions and allotment of shares as and when the need arises and the Committee shall prepare a consolidated statement of all share transfers/transmissions effected and allotment(s) of shares made and present the same to the Board for its noting.

#### **NOMINATION & REMUNERATION COMMITTEE:**

Nomination & Remuneration Committee was constituted as per the Companies Act, 2013 and guidelines issued by RBI for systemically important NBFCs.

##### **Composition:**

Mr. J. Bradley Swanson, Non-Executive Director

Mr. Rajan Samuel, Independent Director

Mr. Suresh K Krishna, Independent Director

##### **Meetings:**

The Committee met Four (4) times during the Financial Year 2019-20 viz., on 25th April 2019, 30th May 2019, 25th September 2019 and 29th January 2020.

##### **Terms of Reference:**

The terms of reference of the Nomination Committee includes:

The primary role of the Committee is fixing and revising the remuneration payable to the Managing Director and Whole-time Director(s) of the Company from time to time and to recommend to the Board the same for its approval.

The Committee shall analyse the necessity of appointment of Directors to the Board whether Executive / Non-Executive / Independent, proposed candidates' ability in contributing to the good of the Company, their value addition etc., and recommending to the Board the right person for appointment to the position of Director in the Board, to the Board and also to determine the Salary, Bonus, Incentive and other Perquisites payable to the Key / Senior Management Personnel of the Company and recommend the same to the Board for its approval.

#### **CORPORATE SOCIAL RESPONSIBILITY COMMITTEE:**

Corporate Social Responsibility Committee was constituted as provided by Section 135 of the Companies Act, 2013

The outline and composition of the Committee which are more particularly given in annual report on CSR activities

**Composition:**

Mr. Murali Srinivas P, Managing Director & CEO  
 Mr. Rajan Samuel, Independent Director  
 Mr. Aleem Remtula, Non- Executive Director

**Meetings:**

The Committee met One (1) time during the Financial Year 2019-20 viz., on 30th May 2019.

**Terms of Reference:**

The terms of reference of the Corporate Social Responsibility Committee includes:

1. Design, implement and Review of CSR Policy periodically.
2. Comply Statutory Requirement and CSR practices
3. Budget and allocate funds for CSR initiatives and review the spends periodically
4. Ensure CSR activities reach the Public and who are in need of basic amenities for their livelihood / relief from natural calamities.

**RISK MANAGEMENT COMMITTEE:**

Risk Management Committee has overall responsibility for establishing a strategic approach to risk management across the organisation, ensuring that the approach is pro-active. The Committee is also responsible for the overall co-ordination of risk management activity.

**Composition:**

Mr. Murali Srinivas P, Managing Director & CEO  
 Mr. Aleem Remtula, Non-Executive Director  
 Mr. Rajan Samuel, Independent Director  
 Mr. Suresh K Krishna, Independent Director

**Meetings:**

The Committee met Two (2) times during the Financial Year 2019-20 viz., on 30th May 2019 and 25th September 2019.

**Terms of Reference:**

The terms of reference of the Risk Management Committee includes:

1. To assist the Board in the execution of its risk management accountabilities, the Committee shall be charged with the following general responsibilities:
2. To assist the Board in setting risk strategy policies in liason with management and in the discharge of its duties relating to corporate accountability and associated risk in terms of management assurance and reporting;
3. To review and assess the quality, integrity and effectiveness of the risk management systems and ensure that the risk policies and strategies are effectively managed;
4. To review and assess the nature, role, responsibility and authority of the risk management function within the Company and outline the scope of risk management work;
5. To ensure that the Company has implemented an effective ongoing process to identify risk, to measure its potential impact against a broad set of assumptions and then to activate what is necessary to pro-actively manage these risks, and to decide the Company appetite or tolerance for risk;
6. To ensure that a systematic, documented assessment of the processes and outcomes surrounding key risks is undertaken at least annually for the purpose of making its public statement on risk management including internal control;
7. To oversee formal reviews of activities associated with the effectiveness of risk management and internal control processes. A comprehensive system of control should be established to ensure that risks are mitigated and that the Company's objectives are attained;
8. To review processes and procedures to ensure the effectiveness of internal systems of control so that decision-making capability and accuracy of reporting and financial results are always maintained at an optimal level;
9. To monitor external developments relating to the practice of corporate accountability and the reporting of specifically associated risk, including emerging and prospective impacts;

10. To provide an independent and objective oversight and view of the information presented by management on corporate accountability and specifically associated risk, also taking account of reports by the Audit Committee to the Board on all categories of identified risks facing Company.
11. To review the risk bearing capacity of Company in light of its reserves, insurance coverage or other such financial structures

#### **IT STEERING COMMITTEE:**

To provide strategic advice, guidance and direction to the Board of Directors on technology initiatives. To explore and make recommendations regarding technology tools and resources that would benefit the Company.

#### **Composition:**

Mr. Murali Srinivas P, Managing Director & CEO

Mr. Suresh K Krishna, Independent Director

Mr. S. Sivakumar, Head-Information Technology Mr. Karthikeya Prabhu, Head-PMD

#### **Meetings:**

The Committee has not met during the Financial Year 2019-20

#### **Terms of Reference:**

The terms of reference of the IT Steering Committee includes:

1. Approving IT strategy and policy documents and ensuring that the management has put an effective strategic planning process in place;
2. Ascertaining that management has implemented processes and practices that ensure that the IT delivers value to the business;
3. Ensuring IT investments represent a balance of risks and benefits and that budgets are acceptable;
4. Monitoring the method that management uses to determine the IT resources needed to achieve strategic goals and provide high-level direction for sourcing and use of IT resources;
5. Ensuring proper balance of IT investments for sustaining NBFC's growth and becoming aware about exposure towards IT risks and controls.
6. Provide IT insights to board and act as subject matter expert.
7. Monitor strategic IT plans.
8. Monitor enterprise resource availability to support IT initiatives.
9. Understand, Communicate, Mitigate IT risk.

#### **GRIEVANCE REDRESSAL & STAKEHOLDER RELATIONSHIP COMMITTEE:**

#### **Composition:**

Mr. Murali Srinivas P, Managing Director & CEO

Mr. Aleem Remtula, Non-Executive Director

Mr. Rajan Samuel, Independent Director

#### **Meetings:**

The Committee met One (1) time during the Financial Year 2019-20 viz., on 25th September 2019.

#### **Terms of References:**

1. Grievance Redressal & Stakeholder Relationship Committee should take utmost care in solving the grievances of the stakeholder of the company.
2. The Committee shall not act prejudicial to the interest of the stakeholder.
3. The Committee shall be governed by the same rules regarding meetings as are applicable to the Board.

**DEBENTURE HOLDER DETAILS:**

Name of Debenture Holder	Address	Number of Non-Convertible Debentures
IFMR FImpact Long Term Multi Asset Class Fund	10th Floor Phase-I IITM Research Park, Kanagam Village, Taramani, Chennai, 600113	388
IFMR FImpact Medium Term Multi Asset Class Fund	10th Floor Phase-I IITM Research Park, Kanagam Village, Taramani, Chennai, 600113	12
Japan ASEAN Women Empowerment Fund	Jeevan Seva Extension Building, Ground Floor, S V Road, Santacruz(W), Mumbai - 400 054	258
Microfinance Initiative for Asia (MIFA) Debt Fund SA, SICAV-SIF	Citibank N.A Securities & Funds Services, FIFC-11th Floor, C-54 & C-55 G Block, Bandra Kurla Complex, Bandra East, Mumbai - 400051	387
IFMR Capital Finance Limited	IFMR Capital Finance Private Limited, No 1 X Floor Kanagam Village, IIT Research Park Taramani, Chennai Tamil Nadu, 600113	200

**DEBENTURE TRUSTEES DETAILS:**

Debenture Trustee	Registered Office Address
Catalyst Trusteeship Limited (Formerly known as GDA)	Office No. 83 – 87, 8th floor, 'Mittal Tower', 'B' Wing, Nariman Point, Mumbai – 400021
Vistra ITCL (India) Limited	IL & FS Financial Centre, Plot No C22, G Block, BandraKurla Complex, Bandra East, Mumbai- 400051

**GENERAL SHAREHOLDER INFORMATION:**

**Financial year:** 1<sup>st</sup> April to 31<sup>st</sup> March: Shareholding pattern as on 31<sup>st</sup> March 2020

Category	# of Shares	Percentage
Promoter & Promoter Group	3219997	18.57%
Other Members	2565003	14.79%
<b>Foreign Shareholding:</b>		
DWM Investments (Cyprus) Limited	11554639	66.64%
<b>Total</b>	<b>17339639</b>	<b>100.00%</b>

**CODE OF CONDUCT:**

The Company has formulated and adopted a Code of Conduct for the Board of Directors. The Code of Conduct is derived from three interlinked fundamental principles, viz. good Corporate Governance, good corporate citizenship and exemplary personal conduct.

**FAIR PRACTICES CODE:**

The Company has formulated a Fair Practices Code pursuant to the RBI guidelines issued in this regard to lay down procedures and practices in dealing with the business transactions, namely, applications for loans and their processing, loan appraisal and terms/conditions, disbursement of loans including changes in terms and conditions and handling of customer grievances. The Code came into effect on 17th March, 2007. The Code was amended by the Board of Directors at their meetings as and when required in order to comply with the changes provided by the Reserve Bank of India through periodical Circulars/Guidelines.

**DISCLOSURES:**

The particulars of transactions between the Company and its related parties, as defined in Accounting Standard 18, are set out in the financial statements.

**Address for Correspondence**

**R Venkatasubramanian**  
**Company Secretary**  
**14/25, Chakrapani Street, West Mambalam**  
**Chennai 600033**

- By order of the Board  
**For S.M.I.L.E. MICROFINANCE LIMITED**  
**Sd/-**  
**P. MURALI SRINIVAS**  
**MANAGING DIRECTOR & CEO**



**MD & CEO / CFO Certificate****The Board of Directors****S.M.I.L.E. MICROFINANCE LIMITED**

This is to certify that

- We have reviewed financial statements and the cash flow statement for the Financial Year ended 31st March 2020 and that to the best of our knowledge and belief:
  - a) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - b) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- There are, to the best of our knowledge and belief, no transactions entered into by the Company during the Financial Year which are fraudulent or illegal.
- We accept responsibility for establishing and maintaining internal controls for financial reporting.

Sd/-

**P. MURALI SRINIVAS**  
Managing Director & CEO

Sd/-

**V.T. PRABAKARAN**  
Chief Financial Officer

**Place: Chennai**

**Date: 30-06-2020**

# AUDITORS' REPORT



## INDEPENDENT AUDITOR'S REPORT

### To The Members of S.M.I.L.E. MICROFINANCE LIMITED Report on the Audit of the Financial Statements

#### Opinion

We have audited the accompanying financial statements of S.M.I.L.E. MICROFINANCE LIMITED ("the Company"), which comprise the Balance Sheet as at 31 March 2020, and the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Cash Flows and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2020, and its profit, total comprehensive income, its cash flows and the changes in equity for the year ended on that date.

#### Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing specified under section 143(10) of the Act (SAs). Our responsibilities under those Standards are further described in the Auditor's Responsibility 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 made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

#### Emphasis of Matter

We draw attention to Note 50 of the financial statements, in which the Company describes that the potential impact of the COVID-19 pandemic on the Company's financial performance and financial position are dependent on future developments, which are uncertain.

Our opinion is not modified in respect of this matter.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section of our report, we have determined the matters described below to be the key audit matters to be communicated in our report.

S.No.	Key Audit Matter	Auditor's Response
1.	<b>Provision for Expected Credit Loss ( ECL) on loans</b>  The Company determines the allowance for credit losses based on historical loss experience adjusted to reflect current and estimated future Economic conditions. The	<b>Principal audit procedures performed:</b>  Our audit procedures related to the provision for ECL on loans included the following, among others:  We tested the design and operating



	<p>Company has considered the age of the receivables, current and anticipated future economic conditions which could impact the credit quality of the Company's loans and advances to estimate the probability of default in the future.</p> <p>The Company has also exercised its judgment in Determination of management overlay at various asset stages considering the possible effects of the current uncertain economic environment including that arising out of the COVID-19 Pandemic.</p> <p>We identified provision for expected credit loss on loans as a key audit matter because the Company exercises significant judgment in calculating the expected credit losses.</p> <p>Refer Note 6 to the audited financial statements.</p>	<p>effectiveness of controls over the (1) development of the methodology for ECL, including consideration of the current and estimated future economic conditions (2) completeness and accuracy of information used in the estimation of probability of default and (3) computation of ECL.</p> <p><b>In addition to above:</b></p> <p>We performed an overall assessment of the ECL provision levels at each stage including management's assessment on COVID-19 impact to determine if they were reasonable considering the macroeconomic environment and the Company's loan portfolio, risk profile and credit risk management practices;</p> <p>We examined Board Policy approving methodologies for computation of ECL that address policies, procedures and controls for assessing and measuring credit risk on all lending exposures, commensurate with the size and complexity specific to the Company.</p> <p>Obtained an understanding of the basis and methodology adopted by management to determine the probability of defaults for various stages/homogeneous segments and performed test checks;</p> <p>Assessed the data used in the computation of expected credit loss (including the data integrity of information extracted from the Company's IT systems);</p> <p>Tested the arithmetical accuracy of the computation of provision for ECL on loans.</p>
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#### Information Other than the Financial Statements and Auditor's 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 auditor's report thereon.
- Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.
- In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.
- If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### 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 Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the Ind AS and other accounting principles generally accepted in India. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding 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 statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

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

### Auditor's Responsibility for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal financial control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our

auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the financial statements.

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

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

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

### **Report on Other Legal and Regulatory Requirements**

1. As required by Section 143(3) of the Act, based on our audit, 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 including Other Comprehensive Income, the Statement of Cash Flows and Statement of Changes in Equity dealt with by this Report are in agreement with the relevant books of account.
  - d) In our opinion, the aforesaid financial statements comply with the Ind AS specified under Section 133 of the Act.
  - e) On the basis of the written representations received from the directors as on 31st March, 2020 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2020 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 A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.



- g) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended, In our opinion and to the best of our information and according to the explanations given to us, the remuneration paid by the Company to its directors during the year is in accordance with the provisions of section 197 of the Act.
- h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:
- I. The Company 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 has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.
2. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in "Annexure B" a statement on the matters specified in paragraphs 3 and 4 of the Order.

For **Deloitte Haskins & Sells LLP**

Chartered Accountants

(Firm's Registration No. 117366 W/W-100018)

**Sd/-**

**Geetha Suryanarayanan**

Partner

(Membership No. 29519)

(UDIN: 20029519AAAACA6438)

Place: Chennai

Date: 30<sup>th</sup> June, 2020

**ANNEXURE "A" TO THE INDEPENDENT AUDITOR'S REPORT**

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

**Report on the Internal Financial Controls Over Financial Reporting 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 **S.M.I.L.E. MICROFINANCE LIMITED** ("the Company") as of March 31, 2020 in conjunction with our auditor the Ind AS 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 respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting of the Company 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") issued by the Institute of Chartered Accountants of India and the Standards on Auditing Prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to auditor internal financial controls. 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 was established and maintained and if such controls operated effectively in all material respects.

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

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

**Meaning of Internal Financial Controls Over Financial Reporting**

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. 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 authorizations of management and directors of the company; and

(3) provide reasonable assurance regarding prevention or timely detection of unauthorized 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, to the best of our information and according to the explanations given to us, 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, 2020, based on the criteria for internal financial control over financial reporting 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 **Deloitte Haskins & Sells LLP**

Chartered Accountants

(Firm's Registration No. 117366 W/W-100018)

**Sd/-**

**Geetha Suryanarayanan**

Partner

(Membership No. 29519)

(UDIN: 20029519AAAACA6438)

**Place: Chennai**

**Date: 30<sup>th</sup> June, 2020**

**ANNEXURE "B" TO THE INDEPENDENT AUDITORS' REPORT**

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

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of property, plant and equipment/ fixed assets.

(b) The property, plant and equipment I fixed assets were physically verified during the year by the Management in accordance with a regular Programme of verification which, in our opinion, provides for physical verification of all the property, plant and equipment/fixed assets at reasonable intervals. According to the information and explanations given to us, no material discrepancies were noticed on such verification.

(c) The Company does not have any immovable properties of freehold or leasehold land and building and hence reporting under clause (i) (c) of the Order is not applicable.

(ii) The Company does not have any inventory and hence reporting under clause (ii) of the Order is not applicable.

(iii) The Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Companies Act, 2013.

(iv) The Company has not granted any loans, made investments or provided guarantees and hence reporting under Clause (iv) of the Order is not applicable.

(v) According to the information and explanations given to us, the Company has not accepted any deposit during the year. There were no unclaimed deposits outstanding at any time during the year and hence reporting under clause (v) of the Order is not applicable.

(vi) Having regard to the nature of the Company's business activities, reporting under clause (vi) of the Order relating to maintenance of cost records is not applicable.

(vii) According to the information and explanations given to us, in respect of statutory dues:

(a) The Company has been regular in depositing undisputed statutory dues, including Provident Fund, Employees' State Insurance, Income Tax, Goods and Services Tax, Cess and other material statutory dues applicable to it with the appropriate authorities.

(b) There were no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Goods and Services Tax, Cess and other material statutory dues in arrears as at March 31, 2020 for a period of more than six months from the date they became payable.

(c) Details of dues of Income-tax which have not been deposited as on March 31, 2020 on account of disputes are given below:

Name of Statute	Nature of Dues	Forum where Dispute is pending	Period to which the amount relates	Amount involved (Rs.)*	Amount Unpaid (Rs.)
Income Tax Act, 1961	Income Tax	Deputy Commissioner of Income Tax	Assessment year 2011-12	2,90,830	2,90,830
Income Tax Act, 1961	Income Tax	Assistant Commissioner of Income Tax	Assessment year 2017-18	1,30,50,323	1,20,50,323

\*excludes interest and penalty.

- (viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of loans or borrowings to banks and financial institutions or dues to debenture holders.
- (ix) The Company has not raised moneys by way of initial public offer or further public offer (including debt instruments). In our opinion and according to the information and explanations given to us, in respect of term loans, the Company has applied the money for the purposes for which they were raised, other than temporary deployment pending application of proceeds.
- (x) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company by its officers or employees has been noticed or reported during the year, though there have been a few cases of irregularities amounting to Rs.0.24 lakhs (Refer Note 46 of the Financial Statements) which have been detected and appropriately dealt with by the Management.
- (xi) In our opinion and according to the information and explanations given to us, the Company has paid / provided managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Companies Act, 2013.
- (xii) The Company is not a Nidhi Company and hence reporting under clause (xii) of the Orders not applicable.
- (xiii) In our opinion and according to the information and explanations given to us, the Company is in compliance with Sections 177 and 188 of the Companies Act, 2013, where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the financial statements as required by the applicable accounting standards.
- (xiv) During the year the Company has not made any preferential allotment or private placement of shares fully or partly convertible debentures and hence reporting under clause (xiv) of the Order is not applicable to the company.
- (xv) In our opinion and according to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with its directors or persons connected with them and hence provisions of Section 192 of the Companies Act, 2013 are not applicable.
- (xvi) The Company is required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934 and it has obtained the registration.

For **Deloitte Haskins & Sells LLP**

Chartered Accountants

(Firm's Registration No. 117366 W/W-100018)

**Sd/-**

**Geetha Suryanarayanan**

Partner

(Membership No. 29519)

(UDIN: 20029519AAAACA6438)

Place: Chennai

Date: 30<sup>th</sup> June, 2020



# AUDITED FINANCIALS



# BALANCE SHEET

## AS AT 31ST MARCH, 2020

Particulars		Note No.	As at 31 March 2020 Amount Rs. in lakhs	As at 31 March 2019 Amount Rs. in lakhs	As at 31 April 2018 Amount Rs. in lakhs
<b>I</b>	<b>ASSETS</b>				
<b>1</b>	<b>Financial assets</b>				
	(a) Cash and cash equivalents	4	3,860.50	6,639.19	5,148.17
	(b) Bank Balances other than (a) above	5	4,330.03	4,355.80	3,270.30
	(c) Loans	6	59,002.59	50,582.44	46,273.93
	(d) Loans given to staff - at amortized cost	6(a)	37.32	22.93	18.53
	(e) Other Financial assets	7	488.86	510.52	303.42
<b>2</b>	<b>Non-financial Assets</b>				
	(a) Current tax assets (net)	8	75.82	74.22	-
	(b) Deferred tax assets (net)	9	387.54	350.68	159.02
	(c) Property, Plant and Equipment	10(a)	155.23	72.56	61.11
	(d) Intangible assets (including RoU)	10(b)	92.61	14.22	6.03
	(e) Other non-financial assets	11	103.59	32.92	20.25
	<b>Total assets</b>		<b>68,534.09</b>	<b>62,655.48</b>	<b>55,260.76</b>
<b>II</b>	<b>LIABILITIES AND EQUITY</b>				
<b>1</b>	<b>Financial Liabilities</b>				
	(a) Other Payables	12			
	(i) total outstanding dues of micro enterprises and small enterprises		-	0.13	-
	(ii) total outstanding dues of creditors other than micro enterprises and small enterprises		141.99	115.58	105.92
	(b) Debt Securities	13	12,701.62	13,182.25	14,699.35
	(c) Borrowings (other than debt securities)	14	39,464.39	35,646.87	28,667.47
	(d) Other Financial liabilities	15	1,130.68	138.66	101.24
<b>2</b>	<b>Non-financial Liabilities</b>				
	(a) Current tax liabilities (net)	16	-	-	38.81
	(b) Provisions	17	325.45	219.20	182.01
	(c) Other non-financial liabilities	18	341.79	104.84	346.44
<b>3</b>	<b>Equity</b>				
	(a) Equity share capital	19	1,733.96	1,733.96	1,733.96
	(b) Other equity	20	12,694.21	11,513.99	9,385.56
	<b>Total Liabilities</b>		<b>68,534.09</b>	<b>62,655.48</b>	<b>55,260.76</b>
See accompanying notes forming part of the financial statements					

In terms of our report of even date attached

For **Deloitte Haskins & Sells LLP**

FRN No.117366 W/W-100018

Chartered Accountants

Sd/-

**Geetha Suryanarayanan**

Partner

Membership No. 29519

Place : Chennai

Date : 30th June, 2020

For and on behalf of the **Board of Directors of S.M.I.L.E. Microfinance Limited**

Sd/-

**P. Murali Srinivas**

CEO &amp; Managing Director

DIN:00554309

Sd/-

**Suresh Krishna. K**

Independent Director

DIN:01217401

Sd/-

**V.T. Prabakaran**

Chief Financial Officer

PAN: AKOPP2826M

Place : Chennai

Date : 30th June, 2020

Sd/-

**R. Venkatasubramanian**

Company Secretary

PAN: AJGPV8188H

# STATEMENT OF PROFIT AND LOSS

## FOR THE YEAR ENDED 31ST MARCH, 2020

Particulars		Note No.	For the Year ended 31 March 2020 Amount Rs. in lakhs	For the Year ended 31 March 2019 Amount Rs. in lakhs
<b>I</b>	<b>Revenue from operations</b>			
	Interest income	21	12,393.88	11,616.29
	Net Gain on Derecognition of Financial Instruments under Amortised cost category	22	179.25	-
	Commission Income	23	132.62	118.54
	Other operating income	24	4.48	2.47
	<b>Total (I)</b>		<b>12,710.23</b>	<b>11,737.30</b>
<b>II</b>	<b>Other Income</b>	25	201.59	155.31
<b>III</b>	<b>Total Income (I + II)</b>		<b>12,911.82</b>	<b>11,892.61</b>
<b>IV</b>	<b>Expenses</b>			
	Finance cost	26	6,146.59	6,016.47
	Impairment of financial instruments	27	337.98	182.74
	Employee benefit expenses	28	2,492.88	1,964.99
	Depreciation, amortization and impairment	10	87.00	27.20
	Other expenses	29	1,299.84	887.05
	<b>Total Expenses (IV)</b>		<b>10,364.29</b>	<b>9,078.45</b>
<b>V</b>	<b>Profit before Exceptional Items and tax (III - IV)</b>		<b>2,547.53</b>	<b>2,814.16</b>
<b>VI</b>	<b>Exceptional item</b>	30	550.00	-
<b>VII</b>	<b>Profit before tax (V- VI)</b>		<b>1,997.53</b>	<b>2,814.16</b>
<b>VIII</b>	<b>Tax Expense:</b>	9		
	(1) Current tax		770.00	1,030.00
	(Excess)/ Short provision for tax relating to prior years		(1.19)	(178.02)
	(2) Deferred tax		(15.38)	(184.27)
<b>IX</b>	<b>Profit/(loss) for the year (VI - VIII)</b>		<b>1,244.10</b>	<b>2,146.45</b>
<b>X</b>	<b>Other Comprehensive Income</b>	20		
<b>A</b>	(i) Items that will not be classified to profit or loss:			
	Re-measurement gains and (losses) on defined benefit obligations (net)		(85.36)	(25.42)
	(ii) Income tax relating to items that will not be reclassified to profit or loss	9.1	21.48	7.40
	<b>Other Comprehensive Income</b>		<b>(63.88)</b>	<b>(18.02)</b>
<b>XI</b>	<b>Total Comprehensive Income for the year (IX + X)</b>		<b>1,180.22</b>	<b>2,128.43</b>
<b>XII</b>	<b>Earnings per equity share</b>	32		
	- Basic (Rs.)		7.17	12.38
	- Diluted (Rs.)		7.17	12.38
	See accompanying notes forming part of the financial statements			

In terms of our report of even date attached  
For **Deloitte Haskins & Sells LLP**  
Chartered Accountants  
FRN No.117366 W/W-100018

**Sd/-**  
**Geetha Suryanarayanan**  
Partner  
Membership No. 29519

Place : Chennai  
Date : 30th June, 2020

For and on behalf of the **Board of Directors of S.M.I.L.E. Microfinance Limited**

**Sd/-**  
**P. Murali Srinivas**  
CEO and Managing Director  
DIN: 00554309

**Sd/-**  
**Suresh Krishna. K**  
Independent Director  
DIN:01217401

**Sd/-**  
**V.T. Prabakaran**  
Chief Financial Officer  
PAN: AKOPP2826M

**Sd/-**  
**R. Venkatasubramanian**  
Company Secretary  
PAN: AJGPV8188H

Place : Chennai  
Date : 30th June, 2020

# STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST MARCH 2020

## 1. Equity Share capital

Amount Rs. In lakhs		
Balance at the beginning of the reporting year	Changes in equity share capital during the year	Balance at the end of the reporting year
1,733.96	-	1,733.96

## 2. Other Equity Amount Rs. In lakhs

Particulars	Reserves and Surplus			Other Comprehensive Income	Total
	Statutory Reserve	Securities Premium	Retained Earnings		
<b>Balance as at 1 April 2018</b>	<b>1,104.14</b>	<b>3,740.20</b>	<b>4,541.22</b>	-	<b>9,385.56</b>
Total Comprehensive Income for the year	-	-	2,146.45	(18.02)	2,128.43
Others – Transfer To Statutory Reserves	519.45	-	(519.45)	-	-
<b>Balance as at 31 March 2019</b>	<b>1,623.59</b>	<b>3,740.20</b>	<b>6,168.22</b>	<b>(18.02)</b>	<b>11,513.99</b>
Total Comprehensive Income for the year	-	-	1,244.10	(63.88)	1,180.22
Others – Transfer To Statutory Reserves	248.82	-	(248.82)	-	-
<b>Balance as at 31 March 2020</b>	<b>1,872.41</b>	<b>3,740.20</b>	<b>7,163.50</b>	<b>(81.90)</b>	<b>12,694.21</b>

See accompanying notes forming part of the financial statements

In terms of our report of even date attached  
For **Deloitte Haskins & Sells LLP**  
FRN No.117366 W/W-100018  
Chartered Accountants

**Sd/-**  
**Geetha Suryanarayanan**  
Partner  
Membership No. 29519

Place: Chennai  
Date : 30th June, 2020

For and on behalf of the **Board of Directors S.M.I.L.E Microfinance Limited**

**Sd/-**  
**P. Murali Srinivas**  
CEO & Managing Director  
DIN:00554309

**Sd/-**  
**Suresh Krishna. K**  
Independent Director  
DIN:01217401

**Sd/-**  
**V.T. Prabakaran**  
Chief Financial Officer  
PAN: AKOPP2826M

**Sd/-**  
**R. Venkatasubramanian**  
Company Secretary  
PAN: AJGPV8188H

Place: Chennai  
Date : 30th June, 2020



Statement of Cash Flow for the year ended 31st March 2020		
Particulars	For the Year Ended 31 March 2020	For the Year Ended 31 March 2019
	Amount Rs.in lakhs	Amount Rs.in lakhs
<b>A. Cash flow from Operating Activities</b>		
<b>Profit After Tax</b>	<b>1,244.10</b>	<b>2,146.45</b>
<u>Adjustments for:</u>		
Depreciation/ Amortization	87.00	27.20
Tax Expenses	753.43	667.71
Provision for Receivables under Financing Activity (Net)	337.98	182.74
(Profit) / Loss on Sale of Property, Plant, Equipment (Net)	2.73	(0.04)
Gain on sale of current investments in Mutual Funds	(131.13)	(143.33)
Finance Cost	6,146.59	6,016.47
Interest on Deposits	(337.50)	(274.68)
<b>Operating Profit before Working Capital Changes</b>	<b>8,103.20</b>	<b>8,622.52</b>
<u>Changes in Working Capital:</u>		
Adjustments for (increase) / decrease in operating assets:		
Bank Balance other than cash and cash equivalents	1018.88	(2094.05)
Receivables under Financing Activity	(8,758.13)	(4,491.25)
Loans given to staff	(14.39)	(4.40)
Other financial Assets	(36.62)	(104.64)
Other non-financial assets	(70.67)	(12.67)
<u>Adjustments for increase / (decrease) in Operating Liabilities:</u>		
Other Payables	26.28	9.79
Other financial Liabilities	903.57	6.91
Other non-financial Liabilities	236.95	(241.60)
Other Provisions	106.25	37.19
<b>Cash Flow Generated from Operations</b>	<b>1,515.32</b>	<b>1,727.80</b>
Interest Income on Deposits	395.78	172.22
<b>Net cash flow from Operations</b>	<b>1,911.10</b>	<b>1,900.02</b>
Net Income Tax Paid	(770.41)	(965.01)
<b>Net Cash flows from Operating Activities</b>	<b>1,140.69</b>	<b>935.01</b>
<b>B. Cash flow from Investing Activities</b>		
Proceeds from Sale of Property, Plant and Equipment	3.39	0.05
Capital Expenditure on Property, Plant and Equipment (including Capital Advances)	(251.09)	(41.75)
Gain on sale of current investments in Mutual Funds	131.13	143.33
<b>Net Cash Flow Generated (used in) / from Investing Activities</b>	<b>(116.57)</b>	<b>101.63</b>
<b>C. Cash flow from Financing Activities</b>		
(Repayment) /proceeds from of Long-Term Borrowings-Term Loans (net)	5,656.77	(2,123.61)
Finance cost paid on Term loans	(3,131.07)	(3,202.48)
Repayment of Long-Term Borrowings-Debentures	(500.00)	(1,541.67)
Finance cost paid on Debentures	(1,828.81)	(1,939.11)
(Repayment)/Proceeds from securitization borrowings (net)	(1,764.35)	8,512.90
Finance cost paid on securitization	(886.95)	(305.04)
Repayment of Short-Term Borrowings - Cash Credit (net)	(181.33)	70.24
Other Interest and charges paid	(173.93)	(25.40)
<b>Net Cash Flow ( used in ) Financing Activities</b>	<b>(2,809.67)</b>	<b>(554.17)</b>
Net (decrease) /increase in Cash and cash equivalents (A+B+C)	(1,785.58)	482.47
Cash and cash equivalents at the beginning of the year	5,610.74	5,128.27
<b>Cash and Cash Equivalents at the end of the year</b>	<b>3,825.16</b>	<b>5,610.74</b>
<u>Reconciliation of Cash and cash equivalents with the Balance Sheet:</u>		
Cash and cash equivalents as per balance sheet (Refer note 4)	3,860.50	6,639.19
Less: Balances that does not meet the definition of Cash and Cash equivalents as per Ind-AS 7 statement of Cash Flow	(35.34)	(1,028.45)
<b>Cash and cash equivalents as per Ind-AS7 statement of Cash Flow (Refer Note4.1):</b>	<b>3,825.16</b>	<b>5,610.74</b>
See accompanying notes forming part of the Financial Statements		
<p>In terms of our report of even date attached For <b>Deloitte Haskins &amp; Sells LLP</b> Chartered Accountants <b>Sd/-</b> <b>Geetha Suryanarayanan</b> Partner</p> <p>Place: Chennai Date: 30<sup>th</sup> June, 2020</p>		
<p>For and on behalf of the <b>Board of Directors S.M.I.L.E Microfinance Limited</b> <b>Sd/-</b> <b>P. Murali Srinivas</b> CEO and Managing Director DIN: 00554309</p> <p><b>Sd/-</b> <b>V.T. Prabakaran</b> Chief Financial Officer PAN: AKOPP2826M</p> <p>Place: Chennai Date : 30th June, 2020</p> <p><b>Sd/-</b> <b>Suresh Krishna. K</b> Independent Director DIN:01217401</p> <p><b>Sd/-</b> <b>R. Venkatasubramanian</b> Company Secretary PAN: AJGPV8188H</p>		



# NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2020

## 1. CORPORATE INFORMATION

"S.M.I.L.E. Microfinance Limited ("the Company") was incorporated on 21 March 1995. The Company is a Non-Banking Finance Company - Micro Finance Institution (NBFC-MFI). The Company had obtained registration under the Non-Banking Financial Company - Micro Finance Institution (Reserve Bank) Directions, 2011 vide Reserve Bank of India ("RBI") letter dated 29 May 2015.

The Company is engaged in providing microfinance services to women from poor segments of urban and rural Tamil Nadu. The Company generally provides small value collateral free loans upto Rs. 50,000 for a tenor of one to two years with fortnightly repayment. The Company broadly follows the Grameen model with suitable adaptations using the Joint Liability Groups (JLG) framework, where each member of the group guarantees the loan repayment of the other members of the group. All transactions are conducted in the group meetings organized every fortnight near the habitats of the members.

During December 2017, the Company qualified as a Systemically Important Non Deposit taking NBFC (NBFC-MFI-ND-SI)."

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Statement of Compliance

On 16 February 2015, the Ministry of Corporate Affairs ("MCA") notified the Companies (Indian Accounting Standards) Rules, 2015. The rules specify the Indian Accounting Standards (Ind AS) applicable to certain class of companies and sets out dates of applicability on 18<sup>th</sup> January 2016, the Ministry Of Corporate Affairs (MCA) issued a press release setting out dates of Ind AS applicability for Banks, Insurance Companies and NBFC's.

S.M.I.L.E. Microfinance Limited, being an Non-Banking Financial Company, for which IND AS is applicable from Phase II as defined in the said press release, has adopted Indian Accounting Standards (Referred as Ind-AS ) notified under the Companies (Indian Accounting Standards) Rules, 2015 with effect from 1<sup>st</sup> April 2018.

In respect of significant accounting matters, the company has analyzed the provisions contained in Ind AS and the relevant guidance as per RBI Guidelines and has adopted appropriate accounting treatment while ensuring compliance with RBI Guidelines.

The Company follows the prudential norms for income recognition, asset classification and provisioning as prescribed by the Reserve Bank of India for NBFC-MFI's or more stringent norms.

Upto the year ended 31 March 2019, the Company prepared its financial statements in accordance with the requirements of previous GAAP, which includes Standards notified under the Companies (Accounting Standards) Rules, 2006. These are the Company's first Ind AS financial statements. The date of transition to Ind AS is 1 April 2018. Previous year figures in the financial statements have been restated to Ind AS. Refer Note 38 for the details of first-time adoption exemptions availed by the Company.

The Company has adopted Ind AS 116 'Leases' with the date of initial application being April 1, 2019. Ind AS 116 replaces Ind AS 17 – Leases and related interpretation and guidance. The standard sets out principles for recognition, measurement, presentation and disclosure of leases for both parties to a contract i.e., the lessee and the lessor. Ind AS 116 introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The Company has applied Ind AS 116 using the modified

retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings at April 1, 2019. As a result, the comparative information has not been restated.

## 2.2 Basis of Preparation and Presentation of Financial Statements

These financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair values at the end of each reporting period, as explained in accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value for measurement and / or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of Ind-AS 102.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2, or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

## 2.3 Use of Estimates

The preparation of the company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In the process of applying the Company's accounting policies, management has made judgements, which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

## 2.4 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

(a) The Company calculates Interest income by applying effective interest rate method to Gross Carrying Amount of Financial Assets other than credit impaired assets. When a financial asset becomes credit impaired and is therefore regarded as Stage 3, the company calculates interest income by applying Effective Interest Rate Method to net amortised cost of the Financial Assets. If the Financial Assets cures and is no longer credit impaired, the Company reverts to calculating interest income on Gross Basis.

(b) Loan processing fee is recognized over the life of the loan on a proportionate basis. Loan processing fee for derecognised loan portfolio is recognised upfront.

(c) Interest Income on securitized loans are considered at par with own loans and is also recognized under the effective interest rate method. In case of Direct Assignment, company recognize the income upfront on the basis of fair value by discounting the entire interest strip (excess interest spread) of assigned portfolio.

(d) Interest income on deposits is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.

(e) Dividend income from investments (other than equity shares) is recognized on actual realizations, as stipulated by RBI.

(f) All other income is recognized on an accrual basis, when there is reasonable certainty in the ultimate realization / collection.

## 2.5 Leases

The Company's lease asset classes primarily consist of leases for land and buildings. The Company, at the inception of a contract, assesses whether the contract is a lease or not lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a time in exchange for a consideration. This policy has been applied to contracts existing and entered into on or after April 1, 2019.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Company's incremental borrowing rate. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense over the lease term.

In the comparative period, leases under which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. When acquired, such assets are capitalized at fair value or present value of the minimum lease payments at the inception of the lease, whichever is lower. Lease payments and receipts under operating leases are recognized as an expense and income respectively, on a straight line basis in the statement of profit and loss over the lease term except where the lease payments are structured to increase in line with expected general inflation.

## 2.6 Employee Benefits

Employee benefits include provident fund, employee state insurance scheme, gratuity and compensated absences.

### **Retirement Benefit Costs and Termination Benefits**

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Re-measurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding net interest), is reflected immediately in the balance sheet with a charge or credit recognized in other comprehensive income in the period in which they occur. Re-measurement recognized in other comprehensive income is reflected immediately in retained earnings and is not reclassified to profit or loss. Past service cost is recognized in the Statement of profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- Net interest expense or income; and
- Re-measurement

The Company presents the first two components of defined benefit costs in profit or loss in the line item 'Employee benefits expense'. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognized in the balance sheet represents the actual deficit or surplus in the Company's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognizes any related restructuring costs.

### **Short-term and other long-term employee benefits**

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Company in respect of services provided by employees up to the reporting date.

The Company has a policy on compensated absences which are both accumulating and non-accumulating in nature. The expected cost of accumulating compensated absences is determined by actuarial valuation performed by an independent actuary at each Balance Sheet date using projected unit credit method on the additional amount expected to be paid / availed as a result of the unused entitlement that has accumulated at the Balance Sheet date. Expense on non-accumulating compensated absences is recognized in the period in which the absences occur.

## **2.7 Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

### **i) Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the statement of profit and loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

### **ii) Deferred tax**

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of

taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

#### **Current and deferred tax for the year**

Current and deferred tax are recognized in profit or loss except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

### **2.8 Cash and Cash Equivalents (for purposes of Cash Flow Statement)**

Cash and cash equivalent in the balance sheet comprise demand deposits with bank and Cash on hand, short-term deposits with an original maturity of three months or less including lien marked deposits with Banks and others with respect to loans availed by company. These balances are subject to an insignificant risk of changes in value.

Bank Balances include term deposits held with an original maturity more than 3 months and includes lien marked deposits with Banks and others with respect to loans availed by company/assets securitized.

### **2.9 Cash Flow Statement**

Cash flows are reported using the indirect method, whereby profit / (loss) after extraordinary items and tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information

### **2.10 Plant, Property and Equipment**

Furniture and Fixtures, Leasehold Improvements, Office Equipment, Vehicles, Computers and Others are stated at cost less accumulated depreciation and accumulated impairment losses. Costs comprises its purchase price net of any trade discounts and rebates, any import duties and other taxes (other than those subsequently recoverable from tax authorities), any attributable expenditure on making the assets ready for intended use.

Depreciation is recognized so as to write off the cost of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Estimated useful lives of the assets are as follows:-

Particulars	Years
Furniture and Fixtures including AC and Electrical fittings	10
Leasehold Improvements	6
Office Equipment	5
Vehicles	8
Computers and others	6



Depreciable amount for assets is the cost of an asset, less its estimated residual value. The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and expected residual value at the end of its life. Depreciation on tangible fixed assets has been provided on the Written Down Value Method as per the useful life prescribed in Schedule II to the Companies Act, 2013.

Depreciation is accelerated on fixed assets, based on their condition, usability etc., as per the estimates of the Management, where necessary. Depreciation methods, useful lives and residual values are reviewed periodically including at each financial year end.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

For transition to Ind AS, the Company has elected to continue with the carrying value of all of its tangible assets recognized as of 1 April 2018 (transition date) measured as per the previous GAAP and use that carrying value as its deemed cost as of the transition date.

## **2.11 Intangible Assets**

### Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a written down value method basis over the estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on prospective basis.

Software is depreciated over the license period or 6 years, whichever is lower.

An Intangible assets is derecognized on disposal or when no future economic benefits are expected from use of disposal. Gains or losses arising from derecognition of an intangible assets measured as the difference between the net disposal proceeds and the carrying amount of the asset as recognized in profit or loss when the asset is derecognized.

For transition to Ind AS, the Company has elected to continue with the carrying value of all of its intangible assets recognized as of 1 April 2018 (transition date) measured as per the previous GAAP and use that carrying value as its deemed cost as of the transition date.

## **2.12 Impairment to Tangible and Intangible Assets**

"At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its

recoverable amount. An impairment loss is recognized immediately in the Statement of Profit and Loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

### **2.13 Provisions and Contingencies**

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

#### Contingent Liability and Assets:

Contingent liability is disclosed for (i) Possible obligations which will be confirmed only by future events not wholly within the control of the Company or (ii) Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

Contingent assets are not recognized in the financial statements since this may result in the recognition of income that may never be realized.

### **2.14 Financial Instruments**

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provision of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs are directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

#### **Financial Assets**

##### Initial Recognition

All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the company commits to purchase or sell the asset.

##### Subsequent measurement

For the purpose of subsequent measurement, financial assets are classified in four categories:

Debt instruments at amortized cost

Debt instruments at fair value through other comprehensive income (FVTOCI).

Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL).

Equity instruments measured at fair value through other comprehensive income FVTOCI.

##### Financial assets measured at amortized cost

A debt instrument is measured at amortized cost if both the following conditions are met:

- a) The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

#### Financial assets at fair value through profit or loss

A financial asset (other than those stated as amortized cost) is subsequently fair valued through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented net in the statement of profit and loss within other gains/(losses) in the period in which it arises. Dividend income from these financial assets is included in other income.

#### Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received or receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss if such gain or loss would have otherwise been recognized in profit or loss on disposal of that financial asset.

### **Financial liabilities**

#### Initial Measurement

Financial liabilities are classified and measured at amortized cost. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs. The company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts

#### Subsequent Measurement

Financial liabilities are subsequently carried at amortized cost using the effective interest method.

#### Impairment of financial assets

The Company recognizes Impairment allowance for expected credit losses (ECL) on Financial Assets held at amortized cost. The Company also computes the provision for non-performing assets (NPA) as per IRAC norms of RBI. The higher of the two is recorded in the books.

ECL is the difference between all contractual cash flows that are due to the company in accordance with the contract and all the cash flows that the company expects to receive (i.e., all cash shortfalls).

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial asset. 12-month ECL is a portion of the lifetime ECL which results from default events that are possible within 12 months from the reporting date.

The company assesses at each reporting date whether a financial asset (or a group of financial assets) such as loans and advances and security deposits held at amortized cost are tested for impairment based on evidence or information that is available without undue cost or effort. Lifetime Expected credit losses are assessed and loss allowances recognized if the credit quality of the financial asset has deteriorated significantly since initial recognition.

The company applies a three-stage approach to measuring expected credit losses (ECLs) for Loan Receivables. No ECL is recognized on equity investments.

**Measurement of ECLs**

Expected Credit Loss is computed as follows = Gross EAD \* PD\* LGD

The Exposure at Default ("EAD") is an estimate of the exposure (gross carrying amount), at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments.

The Probability of Default ("PD") is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognized and is still in the portfolio.

The Loss Given Default ("LGD") is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the Exposure at Default.

"To calculate the ECL, the Company assesses the possible default events of EAD at various Stages. The company has broadly followed the following approach to compute ECL.

The EAD is categorized based on respective Past Due status as given below:

**Stage 1: 12-months ECL**

All exposures where there has not been a significant increase in credit risk since initial recognition or that has low credit risk at the reporting date and that are not credit impaired upon origination are classified under this stage. The company has assessed that all standard advances and advances upto 30 days default would fall under this category.

For these assets, 12-month ECL are recognized and interest revenue is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance).

**Stage 2: Lifetime ECL – not credit impaired**

Financial instruments that have had a significant increase in credit risk since initial recognition are classified under this stage. 30 Days Past Due upto 90 Days is considered as significant increase in credit risk and classified under this category. For these assets, lifetime ECL are recognized, but interest revenue is still calculated on the gross carrying amount of the asset.

**Stage 3: Lifetime ECL – credit impaired**

All exposures greater than 90 Days Past due assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred are classified in this stage. For exposures that have become credit impaired, a lifetime ECL is recognized. Interest revenue is recognized on actual realization in line with prudential norms.

The Company has established a policy to perform an assessment, at the end of each reporting period, of whether a financial assets credit risk has increased significantly since initial recognition, by considering the change in the risk of defaults occurring over the remaining life of the financial assets.

Where there is significant change in macro- economic conditions warranting reassessment of credit risk and perceived likelihood of increased probability of loan defaults, company shall make such additional credit loss provisions in addition to ECL provisions as deemed fit by Audit committee.

**The measurement of ECL reflects:**

- a) An unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes
- b) Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events and current conditions.

**Write-off**

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the company determines that the borrower does not have the financial ability to repay the amounts subject to the write-off.

**Presentation of allowance for ECL in the statement of financial position**

Loss allowances for ECL in respect of financial assets measured at fair value through Profit and Loss are presented as a deduction from the gross carrying amount of the assets in the statement of financial position.

**2.15 Earnings per Share**

Basic earnings per share is computed by dividing the profit / (loss) after tax by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit / (loss) after tax as adjusted for dividend, interest and other charges to expense or income relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date. The dilutive potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. average market value of the outstanding shares). Dilutive potential equity shares are determined independently for each period presented. The number of equity shares and potentially dilutive equity shares are adjusted for share splits / reverse share splits and bonus shares, as appropriate.

**2.16 Goods & Services Tax Input Credit**

Goods & Service Tax Input Credit is accounted for in the books in the period when the underlying Goods and service received are accounted and when there is reasonable certainty in availing / utilizing the same.

**2.17 Insurance claims**

Insurance claims recoverable are accrued for on the basis of claims admitted and to the extent that the amount recoverable can be measured reliably and it is reasonable to expect ultimate collection. Claims pending settlement for more than a year are provided for.

**3. Critical Accounting Judgments and Key Sources of Estimation Uncertainty**

In the application of the Company's accounting policies which is described in Note 3, the Management of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are included in the following notes:

- (i) Useful lives of Property, plant and equipment (Refer Note 2.10)
- (ii) Assets and obligations relating to employee benefits (Refer Note 2.6)
- (iii) Valuation and measurement of income taxes and deferred taxes (Refer Note 2.7)
- (iv) Impairment of financial assets based on Expected Credit Loss model (Refer Note 2.14)



## Notes forming part of the Financial Statements for the year ended 31 March 2020

**4 Cash and cash equivalents**

Particulars	As at 31 March 2020	As at 31 March 2019	As at 1 April 2018
	Amount Rs. in lakhs	Amount Rs. in lakhs	Amount Rs. in lakhs
(a) Cash on hand	5.79	5.58	4.87
(b) Balances with Banks			
- In Current Accounts	3,319.37	4,605.16	5,111.60
- In Deposit Accounts - Free of Lien (original maturity less than 3 months)	500.00	1,000.00	11.80
- In Deposit Accounts - Free of Lien (original maturity more than 3 months)	35.34	1028.45	19.90
<b>Total</b>	<b>3,860.50</b>	<b>6,639.19</b>	<b>5,148.17</b>

4.1 Of the above, the balances that meet the definition of Cash and cash equivalents as per Ind AS 7 Cash Flow Statements is

3,825.16                      5,610.74                      5,128.27

**5 Bank Balances other than above**

Particulars	As at 31 March 2020	As at 31 March 2019	As at 1 April 2018
	Amount Rs. in lakhs	Amount Rs. in lakhs	Amount Rs. in lakhs
Balances with Banks			
- In Current Accounts- Earmarked Unpaid Dividend	8.34	8.68	8.75
- In Deposit Accounts - Under Lien (Refer Note 5.1 below)	4,321.69	4,347.12	3,261.55
<b>Total</b>	<b>4,330.03</b>	<b>4,355.80</b>	<b>3,270.30</b>

**5.1 Deposit accounts under lien comprise of:**

Deposits amounting to Rs. 2,994.52 lakhs (As at 31 March 2019: Rs. 3,604.53 lakhs; As at 1 April 2018: Rs. 3,158.79 lakhs) have been placed with certain banks for obtaining term loans.

Deposits amounting to Rs. 1,327.17 lakhs (As at 31 March 2019: Rs. 742.59 lakhs; As at 1 April 2018: Rs. 102.76 lakhs) placed as credit enhancement (cash collateral) towards securitization transactions.

**6 Loans (at amortized cost) (Refer Notes below)**

Particulars	As at 31 March 2020	As at 31 March 2019	As at 1 April 2018
	Amount Rs. in lakhs	Amount Rs. in lakhs	Amount Rs. in lakhs
<b>(i) Unsecured and considered good, unless otherwise stated</b>			
Loans	59,876.96	51,227.98	46,793.20
Less : Impairment loss allowance	874.37	645.54	519.27
<b>Sub Total</b>	<b>59,002.59</b>	<b>50,582.44</b>	<b>46,273.93</b>
<b>(ii) Loan to Staff</b>	37.32	22.93	18.53
<b>Grand Total</b>	<b>59,039.91</b>	<b>50,605.37</b>	<b>46,292.46</b>

Particulars	As at 31 March 2020	As at 31 March 2019	As at 1 April 2018
	Amount Rs. in lakhs	Amount Rs. in lakhs	Amount Rs. in lakhs
6.1 The Loan Receivables reflected above excludes Microfinance Loans assigned to a third party on securitization in accordance with R.B.I. guidelines which qualify for derecognition as per Ind-AS 109	737.01	-	-

**6.2 Disclosure requirements as per RBI circular dated March 13, 2020 having reference number RBI/2019-20/170, DOR(NBFC).CC.PD.No.109/22.10.106/2019-20 as per para 2 of Prudential Floor of ECL**

(a) As at 31 March 2020

(Amount Rs.in Lakhs)

Asset classification as per RBI norms	Asset classification as per Ind AS 109	Gross carrying amount as per Ind AS	Loss allowances (provisions) as required under Ind AS 109	Net Carrying amount	Provisions required as per IRACP norms	Difference between Ind AS 109 provisions and IRACP norms
(A)	(B)	(C)	(D)	E = (C-D)	(F)	G = (D-F)
<b>Performing assets</b>						
Standard	Stage 1	59,700.66	736.56	58,964.10	543.90	192.66
	Stage 2	38.16	4.28	33.88	4.20	0.08
Non-Performing Assets (NPA)	Stage 3	133.53	133.53	-	114.87	18.66
<b>Total</b>		<b>59,872.35</b>	<b>874.37</b>	<b>58,997.98</b>	<b>662.97</b>	<b>211.40</b>

## (b) As at 31 March 2019

(Amount Rs.in Lakhs)						
Asset classification as per RBI norms	Asset classification as per Ind AS 109	Gross carrying amount as per Ind AS	Loss allowances (provisions) as required under Ind AS 109	Net Carrying amount	Provisions required as per IRACP norms	Difference between Ind AS 109 provisions and IRACP norms
(A)	(B)	(C)	(D)	E = (C-D)	(F)	G = (D-F)
<b>Performing assets</b>						
Standard	Stage 1	51,258.92	512.59	50,746.33	478.71	33.88
	Stage 2	85.85	0.86	84.99	0.86	-
Non-Performing Assets (NPA)	Stage 3	132.09	132.09	-	115.51	16.59
<b>Total</b>		<b>51,476.86</b>	<b>645.54</b>	<b>50,831.32</b>	<b>595.07</b>	<b>50.47</b>

## (c) As at 1 April 2018

(Amount Rs.in Lakhs)						
Asset classification as per RBI norms	Asset classification as per Ind AS 109	Gross carrying amount as per Ind AS	Loss allowances (provisions) as required under Ind AS 109	Net Carrying amount	Provisions required as per IRACP norms	Difference between Ind AS 109 provisions and IRACP norms
(A)	(B)	(C)	(D)	E = (C-D)	(F)	G = (D-F)
<b>Performing assets</b>						
Standard	Stage 1	47,053.61	470.53	46,583.08	438.59	31.94
	Stage 2	26.09	0.26	25.83	0.26	0.00
Non-Performing Assets (NPA)	Stage 3	48.48	48.48	-	32.43	16.05
<b>Total</b>		<b>47,128.18</b>	<b>519.27</b>	<b>46,608.91</b>	<b>471.28</b>	<b>47.99</b>

## 6.3 The Stage wise break of Loans reflected above (Refer Note 6) is given below :

## (A) As at 31 March 2020

(Amount Rs. In lakhs)				
Loan Receivables	Stage 1: 0-30 days	Stage 2: 31-90 days	Stage 3: >90 days	Total
i. Loans considered as Qualifying Assets	58,180.34	37.77	132.80	58,350.91
ii. Loans considered as Non Qualifying Assets	1,520.31	0.40	0.73	1,521.44
<b>Gross Carrying Amount of Loans</b>	<b>59,700.65</b>	<b>38.17</b>	<b>133.53</b>	<b>59,872.35</b>
Less : Impairment loss allowance *	736.56	4.28	133.53	874.37
<b>Net Loans</b>	<b>58,964.09</b>	<b>33.89</b>	<b>-</b>	<b>58,997.98</b>

## (B) As at 31 March 2019

(Amount Rs. In lakhs)				
Loan Receivables	Stage 1: 0-30 days	Stage 2: 31-90 days	Stage 3: >90 days	Total
i. Loans considered as Qualifying Assets	47,909.55	82.96	122.45	48,114.96
ii. Loans considered as Non Qualifying Assets	3,350.06	2.89	8.95	3,361.90
<b>Gross Carrying Amount of Loans</b>	<b>51,259.61</b>	<b>85.85</b>	<b>131.40</b>	<b>51,476.86</b>
Less : Impairment loss allowance *	512.59	0.86	132.09	645.54
<b>Net Loans</b>	<b>50,747.02</b>	<b>84.99</b>	<b>(0.69)</b>	<b>50,831.32</b>

## (C) As at 01 April 2018

(Amount Rs. In lakhs)				
Loan Receivables	Stage 1: 0-30 days	Stage 2: 31-90 days	Stage 3: >90 days	Total
i. Loans considered as Qualifying Assets	44,630.07	25.33	45.93	44,701.33
ii. Loans considered as Non Qualifying Assets	2,423.53	0.77	2.55	2,426.85
<b>Gross Carrying Amount of Loans</b>	<b>47,053.60</b>	<b>26.10</b>	<b>48.48</b>	<b>47,128.18</b>
Less : Impairment loss allowance *	470.53	0.26	48.48	519.27
<b>Net Loans</b>	<b>46,583.07</b>	<b>25.84</b>	<b>-</b>	<b>46,608.91</b>

\*The impairment loss allowance includes Contingent Provision against Standard Assets (Non Qualifying assets) of Rs.18.55 lakhs as at 31 March 2020 (As at 31 March 2019: Rs. 33.53 lakhs; As at 1 April 2018: Rs.24.24 lakhs)

**6.4 Reconciliation of impairment allowance on Loans**

Particulars	Amount Rs.in Lakhs
<b>Impairment allowance as at 1 April 2018</b>	519.27
Add: Impairment allowance provided in statement of Profit & Loss	182.74
Less: Impairment allowance Utilized for writing off Loss assets	56.47
<b>Impairment allowance as at 31 March 2019</b>	<b>645.54</b>
Add: Impairment allowance provided in statement of Profit & Loss	337.98
Less: Impairment allowance Utilized for writing off Loss assets	109.15
<b>Impairment allowance as at 31 March 2020</b>	<b>874.37</b>

**6.5 As per RBI guidelines on Securitization DNBR. PD. 008/03.10.119/2016-17 dated September 01, 2016 updated on April 16, 2019 the details of securitization are given below:**

Particulars	31 March 2020 Numbers/Amount (Rs.)	31 March 2019 Numbers/Amount (Rs.)	1 April 2018 Numbers/Amount (Rs.)
(i) No of SPVs sponsored by the NBFC for securitization transactions			
a. Through Direct assignment	2	-	-
b. Through PTC	5	5	1
<b>Total</b>	<b>7</b>	<b>5</b>	<b>1</b>
(ii) Total amount of securitized assets as per books of the SPVs Sponsored (Amount Rs.in Lakhs)			
a. Through Direct assignment	737.01	-	-
b. Through Pass through Certificates	15,561.94	12,138.36	2,568.89
<b>Total</b>	<b>16,298.95</b>	<b>12,138.36</b>	<b>2,568.89</b>
(iii) Total amount of exposures retained by the NBFC to comply with MRR as on the date of Balance sheet			
<b>a) Off-balance sheet exposures</b>			
- First loss	-	-	-
- Others	-	-	-
<b>b) On-balance sheet exposures (Amount Rs.in Lakhs)</b>			
- First loss			
a. Direct Assignment	-	-	-
a. Pass through Certificates	-	-	-
- Others (Minimum Retention requirement("MRR"))	-	-	-
(iv) Amount of exposures to securitization transactions Other than MRR			
<b>a) Off-balance sheet exposures</b>			
<b>i) Exposure to own securitizations</b>			
- First loss	-	-	-
a. Direct Assignment	-	-	-
a. Pass through Certificates	-	-	-
- Others	-	-	-
<b>ii) Exposure to third party securitizations</b>			
- First loss	-	-	-
- Others	-	-	-
<b>b) On-balance sheet exposures</b>			
<b>i) Exposure to own securitizations</b>			
- First loss	1,327.17	742.59	-
- Others	-	-	-
<b>ii) Exposure to third party securitizations</b>			
First loss	-	-	-
Others	-	-	-

**6.6 Details of Financial Assets sold to Securitization Company**

Particulars	For the Year ended 31 March 2020	For the Year ended 31 March 2019
<b>Total number of loan assets securitized during the year</b>	<b>1,21,711</b>	<b>81,418</b>
a. Through Direct assignment	26,544	-
b. Through PTC	95,167	81,418
<b>Book value of loan assets securitized during the year</b>	<b>20,002.84</b>	<b>12,138.36</b>
a. Through Direct assignment	4,440.90	-
b. Through PTC	15,561.94	12,138.36
<b>Sale consideration received during the year</b>	<b>17,905.52</b>	<b>11,125.41</b>
a. Through Direct assignment	3,996.81	-

b.Through PTC	13,908.71	11,125.41
<b>MFI Loans Subordinated as Credit Enhancement on Assets Derecognized</b>	<b>2,097.32</b>	<b>1,012.95</b>
a.Through Direct assignment	444.09	-
b.Through PTC	1,653.23	1,012.95
Gain / (loss) on the securitization transaction recognized in P&L	-	-
a.Through Direct assignment	-	-
b.Through PTC	-	-
Gain / (loss) on the securitization transactions deferred	-	-
a.Through Direct assignment	-	-
b.Through PTC	-	-
<b>Quantum of Credit Enhancement provided on the transactions in the form of deposits</b>	<b>-</b>	<b>-</b>
a.Through Direct assignment	-	-
b.Through PTC	1,327.17	742.59
<b>Quantum of Credit Enhancement as at year end</b>	<b>1,327.17</b>	<b>742.59</b>
a.Through Direct assignment	-	-
b.Through PTC	1,327.17	742.59
<b>Interest spread Recognized in the Statement of Profit and Loss during the Year</b>	<b>179.25</b>	<b>-</b>
a.Through Direct assignment	179.25	-
b.Through PTC	-	-

<b>7 Other financial assets (At amortized cost)</b>			
Particulars	As at	As at	As at
	31 March 2020	31 March 2019	1 April 2018
	Amount Rs. in lakhs	Amount Rs. in lakhs	Amount Rs. in lakhs
(a) Security deposits	102.54	75.68	71.21
(b) Interest accrued on deposits with banks and others	256.52	314.80	212.34
(c) Insurance Commission Receivable	45.25	22.38	19.87
(d ) Direct Assignment Incentive Receivable	23.92	-	-
(e) Retained Interest on Asset Assigned	54.63	-	-
(f) Interest Spread Receivable on Securitization	6.00	97.66	-
<b>Total</b>	<b>488.86</b>	<b>510.52</b>	<b>303.42</b>

<b>8 Current Tax Assets (Net)</b>			
Particulars	As at	As at	As at
	31 March 2020	31 March 2019	1 April 2018
	Amount Rs. in lakhs	Amount Rs. in lakhs	Amount Rs. in lakhs
Advance Income Tax / (Tax payable)	75.82	74.22	-
<b>Total</b>	<b>75.82</b>	<b>74.22</b>	<b>-</b>

<b>9 Deferred Tax Assets (Net)</b>			
Particulars	As at	As at	As at
	31 March 2020	31 March 2019	1 April 2018
	Amount Rs. in lakhs	Amount Rs. in lakhs	Amount Rs. in lakhs
Deferred Tax Assets (Net) (Refer Note 9.1)	387.54	350.68	159.02
<b>Total</b>	<b>387.54</b>	<b>350.68</b>	<b>159.02</b>

<b>9.1 Current Tax and Deferred Tax</b>		
<b>(i) Income Tax Expense</b>		
Particulars	For the Year ended	For the Year ended
	31 March 2020	31 March 2019
	Amount Rs. in lakhs	Amount Rs. in lakhs
(a) Current tax in respect of current year	770.00	1,030.00
(b) Deferred tax relating to origination and reversal of temporary differences	(15.38)	(184.27)
<b>Total Tax Expense recognized in statement of profit and loss in respect of current year</b>	<b>754.62</b>	<b>845.73</b>

<b>(ii) Reconciliation of tax expense and the accounting profit multiplied by India's domestic tax rate:</b>		
Particulars	For the Year ended	For the Year ended
	31 March 2020	31 March 2019
	Amount Rs. in lakhs	Amount Rs. in lakhs

Profit Before tax from Operations	1,997.53	2,814.16
Income Tax using the Company's domestic Tax rate #	502.74	819.48
Effect of permanent differences	150.83	7.62
Effect in deferred tax asset due to changes in tax rates in current year	101.05	18.63
<b>Income Tax recognized in the Statement of Profit &amp; Loss</b>	<b>754.62</b>	<b>845.73</b>

# The tax rate used for the 2019-2020 and 2018-2019 reconciliations above comprises Corporate tax rate of 22% and 25% respectively, applicable surcharge and cess, payable by corporate entities in India on taxable profits under the India Law.

**(iii) Income Tax on Other Comprehensive Income**

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
	Amount Rs. in lakhs	Amount Rs. in lakhs
<b>Deferred Tax</b>		
Re-measurement of defined benefit obligation	21.48	7.40
<b>Total</b>	<b>21.48</b>	<b>7.40</b>

**(iv) Following is the analysis of the deferred tax asset/(liabilities) presented in the Balance sheet.**

**(Amount Rs. in Lakhs)**

Particulars	For the Year Ended 31 March 2020			
	Opening Balance	Charge/(Credit) recognized in		Closing Balance
		Recognized in profit and Loss	Recognized in OCI	
<b><u>Tax effect of items constituting deferred tax assets/deferred Tax liability :</u></b>				
Property, Plant and Equipment	18.14	18.61	-	(0.47)
Provision for Employee Benefits	95.94	(36.90)	(21.48)	154.32
Provision for Loan Receivables	158.62	4.09	-	154.53
Effective Interest Rate on Borrowings	(71.54)	(14.10)	-	(57.44)
Present Value Discounting of Processing Fee Income	149.52	(0.83)	-	150.35
Present Value Discounting of Interest spread on Direct Assignment of receivables	-	13.75	-	(13.75)
<b>Total</b>	<b>350.68</b>	<b>(15.38)</b>	<b>(21.48)</b>	<b>387.54</b>

**(Amount Rs. in Lakhs)**

Particulars	For the Year Ended 31 March 2019			
	Opening Balance	Charge/(Credit) recognized in		Closing Balance
		Recognized in profit and Loss	Recognized in OCI	
<b><u>Tax effect of items constituting deferred tax assets/deferred Tax liability :</u></b>				
Property, Plant and Equipment	19.41	1.27	-	18.14
Provision for Employee Benefits	79.94	(8.61)	7.40	95.94
Provision for Loan Receivables	139.27	(19.35)	-	158.62
Effective Interest Rate on Borrowings	(216.70)	(145.17)	-	(71.54)
Present Value Discounting of Processing Fee Income	137.10	(12.42)	-	149.52
<b>Total</b>	<b>159.02</b>	<b>(184.27)</b>	<b>7.40</b>	<b>350.68</b>

The company elected to exercise the option permitted under Section 115BAA of the Income Tax Act, 1961 as introduced by Taxation Laws (Amendment) Ordinance 2019. Accordingly the Company has recognized Provision for Income Tax for the year ended 31 March 2020 and recognized its Deferred Tax Assets and Liabilities based on the rates prescribed in the aforesaid section. The impact of this change has been recognized in the Statement of Profit and Loss for the year ended 31 March 2020.



10 A. Current Year period ended (1 April 2019 to 31 March 2020)											
(Amount in Rs.in lakhs)											
S.No.	Description	Gross Block				Accumulated Depreciation and Amortization				Net Block	
		Balance as at 1 April 2019	Additions	Disposals	Balance as at 31 March 2020	Balance as at 1 April 2019	For the year	Eliminated on Disposal of Assets	Balance as at 31 March 2020	Balance as at 31 March 2020	Balance as at 1 April 2019
10 (a)	<b>Property, plant and equipment</b>										
1	Leasehold Improvements	6.68	5.30	0.32	11.66	1.46	2.20	-	3.66	8.00	5.22
2	Computer Equipments	36.77	98.22	0.09	134.90	8.80	41.42	0.04	50.18	84.72	27.97
3	Furniture & Fixtures	25.30	6.74	8.89	23.15	6.56	5.11	3.24	8.43	14.72	18.74
4	Office Equipments	2.25	16.24	0.04	18.45	0.35	2.17	-	2.52	15.93	1.90
5	Vehicles	26.31	9.62	0.09	35.84	7.58	6.88	0.03	14.43	21.41	18.73
6	Server and Networking	-	13.83	-	13.83	-	3.38	-	3.38	10.45	-
		<b>97.31</b>	<b>149.95</b>	<b>9.43</b>	<b>237.83</b>	<b>24.75</b>	<b>61.16</b>	<b>3.31</b>	<b>82.60</b>	<b>155.23</b>	<b>72.56</b>
10 (b)	<b>Intangible assets</b>										
1	Computer - Softwares	16.65	20.58	-	37.23	2.43	7.25	-	9.68	27.55	14.22
2	Right of Use- Lease hold Building (Refer Note below )	-	83.65	-	83.65	-	18.59	-	18.59	65.06	-
		<b>16.65</b>	<b>104.23</b>	<b>-</b>	<b>120.88</b>	<b>2.43</b>	<b>25.84</b>	<b>-</b>	<b>28.27</b>	<b>92.61</b>	<b>14.22</b>
	<b>Grand Total</b>	<b>113.96</b>	<b>254.18</b>	<b>9.43</b>	<b>358.71</b>	<b>27.18</b>	<b>87.00</b>	<b>3.31</b>	<b>110.87</b>	<b>247.84</b>	<b>86.78</b>
B. Previous year (1 April 2018 to 31 March 2019)											
(Amount Rs.in Lakhs)											
S.No.	Description	Gross Block				Accumulated Depreciation and Amortization				Net Block	
		Balance as at 01 April 2018	Additions	Disposals	Balance as at 31 March 2019	Balance as at 01 April 2018	For the year	Eliminated on Disposal of Assets	Balance as at 31 March 2019	Balance as at 31 March 2019	Balance as at 1 April 2018
10 (a)	<b>Property, plant and equipment</b>										
1	Leasehold Improvements	4.68	2.01	0.01	6.68	-	1.46	-	1.46	5.22	4.68
2	Computer Equipments	13.94	22.83	-	36.77	-	8.80	-	8.80	27.97	13.94
3	Furniture & Fixtures	24.21	1.09	-	25.30	-	6.56	-	6.56	18.74	24.21
4	Office Equipments	1.70	0.55	-	2.25	-	0.35	-	0.35	1.90	1.70
5	Vehicles	16.58	9.73	-	26.31	-	7.58	-	7.58	18.73	16.58
		<b>61.11</b>	<b>36.21</b>	<b>0.01</b>	<b>97.31</b>	<b>-</b>	<b>24.75</b>	<b>-</b>	<b>24.75</b>	<b>72.56</b>	<b>61.11</b>
10 (b)	<b>Intangible assets</b>										
1	Computer - Softwares	6.03	10.62	-	16.65	-	2.43	-	2.43	14.22	6.03
		<b>6.03</b>	<b>10.62</b>	<b>-</b>	<b>16.65</b>	<b>-</b>	<b>2.43</b>	<b>-</b>	<b>2.43</b>	<b>14.22</b>	<b>6.03</b>
	<b>Grand Total</b>	<b>67.14</b>	<b>46.83</b>	<b>0.01</b>	<b>113.96</b>	<b>-</b>	<b>27.18</b>	<b>-</b>	<b>27.18</b>	<b>86.78</b>	<b>67.14</b>

Note: Effective 1 April 2019, the Company has adopted Ind AS 116. "Leases" and applied to its Lease Contracts existing as on 1 April 2019 using the modified retrospective approach. As on transition date, there are no lease asset which satisfies the qualifying criteria under Ind AS 116; During the year ended 31 March 2020, the Company recognized right-of-use assets and equivalent lease liability amounting to Rs. 83.65 lakhs for a lease entered during the year. The carrying value of Right of Use ("ROU") and equivalent Lease Liability as at 31 March 2020 is Rs.65.06 Lakhs and Rs.68.97 Lakhs respectively.

**11 Other non-financial assets**

Particulars	As at 31 March 2020	As at 31 March 2019	As at 1 April 2018
	Amount Rs. in lakhs	Amount Rs. in lakhs	Amount Rs. in lakhs
(a) Deferred Lease rental	6.61	-	-
(b) Balance with Government authorities			
(i) Goods and Service Tax Input Tax Credit	1.31	0.46	-
(ii) Amounts paid under Protest-Service Tax Demand	-	4.83	-
(iii) Amounts paid under Protest-Income Tax Demand	10.00	-	-
(c) Prepaid expenses	28.67	18.17	10.63
(d) Advance to Suppliers	57.00	9.46	9.62
<b>Total</b>	<b>103.59</b>	<b>32.92</b>	<b>20.25</b>

**12 Other Trade Payables**

Particulars	As at 31 March 2020	As at 31 March 2019	As at 1 April 2018
	Amount Rs. in lakhs	Amount Rs. in lakhs	Amount Rs. in lakhs
(a) Total outstanding dues of micro enterprises and small enterprises (Refer Note 39)	-	0.13	-
(b) Total outstanding dues of creditors other than micro enterprises and small enterprises	141.99	115.58	105.92
<b>Total</b>	<b>141.99</b>	<b>115.71</b>	<b>105.92</b>

**13 Debt securities (At Amortized Cost)**

Particulars	As at 31 March 2020	As at 31 March 2019	As at 1 April 2018
	Amount Rs. in lakhs	Amount Rs. in lakhs	Amount Rs. in lakhs
<b>Redeemable Non-convertible Debentures</b>			
- Secured	8,716.94	9,204.95	10,730.62
- Unsecured	3,984.68	3,977.30	3,968.73
<b>Total</b>	<b>12,701.62</b>	<b>13,182.25</b>	<b>14,699.35</b>
(i) Debt securities in India	12,701.62	13,182.25	14,699.35
(ii) Debt securities outside India	-	-	-
<b>Total</b>	<b>12,701.62</b>	<b>13,182.25</b>	<b>14,699.35</b>

**13.1 Details of Debentures - Secured and Unsecured, Redeemable Non-convertible Debentures (NCD's)- Redeemable at par**  
The NCDs are secured by charge on specific loans of the Company

(Amount in Rs. In lakhs)

No. of Debentures	Face value	Interest Rate	Due date of redemption	No. of instalments as at 31 March 2020	As at 31 March 2020	As at 31 March 2019	As at 1 April 2018
100	10	12.26%		-	-	-	291.67
150	10	11.40%		-	-	-	750.00
150	10	12.64%		-	-	500.00	1,000.00
200	10	13.00%	Maturity Date: December 18, 2020	1	2,000.00	2,000.00	2,000.00
258	10	12.96%	Maturity Date: March 15, 2022	1	2,580.00	2,580.00	2,580.00
387	10	12.96%	Maturity Date: October 5, 2022	1	3,870.00	3,870.00	3,870.00
200	10	15.50%	Maturity Date: August 30, 2022	1	2,000.00	2,000.00	2,000.00
188	10	15.50%	Maturity Date: September 9, 2022	1	1,880.00	1,880.00	1,880.00
12	10	15.50%	Maturity Date: September 9, 2022	1	120.00	120.00	120.00
<b>Total</b>					<b>12,450.00</b>	<b>12,950.00</b>	<b>14,491.67</b>

**13.2 The Company has not defaulted in the repayment of dues to debenture holders 31<sup>st</sup> March, 2020**

14

Borrowings (other than debt securities) (At Amortized Cost)

Particulars	As at 31 March 2020	As at 31 March 2019	As at 1 April 2018
	Amount Rs. in lakhs	Amount Rs. in lakhs	Amount Rs. in lakhs
(a) Secured			
- Term Loan from Banks	13,184.90	15,772.02	21,532.36
- Term Loan from NBFCs	18,720.84	10,393.19	6,199.35
- Cash credit	824.67	1,006.00	935.76
(b) Borrowings under Securitisation	6,733.98	8,475.66	-
Total	39,464.39	35,646.87	28,667.47
Borrowings in India	39,464.39	35,646.87	28,667.47
Borrowings outside India	-	-	-
Total	39,464.39	35,646.87	28,667.47

14.1

The Company has not defaulted in the repayment of dues to Banks and NBFC's as on 31 March 2020

14.2

Security on Term Loans from Banks and Others

All loans are secured by hypothecation of Micro Finance Loans. Further, the Company has provided a specific lien on deposits with Banks (Refer (a) below) and also have deposits with other NBFCs for Term Loans (Refer (b) below)

Particulars	As at 31 March 2020	As at 31 March 2019	As at 1 April 2018
	Amount Rs. in lakhs	Amount Rs. in lakhs	Amount Rs. in lakhs
(a) Deposits with Banks & Others	2,494.52	3,304.53	3,058.79
(b) Deposits with NBFCs	500.00	300.00	100.00
Total	2,994.52	3,604.53	3,158.79

14.3

Details of Terms of Repayment- Term Loans from Banks and Others

(a) As at 31 March 2020

Particulars	As at 31 March 2020	Number of Remaining Instalments	Maturity	
	Amount Rs. in lakhs		< 1 Year	> 1 Year
Base Rate+Spread	15,558.01	2 to 39	7,587.76	7,970.25
Fixed	16,389.46	2 to 24	8,108.99	8,280.47
Total	31,947.47		15,696.75	16,250.72

(b) As at 31 March 2019

Particulars	As at 31 March 2019	Number of Remaining Instalments	Maturity	
	Amount Rs. in lakhs		< 1 Year	> 1 Year
Base Rate+Spread	17,663.25	1 to 35	10,531.11	7,132.14
Fixed	8,627.48	2 to 33	4,374.07	4,253.41
Total	26,290.73		14,905.18	11,385.55

14.4

Details of Cash Credit from Bank - Secured

(a) The cash credit facility is secured by hypothecation of Microfinance Loans

(b) The details of interest rate and repayment terms are as follows:

(Amount in Rs.)

Repayment Terms	Interest Rate	As at 31 March 2020	As at 31 March 2019	As at 1 April 2018
Repayable on Demand	11.60%	824.67	1,006.00	935.76

15

Other financial liabilities

Particulars	As at 31 March 2020	As at 31 March 2019	As at 1 April 2018
	Amount Rs. in lakhs	Amount Rs. in lakhs	Amount Rs. in lakhs
(a) Gratuity Payable ( Refer Note 34)	249.43	110.28	92.50
(b) Liability for Lease ( Refer Note 33 )	68.97	-	-
(c) Unclaimed Dividends	8.34	8.68	8.75
(d) Remittances payable on assignment not due	256.21	-	-
(e) Non Solicitation fee payable-Mahasemam Trust	525.00	-	-
(f) Insurance Proceeds payable to members	14.56	14.62	-
(g) Payable for Purchase of Capital Asset	8.17	5.08	-
Total	1,130.68	138.66	101.25

**16 Current tax liabilities (net)**

Particulars	As at 31 March 2020	As at 31 March 2019	As at 1 April 2018
	Amount Rs. in lakhs	Amount Rs. in lakhs	Amount Rs. in lakhs
Income Tax Payable	-	-	38.81
<b>Total</b>	-	-	<b>38.81</b>

**17 Provisions**

Particulars	As at 31 March 2020	As at 31 March 2019	As at 1 April 2018
	Amount Rs. in lakhs	Amount Rs. in lakhs	Amount Rs. in lakhs
(a) Provision for Compensated Absences ( Refer Note 34)	325.45	219.20	182.01
<b>Total</b>	<b>325.45</b>	<b>219.20</b>	<b>182.01</b>

**18 Other non-financial liabilities**

Particulars	As at 31 March 2020	As at 31 March 2019	As at 1 April 2018
	Amount Rs. in lakhs	Amount Rs. in lakhs	Amount Rs. in lakhs
(a) Statutory dues payable	86.08	67.87	114.03
(b) Others	255.71	36.97	232.41
<b>Total</b>	<b>341.79</b>	<b>104.84</b>	<b>346.44</b>

**19 Equity Share Capital**

Particulars	As at 31 March 2020		As at 31 March 2019		As at 1 April 2018	
	Number of shares	Amount Rs. In lakhs	Number of shares	Amount Rs. In lakhs	Number of shares	Amount Rs. In lakhs
(a) Authorized Equity shares of Rs.10/- each	2,00,00,000	2,000.00	2,00,00,000	2,000.00	2,00,00,000	2,000.00
<b>Total</b>	<b>20,00,00,000</b>	<b>2,000.00</b>	<b>20,00,00,000</b>	<b>2,000.00</b>	<b>20,00,00,000</b>	<b>2,000.00</b>
(b) Issued , Subscribed and Fully Paid Up Equity shares of Rs.10/- each	1,73,39,639	1,733.96	1,73,39,639	1,733.96	1,73,39,639	1,733.96
<b>Total</b>	<b>1,73,39,639</b>	<b>1,734</b>	<b>1,73,39,639</b>	<b>1,734</b>	<b>1,73,39,639</b>	<b>1,734</b>

**Notes:**

(i) Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the reporting year:

Equity Shares	As at 31 March 2020		As at 31 March 2019		As at 1 April 2018	
	Number of shares	Amount Rs. In lakhs	Number of shares	Amount Rs. In lakhs	Number of shares	Amount Rs. In lakhs
At the beginning of the year	1,73,39,639	1,733.96	1,73,39,639	1,733.96	1,73,39,639	1,733.96
Issued during the year	-	-	-	-	-	-
<b>Outstanding at the end of the year</b>	<b>1,73,39,639</b>	<b>1,734</b>	<b>1,73,39,639</b>	<b>1,734</b>	<b>1,73,39,639</b>	<b>1,734</b>

**(ii) Details of shares held by Holding Company:**

Class of shares / Name of shareholder	As at 31 March 2020		As at 31 March 2019		As at 1 April 2018	
	No of shares held	% holding in the class of shares	No of shares held	% holding in the class of shares	No of shares held	% holding in the class of shares
<b>Equity Shares of Rs. 10 each</b> DWM Investments (Cyprus) Limited	1,15,54,639	66.64%	1,15,54,639	66.64%	1,15,54,639	66.64%

**(iii) Details of shares held by each shareholders holding more than 5% of shares:**

Class of shares / Name of shareholder	As at 31 March 2020		As at 31 March 2019		As at 1 April 2018	
	No of shares held	% holding in the class of shares	No of shares held	% holding in the class of shares	No of shares held	% holding in the class of shares
<b>Equity Shares of Rs. 10 each</b> DWM Investments (Cyprus) Limited	1,15,54,639	66.64%	1,15,54,639	66.64%	1,15,54,639	66.64%
Dr. S. Gurushankar	27,02,499	15.59%	27,02,499	15.59%	27,02,499	15.59%

(iv) The Company has only one class of equity shares having a par value of Rs.10. Each holder is entitled to one vote per equity share. Dividends are paid in Indian Rupees. Dividend proposed by the Board of Directors, if any, is subject to the approval of the shareholders at the Annual General Meeting, except in the case of interim dividend.

<b>20 Other Equity</b>			
Particulars	As at 31 March 2020	As at 31 March 2019	As at 1 April 2018
	Amount Rs. In lakhs	AmountRs. In lakhs	Amount Rs. In lakhs
(a) Securities Premium Account	3,740.20	3,740.20	3,740.20
(b) Statutory Reserve	1,872.41	1,623.59	1,104.14
(c) Surplus in Statement of Profit and Loss	7,163.50	6,168.22	4,541.22
(d) Other Comprehensive Income (OCI)	(81.90)	(18.02)	-
<b>Total</b>	<b>12,694.21</b>	<b>11,513.99</b>	<b>9,385.56</b>
Particulars	As at 31 March 2020	As at 31 March 2019	As at 1 April 2018
	Amount Rs. In lakhs	Amount Rs. In lakhs	Amount Rs. In lakhs
<b>(a) Securities Premium Account</b>			
Opening balance	3,740.20	3,740.20	3,740.20
Add : Premium on shares issued during the year	-	-	-
Less : Utilized during the year	-	-	-
Closing Balance	<b>3,740.20</b>	<b>3,740.20</b>	<b>3,740.20</b>
<b>(b) Statutory Reserve</b>			
Opening balance	1,623.59	1,104.14	767.44
Add: Additions during the year	248.82	519.45	336.70
Less: Utilized / transferred during the year	-	-	-
Closing Balance	<b>1,872.41</b>	<b>1,623.59</b>	<b>1,104.14</b>
<b>(c) Surplus in Statement of Profit and Loss</b>			
Opening Balance	6,168.22	4,541.22	3,194.41
Add: Profit/(Loss) for the year	1,244.10	2,146.45	1,683.51
Less: Transfer to Statutory Reserve	248.82	519.45	336.70
Closing Balance	<b>7,163.50</b>	<b>6,168.22</b>	<b>4,541.22</b>
<b>(d) Other Comprehensive Income (OCI)</b>			
Opening Balance	(18.02)	-	-
Add: Profit for the Year	(63.88)	(18.02)	-
Less: Transfer to Statutory Reserve	-	-	-
Closing Balance	<b>(81.90)</b>	<b>(18.02)</b>	<b>-</b>
<b>TOTAL (a+b+c+d)</b>	<b>12,694.21</b>	<b>11,513.99</b>	<b>9,385.56</b>
<b>21 Interest Income</b>			
Particulars	For the Year Ended 31 March 2020	For the Year Ended 31 March 2019	
	Amount Rs. In lakhs	Amount Rs. In lakhs	
(a) Interest on Loan- Microfinance Loans	12,056.38	11,341.61	
(b) Interest On Deposits with Banks and Financial Institutions	337.50	274.68	
<b>Total</b>	<b>12,393.88</b>	<b>11,616.29</b>	
<b>22 Net Gain on De-recognition of Financial Instruments under amortized cost category</b>			
Particulars	For the Year Ended 31 March 2020	For the Year Ended 31 March 2019	
	Amount Rs. In lakhs	Amount Rs. In lakhs	
Net Gain on de-recognition of Financial Instruments under amortized cost category	179.25	-	-
<b>Total</b>	<b>179.25</b>	<b>-</b>	<b>-</b>
<b>23 Commission Income</b>			
Particulars	For the Year Ended 31 March 2020	For the Year Ended 31 March 2019	
	Amount Rs. In lakhs	Amount Rs. In lakhs	
Insurance commission	132.62	118.54	
<b>Total</b>	<b>132.62</b>	<b>118.54</b>	
<b>24 Other Operating Income</b>			
Particulars	For the Year Ended 31 March 2020	For the Year Ended 31 March 2019	
	Amount Rs. In lakhs	Amount Rs. In lakhs	
Loss Assets recovered	4.48	2.47	
<b>Total</b>	<b>4.48</b>	<b>2.47</b>	



<b>25 Other Income</b>		
Particulars	For the Year Ended 31 March 2020 Amount Rs. In lakhs	For the Year Ended 31 March 2019 Amount Rs. In lakhs
(a) Gain on sale of current investments in Mutual Funds	131.13	143.33
(b) Profit on Sale of Property, Plant and Equipment	-	0.04
(c) Interest on Staff Loan	7.63	4.44
(d) Servicer Fee	11.00	6.00
(e) Incentive on Direct Assignment	49.15	-
(f) Miscellaneous income	2.68	1.50
<b>Total</b>	<b>201.59</b>	<b>155.31</b>
<b>26 Finance Cost</b>		
Particulars	For the Year Ended 31 March 2020 Amount Rs. In lakhs	For the Year Ended 31 March 2019 Amount Rs. In lakhs
<b>(a) Interest on Borrowings</b>		
- Term Loans from Banks	1,614.39	2,837.70
- Term Loans from NBFCs	1,554.15	884.81
- Cash Credit	46.32	37.08
<b>(b) Interest on Debt Securities</b>		
- Debentures	1,848.18	1,963.68
- Borrowings under securitization arrangement	909.62	267.80
<b>(c) Other Borrowing Costs</b>		
- Processing Fees & Others	145.23	21.98
- Bank Charges	28.70	3.42
<b>Total</b>	<b>6,146.59</b>	<b>6,016.47</b>
<b>27 Impairment of financial instruments</b>		
Particulars	For the Year Ended 31 March 2020 Amount Rs. In lakhs	For the Year Ended 31 March 2019 Amount Rs. In lakhs
Loans (Also refer Note 6.4)	337.98	182.74
<b>Total</b>	<b>337.98</b>	<b>182.74</b>
<b>28 Employee Benefit Expenses</b>		
Particulars	For the Year Ended 31 March 2020 Amount Rs. In lakhs	For the Year Ended 31 March 2019 Amount Rs. In lakhs
(a) Salaries and Wages	2,301.46	1,799.41
(b) Contributions to Provident and Other Funds ( Refer Note 34)	143.08	124.53
(c) Staff Welfare Expenses	48.34	41.05
<b>Total</b>	<b>2,492.88</b>	<b>1,964.99</b>
<b>29 Other expenses</b>		
Particulars	For the Year Ended 31 March 2020 Amount Rs. In lakhs	For the Year Ended 31 March 2019 Amount Rs. In lakhs
(a) Electricity	31.90	26.08
(b) Rent including Lease Rentals( Refer Note 33 )	169.53	147.69
(c) Repairs and Maintenance - Building	35.02	8.38
(d) Repairs and Maintenance - Others	124.47	96.10
(e) Insurance	37.50	20.34
(f) Rates and Taxes	120.11	27.95
(g) Communication Expenses	43.80	32.67
(h) Travel and Conveyance	257.92	174.88
(i) Loss on sale of Property, Plant & Equipment	2.73	-
(j) Printing and Stationery	49.16	38.54
(k) Directors' Sitting Fees	19.00	11.50
(l) Subscription Fees	1.82	1.36
(m) Corporate Social Responsibility ( Refer Note 48 )	49.29	26.17
(n) Legal and Professional Fees	142.92	102.27
(o) Software Costs	109.72	83.55
(p) Security Charges	4.30	10.20
(q) Customer welfare Expenses	1.77	4.84
(r ) Meeting and Seminar Expenses	21.05	6.81
(s) Filing Fees	0.96	0.54
(t) Vehicle Maintenance	14.15	22.64
(u) Payments to Statutory Auditors' (net of input tax credit)		
- Statutory Audit	33.00	23.80
- Tax Audit	2.00	2.00
- Other Services	7.75	1.80
(v) Miscellaneous Expenses	19.97	16.94
<b>Total</b>	<b>1,299.84</b>	<b>887.05</b>

**30 Exceptional Items**

Particulars	For the Year Ended 31 March 2020	For the Year Ended 31 March 2019
	Amount Rs. In lakhs	Amount Rs. In lakhs
Non Solicitation Payment (Refer note 51)	550.00	-
<b>Total</b>	<b>550.00</b>	<b>-</b>

**31 Segment Reporting**

The Company is engaged in extending micro credit advances to poor women, who are otherwise unable to access finance from the mainstream banking channels. Based on the "management approach" as defined in Ind-AS 108 - Operating Segments, the Chief Operating Decision Maker (CODM) evaluates the Company's performance and allocates resources based on an analysis of various performance indicators by the overall business segment, i.e. Microfinance Loans. As the allocation of resources and profitability of the business is evaluated by the CODM on an overall basis, with evaluation into individual categories to understand the reasons for variations, no separate segments have been identified. Accordingly no additional disclosure has been made for the segmental revenue, segmental results and the segmental assets & liabilities.

**32 Earnings per share**

Basic and Diluted earnings per share :

The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:

Particulars	For the Year Ended 31 March 2020	For the Year Ended 31 March 2019
(a) Net Profit attributable to Equity Shareholders - Rs. in lakhs (Basic and Diluted)	1,244.10	2,146.45
(b) Weighted average number of equity shares in calculating basic Earnings Per Share (Nos.)	1,73,39,639	1,73,39,639
(c) Earnings per share - Basic and Diluted - Rs.	7.17	12.38

**33 Leases**

The Company has adopted Ind AS 116 'Leases' with the date of initial application being 1 April 2019. Ind AS 116 replaces Ind AS 17 – Leases and related interpretation and guidance. The Company has applied Ind AS 116 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings at 1 April 2019. As a result, the comparative information has not been restated. In adopting Ind AS 116, the Company has applied the below practical expedients:

- The Company has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The Company has treated the leases with remaining lease term of less than 12 months as if they were "short term leases".
- The Company has not applied the requirements of Ind AS 116 for leases of low value assets.
- The Company has excluded the initial direct costs from measurement of the right-of-use asset at the date of transition.
- The Company has used hindsight, in determining the lease term if the contract contains options to extend or terminate the lease.

As on transition date, there are no lease asset which satisfies the qualifying criteria under Ind-AS 116. During the year 31<sup>st</sup> March 2020, the Company recognised right-of-use asset and equivalent lease liability amounting to Rs.83.65 lac for a lease entered during the year. The Company has discounted lease payments using the applicable incremental borrowing rate as at April 1, 2019, which is 13.50% for measuring the lease liability.

**(a) Impact of adoption of Ind AS 116 on retained earnings:**

Particulars	Amount Rs. in Lakhs
Recognition of Lease Liability	-
Recognition of Right of Use of Asset	-
<b>Impact on retained earnings as at April 1, 2019</b>	<b>-</b>

**(b) Impact of adoption of Ind AS 116 on the statement of profit and loss**

(Amount Rs. In Lakhs)

Particulars	For the year ended 31 March 2020
Depreciation expense on right-of-use assets	18.59
Interest expense on lease liabilities	6.92
<b>Impact on the statement of profit and loss for the year</b>	<b>25.51</b>

**(c) Details of Income/Expense recognized in the statement of Profit and Loss :**

Particulars	For the year ended 31 March 2020
Depreciation expense on right-of-use assets	18.59
Interest expense on lease liabilities	6.92
Lease expense on Low Value Assets / Short term assets	169.53

**(d) Maturity analysis of Lease Liabilities**

(Amount Rs. In Lakhs)

Particulars	As at 31 March 2020
Year 1	25.94
Year 2	31.43
Year 3	11.60

**34 Employee Benefit****34.1 Defined Contribution Plan**

(a) The Company makes Provident and Pension Fund contributions, which is a defined contribution plan, for qualifying employees. Additionally, the Company also provides, for covered employees, health insurance through the Employee State Insurance scheme. Under the Schemes, the Company is required to contribute a specified percentage of the payroll costs to fund the benefits. The contributions payable to these plans by the Company are at rates specified in the rules of the schemes.

**(b) Expenses Recognized**

(Amount Rs. In lakhs)

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Contributions to provident and pension funds	112.28	87.67
Contributions to Employee State Insurance	30.81	36.85
<b>Total</b>	<b>143.08</b>	<b>124.53</b>

**34.2 Compensated Absences**

(Amount Rs. In lakhs)

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Included under "Salaries & Wages" (Refer Note 28)	106.25	37.19

(Amount Rs. In lakhs)

Particulars	As at 31 March 2020	As at 31 March 2019	As at 01 April 2018
<b>(b) Net asset / (liability) recognized in the Balance Sheet</b>	325.45	219.40	182.01
Current portion of the above	116.91	75.74	72.33
Non - current portion of the above	208.54	143.46	109.68

The Key Assumptions used in the computation of provision for compensated absences are as given below:

Particulars	As at 31 March 2020	As at 31 March 2019	As at 01 April 2018
Discount Rate (% p.a.)	6.40%	7.30%	7.49%
Future Salary Increase (% p.a.)	10.00%	10.00%	10.00%
Attrition rate:			
Upto grade of Branch Managers	16.00%	16.00%	16.00%
Above grade of Branch Managers	8.00%	8.00%	8.00%

**34.3 Defined Benefit Plans:**

The Company operates a gratuity plan covering qualifying employees. The benefit payable is calculated as per the Payment of Gratuity Act, 1972 and the benefit vests upon completion of five years of continuous service and once vested it is payable to employees on retirement or on termination of employment. In case of death while in service, the gratuity is payable irrespective of vesting. The Company makes annual contribution to the group gratuity scheme administered by the Life Insurance Corporation of India.

In respect of the plan, the most recent actuarial valuation of the plan assets and the present value of the defined benefit obligation were carried out as at 31 March 2020 by M/s KP Actuaries and Consultants, Fellow of the Institute of Actuaries of India. The present value of the defined benefit obligation, and the related current service cost and paid service cost, were measured using the projected unit cost credit method.

**(a) Amount recognized in the statement of profit & loss in respect of the defined benefit plan are as follows:**

(Amount Rs. In lakhs)

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
<b>Amounts recognized in statement of Profit &amp; Loss in respect of these defined benefit plans are as follows:</b>		
Service Cost		
- Current Service Cost	46.03	32.58
- Past Service Cost	-	-
- Net interest expense	8.07	6.93
<b>Components of defined benefit costs recognized in statement of profit or loss (A)</b>	<b>54.10</b>	<b>39.51</b>
Actuarial (gain)/loss on Plan Obligations	(84.68)	(25.26)
Difference between Actual Return and Interest Income on Plan Assets- (gain)/loss	(0.68)	(0.16)
<b>Components of defined benefit costs recognized in other comprehensive income (B)</b>	<b>85.36</b>	<b>25.42</b>
<b>Total</b>	<b>139.46</b>	<b>64.93</b>

(i) The current service cost and interest expense for the year are included in the Note 28 - Employee Benefit Expenses in the statement of profit & loss.

(ii) The re-measurement of the net defined benefit liability is included in other comprehensive income.

**(b) The amount included in the balance sheet arising from the entity's obligation in respect of defined benefit plan is as follows :**

(Amount Rs. In lakhs)			
Particulars	As at 31 March 2020	As at 31 March 2019	As at 1 April 2018
<b>I. Net Asset/(Liability) recognized in the Balance Sheet</b>			
Present value of defined benefit obligation	477.45	332.68	264.48
Fair value of plan assets	228.02	222.40	171.99
Net Asset/(Liability) recognized in the Balance Sheet	(249.43)	(110.28)	(92.50)
Current portion of the above	-	-	-
Non-current portion of the above	(249.43)	(110.28)	92.50

**(c) Movement in the present value of the defined benefit obligation are as follows :**

(Amount Rs. In lakhs)		
Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
<b>Change in the obligation during the year ended</b>		
Present value of defined benefit obligation at the beginning of the year	332.68	264.48
Expenses Recognized in Profit and Loss Account		
- Current Service Cost	46.03	32.58
- Past Service Cost	-	-
- Interest Expense (Income)	24.34	19.80
Re-measurement gains / (losses)		
- Effect of Changes in demographic Assumptions	0.18	
- Effect of Changes in Financial Assumptions	31.49	4.67
- Effect of Experience Adjustments	53.01	20.59
Benefit payments	(10.28)	(9.44)
<b>Present value of defined benefit obligation at the end of the year</b>	<b>477.45</b>	<b>332.68</b>

**(d) Movement in fair value of plan assets are as follows :**

(Amount Rs. In lakhs)		
Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
<b>Change in fair value of assets during the year</b>		
Fair value of plan assets at the beginning of the year	222.40	171.99
Expenses Recognized in Profit and Loss Account		
- Expected return on plan assets	16.27	12.87
Re-measurement gains / (losses)		
- Actuarial gains/(loss) arising from changes in financial assumptions	(0.68)	(0.16)
Contributions by employer (including benefit payments recoverable)	0.31	47.14
Benefit payments	(10.28)	(9.44)
<b>Fair value of plan assets at the end of the year</b>	<b>228.02</b>	<b>222.40</b>

**(e) The fair value of plan assets for India at the end of the reporting year for each category are as follows :**

(Amount Rs. In lakhs)			
Particulars	As at 31 March 2020	As at 31 March 2019	As at 1 April 2018
Investment Funds with Insurance Company Life	228.02	222.40	171.99
- Insurance Corporation of India			

(i) The plan assets comprise insurer managed funds. None of the assets carry a quoted market price in active market or represent the entity's own transferable financial instruments or property occupied by the entity.

**(f) The principal assumptions used for the purpose of actuarial valuation were as follows :**

**Investment Risk:**  
The present value of defined benefit plan liability is calculated using a discount rate which is determined by reference to the prevailing market yields of Indian government securities as at the balance sheet date for the estimated term of the obligations.

**Interest Risk:**  
A decrease in the yield of Indian government securities will increase the plan liability.

**Longevity Risk:**  
The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

**Salary Risk:**  
The present value of the defined benefit plan liability is calculated by reference to the future salaries. In particular, there is a risk for the Company that any adverse salary growth can result in an increase in cost of providing these benefits to employees in future.

**The principal assumptions used for the purpose of actuarial valuation were as follows :**

Particulars	As at 31 March 2020	As at 31 March 2019	As at 1 April 2018
Discount rate	6%	7%	7%
Expected rate of salary increase	10%	10%	10%
Withdrawal Rate			
Upto grade of Branch Managers	16%	16%	16%
Above grade of Branch Managers	8%	8%	8%
Mortality	100% of IALM 2012-14	100% of IALM 2006-08	100% of IALM 2006-08

1. The discount rate is based on the prevailing market yields of Indian Government securities as at balance sheet date for the estimated term of the obligation.
2. The estimates of future salary increases considered takes into account the inflation, seniority, promotion and other relevant factors.
3. In order to protect the capital and optimize returns within acceptable risk parameters, the plan assets are maintained with an insurer managed fund (maintained by the Life Insurance Corporation ("LIC")) and is well diversified.

**(g) Sensitivity Analysis**

The benefit obligation results of such a scheme are particularly sensitive to discount rate, longevity risk, salary growth and employee attrition, if the plan provision do provide for such increases on commencement of pension.

The following table summarizes the impact in financial terms on the reported defined benefit obligation at the end of the reporting period arising on account changes in these four key parameters:

Impact on the Defined benefit Obligation	(Amount Rs. In lakhs)		
	As at 31 March 2020	As at 31 March 2019	As at 1 April 2018
<b>(a) Discount Rate</b>			
- Increase by 1%	442.54	309.31	245.00
- Decrease by 1%	517.52	359.44	286.91
<b>(b) Salary Growth Rate</b>			
- Increase by 1%	514.32	357.98	286.09
- Decrease by 1%	443.78	309.71	245.26
<b>(c) Withdrawal Rate</b>			
- Increase by 50 %	445.22	315.99	251.47
- Decrease by 50 %	539.12	365.02	289.96
<b>(d) Mortality Rate</b>			
- Increase by 10%	477.25	332.57	264.40
- Decrease by 10%	477.65	332.79	264.57

These sensitivities have been calculated to show the movement in defined benefit obligation in isolation and assuming there are no other changes in market conditions at the accounting date. The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligations as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore in presenting the above sensitivity analysis the present value of defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period which is the same as that applied in calculating the defined benefit obligation liability recognized in the balance sheet.

There is no change in the methods and assumptions used in preparing the sensitivity analysis from the prior years.

**(h) Effect of Plan on Entity's Future Cash Flows**

(i) Maturity profile of defined benefit obligation:

Expected cash flows over the next (valued on undiscounted basis):	Amount Rs. in Lakhs
Within 1 year	78.19
2 to 5 years	162.31
More than 5 years	637.31

**(i) Experience Adjustments\***

Experience Adjustments	For the year ended 31 March 2020	For the year ended 31 March 2019
Defined Benefit Obligation	477.45	332.68
Fair value of plan assets	228.02	222.40
Surplus/(Deficit)	(249.43)	(110.28)
Experience adjustment on plan liabilities [(Gain)/Loss]	(84.68)	(25.26)
Experience adjustment on plan assets [Gain]/(Loss)]	(0.68)	(0.16)

\* Experience adjustments related to prior years have been disclosed based on the information to the extent available.



**35 Related Party Transaction****35.1 Names of Related Parties and Nature of Relationship**

Description of Relationship	As at 31 March 2020	As at 31 March 2019	As at 1 April 2018
Holding Company	DWM Investments (Cyprus) Limited	DWM Investments (Cyprus) Limited	DWM Investments (Cyprus) Limited
Key Management Personnel of the Company	Mr. Murali Srinivas - Managing Director and CEO	Mrs. Indrani Bhagwan Singh Chairman and Managing Director (upto 31 December 2019)	Mrs. Indrani Bhagwan Singh Chairman and Managing Director
		Mr. Murali Srinivas - CEO (with effect from 15 November 2018)	
		Mr. Murali Srinivas Managing Director (with effect from 15 February, 2019)	
	Mr. R Venkatasubramanian Company Secretary	Mr. R Venkatasubramanian Company Secretary	Mr. R Venkatasubramanian Company Secretary
	Mr. Prabakaran Thangavelu Chief Financial Officer	Mr. Prabakaran Thangavelu Chief Financial Officer	Mr. Prabakaran Thangavelu Chief Financial Officer
Directors	Mr. Suresh Kodihalli Krishna	Mr. Suresh Kodihalli Krishna	Mr. Rajan Samuel
	Mr. Rajan Samuel	Mr. Rajan Samuel	Mr. Aleem Remtula
	Mr. Aleem Remtula	Mr. Aleem Remtula	Mr. Bradley Swanson
	Mr. Bradley Swanson	Mr. Bradley Swanson	Mr. Murali Srinivas
	Mrs. Indrani Bhagwan Singh	Mrs. Indrani Bhagwan Singh	-
	Mr. V S Padmanaban	-	-

Note: Related party relationships are as identified by the Management.

**35.2 Transactions with the Related Parties**

Transaction	Related Party	For the Year Ended 31 March 2020	For the Year Ended 31 March 2019
Remuneration to Key Managerial Personnel	Mr. Murali Srinivas - Managing Director and CEO	66.35	9.99
	Mrs. Indrani Bhagwan Singh- Chairman and Managing Director	-	36.40
	Mr. Murali Srinivas - CEO (with effect from 15 November 2018)	-	5.25
	Mr. Prabakaran Thangavelu – Chief Financial Officer	35.27	29.95
	Mr. R Venkatasubramanian – Company Secretary	17.47	14.01
Sitting Fees	Mr. Suresh Kodihalli Krishna	8.75	2.75
	Mr. Rajan Samuel	7.75	3.95
	Mrs. Indrani Bhagwan Singh	1.75	1.25
	Mr. V S Padmanaban	0.75	-
	Mr. Murali Srinivas	-	3.55
Employee Loan given	Mr. Murali Srinivas	11.00	-
	Mr. R Venkatasubramanian	3.00	-
Employee Loan repaid	Mr. Murali Srinivas	4.40	-
	Mr. R Venkatasubramanian	2.40	-
Interest Received from employee Loan	Mr. Murali Srinivas Managing Director and CEO	0.44	-
	Mr. R Venkatasubramanian Company Secretary	0.24	-

Transaction	Related Party	As at 31 March 2020 Amount in Rs. In lakhs	As at 31 March 2019 Amount in Rs.in lakhs	As at 1 April 2018 Amount in Rs.in lakhs
<b>Balance as at Year End</b>				
Employee Loan Receivable	Mr. Murali Srinivas Managing Director and CEO	6.60	-	-
	Mr. R Venkatasubramanian Company Secretary	0.60	-	-

**Note:**

- (a) The Company accounts for costs incurred by / on behalf of the Related Parties based on the actual invoices / debit notes raised and accruals
- (b) The above compensation to key management personnel excludes gratuity and compensated absences which cannot be separately identified from the composite amount advised by the actuary.

**36. Financial Instruments****36.1 Capital Management**

The Company manages capital risk in order to maximize shareholders' profit by maintaining sound/optimal capital structure. For the purpose of the Company's capital management, capital includes equity share Capital and Other Equity. Debt includes term loans from banks, NBFC and debentures net of Cash and bank balances. The Company monitors capital on the basis of the following gearing ratio. There is no change in the overall capital risk management strategy of the Company compared to last year.

**Gearing Ratio :**

(Amount in Rs. in lakhs)

Particulars	As at 31 March 2020	As at 31 March 2019	As at 01 April 2018
Borrowings	52,166.01	48,829.12	43,366.82
Cash and Bank Balance	(8,190.53)	(10,994.99)	(8,418.47)
<b>Net Debt (A)</b>	<b>43,975.48</b>	<b>37,834.13</b>	<b>34,948.35</b>
<b>Total Equity (B)</b>	<b>14,428.17</b>	<b>13,247.95</b>	<b>11,119.52</b>
<b>Net Debt to equity ratio (A/B)</b>	<b>3.05</b>	<b>2.86</b>	<b>3.14</b>

**36.2 Categories of Financial Instruments**

The carrying value of the financial instruments by categories as on 31 March 2020, 31 March 2019 and 1 April 2018 is as follows:

(Amount in Rs. In lakhs)

Particulars	Carrying Value			Fair Value		
	As at 31 March 2020	As at 31 March 2019	As at 1 April 2018	As at 31 March 2020	As at 31 March 2019	As at 1 April 2018
<b>(a) Financial Assets</b>						
<b>(i) Measured at amortized cost</b>						
- Loans	59,002.59	50,582.44	46,273.93	59,002.59	50,582.44	46,273.93
- Cash and Bank balance	8,190.53	10,994.99	8,418.47	8,190.53	10,994.99	8,418.47
- Other financial assets	488.86	510.52	303.42	488.86	510.52	303.42
- Loan given to staff	37.32	22.93	18.53	37.32	22.93	18.53
	<b>67,719.30</b>	<b>62,110.88</b>	<b>55,014.35</b>	<b>67,719.30</b>	<b>62,110.88</b>	<b>55,014.35</b>
<b>(b) Financial Liabilities :</b>						
<b>Measured at amortized cost</b>						
- Borrowings	52,166.01	48,829.12	43,366.82	52,166.01	48,829.12	43,366.82
- Trade payables	141.99	115.71	105.92	141.99	115.71	105.92
- Other financial liabilities	1,130.68	138.66	101.24	1,130.68	138.66	101.24
	<b>53,438.68</b>	<b>49,083.49</b>	<b>43,573.98</b>	<b>53,438.68</b>	<b>49,083.49</b>	<b>43,573.98</b>

The management assessed that fair value of Loans other receivables, cash and cash equivalents, other financial assets, trade payables and other financial liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The amortized cost of the Company's interest-bearing borrowings are determined by using the Effective Interest method. The own non- performance risk as at 31 March 2020 was assessed to be insignificant.

There were no items of financial assets or financial liabilities which were valued at fair value as of 31 March 2020, 31 March 2019 and 1 April 2018.

**37. Financial Risk Management Framework**

The Company's board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company manages financial risk relating to the operations through internal risk reports which analyse exposure by degree and magnitude of risk. These risks include market risk (including interest rate risk and other price risk), credit risk and liquidity risk. Compliance with policies and exposure limits is reviewed by the management on a continuous basis.

**37.1 Liquidity Risk Management :**

Liquidity risk refers to the risk that the Company cannot meet its financial obligations as they become due. The Company manages its liquidity risk by ensuring as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk to the Company's reputation. The Company maintains adequate reserves and banking facilities, and continuously monitors the forecast and actual cash flows by matching maturing profiles of financial assets and financial liabilities in accordance with the approved risk management policy of the Company periodically. The Company believes that the working capital (including banking limits not utilized) and its cash and cash equivalent are sufficient to meet its short and medium term requirements.

**Tables:**

Refer Note 42.6 which details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The contractual maturity is based on the earliest date on which the Company may be required to pay.

**37.2 Market Risk:**

Market Risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market factor. Such changes in the values of financial instruments may result from changes in the interest rates, credit, liquidity, and other market changes. The Company is exposed to two types of market risk as follows:

**Interest Rate Risk**

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

We are subject to interest rate risk, principally because we lend to clients at fixed interest rates and for periods that may differ from our funding sources, while our borrowings are at both fixed and variable interest rates for different periods. We assess and manage our interest rate risk by managing our assets and liabilities. Our Asset Liability Management Committee evaluates asset liability management, and ensures that all significant mismatches, if any, are being managed appropriately.

The Company has Board Approved Asset Liability Management (ALM) policy for managing interest rate risk and policy for determining the interest rate to be charged on the loans given.

#### Price Risk

The Company's exposure to price risk is not material and it is primarily on account of investment of temporary treasury surpluses in the highly liquid debt funds for very short durations. The Company has a board approved policy of investing its surplus funds in highly rated debt mutual funds and other instruments having insignificant price risk, not being equity funds/ risk bearing instruments.

### 37.3 Fair value of financial assets and financial liabilities that are not measured at fair value (but fair value disclosures are required)

The Management considers that the carrying amount of financial assets and financial liabilities recognized in the financial statements approximate their fair values.

### 37.4 Offsetting of financial assets and financial liabilities

The Company has not offset financial assets and financial liabilities.

### 38. First-time adoption of Ind AS

These financial statements, for the year ended 31 March 2020, are the first financial statements the Company has prepared in accordance with Ind AS. For periods up to and including the year ended 31 March 2019, the Company prepared its financial statements in accordance with accounting standards notified under Section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 (Indian GAAP or previous GAAP) and Master Directions issued by Reserve Bank of India in this regard.

Accordingly, the Company has prepared financial statements which comply with Ind AS applicable for periods ending on 31 March 2020, together with the comparative period data as at and for the year ended 31 March 2019, as described in the summary of significant accounting policies. In preparing these financial statements, the Company's opening balance sheet was prepared as at 1 April 2018, the Company's date of transition to Ind AS. This note explains the principal adjustments made by the Company in restating its Indian GAAP financial statements, including the balance sheet as at 1 April 2018 and the financial statements as at and for the year ended 31 March 2019.

#### 38.1 Exemptions applied

Ind AS 101 allows first-time adopters certain exemptions from the retrospective application of certain requirements under Ind AS. The Company has applied the following exemption:

(i) Deemed Cost for Property, plant and equipment and intangible assets.

The Company has elected to continue with the carrying value of all of its property, plant and equipment and intangible assets recognized as at 1 April 2018 (transition date) measured as per the previous Indian GAAP ('I GAAP') and use that carrying value as its deemed cost as of the transition date.

#### Estimates

Ind AS estimates as on 1 April 2018 are consistent with the estimates as at the same date made in conformity with previous GAAP. The Company has made an estimate regarding impairment of financial assets based on Expected Credit Loss model which were not required under the Previous GAAP.

#### 38.2 First time Ind AS Adoption Reconciliation:

(i) Effect of Ind AS adoption on the Balance Sheet as at 31 March 2019 and 1 April 2018 :

(Amount Rs. In lakhs)

Particulars	As at 31 March 2019 (End of Last period Presented under Previous GAAP)			As at 1 April 2018 (End of Last period Presented under Previous GAAP)		
	Previous GAAP	Effect of transition to IND AS	IND AS balance sheet	Previous GAAP	Effect of transition to IND AS	IND AS balance sheet
<b>ASSETS</b>						
<b>Financial assets</b>						
(a) Cash and cash equivalents	6,639.19	-	6,639.19	5,148.17	-	5,148.17
(b) Bank Balances other than (a) above	4,355.80	-	4,355.80	3,270.30	-	3,270.30
(c) Loans	51,216.11	(633.67)	50,582.44	46,792.72	(518.79)	46,273.93
(d) Loans given to staff - at amortized cost	22.93	-	22.93	18.53	-	18.53
(e) Other Financial assets	510.52	-	510.52	303.42	-	303.42
	<b>62,744.55</b>	<b>(633.67)</b>	<b>62,110.88</b>	<b>55,533.14</b>	<b>(518.79)</b>	<b>55,014.35</b>
<b>Non-financial Assets</b>						
(a) Current tax assets (net)	74.22	-	74.22	-	-	-
(b) Deferred tax assets (net)	237.70	112.98	350.68	225.33	(66.31)	159.02
(c) Property, Plant and Equipment	72.56	-	72.56	61.11	-	61.11
(d) Intangible assets (including RoU)	14.22	-	14.22	6.03	-	6.03
(e) Other non-financial assets	32.92	-	32.92	20.25	-	20.25
	<b>431.62</b>	<b>112.98</b>	<b>544.60</b>	<b>312.72</b>	<b>(66.31)</b>	<b>246.41</b>
<b>Total</b>	<b>63,176.17</b>	<b>(520.69)</b>	<b>62,655.48</b>	<b>55,845.86</b>	<b>(585.10)</b>	<b>55,260.76</b>

Particulars	(Amount Rs. In lakhs)					
	As at 31 March 2019 (End of Last period Presented under Previous GAAP)			As at 1 April 2018 (End of Last period Presented under Previous GAAP)		
	Previous GAAP	Effect of transition to IND AS	IND AS balance sheet	Previous GAAP	Effect of transition to IND AS	IND AS balance sheet
<b>Financial Liabilities</b>						
(a) Other Payables						
(i) total outstanding dues of micro enterprises and small enterprises	0.13	-	0.13	-	-	-
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises	115.58	-	115.58	105.92	-	105.92
(iii) Payable for purchase of Capital Assets	-	-	-	-	-	-
(b) Debt Securities	13,222.11	(39.86)	13,182.25	14,769.43	(70.08)	14,699.35
(c) Borrowings (other than debt securities)	35,856.78	(209.91)	35,646.87	29,380.37	(712.90)	28,667.47
(d) Other Financial liabilities	138.66	-	138.66	101.24	-	101.24
	<b>49,333.26</b>	<b>(249.77)</b>	<b>49,083.49</b>	<b>44,356.95</b>	<b>(782.97)</b>	<b>43,573.98</b>
<b>Non-financial Liabilities</b>						
(a) Current tax liabilities (net)	-	-	-	38.81	-	38.81
(b) Provisions	219.20	-	219.20	182.01	-	182.01
(c) Other non-financial liabilities	104.84	-	104.84	346.44	-	346.44
	<b>324.04</b>	<b>-</b>	<b>324.04</b>	<b>567.26</b>	<b>-</b>	<b>567.26</b>
<b>Equity</b>						
(a) Equity share capital	1,733.96	-	1,733.96	1,733.96	-	1,733.96
(b) Other equity	11,784.91	(270.92)	11,513.99	9,187.69	197.88	9,385.56
	<b>13,518.87</b>	<b>(270.92)</b>	<b>13,247.95</b>	<b>10,921.65</b>	<b>197.88</b>	<b>11,119.52</b>
<b>Total</b>	<b>63,176.17</b>	<b>(520.69)</b>	<b>62,655.48</b>	<b>55,845.86</b>	<b>(585.10)</b>	<b>55,260.76</b>

## (ii) Reconciliation of equity as previously reported under Indian GAAP to Ind AS

Particulars	(Amount Rs. In lakhs)	
	As at 31 March 2019	As at 1 April 2018
<b>Equity as reported under previous GAAP</b>	13,518.87	10,921.65
<b>Ind AS: Adjustments increase (decrease):</b>		
(i) Adoption of Effective Interest Rate (EIR) for amortization of Processing Fee Income	(513.45)	(470.80)
(ii) Adoption of EIR for amortization of expenses - financial liabilities at amortized cost	249.77	782.97
(iii) Application of Expected Credit Loss	(120.22)	(47.99)
(iv) Deferred Tax impact on above adjustments	112.98	(66.31)
<b>Total adjustment to equity</b>	<b>(270.92)</b>	<b>197.87</b>
<b>Total Equity as reported under IND AS</b>	<b>13,247.95</b>	<b>11,119.52</b>

## (iii) Effect of Ind AS adoption on the Statement of Profit &amp; Loss for the Year ended 31 March 2018

	Particulars	(Amount in Rs.)		
		Year ended 31 March 2018 (latest period presented under previous GAAP)		
		Previous GAAP	Effect of transition to Ind AS	Ind AS
I	<b>Revenue from operations</b>			
	Interest income	11,658.94	(42.65)	11,616.29
	Commission Income	118.54	-	118.54
	Other operating income	2.47	-	2.47
	<b>Total</b>	<b>11,779.95</b>	<b>(42.65)</b>	<b>11,737.30</b>
	Other Income	155.31	-	155.31
II	<b>Total Revenue (I + II)</b>	<b>11,935.26</b>	<b>(42.65)</b>	<b>11,892.61</b>
III	<b>EXPENSES</b>			
	Finance cost	5,483.27	533.20	6,016.47
	Impairment of financial instruments	110.51	72.23	182.74
	Employee benefit expenses	1,990.41	(25.42)	1,964.99
	Depreciation, amortization and impairment	27.20	-	27.20
	Other expenses	887.05	-	887.05
	<b>Total Expenses</b>	<b>8,498.44</b>	<b>580.01</b>	<b>9,078.45</b>
IV	<b>Loss before tax (II - III)</b>	<b>3,436.82</b>	<b>(622.66)</b>	<b>2,814.16</b>
V	<b>Tax Expense</b>			
	(a) Current tax	851.98	-	851.98
	(b) Deferred tax	(12.37)	(171.90)	(184.27)
	<b>Total tax expense</b>	<b>839.61</b>	<b>(171.90)</b>	<b>667.71</b>
VI	<b>Profit for the year (IV - V)</b>	<b>2,597.21</b>	<b>(450.76)</b>	<b>2,146.45</b>
VII	<b>Other Comprehensive Income</b>			

VIII	(i) Items that will not be recycled to profit or loss Re-measurement gains and (losses) on defined benefit obligations (net)	-	(25.42)	(25.42)
	(ii) Income tax relating to items that will not be reclassified to profit or loss	-	7.40	7.40
	<b>Total Other Comprehensive Income for the year</b>	-	<b>(18.02)</b>	<b>(18.02)</b>
	<b>Total Comprehensive Income for the year (VI + VII)</b>	<b>2,597.21</b>	<b>(468.78)</b>	<b>2,128.43</b>

## (iv) Reconciliation of Total Comprehensive Income for the year ended 31 March 2019 :

Particulars	Amount Rs.in Lakhs	
	Year ended 31 March 2019 (latest period presented under previous GAAP)	
<b>Profit as per Previous GAAP</b>	<b>2,597.21</b>	
<b>Ind AS: Adjustments (increase)/ decrease:</b>		
(i) Adoption of Effective Interest Rate (EIR) for amortization of Processing Fee Income	(42.65)	
(ii) Adoption of EIR for amortization of expenses - financial liabilities at amortized cost	(533.20)	
(iii) Application of Expected Credit Loss	(72.23)	
(iv) Re-measurement of Defined Benefit Obligation recognized in Other Comprehensive Income under Ind AS (net of tax)	18.02	
(v) Deferred Tax impact on above adjustments	179.30	
<b>Total adjustment to profit or loss</b>	<b>(450.76)</b>	
<b>Profit under Ind AS</b>	<b>2,146.45</b>	
Other Comprehensive Income (Net of Tax)	(18.02)	
<b>Total Comprehensive Income under Ind AS</b>	<b>2,128.43</b>	

## (v) Effect of Ind AS adoption on the Statement of Cash Flows for the Year ended 31 March 2019

PARTICULARS	Amount Rs.in Lakhs		
	Year ended 31 March 2019 (latest period presented under previous GAAP)		
	Previously Reported	Effect of Transition to Ind AS	Ind AS
<b>Previous GAAP</b>			
Net cash flows from operating activities	5,869.93	(4,934.92)	935.01
Net cash flows from investing activities	(1,792.42)	1,894.05	101.63
Net cash flows from financing activities	(3,595.04)	3,040.87	(554.17)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>482.47</b>		<b>482.47</b>
<b>Add: Cash and cash equivalents at beginning of year</b>	<b>5,128.27</b>	-	<b>5,128.27</b>
<b>Cash and cash equivalents at end of year</b>	<b>5,610.74</b>	-	<b>5,610.74</b>

## Explanatory Notes to Ind AS adjustments

- Under previous GAAP, the company was recognizing provisions on non-performing assets as per Prudential Norms prescribed by the Reserve Bank of India. Under Ind AS, these provisions have been computed based on the Expected Credit Loss model as required by Ind AS 109. The effect of this change has resulted in a decrease in total equity as at March 31, 2019 of Rs. 120.22 lakhs (Rs. 47.99 lakhs as at April 1, 2018), and a decrease in profit for the year ended March 31, 2019 of Rs. 72.23 lakhs.
- Under previous GAAP, security deposits were recognized based on Historical Costs. Under Ind AS, these financial assets have been adjusted to be carried at amortized costs. The notional cost of interest on deposits under Ind AS has been recognized as Rental Expense and the interest accrual has been recognized as Interest Income earned on Financial Assets.
- Under previous GAAP, actuarial gains and loss on defined benefit plans were recognized in profit or loss. Under Ind AS, the actuarial gains and losses form part of re-measurement of the net defined benefit obligation / asset which are recognized in other comprehensive income. Consequently, the tax effect of the same has also been recognized in other comprehensive income under Ind AS instead of profit or loss.
- Under the previous GAAP, transaction costs in relation to borrowings were charged off to the Statement of Profit and Loss in the year in which it is incurred. As per Ind AS 109, transaction costs including processing fee, prepayment charges, in relation to borrowings are to be adjusted to borrowings and amortized over the repayment period of the said liability. The same has been considered in the opening and comparative period financial statements.
- Under the previous GAAP, processing fees collected from customers was recognized as income when the amount was received. Under Ind AS 109, the processing fee is included as part of the Loan and amortized over the repayment period of the said Loan.
- Opening Reserves as at 1 April 2018 has been adjusted consequent to the above Ind AS Transition adjustments.
- Under previous GAAP, there was no concept of other comprehensive income. Under Ind AS, specified items of income, expense, gains or losses are required to be presented in other comprehensive income.
- The previous GAAP figures have been reclassified to conform to Ind AS presentation requirements for the purposes of this note.



**39 Disclosures required under Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006**

Based on and to the extent of information received by the Company from the suppliers during the year regarding their status under the Micro Small and Medium Enterprises Development Act, 2006 (MSMED Act), the relevant particulars for the years ended 31 March 2020, 31 March 2019 and 31 March 2018 are furnished below:

Particulars	For the Year Ended 31 March 2020 Amount in Rs.	For the Year Ended 31 March 2019 Amount in Rs.	For the Year Ended 31 March 2018 Amount in Rs.
Principal amount remaining unpaid to any supplier as at the end of the accounting year.	-	0.13	-
Interest due thereon remaining unpaid to any supplier as at the end of the accounting year.	-	-	-
The amount of interest paid along with the amounts of the payment made to the supplier beyond the appointed day	-	-	-
The amount of interest due and payable for the year.	-	-	-
The amount of interest accrued and remaining unpaid at the end of the accounting year.	-	-	-
The amount of further interest due and payable even in the succeeding year, until such date when the interest dues as above are actually paid.	-	-	-

Note: Dues to Micro and Small Enterprises have been determined to the extent such parties have been identified on the basis of information collected by the Management.

**40. Commitments and Contingencies**

Particulars	As at 31 March 2020 Amount in Rs.	As at 31 March 2019 Amount in Rs.	As at 1 April 2018 Amount in Rs.
<b>A. Contingent Liabilities:</b>			
Motor Accidents claims (Refer Note (a) below)	-	-	25.00
Service Tax (Refer Note (b) below)	-	48.26	48.26
Income Tax (Refer Note (c) below)	133.41	6.12	6.12
<b>B. Commitments</b>			
Estimated amount of contracts remaining to be executed on capital account and not provided for:	-	-	-

**(a) Motor Accidents Claim:**

Former employee of the Company was involved in a two-wheeler accident which caused the death of two people. At the time of accident, the transfer of the ownership of the vehicle involved in the accident from the Company to the staff was not registered with the concerned Regional Transport Office. Two cases, claiming compensation of Rs.15,00,000/- and Rs.10,00,000/- respectively were filed against the Company by the dependents and the legal heirs of the deceased before the Motor Accidents Claims Tribunal (District Judge), Tirunelveli. During the year ended 31 March 2019, the cases were settled at a compensation of Rs.7,50,000/-.

**(b) Service Tax:**

An order dated 23 February, 2018 was passed by the Assistant Commissioner of CGST and Central Excise directing the Company to pay:

(i) Rs.42,27,620/- excluding penalty and interest, stating that the service fee charged by the Company as collection agent on assigned/ securitized assets is not representative of actual consideration for the services rendered for the period from 2009 to 2014 under Banking and Financial Services.

(ii) Rs.5,98,329/- excluding penalty and interest, stating that the consultancy services received is taxable under reverse Charge under Management or Business Consultant's Service and Banking and Other Financial Services received from Non- Resident Service Provider.

The Company had filed an appeal before the Commissioner of Central Excise, Customs & Service Tax (Appeals) on 03 May 2018, claiming for deletion of the total demand of Rs.48,25,949/- and the penalty and interest thereon on the assumed taxable value. This appeal was rejected on 29 June 2018. Further to this the Company has filed an appeal with the Customs, Excise and Service Tax Appellate Tribunal on 15 October 2018.

During the current year, the company settled the demand under Sabka Vishwas (Legacy Dispute) Scheme by paying an amount of Rs.64,91,435/- during the year.

**(c) Income Tax:**

(i) While completing the Income Tax assessment for the Assessment Year 2011-12, the department vide order dated 31 December 2013, demanded an amount of Rs.2,90,830/- on account of mismatches between TDS credit claimed in return and credit granted in the assessment. The Company has filed a rectification u/s 154 of the Income Tax Act, 1961 to rectify the same. There has been no further progress in this matter.

(ii) While completing the Income Tax assessment for the Assessment Year 2014-15, the department via order dated 30 December 2016, demanded an amount of Rs.3,21,510/- disallowing the claim of rent advance written off as bad debts. The Company believes that the claim is untenable and hence, has filed an appeal with Commissioner of Income Tax (Appeals) 02 February, 2017 against the said order. This appeal was rejected on 14 February 2019.

During the current year, the company has paid the demand to department.

(iii) While completing the Income Tax assessment for the Assessment Year 2017-18, the department via order dated 31 December 2019, demanded an amount of Rs.1,30,50,323/- assessing the Specified Bank Notes deposited in excess of cash balance on 08 November 2016 as unexplained cash credit u/s 68 of the Income Tax Act, 1961. The Company believes that the

claim is untenable and hence, has filed a writ petition with the Madras High Court against the said order. The high court has granted an interim stay on the said petition as on 03 February 2020; The company has paid an amount of Rs10,00,000/- under protest.

(d) Based on professional advice, the Company believes that the cases will be decided in its favor and hence no provision is required. Further, outflows, if any, arising out of these claims would depend on the outcome of the decision of the appellate authorities and the Company's rights to future appeals. No reimbursements are expected.

(e) The above does not include show cause notices.

#### 41. Disclosure Pursuant to Reserve Bank of India Master Direction DNBR. PD. 008/03.10.119/2016-17 updated 16 April 2019

##### 41.1 Customer Complaints\*

(a)	No. of complaints pending as on 1 April 2019	-
(b)	No. of complaints received during the year	44
(c)	No. of complaints redressed during the year	44
(d)	No. of complaints pending as on 31 March 2020	-

\*As disclosed by the Management and relied upon by the Auditors.

##### 41.2 Details of Registration with Financial Regulators

S.No	Regulator	Registration No.
1	Ministry of Company Affairs	U67190TN1995PLC030604
2	Reserve Bank of India	B-07.00537

##### 41.3 Ratings assigned by Credit Rating Agencies

Particulars	As at 31 March 2020	As at 31 March 2019	As at 1 April 2018
Long Term Bank Facilities	[ICRA] BBB	[ICRA] BBB	[ICRA] BBB-
Long term Non-Convertible Debentures	CARE BBB; stable CARE BBB; stable CARE BBB; stable	CARE BBB; stable CARE BBB; stable CARE BBB; stable	CARE BBB; stable CARE BBB; stable CARE BBB; stable
MFI Grading	M2	M2	M2

**Note:**The Credit Rating Agencies have subsequently reaffirmed the rating of the instruments after due consideration of the latest developments; Accordingly, the outlook of the instruments have been revised to 'negative' from 'stable'.

##### 41.4 Concentration of Advances, Exposures and NPA's

Particulars	As at 31 March 2020	As at 31 March 2019	As at 1 April 2018
Total Advances and Exposures to twenty largest borrowers	Refer Note below	Refer Note below	Refer Note below
Total Exposure to top four NPA accounts	Refer Note below	Refer Note below	Refer Note below
Percentage of Advances and Exposures to twenty largest borrowers to Total Advances of the NBFC	Refer Note below	Refer Note below	Refer Note below

The Company operates in the business of microfinance providing collateral free loans for fixed amounts ranging from Rs.5,000/- to Rs.50,000/- to women engaged in various income generating activities. As at 31 March 2020, the Company has provided loans to more than 40.66 lakhs women and hence, the disclosure relating to concentration to advances, exposures and NPA's are not applicable to the Company.

##### 41.5 Details of non-performing financial assets purchased /sold

There have been no Non-performing assets purchased or sold by the Company as at 31 March 2020, 31 March 2019 and 1 April 2018.

##### 41.6 Sector-wise NPAs as on 31 March 2020

Sl. No	Sector	Percentage of NPAs to Total Advances in that sector as on 31 March 2020	Percentage of NPAs to Total Advances in that sector as on 31 March 2019	Percentage of NPAs to Total Advances in that sector as on 1 April 2018
1	Agriculture & allied activities	0.13%	0.18%	0.03%
2	MSME	0.04%	0.03%	0.04%
3	Corporate borrowers	0.00%	0.00%	0.00%
4	Services	0.05%	0.04%	0.04%
5	Unsecured personal loans	0.00%	0.00%	0.00%
6	Auto loans (commercial vehicles)	0.00%	0.00%	0.00%
7	Other loans	0.00%	0.00%	0.00%

##### 41.7 Provisions and Contingencies

Particulars	For the Year Ended 31 March 2020 Amount Rs.in Lakhs	For the Year Ended 31 March 2019 Amount Rs.in Lakhs
Impairment Loss Allowance	337.98	182.74
Provision for Income Tax (excluding deferred tax)	770.00	1,030.00

##### 41.8 Movement of NPAs

Sl. No	Particulars	As at 31 March 2020 Amount Rs.in lakhs	As at 31 March 2019 Amount Rs.in lakhs	As at 1 April 2018 Amount Rs.in lakhs
(i)	Net NPAs to Net Advances (%)	0.00%	0.00%	0.00%

(ii)	<b>Movement of NPAs (Gross)</b>			
	(a) Opening balance	132.09	48.48	7.47
	(b) Net Additions/(deletions) during the year	1.44	83.62	41.01
	(c) Closing balance	133.53	132.09	48.48
(iii)	<b>Movement of Net NPAs</b>			
	(a) Opening balance	-	-	-
	(b) Net Additions/(deletions) during the year	-	-	-
	(c) Closing balance	-	-	-
(iv)	<b>Movement of provisions for receivables under financing activities</b>			
	(a) Opening balance	645.54	519.27	436.12
	(b) Provisions made during the year	337.98	182.74	83.15
	(c) Write-off / write-back of excess provisions	(109.15)	(56.47)	-
	(d) Closing balance	874.37	645.54	519.27

**41.9** During the year there are no instances of Single Borrower Limit (SGL) / Group Borrower Limit (GBL) exceeding the sanctioned limit or outstanding or entire outstanding whichever is higher.

**41.10** During the year company has not given any advances with intangible collateral such as charge over the rights, licenses, authority etc.

**41.11 Registration Obtained from Other Financial Sector Regulators**

During the year the company has not obtained any registrations from other financial regulators.

**41.12 Penalties Imposed by RBI and Other Regulators**

No penalties imposed by RBI or Other Regulators.

**41.13 Investments**

Particulars	As at 31 March 2020 Amount Rs.in Lakhs	As at 31 March 2019 Amount Rs.in Lakhs	As at 1 April 2018 Amount Rs.in Lakhs
<b>Value of Investments</b>			
(i) Gross Value of Investments	-	-	-
(a) In India	-	-	-
(b) Outside India,	-	-	-
(ii) Provisions for Depreciation	-	-	-
(a) In India	-	-	-
(b) Outside India,	-	-	-
(iii) Net Value of Investments	-	-	-
(a) In India	-	-	-
(b) Outside India.	-	-	-
<b>Movement of provisions held towards depreciation on investments</b>			
(i) Opening balance	-	-	-
(ii) Add : Provisions made during the year	-	-	-
(iii) Less : Write-off / write-back of excess	-	-	-
(iv) Closing balance	-	-	-

**41.14 Derivatives:**

The Company has no transactions / exposure in derivatives for all years presented.

**42 Disclosure Pursuant to Reserve Bank of India Master Direction DNBR. PD. 008/03.10.119/2016-17 (updated 16th April, 2019)**

**Capital Adequacy Ratio**

Particulars	As at 31 March 2020 Amount Rs.in Lakhs	As at 31 March 2019 Amount Rs.in Lakhs	As at 1 April 2018 Amount Rs.in Lakhs
Tier I Capital	13,517.92	12,192.51	10,660.01
Tier II Capital	337.82	-	404.97
<b>Total Capital</b>	13,855.75	12,192.51	11,064.98
<b>Total Risk Assets</b>	58,611.27	47,925.96	47,501.92
<b>Capital Ratios</b>			
Tier I Capital as a percentage of Total Risk Assets (%)	23.06%	25.44%	22.44%
Tier II Capital as a percentage of Total Risk Assets (%)	0.58%	0.00%	0.85%
<b>Total Capital (%)</b>	<b>23.64%</b>	<b>25.44%</b>	<b>23.29%</b>

**42.1 Exposure to Real Estate Sector**

Category	As at 31 March 2020 Amount Rs.in Lakhs	As at 31 March 2019 Amount Rs.in Lakhs	As at 1 April 2018 Amount Rs.in Lakhs
a) Direct Exposure			
<b>(i) Residential Mortgages</b> Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented	-	-	-
<b>(ii) Commercial Real Estate -</b> Lending secured by mortgages on commercial real estates (office buildings, retail space, multi-purpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure shall also include non-fund based limits	-	-	-
<b>(iii) Investments in Mortgage Backed Securities (MBS) and other securitized exposures -</b>	-	-	-
a. Residential			
b. Commercial Real Estate			
Total Exposure to Real Estate Sector	-	-	-

**42.2 Exposure to Capital Market**

The Company does not have any exposure to Capital market as at 31 March 2020, 31 March 2019 and 1 April 2018.

**42.3 Draw Down from Reserves**

No Drawdown from Reserves has been noted in the financial years ended 31 March 2020, 31 March 2019 and 1 April 2018.

**42.4 Overseas Assets (for those with Joint Ventures and Subsidiaries abroad)**

There are no overseas assets of the Company as there are no Joint Ventures and subsidiaries abroad.

**42.5 Off-balance Sheet SPVs sponsored**

There have been no off-balance sheet SPVs sponsored by the Company during the financial years ended 31 March 2020, 31 March 2019 and 1 April 2018

**42.6 Asset Liability Management**

(a) Maturity Pattern of certain items of Assets and Liabilities as at 31 March 2020:

(Amount Rs.in Lakhs)

Particulars	1 day to 30 – 31 days (One Month)	Over one month to 2 months	Over 2 months upto 3 months	Over 3 months upto 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
<b>Liabilities</b>									
Borrowings from Banks & NBFCs	353.25	187.53	1,650.55	4,830.70	8,674.72	16,000.72	250.00	-	31,947.47
Market Borrowings	-	-	-	-	2,000.00	10,450.00	-	-	12,450.00
<b>Assets</b>									
Advances (Micro Finance Loans)	-	-	7,273.40	19,812.18	24,595.39	8,191.38	-	-	59,872.35

(b) Maturity Pattern of certain items of Assets and Liabilities as at 31 March 2019:

(Amount Rs.in Lakhs)

Particulars	1 day to 30 – 31 days (One Month)	Over one month to 2 months	Over 2 months upto 3 months	Over 3 months upto 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
<b>Liabilities</b>									
Borrowings from Banks & NBFCs	1,037.58	882.46	2,177.47	3,875.91	6,931.76	11,343.88	41.67	-	26,290.73
Market Borrowings	-	-	-	250.00	250.00	2,000.00	10,450.00	-	12,950.00
<b>Assets</b>									
Advances (Micro Finance Loans)	6,296.03	6,367.15	5,238.33	14,412.49	15,550.53	3,612.32	-	-	51,476.85
Investments	-	-	-	-	-	-	-	-	-

(c) Maturity Pattern of certain items of Assets and Liabilities as at 1 April 2018:

(Amount Rs.in Lakhs)

Particulars	1 day to 30 – 31 days (One Month)	Over one month to 2 months	Over 2 months upto 3 months	Over 3 months upto 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years to 7 years	Total
<b>Liabilities</b>									
Borrowings from Banks & NBFCs	1,098.60	921.08	1,447.94	4,235.14	8,094.10	12,617.49	-	-	28,414.35
Market Borrowings	104.17	104.17	104.17	562.50	666.67	4,500.00	8,450.00	-	14,491.68
<b>Assets</b>									
Advances (Micro Finance Loans)	4,994.29	5,497.78	4,665.68	12,710.26	15,457.71	3,802.46	-	-	47,128.18
Investments	-	-	-	-	-	-	-	-	-



**43 Disclosure Pursuant to paragraph 13 of Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2016):**

S.No	Particulars	(Amount Rs.in Lakhs)					
		As at 31 March 2020		As at 31 March 2019		As at 1 April 2018	
		Amount Outstanding	Amount Overdue	Amount Outstanding	Amount Overdue	Amount Outstanding	Amount Overdue
<b>1</b>	<b><u>Liabilities:</u></b>						
	<b><i>Loans and Advances availed by the NBFC inclusive of interest accrued thereon but not paid:</i></b>						
(a)	Debentures (Refer Note Below)						
	- Secured	8,720.15	-	9,220.42	-	10,769.43	-
	- Unsecured	4,001.70	-	4,001.70	-	4,000.00	-
	(other than falling within the meaning of public deposits)			-			
(b)	Term Loans (Refer Note Below)	32,102.38	-	26,349.24	-	28,444.61	-
(c)	Inter-Corporate Loans and Borrowings	-	-	-	-	-	-
(d)	Commercial Paper	-	-	-	-	-	-
(e)	Finance Lease obligations	-	-	-	-	-	-
(f)	Cash Credits	824.67	-	1,006.00	-	935.76	-

**Note:**Includes Interest Accrued but Not Due on Debentures amounting to Rs.271.85 Lakhs (As at 31 March 2019: Rs.272.11 Lakhs; As at 1 April 2018: Rs.277.76 lakhs) and Term Loans amounting to Rs.77.46 Lakhs (As at 31 March 2019: Rs.58.50 Lakhs; As at 1 April 2018: Rs.30.26 Lakhs).

S.No	Particulars	(Amount Rs. in Lakhs)		
		Amount Outstanding as at 31 March 2020	Amount Outstanding as at 31 March 2019	Amount Outstanding as at 1 April 2018
<b>2</b>	<b><u>Assets:</u></b>			
	<b><i>Break-up of Loans and Advances including Bills Receivables [other than those included in (3) below] :</i></b>			
(a)	Secured	-	-	-
(b)	Unsecured (Refer Note Below)	60,474.35	51,741.43	47,264.00
<b>3</b>	<b><i>Break up of Leased Assets and Stock on Hire and Other Assets counting towards AFC activities</i></b>			
(i)	Lease Assets including Lease Rentals Accrued and Due:			
	(a) Financial Lease	-	-	-
	(b) Operating Lease	-	-	-
(ii)	Stock on Hire including Hire Charges under Sundry Debtors:			
	(a) Assets on Hire	-	-	-
	(b) Repossessed Assets	-	-	-
(iii)	Other Loans counting towards AFC Activities			
	(a) Loans where Assets have been Repossessed	-	-	-
	(b) Loans other than (a) above	-	-	-
<b>4</b>	<b><i>Break-up of Investments</i></b>			
	<b><i>Current Investments</i></b>			
	<b><i>I Quoted:</i></b>			
(i)	Shares: (a) Equity	-	-	-
	(b) Preference	-	-	-
(ii)	Debentures and Bonds	-	-	-
(iii)	Units of Mutual Funds	-	-	-
(iv)	Government Securities	-	-	-
(v)	Others (please specify)	-	-	-
	<b><i>II Unquoted:</i></b>			
(i)	Shares: (a) Equity	-	-	-
	(b) Preference	-	-	-
(ii)	Debentures and Bonds	-	-	-
(iii)	Units of Mutual Funds	-	-	-
(iv)	Government Securities	-	-	-
(v)	Others (please specify)	-	-	-
	<b><i>Long Term Investments</i></b>			
	<b><i>I Quoted:</i></b>			
(i)	Shares: (a) Equity	-	-	-
	(b) Preference	-	-	-
(ii)	Debentures and Bonds	-	-	-
(iii)	Units of Mutual Funds	-	-	-
(iv)	Government Securities	-	-	-
(v)	Others (please specify)	-	-	-
	<b><i>II Unquoted:</i></b>			
(i)	Shares: (a) Equity	-	-	-
	(b) Preference	-	-	-

(ii)	Debentures and Bonds	-	-	-
(iii)	Units of Mutual Funds	-	-	-
(iv)	Government Securities	-	-	-
(v)	Investment in Pass Through Certificates	-	-	-
(Amount Rs.in Lakhs)				
<b>Borrower Group-wise Classification of Assets Financed as in (2) and (3) above</b>				
5	Category	As at 31 March 2020 (Net of Provisions) (Refer Note below)		As at 31 March 2019 (Net of Provisions) (Refer Note below)
		As at 1 April 2018 (Net of Provisions) (Refer Note below)		
		Secured	Unsecured	Secured
1	Related Parties			
	(a) Subsidiaries	-	-	-
	(b) Companies in the same Group	-	-	-
	(c) Other Related Parties	-	-	-
2	Other than Related Parties	-	59,599.98	51,095.89
	<b>Total</b>	-	<b>59,599.98</b>	<b>51,095.89</b>
(Amount Rs.in Lakhs)				
6	Investor Group-wise Classification of all Investments (Current and Long Term) in Shares and Securities (both Quoted and Unquoted) :	Market Value / Break-up Value or Fair Value or Net Asset Value (Company's Share) as on 31 March 2020	Book Value as on 31 March 2020	Market Value / Break-up Value or Fair Value or Net Asset Value (Company's Share) as on 31 March 2019
		Book Value as on 31 March 2019	Market Value / Break-up Value or Fair Value or Net Asset Value (Company's Share) as on 1 April 2018	Book Value as on 1 April 2018
	Category			
1	Related Parties			
	(a) Subsidiaries	-	-	-
	(b) Companies in the Same Group	-	-	-
	(c) Other Related Parties	-	-	-
2	Other than Related Parties (Refer Note Below)	-	-	-
	<b>Total</b>	-	-	-
(Amount Rs. In Lakhs)				
7	Other Information	As at 31 March 2020		As at 31 March 2019
		Amount Rs. In Lakhs		Amount Rs. In Lakhs
		Related Parties	Other than Related Parties	Related Parties
(i)	Gross Non-Performing Assets	-	133.53	-
(ii)	Net Non-Performing Assets	-	-	-
(iii)	Assets Acquired in Satisfaction of Debt	-	-	-
<b>4 Loan Portfolio and Provision for Standard and Non-Performing Assets</b>				
<b>4 Current Year</b>				
	Asset Classification	Loan Outstanding as at 31 March 2020 (Gross)		Provision as at 31 March 2020
		Amount in Rs. Lakhs		Amount in Rs in Lakhs
	Receiveables under Financing Activities (including securitized assets)			Loan Outstanding as at 31 March 2020 (Net)
	Standard Assets	59,738.82	740.84	Amount in Rs. In Lakhs
	Non - Performing Assets	133.53	133.53	
	<b>Total</b>	<b>59,872.35</b>	<b>874.37</b>	<b>58,997.98</b>
<b>(b) Previous Year</b>				
	Asset Classification	Loan Outstanding as at 31 March 2019 (Gross)		Provision as at 31 March 2019
		Amount Rs.in Lakhs		Amount Rs.in Lakhs
	Receiveables under Financing Activities (including securitized assets)			Loan Outstanding as at 31 March 2019 (Net)
	Standard Assets	51,344.77	513.45	Amount Rs.in Lakhs
	Non - Performing Assets	132.09	132.09	
	<b>Total</b>	<b>51,476.86</b>	<b>645.54</b>	<b>50,831.32</b>

## (C) Previous Year

Asset Classification	Loan Outstanding as at 1 April 2018 (Gross) Amount Rs.in Lakhs	Provision as at 1 April 2018 Amount Rs.in Lakhs	Loan Outstanding as at 1 April 2018 (Net) Amount Rs.in Lakhs
<b>Receivables under Financing Activities (including securitized assets)</b>			
Standard Assets	47,079.71	470.80	46,608.91
Non - Performing Assets	48.48	48.48	-
<b>Total</b>	<b>47,128.18</b>	<b>519.27</b>	<b>46,608.91</b>

## 45 Changes in Provisions

## (a) Current Year

Particulars	As at 1 April 2019	Provision for the Year	Utilization/ Reversal	Amount Rs.in Lakhs As at 31 March 2020
Loans	645.54	337.98	(109.15)	874.37
<b>Total</b>	<b>645.54</b>	<b>337.98</b>	<b>(109.15)</b>	<b>874.37</b>

## (b) Previous Year

Particulars	As at 1 April 2018	Provision for the Year	Utilization/ Reversal	Amount Rs.in Lakhs As at 31 March 2019
Loans	519.27	182.74	(56.47)	645.54
<b>Total</b>	<b>519.27</b>	<b>182.74</b>	<b>(56.47)</b>	<b>645.54</b>

## 46 Disclosures of Fraud

## a) Current Year

Category	More than Rs. 1 lakh		Less than Rs. 1 lakh	
	Number of Instances	Amount in Rs. In Lakhs	Number of Instances	Amount in Rs. In Lakhs
Embezzlement of Cash				
- By Employees	Nil	Nil	5	0.24
- By Others				
<b>Total</b>	<b>0</b>	<b>-</b>	<b>5</b>	<b>0.24</b>

## b) Previous Year 18-19

Category	More than Rs. 1 lakh		Less than Rs. 1 lakh	
	Number of Instances	Amount in Rs. In Lakhs	Number of Instances	Amount in Rs. In Lakhs
Embezzlement of Cash				
- By Employees	4	10.55	-	-
- Fake loans granted	1	80.53	-	-
<b>Total</b>	<b>5</b>	<b>91.08</b>	<b>-</b>	<b>-</b>

## c) Previous Year 17-18

Category	More than Rs. 1 lakh		Less than Rs. 1 lakh	
	Number of Instances	Amount in Rs. In Lakhs	Number of Instances	Amount in Rs. In Lakhs
Embezzlement of Cash				
- By Employees	1	1.73	1	0.08
- By Others	-	-	-	-
<b>Total</b>	<b>1</b>	<b>1.73</b>	<b>1</b>	<b>0.08</b>

**Note:** The above summary is prepared based on the information available with the Company and relied upon by the Auditors.

## 46. Disclosure as required under Reserve Bank of India Master Direction DNBR. PD. 008/03.10.119/2016-17 (updated 16th April, 2019)

Net Interest Margin during the Year:

Particulars	For the Year ended 31 March 2020	For the Year ended 31 March 2019	For the Year ended 31 March 2018
Average Interest (a)	23.50%	23.56%	23.98%
Average effective cost for borrowing Interest (b)	13.50%	13.16%	14.75%
Net Interest Margin (a-b)	10.00%	10.40%	9.23%

The Average interest represents the effective rate at which loans have been disbursed to the customers for the year ended 31 March 2020, 31 March 2019 and 1 April 2018.

The Average interest cost of borrowings of the Company for the years ended 31 March 2020, 31 March 2019 and 31 March 2018 has been computed based on the monthly borrowing cost (including interest, upfront processing fee paid and other charges) divided by the average monthly balances of outstanding borrowings.

## 47 Disclosures of Transactions Pursuant to Regulation 34(3) of SEBI (LODR) Regulations, 2015:

S.	Loans and Advances in the nature of	As at 31 March 2020	As at 31 March 2019	As at 1 April 2018
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No	Loans	Amount in Rs. In Lakhs		Amount in Rs. In Lakhs		Amount in Rs. In Lakhs	
		Amount Outstanding	Maximum Amount Outstanding during the year	Amount Outstanding	Maximum Amount Outstanding during the year	Amount Outstanding	Maximum Amount Outstanding during the year
(a)	From Holding Company:	-	-	-	-	-	-
(b)	To Fellow Subsidiaries	-	-	-	-	-	-
	- No Fellow Subsidiaries during the Current Year	-	-	-	-	-	-
(c)	To Associates	-	-	-	-	-	-
	- No Associate during the Current Year	-	-	-	-	-	-
(d)	Where there is	-	-	-	-	-	-
	- No Repayment Schedule	-	-	-	-	-	-
	- Repayment Schedule beyond seven years	-	-	-	-	-	-
	- No Interest	-	-	-	-	-	-
	- Interest below the rate as specified in section 186 of the Companies Act, 2013	-	-	-	-	-	-
(e)	To Firms / Companies in which directors are interested (Other the (a) and (b) above)	-	-	-	-	-	-
(f)	Investments by the Loanee in the Shares of Parent Company and Subsidiary Company	-	-	-	-	-	-

**Note:** The information on maximum amount outstanding has been disclosed from the date on which the concerned director was appointed on the Board of the Company.

#### 48 Corporate Social Responsibility (CSR)

As per Section 135 of the Companies Act 2013, the company is required to spend Rs. 48.65 lakhs (Previous year: Rs. 28.41 lakhs) (2% of the average net profits of the Company made during the three immediately preceding financial years) towards CSR activities for the financial year 2019-20. Break up for the same is as follows:

- Gross Amount required to be spent during the financial year 2019-20 - Rs. 48.65 lakhs (Previous year- Rs. 28.41 lakhs)
- Amount spend towards CSR Activities as per Company's CSR Policy : Rs. 49.29 lakhs (Previous year- Rs. 26,17 lakhs)
- Unspent amount as on March 31, 2020: Nil (Previous Year- Rs: 2.24 lakhs)

#### 49 Statutory Reserve

As per Section 45-IC of the Reserve Bank of India Act, 1934, the Company is required to create a reserve fund at a rate of 20% of the net profit after tax of the Company every year. Considering the Profit after tax for the year ended 31 March 2020: Rs. 248.82 Lakhs is transferred to the statutory reserve as required under Section 45-IC of Reserve Bank of India (RBI) Act, 1934.

#### 50 The outbreak of COVID-19 pandemic across the globe and in India has contributed to a significant decline and volatility in the global and Indian financial markets and slowdown in the economic activities. Reserve Bank of India (RBI) has issued guidelines relating to COVID-19 Regulatory Package dated 27 March 2020 and 17 April 2020 and in accordance therewith, the Company has granted a moratorium period on the payment of all principal instalments and/ or interest, as applicable, falling due from 24 March 2020 and 31 May 2020 to all eligible borrowers. Subsequently, RBI has announced an additional moratorium for a period of 3 months from 1 June 2020 and the Company has granted the option to avail the moratorium to its members.

Further, the Company has, based on current available information and based on the policy approved by the board, determined the provision for impairment of financial assets. Given the uncertainty over the potential macro-economic impact, the Company's management has considered internal and external information including credit reports and economic forecasts upto the date of approval of these financial statement.

The Company is actively monitoring the impact of the global health pandemic on its financial condition, liquidity, operations, borrowers and industry. The Company has used the principles of prudence in applying judgments, estimates and assumptions based on the current estimates. In assessing the recoverability of assets such as receivables, loans, investments, financial assets and other assets, based on current indicators of future economic conditions, the Company expects to recover the carrying amounts of its assets.

The extent to which COVID-19 pandemic will impact the Company's financial results will depend on future developments, which are uncertain, including, among other things, any new information concerning the severity of the COVID-19 pandemic and any action to contain its spread or mitigate its impact whether government-mandated or elected by the Company. Given the uncertainty over the potential macro-economic condition, the impact of the global health pandemic may be different from that estimated as at the date of approval of these financial results and financial position and the Company will continue to closely monitor any material changes to future economic conditions.





## FAIR PRACTICES CODE

The Company shall abide by this **"FAIR PRACTICES CODE"** as applicable to the business of providing microfinance services to its WOMEN members. In order to enhance value and relevance to the Borrowers, this CODE would be subjected to review from time to time. Suggestions for improvement are expected from all quarters.

### 1. LOAN APPLICATION – PROCESSING

- Application forms for loans will include terms & conditions of the loan and the documents required to be submitted.

Applicant who has completed Group Recognition Test and submitted KYC documents to the satisfaction of the Company will be eligible to submit application for loan.

Receipt of completed application forms will be duly acknowledged.

All loan applications will be disposed off within a period of 4 weeks (or such extended time as mutually agreed upon) from the date of receipt of duly completed loan applications i.e. with all the requisite information and related documents.

Loan sanction letters incorporating all terms of sanction will be issued to members as & when sanctioned.

### 2. LOAN APPRAISAL AND TERMS/ CONDITIONS

- In accordance with Company's prescribed assessment procedures, each loan application will be appraised based on Company's guidelines viz. purpose, attendance at centre meetings, past repayment record, current income and repayment capacity

The sanction of loan along with the terms and conditions thereof is conveyed to the Applicant in writing.

### 3. DISBURSEMENT OF LOAN

- Disbursement of loans sanctioned shall be made only on compliance of terms and conditions including execution of loan documents governing such sanction.

Any change in the terms and conditions, including disbursement schedule, interest rate and processing charges, will be notified to the Borrower.

Changes in interest rates/processing charges will be effected prospectively only.

Company shall intimate the terms & conditions and interest rate to the borrower in the form of a pass book sheet.

Company shall frame internal principles and procedures to determine and adopt interest rates

and other charges and ensure that they are not excessive.

### 4. POST DISBURSEMENT

- A decision to recall/accelerate payment or performance shall be as per loan agreement entered into with the Borrower.

In the course of recovery, Company would not resort to harassment and avoid any conduct suggestive of any threat or violence.

Company shall conduct itself decently when its Authorized Persons visit the Borrower's place in case of need to recover dues and such calls will generally be between 0700 hours and 1800 hours, and shall also avoid visiting at odd hours/inappropriate/calamitous occasions.

A repayment holiday equivalent to the frequency of repayment (Weekly / Fortnightly / Monthly) from the date of disbursement will be permitted and the collection will start from the subsequent centre meetings.

### 5. GRIEVANCES – REDRESSAL

- In case of any complaint/grievance from the Applicants/Borrowers, Company's Officials will respond to redress it within 4 weeks and in case of dissatisfaction, they can take it to higher level for redress.

Contact details of Company officials are prominently displayed at offices for the benefit of loan applicants / Borrowers.

Company officials from Corporate Office and Controlling offices will make regular visits to interact with Centre/Group Leaders and loan Applicants/Borrowers to attend to complaints / grievances and ensure redressal.

### 6. ASSURANCE

- The company would refrain from interference in the affairs of the Borrower except for what is provided in the terms and conditions of loan sanction documents (unless new information, not earlier disclosed by the Borrower, has come to the notice of the Company as 'lender').

The Company will not discriminate between the loan applicants on the basis of gender, caste or religion

The Company is taking care to prevent inappropriate staff behaviour & also ensure timely grievance redressal.

The Company will always adhere to the Principle of being transparent and fair lending practices.

**UNCLAIMED DIVIDEND****Dear Shareholders,**

As per the applicable provisions of the Companies Act, all unpaid / unclaimed dividends are required to be transferred by the Company to the Investor Education and Protection Fund (IEPF) established by the Central Government after completion of seven years. Further, the Rules mandate that the shares on which dividend has not been paid or claimed for seven consecutive years or more be transferred to the IEPF.

Details of unclaimed dividends and their corresponding shares that may be liable to be transferred to the IEPF:

Year	Type of dividend	Dividend per share	Date of declaration	Due date for transfer to IEPF	Unclaimed amount as on March 31, 2020
2015-16	Interim Dividend	₹. 0.35	01 <sup>st</sup> August 2015	08 <sup>th</sup> September, 2022	834597.05

Full details of such unpaid / unclaimed dividends are regularly updated on the website of the Ministry of Corporate Affairs as well as the website of the Company ([www.smileltd.in](http://www.smileltd.in))

In case you have any unclaimed/ unpaid dividend in respect of the financial year mentioned above, please write to us / our Registrar and Share Transfer Agent at the following address for claiming the amount.

**Company Secretary & Compliance Officer**

R Venkatasubramanian  
S.M.I.L.E. Microfinance Limited,  
14/25, Chakrapani Street,  
West Mambalam, Chennai 600033

**Registrar and Transfer Agent**

Cameo Corporate Services Limited  
Subramanian Building,  
No.1, Club House Road,  
Near Spencers Signal on Anna Salai,  
Chennai- 600 002.

**பொருள்: பெறப்படாத ஈவுத்தொகை (இலாப பங்குத்தொகை)****அன்புடைய பங்குதாரர்களுக்கு,**

நிறுவனங்கள் சட்டம் மற்றும் பொருந்தக்கூடிய விதிகளின்படி, கொடுக்கப்படாத / பங்குதாரர்களால் பெற்றுக்கொள்ளப்படாத அனைத்து ஈவுத்தொகைகளும் (Dividend) மற்றும் அவற்றின் தொடர்புடைய பங்குகளும் ஏழு ஆண்டுகள் (7 years) நிறைவடைந்த பின்னர் மத்திய அரசால் நிறுவப்பட்ட முதலீட்டாளர் கல்வி மற்றும் பாதுகாப்பு நிதிக்கு (ஐ.இ.பி.எஃப்.) மாற்றப்பட வேண்டும்.

பங்குதாரர்களால் பெற்றுக்கொள்ளப்படாத ஈவுத்தொகை (Dividend) மற்றும் அவற்றின் தொடர்புடைய பங்குகளை IEPF க்கு மாற்றப்படும் தேதி மற்றும் விவரங்கள்:

ஆண்டு	ஈவுத்தொகை யின் வகை	ஒரு பங்குக்கு ஈவுத்தொகை	அறிவித்த தேதி	IEPF க்கு மாற்றப்படும் தேதி	மார்ச் 31, 2020 வரை பெற்றுக்கொள்ளப்படாத ஈவுத்தொகை
2015-16	இடைக்கால ஈவுத்தொகை	₹. 0.35	01 ஆகஸ்ட் 2015	08 செப்டம்பர் 2022	834597.05

அத்தகைய கொடுக்கப்படாத / பங்குதாரர்களால் பெற்றுக்கொள்ளப்படாத ஈவுத்தொகைகளின் (Dividend) முழு விவரங்களும் பெருநிறுவன விவகார அமைச்சகத்தின் வலைத்தளத்திலும், நிறுவனத்தின் வலைத்தளத்திலும் ([www.smileltd.in](http://www.smileltd.in)) தொடர்ந்து புதுப்பிக்கப்படுகின்றன.

மேலே குறிப்பிட்டுள்ள நிதியாண்டிற்கான பெற்றுக்கொள்ளப்படாத ஈவுத்தொகை (Dividend) இருந்தால், தயவுசெய்து எங்களுக்கு / எங்கள் 'பதிவாளர் மற்றும் பங்கு பரிமாற்ற முகவருக்கு' (Registrar & Transfer Agent) பின்வரும் முகவரிக்கு தெரிவிக்கவும்.

**நிர்வாக செயலாளர்**

வெங்கடசுப்ரமணியன் ர  
எஸ்.எம்.ஐ.எல்.இ. மைக்ரோபின்னஸ் லிமிடெட்,  
14/25 சக்கராபணி தெரு, மேற்கு மாம்பலம்,  
சென்னை- 600033 தமிழ்நாடு.

**பதிவாளர் மற்றும் பங்கு பரிமாற்ற முகவர்**

கேமியோ கார்ப்பரேட் சர்வீசஸ் லிமிடெட்,  
சுப்பிரமணியன் பிளாங், எண் 1,  
கிளப் ஹவுஸ் சாலை, அண்ணா சாலை,  
சென்னை- 600002 தமிழ்நாடு.

# SUCCESS STORIES







### **Nothing can stop Ms.Valarmathi from chasing towards her Goal**

Ms.Valarmathi runs a Fruit Stall in Redhills Main Market, Chennai, Tamil Nadu. Her husband is a wholesale Banana Vendor. She has one son who is working in the automobile industry as an

agent in exchange deals of four-wheelers. He is married to Ms. Ambika and they have got two sons. Ms. Ambika also helps her mother-in-law, Ms. Valarmathi in the family business.

Both Ms. Valarmathi & Ms. Ambika are our current members customers. Ms.Valarmathi started her fruit stall 20 years back and has been our member since 2010.

She is a happy customer of SMILE and the loan amount she takes helps her for booking of fruits thereby expanding her business. She also felt that the low interest rate compared to other MFIs is helping her a lot and she ensures timely repayment. With help from SMILE, she is working towards achieving a lifelong dream to construct her own house and to ensure proper education to her grandchildren.



### **There are definitely few Selvi's who are ever the precious pearl**

Ms. D. Selvi from Thoothikudi, Tamil Nadu, remains very confident and resilient even at the age of 55. She got married at 18 years and when she was 26, her husband passed away. Left being a

mother of two children, she handled the family as a single parent and nothing could stop her to ensure education to her two sons. Today both her sons are working in respectable private organizations and are settled in life.

She has been running a small flower shop near a Temple for almost 10 years now. She took a loan from SMILE Thoothukudi branch to run and expand her business. Now from a static flower shop, she had started selling flowers with a tricycle so that she can reach many more customers.

Her responsibilities as a single parent didn't end with bringing up her two sons. She is continuing the same with her grandchildren with the same enthusiasm. It goes without saying, she is a precious pearl from the ground of Thoothukudi.



**In order to rise from its own ashes, a phoenix must first burn & Ms. Ametha is sure to see a rise as Phoenix**

Ms. Ametha Bee from Royapuram, Chennai, Tamil Nadu, along with her husband started their tailoring enterprise from home way back in 2007. She is associated with our SMILE Kasimedu Branch since 2012. To enhance her overall income, she tried various options and

businesses. But nothing got materialised as expected. Funding was always a big challenge and there was a point when she lost all hope. She started looking out for daily wage jobs so that she can run the daily life of her family. But her inner perseverance and dream to become an entrepreneur never allowed her to sleep without reaching the goal. There was a thin line of hope which made her to run.

Not all times were fine for this couple. Before Covid 19, they had hoped to improve and had lots of plans to open a shop. They had undergone a tough time with zero business during the lockdowns. Still, they hope and sure to see a rebirth like a phoenix bird. The couple is confident that they will bounce back in the coming months and felt with MFIs like SMILE supporting them financially, they are sure to come up in their life.

Her perseverance and dream of becoming an entrepreneur is still making her to sustain and run towards her goal.



**Ms. Ramzan has hope to see Light at the end of the Tunnel**

Ms. Ramzan from Kodaikanal, Tamil Nadu, lives with her husband, Son, daughter-in-law, and grandchildren. The family started a Chocolate shop at Kodaikanal with the help of a loan by our SMILE Kodiakanal branch. After

stabilizing her shop, she now started selling Bags in the same shop.

Since it's all about seasonal business at Kodaikanal, Ms. Ramzan says that it's very important to exploit the seasonal business cycles. She had tough times running the shop as many times due to less walk-in customers, the stocks used to get expired and she had to throw them which resulted in losses. There were times when she had to hide herself from her suppliers. Slowly she understood how to plan and manage her business.

Her next plan is to open a cycle shop and she is determined to achieve it. Ms. Ramzan, an entrepreneur is definitely seeing Light at the end of the Tunnel and hence her journey of business expansion continues. She is ever grateful to SMILE for the timely support and funding in running and expanding the business.





### **Think Big & Think Beyond is the vision of Ms. Arputha Mary**

Ms. Arputha Mary is in the business of selling Rangoli Powder (Coloured powder used for floor murals/art during festival times) wholesale and retail across Tamil Nadu. She has her shop at Thindivanam, Tamil Nadu

Her family includes her husband who owns a cab and uses it to deliver the products, 2 sons and 1 daughter and all the 3 are school-going children. Life wasn't as imagined always. They had to borrow money from pawnbrokers at high rates of interest and ended up paying most of her margins to service these loans.

With a full smile on her face, Ms. Arputha Mary proclaims that MFI loans are a real blessing to them. MFIs are easily approachable, charge nominal interest rates, and provide timely support. She said MFIs made us bid a big bye to pawnbrokers.

Think Big & Think Beyond is Ms. Arputha Mary's vision. Yes, she has big plans for her children education and through her business has plans to give employment to many in the coming years.



### **Ms. V. Bhuvaneswari, woman who inherited that "Many things in life have fallen only to Rise Higher"**

Ms. Bhuvaneswari, housewife till few years back and today's Entrepreneur, has been a member of us for the last 3 years.

Her husband drives auto on a rental basis and obviously, there is no stability in income. She has a daughter who goes to school. She felt it's her responsibility to support the family to improve the

financial status. Three years back, she decided and with a well-planned thought, joined a tailoring course and started stitching from home.

Ms. Bhuvaneswari was able to meet out the family requirements till Covid time. During Covid, since her husband's auto earning got stopped, very smartly she planned and started a tailoring institution by adding two more machines in her business. This earning, though less, has been very timely at this point and paves way to increase production capacity as soon as demand picks up like pre-covid days.

Her ambition is to expand her tailoring institution and also try out for exporting stitches. She is a great example of woman entrepreneurship, who knows how to capitalize on opportunities and someone who believes that every fall is only to rise higher



**Ms. Sabita has a clear vision & when the vision is clear, Strategy is easy**

Ms. Sabita Kamaro owns a grocery store at Bajara Village near Wadrafnagar town, Chattisgarh State. Her husband works as a daily-wage farm labourer and she has got 3 school-going children.

Like every parent, Ms. Sabita also has got a vision to give the best education to her kids, and hence she concentrates more on expanding her business to support the family financially. With aspirations and with great determination, they tried to run the shop despite huge expenses. She keeps thinking all the time about running the shop and makes it a profitable one day to support her aspirations.

Most of her customers bought products on credit, payable monthly and this had become a big constraint to manage her daily working capital requirement which she used to manage by borrowing from local money lenders at high costs. But she never wanted to say 'No' to any of her customers and go with their choice as she strongly felt that she had to build her customers loyalty initially. There were few days where she had to manage one time meal for the family. Ms. Sabita was so strong that she will never fail and hoped to see the positive days soon. This made her successful in her attempt.

In order to stock materials, she had approached SMILE Microfinance and took loan which she used initially to repay her high cost loans and later to start investing in to her business. She kept an eye on other shops to understand how they manage to run the shop and sometimes without any hesitations she had approached the shopkeeper and enquired her queries. She built her business by herself learning. Ms. Sabita's clear vision made her to try various options to build her business and she is so grateful to SMILE MFI from whom she got the loan.



**One day I will be at the place I always wanted to be.**

Ms. Renu Pathak, Garhwa, Chattisgarh state, runs a petty general grocery store which includes vegetable sales since 2014. Lots of dreams and hopes include building a new house for the family and education for their two children.

Ms. Renu could see a decent transformation of their shop from 2014 to 2020 and she has a plan to make it a supermarket. But she was clueless about sources of investment. She approached many banks during the year 2015-16 but nothing worked out. In March 2020, she heard about SMILE and got a loan from us and she is now very confident that her dream will come true in the next two years.





**To Ms. Kamarusisa, a satisfied business is her success in life**

Ms. Kamarusisa along with her husband Mr. Kamarudheen runs their own business at Kallepilly, Palakkad, Kerala. Their daughter is doing her college studies and her son is working in a shop.

Passionate about catering and running a food counter shop drives her to involve and grow in this business to date. Procuring raw material and managing

the show wasn't easy even for Ms. Kamarusisa and initially, she had to take private loans at a higher interest rate.

Last three years, being a member of SMILE has saved a lot of money in interest costs and is a happy customer of ours. She is confident of opening a hotel soon with our support. She would like her son to take over the hotel once it's established and she strongly feels and enjoy the satisfaction she gets by serving quality food to the customers.

